

**THE ROLE OF SMALL-SCALE INDUSTRIES IN REDUCTION OF  
UNEMPLOYMENT IN NIGERIA: A STUDY OF ENUGU STATE, 2015-2019  
BY**

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**Abstract**

This study evaluated the role of SMEs in reducing unemployment in Enugu state with particular emphasis on the sustainability of the employment generated by SMEs. The research work was embarked upon due to the prevalence of unemployment problems in the state under study, while the study was anchored on the Economic Survival Theory as was propounded originally by Adams Smith in 1776 and was remodeled by Gild in 1981 to explain the variables used in the work. Using data generated from secondary sources, the study found that inadequate funding, lack of managerial skills, poor record-keeping, lack of capacity to provide raw materials and improper marketing affected the objectives of small-scale industry in reducing unemployment in Enugu state. Critical among the factors responsible for the rising unemployment in the state are: lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-

throat competition. Consequently, the paper suggests the way forward which includes: provision of adequate fund, effective training to improve managerial skill, effective record-keeping, improved capacity to provide raw materials and proper marketing to enhance the small-scale industries capacity to reduce unemployment problems in Enugu State.

**Key Words: Role, Small-Scale, Industry, Reduction and Unemployment**

## INTRODUCTION

Small-scale industries are businesses that have a fixed investment in plant and machinery, whether they own it, rent it, or lease it. They are the backbone of the global economy, which is why governments are offering a variety of incentives including financial incentives to encourage more Micro, Small, and Medium Enterprises (MSMEs) to thrive (Olagunju, 2018). It is impossible to overstate the importance of small-scale industries (SSIs) in economic and social growth. The small-scale industrial sector is frequently seen as the birthplace of entrepreneurship, with its efficiency, flexibility, individual ingenuity, and, in general, innovative entrepreneurial spirit driving it. It is a crucial indication of an economy's overall performance because it is responsible for the majority of job opportunities realized and jobs created (Alasan & Yakubu, 2011).

In emerging nations, small scale industries (SSIs) are widely recognized as the engine of economic growth and equitable development. They are labor-intensive, capital-efficient, and capable of assisting in the creation of the majority of the one billion new jobs required by the end of the century. They are also seen as crucial to Nigeria's economic development, poverty alleviation, and job creation. The sector's dynamic character exposes it to a high mortality rate caused by unexpected changes in economic policy, worldwide trends, global shocks in international markets, and a variety of other unforeseen circumstances. Small-scale industries play an important role in overall economic development, since they foster competitive resistance, productivity growth, and external benefits to the economy as a whole. When this level is reached, however, efforts are focused on government assistance and participation in utilizing countries' social benefits (Essien & Udofia, 2016).

According to Iroamaka (2016), proponents of small-scale industries frequently assert that smaller businesses are more productive than larger businesses. Still, if direct government financial assistance and other institutional

changes are made to small-scale industries, economic growth and development can be boosted. Some of these proponents say that expanding small businesses creates more jobs than expanding larger businesses since small businesses require more labor than larger businesses. Furthermore, boosting small-scale companies could be a weapon for poverty alleviation, resulting in individual countries and the international community as a whole making progress toward the objective of halving poverty by 2020.

Following Nigeria's independence in 1960, the government placed a strong emphasis on the development of small-scale companies in order to decrease poverty and unemployment. Since the 1986 adoption of the economic reform program, there has been a clear shift away from large-scale, capital-intensive industrial projects based on import substitution and toward small-scale industries with enormous potential for developing domestic linkages for long-term industrial development (Izedomi, 2011).

Apart from the potential for self-sufficient, manufacturing and utilizing local raw resources, small-scale industries are better positioned to increase employment, ensure equitable distribution of industrial development, and promote the expansion of non-oil exports. According to Fissaeha (2014), small-scale industries employ 22 percent of the adult population in developing countries, while Fabayo (2015) found that small businesses are the primary source of employment opportunities for a diverse group of workers, including the young, the elderly, part-time workers, and the cyclically unemployed. SMEs have greatly contributed to the growth of the Kenyan economy, accounting for 12-14 percent of GDP, by creating employment opportunities, training entrepreneurs, generating income, and providing a source of livelihood for the majority of low-income households in the country," according to Kombo (2017). As a result, promoting such businesses in developing economies like Nigeria will result in greater income and wealth distribution, economic self-sufficiency, entrepreneurial development, and a slew of other beneficial economic outcomes.

Small scale industries, according to Anyanwu (2011), are veritable engines for achieving national objectives in terms of job creation at cheap investment costs, the development of entrepreneurial capacities, and indigenous technology. They limit the flow of people from rural to urban regions and can be set up fast with little expertise. They also provide a significant contribution to the country's gross domestic product, export profits, and job creation.

Nigeria's population of over 180 million people, with over 65 percent under the age of 35, necessitates a policy shift. As a result, going inward and attempting to expand the national economy through the small-scale industries sector was one of the few options available to policymakers. According to Obi (2015), many efforts have been made in the last twelve years to boost this sector of the national economy, beginning with the establishment of SMEDAN (Small and Medium Enterprises Development Agency), the implementation of the NEDEP (National Enterprise Development Programme), and the establishment of the MSMEs.

Enugu State, one of the thirty-six states that make up the Federal Republic of Nigeria, has implemented several policies to promote and stimulate the growth of small and medium-sized businesses. These include, among other things, money, infrastructure provision, policies, and moral encouragement. In light of the foregoing, the purpose of this research is to determine the precise impact of these efforts on job creation in Enugu State. Residents have referred to the state as a civil service state over the years. The reason for this is because the average Enugu school leaver or graduate's desire or dream is to work for the state government rather than the private sector, let alone be self-employed. It is no surprise that the majority of Enugu's fast-growing businesses are owned by settlers rather than locals (Shettima, 2017). Unfortunately, the state civil service's current vacancies are insufficient to accommodate all job applicants in the state. For the past eight (8) years, there has been no official recruiting into state ministries, thus aggravating the problem. This circumstance has surely increased the state's unemployment profile or index.

The unemployment rate in Nigeria has been rising since the country's transition to civil rule in 1999, despite the government's frantic efforts to create jobs. Because of the increasing number of graduates and school leavers graduating each year from various institutes of learning around the country, government initiatives to reduce unemployment have little or no influence. According to statistics, the jobless rate is at 23.9 percent on average (NBS, 2011). In addition, the ILO (2007) observed that an increase in the number of youngsters enrolled in secondary and postsecondary education is a new trend. However, the Nigerian labor market is now unable to accommodate the growing number of young graduates. Enugu State's many tiers and arms of government cannot adequately engage the annual influx of school leavers from various schools and tertiary institutions.

Small businesses are expected to come to the rescue of both graduates and the state government in the aforementioned situation by providing much-needed jobs. As a result, this study investigates how small-scale businesses have influenced the creation of jobs for youths in Enugu State, Nigeria.

### **Statement of the Problem**

In Nigeria, the majority of small-scale industries die within the first five years of operation; a considerable percentage dies between the sixth and tenth years, while only around five to ten percent survive, prosper, and mature. Many variables have been recognized as leading to small-scale industries' untimely demise. Inadequate capital, irregular power supply, infrastructural deficiencies (water, roads, etc.), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper bookkeeping, lack of appropriate records or lack of any records at all, inability to separate business and family life are just a few of them (Obi, 2015).

Small-scale industry challenges are also external to it, such as capital shortages, taxation and regulations, product liability patents, and franchising abuses, to name a few. Inadequate working capital, stiff competition from larger companies, difficulties sourcing raw materials, low capacity utilization, lack of management strategies, poor educational background of operators, and significant financial problems are among the internal problems of Nigeria's small-scale industries, while external issues include policy inconsistencies, multiple taxation, and harsh regulations (Shettima, 2017).

It is also crucial to remember that small-scale enterprises in Enugu State face the same issues as large-scale industries in their day-to-day operations.

### **Objective of the Study**

The major objective of this study is to examine the role of small scale enterprises in reducing unemployment in Enugu State, Nigeria. Specifically, the study is to;

1. Investigate the positive role of small scale enterprises in reducing unemployment Enugu State

### **Research Questions**

1. What is the positive role of small scale enterprises in the reduction of unemployment in Enugu State?

**Explication of the key sub-headings**

The explication of the key sub-headings of this paper will be carried out under the following arrangements:

- Small scale industry
- The Nature of small-scale industry
- Characteristics of small-scale industry
- The roles and classification of small-scale industries in Nigeria
- Challenges of Small-Scale Industries in Nigeria

**Small Scale Industry**

In general, the definition of a small business differs from country to country, industry to industry, and financial institution to financial institution. If the cost of a project is used to determine the size of a company, price inflation may make the definition obsolete over time. Assume that the yardstick for measuring is the number of employees employed by a company. In that instance, it may not be feasible, given that certain businesses are capital-intensive and require only a small number of staff. Other businesses are labor-intensive, employing a large number of people but with few capital resources (Osadi, 2017). Small-scale industries have been regarded as a source of economic growth and development for a long time. As a result of this rising understanding, the World Bank Group has committed to the SSIs sector as a critical component of its plan to create employment, poverty reduction, and economic growth. Approximately \$2.8 billion in support for micro, small, and medium firms was granted by the World Bank Group at one point (World Bank, 2011, Adejuyigbe et al., 2017).

It is difficult to find a definition in Nigeria that distinguishes between small and medium-sized businesses. Small scale industry, on the other hand, is defined by the Central Bank of Nigeria in its monetary policy circular No. 22 of 1988 as businesses with an annual turnover of less than 500,000 Naira (CBN; 1988). In addition, the Federal Government designated small scale industries in 1990 for the purpose of commercial bank loans as businesses with an annual revenue of less than 500,000 Naira. Those firms with a capital investment of not more than 2 million Naira (excluding the cost of land) or a minimum of 5 million Naira qualified for a merchant bank loan. According to Ogechukwu (2016), this value was evaluated in the aftermath of the SFEM and SAP era in 1993, and then increased to five million naira. As a result, the small-scale industry may need to be divided into micro and super-micro firms, with the goal of providing enough incentives and protection for the small-scale sector.



A small-scale industry is defined as any business or enterprise with an annual turnover greater than that of a cottage industry, which is currently set at N5,000 per year (Ogechukwu, 2016). According to the National Directorate of Employment (NDE, 2006), the definition of a small-scale industry has been set at N35 000.

According to Balunywa (2010), the number of employees isn't always a useful predictor, especially when the organization is labor-intensive. In different countries, Ogechukwu (2016) provided a more general and broader criterion for classifying small and medium scale firms. These factors include the number of employees, annual turnover, local operations, sales volumes, financial strength, the autonomy of managers and owners, relatively small markets compared to their industries, and money provided by individuals or shareholders, among others.

SSIs, according to Macqueen (2014), are businesses with 10 to 99 full-time employees or a fixed capital investment of US\$1000 to \$500,000. In Nigeria, a small firm is defined as a manufacturing or service organization with fewer than 10.5 employees, according to the Third National Development Plan (1975-1980). It is defined by Awolowo (1987) as a company with total assets or capital of less than N50 000 and less than 50 full-time employees. "A wholesale whose yearly sales do not surpass 9.5 million dollars," according to Glos (2016). According to Ireghan (2019), small scale businesses are founded as a last resort rather than a first choice, and hence have the possibility for growth.

A small-scale firm, according to the Federal Ministry of Industries (2011), is one whose total cost, including working capital but excluding land costs, does not fall below One Million Naira and does not exceed Forty Million Naira, with 11 to 35 employees. A business is classified small by the Committee for Economic Development in the United States of America if at least two of the following characteristics are present:

- The owner is the one in charge of the company.
- The capital is contributed by the business's individual owner(s).
- The operation's scope is limited to the local area.
- When compared to the larger units in its field, the size of the business within the industry is small.

According to the World Bank, a small scale enterprise is any ongoing business with a total project cost of less than N30,000.00. Because to the influence of inflation, this term has lost its significance now, at least in Nigeria.

### **The Nature of Small-Scale Enterprise**

There are numerous ways to describe a small-scale industry. The value of assets, number of employees, sales income, capital size, and turnover rate are all elements for the definition. A small-scale business is one that is privately owned and operated, with the owner as the only decision-maker and overall boss (Onuoha, 2014).

In general, a small-scale industry is a firm in which the proprietor has complete control over the decision-making process, and the business has a tiny market share and requires little money to operate. A small-scale enterprise is sometimes defined as a business where the manager undertakes all management functions individually. According to some authors, a small scale industry is defined as a manufacturing business with fewer than ten (10) employees and a capital base of less than N2 million Naira. Its concept was also advanced by the American Small Business Act of 1953. A small-scale enterprise is defined as a business that is independently owned and operated and is not dominant in its sector of operation, according to the legislation (Onuoha, 2014).

Small Scale Industry is described by Kadiri (2012) as employment in micro/cottage industries (1-10 workers) small scale industry (11-100 workers). Small and medium businesses in Japan with less than 299 employees are eligible for capital up to one hundred million Japanese yen. "Enterprises employing less than 500 workers are generally regarded as SSIs," the Nigerian Minister of Industry stated. The key component, based on the previous, is the annexation of resources and overall contribution to the economic well-being of emerging countries around the world.

The relevance of SSIs in social-economic development in a developing country like Nigeria cannot be overstated. In Nigeria's third national development plan (1975-1980), the importance of SSIs in the country's development was summarized as "creating employment opportunities, stimulating indigenous entrepreneurship, facilitating effective mobilization of local resources including capital and skill, and reducing regional disparities" (Rahanaty, 2019).

Furthermore, in a country like Nigeria, where the balance of payment is negative, the increased contribution of the small-scale industries sector to



Nigeria's export portfolio helps to generate foreign money and smooth out the negative balance of payment. This is critical for the economy. A major portion of their production inputs are acquired domestically, lessening the strain on their limited foreign exchange profits and assisting in the reduction of some of the balance of payment deficit (Rahanaty, 2019).

According to Ikherehon (2012), SSIs are the bedrock of the national economy in terms of local technology development, indigenous entrepreneurship stimulation, domestic savings mobilization and utilization, job creation, structural balancing of large and small industry sectors in both rural and urban areas, and supply of high-quality intermediate products, thereby strengthening the economy. SSIs have also been demonstrated to resolve the projected role contribution of large-scale enterprises to the economy in terms of improving GDP, creating jobs, enhancing local value-added, and technical advancement, among other things (Nwoye, 2010).

### **Evolution of Small-Scale Industries**

Small and medium firms make up the majority of business enterprises in Nigeria, like in most other nations. Small businesses are an important part of any country's economy, including Nigeria's. The majority of Nigerian small businesses are still in the traditional stage, with only a few at the better-organized stage. Small and Medium Enterprises are divided into four categories by Oni and Daniya (2012): (a) Micro/Cottage Enterprises, (b) Small Scale Industry/Enterprises, (c) Medium Scale Industry/Enterprises, and (d) Large Scale/Companies. The first phrase refers to an industry or business that employs fewer than 10 people and has a total cost of less than N1.5 million, including working capital but excluding land costs.

The second category includes industries or businesses with between 11 and 100 employees or a total cost of less than N50 million, including land costs. The Medium Scale Industry is defined as a business that employs between 101 and 300 people and has a total cost of more than N50 million but less than N200 million, including working capital but excluding land costs. The fourth word refers to a business or industry with more than 300 employees or a total cost of more than N200 million.

The growth of any business, whether micro, small, medium, or large, is a necessity that all entrepreneur should be concerned about. It concerns the company's size, which is determined by a variety of elements such as the market and technology (Durowoju, 2014). Only minor or microeconomic activities will be viable if the market is small. This is because the actual number of purchasers

is decided by the level of real income per capita and the population size, which together determine the market size. Small and medium-sized businesses (SMEs) in the manufacturing industry create a wide range of products that can be divided into two categories: consumer and industrial goods.

SMEs can endure despite fierce competition from major corporations because their products are differentiated by nature or acquisition, allowing them to carve out a niche for themselves. Entrepreneurship Evolution and Small-Scale Business Growth in Nigeria are complex and created by giant businesses with machines. As a result, SMEs stand a better chance of surviving and, as a result, of growing and developing. They would, on the other hand, be outpriced in the market if they attempted to compete with large firms by producing identical items when the economic scale of output requires large enterprises to access new technologies (Durowoju, 2014).

The following are some of the contributions that small businesses contribute to Nigeria's economic development (Aghonifoh 2009). They provide an effective means of mitigating rural-urban migration and resource utilization by providing widespread employment to the Nigerian population; they also maintain a competitive advantage over larger enterprises by serving dispersed local markets and producing a variety of goods with low scale economies for niche markets, as well as providing an effective means of stimulating indigenous entrepreneurship.

Small enterprises founded by individuals, organizations, firms, and cooperatives tend to dominate Nigeria's entire business environment and activities. Most businesses begin small and then expand and grow with adequate planning and management. However, assuming that tiny businesses are identical to large businesses is dangerous; after all, the only difference is size. However, it is vital to distinguish small businesses from large organizations and to correlate those qualities with the issues that small businesses face.

In summary, characteristics found by various authors are presented below, including Broom and Longnecker (2012), Musselman and Huglice (2013). However, it should not be assumed that these traits are all-encompassing or that they must all be present in equal measure in a business to qualify as a "small scale business."

1. Management is not self-contained; in most cases, the owners are also the managers. This signifies that the manager/owner has complete control over the operation. In this scenario, discipline as a controlling force may be lacking. Business failures are caused by a lack of effective managerial discipline.
2. The average size of a small business entity in the industry is tiny. As a result, they are not dominant in their sphere of operation.

3. The capital requirement is low, making it accessible to local entrepreneurs.
4. The majority of modern small businesses are labor-intensive and capable of high output. These units are primarily found in low-tech locations.
5. Capital is provided, and ownership is held by a small group or an individual. The initial money, usually in the form of equity ownership, is contributed by the business's owner or co-owner. They frequently rely on trade credit, credit finance, or both for working capital.
6. The region of operation is primarily comprised of local employees/workers and business owners, all of whom live in the same neighborhood. The majority of small-scale businesses, even those labeled as contemporary and using plants and machinery are owned by a family. Modern small businesses, on the other hand, serve markets that cross ethnic, cultural, and even national or state lines.
7. The seeming lack of attention to administrative responsibilities such as planning, organizing, directing, coordinating, and managing is another all-encompassing characteristic of small-scale business in Nigeria.

Small-scale industries in Nigeria often aim for a high return on investment. In general, workers are not appropriately compensated or compensated sufficiently motivate.

### **Characteristics of Small-Scale Industries**

A major characteristic of small-scale industries in Nigeria relates to ownership structure which largely revolves around a key man or a family. Hence, a preponderance of the small-scale industry is either sole proprietorships or partnerships. Even where the registration status takes the shape of limited liability company, the true ownership structure is that of a one-man or partnership business. Policy makers and scholars such as Dozie (2015), Owualah (2019), and Lawal (2019), described the characteristics of small-scale enterprises as follows:

- (1) Personal savings of the owner forms the start-up capital of the business
- (2) Low Initial capital requirement
- (3) Simple technology
- (4) Low level of managerial skills
- (5) Difficulty in accessing external funds for establishing and running the business
- (6) Keeping little or no accounting records of the business
- (7) Reluctance in risk taking by the owner to expand the business
- (8) Low level of education and technical expertise on the part of the business owner
- (9) Little influence on the market and small market share.

10. Small scale enterprises general have high mortality rate.
11. Concentration of management on the key man
12. Limited access to long term funds
13. High cost of funds as a result of high interest rates and bank charges
14. Over-dependence on imported raw materials and spare parts
15. Poor inter and intra-sectoral linkages – hence they hardly enjoy the advantages of economies of scale
- . 16. Poor managerial skills due to their inability to pay for skilled labour

### **The Roles and Classification of Small-Scale Industries in Nigeria**

Small scale industries facilitate the creation and use of non-existing or unused products and materials. It is also the main stream of economic activities in a nation and provides the stages for industrial revolution and economic growth (Okenwa, 2018). In a contribution of Ekpeyoung (2019) on the place of small scale enterprises in the economy, he states that “the role of small scale industries in the development of the country has been summarized in the Nigeria Third National Development Plan of 1975-80 which dwells on generating employment opportunities, stimulating indigenous entrepreneurs, improvement in per capita income, balanced regional development, education, empowerment of citizens, Stimulation of indigenous companies and providing self-sufficiency.

### **Improvement in Per Capital Income**

SSIs locate and exploit opportunities. They convert idle resources like land, labour and capital into national income and wealth in the form of goods and service. They help to increase Net National Product (NNP) and per capital income in the country, which are important yardstick for reducing poverty and measuring economic growth.

### **Generation of Employment**

SSIs enhance employment generation in a place since unemployed youths and graduates can easily engage in skills on their own. Small and medium enterprises generate more employment opportunities on the aggregate than giant industries. Many people in this country depend on self-employment for sustenance. Many others including their relations are provided employment in these enterprises directly and indirectly.

**Education**

Towards the end of the sixties, two significant contributors were made in the field of small and medium enterprises. One was that, there is a positive linkage between entrepreneurship and economic development and the other was regarding and emergence of a strong hypothesis that small-scale industries can be developed through planned efforts.

**Provide Self-Sufficiency**

The small-scale industries not only become self-sufficient but also provide great standards of living to its employees and the public. It provides opportunity to a number of people working in the organization. The basic factors which become a cause of happiness may be liberty, monetary rewards and the feeling of contentment that one gets after doing a job.

**Classification of Small-Scale Industries**

A business organization is any economic unit which utilizes the basic economic resources to create utility in order to achieve certain objectives. Human wants are numerous and conflicting and the satisfaction of such want and demand is a suitable arrangement of man's business activities. The main types of business organization are:

- a. Sole proprietorship
- b. Partnership
- C. Private Limited Liability Company
- d. Co-operative societies.

**Sole Proprietorship**

Sole proprietorship is a business set up, owned and managed by just one man. This type of business organization that is associated closely with individual initiative, self-reliance and handwork. Sole proprietorship is the oldest form or business organization. This kind of business is many in developing countries due to their low per capita income.

**Partnership**

Partnership is a form of business organisation where two or more persons engage in a business as co-owners. In some cases, it is usually ten partners. A partnership may be based on a written contract or simply or oral arrangement which by laws is binding on all partners. It is an association of two or more persons who jointly establish a business for profit making. The minimum number of members ranges from two persons while the maximum number is fifty

**Private Limited Liability Company**

Private companies are often being operated by family members or close associates. Private limited company are numerous in Nigeria and cheaper and simpler to form. The maximum number for formation of a private company is fifty (50) for its members excluding workers. It is required by law to register with the Corporate Affairs Commission in order to acquire a legal personality and its shares are not transferable.

**Co-Operative Societies**

This is a business organization formed by people with low income who pool their resources together to satisfy the interest of their members in particular and sometimes the general public. The first co-operative movement started at Rockdale, England in 1884. Its aim was to counter the consumer's exploitation by the owners. They pooled their resources together in order to benefit from the economies of scale in purchasing and sale. This type of business organization is formed by salary earners, subsistence farmers, petty traders and artisans.

**Challenges to the growth of Small-Scale Industries in Enugu State**

Small scale enterprises in Nigeria has numerous challenges. Some of the more common ones are discussed below:

**(a) Financial Challenge**

One of the basic problems of small-scale enterprises is financing for business operation. Almost always, the only source of fund for the entrepreneur is his own personal savings and, sometimes, little borrowing from friends and relatives. The business cannot easily attract loan from the bank because the entrepreneur cannot provide the collateral security the bank requires before lending out money.

**(b) Managerial Challenge**

This challenge arises from the fact that smallest scale industries are owned and run by individuals that do not possess high level of education and managerial skills. Therefore, lack of prudent management skills is one of the major problems facing the small-scale enterprises in Nigeria.

**(c) Production Challenge**

Production starts from the raw material which constitutes the basic input into the production process. Most small-scale enterprises do not have the required raw material input to further their production activities. The reason for this is because they lack the funds for raw material acquisition. Furthermore, they cannot compete with the large firms in quest for raw material input. The local entrepreneurs cannot afford to acquire specialized machinery and equipment required for quality production. Another major problem is that the small-scale entrepreneurs cannot avail themselves of skilled technicians because



they will be unable to pay the prevailing wages and salaries to retain the services of qualified technicians (Rahanaty, 2019).

**(d) Personnel Challenge**

Personnel issue tends to revolve around the selection, training and development of the workforce. With respect to recruitment and selection of prospective applicants for a job, most entrepreneurs do not pass through objective selection process. It is a common phenomenon to see entrepreneurs recruiting relatives and friends who do not possess the right skills required by the business. It is a dangerous thing to recruit people without the skills needed for production. Those people will simply remain in the organization earning money and contributing nothing to actual productivity.

**(e) Marketing challenge**

Because the entrepreneur has no adequate capital back up, he cannot undertake proper marketing research for his product. He will find it difficult to identify his channel of distribution, and he will not have adequate funds to compensate the sales personnel and pay for other marketing services. Making sales requires advertising and sales promotion, the entrepreneur is, most of the time, unwilling and reluctant to spend money on advertising and sales promotion activities.

**(f) Record-Keeping challenge**

It has been observed that improper record-keeping and good accounting procedures contribute, in no small way, to the growth and success of business enterprises. The use of accounting documents such as, stock cards, vouchers, cash book, invoices, etc. are essential to the smooth running of a business. However, most of the small-scale enterprises do not keep records of their transactions.

**(g) Challenge Resulting from Poor Organization of Work**

Work arrangement in the small-scale enterprises is often very poor. Responsibilities are usually given to people as the need arises while the administration is extremely centralized around the owner of the business. The extensive centralization in management makes control and direction to become limited to the amount of time and capabilities of the manager to cover all functional areas of management. The manager hereby finds it difficult to appreciate the need of organization expansion to meet the increasing demand for delegation, and therefore breed a situation where the growth of the business can no longer be met successfully by on management.

The inability of the manager to appreciate the need for organizational expansion may bring about weak organization (Ogechukwu, 2016).

**(h) Challenge from Inadequate Provision of Tools and Raw Materials**

Production tools such as machinery and equipment used in the production of goods and services are inadequate and this is due to the limited resources available. Some entrepreneurs find it difficult to maintain a constant source of supply for the purchase of tools and raw materials. Other challenges include lack of adequate information for planning, decision-making and forecasting the future of the business. Also, political instability which makes economic policies unstable, underdevelopment of infrastructure and inadequate supply of industrial manpower hamper the growth and development of the small-scale industries.

**Gap in Literature**

The literature reviewed reveals the meaning of small-scale industry and unemployment as different concepts., scholars such as Ogechukwu (2016), Rahanaty (2019), Okenwa (2019), Dozie (2015), Olagunju (2018), Owualas (2019), Broom & Longnecker (2012), Musselman & Huglice (2013), Shetima (2017), Durowoju (2014), Oni & Daniya (2012). Henderson (2017), Obi (2015), Osadi (2017), Ayvagari et al (2017), Macqueen (2014), Glos (2016), Fabayo (2015), Kombo (2017), Nwoye (2010), Agbonifoh (2019) and host of others have carried out studies where they examined the above listed concepts respectively, the impact of the independent variable on the dependent variable and their impact on the environment, social, economic and political implications on development of the country. However, none of these studies have been done basically on assessing the role of small-scale industries in reduction of unemployment in Enugu State. This paper therefore, was to fill the gap which the previous studies created.

**Theoretical Framework**

Economic Survival Theory, which is adopted by the researchers as the framework for the presentation and better understanding of this research work was introduced by Adam Smith in 1776 and was used in explaining the concepts of small-scale industry and employment creation by Gild in 1981. The Centre-piece of the proponents of this theory's argument focuses on what Gilder (1981) referred to as the "movement from poverty to wealth". This theory posits that small-scale industry is prevalent among people affected by political upheavals or people victimized by discrimination or oppressed by marginalization. Thus, it is possible for people who have lost their jobs to corporate downsizing to become entrepreneurs. They do this not by choice but by sheer will to survive.

Mbaegbu (2008) argued that having lost their means of livelihood, these people now channel their creative energies to small-scale industries, usually after the initial period of inertia and despondency. A phenomenon that Gilder (1981) refers to as the movement from poverty to wealth.

### **Tenets of the Theory**

The theory assumes that small-scale industrialists are more prevalent among people who are:

1. Oppressed by marginalization
2. Suppressed by discrimination
3. Victimized by circumstances; and
4. Affected by political upheavals.

### **Application of the Theory**

People who fall into this category have to channel their creative abilities to entrepreneurship viz-a-viz small-scale industrialists as enunciated by Mbaegbu (2008). The above Theory is therefore relevant to this study in the light of the fact that Nigeria as a country today sits at the precipice of political disintegration arising out of the present state of economic disconnect and unease, occasioned by unemployment unmitigated level of poverty among her people and other unpalatable socio-economic imbalances.

To grapple with loss of jobs caused by lower capacity utilization, factory closure forced migration; many Nigerians have adopted this Economic Survival model for sustenance. The theory becomes more appropriate viewed against the background of the high rate of poverty engendered by both educated and uneducated unemployment in the country.

Since the jobs are non-existence or negligible in quantity compared to the influx, small-scale industry endeavour by people has become the only visible alternative. It is noteworthy that the average Nigerian, and their government at all level including those of Enugu State have also come to this realization in full and have therefore set different machineries and in motion formulated to several programmes to promote small-scale industrial development in the country towards minimizing poverty and unemployment.

In Nigeria the Igbo race is cited as correlating these attributes with greater success in economic activity as the Igbos travel to any part of the world for

material success. As the assumptions of the theory stated above, the Igbo race where Enugu state belongs to, in the country, due to oppression by marginalization, suppressed by discrimination, victimized by circumstances like civil war, and affected by political upheavals, the importance of the theory cannot be undermined. In order to mitigate those effects on the citizens, the people of Enugu state therefore, relied on the option of engaging in small-scale industries for survival.

However, the researcher is of the strong opinion that the position of the Economic Survival Theory cannot be taken hook, line and sinker. While the theory had the capitalist, pro-western Europe industrial outlook, it is pertinent to point out that there exists substantial small-scale industry indigenous to Nigeria. Secondly, there is the failure or inadequate capturing by the theory of such important things as the desire to develop internal and local capacity as a substitute for foreign ones in the quest for national development. For instance, the Nigerian government is as at today promoting massive cassava production as a means of poverty alleviation at the grassroots, since it is a product that can be produced in most parts of the country.

However, the desire to improve export earnings, substitute cassava for imported wheat and regain the over \$10 billion dollars spent on rice and wheat is important and the development of local capacity remains the driving force. Also, many people's desire in today's world to be self-employed and the desire to attain self-actualization through the unleashing of latent talents also inform the small-scale industrial consideration rather than just to keep body and soul together.

### **Methodology**

The reliability and validity of data for this study lie in the use of documentations as our major method of data collection, presentation and analysis. This means that, in the course of this research, data were gathered through secondary sources like materials from the internet, relevant textbooks, magazines, newspapers, conference papers, seminar papers, and statements of commentators as concerns the issue under study. Equally, government documents, white papers, reports of panels of enquiry was also used for this research. This method of data collection as adopted in this research enabled us to understand the comparative opinions of scholars and commentators with regard to the small-scale industry and unemployment reduction in Enugu state. This is because the use of documents allows the researcher to access information on areas where he cannot have access to respondents and could not study the

issues concerned with decisions and dispositions among government officials. Another justification is that this method assisted the researchers to collect data stored in files, government archives, libraries, bookshops and other international document. Thus, the nature of this study makes appropriate the use of qualitative descriptive analysis.

### **Findings of the Study**

Following data presented above, the following findings were made:

1. The researcher found out that small-scale industries have improved employment condition in Enugu State between 2015 and 2019.
2. Small-scale industries are challenged in Enugu State by lack of fund, lack of prudence management skills and improper record-keeping.
3. provision of fund, training of personnel and proper record-keeping will enhance small-scale industries in Enugu State

### **Implications of the Findings on the study area**

Indigenous entrepreneurship is one of the nation's strategies for accelerating economic growth and development; as a result, stimulating it will help to alleviate the state's unemployment problem by boosting the growth of local industries and investments, resulting in more job opportunities for rural residents.

When indigenous entrepreneurship is encouraged, industries will be able to operate to their full potential. This could be accomplished by putting in place social and economic infrastructure in the area. By stimulating indigenous entrepreneurship, we mean "encouraging the indigenous entrepreneur" through the provision of the above-mentioned essential infrastructural development, which will increase the activity of indigenous industries and, as a result, increase employment opportunities for the people of the area.

Enugu state's unemployment could be reduced if local resources including as skills and capital were better utilized. This means that making proper use of the available capital and skills in the community will help to grow small-scale industries in the local government understudy, which will create jobs for the people of Enugu State.

Any industry's success or failure, whether small or huge, is totally determined by its ability to effectively utilize its money and expertise. This is due to the fact that effectively harnessing and directing available capital requires talent. Furthermore, because finance is the lifeblood of each business, every industry relies on adequate cash to succeed.

Small-scale industries in a given location will invariably create job opportunities for local citizens, regardless of the financial or monetary compensation. The locals must have alternative employment options negotiated with the firm's leadership during the land acquisition process. Small-scale industries supply occupational skills to the people who live in the surrounding area. These will enable the residents of the area to become self-sufficient; in other words, it will serve as an eye-opener for them. As a result, small-scale companies in Enugu State can help develop the people's talents, which they rely on for a living. It provides citizens with work: As a result, small-scale industries in Enugu State assist in the hiring of citizens as workers in the industry, hence lowering employment concerns in the area.

### **Summary**

Small-Scale Industries (SSIs) has proved to be a major intervention in resolving the problems of poverty and unemployment in most developing countries. Small-scale enterprises in Nigeria relates to ownership structure which largely revolves around a key man or a family. Hence, a preponderance of the small-scale enterprises is either sole proprietorships or partnerships.

The study has three objectives and three research questions that guide it. It also has both theoretical and empirical significances along with the scope and limitations.

The study had reviewed some sub-headings such as Small-scale industry, the nature of small-scale industry, characteristics of small-scale industry, the roles and classification of small-scale industries in Nigeria and challenges of Small-Scale Industries in Nigeria. We operationalized the key concepts in the study, also, there are three hypotheses that guide the study.

We discussed the brief history of the study area, Enugu State. The study analyzed both bio data of the respondents and their responses on the questions presented to them by the researcher via the structured. Based on the responses of the respondents, we observed some major findings which we discussed their implications on the study.

### **Conclusion**

The paper concludes that small-scale industries can reduce unemployment problems in Enugu State through the following ways: Stimulation of indigenous entrepreneurship; effective utilization of local resources such as skills and capital, generation of employment opportunities; provision of self-sufficiency and employment of citizens.



We conclude that the challenges to small-scale industries in reduction of unemployment problem in Enugu State include: inadequate funding; poor record-keeping; lack of capacity to provide raw materials; lack of managerial skills and improper

### **Recommendations**

Based on findings on the challenges of small-scale industries in reduction of poverty in Enugu State, the following are recommended for the future of SSI in reducing unemployment:

- (a) There is the need for the Nigerian government to put in place new policy guidelines aimed at making the acquisition of funds easier for the entrepreneurs to enable them start-up small-scale businesses. In doing this, the youths will be engaged in their own business thereby reducing unemployment among them.
- (b) There is need for the owners of small-scale industries to keep proper record of their transactions as this will help them to know when their business is progressing or retrogressing.
- (c) Entrepreneurs should aim at giving some basic skill training to the unskilled and semi-skilled individuals in order to engage them so that they can contribute positively to the work of the enterprise.
- (d) There is the need for the managers of small-scale industries to increase their capacity in providing raw material so that they can produce the required volume of goods needed by the market forces.
- (e) The need for adequate advertisement cannot be over emphasized; therefore, the operators of small-scale industries should make it a matter of necessity to advertise their products as this will create more employment to the people in the locality.

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