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Small Scale Enterprises and Job Creation in Ado Odo Ota Local Government Ogun State

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Abstract

The paper examined the effect of small-scale enterprises on job creation in Ado Odo Ota while the specific objective is to determine the effect of small-scale enterprises on poverty reduction. It was found out that small scale enterprises play a major role in poverty reduction through income generation, self-employment opportunities, and improved standard of living. The study recommended that government should provide soft loans and grants to small scale enterprise owners to support business growth while youths should be encouraged through entrepreneurship training and skill acquisition.

Key words: small enterprises, job creation, poverty, youths, training

1. Introduction

Small Scale Enterprises (SSE) are acknowledged globally as vital contributor to economic growth, employment generation, and poverty alleviation, especially in developing countries like Nigeria. They serve as engines for entrepreneurship development, regional economic balance, and effective resource utilization. Within Nigeria SSE form the backbone of the economy, providing approximately 50% of employment and contributing significantly to industrial output (Adu&Abdulkafeel,2026).

In the case of Nigeria hardly do you see a clear-cut definition that distinguishes between small and medium scale enterprises. However, the Central Bank of Nigeria in its monetary policies circular No. 22 of 1988 view small scale industry are those enterprises which has annual turnover not exceeding 500,000 naira. (CBN; 1988) Similarly in 1990 the Federal Government of Nigeria defined small scale enterprises for the purpose of commercial bank loans as those enterprises whose annual turnover does not exceed 500,000 thousand naira and for merchant bank loan those enterprises with capital investment not exceeding 2 million naira (excluding the cost of land) or a minimum of 5 million naira (Adu&Williams, 2024).

Business and ownership structure become a large business unit because 80% of the financing of SSEs come from owners, friends and families. Business form can take different form including private ownership, limited partnership, contract and sub-contracts, cooperatives or associations. Small scale enterprises have a narrow context within which its operation is carried out. However, where it is effectively operated it has capacity to sprout the economic growth and national development (Adu&Uchegara, 2024).

In Nigeria, SSEs form the majority of business establishment and significantly contribute to the GDP and employment levels, however, numerous studies have documented the many constraint faced by these enterprises, which hinder their potential for growth and sustainability the proliferation of SSEs as often be driven by individual entrepreneurs seeking self-employment rather than motivated by easy access to business support of favorable policy environment. The challenge faced by small scale entrepreneur call for an in-depth understanding of their problems and the development of appropriate strategies to enhance their performance and contribution to the economy (Adu& Ajigbotoso,2024).

Statement of the Problem

The Nigerian national economy is characterized by mirage of problems which has constituted a sleepless night to



developmental oriented governance. The most disturbing thing in the country is the menace of unemployment. Nigeria is faced with the challenge of curbing increase in crime rate, unprecedented increase in prostitution, high mortality rate, political thuggery among others which are traceable to youth unemployment (Adu&Williams, 2023). Moreso, dwindling economic growth and development attributable to insufficient number of economic activities call for people to engage in entrepreneurship in the form of small and medium scale enterprises especially at such a time as this which on the long run will translate to improve and sustainable economic growth and development otherwise, the country will suffer relegation in the committee of nations (Adu et al.,2023).

Objective

The main objective of this study is to determine the effect of small scale enterprises on job creation in Ogun State. While the specific objective is to: determine the effect of small scale enterprises on poverty reduction.

Research Question

How is the effect of small scale enterprises on poverty reduction?

Hypothesis

Ho: There is no significant relationship between small scale enterprises and poverty reduction in Ogun State.

2. Literature Review

Conceptual Review

Small Scale Enterprises

The Centre for Industrial Research and Development (CIRD) of the Obafemi Awolowo University, Ile-Ife according (Adu,2013), defined a small-scale enterprise as an enterprise with working capital base not exceeding N250, 000 and employing on full time basis, 50 workers or less. The Nigerian Bank for Commerce and Industry (NBCI) defined small-scale business as one with total capital not exceeding N750, 000 (excluding cost of land but including working capital). The Federal Ministry of Industry's guidelines to NBCI defined a small-scale enterprise as one with a total cost not exceeding N500, 000 (exceeding cost of land but including working capital) (Adu, 2016).

Job Creation and Small Scale Enterprises

Small scale enterprises (SSEs) are recognized as solutions for economic growth, modernization, job creation, income generation and scientific advancement in most advanced economies. Small-scale enterprises in the business world are well accepted because this sector acts as a tool for job growth, country-wide development, poverty reduction and economic development. Small scale enterprises have more job opportunities than big companies and multinational firms. Small scale enterprises play a crucial role in poverty reduction, social growth and economic development. By creating successful industrial enterprises, economic progress will be achieved which will generate job opportunities for the general public in the society in which it operates. Job opportunities would raise people's disposable income, which will generate demand for commodities and services and

ultimately purchase products on demand. This revenue would also raise living standards and minimize poverty (Ebomaet al., 2026). The contribution of SSEs to the growth of employment in the EU during the period 2002 to 2010 increased by an average of 1.1 million workers per year, which is equal to 0.9% per year. In total, 0.9 million jobs were generated annually by SMEs, which is 85 per cent of the total increase (Kesinro et al., 2016).

3. Methodology

Research Design

The research adopted a qualitative approach to investigate into small scale enterprises and job creation in Ado Odo Ota Local Government. Qualitative research is well-suited for exploring the nuanced aspects of individuals' experiences and perceptions.

The Study Area

The local government area selected is Ado Odo Ota local government, Ogun State.

Data Collection Method

A survey questionnaire was used to collect information on respondents' socio-demography, knowledge of small scale enterprises and job creation in Ogun State.

4. Data Presentation, Analysis and Interpretation

Effect of Small Scale Enterprises on Poverty Reduction

S/N	Questionnaire Item	SA	A	D	SD	Total
1	SSE provide income for families	45	35	12	8	100
2	Small businesses help people become self-employed	46	32	14	8	100
3	SSE improve standard of living	40	38	12	10	100
4	Profits from small businesses reduce hardship	43	34	15	8	100
5	Expansion of SSE can reduce poverty in Ogun State	50	30	12	8	100
Total		224	169	65	42	500

Summary of Findings

Small scale enterprises play a major role in poverty reduction through income generation, self-employment opportunities, and improved standard of living.

Conclusion

The study therefore concludes that in Ado-Odo Ota Local Government Area, small scale enterprises have enhanced job creation and reduced poverty.

Recommendations

- i. Government should provide soft loans and grants to small scale enterprise owners to support business growth.
- ii. Youths should be encouraged through entrepreneurship training and skill acquisition

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