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## SMALL AND MEDIUM SCALE ENTERPRISES AND EMPLOYMENT GENERATION IN BORNO STATE: A STUDY OF SELECTED SMES IN MAIDUGURI METROPOLIS

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**Abstract:** Economic growth of a country is measured by the rate of increase in a country's GDP. While the GDP is a key measure by which policy makers estimate how well the economy is doing, it provides little information on how families and individuals are doing in the country. Lack of employment opportunities and the consequential income disparity bring about mass poverty in most of the developing and under developed countries. Nigeria's unemployment level is a major concern to all stakeholders in the country as the unemployment rate rises. Official figures from the NBS in 2012, puts the national figure at about twenty-three point nine percent (23.9%), while that of Borno State is twenty-nine point one percent (29.1%). This study provides empirical findings on small and medium scale enterprises and employment generation in Borno State, Nigeria. The study uses a 32 item questionnaire in generating its data, which was subjected to different statistics, these are; Univariate analysis, Measure of Central Tendency, Pearson Product Moment Correlation in order to answer questions raise as research question. The findings of the study clearly shows that small scale industries do consistently contribute to employment generation in Borno state, it also found out that there is a significant difference between ratings of the employment quality provided by the SMEs in Borno state, which implies that the quality of employment provided by the SMEs are of low quality, that most of the employees of Small and Medium Enterprises in Borno State are young men with low/intermediate educational qualifications, it further shows that there is no relationship between Enterprise characteristics and quality of employment generated by SMEs in Borno State Since all the variables have shown no significant level which is less than  $P < 0.05$ , there is a relationship between Enterprise characteristics and quantity of employment generated by SMEs in Borno State, there is a relationship between Enterprise characteristics and quantity of employment generated by SMEs in Borno State. The study recommends that, there is need for SMEs, civil Society, organizations, non -governmental Organizations to collaborate with the State Government in other to provide qualitative employment that can sustained the development of this nation. That government should provided scholarships for youths that are willing to further their education, Schools both tertiary and Secondary school should include entrepreneur as a subject course in their curriculum.

**Keywords:** Small, Medium, Scale, Enterprises, Employment, Generation

### BACKGROUND TO THE STUDY

There is no region of the world that is free from poverty, but the depth, level and extent of poverty is more severe and less relenting in Africa than any other region (Anderson, 2006). Poverty is a denial of choices and opportunities, a violation of human dignity and also lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living and not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence,

and it often implies living on marginal or fragile environments, without access to clean water or sanitation (United Nations, 1998). Although Nigeria is not the world's poorest country, however, it is one of the few countries in the world where the number of poor people increases yearly. It is ironical that despite the fact that the Nigerian economy is growing, with a GDP of seven point eight percent (7.8 %), National Bureau of Statistics (NBS), 2012, the proportion of Nigerians living in poverty is increasing every year. The percentage of Nigerians living in absolute poverty (those who can afford only the bare essentials of food, shelter and clothing) rose to sixty point nine percent (60.9%) in 2010, compared with fifty-four point seven percent (54.7%) in 2004 (NBS, 2010). North-West and North-East geopolitical zones recorded the highest poverty rate in Nigeria with seventy-seven point seven percent (77.7%) and seventy-six point three percent (76.3%) respectively; the South-West recorded the lowest with fifty-nine percent (59%), thus, using the relative, absolute and dollar-per-day poverty measures, NBS estimates that the country's average poverty rates may have further risen slightly to about seventy-one point five percent (71.5%), sixty-one point nine percent (61.9%) and sixty-two point eight percent (62.8%) respectively in 2011. Economic growth of a country is measured by the rate of increase in a country's GDP. While the GDP is a key measure by which policy makers estimate how well the economy is doing, it provides little information on how families and individuals are doing in the country. Lack of employment opportunities and the consequential income disparity bring about mass poverty in most of the developing and under developed countries. Nigeria's unemployment level is a major concern to all stakeholders in the country as the unemployment rate rises. Official figures from the NBS in 2012, puts the national figure at about twenty-three point nine percent (23.9%), while that of Borno State is twenty-nine point one percent (29.1%). A central theme in poverty research acknowledges unemployment as the major cause of poverty among those of working age (Saunders, 2006). Employment is closely linked to human development and stability of national economies. High unemployment and poverty among others have played a key role in the present uprising in the northern parts of Nigeria; one can only conclude that Nigeria's unemployment level poses a threat to its development, security and peaceful coexistence. With the rising incidence of poverty and unemployment in the country, effective poverty reduction strategies should be top priorities on the agenda of our policy makers. Massive quality employment generation in productive sectors of the economy has been proven to lead to poverty reduction, national development and economic growth (Hull 2006). The success of Small and Medium Scale Enterprises (SMEs) in generating employment has been widely recognized and well documented in most parts of the world; however there is little information available on its success in Nigeria. The Federal Government of Nigeria is aware of the need to enrich her citizens, especially, university graduates with the mentality of enterprise and innovative behavior so as to spawn and consummate novel prospects in the country's economy. In a move to actualize her determination the government had decided, in 2001, to direct the National Universities Commission (NUC) to incorporate the teaching of the General Studies (GST) in the curriculum of University Education in the country. The aim was to galvanize students into being self-reliant from the array of opportunities available that they may exploit. Another major step was taken by the Honorable Minister of Education in 2011 by directing for the inclusion of the teaching of specific trades (skills) and subsequent establishment of the Entrepreneurship Study Centers (ESCs) that will translate theory into practice thereby bringing about the expected entrepreneurial culture in the students, the university system and the country in general. This study therefore assesses the contributions of SMEs to employment generation in Borno state with a major focus on Maiduguri Metropolis. It further examines critical issues raised by many analysts (Armington and Odle, 1982; Davis *et al*, 1993 and Harrison 1994) on

the precise nature of employment generated by SMEs. Such issues relate to the types, quantity and quality of employment generated. It also investigates the relationship between enterprise and workforce characteristics on the quality and quantity of employment generated by SMEs in Borno State. Finally, it explores the impact of the quality of employment generated on the growth of SMEs in Borno state.

### **STATEMENT OF THE PROBLEM**

The role of employment in poverty-reduction strategies in developed countries has received considerable attention worldwide. In both developed and developing countries, governments are turning to SMEs and entrepreneurs, as a means of solving economic growth problems. In many developed countries, more than ninety-eight percent (98%) of all enterprises belong to the SME sector (Udechukwu, 2003) and account for the bulk of the labour force (Sanusi, 2003). Many new employment opportunities both direct and indirect are created in the informal sector where the growth rate of SMEs is high. SMEs are seen as a significant component in the solution to Nigeria's development issues. It is estimated that SMEs in Nigeria accounted for some ninety-five percent (95%) of manufacturing activities and seventy percent (70%) of industrial employment Organization for Economic Co-operation and Development (OECD, 2005) yet, Nigeria suffers from high unemployment rate with an official estimate of twenty-three point nine percent (23.9%) of the economically active population unemployed, (NBS, 2012). Given the failure of the public sector and the large enterprises in the private sector to absorb the growing number of job seekers in Nigeria, it is suggested that the best way to address unemployment is to leverage on the employment generating potential of SMEs and to promote SME development. Although, as already mentioned earlier that the success of SMEs in generating employment has been well documented in other parts of the world and that there is little information available on its success in Nigeria, some analysts (Armington and Odle, 1982; Davis *et al*, 1993 and Harrison 1994) have argued that many assumed strategic benefits of SMEs may be 'myth' rather than 'reality'. One of such benefits is employment generation. However, this conviction that SMEs generate employment has not been supported by some empirical evidence some of which are Organization for Economic Co-operation and Development (OECD, 1996); EIM, 2011, which show that while job creation rates are substantially higher for SMEs, so are job destruction rates with only fifty (50%) of new SMEs reported to survive until the end of the 5th year in some European countries. In Nigeria, it has been observed from literature, that most research works on SMEs and employment generation are carried out in the western region of the country, (see Safiriyu and Njogo (2012), Kadiri (2009), Ojodu (2005) and Okpetu (2002), and these research works focused on the quantity of employment generated while ignoring the quality of employment and enterprise/workforce characteristics. To the best of our knowledge, the impact of SMEs on employment generation in the northern region of Nigeria, in relation to quantity, quality and enterprise/workforce characteristics have not been empirically tested in the literature. The relative importance of small business varies significantly across countries and within a given country, across regions and stages of development over time (Safiriyu and Njogo, 2012). A study like this has become imperative in facilitating a cross-region comparison.

### **OBJECTIVES OF THE STUDY**

The aim of this study is to assess the contribution of SMEs to employment generation in Borno State. The primary objectives are to:

- i. Determine the contributions of SMEs to employment generation in Borno State.
- ii. Determine the quality of employment generated by SMEs in Borno State.

## **Research Questions**

The study attempts to answer the following research questions:

- i. To what extent do SMEs generate employment in Borno State?
- ii. Do SMEs in Borno state generate low quality employment?

## **Hypothesis**

1. H<sub>0</sub>: - SMEs do not consistently contribute to employment generation in Borno State.
2. H<sub>1</sub>: - The quality of employment generated by SMEs in Borno State is low.

## **SIGNIFICANCE OF THE STUDY**

A significant amount of empirical research has been carried out both within and outside the country on the relationship between SMEs and employment generation (see EIRO, 2012; Safiriyu and Njogo, 2012; EIM Enterprise Survey, 2010; Kadiri, 2009; Ojodu, 2005; Okpetu, 2002; OECD Working Party on SMEs, 2002). In Nigeria, it has been observed from literature, that most research works on SMEs and employment generation are carried out in the western region of the country, to the best of our knowledge, SMEs and employment generation studies in the northern part of Nigeria has not been empirically tested in literature. Also most researchers in Nigeria who have worked in this field have looked at employment generation in terms of quantity while ignoring the quality and workforce characteristics of the employment generated. This study therefore becomes significant in filling this observed gap by assessing the contributions of SMEs to employment generation in Borno State through examining critical issues raised by many analysts on the precise nature of employment generated by SMEs. Such issues relate to the types, quantity and quality of employment generated by SMEs. For researchers and students, this study is intended to contribute to the body of knowledge by adding a Nigerian perspective to the ongoing world debate on SMEs employment quantity and quality since little data is available on the topic in Nigeria. This study is also expected to assist in the direction of further research in this field. Further studies with larger samples would be very useful in facilitating cross-regional comparison of the topic.

## **SCOPE AND LIMITATION OF THE STUDY**

The study assesses the contributions of SMEs to employment generation in Borno State with a major focus on Maiduguri Metropolis. It further examines critical issues raised by many analysts on the precise nature of employment generated by SMEs. Such issues relate to the types, quantity and quality of employment generated. It also investigates the relationship between enterprise/workforce characteristics and the quality and quantity of employment generated by SMEs in Borno State. Finally, it explores the impact of the quality of employment generated on the growth of SMEs in Borno State.

## **Meaning of Small and Medium Scale Enterprise (SMEs).**

There is no universally accepted single definition of Small and Medium Scale Enterprise (SME) in the world. Different countries use various measures in defining SMEs according to their level of development. According to the Organization for Economic Co-operation and Development (OECD, 2005), the characteristics of SMEs not only reflect the economic patterns of a country, but also the social and economic dimensions of the country. These differing patterns are noticeably reflected within different definitions and criteria adopted by different countries. Whereas some countries use number of employees as their distinct criteria for defining SMEs, others use invested capital, while some others use a combination of the number of employees, invested capital, sales and industry type. Countries like Canada, USA

and Britain, define SMEs in terms of annual turnover and the number of paid employees. In Britain for instance, SME is defined as that industry with annual turnover of not more than two million pounds (£2,000,000) and not more than two hundred (200) paid employees. In Japan the criteria used in defining SMEs are: the type of industry paid up capital and the number of paid employees while countries in the Middle East region define their SMEs using the number of employees and some economic indicators. For policy development and implementation, institutions also have their own definitions of SMEs which depend primarily on the purpose of classification. The European Commission (EC), defines SMEs as those enterprises that employ fewer than two hundred and fifty (250) people and have annual sales not exceeding sixty-seven million pounds (£67,000,000) and/ total assets not exceeding fifty-six million pounds (£56,000,000), while the Asian Pacific Economic Co-operation (APEC), defines SMEs as enterprises with less than one hundred (100) employees. The only criteria used here is the number of employees. In Nigeria, there is no clear cut definition for SMEs, however the Central Bank of Nigeria (CBN) agrees with the Small and Medium Scale Industries Equity Investment Scheme (SMIEIS), in its definition of SMEs as any enterprise with an asset base less than two million Naira (₦ 2,000,000) excluding land and working capital and with the number of staff employed not less than ten (10) and not more than three hundred 300 (Sanusi, 2003). The Nigerian Industrial Policy (1989), defined SMEs as those with total investment of between one hundred thousand naira (₦100,000) and two million naira(₦2,000,000) excluding land and working capital, (CBN, 2005), while the definition adopted by SMEDAN for National Policy on MSMEs based on the dual criteria of employment and asset is any enterprise that employs between ten (10) and one hundred and ninety-nine (199) people and has assets worth (excluding land and building) between N5 million and N500 million. Evidently we are far from getting an international consensus on what constitutes the definition of SMEs; however several parties have realized the importance of arriving at a common definition for SMEs, in order to establish a template by which SMEs can be uniformly treated by relevant stakeholders in terms of their eligibility for financial and technical assistance. For the purpose of this study, the definition of SMEs adopted by SMEDAN (2007) will be used.

### **Characteristics' of SMEs in Nigeria**

The core of political and economic transformation of any country is believed to be the creation of the private sector, the development of entrepreneurship and creation of SMEs. SMEs form a large portion of businesses in both the formal sector and the informal sectors and they are considered to be one of the principal driving forces in economic development. Although most countries do not use the same criteria for classifying their SMEs nor is there a universally accepted definition for SMEs, however SMEs have certain distinguishing features that make them unique and set them apart from other larger businesses in most countries. Such features include the management style, type of personnel, sources of finance and production type.

### **Impact of SMEs on the World Economy**

In many parts of the world the importance of Small and Medium scale Enterprise (SMEs) to national economy have been widely recognised and well documented. In many developed countries, more than ninety-eight percent (98%) of all enterprise belong to the SME sub-sector (Udechukwu, 2003) and account for the bulk of the labour force (Sanusi, 2003). A healthy SME sector contributes predominately to the economy through the creation of wealth, employment generation, income redistribution and development of entrepreneurship skills. It is generally believed that a major advantage of the SME sector is its employment generating potential at low capital cost. The labour intensity of SMEs is much higher than that of large enterprises. SMEs play a fundamental role in the European economy in terms of the number of enterprises, contribution to employment

and value added produced. In the European Union, in 2007, there were about twenty point eight million (20,800,000) enterprises in the non-financial business economy, only about zero point two (0.2%) were large scale enterprises (LSEs). The vast majority of ninety-nine point eight (99.8%) of enterprises were SMEs. The micro enterprise is considered as the typical European firm and included in the SME sector (European Industrial Relations Observatory Report, 2012). One of the relevance of SMEs is probably attributed to their contribution to employment in the European economy. In 2008, two thirds of the total employment, sixty-seven point four percent (67.4%) was provided by SMEs which amounted to about ninety million (90,000,000) employments. The direct contribution of SMEs to economic wealth can be measured by their contribution to value added. More specifically, in 2008 their contribution to value added was fifty-seven point seven percent (57.7%) while LSEs contributed forty-two point three percent (42.3%) of total value added. Small and Medium Businesses as SMEs are called in the US are the backbone of businesses in America. SMBs create jobs, wealth and pride in their respective industries. In 2008, there were about twenty-two point nine million (22,900,000) Small Businesses in the United States, located in virtually every neighborhood with a start-up rate of over five hundred thousand (500,000) new SMBs per year, while seventy-five percent (75%) of the net new jobs were created by these SMBs (U.S. Small Business Administration, D&B, NFIB, and the Yankee Group, 2008). In China, ninety-nine percent (99%) of the SME sub-sector offered seventy-five percent (75%) of the new jobs and created fifty percent (50%) of the country's wealth, they are also said to be responsible for sixty-five percent (65%) of China's invention patents in 2008 (NBS China, 2008). According to African Development Bank and OECD Development Centre, African Economic Outlook, (2004-2005) it was estimated that: SMEs in Nigeria accounted for some ninety-five percent (95%) of manufacturing activities and seventy percent (70%) of industrial employment. SMEs in Kenya employed some three point two million (3,200,000) people in 2003 and accounted for eighteen percent (18%) of national GDP. SMEs in Senegal contribute about twenty percent (20%) of national value-added. In Morocco, ninety-three percent (93%) of all industrial firms are SMEs and account for thirty-eight percent (38%) of production, thirty-three percent (33%) of investment, thirty percent (30%) of exports and forty-six (46%) of all jobs. Micro and very small businesses in South Africa provided more than fifty-five percent (55%) of total employment and twenty-two percent (22%) of GDP in 2003.

### **Impact of SMEs on the Nigeria Economy**

Nigeria, like most developing countries has shown increased interest in the development of SMEs because of its potential multiplier effects in areas of employment generation, even development promotion and income disparity reduction. In Nigeria, data from the Federal Office of Statistics revealed that about ninety-seven percent (97%) of the entire enterprises in the country are SMEs and they employ an average of seventy percent (70%) of the working population as well as contributing up to fifty percent (50%) to the country's industrial output. (Ihua, 2009). It has even been suggested that SMEs in Nigeria are the catalysts for economic growth and development, as well as the backbone of the nation (Ariyo 1999, Ihua 2005). However, irrespective of these similarities in economic statistics relating Nigeria SMEs to that of the developed countries, the SME sector in Nigeria has grossly underperformed its potentials (Kadiri, 2009). This may be attributed to the levity with which the policy makers have been handling the issue of the SME sector in Nigeria. Although the policy makers have been making several efforts directed at developing and promoting the performance of the sector, much of the potentials of the SMEs sector are yet to be tapped in the country. Kadiri (2009), Onuora (2009) and Onugu (2005) gave insights on the relatively poor performance of SMEs in Nigeria. They identified lack of adequate infrastructure, access to finance, inconsistent economic policies, insecurity and corruption as major constraints of the SME sector in Nigeria.

## **The Concept of Employment Generation**

Employment generation is the foundation of any economic development program in a country. Several stages are involved in the employment generation process, which include creating immediate short term opportunities that yield quick impact and the development of more enduring livelihood. Sustainability and long term impact should be duly considered in implementing any employment generation program since it performs both political and social functions. Politically, employment gives the active population a stake in the economy of the country by providing them with a source of livelihood and an alternative to violence, thereby encouraging a stable and secure environment. Economically, employment provides income to poor families thereby restoring domestic demand for goods/services and stimulates overall growth. The population of every economy is divided into two categories, the economically active and the economically inactive population. The economically active population (labour force) or working population refers to the population that is willing and able to work, including those actively engaged in the production of goods and service (employed) and those who are unemployed. The unemployed population refers to people who are willing and capable of working but are unable to find suitable paid employment (Wikipedia, 2010). Fajana (2000), Alao (2005) and Wikipedia (2010) identified the following types of unemployment: Structural unemployment which occurs when a labor market is unable to provide jobs for everyone who wants one because there is a mismatch between the skills of the unemployed workers and the skills needed for the available jobs, Frictional unemployment caused by industrial friction in which jobs may exist, yet the workers may be unable to fill them either because they do not possess the necessary skill or because they are not aware of the existence of such jobs, Seasonal unemployment which is due to seasonal variations in the activities of particular industries cause by climatic changes, changes in fashions or by the inherent nature of such industries, Cyclical unemployment arises at a time when the aggregate effective community demand becomes deficient in relation to the productive capacity of the country, Residual unemployment which is caused by personal factors such as old age, physical or mental disability etc and Technological unemployment which is caused by changes in the techniques of production.

## **RESEARCH METHODOLOGY**

### **Introduction**

This section discusses the methodology that was applied in conducting the research. The section includes a description of the research design, population of study, sample/sampling technique and sources of data collection for this study. It equally contains the measurement variables and instrument of data collection and its administration. Methods that were used to increase reliability and validity are also discussed. The section also presents techniques of data analysis and presentation that were used for the study.

### **Research Design**

A mixed methods design of combining both qualitative and quantitative survey research, serves as a model for this study. The qualitative phase is a pilot study which was conducted on ten (10) SMEs within the Maiduguri metropolis to generate some basic information. The findings of the pilot study formed the pedestal for this research work and assisted in determining the sampling method that were used in the study and also in designing the survey instrument. It further assisted in the determination of the target respondents that the questionnaires was administered to within the participating SMEs. The ten (10) SMEs involved in the pilot study will not be part of the final sample. This is because their involvement in the pilot study may influence their future responses if they are involved in the final sample. The quantitative phase of this study was carried out using a cross sectional survey. The goal of this phase is to test the research

hypotheses and answer the research questions. The hypotheses were tested quantitatively based on the empirical data that were collected, generalization about the results was presented based on actual data findings representative of the sample and the validity of the design.

### Population of Study

The population of this study is all active SMEs that have been registered with the Corporate Affairs Commission (CAC) in Nigeria and have been operating within the Maiduguri Metropolis for over three (3) years. Maiduguri, capital of Borno State was chosen as the area of focus in this study because of its high level of commercial activities and wide spread of SMEs. Although there are two thousand, two hundred and twelve (2,212) SMEs that have been registered with the Corporate Affairs Commission (CAC), in Maiduguri, only (1,595) are currently active and have been operating for over three (3) years, these SMEs was the population of the study.

### Sample and Sampling Technique

To increase the precision level and limit errors in this study, a formula was used to determine the sample size. Yamane (1967) created a formula for calculating sample sizes. The formula and calculation of the sample size are stated below:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{1595}{1 + 1595(0.5)^2} = 320$$

Where n is the sample size, N (1,595) is the population size, and e (.05) is the level of precision, which is the range in which the true value of the population is estimated to be. The calculated sample size is three hundred and twenty (320) but to ensure a fair and true coverage of the SMEs in Borno state, the researcher increased the sample size to three hundred and thirty (330) to accommodate sampling errors.

### Sources of Data

In this study, both primary and secondary data will be collected. The primary data was generated through the administration of questionnaire, while the secondary data was generated through the study of various journals, reports, articles, books and publication on the subject matter and related topics. Both the primary and secondary data collected was critically evaluated to enhance validity and reliability of the data. The combination of data obtained from both the primary and secondary sources was ensured that the objectives of this study are achieved.

### Instrument of Data Collection and Administration

A structured questionnaire was used as the data-gathering instrument for this research work. The questionnaire is chosen as the data collecting instrument because of the sample size and the nature of the questions that was asked in this study. Also questionnaires are familiar to most people and they generally do not make people apprehensive. Finally, questionnaires reduce bias because there is uniform question presentation and the researcher's own opinions do not influence the respondent to answer questions in a certain manner. The questionnaires were designed by the researcher using variables and constructs from previously used and tested instruments in related studies. The objective of the questionnaire is to obtain information on



relevant characteristics of the enterprise and workforce, quality and quantity of employment generated by the SMEs. This requires that data be gathered at enterprise level. This study follows the theory-driven approach and uses indicators which previous studies (EIM Enterprise Survey, 2010) have shown to be related to employment generation. The indicators cover all aspect of employment. The questionnaire will be divided into four main sections. The questionnaire included questions on the following aspect:

- General characteristics of the enterprise (sector, age, SME ownership type);
- General characteristics of the workforce (composition by age, educational level and gender);
- Indicators on quantity of employment (current number of employees, number of employees hired, number of employees laid off , number of employees resigned/retired)
- Indicators on quality of employment (wage level, working hours, benefits, skill development and employment type).

The questions in the questionnaire were designed to be precise and concise to reduce boredom and to ensure that the questions are correctly understood so that the right responses were given. Multiple choice type questions were used for most of the questions as this enables the questionnaire to be response friendly. The open-endedness of a few questions in the questionnaire provides ample opportunity and leverage for respondents to state precise answers and also elaborates on some pertinent issues related to the subject of study. A pilot survey was conducted on five (5) SMEs within the Maiduguri metropolis in order to ascertain the validity of the questions and to detect any ambiguities in the questions asked in the questionnaire. From the responses that will be received, the questionnaire was improved upon taking into consideration the short comings observed through the pilot survey. These enhance the reliability and validity of the questionnaire.

### **Data Analysis and Presentation**

The analysis of the data that were collected begins with data preparation, which includes editing and coding of the data. The editing that will be carried out on the data collected in this study includes: checking the data for omission and discarding of completed responses that have missing data. A code was then developed before the data is coded. A comprehensive analysis of the data that was collected in this research were carried out using the Statistical Package for Social Sciences (SPSS). This data analysis instrument is chosen by the researcher because of the nature of the data that were generated. Also the versatility, flexibilities and the ability of the Statistical Package for Social Sciences (SPSS) to analyze large amount of data and generate an unlimited range of statistical results makes it the most appropriate instrument to be used. Some of the statistical tests that were carried out in describing and analyzing collected data in this study include:

- i. Univariate analysis
- ii. Measures of central tendency.

## **RESULTS**

### **Hypothesis testing**

**HO<sub>1</sub>:** SMEs do not consistently contribute to employment generation in Borno state.

To answer the above stated hypothesis, four variables were considered as independent variables these are

- Employee hired
- Employee retired
- Employee fired

- Employee resigned
- Employment quality

To get the employment quality, the below formula was used;

GE = Total employment hired in year + Employment destroyed

$$DE = Emp\ sacked + Emp\ Retried \times Net\ Emp$$

Net employment = Gross Emp. X Gross Emp. destroyed

Gross Employment = 6917 + 9799 + 2770 = 19486

Where;

GE = Gross Employment

ED = Employment destroyed

Emp = Employment

**Table 1: Analysis on Employment Generation in Borno State.**

Variables	Dstro Emp.	Gross Emp.	Variation	Mean of Mean	Mean Diff.	Sig. level
2010	3749	10,666	16172		1720	.0058
2011	3748	8,926	17912	8946	- 20	.0043
2012	3416	7,246	19592		- 1700	.0017
Total	10911	26,838	53676			

Source: Field work 2014

The table above describes the net employment generated by small scale enterprise according to the years observed. From the result, it could be seen that in 2010 a total number of 10,666 people were employed by this sector whereas 17912 people in 2011 were employed and 7,246 people were in 2012. These results have shown a gross dropping in employment capacity by this SMEs, considering the mean difference running from 1720 to - 1700), that is positive to negative at  $p < 0.05$ . Although there has been a great or better still a good number of employment provided by the sector but still it is inconsistently fluctuating. Statistically, the result obtained above have shown that there has been significant employment generation by these Small and medium Scale Enterprise considering the Gross Net Employment across the years and between the years. The absence of definite number of unemployment in Nigeria, and Northeastern Nigeria, and even Borno state made it difficult to see the relevance or the impact of employment provided by these SMEs. The Analysis has shown that there is a significant difference in the variation of the number of employment provided by these SMEs.

### Decision

Since the Mean difference when compared with the Mean of Mean has shown a significant difference at  $p < 0.05$ , rating each year independently, the p - value obtained 0.0058 for 2010,  $p = 0.0043$  for 2011 and  $p = 0.0017$  for 2012, have shown that there is a significant difference in the provision of employment across the years under study. The Net Employment generated for the years = 26838. Considering the population of adults in the study area, according to Marte K., (2010), these SMEs have provided 0.12% of the total populations with employment or job opportunities in the study area. Therefore the null hypothesis is hereby rejected and the alternate is accepted. We then state the alternate as: Small scale industries do consistently contribute to employment generation in Borno state.

**HO<sub>2</sub>:** The quality of employment generated by SME in Borno State is low

To answer the above stated hypothesis, four variables were considered as independent variables these are

- Wage level
- Benefits
- Employment types
- Working hours
- Skill development
- (3, 2, 1) points. Using composite index analysis

**Table 2: Analyzing the Quality of Employment Generated by SME in Borno State Using Composite index**

<b>Responses and Score %</b>			
	<b>Less than Minimum wage</b>	<b>Minimum Wage</b>	<b>More than Minimum Wage</b>
Wage Level	281 (85.2%)	38 (11.5%)	11 (3.3%)
	<b>Provided no benefits</b>	<b>Provides non-basic benefits</b>	<b>Provides basic benefits</b>
Benefit	231 (70.0%)	61 (18.5%)	38 (11.5%)
	<b>Casual/seasonal emp.</b>	<b>Temporary emp.</b>	<b>Permanent/emp</b>
Emp. Type	101 (30.6%)	204 (61.8%)	25 (7.3%)
	<b>MSH (8hrs)</b>	<b>SH (8hrs)</b>	<b>LSH (8hrs)</b>
Working Hours	139 (42.1%)	105 (31.8%)	86 (26.1%)
	<b>PNT</b>	<b>POJT</b>	<b>PI/ET</b>
Skill Dev.	233 (70.6%)	86 (26.1%)	11 (3.3%)

Source: Field work 2014

*Note that;*

*Emp = Employment*

*MSH = More than the standard hour (8hrs)*

*SH = Standard hour (8hrs)*

*LSH = Less than standard hours (8hrs)*

*PNT = Provide no training*

*POJT = Provide on job training*

*PI/ET = Provides internal / External training*

Table 2 is description of how the quality of employment generated was analyzed. From the table, 281(85.2%) respondents each from the ten categories of enterprises types states that the wage level given to the employees are less than the minimum wage when compared with those working with government. 38(11.5%) respondents says the wage level is equal to the minimum wage, while 11(3.3%) says the wage level is more than the minimum wage. On the Benefits, 231(70.0%) says the enterprise provided no benefits, 61(18.5%) respondents says it provides non - basic benefits like bonus, while 38 (11.5%) says the enterprises provides basic benefits to their employees. On employment types, 101(30.6%) of the respondents said the job provide by

the SMEs are casual type of employment, 204(61.8%) said it provides temporal employment while 11% says it provides permanent employment. Acquiring on the working hours of the employees, majority of the respondents 42.1% said they work more than the standard hours (8hrs), and 31.8% said they work exactly the standard hour (8hrs), while 26.1% said they work less than the standard hours (8hrs). Lastly, on the skill development/ training, 233(70.6%) said they are not being given training aside their original skills, 86(26.1%) the enterprise provides on - the -job - training, while 3.3% says they have been provided with internal and external training. The detail of this analysis is displayed in table 4.3.2b below.

**Table 4.3.2b: Statistics on the Quality of Employment Generated by SME in Borno State**

Variable	Statistics				Mean difference	Gross Employment	Sig. level
	3 points (Very Low)	2 points (Low)	1 point (Medium)	Mean			
Wage Level	843	76	11	3.100	309.95	26838	0.046
Benefit	693	122	38	2.843			
Emp. Type	303	408	25	2.453			
Working Hours	417	210	86	2.376			
Skill Dev.	699	172	11	2.940			
Total	2955(71.8%)	988(24.0%)	171(4.2%)				

From the foregoing, table 4.3.2b answer hypothesis II. Using the composite index, where the score were assigned points as suggested by (ICQE), these points range from 1 to 3 points. From this analysis, the points or score were analyzed using Independent -T - test; where the result reveals that there is a significant difference between the responses score of individual variable as related to the quality of Employment, with regards to Wage level, Benefits, Working hours and Skill development and training. With p-values of 0.030, 0.013 and 0.029 which is less than  $p < 0.05$ . While only one variable (employment type) have shown no significant difference in the score points as the p - value is greater than  $p < 0.05$  at 95% confidence interval. Since out of five variables measured, only one has shown no significant difference, it is therefore concluded that there is a significant difference between ratings of the employment quality provided by the SMEs. The ratings have shown that 71.8% of the total enterprise prove low quality employment while only 28.2% provide high quality employment.

**Decision:**

Since the rating in percentage as well as the p - value have shown a high level of variation with regards to rating of quality, as described by p - value = 0.046 for wage level, 0.030 for benefits, 0.013 for working hours and 0.029 for skill development which is less than  $p < 0.05$  at 95% level of confidence, we therefore accept the null hypothesis which states that; the employment provided by the Small Scale Enterprise in Borno is low.

**CONCLUSION**

The study is titled Small and Medium Scale Enterprises (SMEs) and Employment generation in Borno State, Nigeria. Based on the findings and limitations in this study therefore, concluded that, Small scale industries do consistently contribute to employment generation in Borno state. It also found out that there is a significant difference between ratings of the employment quality provided by the SMEs in Borno state, which implies that the quality of employment provided by the SMEs are of low quality. it also found out that most of the employees of Small and

Medium Enterprises in Borno State are young men with low/intermediate educational qualifications. There is no relationship between Enterprise characteristics and quality of employment generated by SMEs in Borno State Since all the variables have shown no significant level which is less than  $P < 0.05$ . There is a relationship between Enterprise characteristics and quantity of employment generated by SMEs in Borno State. There is a relationship between Enterprise characteristics and quantity of employment generated by SMEs in Borno State". There is need for SMEs, civil Society, organizations, non -governmental Organizations to collaborate with the State Government in other to provide qualitative employment that can sustain the development of this nation. That government should provided scholarships for youths that are willing to further their education, Schools both tertiary and Secondary school should include entrepreneur as a subject course in their curriculum.

### RECOMMENDATION

Based on the findings the following recommendations are made:

- There is need for SMEs, civil Society organizations, non -governmental Organizations to collaborate with the State Government in other to provide qualitative jobs for the youths in our local communities.
- There is a need for stakeholders of SMEs to improve or set a salary scale basing on level of educational qualification and experience for the employees in order to encourage them to press for more achievement.
- There is a need for sensitization campaign among youths to press for more in terms of educational qualification, so that when given a little opportunity, there can utilized and boost to something big.

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