

**MICRO-ENTERPRISES AND EMPLOYMENT GENERATION IN NIGER STATE: A  
CASE STUDY OF PETTY BUSINESS CENTRE'S IN SOME SELECTED TERTIARY  
INSTITUTIONS.**

By

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***ABSTRACT***

*Unemployment in Nigeria is one of the most critical problems the country is facing. Hence the study is aimed at examining the role of micro – enterprises in employment generation, a case study of petty business centre's in some selected tertiary institutions in Niger State. In the study, one hypothesis was formulated and tested. The hypothesis was subjected to chi-square test for significance at .05 level. The result shows that the computed chi-square value when compared with the critical value greatly exceeded the critical value and that led to the rejections of the null hypotheses. In carrying out the study, designed questionnaire were specifically used and administered to sixty (60) stratified random sample selections of respondents drawn from three (3) tertiary institutions in Niger State. The findings obtained from the study shows that partnership business centres's employed more workers than sole proprietorship business centre's. Based on the findings; it has been recommended that people should be encourage to established partnership business centre's to enable them generate more employment*

## **INTRODUCTION**

Unemployment is one of the developmental problems that face every developing economy in the 21<sup>st</sup> century. International statistics portray that industrial and service workers living in developing regions account for about two-thirds of the unemployed. (Patterson et al, 2006).

Micro – enterprises which is a subject of small enterprises plays a pivotal role in economic development of any nation, and making vast majority of people to be small entrepreneurs and employers.

The emergence of the concept “micro-enterprise” in the developing world in 1976 was founded by Dr. Mohammad Yunus through the establishment of Grameen Bank (Bank of the poor) in the country of Bangladesh. The Grameen Bank made credit to be a human right and grant soft small loans to the poor, predominantly women to make them entrepreneurs.

Large scale enterprises which were expected to be the largest employer of labour cannot absorb the increasing number of both skilled and unskilled labours in the developed and developing economics. Easy of entry associated with the micro – enterprises makes umbrella for vast majority of unemployed to be micro entrepreneurs and employers.

In Nigerian, the business/corporate support services include such services as typing/computer word processing, photocopying, spiral binding, lamination and scanning.

## **LITERATURE REVIEW**

### **CONCEPT OF MICRO – ENTERPRISE**

The concept of micro-enterprise was founded by Dr. Mohammad Yunus and emerged in the developing world through the Grameen Bank (Bank of the poor) in the country of Bangladesh in 1976. The Grameen Bank regarded credit as a human right and was established to provide small loans to the poor, predominantly women to help them obtain economic self sufficiency, (Utah Microenterprise Loan Fund, <http://www.umlf.com/umlf/contact.html>).

The National Council on Industry at its 13<sup>th</sup> meeting held in July 2001 defines micro-enterprise as those industries with a size of not more than 10 workers or a total cost of not more than #1.5 million, including working capital, but excluding cost of land.

Also, The Abilities Fund (<http://www.abilitiesfund.org/resources/what-is-microenterprise-microlending.php>) put micro-enterprise as “a sole proprietorship, partnership, or family business that has fewer than five employees. It is small enough to benefit from loan under \$35, 000 and generally too small to access commercial banking services. Micro-enterprise are a subset of small businesses (which can have up to 500 employees and still be considered small). But, in the majority of microenterprises, the owner is the sole operator and worker, leading many to refer to this phenomenon as self employment”.

The term microenterprise connotes different business units depending on the country. In developed countries, it comprise the smallest end (by size) of the small business sector, whereas in developing countries, it constitute huge majority of the small business sector which emerge due to lack of formal sector jobs available for the poor. These micro entrepreneurs engage in micro-enterprise not by choice, but out of necessity (Wikipedia, the free encyclopedia, <http://en.wikipedia.org/wiki/micro-enterprise>).

### **CHARACTERISTICS OF MICRO-ENTERPRISE**

Despite some little disagreement in their definitions, they share common features. Some of the major characteristics that are universally recognized were conceptualized by FAD corporate Document Repository ([http://www.fao.org/DOCREP/x0186e/x0186e\\_05.htm](http://www.fao.org/DOCREP/x0186e/x0186e_05.htm)) to include;

- a. Small level of capitalization;
- b. Initiated and manage by a household or few individuals;
- c. Self employment (owner is manager and worker);
- d. Simple technology and equipment;
- e. Utilization of local resources/raw materials;
- f. Transactions are often informal (no written agreement, based on personal contacts); and
- g. Easy of entry.

### **CONCEPTUAL AND THEORETICAL ISSUES**

#### **Unemployment: The Nigerian experience**

According to Briggs (1973) unemployment is the difference between the amount of labour employment at current wage levels and working conditions, and the amount of labour not hired at these levels, however, Gbosi (1997) defined unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. The implication of the definition by Gbosi is that anyone who is not be counted as part of the unemployed labour force, in order to avoid over estimation of the official rate of unemployment.

In recent times, the definition of unemployment by the International Labour Organization (ILO) is said to be more encompassing, “the unemployed is a member of the economically active population, who are without work but available for and seeking for work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). The application of this definition across countries has been faulted, especially for the purpose of comparison and policy formulation, as countries characteristics are not the same in their commitment to resolving unemployment problems, more so, the preponderance of housewives who possess the ability and willingness to work, the definition of the age bracket all stand as limitations to the definition by ILO (Douglason et al, 2006).

According to the Central Bank of Nigeria (2003) the national unemployment rate, rose from 4.3percent in 1970 to 6.4 percent in 1980. The high rate of unemployment observed in 1980 was attributed largely to depression in the Nigerian economy during the late 1970s. Specifically, the economic downturn led to the implementation of stabilization measures which included restriction on exports, which caused import dependency of most Nigerian manufacturing enterprises, which in turn resulted in Operation of many companies below their installed capacity. This development led to the close down of many industries while the survived few were forced to retrench a large proportion of their workforce, furthermore, the Nigerian Government also placed an embargo on employment. Specifically total disengagement from the Federal Civil Service rose from 2, 724 in 1980 to 6,294 in 1984 (Odusola, 2001). Owing to this, the national unemployment rate fluctuated around 6.0% until 1987 when it rose to 7.1 percent. It is important to state here, that SAP adopted in 1986, had serious implications on employment in Nigeria, as unemployment rate declined from 7.1 percent in 1987, to as low as 1.8 percent in 1995, after which it rose to 3.4 percent in 1996, and hovered between 3.4 and 4.7 percent between 1996 and 2000 (Douglason et al, 2006).

The analysis by educational status also suggests that people who have been majorly affected by unemployment are those without basic education. For instance, persons with and without primary school education accounted for 76.8/80.6 percent of the unemployment in 1974 and 1978 respectively.

In recent times however, the situation has been compounded by the increasing unemployment of professionals such as accountants, engineers, among others. According to a 1974 survey, reported by Aigbokhan (2000) graduate unemployment accounted for less than 1 percent of the unemployed, in 1974, by 1984, the proportion rose to 4 percent for urban areas and

2.2 percent in the rural areas. Graduate unemployment, (Dabalen et al, 2000) accounted about 32% of the unemployed labour force between 1992 and 1997. It is impressive to note here that, in 2003, Nigerian’s unemployment rate declined substantially to 2.3 percent. This decline was attributed to the various government efforts aimed at addressing the problem through poverty alleviation programmes. This decline also pointed to an increased number of people who got engaged in the informal sector activities.

A couple of recent studies have attempted to examine the contributions of Informal Sector to employment creation. Ajibefun and Daramola (2003) examined the efficiency of micro enterprises in the Nigerian economy using a sample of 180 micro enterprises. They reported evidence of a wide 99 European Journal of Economics, Finance And Administrative Sciences - Issue 11 (2008) variation in technical and allocative efficiencies, both within and across industries. They also found that education of owner of a business enterprise was a significant factor influencing efficiency.

They conclude that the evidence of variations in efficiency is indicative of the need for more proactive actions to raise the level of efficiency and employment among the firms in the sample. Also, Sanda et al.(2006) used a sample of 360 firms in Kano and its environs to examine whether or not, in comparison to large firms, small firms are relatively better at creation of employment opportunities. Their results were positive in that small firms were found to be relatively better, and the conclusion they derived was that a policy that gives special preference to small firms is justified.

**Table1: RATIO OF LOAN TO SMALL SCALE ENTERPRISES FROM COMMERCIAL BANK’S TOTAL CREDIT.**

<b>YEAR</b>	<b>COMMERCIAL BANK LOAN TO SMALL SCALE ENTERPRISE (= # = M)</b>	<b>COMMERCIAL BANK TOTAL CREDIT</b>	<b>COMMERCIAL BANK LOANS TO SMALL SCALE ENTERPRISES AS % OF TOTAL CREDIT %</b>
1992	20400.0	41 810.0	48.8
1993	15 462.9	48 056.0	32.2
1994	20552.5	92624.0	22.2
1995	32374.5	141146.0	22.9
1996	42302.1	169242.0	25.0
1997	40844.3	240782.0	17.0

1998	42260.7	272895.5	15.5
1999	46824.0	353081.1	13.3
2000	44542.3	508302.2	8.7
2001	52428.4	796164.8	6.6
2002	82308.4	954628.8	8.6
2003	90176.5	1210033.1	7.5
2004	54981.2	1519242.7	3.6
2005	50672.6	1899346.4	16.1
2006	25713.7	2524297.9	3.6
2007	41100.4	4813488.8	28.0

Source: CBN statistical Bulletin 2008

**Table2: Unemployment rate in Nigeria(2005)**

<b>STATES</b>	<b>%</b>
Nigeria	11.9
Abuja	6.5
Akwa-Ibom	14.4
Anambra/Enugu	9.8/27.4
Bauchi	29.7
Edo/Delta	9.9/4.5
Benue	18.6
Borno/yobe	6.3/8.0
Cross River	11.1
Adamawa/Taraba	21.4/3.4
Imo/Abia	16.5/7.9
Kaduna	12.1
Kano/Jigawa	19.1/19.1
Katsina	23.8
Kwara/Kogi	2.9/8.7
Lagos	6.5

Niger	0.2
Ogun	2.5
Ondo	6.2
Oyo/Osun	5.3/1.9
Plateau	2.8
Rivers	7.0
Sokoto/Kebbi	4.1/19.9

Source: Federal office of statistics 2005

The above findings reveals unemployment situation in Nigeria at large. Hence, it is imperative that study be carried out in other to ascertain the extent of employment generated by micro-enterprise as a strategy to reduce unemployment using a case study of some tertiary institution in minna, Niger state

### **MICRO – ENTERPRISE AND EMPLOYMENT GENERATION**

In the European member states, micro-enterprises make the proportionately greatest contribution to employment, Spain with an average of 4.7 employees per enterprise and 47 percent of total employment in micro-enterprises, Italy with an average of 3.5 employees per enterprise and 48 percent of employment in such enterprises, and Greece with an average of 2.3 employees per enterprise and 56 percent of employment in micro firms (Waters, 2001).

More so, Utah Microenterprise Loan Fund (<http://www.umlf.com/what> is/)opined that over fifteen years, micro-enterprise programs in United States have created jobs, help people to generate income and help people to overcome the common barriers of job market fluctuations.

ILO (1996) advocate that the creation of small and micro enterprises throughout the African continent were a new project launched to support and facilitate employment generation. It was estimated that 61 percent of the African labour force outside agriculture is employed in micro-enterprise.

Efam (2006) postulates that about 80 percent of Ghana entrepreneurs started their businesses at micro levels, and today, most businesses in Ghana which account for 70 percent of

employment in the country fall within the categories of “micro,” “small” and “medium” enterprises.

Furthermore, emphases on SMEs as well as handicraft will go along way for Nigerian’s economy’s sustainability, and the best alternative for unemployment (Azeez, 2011).

Rutherland (2000) observed that access to micro finance is very important because it enables the poor to create, own and accumulate assets and smooth consumption. Kofi Anna (2005) also observed that “sustainable access to micro-finance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make choice that best serve their needs.

Olaitan (2001) posited that micro finance involves the provision of credit savings repositories and other financial services to low income earners or poor households to create or expand their economic activities to improve their standard of living. The Canadian International Development Agency (2005) include the provision of every small loans for micro enterprise, agriculture, educational and consumption purposes as well as savings facilities and other financial products such as insurance services, housing and pension funds. Similarly Khandker (1998) also put it that micro finance has been successful in opening economic opportunities for the poor, increasing access to resources and contributing to their confidence and well being. In a study conducted by Litlefies, Morduch and Hashemi (2003) observed that to the ability to borrow a small amount of money to take advantage of business opportunities, to pan school fees or to bridge cash flow gap can be a first step in breaking the cycle of poverty.

Micro enterprise highly assists women in overcoming difficulties and poverty. A study conducted in a project by international fund for Agricultural development (2004) in Bangladesh revealed that women involved in micro-finance not only changed the way they manage household income, they also change their roles and the roles of others in their families and communities.

## **METHODOLOGY**

Qualitative method of research was used by way of obtaining primary data through questionnaire and interview. Research questionnaires were designed and administered on 60 respondents that are owners of business centers in three selected tertiary institutions in Niger State, these include Federal University of Technology Minna, Federal Polytechnic Bida and Ibrahim Badamasi Babangida University Lapai. The researcher used proportionate stratified random sampling to ensure equal representativeness.

## **RESULT AND DISCUSSION**

The results from our respondents are presented in the tables below couple with their interpretations.

Table 1: ownership structure of business centres

<b>Ownership structure</b>	<b>Frequency</b>	<b>percentage</b>
Sole proprietorship	51	85
Partnership	9	15
Totals	60	100

Source: field survey, 2011

The table 1 above reveals that 51 (85%) of the respondents are sole proprietorship while 9 (15%) operate partnership business centre's. This implies that most of operators of business centre's are sole proprietorship.

Table 2: Number of workers employed by business centres

<b>Workers employed</b>	<b>Frequency</b>	<b>percentage</b>
None	30	50
1 – 4	23	38.33
5 – 9	7	11.67
Totals	60	100.00

Source: field survey, 2011

Table 2 above shows that 30 (50%) owners of the petty business centre’s employed none, 23 (38.33%) employed between 1-4 workers and 7 (11.67%) employed between 5-9 workers. This agreed with the earlier findings by FOA Corporate Document Repository ([http://www.fao.org/DOCREP/x0186e/x0186e\\_05.htm](http://www.fao.org/DOCREP/x0186e/x0186e_05.htm)) that the owner of the micro-enterprise is the manager and the worker (i.e. self employment).

Table 3: square data and statistic computation

workers employed \ ownership structure	None	1 – 4	5 – 9	totals
Sole proprietorship	30 (25.5)	21 (19.55)	0 (5.95)	51
Partnership	0 (4.5)	2 (3.45)	7 (1.05)	9
Totals	30	23	7	60

Source: Research Data, 2011 (Drawn from table 1 and 2)

$$\begin{aligned}
 X^2 &= \frac{\sum (fo-fe)^2}{fe} \\
 &= \frac{(30-25.5)^2}{25.5} + \frac{(21-19.55)^2}{19.55} + \frac{(0-5.95)^2}{5.95} \\
 &+ \frac{(0-4.5)^2}{4.5} + \frac{(2-3.45)^2}{3.45} + \frac{(7-1.05)^2}{1.05} \\
 &= 0.79 + 0.11 + 5.59 + 4.5 + 0.61 + 33.2 = 45.16
 \end{aligned}$$

In table 3 above, the calculate X2 table value of 5.99. The null hypothesis is therefore rejected. It reveals that employment generation is dependent on ownership structure of business centres. The partnership business centre’s tend to employ more than sole proprietorship, this can be attributed to the fact that the size of investment of partnership business centre’s are relatively large and therefore, require more worker in running the business. The research findings have proven that the proliferation of micro-enterprise in Nigeria have provided employment to vast

majority of people, both skilled and unskilled that are disadvantaged to be employ in the formal sector.

### **CONCLUSION AND RECOMMENDATION**

From the ongoing, it is evident that micro-enterprise plays a pivotal role in the economic development of Nigeria. It provide cheap employment to various category of labour since private and public sector of the economy which were considered to be largest employer of labour cannot absorb the increasing number of able people in the country. The study revealed that partnership business centre's employed more workers than sole proprietorship.

Based on the findings, it has been recommended that people should be encourage to establish partnership business centre's so as to generate more employment. And micro-finance banks should give priority to micro-enterprise with minimum stress in accessing the funds.

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