

ISRG Journal of Economics, Business & Management (ISRGJEBM)



ISRG PUBLISHERS

Abbreviated Key Title: Isrg J Econ Bus Manag

ISSN: 2584-0916 (Online)

Journal homepage: <https://isrgpublishers.com/isrgjebm/>

Volume – II Issue - IV (July – August) 2024

Frequency: Bimonthly



Entrepreneurship and Economic Development of Small and Medium Scale Enterprises in Enugu State, Nigeria.

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| Received: 12.08.2024 | Accepted: 17.08.2024 | Published: 29.08.2024

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Abstract

Entrepreneurship is the major source of wealth to every society and hence, the engine that drives innovation, creates new product, job opportunities and services. A country will remain economically disadvantaged if the potentials of entrepreneurship to drive economic growth are not explored. This study assessed Entrepreneurship and Economic Development of SMES in Enugu State, Nigeria. The precise goals were to identify the extent of relationship between Job creation and economic growth of SMEs in Enugu State and to ascertain the degree of relationship that exists between business ownership and financial capability of SMEs in Enugu State. The study adopted a descriptive survey design in order to elicit information from respondents. The population for the study comprises 1,394 Small and Medium Scale Enterprises (SMEs) operating within Enugu State. The sample size of 308 was determined using Krejcie and Morgan method of 1970 and Pearson product moment correlation coefficient was employed to test the extent of their relationship at 5% level of significance. The study's main findings showed that there is positive correlation between SMEs economic growth and the creation of jobs in Enugu State, as well a strong correlation between business ownership and financial capability of SMEs in Enugu State. The study suggests that the Enugu state Government should introduce practical skill acquisition programmes that are designed to foster creativity and encourage entrepreneurs to create more employment opportunities, also that the Government needs to sustain Entrepreneurship by providing soft loans to entrepreneurs to boost their financial capability.

Keywords: Business Ownership, Financial Capability, Economic growth, Entrepreneurship.

1.0. INTRODUCTION

Many successive governments in Nigeria have come up with one policy framework or the other aimed at improving the socio-

economic well-being of the people through entrepreneurship. The federal government in 1970 had articulated a development plan as

her policy framework on the need for the Nigerian economy to be self-reliant through industrialization, entrepreneurship development, employment generation and development through increasing export trade (NDP, 1970). The policy framework evolved considering the growing incidence of unemployment in Nigeria. In the development plan, the entrepreneurship development was recognized as one of the catalysts of socio-economic development of any country. In Nigeria, entrepreneurship accounts for about 50% of industrial employment and over 45% of the Gross Domestic Product (Odeyemi, 2017).

However, given the Nigerian situation, entrepreneurship development has been in a dire strait economically as orchestrated with unpredictable socio-economic upheavals and lack of social capital formation that would have enabled entrepreneurs to access money for their businesses. A situation, where entrepreneurs seldom obtain loans from banks due to stringent conditions, as a result, individuals with constructive ideas cannot transform them into viable businesses due to lack of capital formation. This problem, however, has questioned the potentiality of generating jobs through entrepreneurship development, hence affecting the economic growth of the people in Enugu State. Enugu is known as the coal city. It is located at the southeastern part of Nigeria and home of over 3 million people. Despite the size and economic potential, the state faces several challenges, including lack of employment opportunities and underdeveloped infrastructure [15]. Entrepreneurship is the bedrock of every nation; it is the critical driving force for economic growth and prosperity. Wikipedia (2023) defines entrepreneurship as the creation or extraction of economic value; it represents change, involves risk above and beyond what is typically involved in launching a business, and may involve values more than just financial ones. Entrepreneurship as a natural phenomenon in a business and it shows that the business is healthy when there is an entrepreneurial skill and management has adopted for changing and learning [5].

Economic development is the process of integrating more modern and mechanized technology into an economy in order to raise labor, productivity, employment, income, and the general standard of living. Infrastructure development and political and institutional variables that support economic change go hand in hand with economic development. Equally, it is the sustained, collaborative action of law makers, persons and firms to upgrade the economic welfare for the society and nation at large and it goes beyond economic growth and it emphasizes the human advancement, poverty alleviation and unbiased distribution of material resources. The above is determined through measurement of GDP per capita, expectancy, education levels and access to basic services. [14]

In pursuit of sustainable development, the study explores entrepreneurship and Economic development of Enugu state.

1.1 Objectives of the study

The aim of the study is to determine the connection between entrepreneurship and the economic growth of SMES in Enugu State, Nigeria, is the study's main goal of the study.

The specific objectives are:

1. To ascertain the strength of the relationship between Job creation and economic growth of SMEs in Enugu State.
2. To determine the kind of relationship between business ownership and financial capability of SMEs in Enugu state.

1.2. Research Questions

1. What is the extent of relationship between job creation and economic growth of SMEs in Enugu State.
2. What is the nature of relationship between business ownership and financial capability of SMEs in Enugu state, Nigeria.

1.2 Research Hypotheses

H₀₁. There is no significant relationship between job creation and economic growth of SMEs in Enugu State.

H₀₂. There is no significant relationship between business ownership and financial capability of SMEs in Enugu state.

2.0. REVIEW OF RELATED LITERATURE

2.1. CONCEPTUAL REVIEW

2.1.1. Job Creation

The concept "Job creation" is providing new possibilities for gainful employment especially for individuals that are out of job. It describes the practice of giving underemployed and unemployed persons new work without necessarily forcing them to relocate. (International Labour Organisation 2023). It entails providing job opportunities for the society, meeting the needs of the citizens who desire to make a living [2]. Job creation is the process of adding new jobs to the economy. It can be measured in two ways: by the number of jobs added or the unemployment rate, which measures the percentage of the labour force that is unemployed. Job creation is the major indicator of economic growth and it helps to alleviate poverty and fosters social stability. [1]. The role of job creation in enhancing economic development of small and medium enterprises cannot be underestimated, concentrating on the matter of job creation makes it easier for countries to embrace creative enterprises by nurturing innovative concepts and transforming them into tangible projects.

2.1.2. Economic Growth

Economic growth is the process through which a country's wealth rises over time. The idea is frequently brought up while talking about short-term. It displays the increase in a nation's or region's production of products and services over a specific time frame. An increase in the value of a nation's economic output is referred to as economic growth, and the greatest indicator of this is a rise in the gross domestic product (GDP). It is associated with factors such as innovation, human capital and progress in technology [8]. Economic growth is an increase in the average level of income of the people in an economy overtime, the definition centered on the rise in income per person. It can have positive impact on country's standard of living and infrastructure [6].

2.1.3. Business Ownership

Investopedia 2023 defines business ownership as the state of having legal claims on a business which may include full or partial control of the business and its operations, it entails managing of a business ventures and having authority to determine its operations and functions. In addition, business ownership is the bundle of rights and responsibilities given to physical and legal person that owns a firm, it also includes control over firm's assets, profits, liabilities. This definition captures the full range of rights and responsibilities associated with ownership of business.

2.1.4. Financial Capability

Financial Capability depicts the process through which people and families acquire the abilities and information necessary to make

wise financial decisions and eventually reach financial well-being is known as financial capability. It examines how people manage their finances, make ends meet, select and use financial products, plan, and develop the information and abilities necessary to make sound financial decisions. This is one's ability to apply appropriate financial behaviors for achieving financial well-being. It helps one to manage money wisely, become resilient to financial shocks seize opportunities as they arise [10]

2.2. THEORITICAL REVIEW

The Economic Theory of Entrepreneurship serves as the theoretical foundation of the study. In order for entrepreneurs to succeed, they require prosperous conditions, according to the theory, which places a strong emphasis on the relationship between economic conditions and entrepreneurial activity. Put differently, a thriving economy will lead to favorable consequences for business expansion, whereas a faltering economy will result in less prospects for enterprises. Economic variables are crucial in the growth of entrepreneurial endeavors.

2.3. EMPIRICAL REVIEW

Maaitah (2023) investigated the role of entrepreneurship on the economic growth and development using logical positivism standard and adopted a simple random sampling system and 500 respondents were selected based on probability [11]. Cross sectional data was employed for adequate representation of the sample of the study. The data collected was analyzed with linear regression model while cronbach's alpha test was used to ascertain the construct validity of the structured questionnaire. From the findings of the study, it was found that entrepreneurship has a positive and significant effect on economic growth of the people and concluded that entrepreneurship is key to economic development of any country. The study recommended that the government needs to provide training programs for Jordanian youth and that the field of entrepreneurship be incorporated into the school curriculum.

Mahmoud (2023) examined the impact of entrepreneurship on economic development and growth, selecting 438 students as a sample size from a population of 700 using a snowball selection technique. It was a survey research design that employed quantitative approach in ascertaining the impact of entrepreneurship on economic development of a country. This study was necessitated considering the imperativeness of increasing rate of unemployment in the area. Data collected was analyzed with multiple regression models. The result showed that entrepreneurship has a positive and significant effect on economic development of the people and therefore concluded that entrepreneurship plays a pivotal role in enhancing the socio-economic well-being of the people. The study recommends that company owners collaborate with researchers to take advantage of and leverage research findings for greater scientific expansion in entrepreneurship. The findings demonstrated a significant correlation between job conceptions and absenteeism in entrepreneurship advanced plans [12]

Vatavu ,Dogaru, Moldovan & Lobont (2022) evaluated the influence of entrepreneurship on economic growth using public policies and public opinion. The study was aimed to determine the effect of entrepreneurship on economic growth in Moscow. Cross sectional data was adopted while convenience sampling technique was used to ensure effective representation of the sample. However, the data collected was analyzed with structural equation model. The findings indicated that entrepreneurship has positive

effect on economic growth of any nation. This is because through the operations of the entrepreneurs, more products will be produced; job will be created thereby creating robust and resourceful economy. As a result, it is recommended that the public sector build an entrepreneurial framework that will play a significant role in promoting cultural and social norms and GDP in order to increase economic stability [16]

Munyo and Veiga (2022) analyzed entrepreneurship and economic growth of the people of Angola. This study was aimed at ascertaining the extent of relationship between entrepreneurship and economic growth of the Angola people. Descriptive research design was adopted while primary data designed structurally which captured all the rudiments of the specific objectives were administered on the sample drawn from the population of the study. However, the data collected were analyzed with linear multiple regression. The result of the findings shows significant relationship between entrepreneurial activities and economic growth of the Angola people and recommended that government at all levels should come-up with robust-policy framework that will create convivial environment through, capital formation, removal of stringent conditions on accessing loan from banks and the alike.[13].

Asogwa and Anah (2017) examined the Impact of Entrepreneurship development on economic growth: An investigation of Enugu State's registered entrepreneurs. Using a survey research design, the study found that entrepreneurship raises living standards by generating work chances. The report suggests that the government restructure the programs it has started by designating honest people to lead the organization [3]

3.0. METHODOLOGY

This study investigates the relationship between entrepreneurship and the economic development of Small and Medium-sized Enterprises (SMEs) in Enugu State, Nigeria. To effectively address this, both exploratory and descriptive research designs were employed. Exploratory research helped identify key issues and generate hypotheses, while descriptive research gathered firsthand data to inform conclusions and recommendations. The target population comprised all SMES in Enugu state Nigeria, using Krejcie and Morgan sampling approach of 1970, the study calculated the sample size of 308 out of the 1,394 SMEs in the state of Enugu. Data was collected through primary and secondary sources. Research instruments were validated for content and reliability. Collected data was meticulously cleaned and analyzed using SPSS version 28. Pearson correlation was used to test hypotheses. In this study, entrepreneurship is the independent variable while economic development is the dependent variable.

4.0. EMPIRICAL FINDINGS AND DISCUSSIONS

The relationship between Job creation and Economic growth.

H₀₁. There is no significant relationship between Job creation and economic growth in Enugu State.

Table 1: Pearson Correlations Ho₁

N=308		Job Creation	Economic growth
Job creation	Pearson Correlation	1	.987**

	Sig. (2-tailed)		.000
Economic Growth	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

Table1: Shows the result of the correlation analysis on Job creation and Economic growth. The outcome shows that the variables have a positive, statistically significant association. Following the correlation coefficient of .987, a p-value of .000 (p-value < 0.05) was achieved.

Ho₂. There is no significant relationship between business ownership and financial capability in Enugu state.

Table 2: Pearson Correlations Ho₂

N=308		Business Ownership	Financial Capabilty
Business Ownership	Pearson Correlation	1	.973**
	Sig. (2-tailed)		.000
Financial Capability	Pearson Correlation	.973**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows the result of the correlation analysis on business ownership and financial capability. The outcome shows that the variables have a positive, statistically significant association. This is demonstrated by the computed coefficient of .973, which has a p-value of .000 (p-value less than 0.05).

Based on the study, the findings showed that there are statistically significant positive relationships that exist between job creation and economic growth; business ownership and financial capability in the small and medium enterprises in Enugu State. The implication is that as job creation increases, economic growth increases. In addition, as business ownership increases, the financial capability of the focused SMEs's increases. This finding corroborates the result of Chavad (2022) who studied entrepreneurship as the bedrock of economic development. He found that entrepreneurship is critical to the development of knowledge based economy [4]

Moreover, the finding agrees with the study of Maaitah (2023) investigated the role of entrepreneurship on the economic growth and development using logical positivism standard and adopted a simple random sampling system and 500 respondents were selected based on probability. The study found that government should deliver training programs and entrepreneurship be developed via inculcating the field into the curriculum of the school to enhance empowerment and development [11]

5.0. CONCLUSION

It is obvious from the hypotheses testing that there are statistically significant positive relationships existing between job creation and economic growth; business ownership and financial capability in the small and medium enterprises in Nigeria. These variables are measures of Entrepreneurship and Economic development. We therefore, conclude that Entrepreneurship is the backbone for economic development in Enugu State, Nigeria.

5.1. RECOMMENDATIONS

Following from the conclusion, we recommend the following:

- The Government of Enugu state needs to introduce practical skill acquisition programmes that are designed to foster creativity and encourage entrepreneurs to create more employment opportunities,
- The Government needs to sustain entrepreneurship by providing soft loans to entrepreneurs to boost their financial capacity.

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