Small and Medium Scale Enterprises (SMEs) and Employment Generation in Taraba State Central Zone, Nigeria

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Abstract
Evidence around the world indicate that SMEs provide an effective means of stimulating indigenous entrepreneurship, enhancing greater employment opportunities per unit of capital invested and aiding in development. To better understand the nexus, the study investigates small and medium scale enterprises (SMES) and employment generation in Taraba State central zone. Survey research design was used; the population of the study was 780. Using Yamane's (1967) technique, 264 respondents were selected and served with questionnaires which were all duly completed and retrieved, representing 100%. Data was presented in tables using frequency distributions, percentages, mean scores, and standard deviations to illustrate patterns in the opinions of respondents. It was concluded that high interest rates, high taxation, low innovation capacity, cyber security threats, high utility costs and inadequate infrastructure are the basic challenges that hinder against SMEs. Thus, the study recommended that financial institutions through central bank of Nigeria (CBN) directives should provide loans to small and medium scale enterprise operators with ease devoid of bureaucratic process for the operation of their businesses.

Keywords: *Employment, Poverty, Taraba Central Zone, SMEs*

1.1 Introduction

According to World Bank (2022), 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs. However, access to finance is a key constraint to SME growth, it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries. In realization of the centrality of SMEs as drivers of economic growth in Nigeria through ensuring a shift from crude oil export as a major source of government revenue to an industrial and service

driven economy, concerted efforts in terms of policy guidelines and interventions have been initiated and implemented by successive governments at all levels to accelerate the growth and viability of the SME sector. Agencies such as Small and Micro Enterprise Development Agency (SMEDAN, 2021), and the Bank of industry, for instance, were established to provide technical support and low interest loans, while the Small and Medium Enterprise Industries Equity Investment Scheme (SMIEIS) mandates commercial banks to invest at least 10% of their pretax profit in SMEs. In 2014 the Central Bank of Nigeria (CBN) launched 220 Billion naira SMEs intervention fund.

The growth of the SMEs is vitally necessary for employment, income generation and poverty reduction in developing economies. In Nigeria, governments at all level (Federal, state and local) through budgetary allocations, policies and pronouncements have signified interest and acknowledged the crucial role of SMEs to social and economic development. Hence made policies for the promotion and development of the SMEs and Taraba state is not an exception. These policies and programs include Entrepreneurship Development Funds (EDF), Community-Based Poverty Reduction Programme (CPRP), Community and Social Development Project (CSDP), Trade Intervention Funds (TIF), and Rescue Teachers Progamme which have now been fully implemented at the state and local level. In light of these considerations, this study seeks to investigate the challenges facing small and medium scale enterprises (SMEs) in Taraba State central zone. Using survey design method, the study focused exclusively on operators of SMEs in Taraba State central zone.

2.1 Literature Review

2.1.1 Empirical Literature Review

There has been an avalanche of empirics on SMEs on poverty reduction. These studies have come with mixed results. Some of these studies are selected and reviewed as follows:

There exist different views as regarding to impact of SMEs on poverty reduction. Considering techniques of acquiring skills which includes entrepreneurial training exercise, capital incentives, some studies proves that it aid in income generation, which consequently eradicate poverty and extreme hunger While some argues that SMEs does not have any impact in enhancing the lives of youths. For instance, Mohammed et al (2016) asserted that SMEs play a vital role in developing countries like Nigeria for eradicating poverty through growth of the economy, employment generation, mobilization of resources and entrepreneurship skill, better utilization of local resource, equitable distribution of income, rural development and creating regional balance, growth of various development activities and supports the growth of large industries by providing components and semi-finished goods. This is also justified in the work of Ermias et al (2017) their findings revealed that SMEs are very important for reducing unemployment and poverty among vulnerable groups, he recommended that SMEs has a potential to support the Nigerian economy in achieving its development goals, creation of high value-added industries, increase income and domestic saving, promotion of large-scale manufacturing industries, creation of employment opportunities, creation of female-oriented businesses and creation of investments. Likewise, the works of Faki (2013) showed that SMEs play a role in poverty alleviation, accelerating the achievement of economic independence and also have the potential to utilize idle labor force and generate income to the incumbents including owners, employees and laborers. The study further added that, the developments of SMEs help to reduce the proportion of foreign capital and skills by indigenous ones. Moreover, Tefera et al (2013) reviewed that a dynamic and growing sector of SMEs contributed to the realization of a wide range of development objectives such as the

attainment of income distribution and poverty reduction, employment generation, mobilization of savings and production of goods and services that satisfy the basic needs of the poor. The study concluded that the importance of SMEs in general is making significant contributions in addressing socio economic problems such as unemployment, poverty, income inequalities, political stability and economic growth among others.

In the contrary, Jegede, Irewole, and Dada (2019) observed that SMEs have not yield significant impact in alleviating poverty, since unemployment rate are still very high. They posited that corruption in government circle as well as weak leadership, non-involvement of the youths in policy making process, refusal of older politicians to resign and give way for younger politicians with fresh innovative ideas to join the Federal Executive Council, social conflicts and environmental factors to be major challenges undermining achievement of policy goals. Likewise, Matthew & Victor (2018) evaluated the impact of entrepreneurship program in Ondo state, observed insignificant effect of program in reducing unemployment. However, they note that inadequate entrepreneurial skills among the people of Ondo State is the major undermining factor affecting the efficient program goal (reduction in unemployment) hence reducing poverty in the state.

3.1 Methodology

3.2 Research Design

A survey research design was used in this study because the population is relatively large; a portion was sampled and data was obtained through questionnaires.

3.3 Study Area

The study covers the five local government areas in Taraba central senatorial zone. This includes Bali, Gashaka, Gassol, kurmi and Sardauna local government areas.

3.4 Population of the Study

The population of the study comprises of all SMEs operators in Taraba State central senatorial zone. Using the SMEs category`s register from the department of commerce and industries, the total population of the study is 780.

3.5 Sample Size

With the desire to manipulate the enormous population and to avoid errors when calculating large numbers, Yamane (1967) was adopted to ensure that the sample size adequately represents a large number of strata being studied. Yamane's formula was concerned with the application of normal approximation with a 95% confidence level and 0.05% allowed error. The sample size is mathematically represented as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n = Sample Size
N = Population of the Study
e = Level of "error" which is assumed to be 5% or 0.05
1 = Constant factor
Solution:

With a total population of 780 for both teachers and students in senior secondary schools in Taraba State, the sample size (n) is 264. Equally the larger the sample size the more information will be gleaned to reduce uncertainty (Marley, 2017). Therefore, the total sample size "n" that is, the total targeted respondents was 264.

3.6 Sampling Technique

Since the researcher cannot reach the entire population in order to obtain response in relation to the research objectives, Taraba State central senatorial zone will be divided into the five local government areas that made up the zone; therefore, out of the several methods of sampling available, stratification sampling technique was adopted because it is a method of sampling wherein the population to be inferred from, is divided in to strata (Gauru, 2005). This method was employed in order to have representation of each of the five local government areas. This is because the population does not constitute a homogenous group. Thereafter, 52 SMEs owners were selected from each of the five local government areas totaling 264 SMEs operators. They were purposively selected based on their accessibility to the researcher.

3.7 Instrument for Data Collection

A questionnaire was used as an instrument for data collection. This is because considering the nature of the research it is the most feasible way of collecting data compared to other instruments like interviews among others. Therefore, a self-designed questionnaire was used. The questionnaire adopted five steps Likert-Scales which consists of Strongly Agree (SA), Agree (A), Neither Agree nor Disagree (NAD), Disagree (D), and Strongly Disagree (SD) options. Likert Scale which according to Likert (1932) is used to gauge attitudes, values, and opinions is consistent with the survey research design that this study will adopt. Besides that, is appropriate to solicit information from the respondents in a cross-sectional study (Gauru, 2005).

3.8 Validation of the Research Instrument

Validation of the measurement tool (research instrument) for this study, involved a pilot test. Porta & Keating (2008) see a pilot test as a small-scale test of the methods and procedures to be used on a larger scale. To do this, about 10% of the sample size was administered questionnaires. This was done in the two local government areas in the zone. Schattner, Hassan, and Mazza (2006) believe that a pilot study is necessary and useful in providing the groundwork for a research project. They maintained that it helps determine the feasibility of the study protocol and test the measurement instrument to ensure that the questionnaire items accurately address the research questions. It also determines whether the questionnaire is comprehensible and clearly understood.

3.9 Method of Data Collection

To simplify the process of data collection, the researchers recruited two research assistants from each of the local government areas under study; they were trained and closely supervised by the researchers who also monitored the data collection. The instrument was personally distributed to the selected respondents. This is because personal distribution is the most feasible way of collecting data compared to other methods like telephoning among others.

3.10 Method of Data Analysis

The questionnaire administered was retrieved. Data screening was carried out to avoid the problem of outliers[1]. Outliers distort parameters which will bring about errors. Results were determined using descriptive statistical tools like frequency distributions, percentages, mean scores, and standard deviation *with the aid of STATA statistical software. These tools were used because they are the most appropriate for analyzing Likert scale data; this position is corroborated by Gail & Anthony (2013). Equally, using three different tools will minimize the possibility of error and reinforce the reliability of the results.*

4.1 Result and Discussions

4.2 Decision Rule

To capture the objectives for which the study was poised to achieve, descriptive statistical tools were employed in analyzing the data collected during the study; this involved the use of tools like frequency distribution tables, percentages, mean scores, and standard deviations. Descriptive statistics are best placed to give accurate summaries of the distribution of data. It's also a term normally given to the analysis of data that helps show, describe, and summarize data in a meaningful way such that patterns might emerge from the data (Lee and Lee, 2000). For the mean score ($\bar{X}$), the decision rule that served as the basis for acceptance or rejection was determined based on the decision rule of a 4-point rating scale (4+3+2+1)/4 = 2.5; therefore responses with mean score ($\bar{X}$) up to the above 2.5 were regarded as good while those mean scores ($\bar{X}$) below 1.9 were regarded as not so strong or good. For the standard deviation (∗) which measures the amount of variation of values from its mean score, the decision rule is that the deviation of actual data from their mean values should be very small (Agung 2004 in Bubari & Salisu, 2019).

4.3 Response Rate and Outlier

A total of 264 copies of questionnaires have been distributed, filled out, and returned. Specifically, after the data collection, there were no outliers to be excluded. Therefore, all copies of questionnaires have represented the sample. Outliers are those scores that are significantly dissimilar from all others in a given set of data (Bryne, 2010; Hair, Black, and Babin 2010).

Out of 264 questionnaires as envisaged, all copies of the questionnaires were considered and finally retained for further analysis. Therefore, a total of 264 respondents constitute the sample for this study, this shows a good response rate of 100% that covers a wide range of responses. This rate is considered sufficient and is within the guidelines of Sekran (2003), Saunders, Lewis, and Thornhill (2003) which state that a response rate of at least 50% in survey research is practical to meet research analysis and thus acceptable. This response rate indicates that the researcher collected adequate data to proceed to analysis.

4.4 Major challenges facing SMEs in Taraba State central zone

The information in Table 4.1 gives insight into the responses given by the respondents to the second research objective which sought to find out the major challenges facing SMEs in Taraba State central zone with six inquiries addressed. From the result, respondents` perceptions came on

[1] Outliers are those scores that are significantly dissimilar from all others in a given set of data (Bryne, 2010; Hair, Black, and Babin 2010).

the same page (strongly agreed) that high interest rates, high taxation, low innovation capacity, cyber security threats, high utility costs and inadequate infrastructure are the major challenges facing SMEs in the study area. This is evidenced by their respective significant means scores and standard deviations as can be seen in table 4.1.

In a general note, the estimated results have shown high interest rates, high taxation, low innovation capacity, cyber security threats, high utility costs and inadequate infrastructure are the basic challenges that hinder against SMEs. The finding is consistent with the findings of Akinade (2023), Makinde (2022), Odu (2020), Ogunyemi (2022), Oladejo (2021), and Abdullahi (2022) who investigated the problems militating against SMEs in Nigeria.

Table 4.1 Major challenges facing SMEs in Taraba State central zone

S/N	Item Statement	SA	A	NAD	D	SD	$\bar{X}$	*
1	High Interest Rates	132 (50)	90 (34.1	19 (7.2)	20 (7.6)	3 (1.1)	1.916	0.902
2	High Taxation	117 (44.3	99 (37.5	16 (6.1)	27 (10.2	5 (1.9)	1.946	1.008
3	Low Innovation Capacity	106 (40.2	98 (37.1	14 (5.3)	36 (13.6	10 (3.8)	2.037	1.159
4	Cyber Security Threats	117 (44.3	102 (38.6	14 (5.3)	25 (9.5)	6 (2.3)	1.967	1.032
5	High Utility Costs	96 (63.4	106 (40.2	27 (10.2	21 (7.9)	14 (5.3)	2.056	1.123
6	Inadequate Infrastructure	75 (28.4	101 (38.3	33 (12.5	40 (15.1	15 (5.7)	2.314	1.197

Source: Computed and Compiled by the Researchers using STATA 15 (2025)
Note: *, denotes means score acceptance
Figures in ( ) are percentages
N=264

5.1 Summary, Conclusion and Recommendations

The study set out to investigates small and medium scale enterprises (SMES) and employment generation in Taraba State central zone. The survey design research was used, and the population of the study was 780. Using Yamane's (1967) sample size technique, 264 respondents were selected and served with questionnaires which were all duly completed and retrieved, representing 100%. Data was presented in tables using frequency distributions, percentages, mean scores, and standard deviations to illustrate the opinions of respondents. It was concluded that high interest rates, high taxation, low innovation capacity, cyber security threats, high utility costs and inadequate infrastructure are the major challenges deviling SMEs in the study area.

In line with the research findings as embedded in section four, it becomes expedient that recommendations from the findings be made to advice policymakers and implementers on the best way to handle policy issues and programs regarding SMEs. In light of this, the following policy recommendations are germane and apropos to ensure the appropriate progress of SMEs in Taraba State central zone:

i. Financial institutions through Central bank of Nigeria (CBN) directives should provide loans to small and medium scale enterprise operators with ease devoid of bureaucratic process for the operation of their businesses.
ii. Nigeria banks should encourage development of SMEs through reduction of interest rates.
iii. Government should take steps in setting up enterprise development agencies in every state of the federation to serve as coordinating unit that will help business enterprises as well as reduce unemployment, poverty and its attendant effect on economic growth.
iv. Government should give more opportunities for micro finance banks to operate so that they can give loans to SMEs

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