

DYNAMIC RELATIONSHIP BETWEEN SMALL & MEDIUM ENTERPRISES AND UNEMPLOYMENT: SPECIAL REFERENCE TO LAGOS STATE, NIGERIA

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Abstract

This paper delves into the intricate interplay between Small and Medium Enterprises (SMEs) and unemployment, with a particular focus on Lagos State, Nigeria. As one of the most populous and economically vibrant states in Nigeria, Lagos provides a unique context to examine the impact of SMEs on employment dynamics. Though the Small and Medium Enterprises in Nigeria are performing below expectation but still contributing to the gross domestic product and reduce the rate of unemployment. The inability to meet up with befitting business environment, economic dimension and technology turbulent are major issues that SMEs are facing. This study looks into dynamic relationship between small and medium scale enterprises and unemployment with special reference to Lagos State. The study employed a cross sectional research design, while a multi-stage sampling technique was used for the study, approximately 382 was sample size but 500 copies of the questionnaire were distributed, 432 were returned and 424 found usable. Multiple Regression was utilised for data analysis. The findings revealed that to achieve a full employment rate, the government should try to put more and likely pressure on the mass in the creation of more SMEs, which could increase the Gross Domestic Product of the economy. The study concludes that there are positive and significant relationship between the variables and their dimensions.

Keywords: *Small and Medium Enterprises, Unemployment, Economic Development, Government Policies.*

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1. INTRODUCTION

Developing economies seems to be faced with serious challenges on the issues of generating employment, reducing poverty, income growth, etc. and find it very difficult in sustaining economic growth because of the high number of the youths, which are unemployed. Nigeria also has so much common factors as India because she was also blessed with young vibrant population with entrepreneurial growth. However, this can only be achieved when the necessary, imperatives are put in place to promote the SMEs by using the youth entrepreneurship as the driving vehicles. Youth entrepreneurship has become more important to the society than it has ever been when considering the rate of youth unemployment situation in Nigeria. The results of youth unemployment are very disastrous. Some recent experiences in Nigeria considering the youth in the Niger Delta region and when there were a youth gang clashes in Lagos and other cities are because of unemployment.

Despite importance of SMEs and priority given to it by the serious economies, numbers of challenges were as well generally noticed to be hindered the progress recorded so far which can be grouped into internal (inadequate fund, inaccurate mode of operation, poor accounting records among others) and external (epileptics power supply, poor infrastructural facilities, high bank interest rate among others) in Nigeria. Based on the fact stated above (business environment, technology turbulent and economic dimension) the existing literature are very scanty to address the problems and this gave room for the study to bridge the gap.

The broad objective of the study is to find out the relationship between small and medium enterprises and unemployment in Lagos State, Nigeria. While the specific objectives are to i. examine the effect of business environment regarding the reduction of unemployment in Lagos state Nigeria, ii. investigate the effect of technological changes on the reduction of unemployment in Lagos State, Nigeria and iii. examining the effect of economic factors on the reduction of unemployment in Lagos State, Nigeria. Based on the above objectives, the below relevant questions were raised and to be addressed, i. How as the business environment reduces the unemployment rate in Lagos state, Nigeria? ii. What are the effects of technological changes on the reduction of unemployment in Lagos Nigeria? and iii. How as economic factors affect the reduction of unemployment in Lagos State, Nigeria? Three hypotheses were formulated to test for the above questions, H₀1: Business Environment has no significant effects on unemployment (evolving technology, government policies, competition) in Lagos state, Nigeria, H₀2: Technological changes have no significant effect on the reduction of

unemployment in Lagos State, Nigeria and H₀₃: the economic factors have no significant effect on the reduction of unemployment in Lagos State, Nigeria

2. LITERATURE REVIEW

Bello, Jibir and Ahmed (2018) explained that for a country to experience sustainable economic growth through reduction in unemployment, reduction in the poverty rate as a result of small and medium scale enterprises (SMEs) intervention. They concluded that SMEs should be referred to as the economic and social engine for country development. They believed that SMEs is the key ingredient which is needed for economy development of developing and emerging economies as well as to sustain growth of developed economies. Gbam (2017) researched on the impact of SMEs on employment generation in Plateau State, Nigeria. In which he made use of the survey research method. Which include a total of 133 small business owners in the questionnaire administration, and he used the Chi-square analysis for data analyses. The study later explained that SMEs have a significant impact on employment generation in Plateau State because they help in the expansion of markets for local goods and services, improved economic growth and development, and a reduction in the unemployment problems of the state.

Acho and Abuh (2018) examined the contributions of small-scale enterprises to the development of the Nigerian economy, and they used the Polytechnic Energy Product (PEP) Ventures, Federal Polytechnic, Idah, Kogi State as case study. They opined that when there is effective management in small scale enterprises it helps in enhancing the development of Nigerian economy. And also reduced the rate of unemployment they also brought out the challenges which militates the small scale businesses is the financial challenges and its affect their contribution to the development of Nigerian economy.

3. METHODOLOGY

Using the approach, data is gathered with the use of measurement techniques, by analyzing to determine the trends and relationships, which lies between the variables, and verification of the measurements made. Watson (2015). The study comprises of total registered SMEs in Lagos State, which according to SMEDAN/NBS was 8,395 that span across the subsection of SMEs. Data was source through registered SMEs records of SMEDAN/NBS.

4. DATA PRESENTATION AND ANALYSIS

4.1.

In the present case of how as the business environment the reduction of unemployment in Lagos state Nigeria the model summary table looks like below.

Table 4.1.1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.430 ^a	.185	.152	.400

a. Predictors: (Constant), Q18, Age, maritastatus, Q15, q1, Q8, gender, Q7, Q2, years of experience, Q14, Q17, Q4, Q3, Q6, Q5, Q16

Elements from table 4.1.1 is relevant for interpreting the results:

R-value represents the correlation between the dependent and independent variable. A value greater than 0.4 is taken for further analysis. In this case, the value is .430, which is good. R-square shows the total variation for the dependent variable that could be explained by the independent variables. A value greater than 0.5 shows that the model is effective enough to determine the relationship. In this case, the value is .185, which is not good enough.

Table 4.1.2

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.207	17	.895	5.577	.000 ^b
	Residual	67.041	418	.160		
	Total	82.248	435			

a. Dependent Variable: Educational Qualification

b. Predictors: (Constant), Q18, Age, maritastatus, Q15, q1, Q8, gender, Q7, Q2, years of experience, Q14, Q17, Q4, Q3, Q6, Q5, Q16

Elements from table 4.1.2 relevant for interpreting the results are:

P-value/ Sig value: Generally, 95% confidence interval or 5% level of the significance level is chosen for the study. Thus the p-value should be less than 0.05. In the above table, it is .000. Therefore, the result is significant. **F-ratio:** It represents an improvement in the prediction of the variable by fitting the model after considering the inaccuracy present in the model. A value is greater than 1 for F-ratio yield efficient model. In the above table, the value is 5.577, which is good.

These results estimate that as the p-value of the ANOVA table is below the tolerable significance level, thus there is a possibility of rejecting the null hypothesis in further analysis.

4.2.

Another table which is generated in a linear regression test in SPSS is Model Summary provides detail about the characteristics of the model.

Table 4.2.1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.556 ^a	.309	.276	.543

a. Predictors: (Constant), q35, q27, Age, maritastatus, q30, q34, q21, gender, q31, Educational Qualification, q26, q19, q32, q24, q33, q23, q29, q28, q25, q22

Elements from table 4.2.1 is relevant for interpreting the results:

R-value represents the correlation between the dependent and independent variable. A value greater than 0.4 is taken for further analysis. In this case, the value is .556, which is

good. R-square shows the total variation for the dependent variable that could be explained by the independent variables. A value greater than 0.5 shows that the model is effective enough to determine the relationship. In this case, the value is .309, which is not good enough.

Table 4.2.2

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	54.769	20	2.738	9.298	.000 ^b
	Residual	122.229	415	.295		
	Total	176.998	435			

a. Dependent Variable: years of experience

b. Predictors: (Constant), q35, q27, Age, marital status, q30, q34, q21, gender, q31, Educational Qualification, q26, q19, q32, q24, q33, q23, q29, q28, q25, q22

Elements from table 4.2.2 is relevant for interpreting the results are:

P-value/ Sig value: Generally, 95% confidence interval or 5% level of the significance level is chosen for the study. Thus the p-value should be less than 0.05. In the above table, it is .000. Therefore, the result is significant. **F-ratio:** It represents an improvement in the prediction of the variable by fitting the model after considering the inaccuracy present in the model. A value is greater than 1 for F-ratio yield efficient model. In the above table, the value is 9.298, which is good. These results estimate that as the p-value of the ANOVA table is below the tolerable significance level, thus there is a possibility of rejecting the null hypothesis in further analysis.

4.3 In the present case of the hypothesis two what are the effects of technological changes on the reduction of unemployment in Lagos Nigeria the model summary table looks like below.

Table 4.3.1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.737 ^a	.543	.522	.329

a. Predictors: (Constant), q50, q45, maritalstatus, q41, q48, q37, q46, q38, Age, q47, q40, q44, years of experience, q43, Educational Qualification, q39, q49, q36, q42

Elements of table 4.3.1 are relevant for interpreting the results:

R-value represents the correlation between the dependent and independent variable. A value greater than 0.4 is taken for further analysis. In this case, the value is .737^a, which is good. R-square shows the total variation for the dependent variable that could be explained by the independent variables. A value greater than 0.5 shows that the model is effective enough to determine the relationship. In this case, the value is .543, which is not good enough.

Table 4.3.2

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	53.629	19	2.823	26.049	.000 ^b
	Residual	45.075	416	.108		
	Total	98.704	435			

a. Dependent Variable: gender

b. Predictors: (Constant), q50, q45, marital status, q41, q48, q37, q46, q38, Age, q47, q40, q44, years of experience, q43, Educational Qualification, q39, q49, q36, q42

Elements of table 4.3.2 are relevant for interpreting the results are:

P-value/ Sig value: Generally, 95% confidence interval or 5% level of the significance level is chosen for the study. Thus the p-value should be less than 0.05. In the above table, it is .000. Therefore, the result is significant. **F-ratio:** It represents an improvement in the prediction of the variable by fitting the model after considering the inaccuracy present in the model. A value is greater than 1 for F-ratio yield efficient model. In the above table, the value is 26.049, which is good.

These results estimate that as the p-value of the ANOVA table is below the tolerable significance level, thus there is a possibility of rejecting the null hypothesis in further analysis.

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The major findings of this research work are presented in this section. This section also provides a formal conclusion of the findings on the study of the effects of SMEs (with respect to business environment, technology turbulence and economic dimension) on Unemployment (evolving technology, government policy and business competition) in Nigeria. It covers the following issues, implications, recommendations to organisations, the main contributions of the study to the frontier of knowledge, suggestions for further studies and the limitations of the study

Conclusion

This research work was carried out to investigate the effects of SMEs (with respect to business environment, technology turbulence and economic dimension) on Unemployment (evolving technology, government policy and business competition) in Nigeria. The findings from this study have led to the conclusions reported below.

1. There exists positive but insignificance business environments on unemployment.
2. The result shows there is causalities which are unidirectional coming from the technological turbulence to unemployment which means the presence of some technologically factors leads to obsolesce and retrenchment of staffs.

3. Above all the results also revealed that there is a positive relationship between the economic dimensions and unemployment and also show positive coefficients with the variables

Recommendations to organizations

Based on the findings of this study, the following recommendations are suggested

1. This research suggests that there is an area of shift in policy for government and policy maker so as to have a strategy of economic diversification in order to reduce the rate of unemployment and in achieving improvement on positive coefficient and probability to be highly significance and not insignificance level
2. With the results from the above chapter, there is a suggestion that the area of policy shift for the government to allow the mass to be able to access more loan facilities as a way of reducing unemployment.
3. To achieve a full employment rate the government should try to put more and likely pressure on the mass in the creation of more SMEs, which could also increase the country gross domestic product (GDP).

Other recommendations, which are similar to the studies, could be carried out in other sectors, which are different from the researcher's choice to make evaluation

Contribution to knowledge

1. **Exploration of SMEs and Unemployment Dynamics:** The study provides insights into how SMEs, despite their performance below expectations, still contribute to the gross domestic product and mitigate the unemployment rate. This exploration sheds light on the critical role of SMEs in economic development and employment generation.
2. **Identification of Challenges:** The research identifies various challenges hindering the progress of SMEs, both internal (such as inadequate funding and poor operational methods) and external (like power supply issues and infrastructural deficiencies). By pinpointing these obstacles, the study contributes to a better understanding of the factors affecting SMEs' effectiveness and their impact on unemployment rates.
3. **Empirical Analysis:** Through empirical analysis using a cross-sectional research design and multiple regression techniques, the study provides quantitative evidence of the relationship between SMEs and unemployment in Lagos State. This empirical approach

adds robustness to the findings and enhances their applicability in policy formulation and decision-making processes.

4. **Policy Recommendations:** Based on the findings, the study offers actionable policy recommendations aimed at addressing unemployment through the promotion of SMEs. Suggestions include strategies for economic diversification, improved access to loan facilities for entrepreneurs, and government initiatives to stimulate SME growth. These recommendations provide valuable insights for policymakers and stakeholders seeking to enhance employment opportunities and economic development.
5. **Implications for Further Research:** The research highlights areas for future investigation, encouraging scholars to explore similar studies in different sectors or regions. By acknowledging the limitations of the current study and suggesting avenues for further research, it contributes to the ongoing scholarly discourse on SMEs, unemployment, and economic development.

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