

**THE ROLE OF SMALL-SCALE BUSINESSES IN PROMOTING ECONOMIC
DEVELOPMENT IN NIGERIA**

A STUDY OF EDO STATE



BY

EZEJELUE IKECHUKWU EMMANUEL

MGS2104892

**DEPARTMENT OF ENTREPRENEURSHIP
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN
BENIN CITY**

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**A RESEARCH PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
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AWARD OF BACHELOR OF SCIENCE (B.SC.) DEGREE IN ENTREPRENEURSHIP,
UNIVERSITY OF BENIN, BENIN CITY**

**NOVEMBER, 2025
DECLARATION**

This is to declare that this work is based on the extensive empirical study undertaken by **EZEJELUE IKECHUKWU EMMANUEL** in the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **MRS. P.Y. OYAREBU-SHAIBU**. I further affirm that this work has not been submitted for any other degree elsewhere. All references made in this work by other persons have been duly acknowledged.

EZEJELUE IKECHUKWU EMMANUEL DATE (Project Student)
CERTIFICATION

I hereby certify that this project work was carried out by **EZEJELUE IKECHUKWU EMMANUEL** with Matriculation Number **MGS2104892**, in the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City.

MRS. P.Y. OYAREBU-SHAIBU _____ (Project Supervisor) **DATE**

DR. OSAHON OKUNBO _____ (Asst. Project Supervisor) **DATE**

DR. STEVEN OBEKI OBEKI _____ (Project Coordinator) **DATE**

DR. STEVEN OBEKI OBEKI _____ (Head of Department) **DATE**
DEDICATION

This research work is dedicated to God Almighty, who has been my anchor, guide, and provider throughout the course of this project, and to my awesome parents, for their unwavering support and love, for always being there for me, for never stopping to believe in me, and for supporting me throughout my course in this school.

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TABLE OF CONTENTS

DECLARATION	i
CERTIFICATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
ABSTRACT	viii
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of The Research Problem.....	3
1.3. Research Objectives.....	5
1.4. Research Questions.....	6
1.5. Research Hypotheses.....	6
1.7. Scope of the Study.....	8
1.8. Limitations of the Study.....	9
CHAPTER TWO	11
LITERATURE REVIEW	11
Introduction.....	11
Conceptual Review.....	13
Concept of Small-Scale Business.....	13
Concept of Economic Development.....	14
Relationship between Small-Scale Business and Economic Development.....	14
Entrepreneurship and Innovation in SSBs.....	15
Government Policy and Institutional Support for SSBs.....	15
Theoretical Review.....	16
Theory of Innovation.....	16
Neoclassical Growth Theories.....	17
Achievement Theory.....	18
(RBV).....	19
Endogenous Growth Theory (EGT).....	20
Empirical Review.....	22
Small-Scale Businesses and Employment Generation.....	22
Small-Scale Enterprises and Poverty Reduction.....	22
Small-Scale Enterprises and Economic Growth.....	23
Innovation and Competitiveness in Small-Scale Enterprises.....	23
Challenges Confronting Small-Scale Businesses.....	24
Research Gaps.....	25
Limited Edo-State-Specific Studies.....	25
Neglect of Institutional and Policy Dynamics.....	25
Insufficient Longitudinal and Impact-Based Research.....	26
Underrepresentation of Sectoral Differences.....	26

2.4.5. Inadequate Integration of Theoretical Perspectives.....	27
2.4.6. Limited Exploration of Socioeconomic Constraints.....	28
CHAPTER THREE.....	29
Research Methodology.....	29 3.0
Introduction.....	29 3.1
Research Design of the Study.....	29 3.2
Population of the Study.....	29 3.3
Sample Size and Sampling Technique.....	30 3.4
Method of Data Collection.....	30 3.5
Reliability of the Study.....	31 3.6
Validity of the Instrument.....	31 3.7
Method of Data Analysis.....	31
CHAPTER FOUR.....	33
DATA PRESENTATION AND ANALYSIS.....	33
4.1 Introduction.....	33 4.2
Presentation of Data.....	34 Table 4.1:
Demographic Characteristics of Respondents.....	34 Interpretation of
Demographic Results.....	35 4.3 Economic Role of
Small-Scale Businesses in Edo State.....	36
Table 4.2: Descriptive Statistics of Small-Scale Businesses and Economic Development (SSBED).....	37
Interpretation of Findings.....	37
4.4 Small-Scale Businesses and Employment Generation (SBEG).....	38
Table 4.3: Descriptive Statistics of Small-Scale Businesses and Employment Generation (SBEG).....	39
Interpretation of Findings.....	40
Table 4.4: Small-Scale Businesses and Income/Wealth Creation (SBIWC).....	40
Interpretation of Findings.....	41
4.6 Small-Scale Businesses and Innovation/Industrial Development (SBIID).....	42
Table 4.5: Descriptive Statistics of Small-Scale Businesses and Innovation/Industrial Development (SBIID).....	42
Interpretation of Findings.....	43
4.7 Small-Scale Businesses and Overall Economic Development (SBOED).....	43
Table 4.6: Descriptive Statistics of Small-Scale Businesses and Overall Economic Development (SBOED).....	44
Interpretation of Findings.....	45 4.8
Inferential Analysis.....	45
Table 4.6: Model Summary.....	45
Table 4.7: ANOVA (Model Significance Test).....	46
Table 4.8: Coefficients of Regression Analysis.....	47
4.9 Discussion of Findings.....	48 4.10
Summary of Chapter Four.....	48
CHAPTER FIVE.....	50
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	50
5.1 Introduction.....	50 5.2
Summary of Findings.....	50 5.3

Conclusion.....	52	5.4	Policy
implications.....	52	5.5	
Recommendations.....	53	5.6	
Suggestions for Further Research.....	54	5.7	
Contribution to Knowledge.....	55		
References.....	56		

ABSTRACT

Small-scale businesses have become major drivers of socio-economic change in developing societies of the world, but especially so in Nigeria, where they account for over 90% of businesses in the country and employ a significant part of the labor market. This research explored the role of small-scale businesses as contributors to economic development in Edo State, Nigeria. The objectives were to evaluate how small businesses contribute to employment generation, income generation, industrial development, and economic growth in Edo State. A descriptive survey research design was adopted, and data from 347 respondents made up of owners and managers of small-scale businesses across the three senatorial districts of Edo State were collected. Questionnaires' structured format was used to collect data, while descriptive statistics, frequency counts, percentages, and mean scores were employed as tools of data analysis.

The findings of the research confirmed a significant contribution of small-scale businesses to employment generation jobs, which were for skilled and unskilled laborers; thus, a reduction was achieved in the number of unemployed people in the state. The research also revealed that small businesses have significantly enhanced income generation leading to improved standards of living and promoted industrial dependent linkages through adding value and the use of local raw materials, but challenges such as inadequate access to finance, multiple taxation, poor infrastructure, and inconsistent government policies have negatively contributed to optimal performance. In addition, the research showed that government support such as training programs, access to loans, and tax incentives has a positive but limited impact on business sustainability.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

As an economy grows and develops, small-scale businesses have increasingly been acknowledged as key engines of growth. All-scale businesses remain imperative to stimulating entrepreneurship, job growth, and income distribution, especially within contexts of high unemployment and pervasive poverty (Aremu, 2010). As Nigeria attempts to diversify its economy away from oil dependence, small and medium enterprises (SMEs) collectively offer good opportunities for self-industrialization and financial inclusiveness. The Nigerian government and international development organizations have long acknowledged the importance of small-scale enterprises in galvanizing local resources, wealth creation, and socio-economic stabilization (Rahanaty, 2009).

In previous ages, planning documents, such as Nigeria's Third National Development Plan (1975-1980), stressed the importance of small-scale enterprises in addressing regional disparities in Nigeria and developing comparable socio-economic progress throughout the country (Rahanaty, 2009). Small-scale enterprises have been shown to facilitate the development of local technologies, build export cooperatives, and engender strategies for import substitution, building confidence in the local economy (Ikherehon 2002). In many ways, they act as the bedrock of the informal sector, opening up opportunities for the marginalized populations of society, women and youth, to engage in local economic activities (Muritala, Awolaja & Bako, 2012).

Although small-scale businesses present considerable potential, they face serious challenges to realization. Limited access to finance remains the foremost challenge, which is made

1

challenging by insufficient infrastructure, inconsistent government policies, and inefficient institutional enactment of policies (Mile and Ijirshar, 2022). Many entrepreneurs, because of no formal credit facilities, are driven to use personal savings or informal lenders, which limit growth and scalability (Muritala et al, 2012). Compounding the issues are high taxation,

inadequate business planning, low technical know-how, unstable electricity supply, and other factors that reduce competitiveness in the local and worldwide markets (Mile et al, 2022).

Research literature has also established the inconsistency of government action and the limited positive impact of social investment programs on Small and Medium-sized Enterprises (SMEs). As established by Umari & Jibril (2021), "SMEs make up 48.5 percent of Nigeria's gross domestic product (GDP), 25.21 percent of the GDP, and more than 80 percent of employment." The noted weakness in Nigeria's economic structure and failure to execute policies amount to gaps alongside disorganized governmental devastation of social investment programs, which generally have a weak positive impact on poverty reduction through private sector growth. The finding by Ebikwo & Eboigbodin (2022) notes that, although the SMEs in Nigeria contribute thousands of jobs, these jobs are often fragile, precarious, and low-wage work.

On a whole, there are some relatively positive examples of targeted programs such as the Government Enterprise and Empowerment Program (GEEP) under the National Social Investment Program showing promise in enabling access to loans and training for thousands of entrepreneurs, especially women and youths (National Social Investment Program), and innovative models like Babban Gonaoc social enterprise dedicated to helping smallholder farmers that demonstrates how financing, technical assistance, and market access can help create more sustainable SMEs and positively impact livelihood outcomes. In addition, the Nigerian Export Processing Zones Authority (NEPZA) has had a key role to play in

2

diversifying the economy through free trade zones that increase investments and jobs outside the oil sector (NEPZA). These examples illustrate the multidimensional function of small-scale businesses to improve Nigeria's economy through entrepreneurship, reduced oil dependency, and higher employment rates.

In summary, small businesses are still necessary for Nigeria's economic development. They have proven to be important in either directly or indirectly creating jobs, fighting poverty, generating innovation, and empowering the local economy. But in order for it to have the full impact and realize its full potential, ongoing structural issues must be overcome through consistent policy, better access to finances backed by infrastructure, and the capacity to withstand it all. The background sets the stage for this next phase of understanding how small businesses can be embraced for sustainable economic growth in Nigeria.

1.2. Statement of The Research Problem

While the importance of small-scale businesses as key drivers of economic growth and development globally is widely accepted, their role in the Nigerian economic environment follows a path of challenges that stifle their overall contribution to the objectives of national development. Small-scale businesses are known for creating jobs, alleviating poverty, and promoting entrepreneurship; however, evidence suggests the small-scale sector in Nigeria continues to experience constraints that are often problematic and inhibit growth.

One of the major issues is limited financial access, which severely limits the ability of small-scale businesses to grow their business, improve technology, and compete in an increasingly sophisticated market (Muritala, Awolaja & Bako, 2012). Many SMEs depend on friends/family and eventually get to a formal lender at a stiff interest rate, which imposes limitations on their innovative and growth capacity. In addition to the financial challenges, small-scale enterprises are conditioned by their inability to access the benefits of needed

3

infrastructure (for example, reliable power supply, reliable transportation, reliable communication, etc.), which increases operational cost (Mile, Ijirshar & Ijirshar, 2022). Underlining the tension of the strain on infrastructure, small-scale enterprises are the ones least equipped to address the impediments.

Policy discrepancies and bureaucratic obstacles are also significant barriers. While the

government has implemented several strategies to support SMEs that include microcredit programs and entrepreneurship programs, many of these interventions lack coherence, funding, or implementation processes (Umari & Jibril, 2021). This inconsistency fosters suspicion and caution with entities in the sector, especially potential new entrants seeking to grow their business or create new ventures; it stifles new leadership and the entry of new entrepreneurs. The results of the bureaucracy do not end there, as there are rampant bureaucracy, tax, and corruption issues that create a wider hostile environment for small-scale entrepreneurs (Ebikwo & Eboigbodin, 2022).

When taken together, these challenges lead to the paradox that small-scale businesses are not underperforming relative to their potential and therefore do not optimally service important areas for Nigeria's economic development. This underperformance has ramifications for greater national problems, such as unemployment, poverty, and inclusive growth, which are major concerns throughout Nigeria.

Hence, this research examines the multiple challenges that inhibit the growth and success of small businesses in Nigeria and investigates the possible solutions to facilitate their contributions to sustainable economic growth. Understanding this research problem is important to guide policy action, support institutional interventions, and tap into the potential of small enterprises for economic development in Nigeria.

1.3. Research Objectives

Main Objective

To evaluate the effect of small-scale enterprises (SMEs) on economic development in Edo State, Nigeria, through an evaluation of their contribution toward employment creation, poverty reduction, redistribution of income, innovation and resistance building, capacity

building and leadership, adaptation and arrangements, and assessment of the constraint and enabling roles of institutions, accessible finance, and marketing innovations in bolstering the impact of SMEs on the economy.

Specific Objectives

1. To evaluate the contribution of SMEs to employment and household income generation in Edo State.
2. To assess the effect of managerial skills and resource utilization on SME performance in Edo State.
3. To explore the role of competitive intelligence and innovation in enhancing SME resilience and survival in Benin City, and by extension, Edo State
4. To identify the main operational constraints, such as poor financing, weak management, inaccessible markets, and policy inconsistency etc., confronting SMEs in Edo State, and propose intervention strategies.
5. To analyze how SMEs contribute to rural development and reduce rural-urban migration in Edo State, supporting community stability and infrastructure.

1.4. Research Questions

1. To what extent have small-scale businesses contributed to employment generation and household income growth in Edo State, and how significant is their impact compared to other sectors of the economy?
2. How do managerial skills, leadership capacity, and resource utilization influence the overall performance and sustainability of SMEs in Edo State?

3. What is the relationship between the competitive intelligence and innovation practices of SMEs in Edo State and their ability to withstand challenges such as market fluctuations, financial shocks, and infrastructural deficits?
4. What are the major operational constraints (e.g., inadequate financing, infrastructural deficiencies, weak institutional support, policy inconsistency) faced by SMEs in Edo State, and how do these barriers limit their contribution to economic development?
5. How do SMEs in Edo State contribute to poverty reduction, wealth creation, and rural development, particularly in minimizing rural-urban migration and fostering inclusive growth?

1.5. Research Hypotheses

H₀₁: Small-scale businesses have a significant positive impact on employment generation and household income in Edo State.

H₀₂: Managerial skills and resource utilization significantly influence the performance and sustainability of SMEs in Edo State.

H₀₃: There is a significant relationship between competitive intelligence/innovation practices and the resilience of SMEs in Edo State.

6

H₀₄: Operational challenges (e.g., poor financing, policy inconsistency, weak infrastructure) significantly hinder the contributions of SMEs to economic development in Edo State.

H₀₅: SMEs significantly contribute to poverty alleviation, wealth creation, and rural development in Edo State.

1.6. Significance of The Research

This is an important study because it provides both academic knowledge and practical

significance. In terms of academic contribution, this study builds upon the base of literature on small-scale enterprises and their role in promoting the economic development of Nigeria, particularly in Edo State. Past studies have concluded that small and medium enterprises (SMEs) play an important role in driving growth, employment, and innovation in the developing economy. SMEs are often referred to as the “engine of growth” and the “pillar of national development” due to their ability to create jobs through industrialization (Aremu & Adeyemi, 2011). Moreover, as Oboniye (2013) stated, small-scale industries are “rural developing motors” because they create livelihoods and reduce poverty in states such as Edo.

In terms of practical significance, the study also has policy and economic importance. SMEs contribute over 45% of Nigeria’s GDP and almost 88% of employment (SMEDAN & NBS, 2021). Despite these relevant contributions, SMEs do not often perform to their full potential due to challenges such as limited access to finance, infrastructural barriers, and uncoordinated policies. In Edo State, there is empirical proof that poor financing and power supply are critical impediments to the growth of SMEs (Emovon, Atu, & Agbo, 2023).

This study is highly relevant, as it examines these problems while exploring ways to improve resilience through innovation and adaptation, such as digital marketing and competitive intelligence (Nte & Omede, 2024).

7

The findings will also be useful to policymakers in honing the Edo State government initiatives, such as EdoJobs and the Edo State Investment Promotion Office (ESIPO), to promote entrepreneurship and attract investment. The empirical evidence provided will give policymakers assurances that state-led interventions are informed by the lived experience of small business owners. As Obamwonyi and Owenbiugie (2014) assert, SMEs in Edo State need collateral support from stakeholders to unleash their full economic potential.

Lastly, this research is important because it addresses gaps in the literature. Several studies on

SMEs have been conducted in Nigeria, but few have addressed state measures and the role local government intervention plays in business resilience and community development. With an analysis conducted in Edo State, the study will provide place-based knowledge that is distinct from national datasets, which contributes to the theoretical landscape of SMEs in Nigeria while providing practical solutions to the ongoing issues facing small-scale enterprises in Nigeria.

1.7. Scope of the Study

The project only studies the extent to which small-scale enterprises are involved in advancing economic development in Nigeria, particularly in Edo State. The field of study is defined geographically, as it will examine the SMEs in selected states in Edo, which includes Benin Metropolis, the commercial center of Edo State, and a few other local government development agencies where development has been aided by small-scale enterprises that foster livelihoods for the people and develop local revenues. The study concerns itself generally with small-scale enterprises as defined by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), which defines small-scale enterprises as companies with fewer than fifty employees and that have asset values (excluding land and buildings) not exceeding ₦50 million (SMEDAN & NBS 2021). The project investigates

8

several fields of study by examining the contributions of SMEs to employment generation, poverty reduction, income distribution, innovation, rural development, and consideration of other factors such as access to finance, managerial competencies, and infrastructure deficit as challenges for SMEs and policies that will enable entrepreneurial and sustainable growth of all these within the state (Oboniye, 2013; Emovon, Atu, & Agbo, 2023). In terms of policy, institutions such as EdoJobs and ESIPO will be considered, which aims to consider government policies that promote entrepreneurs by generating funds for sustainable enterprises.

1.8. Limitations of the Study

Although this study provides valuable information about small businesses and economic development in Edo State, there are limitations. First, the study only covers a specific geography, Edo State. As Edovians, it is difficult to claim that our experience is typical of SMEs in Nigeria or that the findings can be generalized. Therefore, I encourage caution before arguing that our findings can be generalized beyond Edo State (Obamwonyi & Owenvbiugie, 2014).

Second, this study relied on self-reported data from SME owners and public officials. Thus, the findings may reflect response bias, failure to acknowledge problems, or even exaggeration on behalf of the participants, as well as withholding sensitive information (Nte and Omede, 2024). Third, due to timelines and limitations of budget and time, this study was unable to take a deeper longitudinal study into the changes in SMEs and the roles and functions they now provide in the state economies (Aremu and Adeyemi, 2011). Lastly, researchers still struggle to access quality secondary data, specifically up-to-date government records of SME performance in Edo State, and the data are inconsistent, which limits the statistical analysis.

9

In spite of the limitations, this study is significant because it offers localized, evidence-based insights into the challenges and contributions of SMEs in Edo. It adds important data to the academic literature and enables recommendations of broader meaning for public policy and practice.

10
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review provides the conceptual, theoretical, and empirical framework within which this research is situated. It critically engages with academic controversies, policy documents, and empirical evidence regarding the role of small-scale businesses (SMEs) in economic development, specifically in a Nigerian and, more specifically, Edo State context. In the current development discourse, small-scale enterprises are now considered a vital element of national economies, especially in developing countries, where they serve as a driving force for economic development, poverty alleviation, job creation, and social transformation. According to Aremu and Adeyemi (2011), SMEs are continually described as the “backbone of the economy” because of their roles in industrial development, innovation, and grassroots empowerment.

SMEs are important not only in Nigeria but have been identified throughout Africa and other developing regions as important agents in fostering economic diversification, resilience, and inclusive growth (Abiola & Shiro, 2023). In Nigeria, SMEs account for over 96% of businesses, contribute about 46% to GDP, and employ almost 88% of the country’s workforce (SMEDAN & NBS, 2021). These numbers emphasize their significance for national strategies for economic development. However, the Nigerian context reveals unique challenges such as limited access to financing for entrepreneurs, limited and perceived infrastructural support, low levels of managerial capacity, and inconsistent policy interventions that impede entrepreneurs from maximizing their potential (Osamwonyi & Tafamel, 2010).

state with vibrant rural economies, the relevance of SMEs is extremely salient. Empirical studies have empirically demonstrated that SMEs in Edo State significantly contribute to local development, rural industrialization, and community livelihoods (Oboniye, 2013; Obamwonyi & Owenvbiugie, 2014).

Nonetheless, these companies face structural difficulties that vary from unreliable power distribution and limited access to financing to a lack of effective policy implementation (Emovon, Atu, & Agbo, 2023). As a way to offset these obstacles to small businesses, the state government has established several initiatives, including EdoJobs and the Edo State Investment Promotion Office (ESIPO), though questions remain about how deep an impact these new programs will have on the small business ecosystem.

This chapter will be staged to develop a comprehensive, holistic review of the relevant literature. This chapter starts with a discussion that clarifies the concept of small-scale business, entrepreneurship, and economic development and provides boundaries for the study of each concept under investigation. This chapter will then discuss the theoretical underpinning of the study from both classical and modern economic perspectives on the role of small enterprises as developmental entrepreneurs. In the empirical review, this chapter will discuss primary research that examines the role that SMEs play in economic development, focusing on regional, national, and transnational aspects of SMEs, and similarities, patterns, and differences over time and context.

Critically, this review also discusses where there is little empirical research, especially at the state level in Nigeria. National surveys promote collective understanding, but we need sub-national research to sufficiently understand the realities of the economies of the states. Klaus and Maklan (2013) consider the challenges of bringing the focus of study from the

macro and generalization of the economy by employing bigger aggregates to more micro-level insights in their study of customer experience. With this in mind, this literature review

examines the place of Edo State in relation to the discussion of SMEs and attempts to show the space and need for empirical studies in a context specific to the challenges and opportunities of the region.

To bring together existing knowledge and to establish a gap in existing studies, this chapter has established a space for the present study to consider its place within a broader academic and policy context and sufficient knowledge to develop research hypotheses and a methodology. At best, this literature review addresses the gap from theory to practice by applying academic knowledge to the lived experiences of small business owners in Edo State.

2.1. Conceptual Review

In this research, the central concepts are *small-scale business*, *economic development*, and their intersection within the context of Edo State, Nigeria.

2.1.1. Concept of Small-Scale Business

Small-scale businesses (SSBs) are typically characterized as businesses with a limited capital base, a relatively small workforce, low levels of technological sophistication, and local market outreach. The definition of small-scale businesses varies in different countries based on their economic structure, policy stance, and level of development. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), small-scale enterprises are businesses that have a workforce size of between 10 and 49 persons and have total assets (excluding land and building) worth between ₦5 million to ₦50 million.

From a functional perspective, small-scale businesses are sometimes referred to as "survivalist enterprises" and "growth-oriented ventures," which depend on their strategic

orientation (Ogujiuba & Stiegler, 2019). In Edo State, SSBs engage in segments of the economy, including agriculture, retail trade, manufacturing, hotel and accommodation, and

creative industries. SSBs fill in unemployment and service delivery gaps that were left unfilled by large firms.

2.1.2. Concept of Economic Development

Economic development is not just about measuring wealth; it also refers to qualitative improvements in the standard of living, allowing for equitable distribution of resources and structuring society. Todaro and Smith (2015) argue that "Economic development refers to a multidimensional process involving the reorganization and reorientation of the economic and social system for the purpose of improving material and non-material well-being."

For the Nigerian context, economic development involves the issues of pervasive unemployment, poverty alleviation, and industrialization through entrepreneurship; the high rates of youth unemployment and rural underdevelopment in Edo State, for example, are focalized on its developmental strategies on small-scale enterprises (Obamwonyi & Owenvbiugie, 2014).

2.1.3. Relationship between Small-Scale Business and Economic Development

SSBs can be direct and indirect contributors to economic development. They directly contribute to GDP, create jobs, and produce wealth. Indirectly, they stimulate innovation, support the local procurement of raw materials, and facilitate social inclusion by engaging marginalized individuals in economic activity (Aremu & Adeyemi, 2011). In Edo State, small-scale practices have played a tremendous role in fostering rural development, alleviating rural–urban migration, and supporting rural livelihoods (Oboniye, 2013).

In addition, SSBs catalyze backward and forward linking in the economy. For example, in Edo State, agro-processing SMEs would create demand and markets for farm produce and

provide semi-finished products to larger firms. The multiplier effect is necessary for regional integration and industry clustering, particularly in industrial hubs such as Benin City and Ekpoma.

2.1.4. Concept of Entrepreneurship and Innovation in SSBs

Entrepreneurship, as the organizing principle of SSBs, is vital to their economic development contributions. Schumpeter (1934) characterized entrepreneurship as the making of new "combinations" of resources, thus enabling economic growth through innovation. Innovative practices in techniques like digital marketing, e-commerce platforms, and creative industries are emerging inevitably in small-scale businesses in Edo State (Nte & Omede, 2024).

These innovations improve competitiveness as well as value in market opportunities, changing and overcoming structural barriers such as poor infrastructure and limited finance for small businesses. In this way, innovation is not only a survival mode, but it is an enabler of growth for small businesses.

2.1.5. Government Policy and Institutional Support for SSBs

Entrepreneurship, as the organizing principle for small-scale businesses (SSBs), matters because it makes a contribution to their economic development efforts. Schumpeter (1934) defined entrepreneurship as the creation of new "combinations" of resources that ultimately create growth through innovation. Small-scale businesses in Edo State are developing innovative practices in areas such as digital marketing, e-commerce platforms, and within the creative industries (Nte & Omede, 2024). These developments utilize innovativeness to enhance competitiveness and value within changing market opportunities, overcoming

structural impediments such as those posed by inadequate infrastructure and financiers with a lack of capital to small-scale businesses. Thus, innovativeness is not only a mode of survival but rather an enabler of growth by small-scale businesses.

2.2. Theoretical Review

2.2.1. Schumpeter's Theory of Innovation

Joseph Schumpeter's Theory of Innovation (1934) highlights innovation as the engine of economic development, underscoring the entrepreneur as the agent of change. He defined innovation as the introduction of new products, new production methods, new markets, new sources of raw materials, and new organizational models. This essence, which Schumpeter called "creative destruction," occurs when new ideas and methods replace old to ensure continual renewal within economies.

This theory is especially relevant for small-scale enterprises in Edo State, as each of these typical entrepreneurial activities has supported small and medium-sized enterprise (SME) innovation and growth in Edo. Examples of value-adding agricultural goods, a more computerized business model, online market expansion, and bamboo utilization as an alternative raw material demonstrate Schumpeter's theory of innovation in action. Not only does it help these SMEs improve their levels of competitiveness and productivity, but it is also generating employment and facilitating local economic growth. In turn, Schumpeter's theory can help us understand the mechanisms whereby grassroots entrepreneurship can stimulate change in local economies and contribute to sustainable growth outcomes (Schumpeter, 1934).

2.2.2. Classical and Neoclassical Growth Theories

The Classical and Neoclassical Growth Theories provide primary lenses for understanding how economies grow and the role of factors of production in achieving continuous development.

Classical growth theory was originally developed by Adam Smith (1776), David Ricardo (1817), and Thomas Malthus (1798) and was rooted in two principles: (1) land, labor, and capital were the principal sources of economic growth, and (2) the length of time a population is dependent on agriculture would reduce potential economic growth (Smith, 1776; Ricardo, 1817; Malthus, 1798). Smith indicated that the market "invisible hand," specialization, and division of labor would promote higher productivity and increased wealth, whereas Ricardo proposed the concept of diminishing returns to land, and Malthus, in spite of some praise for the workers, was less optimistic on growth, predicting that population would grow faster than the supply of food in the long run.

Though their views were divergent in many ways, the classical economists were united on economic development being dependent upon effective resource availability, increases in productivity, and efficient use of inputs (Smith, 1776; Ricardo, 1817; Malthus, 1798).

While the neoclassical growth theory was later developed in the twentieth century, especially through the Solow-Swan model (Solow, 1956), the focus on accumulation of capital, labor, and technical progress in neoclassical theory is typically regarded. Whereas the classical school acknowledged factors that drive long-term, sustainable economic growth, the neoclassical school introduced the idea that technological progress was exogenous to the production function and facilitates sustained, long-term growth beyond the boundaries of diminishing returns. While capital can deepen growth for a limited time, theoretically, Solow indicated that technological change and increases in human capital were what maintain

17

economic growth in the long run. This model further emphasizes savings, investment rates of return, and population growth as essential variables.

For small-scale enterprises in Edo State, understanding theories of growth will shed light on the degree to which accessible resources (capital and access to resources), efficient utilization of labor, and adoption of technological development relate to the roles of SMEs, with a

primary focus on nimble, private sector-led economic development initiatives for growth. On one hand, classical-type economic accounts offer insights into constraints small-scale enterprises encounter in establishing their business, including availability of funding and land, while neoclassical growth-type explanations help capture the elements of innovation, development of human capital, and adoption of technology as potential, sustainable growth factors. Hence, both perspectives should prove relevant for understanding how SMEs in Edo can move from a subsistence entrepreneurial business towards a growth-oriented perspective that can contribute to significant economic development outcomes at a more complex system level than in going the individual entrepreneurial element in the economic development system level of the country (Nigeria).

2.2.3. McClelland's Need for Achievement Theory

David C. McClelland (1961) highlighted the personal psychology and motivation that lead individuals to act as entrepreneurs and communities to develop economically. He argues that individuals with a high need for achievement (nAch) are the ones who will best succeed as entrepreneurs, take some risks for other people or society, and innovate in their business practices. While those motivated by power or affiliation would have different goals and methods, those driven by achievement desire personal responsibility; they set moderately challenging and realistic goals; and they desire to receive feedback about their performance (McClelland, 1961).

In light of the rural or small business entrepreneur in Edo State, the theory of nAch helps to articulate and explain why certain entrepreneurs make successful ventures dependent upon a much smaller form of capital or reasons beyond the intrinsic and extrinsic factors. The very basic loci of petty traders, artisans, agricultural processors, and others who have exhibited behaviors, which we consider capabilities, such as rational and intense involvement (persistence, determination, and motivation) in the business that I can point to as being driven

not only by some environmental circumstance (adverse situations) but also by their conduct exhibiting the behavior of the achievement drive. The theory of NACH states that what drives the individual behaviour is intrinsic motivation; therefore, they will look to maximize the little that they have, meet challenges head-on, where possible, innovate, develop, and grow. McClelland's theory of NACH links the cultural context to entrepreneurship. There exists a cultural resemblance to risk-taking, innovation, and essentially a predisposition towards entrepreneurship. Societies that foster environments for independence and innovation, all of which lead to a growth attitude, are generally more developed (McClelland, 1961; Johnson, 1990). Its relevance to the discussion is that the cultural contexts in which traditions and socio-cultural bounds to intermediary support (in the form of mentors) in entrepreneurial relationships (market relationships, e.g., small markets, artisan cluster relationships, and tech hubs in Benin City) are important to stimulating the achievement drive or caustic, developmental behaviors in enterprise.

2.2.4. Resource-Based View (RBV)

The Resource-Based View, originally put forward by Barney (1991), is based on the assumption that a firm's sustained competitive advantage comes from its valuable, rare, inimitable, and non-substitutable (VRIN) deliberate use of these resources. The resource-based view of the firm is distinct from external market-based theories primarily because of its focus on internal resources of the

19

firm, including knowledge, skills, organizational culture, brand image, and innovation, which are the principal features affecting business success and growth (Wernerfelt, 1984; Barney, 1991).

In Edo State, the resource-based view allows for a socio-economic understanding of how small enterprises need the ability to build resilience and competitiveness of SMEs in the Nigerian economy. For example, if an Edo-based textile manufacturer is limited in its capacity to access large-scale financing, the firm may have valuable and distinct local brand

recognition, distinctive craftsmanship, cultural heritage/designs that no competition copies easily; agro-processing SMEs may have tacit knowledge of where and how they process crops, access to farmers, or knowledge of systems that provide them access to the place where they are located, etc.

RBV also has a focus on capability development, the process by which firms create capabilities from their resources, which allow them to respond to dynamic environments. For example, in Edo State, SMEs grapple with inconsistent electricity supply, bad infrastructure, and obstacles to access to credit, but businesses that can reconfigure the internal deployment of their resources, such as adopting solar, mobile money solutions, or forming cooperatives to finance, show evidence of the dynamics of internal resource use in achieving long-term sustainability.

2.2.5. Endogenous Growth Theory (EGT)

Endogenous Growth Theory (EGT) was first put into practice in the late 1980s and 1990s when economists Paul Romer (1986, 1990) and Robert Lucas (1988) were provided a platform to build upon classical and neoclassical growth theories. Traditional growth models pointed to exogenous factors like capital accumulation or population growth as the source of growth. In contrast, EGT includes the role of endogenous factors (internal sources of value and growth potential) to help explain the current science, technology, economy, and societal

20

relationships that drive economic development and future growth, particularly through knowledge, innovation, human capital, and technological change.

Intentionally generating growth is the primary contribution of EGT, which recognizes that growth is not simply the result of external shocks but can be created through deliberate investment in education, R&D, innovation, and skills acquisition. In Romer's (1986) view, ideas and technological advances are considered new goods that can be classified as non-

rivalrous. If something is created or invented, it can be used (expanded) once it is known about within the economy; thus, knowledge has the potential as a multiplier of growth. Lucas (1988) introduced the role of human capital accumulation and argued that skilled and educated workers are more likely to generate spillover effects for the productivity of the economy.

EGT places a strong emphasis on the type of policy interventions that will enhance the paths taken by knowledge accumulation and innovation. If, for instance, Edo State made it easier for SMEs to access entrepreneurial training, digital infrastructure, and financial literacy programming, the productivity of these SMEs might grow exponentially. This reinforces the theory's argument that sustained growth is not the result of happenstance. Sustained growth is dependent on human capital and knowledge investment.

EGT shows that small-scale businesses are not merely bystanders in the economic development of a region; they are active agents of innovation and knowledge diffusion and can produce growth from the ground up, as opposed to attracting capital inflows or foreign investment, which is ultimately extracted out of the local economy.

2.3 Empirical Review

2.3.1 Small-Scale Businesses and Employment Generation

Empirical evidence has repeatedly shown that small and medium-sized enterprises (SMEs) have always been recognized to play a central role in employment generation in developing countries. For example, Aremu and Adeyemi (2011) conducted a study in Nigeria and found that they were responsible for over 70% of total employment in the private sector, showing their significance in decreasing unemployment and poverty. These findings confirm those of

Okafor and Onebunne (2020), who studied SMEs in Edo State and argued that local firms in the retail trade, agro-processing, and artisan industries, led by both skilled and unskilled labor, absorbed their excess labor and have stabilized the household income. In the same vein, Abor and Quartey (2010) in Ghana argued that SMEs help absorb excess labor and provide a basis for the development of the entrepreneurial spirit and self-employment. Together, their findings support the claim that generating employment through SMEs helps with wealth distribution and poverty reduction and stops rural-urban migration in states like Edo, where young people have always complained of unemployment.

2.3.2 Small-Scale Enterprises and Poverty Reduction

Evidence based on observation also shows that small businesses play a role in reducing poverty levels. Ojo (2019) studied micro-enterprises in southern Nigeria and found that engagement in small-scale businesses significantly improved income and saw a reduction in multidimensional poverty indicators such as inadequate health care, substandard housing, and food insecurity. Ugiagbe (2017) studied women-owned small businesses in Edo State and found that their participation in small-scale trading economically empowered women and improved the welfare of households that care for dependents, and reduced poverty gaps. Similar results are reported by Ntiamoah, Opoku, and Abrokwah (2014) who found that small businesses represented reliable sources of income for low-wage earners in Ghana. The

22

implication for Edo State, where a higher proportion of the population engages in petty trading and agriculture, is that small and medium enterprises (SMEs) can serve as avenues for improving livelihoods connected to community-based poverty reduction programs.

2.3.3 Small-Scale Enterprises and Economic Growth

Investment in SMEs is a position that is critical at both the macro and micro levels for economic performance and has also been holistically demonstrated through empirical data. In Nigeria, Ayozie & Latinwo (2010) were able to empirically substantiate the overall

contribution of SMEs in their econometric study and found claims of substantial contributions to Nigeria's GDP in the areas of national revenue and industrial output, especially in informal operations. And Osotimehin et al. (2012) insisted that SMEs are especially significant markets for the sustained growth of Nigeria's non-oil sector, which further demonstrates diversification away from oil dependency. In particular, Adebisi and Gbegi (2013) were able to document the contribution in the Edo State context in their empirical study of agro-allied SMEs in cassava processing, palm oil milling, fisheries that collectively contributed substantial revenue to Edo State's internally generated revenue, and collectively, these articles support the position that support of SMEs in Edo State will purposely strengthen the economic base of the State with long-term sustainability.

2.3.4 Innovation and Competitiveness in Small-Scale Enterprises

Evidence from empirical studies, including Oyelaran-Oyeyinka's (2007) work on SMEs in Nigeria and Essien's (2019) study of SMEs in Edo State, shows that innovation is a significant driver of the competitiveness of SME's. Oyelaran-Oyeyinka's (2007) empirical study explicitly categorized ways, such as new product innovation, process-linked innovation based on previous activities, and service differentiation or innovative service channels, entrepreneurs tapped and created sufficient market space and innovation points to ensure their

23

survival in competitive markets. Essien's (2019) study demonstrates that SMEs adopting digital technologies related to mobile payment apps, marketing through social media platforms, and access to online sales platforms were significantly more profitable and retained customers than traditional (as defined by traditional marketing approaches to sales) firms. In Ghana, Osei-Assibey (2013) also presented evidence that innovation-focused SMEs were perceived to remain stable concerning their survival whilst scaling and fulfilling market demands, helping to sustain regional economic growth. These studies highlight how innovation enables SMEs located within Edo State to enhance their ability to compete in local

and regional economic spheres, assisting them to compete in the agro-processing, crafts, and information and communication technology-based services sectors and engage more with market actors and ultimately consumers.

2.3.5 Challenges Confronting Small-Scale Businesses

Though SMEs are making an impact, empirical studies suggest that SMEs' performance can be hampered by multiple constraints. Studies conducted by Olawale and Garwe (2010) highlight finance, poor infrastructure, and lack of management capacity as the most constraining issues. In Edo State, empirical evidence from Omoregie (2018) suggests that SMEs are affected by limited access to credit facilities, erratic power supply, multiple taxation, and insecurity, thus limiting their growth potential. In addition, Onugu (2005) explicated that policy inconsistency and weak institutional capacity affect the sustainability of SMEs across Nigeria. As such, the continued persistence caused by these challenges suggests that although SMEs play a major role in promoting economic development, the growth and expansion of SMEs are largely dependent upon the provision of an enabling environment.

2.4. Research Gaps

The benefits that small businesses provide for economic development have been widely studied, but there are many gaps, especially in relation to Edo State. The gaps described in the following sections highlight research that is either scant, inconclusive, or nonexistent.

2.4.1. Limited Edo-State-Specific Studies

Most academic research on SMEs in Nigeria has taken a national or regional approach (Aremu & Adeyemi, 2011; Olawale & Garwe, 2010). Such studies are useful, but generalizing for Nigeria obscures the local realities, such as the features of Edo State with its

unique combination of urban and semi-urban centers, cultural industries, artisanal clusters, and high levels of youth out-migration. With only limited empirical studies directly examining small-scale businesses in Edo State, it is unclear how SMEs respond to local conditions, such as the governance institutions, migration patterns, and resource endowment of the state. Without this in-depth analysis, it remains difficult to develop evidence built on the realities of small-scale enterprises in the Edo State, as lessons taken from Lagos or Abuja may not bring about similar realities for entrepreneurs in Benin City or Ekpoma.

2.4.2. Neglect of Institutional and Policy Dynamics

Although there is comparatively a lot of emphasis placed on challenges such as lack of finance, poor infrastructures, and the poor entrepreneurial skill levels surrounding SMEs (Fatai, 2011; Abereijo & Fayomi, 2007), fewer studies have focused specifically on the institutional and policy environments that either promote or constrain SMEs. For example, the relationship between taxation systems, bureaucratic barriers, and state-based developmental programs on SME growth in Edo State has not been adequately researched.

25

The above is significant given the fact that institutional bottlenecks, such as the frequent payment of multiple taxes on a business, erratic power supply, and weak property rights, impact the survival of small-scale businesses much more than the availability of financial capital. To develop an understanding of how Edo State's governance and regulations affect SMEs, we must examine how they are responding to their environments. Otherwise, the policies and institutional environment surrounding SMEs become incomplete.

2.4.3. Insufficient Longitudinal and Impact-Based Research

Most of the existing studies are cross-sectional in nature, wherein only a single moment is taken of SMEs' contribution to the economic growth of a time (Akinwale, Dada & Oluwadare, 2018). While this gives us insight into the present, it does not reveal long-term patterns and

trends of sustainability within small-scale business operations. For example, the contribution of SMEs towards reducing unemployment or creating GDP growth is a cumulative operation that may take over several years to manifest. Noting that Edo State has relatively high levels of informal operations, longitudinal or panel studies may reveal business dynamics, rates, and socio-economic impact over time. Without longitudinal research, it is especially difficult to determine if SMEs contribute to long-term growth or just temporary relief.

2.4.4. Underrepresentation of Sectoral Differences

A second gap exists because there is a dearth of attention to sectoral diversity with SMEs. Research has generally viewed small businesses as one group, but SMEs taking part in agriculture, retail, hospitality, manufacturing, and creative industries all have different issues and constraints upon their potential for expansion, and they all impact economic growth differently (Afolabi, 2015; Ogujiuba, Ohuche & Adenuga, 2004). For instance,

26

agriculture-based small businesses may struggle with issues related to the allocation of land and access to modern farming equipment, whereas tech start-ups may struggle with the impediments caused by digital infrastructure constraints. In Edo State, where the prominent forms of enterprise are from the creative horizons, artisan crafts, and agro-based enterprises, ignoring these sectoral differences may lead to over-generalizable conclusions that do little more than identify those that create the greatest economic impact, and there is a crucial need for further substantive knowledge and understanding to facilitate appropriate support and resource allocation.

2.4.5. Inadequate Integration of Theoretical Perspectives

A clear deficiency in the current literature on small businesses is a lack of use of managerial and economic theories to help analyze small business phenomena in order to gain both theoretical and practical rationale for the findings. Existing literature provides plenty of

empirical descriptive studies; however, less than 4%, or comparable studies, attempt to theorize and apply theoretical frameworks such as Schumpeter's Innovation Theory, the Resource-Based View (RBV), and McClelland's Needs Achievement Theory to the contexts of Nigeria and or Edo State (Farouk & Saleh, 2011). Without some form of basic theories of management and economics, the generalizability of the findings is also limited because it is impossible to determine if similarities or differences found in the sectors and or economies, for example, in SMEs, were due to some entrepreneurial innovation, resource deprivation, or circumstances of the institutional setting. Theoretical application would provide the conceptual clarity needed, along with providing strong, replicable results to assist in designing evidence-based entrepreneurial policy strategies for Edo State.

2.4.6. Limited Exploration of Socioeconomic Constraints

While previous studies have more or less addressed some barriers, such as finance and infrastructure, too little emphasis has been placed on the context in which small and medium-sized enterprises (SMEs) exist, especially the related socio-economic conditions of poverty, unemployment, cultural attitudes, change, and patterns of migration in their myriad forms (Okpara, 2011). In Edo State, the high incidence of youth unemployment and migration, particularly irregular migration to Europe, is a clear socio-economic reality, yet little consideration has been given to the role of small businesses as buffers for, or facilitators of, these realities. For example, the jobs created by small-scale businesses may reduce passes for migration or may inadvertently support migration if they are perceived as unsustainable livelihood activities. If socio-economic realities are not part of this discussion, the current understanding of what SMEs contribute to economic development is incomplete.

Research Methodology**3.0 Introduction**

This chapter provides a description and discussion of the various techniques and procedures used in the study to collect and analyze the data obtained.

Thus, the following areas were treated: Research Design; The Population of the Study; Sampling Size and Sampling Technique; Method of Data Collection, Reliability of the Study, Validity of the Study, and Method of Data Analysis. Each of them was subsequently explained as follows:

3.1 Research Design of the Study

This research will employ a descriptive survey research design, which is suitable for studying perceptions, experiences, and contributions of small-scale businesses to economic development in Edo State. A survey research design is appropriate in this case because it enables systematic collection of quantitative and qualitative data from a sample of respondents from their natural settings to discover patterns and relationships (or connections) and to be able to generate generalizations (Creswell, 2014). Each descriptive survey design is flexible by accommodating multiple data collection instruments (e.g., surveys, questionnaires, and interviews), and this is relevant to this study because it aims to gather numerical (e.g., number of employees, income, market reach) and non-numerical (e.g., problems faced, contribution to community development) data.

3.2 Population of the Study

The sample for this research study includes owners, managers, and employees of micro and small businesses in Edo State, Nigeria. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2022), there are thousands of micro and small enterprises in Edo, operating in various sectors, including retail trade, fashion and tailoring, hospitality, agro-processing, and services. The sample will also include representatives of relevant institutions, including local chambers of commerce and associations of small business operators. The perspectives of representatives of relevant institutions are necessary to fully understand the contribution of small-scale businesses to economic development in Edo State.

3.3 Sample Size and Sampling Technique

Studying the entire population is not feasible. Therefore, a sample of that population will be selected to be representative of that population. This study will use Cochran's (1977) formula to ascertain the sample size at a 95 percent confidence interval and a 5 percent error margin. The use of that formula will ensure the requirements of representativeness and minimize sampling bias.

The sample size is expected to be around 400 respondents in the following categories: small business owner, manager, or employee, that is, in Edo State.

The sampling approach that will be used is going to be purposive sampling, as purposive sampling will allow the researcher the opportunity to purposely select key respondents for the study who have specific knowledge and experience relevant to the study (Etikan & Bala, 2017).

3.4 Method of Data Collection

Data collection will be done by means of structured questionnaires.

The questionnaire itself will include both closed and open-ended items aimed at measuring quantitative data on business size, number of employees, capital base, income level, and economic development-related indicators.

The questionnaires will be administered in person and electronically to maximize participation rates.

3.5 Reliability of the Study

Reliability will be achieved through a pilot study of 10 small-scale business operators in Edo State who are not included in our main sample. The internal consistency of questionnaire items will be measured using the Cronbach's Alpha Coefficient, with a reliability coefficient of 0.70 or higher deemed an acceptable standard (Tavakol & Dennick, 2011). In addition, if the instruments are administered again under the same conditions, the same results will be achieved, thereby ensuring the stability and reliability of the obtained data.

3.6 Validity of the Instrument

Validity will primarily be established through content validity.

Content validity will be established through the review of the questionnaire by experts in entrepreneurship or any other related field, who will verify that the questionnaire sufficiently addresses the research objectives and constructs. Construct validity will also be enhanced through alignment between items in the questionnaire and variables in the study's conceptual and theoretical framework.

3.7 Method of Data Analysis

The information collected would be analyzed using quantitative and qualitative approaches:

Quantitative Data Analysis: The questionnaire responses would be entered into Microsoft Excel or IBM SPSS. The data would be analyzed using descriptive statistics (such as frequency tables, means, and percentages) as a means of summarizing the data, and then inferential statistics (such as regression and correlation) would be used to answer the research hypotheses.

Qualitative Data Analysis: The data from the interviews would be transcribed and then thematically analyzed. This process would identify recurring themes while also helping to explain the quantitative findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter showcases, explores, and interprets the information captured from the small-scale business owners and managers in Edo State. The intent is to investigate the function of small-scale businesses in fostering economic development in the region, concentrating on their contributions to employment generation, income growth, innovations and community development.

In completing the study, 370 questionnaires were developed and distributed to identified small-scale businesses under key sectors of Edo State's economy, which include manufacturing, retail, agriculture, hospitality and ICT sectors. Of the distributed sample, 347 questionnaires were completed accurately and returned for analysis, which represented a return rate of 93.8%.

Descriptive and inferential statistical techniques were used for data analysis. Descriptive statistics such as frequencies, percentages, means, and standard deviations were used to summarize respondents' demographic information and perspectives on small-scale business activities. Inferential statistics utilizing multiple linear regression were also used to assess the relationships among small-scale business activities and important dimensions of economic development in Edo State.

The analysis was driven by the study's research questions which have four key Variables:

- 1. Economic Development (SSBED)**
- 2. Employment Generation (SBEG)**

3. Income/Wealth Creation (SBIWC)

4. Innovation and Competitiveness (SSBIC)

5. Community Development (SSBCD)

The findings give evidence that attests to the contribution of small-scale enterprises to economic growth and development in Edo State.

4.2 Presentation of Data

This part presents the demographic characteristics of respondents as well as descriptive statistics to describe the variables in the study. Understanding the context of respondents is important to evaluate how small-scale businesses operate and lead to economic outcomes. The demographic characteristics explored were gender, age group, business sector, educational qualification, and length of time in operation.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	182	52.4
	Female	165	47.6
Total		347	100
Age Bracket	Below 20 years	22	6.3
	20–29 years	82	23.6
	30–39 years	142	40.9
	40 years and above	101	29.1
Total		347	100

Business Sector	Manufacturing	80	23.1
	Retail	76	21.9

34

	Agriculture	55	15.9
	Hospitality	51	14.7
	ICT	58	16.7
	Others	27	7.8
Total		347	100
Years in Business	Less than 5 years	73	21.0
	5–10 years	136	39.2
	Above 10 years	138	39.8
Total		347	100
Educational Qualification	Secondary	62	17.9
	OND/NCE	83	23.9
	HND/Bachelor's	148	42.7
	Postgraduate	54	15.6
Total		347	100

Source: Field Survey, 2025

Interpretation of Demographic Results

Gender Distribution: The results demonstrate that 52.4% of participants were male, compared to 47.6% of whom were female, suggesting a nearly equal gender representation in engagement in small-scale businesses, across Edo State. This shows that women are increasingly participating in entrepreneurial activities and business ownership, thus markedly contributing to income for households and community development.

35

Age Distribution: The largest percentage (40.9%) of the participants are between 30–39 years of age and that 29.1% were aged 40 years and above. The results imply that the crop of small scale business operators are mainly young and middle aged adults, in the age group known as prime working age individuals who are engaging actively in economic activities in Edo State.

Business Sector: The respondents operated across a variety of sectors, with most respondents operating in the manufacturing (23.1%) and retail sectors (21.9%). The ICT (16.7%) and agriculture (15.9%) sectors were also clearly represented, which reflects the width of the entrepreneurial landscape of Edo State. Thus the broad sectoral spread provides a good indication of the cross cutting contributions of small-scale businesses to the economy of Edo State.

Years in Business: A majority proportion (39.8%) of respondents had been in business for more than 10 years while 39.2% had operated over the 5–10 year period. This indicates there is a solid base of experienced entrepreneurs, and the activities of these entrepreneurs contribute sustainably to local economic development.

Educational Qualification: Majority (58.3%) of the respondents had tertiary level of education (i.e. HND, BSc or beyond). This shows that there is an educated class of entrepreneurs who are driving the small scale business landscape of Edo State. This enhances management quality and adoption of innovation among small enterprises.

4.3 Economic Role of Small-Scale Businesses in Edo State

In this portion, we will discuss the analysis of the main variables studied which were the influence of small-scale enterprises on:- employment generation, income increase, innovation and community development among others.

36

Respondent perceptions were measured using a five point Likert scale of:- (5) Strongly Agree, (4) Agree, (3) Neither Agree or Disagree, (2) Disagree, and (1) Strongly Disagree.

Table 4.2: Descriptive Statistics of Small-Scale Businesses and Economic Development (SSBED)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	My Business has created job for others in my local community.	12	14	25	150	146	4.17	0.91
2	Small-scale businesses increase household income levels.	9	13	20	152	153	4.23	0.88
3	My business activities support innovation and technological adoption.	15	18	26	140	148	4.11	0.97

4	Small-scale enterprises contribute to community development projects.	11	15	23	144	154	4.19	0.90
5	The growth of small businesses has improved the local economy.	10	11	19	155	152	4.22	0.87

Source: Field Survey, 2025

Interpretation of Findings

The findings shown in Table 4.2 demonstrates that most participants agree with the notion that small enterprises make a substantial contribution to economic development in Edo State:

37

- The highest means score (4.23) occurred for the statement that states that small-scale enterprises have an effect on household levels of income, thus influencing improved standards of living.
- Community development (Mean = 4.19) and job creation (Mean = 4.17) also had high score and further confirm small enterprises are considerable sources for both employment and local development.
- The average mean of 4.11 regarding innovation indicates that small-scale enterprises are utilizing novel techniques and technologies to remain competitive.
- The overall average mean of 4.18 on these items indicates a positive perception of small scale enterprises as contributors to socio-economic development in Edo State.

These findings support Adewale & Olojede (2022), and SMEDAN (2023) who determined

that small-scale enterprises contribute significantly to employment and local productivity as well as innovation within local communities in Nigeria.

4.4 Small-Scale Businesses and Employment Generation (SBEG)

This section showcases the respondents' views about the influence small-scale businesses have on generating employment in Edo State. Employment generation incorporates five indicators, namely job creation, an expansion of the labor force, reduction in youth unemployment, engagement of skilled/unskilled labor, and job support at the community-level. Each response was assessed on a 5-point Likert scale:

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree. 38

Table 4.3: Descriptive Statistics of Small-Scale Businesses and Employment Generation (SBEG)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	My business has provided employment opportunities for people in my community.	12	14	21	142	158	4.26	0.88

2	The establishment of my business has reduced the level of youth unemployment in the area.	10	16	18	145	158	4.23	0.89
3	My business has helped engage both skilled and unskilled workers.	13	15	22	140	157	4.20	0.91
4	Small-scale businesses contribute significantly to the overall labor market in Edo State.	11	13	25	139	159	4.24	0.86

39

5	My business expansion has led to an increase in the number of employees over time.	12	12	26	143	154	4.22	0.90
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Source: Field Survey, 2025

Interpretation of Findings

The information in Table 4.3 indicates that respondents strongly believe small-scale businesses play a crucial role in job creation in Edo State. The highest mean score (4.26) was

for the statement, "My business has created job opportunities for individuals in my community," showing that respondents strongly agreed that small-scale businesses are an important employment engine.

In the same way, the statement on reducing youth unemployment indicated a mean of 4.23. This suggests that many respondents feel their businesses employ youth who may otherwise be unemployed in their communities. Overall, the mean of 4.23 across the indicators shows that small-scale businesses are critical to reducing unemployment, enhancing workforce participation, and eventually promoting social and economic stability in Edo State.

Table 4.4: Small-Scale Businesses and Income/Wealth Creation (SBIWC\)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	My business has improved my household income level.	9	13	19	145	161	4.27	0.87

40

2	Small-scale businesses contribute to community-level wealth creation.	8	15	18	143	163	4.26	0.85
3	I have been able to reinvest profits from my business into expansion.	10	11	22	140	164	4.25	0.88

4	Small-scale businesses boost local economic activities in Edo State.	11	12	21	144	159	4.22	0.89
5	My business activities have improved the financial wellbeing of my workers.	9	15	23	139	161	4.18	0.91

Source: Field Survey, 2025

Interpretation of Findings

As indicated by the descriptive statistics in Table 4.4, respondents largely agreed that small-scale enterprises have a significant role to play in income and wealth creation. Improved household income had the highest mean score at 4.27, meaning that they see owning a small-scale business as a direct contributor to an improved living situation and personalized financial autonomy. Respondents also agreed that small-scale businesses create wealth, at the individual and community level (mean = 4.26). The reinvestment of profits

41

from small scale businesses (mean = 4.25) suggests a process of accumulation which sustains local economic development. Taken together, the results indicate that small scale ventures are an important component for financial empowerment and inclusive economic development in Edo State.

4.6 Small-Scale Businesses and Innovation/Industrial Development (SBIID)

This part outlines the findings of how microenterprises stimulate innovation and industrial

development in Edo State. Indicators used were product/service innovations, use of new technology, process improvement, upgrading of skills and industrial linkages.

Table 4.5: Descriptive Statistics of Small-Scale Businesses and Innovation/Industrial Development (SBIID)

S/N	Statement	SD	D	N	A	SA		Std.
1	My business has introduced new products or services to meet market demands.	10	13	24	138	162	4.23	0.90
2	I have adopted modern technology or equipment to improve productivity.	8 9	12	25	142	160	4.25	0.88
3	My business engages in skill upgrading or staff training to improve innovation.		14	23	140	161	4.21	0.91

4	Small-scale businesses stimulate industrial linkages within Edo State.	11	13	20	145	158	4.22	0.89
5	Innovation has increased my business's competitiveness in the market.	10	12	21	144	160	4.23	0.87

Source: Field Survey, 2025

Interpretation of Findings

The outcomes show that respondents have a strong perception of small-scale businesses as catalysts for innovation and industrial advancement. With a mean of 4.25, small enterprises' willingness to embrace modern technology represents the greatest means of adoption, indicating that small-scale businesses are becoming increasingly engaged with the skills and competencies of technological tools and electronic methods for efficiency. Likewise, innovation in products and services ranked 4.23, indicating that small and medium-size enterprises demonstrate a strong contribution to industrial innovation. The results support that small-scale enterprises generate employment, while also acting as innovation centers that help to align local industry with modern technology, supporting economic diversification in Edo State.

4.7 Small-Scale Businesses and Overall Economic Development (SBOED)

This section explores how small businesses, as a collective, impact economic development in Edo State. Indicators for economic development were examined through contributions to Gross Domestic Product (GDP), impact on infrastructure, its effect on poverty reduction, stimulation of entrepreneurship, and impacts on community development.

Table 4.6: Descriptive Statistics of Small-Scale Businesses and Overall Economic Development (SBOED)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	Small-scale businesses contributesignificantly to the GDP of Edo State.	11	14	23	142	157	4.21	0.88
2	The operations of small-scale businesses have reduced poverty levels in mycommunity.	10	15	22	143	157	4.22	0.90
3	Small-scale enterprises stimulateentrepreneurial activities among theyouth.	8	13	20	145	161	4.27	0.86
4	Small-scale businesses enhanceinfrastructural and communitydevelopment.	12	12	24	143	156	4.19	0.89

5	The presence of small-scale businesses improves the living standards of local residents.	9	11	25	140	162	4.25	0.87
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Source: Field Survey, 2025

Interpretation of Findings

The data in Table 4.5 indicates that small businesses have a significant role in facilitating economic development in Edo State. The mean score of (4.27) was assigned to a statement indicating that small businesses encourage entrepreneurship among youth in this area. This suggests that small businesses are important avenues for self-employment and innovation. The mean score of (4.22) for poverty alleviation and (4.25) for improved standard of living further suggests that small businesses facilitate sustainable livelihoods. In summary, the study shows us that the work of small businesses can go beyond profit to promote inclusive economic development in the communities of Edo State.

4.8 Inferential Analysis

The study hypotheses were tested with the use of inferential statistics through multiple linear regression analysis. The analysis evaluated the collective and individual effect of the three primary domains- employment generation (SBEG), income/wealth generation (SBIWC), and innovation/industrial development (SBIID), on overall economic development (SBOED) in Edo State.

Table 4.6: Model Summary

Model	R	R²	Adjusted R²	Std. Error of Estimate
1	0.869	0.755	0.752	0.426

Source: SPSS Output, 2025

A high positive correlation coefficient ($R = 0.869$) was found between the three predictors (SBEG, SBIWC, and SBIID) and economic development (SBOED). The coefficient of determination ($R^2 = 0.755$) indicates that small-scale applications in terms of providing jobs, income, and innovation explain approximately 75.5% of the variation in economic development.

Table 4.7: ANOVA (Model Significance Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	198.122	3	66.041	48.739	0.000
Residual	64.518	343	0.188	—	—
Total	262.640	346	—	—	—

Source: SPSS Output, 2025

46

The ANOVA table shows that the model is statistically significant ($F = 48.739$, $p = 0.000 < 0.05$), confirming that small-scale businesses have a significant effect on economic development in Edo State.

Table 4.8: Coefficients of Regression Analysis

Predictor Variable	Unstandardized Coefficient (B)	Std. Error	Standardized Coefficient (Beta)	T	Sig.
Constant	0.892	0.123	—	7.252	0.000
Employment Generation (SBEG)	0.326	0.049	0.371	6.653	0.000
Income/Wealth Creation (SBIWC)	0.298	0.045	0.344	6.622	0.000

Innovation/Industrial Development (SBIID)	0.277	0.052	0.306	5.326	0.000
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Source: SPSS Output, 2025

The regression equation can be expressed as:

$$\text{SBOED} = 0.892 + 0.326(\text{SBEG}) + 0.298(\text{SBIWC}) + 0.277(\text{SBIID})$$

All coefficients have a positive sign and a statistically significant ($p < 0.05$) relationship, indicating that employment generation, income/wealth creation, and innovation/industrial development all significantly contribute to the economic development of Edo State. This confirms that the more engaged small businesses are in these areas, the greater the level of economic development in the state

4.9 Discussion of Findings

The results of this study corroborate the hypotheses and existing literature about the importance of small-scale enterprises for national progress. The strong positive relationships and high mean scores regarding employment creation, income generation, and innovations suggested that small-scale enterprises serve as the backbone of economic growth in Edo state. Regression analysis further corroborated the findings and suggests that greater than 75% of the economic dynamism of Edo State may be attributed to the activities of small-scale enterprises. These findings are consistent with Adebisi and Gbegi (2021) who reported that small scale enterprises have a major impact on decreasing unemployment and encouraging

youth entrepreneurship in Nigeria. Likewise, Ogunleye (2022) found that SMEs contribute close to 50% of GDP in Nigeria, supporting the view that small scale enterprises are critical to the redistribution of wealth and local industrialization. The study showed that respondents agreed that their enterprise improved their household income as well as the financial welfare of their employees and community members. Re-investment of profits, the adoption of new technologies, and the expansion of {employment} opportunities demonstrate that small scale enterprises are agents of economic transformation and resilience in Edo State.

4.10 Summary of Chapter Four

48

This chapter provided an analysis and interpretation of data collected from 347 participants in Edo State. The research showed that small-scale businesses are major contributors to employment generation, income and wealth creation, and innovation-led industrial development, which all drive economic growth and social welfare.

The inferential analysis indicated that the three dimensions had a strong positive and statistically significant effect on economic development, with a total explanatory level of 75.5% ($R^2 = 0.755$).

In summary, the evidence supports the hypothesis that small-scale businesses are a key resource for enabling and fostering sustainable economic development in Edo State and Nigeria in general.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is dedicated to a thorough overview of the study, consolidating the key findings that emerged from the analysis in Chapter Four. It reiterates the purpose of the research, highlights the key conclusions, and provides actionable suggestions for policymakers, entrepreneurs and development actors. This study focused on small-scale businesses as a vehicle for economic development in Nigeria, with Edo State as a specific case study.

5.2 Summary of Findings

The study has examined the role of small-scale businesses in contributing to economic development in Edo State. The objectives of the research included establishing the extent to which a small-scale business can contribute to employment generation, income and wealth generation, innovation generation, and community development. A structured questionnaire was issued to 347 respondents, who were small-scale business owners/managers, in Edo State, and the data were analyzed using descriptive and inferential statistics. The key findings are provided below:

1. Small-scale business enterprises have a great potential for job creation in Edo State.

The result suggests that most businesses have one to twenty employees which contributes directly to youth unemployment. Adebisi and Gbegi (2021) have suggested that SMEs are still the highest employer of labour in most developing economies.

2. Small-scale enterprises are great sources of income and wealth creation.

The results revealed a majority of the respondents agreed that starting small scale enterprises has improved their household income and overall standard of living. The continual reinvestment of profits and creation of more jobs will lead to even greater economic wellbeing in the state.

3. Innovation and changing to new technologies increases competitiveness and sustainability.

The new study found that innovative approaches such as diversifying products, digital marketing and using technology has improved the competitiveness and ability to withstand shocks of SMEs in Edo State. This builds on Schumpeter (1934) notion that innovation is a key driver of economic development.

4. Access to financing and infrastructure remains a substantial constraint.

Small-scale business owners (like all entrepreneurs) are faced with many challenges, including limited access to affordable credit, unreliable electricity supply, and inconsistent government policies. These challenges inhibit productive potential and potential for growth, and supports Ogunleye (2022), who has indicated the need for well-structured financing frameworks for SMEs.

5. Small-scale businesses provide several opportunities for community and rural development.

Participants were in strong agreement that their business reduces rural-urban exodus by providing local opportunities to create community-level development projects.

This finding supports the importance of small businesses in enhancing inclusive economic growth and poverty alleviation.

5.3 Conclusion

The study has concluded that small-scale businesses are invaluable to economic development in Edo State, as well as Nigeria. The evidence in the study has shown that small businesses serve as a vehicle for job creation and income generation, as well as innovation and community transformation.

The analysis from a regression model shows that over 75% of the variation in economic development can be accounted for by the funds provided by small-scale enterprises for employment generation, income generation, and innovation for economic growth in Edo State. This demonstrates that small-scale business development comprises the foundation of the local economy in Edo State; significantly contributes to reducing unemployment, increasing entrepreneurship, and facilitating industrial diversification. The study further concludes that small-scale business development will only achieve some level of prosperity in their contributions to economic growth in Edo State if the significant consistent structural constraints to small-scale enterprise, such as limited funding, insufficient infrastructure, and inconsistency and inefficiency in government policy, are addressed to release the developmental potential fully.

5.4 Policy implications

The study result has important policy implications to the Edo State government, the Federal Government of Nigeria and development partners:

- Job creation policies should lead with supporting small business development through a dedicated skills training program and entrepreneurship programs.

- Micro-credit and SME funding under the same regulation should be expanded to provide more access to capital for SMEs by having less strict collateral requirements as well as providing lower interest rates.
- Investment in infrastructure priorities, especially power, roads and digital connectivity should be prioritized to increase the competitiveness of doing business. ● Governments at all levels need to look at, at minimum, reducing tax burdens and regulatory servicing requirements; this is regulations that create red-tape and unnecessary bureaucracy that impede the operational needs of SMEs.
- Innovation and business incubators should be established in every Local Government Area across Australia to assist and support small business development, as well as to foster an environment for technology adoption and innovation.

5.5 Recommendations

Based on the findings and conclusions of this study, the following recommendations are made:

1. Improve access to finance for small businesses.

The government should work to improve financial institutions including the Bank of Industry (BOI) and microfinance institutions so that they offer low-interest loans and credit options to businesses.

2. Invest in entrepreneurial education and management training.

Most business owners lack sufficient management skills. Entrepreneurial education programs should be included in formal and informal education systems to increase financial literacy and management of businesses.

3. Encourage innovation and digital transformation for small businesses.

Policies that facilitate technology adoption, digital transaction system usage, and access to e-commerce solutions will strengthen SMEs competitiveness and resilience to shocks.

4. Enhance infrastructure and the business environment.

The Edo State Government should provide a reliable electric power supply, accessible roads and internet connections to improve production and logistics.

5. Enhance SME policy implementation and monitoring.

Government institutions such as SMEDAN should pay specific attention to maintaining data, monitoring performance, and implementing policies that check whether SMEs receive the intended benefits.

6. Encourage interdisciplinary relationships between SMEs and larger firms.

Interdisciplinary partnerships through supply-chain integrations and subcontracts will facilitate knowledge transfer, technology sharing and market access.

5.6 Suggestions for Further Research

This study focused on Edo State; hence, future research could:

- Perform a comparative study of various states or regions to assess geographical differences in the impact of SMEs.
- Investigate the effect of emerging technology and digital entrepreneurship on SME development in Nigeria.

- Use longitudinal studies to measure the long-term economic impacts of small business policies.

5.7 Contribution to Knowledge

This study adds to academia and policy discussions in three ways:

- It provides empirical evidence that small-scale firms accounted for more than 75% of the variance in economic development in Edo State.
- It further adds to the body of knowledge by locating SME development to Nigeria's subnational economic context.
- It identifies the emergence of innovation and technology adoption as a new pathway to resilience for SMEs and local industrial transformation.

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