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Socioeconomic determinants of the employment/income capacity of MSMEs in South-West Nigeria

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ABSTRACT

This paper analyzed socioeconomic characteristics of micro, small, and medium-sized enterprises (MSMEs) that have implications for employment and income generation potentials in Osun and Oyo states of southwestern Nigeria. The paper used multistage sampling technique to identify and collect data from 1020 SMEs, analyzed using descriptive and inferential statistical technique. The result showed that gender bias inhibits both income and employment generating potentials, with male dominance over female dominance hindering female ability to pivot and reduce poverty among business owners while age has a significant positive effect on employment generation but not a significant factor in generating revenue. Marital status has a negative effect on job creation but not significant in their income-generating potential. Labour regulation and access to credit are the two most significant institutional factors affecting MSMEs' income and employment generating potentials. Religion does not appear to be a significant component in boosting income-generating potential and education is seen as having a negligible negative influence. Financial difficulties are the greatest restriction for MSMEs in Osun and Oyo states while taxation and government policy have a positive impact on income generation potential, as compliance with official rules encourages firms to explore government incentives.

Contribution/ Originality: The paper contributes to understanding the socioeconomic drivers and enabler of small and medium scale business capacity to create employment and generate sustainable income. It also established that tax and government regulation are more supportive of SMEs than tabating their growth.

1. INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) are organizations with less than 100 employees. A business is considered micro if it employs fewer than five people. A small business employs between five and nineteen employees, while a medium firm employs between twenty and ninety-nine. The importance of these forms of enterprise as a vital sector in producing and fostering inclusive economic growth has become a hot topic among policymakers, academics, and policy analysts alike. While international and cross-country evidence, particularly in developed economies, has demonstrated that small businesses are essential to national development, country-specific evidence in developing nations has been so diverse as to why the experiences of developed nations cannot be replicated in developing nations. While MSMEs contribute an average of 50% to the gross domestic product (GDP) in both Europe and the United States, they contribute just 40% in Asian nations. In Nigeria, MSMEs account for 96% of manufacturing enterprises and 70% of employment, yet contribute less than 2% to the GDP (CBN, 2014).

Small businesses are often referred to as the backbone of any economy, and Nigeria is no exception. They are key economic players in resource allocation and industrialization in developing and transition economies. Small businesses provide economic benefits such as; developing regional economies through research and flexibility for economic change and human capital development, encouraging innovation and helping the competition in the market. Hence, understanding small firms' respective capacities is essential for policymakers and stakeholders because they contribute significantly to the nation's job generation. Assessing the relative capacities of small businesses is an essential process for identifying the strengths and weaknesses of an organization.

Small businesses in Nigeria have the potential to generate employment in different ways; Direct and indirect employment. The direct employment is the number of people who are employed directly by the business. While the Indirect employment refers to the jobs that are created in the supply chain, such as suppliers and distributors, as a result of the business's activities. Other form of employment created by small businesses is Induced employment, which refers to the jobs that are created in the broader economy as a result of increased consumer spending resulting from the business's activities. Small businesses in Nigeria have several strengths that make them effective in generating employment. Firstly, small businesses in Nigeria are agile and can adapt quickly to changes in the market. This agility makes small businesses more likely to create new jobs quickly.

Secondly, small businesses in Nigeria are innovative. Small businesses in Nigeria are often founded by entrepreneurs who have a unique vision for their products or services. They are more likely to invest in research and development and come up with new ideas that can create new jobs. Thirdly, small businesses in Nigeria have a strong connection to their local communities. They are more likely to source their inputs locally and employ local people, creating a virtuous cycle of economic activity that benefits the entire community. This creates a sense of belonging and shared responsibility which in turn leads to higher job satisfaction, increased employee retention, and, ultimately, a more productive workforce.

The socioeconomic characteristics of MSMEs' operations are one of the crucial elements that influence small business ability to employ people and generate income. Various economic, social, and institutional elements that have an impact on the business climate and overall success of MSMEs are among these drivers. Understanding the socioeconomic factors that influence the employment and income potential of MSMEs is therefore essential for addressing the problems these enterprises encounter and fostering their growth and development. MSMEs in Nigeria confront a lot of difficulties when it comes to generating income and creating jobs. The ability of MSMEs to generate income and create jobs may be significantly influenced by infrastructure, such as access to electricity, water, and roads. Poor infrastructure can make it difficult for MSMEs to transport goods and services, which prevents them from expanding into new markets and attracting new clients. In addition, a lack of access to necessities like electricity and water can hinder MSMEs' production and lower their ability to earn money. Education and training are as well critical socioeconomic determinants that may affect the employment and income capacity of MSMEs. A skilled workforce is essential for the growth and development of any business. Lack of access to education and training can limit the ability of MSMEs to attract and retain skilled employees, hindering their ability to expand their operations and increase their income capacity.

This study intends to investigate the relative significance of these socioeconomic drivers of MSMEs' potential to employ people and generate income in southwest Nigeria. Specifically, the paper identifies the key socioeconomic factors affecting MSMEs in the area, evaluate how these factors affect employment and income potential, and offer recommendations for policymakers and stakeholders on how to encourage the expansion and development of MSMEs. The results of this study may help guide policies and actions meant to support the expansion and development of MSMEs in the area as well as the economic growth of Nigeria as a whole. The following sections comprise the review of selected literature, methodology of study, results, and interpretation, and summary and policy recommendation respectively.

2. LITERATURE REVIEW

A review of the literature on small business in Nigeria reveals bias and a lack of in-depth explanation of the causes and "curse" of the dismal performance of government intervention funds and small business performance in Nigeria's development strategy. Ayanda and Laraba (2011) posited that the major significance of small businesses to an economy growth; is their employment potential at low capital cost. In terms of indigenous technology utilization, micro enterprises tend to use more indigenous inputs and technology, than medium enterprises (Sokoto & Abdullahi, 2013). The meager capital requirement of small-scale enterprises also makes them promote an even distribution of income in the economy. Hence, establishment of Small-scale enterprises should be encouraged since they ensure community stability, and the harm done to the physical environment is less compared to large businesses. Small businesses also promote agro-industries, improve rural welfare and generally reduce unemployment and poverty in the country. Ayanda and Laraba (2011) further explain in their study that rural urban drift could be reduced through siting of small-scale enterprises particularly in the rural area, since the drift is often caused by lack of job opportunities in the rural area.

Atkinson and Storey (1994) and David (1998) reached the conclusion that "the evidence from both UK and US data suggests that, according to the majority of indicators, the job quality supplied by small enterprises is poorer than that of large firms... Wages are lower, training is less frequent, and there is little indication of a corresponding increase in job satisfaction. Nevertheless, David (1998) acknowledged that small firms offer flexibility in terms of work hours and location. Using "small manufacturing enterprises from developing nations," Little (1987) discovered that small firms are not more labor-intensive than their larger counterparts. Biggs, Ramachandran, and Shah (1998) discovered that in Sub-Saharan Africa, large enterprises were the primary source of job creation in the manufacturing sector. However, in their examination of entrepreneurship and job creation in the United States, Decker, Haltiwanger, Jarmin, and Miranda (2014) discovered that many new enterprises fail within their first ten years of operation. And those fledgling enterprises that survive do not expand; they remain small. It was also determined that a relatively tiny percentage of small enterprises exhibit significant growth tendencies in terms of contribution to production and employment creation. In support of the claims of Davis, Haltiwanger, and Schuh (1996) they determined that the rate of business formation and the rate of employment dynamics have slowed so significantly in the US economy during the past 30 years that the employment share of small firms in the US has decreased by nearly 30% (Davis et al., 1996).

Bowale, Longe, and Saibu (2014) and Omogboyin (2013) also found that not all types of small enterprises demonstrate the same high propensity for employment creation in Southwest Nigeria. Sokoto and Abdullahi (2013) attributed this to the informal nature of small businesses in Nigeria, which makes integrating with formal structure a difficult one because they lack the wherewithal and requisite tools. Ekpeyoung and Nyoung (1992) investigated the SMEs in Nigeria and found out that; by their nature, these enterprises have insufficient access to formal financial institutions, and as a result, rely more and more on their own or friends' and relatives' savings, and on informal financial institutions for investment capital. Thus, government policies aimed at the creation of a favorable environment for informal institutions are necessary to ensure their survival. Worse still, the crowding out effect of Foreign Direct Investment (FDI) constitutes a great danger for these small businesses because the little investment opportunity available for them to explore are taken away by the foreign investors, since they cannot compete favorably (Sokoto & Abdullahi, 2013). Out of the SMEs examined by Ekpeyoung and Nyoung (1992) many of the enterprises that failed were operated by sole proprietors with minimal educational background or business experience. These enterprises often relied heavily on imported components, and were in many cases unaware of existing government incentives from which they could benefit. While some of the respondents identified government policies as being responsible for their difficulties, on the other hand the respondents were unaware of the various incentives and credit facilities provided by the government.

Similarly, Bouazza, Ardjouman, and Abada (2015) found that SMEs in Algeria remain too fragile and failed to contribute effectively to the creation of employment. Though, Algeria has managed to diversify its economy, but this diversification is still very weak with the productive fabric remaining largely concentrated in the hydrocarbon sector. Moreover, the labor-intensive SME sector remains underdeveloped. Bouazza et al. (2015) then recommended that extra efforts should be undertaken progressively to upgrade and promote the SMEs sector. Structural adjustment across the sectors should also be embarked on, because without sustained strong growth in other sectors, the dependence on world oil prices and the discontent over high youth unemployment could persist. Furthermore, the most promising sector in achieving the country's goals is the SME sector. Thus, the establishment of more SMEs in effective sectors like tourism, manufacturing, and agriculture could result in job opportunities, higher wealth, and a reduction in the country's reliance on international markets.

However, Ogechukwu, Oboreh, Umukoro, and Uche (2013) found that the secret behind the success of self-reliant strategy is mainly in people's positive attitudes to enterprise, and in the extent to which the right incentive is adequate enough to make risks worth taking, rather than in any particular political philosophy. They further recommended that Nigeria should follow Japan footsteps in their industrialization history whereby, In the early stages of Japan's Industrialization, her economy was dominated by a large number of small-scale enterprises, who drew their strength not from an abundance of capital, but rather from her vast supply of labor. Emphasis was also laid on small businesses marketing, which is said to add subjective values to products. Abiodun and Harry (2014) suggested that firm management (employer and employee) should try to be innovative. In which, more efforts should be put not only in product innovation, marketing mix, market and services, but also on increased improvement in the research and development ability on market and product, as well as more attention on the management of the enterprise intellectual capital (The Intellectual capital is a very important element for the success of organizations to get a competitive advantage). Taiwo and Falohun (2016) recommended that prospective business operators should conduct extensive feasibility studies to evaluate the viability of any proposed business to avoid investment in unprofitable ventures, Policies which are aimed at rural development should top the lists of policies aimed at developing the already or semi-developed urban centers so as to reduce rural-urban migration.

In addition, The Central Bank of Nigeria (CBN) and other financial institutions should embark on extensive sensitization of entrepreneurs on the operations of the banks and high interests which deter people with genuine business ideas should be reduced to a bearable level so as to make borrowing cheaper. The security situation of the country needs to be improved so as to make business doable in the country. Institutional improvement in functional education is also required to increase human capital formation that would be able to capture and indigenize technology for the vibrancy of the SMEs (Sokoto & Abdullahi, 2013).

Although, Ekpeyoung and Nyoung (1992) showed in their findings that some existing government policies may be detrimental to the SMEs' development, whereas some have been designed to encourage them but most of the government interventions failed to create a much-needed transformation due to poor coordination and monitoring and policy inconsistencies (Ayanda & Laraba, 2011). Several empirical studies have been conducted on the socioeconomic determinants of the employment and income capacity of MSMEs across different countries including Nigeria, using various research methodologies. The following is a summary of some of the key findings from these studies: Birch (1979) pioneered the revival of attention in the function of MSMEs as job creators in small business literature. In a fundamental work, Birch (1979) recognized micro, small, and medium-sized enterprises (MSMEs) as the key to creating jobs and lowering unemployment. Over 81.5% of jobs produced between 1969 and 1976 in the United States were created by enterprises with fewer than 100 employees, according to the argument. Davis et al. (1996) revealed, however, that small enterprises are not superior to giant corporations and are, in fact, net job killers rather than net job creators.

Davis et al. (1996) criticized the statistical analysis method employed by Birch (1979) and argued that the classification of enterprises based on the number of employees is a flawed classification system. The report argues that the classification of businesses by employment size for a two-point period may have resulted in two sorts of errors involving the classification of large corporations as small businesses. First, enterprises experiencing a bad transitional period in which the majority of employees have been laid off to decrease costs will be categorized as small businesses based on the number of employees on hand. Also, companies that were misclassified as small as a result of random measurement error. Depending on the number of firms involved and the size of the sample under consideration, these two categories of enterprises may have experienced rapid growth in employment creation during the second point period, so considerably influencing the results. A second worry is the business climate between the two time periods. This likewise applies in the opposite direction. Due to a positive shock that led to an increase in employment generation, tiny firms can also be categorized as large firms, despite the fact that they are, in fact, small. Also, tiny enterprises misclassified as large due to random measurement error could have contributed to Birch (1979) result.

Davis et al. (1996) stated that the statistical mistake can be avoided by computing employment creation and destruction rates from the first point period to the second point period, as opposed to utilizing the average level of employment creation in these two periods. The conclusion of the paper was that the regression mistake committed by David Birch may have skewed the results and overestimated the contribution of MSMEs at the expense of major firms. Davis et al. (1996) based on the manufacturing sector found that the firm sizes and employment generation growth are not in line with Birch's claims. However, A study by Asiedu and Owusu (2020) examined the impact of access to finance on the performance of MSMEs in Ghana, using a survey of 200 MSMEs. The study found that access to finance significantly affects the employment and income capacity of MSMEs, with those with better access to finance having higher employment and income levels than those with limited access.

Irawan, Widyastuti, and Sudrajat (2021) investigated the impact of government policies and regulations on the performance of MSMEs in Indonesia, using a survey of 250 MSMEs. The study found that favourable government policies and regulations, such as tax incentives and simplified business regulations, have a positive impact on the growth and development of MSMEs, while unfavourable policies and regulations limit their employment and income capacity. Bolarinwa and Fasanya (2020) investigated the impact of technology on the performance of MSMEs in Nigeria. The study revealed that the adoption of technology, such as mobile banking and e-commerce platforms, can significantly improve the employment and income capacity of MSMEs by increasing their access to finance, expanding their customer base, and improving their operational efficiency. The effect of infrastructure on the employment and revenue potential of MSMEs in Nigeria was examined in a study by Ogundeji, Olawale, and Olokundun (2020). The study found that MSMEs' capacity to move goods and services is constrained by poor infrastructure, including subpar road networks, insufficient energy, and insufficient water supplies. This limits their capacity to reach new markets and clients and lowers their income potential. A study by Adekunle and Olanrewaju (2021) examined the impact of government policies and regulations on the performance of MSMEs in Nigeria. The study found that favorable policies and regulations, such as tax incentives and business-friendly regulations, have a positive impact on the growth and development of MSMEs, while unfavorable policies and regulations stifle their growth and limit their employment and income capacity.

According to a study by Oladele, Babajide, and Omoniyi (2021) MSMEs in Nigeria's ability to employ people and generate money is significantly influenced by their access to financing. According to the survey, MSMEs' capability to invest in and grow their operations is constrained by a lack of access to financing, which also affects how much they can earn in terms of revenue and employment. The performance of MSMEs in Tunisia was studied in a study by Ben Youssef and Dahmani (2018) utilizing a survey of 300 MSMEs. The research discovered that the implementation of technology, such as e-commerce platforms and mobile banking, may greatly increase the employment and income capacity of MSMEs by boosting their access to finance, extending their customer base, and enhancing their operational efficiency. In essence, the empirical literature on the socioeconomic determinants of the employment and income capacity of MSMEs across different countries highlights the importance of factors such as access to finance, government policies and regulations, infrastructure, education and training, and technology. These findings provide valuable insights for policymakers and stakeholders in developing policies and programs that will promote the growth and development of MSMEs in southwest Nigeria. The use of surveys as a research methodology in these studies allows for the collection of reliable and valid data on the experiences of MSMEs, which can inform evidence-based policies and programs to promote their growth and development.

3. METHODOLOGY

This research utilizes both primary and secondary data. Using both primary and secondary data ensures that the flaws of one technique are balanced by the strengths of the other. The primary data collection methods will include structured interviews (questionnaires), Focus Group Discussions (FGDs), and Key Informant Interviews (KII), while secondary data sources will include World Bank (2014) and SMEDAN and NBS's collaborative National Bureau of Statistics (2013). The study focused on the proprietors of MSMEs in Nigeria's southern states. Two states among the six states in the southwest will be chosen for the study: Osun and Oyo. The selection of these states is based on the fact that the majority of research on the subject of income and ability for job creation have focused on Lagos and Ogun, while ignoring the other states. Moreover, Oyo and Osun feature a mix of semi-urban and rural economic and business environments that are reflective of the entire region's business climate. Consequently, a multistage sampling process was utilized to identify the MSMEs to be surveyed. Two local governments from each of the six senatorial districts were chosen as the study area. First, local governments are selected based on the quantity and concentration of MSMEs, population density, and level of economic activity. Accordingly, twelve local governments were identified based on these characteristics. The MSMEs' Trade Associations provided ward-level data on its members. Priority was given to wards with high levels of MSMEs and population density. In order to ensure that both rural and urban wards are covered, the selection of the MSMEs was also considered their geographic location. After identifying the wards, the MSMEs inside those wards were selected at random.

The Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) projected in 2014 that there were around 6,650 MSMEs in two states, as shown in the table below. Then, a simple random sample was utilized to select MSMEs from each ward. The sample comprised 1020 MSMEs, which represent approximately 15% of the total MSMEs in the two states. According to Mugenda and Mugenda (2003) a sample size of 10 percent of the population is sufficient for descriptive investigations. This conforms to the law of statistical regularity, which stipulates that if a random sample is selected, it will, on average, possess the same features and composition as the population (Kothari, 2009). This meant that each object had an equal chance of being selected, hence preventing selection bias. The characteristics of the sample and demographic distribution of MSMEs are detailed in Table 1. The proposed sample size for the study is 1020 MSMEs.

Table 1. Selection of sample of MSMEs from the study area.

States	No of LGAs	*Estimated population of SMEs	No of LGAs to be selected per state	No of clusters to be selected per LGA	SMEs to be selected per cluster	Preliminary estimated sample
Osun	30	2110	6	30	12	360
Oyo	33	4540	6	30	22	660
Total	63	6650	12	60	34	1020

Source: *Calculation based on SMEs census 2015.

The sampling technique encompasses all aspects of identifying and categorizing study participants. It entailed selecting the sample frame and the final selection of respondents (sample) from the designated population. Utilizing a multistage sampling procedure, a representative sample of the study area was selected. The first step involved selecting six local governments from each of the six states initially chosen for the study. To eliminate bias and ensure that the selected SMEs were proportionally dispersed and that all aspects of SMEs were considered, two local governments from each senatorial district of the states were selected for the study. The data for the study were collected in three different ways. In the first method, 1020 questionnaire were distributed to MSMEs owners through which information about the MSMEs operation and socioeconomic and demographic information were collected

3.1. Method of Data Analysis

Descriptive and inferential statistical data analytical techniques was adopted. This method involved the calculation of central tendencies like mean and measure of dispersion like standard deviation. The significance of the difference between the means of different categories of MSMEs information will be tested through chi-squares, f-statistics and t-statistics. Two models were also specified and estimated using appropriate econometric tools to capture the determinants of transition and job creation capacity of the MSMEs. To achieve the main objective that involves determining the main predictive factors of MSMEs, influence of socioeconomic factors with the potential to influence profit and employment creation will be estimated. An economic model to assess the relative importance of the intervening factors will be estimated. The econometric model will be of the form.

$$Y_j = \beta_0 + \beta_{ij}X_{ij} + e_i \qquad (1)$$

Where Y is the dependent variable (employment or income generated) and X_{ij} are the independent variables,β_{ij} are the coefficients, β_0 is the intercept ande_i is the error terms. The stochastic (error) term, e, takes care of all other factors not accounted for by the independent variables. e = error term (with mean, zero and constant variance) and i = 1,2,…,n) and j=1,2.

To carry out the relative effect analysis, beta coefficients were calculated for each of the variables. The variable with the highest beta coefficient contributes most to MSMEs performance. The study design stated above demanded this research to cover historical records, currently published materials and information obtaining from interviews. Therefore, the research uses Software Package for Social Science (SPSS) and STATA to analyze the data records.

4. PRESENTATION OF EMPIRICAL RESULTS

4.1. Description of the MSMEs Business Owners in Osun and Oyo States

Manual administration was recommended for data collection, but the reality on the ground and the need to improve the quality of data obtained and ensure that all relevant data are captured led to the adoption of the Open data kit mobile phone-enabled technique. The mobile phone-enabled ODK allowed us to script the questionnaire and collect data using a mobile phone, which was then uploaded straight to a server from which the information was quickly retrieved. This enabled us to avoid the latter data entry and data input that typically posed additional coding and input issues. Errors of input and typographical errors related to secondary data entry were removed, and the basic descriptive statistic required for both univariate and bivariate analysis could be generated rapidly.

4.2. Socio-Demographic Profile of the Respondents

To ensure that respondents had the freedom to react truthfully and appropriately, they were given the choice of completing the response directly by themselves or being assisted to input their responses. Those who had difficulty completing out the questionnaires were carefully guided to ensure that their responses reflected their genuine understanding of the issues highlighted. In some circumstances, the assistance ranged from clarifying the questions and completing the forms to translating the questions into local languages. All of these measures were taken to assure the accuracy and veracity of the responses, as well as their consistency and completeness, and to ensure that the inferences to be formed were based on actual facts and not mere speculation. These efforts and careful direction helped to retrieve all 1100 administered questionnaires, which is even more than 1020 anticipated.

4.2.1. Gender

The analysis began with the business owners' and employees' profiles. As seen in Table 2, despite efforts to provide males and females with equal opportunities of selection, the Oyo had more female responses (60%) than the Osun state (31%). However, there were more male business owners (54%) than female business owners (46%) in the selected southwestern states for the study. Evidently, given the affinity and similarity in culture, economic and social conditions that govern informal companies in Nigeria, this might represent the entire southwest region. Despite this similarity, there may be some inherent differences between the states that are not readily apparent without deeper analysis and engagement; therefore, state-specific analysis is required because there may be a significant difference in gender composition in states in the region not included in the study.

4.2.2. Age Structure

In terms of the age distribution of business owners, the data revealed that just one out of every ten enterprises were held by someone older than 60. It was formerly believed that the majority of small enterprises were held by retirees who had invested their pensions and retirement benefits in entrepreneurial ventures. The finding implies that many younger individuals are now directly engaging in self-employment and beginning their firms at a younger age than in the past. For example, more than forty percent of the businesses were held by individuals under the age of forty. The majority of firms in the two states were owned by individuals between the ages of 30 and 50, accounting for almost 75% of all businesses. There was evidence that the proportion of younger (less than 30 years) business owners in Osun (14%) was greater than in Oyo (17%). This indicates that there are more young entrepreneurs in Osun than Oyo state.

4.2.3. Marital Status and Ethnicity

In terms of marital status, more than 90 per cent of respondents were either still married or separated. Only 4.0% of these business owners are currently separated, while 86.0% are still married. The pattern was the same in both states, hence there were no significant differences in the marital status of business owners between the two states. The majority of investors, 92%, are Yoruba by tribe, while only 7% are from other ethnic groups. This suggests ethnic domination and a lack of ethnic inclusivity in business ownership in the inner southwest states, unlike Lagos state where there is more equal representation of all ethnic grouping in the business sphere of the state, notwithstanding the level of modernity and civilization based on the education and literacy levels of the regions.

4.2.4. Religion Affiliations

The survey also revealed that there was little or no religious dominance among Muslim and Christian business owners (50:50).

Table 2. Socio-demographic profile of the respondents.

Trait	Osun state	Oyo state	Mean value
Gender			
Male	344 (68.8)	240 (40.0)	292 (54.4)
Female	156 (31.2)	360 (60.0)	258 (45.6)
Age			
18-30yrs	72(14.4)	42 (7.0)	57 (10.7)
31-40yrs	171(34.2)	157 (26.2)	164 (30.2)
41-50yrs	140(28.0)	240 (40.0)	190 (34)
51-60	80(16.0)	135 (22.5)	107.5 (19.25)
60+	37 (7.4)	26 (4.3)	31.5 (5.85)
Marital status			
Never married	55(11.0)	45 (7.5)	50 (9.25)
Currently married	432(86.4)	523 (87.2)	477.5 (86.8)
Formerly married	13(2.6)	32 (5.3)	22.5 (3.95)
Ethnicity			
Yoruba	471 (94.2)	545 (90.8)	508 (92.5)
Hausa	4(0.8)	8 (1.3)	6 (1.05)
Igbo	25 (5.0)	47 (7.8)	36 (6.4)
Religion affiliation			
Christianity	227 (45.4)	324 (54.0)	275.5 (49.7)
Islam	271 (54.2)	270 (45.0)	270.5 (49.6)
Traditional	2 (0.4)	6 (1.0)	4 (0.7)

Nonetheless, the data by state demonstrated a strong preponderance of Christian investors (55:45) in Oyo, whereas Muslim businesses dominated in Osun (55:45). Therefore, it is apparent that there is no dominant religion in business in the southwest as a whole. However, there may be evidence of internal religious supremacy within states, but such dominance is counterbalanced for the region as a whole.

4.3. Economic Business Profile of MSME Business Owner in Oyo and Osun States

4.3.1. Education Status

The small business owners of Oyo and Osun states were profiled in Table 3. It was evident that the majority of business owners in the states of Oyo and Osun held advanced degrees. Overall, 50% of business owners held a bachelor's degree, while 36% held a high school education, 7.4% a primary school certificate, and 5.4% a technical degree. In both states, these patterns are nearly identical. Prior to 1992, when Osun state was created apart, the two states were one and the same; hence, their education policies are comparable, they have a similar ethical foundation, and they have similar education-related attitudes. This is consistent with common beliefs of the level of literacy in the southern region of Nigeria, particularly in the southwest, where education levels are significantly higher than in other regions. The social and economic benefits of education in the region prompted and influenced the majority of people to invest in their own and their children's education.

4.3.2. Employment Status

Table 3 shows that an increasing percentage of residents are employed in private sectors and engaged in other private businesses prior to establishing the current business they usually envisage. The two states were commonly considered as civil servant states, but evidence from this study contradicts such assertions. It is clear that residents of the two states are shifting away from public services and toward self-employment and private sector engagement with multiple sources of income. On average, over 60% of business owners are engaged in private enterprises, while just 6% work in the public sector. Nevertheless, a considerable percentage (34%) of the people still believed themselves to be unemployed. There was a widespread misconception that only persons working for the government or private enterprises are employed. Many of them view owning and operating a business as a mere side hustle. If they have opportunities to obtain paid employment, they may leave the business to pursue paid employment. This concept appears frequently in the national tally of jobless youth in the country, as many of those categorized as unemployed are engaged in some type of income-generating activity. They consider themselves to be unemployed because of the fact that their work is informal, small, and not often classified. This situation is evolving gradually as the number of unemployed people in small businesses and side hustles increases.

4.3.3. Motivation for Business Establishment

As a means of determining the impetus for creating a business, the business owners were asked what their primary motivation was for engaging in business. Sixty-seven percent of the business owners were motivated by entrepreneur orientation and instinct rather than as a primary vocation. Only 16% were motivated by necessity, presumably due to poor income from paid employment or dissatisfaction with their current form of employment. Similarly, only 17% of businesses were founded by the unemployed or those who had lost their jobs. The conclusion of this is that around 83% of the businesses were a means of supplementing the revenue earned from their primary work.

4.3.4. Business Status and Year of Formalization

The formal status of the business is a crucial aspect of its continued existence. It helps them acquire funding, receive government aid, and engage in some formal and more lucrative options that are primarily available to registered and established firms under the law. Consequently, business owners were categorized according to their status. The majority (63%) of enterprises were not registered, as seen in Table 3 business registration status data. Only 37% were registered formally. Interestingly, around 52% of Osun state's businesses are registered, while just 22% of Oyo state's enterprises are registered. This demonstrated a substantial disparity in corporate formality between the two states. It revealed that profiling small businesses must be conducted on a state-by-state basis. Culture, closeness, and economic conditions may not be sufficient grounds to infer that what applies in one state will also apply in other states. Given its metropolitan and urban nature, one might have anticipated Oyo to have more registered businesses than Osun. There is a potential that business registration has more to do with the owners' enlightenment and education. There is evidence that Osun has more educated business owners than Oyo, which may explain why Oyo has a lower rate of business registration than Osun. 52% of the 194 registered businesses were registered within the past five years, whereas 28% have been registered for around ten years. Twenty per cent of the business had been functioning for more than ten years. The pattern of registration years is comparable and not significantly different.

Table 3. Economic business profile of MSME business.

Trait	Osun state	Oyo state	Mean value
Education			
Primary education	37 (7.4)	60 (10.0)	48.5 (8.7)
Secondary education	170 (34.0)	227 (37.8)	198.5 (35.9)
Graduate	266 (53.2)	280 (46.7)	273 (49.95)
Technical/Others	27 (5.4)	33 (5.5)	30 (5.45)
Employment status			
Private employee	312 (62.4)	354 (59.0)	333 (60.7)
Civil servant	41 (8.2)	21 (3.5)	31 (5.85)
Unemployed	147 (29.4)	225 (37.5)	186 (33.45)
Motivation for business establishment			
Entrepreneurship	408 (81.6)	316 (52.7)	362 (67.15)
Necessity	51 (10.2)	130 (21.7)	90.5 (15.95)
Loss of job	41 (8.2)	154 (25.7)	97.5 (16.95)
Registration of business status			
Yes	256 (51.2)	132 (22.0)	194 (36.6)
No	244 (48.8)	468 (78.0)	356 (63.4)
Year of registration			
Less than 5 years	133 (51.9)	69 (52.3)	101 (52.1)
5-10 years	70 (27.3)	39 (29.5)	54.5 (28.4)
10 years above	53 (20.7)	24 (18.2)	38.5 (19.45)

The first section of Table 4 displayed the business's initial employment status. Using the number of employees to identify the business, the majority of businesses were classed as Micro enterprises because they employed fewer than five people. In the states of Osun and Oyo, microbusinesses accounted for 84% and 94% of all businesses, respectively. By employment size, 89% of surveyed MSMEs were microenterprises on average. In Osun and Oyo, there were just 16% and 4% small businesses, respectively. The survey did not identify any medium-sized small and medium-sized enterprises (SMEs), yet 2% of Oyo's SMEs were classified as medium-sized when they first began operations.

Regarding current employment profiles, the analysis revealed that a substantial number of enterprises had transitioned from micro to either small or medium. In Osun state, the percentage of microbusinesses decreased from 84% to 54%, the percentage of small businesses increased from 16% to 34%, and 12% of MESMs have transitioned from zero to medium-sized businesses by employment size. In the state of Oyo, 94% of the micro businesses decreased to 80%, while the percentage of medium-sized businesses increased from 2% to 6%, showing that 84 of the micro firms had shifted to small businesses. The average number of small firms in the two states has increased from 106 to 255, indicating that 149 (41% of the small enterprises) have transitioned into medium-sized businesses. Further investigation of the two states' employment generating capacities reveals a stark disparity between their respective capacities. In the state of Osun, all medium-sized firms were either small or micro businesses, whereas in the state of Oyo, nine of the sampled businesses were medium-sized. In the period, 150 (56%) businesses in Osun state converted from microbusiness to small business, compared to 84 (17%) enterprises in Oyo state. This suggests that small and medium-sized enterprises (SMEs) in Osun state have better potential to create jobs, extend their operations, and grow quicker than those in Oyo state.

4.3.5. Ownership Organization

Table 3 reveals that the majority of respondents (86%) are owners, while only 14% are employees. Of the owners, 21% also worked in the business, while 5% are co-owners solely. Oyo state has a greater proportion of female CEOs (56%) than Osun state (30%) in terms of the gender makeup of business leaders. Cumulatively, just 43% of enterprises are led by women, compared to 67% that are led by males. This demonstrates that the gender glass ceiling remains a problem in the state of Osun, but is less prominent in the state of Oyo.

4.3.6. Date of Incorporation and Nature of Operations

Across the two states, 59% of the businesses surveyed have been in operation for more than 5 years; however, there were much older businesses in Osun (39%) than in Oyo (26%). By nature, the business activities of MSMEs appear to be dominated by commerce (60%) and technical service provision (12%) and support services, followed by manufacturing (11%) and fabrication and building (6%). This shows that Nigerian small and medium-sized enterprises (SMEs) create little value and, at most, generate value through product distribution and facilitation.

Table 4. SMEs status and size.

Trait	Osun state	Oyo state	Mean value
Previous number of workers Micro workers	420 (84.0)	565 (94.2)	492.5 (89.1)
Small workers	80 (16.0)	26 (4.3)	53 (10.15)
Medium		9 (1.5)	9 (1.5)
Current number of workers			
Micro	270 (54.0)	481 (80.2)	375.5 (67.1)
Small	169 (33.8)	86 (14.3)	127.5 (24.05)
Medium	61 (12.2)	33 (5.5)	47 (8.85)
Role activities			
Owner	281 (56.2)	380 (63.3)	330.5 (59.75)
One of the owners	32 (6.4)	23 (3.8)	27.5 (5.1)
Owner and worker	133 (26.6)	95 (15.8)	114 (21.2)
Worker	54(10.8)	102 (17.0)	78 (13.9)
Firm owner status			
Female owner/CEO	149 (29.8)	338 (56.3)	243.5 (43.05)
Male owner/CEO	351 (70.2)	262 (43.7)	306.5 (56.95)
Duration			
Less than 5 years	184 (36.8)	272 (45.3)	228 (41.05)
5-10 years	120 (24.0)	173 (28.8)	146.5 (26.4)
10years above	196 (39.2)	155 (25.8)	175.5 (32.5)
Business activities status			
Whole and retail trading	297 (59.4)	365 (60.8)	331 (60.1)
Manufacturing	48 (9.6)	64 (10.7)	56 (10.15)
Technical service provider	63 (12.6)	70 (11.7)	66.5 (12.15)
Support services provider	61 (12.2)	68 (11.3)	64.5 (11.75)
Fabrication and construction	31 (6.2)	33 (5.5)	32 (5.85)

4.3.7. Determinants of Employment Generating Capacity of MSMEs

Table 5 displays the Cox proportional analysis of the social, economic, firm-specific, and institutional factors that may influence the potential of MSMEs in Nigeria to generate employment. As shown in Table 5, the gender of the business owner is a crucial determinant in business survival and expansion. However, firms owned and managed by women are less likely to generate employment than those owned and managed by males. In fact, the female-owned business has a -0.104-hazard ratio compared to 1.00 for male-owned businesses. This indicates that organizations with female leaders or owners are 0.104 times less likely to grow and increase their workforces more rapidly and to a greater extent than those led by men. Given the P-value, the result is significant and suggests that male businesses in the study's sample states have a 10% greater expansion potential than female businesses.

Young entrepreneurs between the ages of 18 and 30 have a lower potential to produce more jobs than senior entrepreneurs. In fact, the capacity to generate employment increases as the age of firm owner's increases. However, at the age of 60, the potential to provide employment decreases as the age of the owners increases. Enterprises managed by individuals in their fifties are 16% more likely to expand and create more jobs than businesses handled by younger generations. Marriage appears to influence the capacity of businesses to produce jobs. Businesses held by married individuals have lower potential than those managed by individuals who have never been married. There appears to be a risk that family commitments and responsibilities could hinder the growth and expansion of the firm. Second, married people engage their members directly in their enterprises, using fewer workers in an effort to reduce expenses. Education also plays a crucial impact in the generation of jobs. The likelihood of tertiary education influencing the employment creation potential of MSMEs is the highest. Indeed, businesses owned by college graduates are 0.15 (15%) times more likely to create jobs than enterprises controlled by primary school graduates. Manufacturing company and support professional service providers have a greater capacity to generate employment than trades. Construction and technical service providers have a lower probability than trading businesses.

Table 5. Analysis of effects of socio-economic factors on employment generating capacity.

Traits	Coefficient	Std. error	P>|Z|	95% confident interval	
Socio-economic factors				**Lower**	**Upper**
Gender					
Male	1.0000				
Female	-0.1043	0.0344	0.003	-0.1719	-0.0368
Age group					
18-30	1.0000				
31-40	0.0026	0.0683	0.970	-0.1313	0.1365
41-50	0.0414	0.0709	0.559	-0.0977	0.1805
51-60	0.1564	0.0758	0.039	0.0076	0.3051
60 +	0.1062	0.0946	0.262	-0.0795	0.2919
Marital status					
Never married	1.0000				
Currently married	-0.0322	0.0712	0.651	-0.1719	0.1074
Formerly married	-0.0359	0.1075	0.739	-0.2469	0.1751
Religion affiliation					
Christianity	1.0000				
Islam	0.0981	0.0322	0.002	0.0349	0.1613
Traditional	-0.2095	0.1834	0.253	-0.5693	0.1503
Educational attainment					
Primary education	1.0000				
Secondary education	0.0248	0.0603	0.681	-0.0935	0.1430
Technical/Others	0.0088	0.0869	0.919	-0.1618	0.1794
Graduate	0.1582	0.0595	0.008	0.0414	0.2741
Main activities					
Wholesaler & retail	1.0000				
Manufacturing	0.2729	0.0548	0.000	0.1654	0.3805
Technical service provider	-0.0325	0.0510	0.524	-0.1327	0.0676
Support services provider	0.2193	0.0502	0.000	0.1208	0.3178
Fabrication and construction	-0.0082	0.0697	0.906	-0.1449	0.1285
Model	P-value, 0.000 Adj. R-square 80%				

Gender, age, and educational attainment of business owners are the socioeconomic characteristics that determine the capacity and potential of MSMEs to produce and generate more jobs. Access to credit is another important issue influencing the performance of MSMEs. Gender bias inhibits the employment generating potentials, whereas age has a significant positive effect on employment generation. Marital status has a negative effect on job creation by small businesses, but the effect is not significant; therefore, marital status may not be an impediment to the growth of a business if it is well managed and integrated with the operation of the business. The two most significant institutional factors are labor regulation and access to credit. This is consistent with the typical criticism of MSME in Nigeria, and it hinders their capacity to raise capital for operations and expansion.

Table 6. Socio-economic factors on income generating capacity.

Traits	**Coefficient**	**Std. error**	**P>|Z|**	**95% confident interval**	
Socio-economic factors				**Lower**	**Upper**
Gender					
Male	1.0000				
Female	-0.2849	0.0959	0.003	-0.4731	-0.0966
Age group					
18-30	1.0000				
31-40	-0.2626	0.1902	0.168	-0.6358	0.1107
41-50	-0.3796	0.1976	0.055	-0.7672	0.0081
51-60	-0.2258	0.2113	0.285	-0.6404	0.1888
60 +	0.0066	0.2638	0.980	-0.5109	0.5241
Marital status					
Never married	1.0000				
Currently married	0.1976	0.1984	0.319	-0.1916	0.5869
Formerly married	-0.2082	0.2997	0.487	-0.7962	0.3798
Religion affiliation					
Christianity	1.0000				
Islam	0.2791	0.0897	0.002	0.1031	0.4552
Traditional	-0.8348	0.5111	0.103	-0.1837	0.1680
Educational attainment					
Primary education	1.0000				
Secondary education	0.0668	0.1680	0.691	-0.2628	0.3963
Graduate	0.3010	0.1659	0.070	-0.0244	0.6265
Technical/Others	-0.8504	0.2424	0.000	-1.3260	-0.3748
Main activities					
Wholesaler	1.0000				
Manufacturing	0.2888	0.1528	0.059	-0.0110	0.5886
Technical service p.	0.0283	0.1422	0.842	-0.2508	0.3074
Support service P.	0.3664	0.1399	0.004	0.0919	0.6409
Fabrication and construction	0.0309	0.1942	0.874	-0.3501	0.4119
Model	P-value, 0.000 Adj. R-square 64%				

Summary statistics of socio-economic determinants of income generating capacity			
Variable	Coefficient	Standard error	T-stat.
Gender	-0.3389	0.0945	-3.586
Age	0.0181	0.0475	0.381
Marital status	-0.1612	0.1392	-1.158
Religion	0.2185	0.0875	2.497
Educational status	-0.0102	0.0623	-0.164
Main activities	0.0006	0.3684	0.002
Market	-0.4113	0.1119	-3.676
Labour cost	-0.0304	0.0562	-0.541
Labour regulation	0.2190	0.0642	3.411
Access to finance	-0.2673	0.0804	-3.325
Access to resource	-0.5243	0.0827	-6.340
Taxation	0.1349	0.0690	1.955
Government policy	0.4136	0.0714	5.793

Regarding the most influential elements on the income-generating capacity of MSMEs, Table 6 demonstrates that gender has a considerable negative effect. Suggesting that male dominance over female dominance has a negative impact on the ability of MSMEs to pivot as a strategy to boost income-generating capacity and reduce poverty among business owners. Age is not found to be a significant influence in generating revenue, despite the large disparity in age structure, and religion does not appear to be a significant component in boosting the income-generating potential of MSMES in Nigeria. Education is viewed as having a negative influence, albeit a negligible one, demonstrating that attaining a higher degree is not a significant component in enhancing the potential of MSMEs for poverty alleviation and economic empowerment. The nature of activities appears to be of little consequence. It is not a significant factor, and hence any style of business can be employed to increase the capacity to generate income. Although manufacturing and support service appear to be superior and have greater potential, others offer greater promise.

4.3.8. Constraints Facing SMEs Employment and Income Generating in Southwest Nigeria

The majority of small and medium-sized enterprises (SMEs), as indicated in Table 7, cite financial difficulties as their greatest restriction. More than 78% of Osun state SMEs, as opposed to 66% of Oyo state SMEs, cited financial restrictions as a hindrance to their growth and expansion attempts. In fact, 94% of respondents indicated that their business growth and expansion are hampered by financial restrictions. 56% cited the inability to obtain loans owing to poor cash flows and lack of collateral as the most significant hindrance to business growth. Another 30% of the SME respondents cited the inability to locate interested investors and business partners as the most important and limiting factor in their business development efforts.

Market condition and competition have negative effects on income-generating potential, while labor cost has a negative but negligible effect on income-generating potential. However, regulation of labor in the form of minimum wages, casualization, and contract staffing has a greater and significantly positive effect on income-generating potential. Access to a spouse remains a significant barrier not only to employment but also to the ability to generate income. Access to raw resources is also a major obstacle to income generation. However, taxation and government policy had a major positive impact on the potential to generate income. This goes against common sense and intuition. There is a chance that the fact that they comply with official rules and regulations and pay their taxes encourages them to investigate and profit from government incentives that help them expand their firm, unlike those who operate in the informal underground economy.

Table 7. Constraints to SMEs development.

Traits	Osun state	Oyo state	Mean value
Financial problems	636(78.2)	398(66.3)	417 (76.75)
Need to grow or expand and have no financial resources	412 (94.5)	369(92.7)	390.5 (93.6)
Difficulty to acquire a loan cash low collateral	263 (60.3)	203 (51.0)	233 (55.65)
Difficulty to find investors interested in your business	166 (38.1)	89 (22.4)	127.5 (30.25)
Non-financial problems	315 (63.0)	342 (57.3)	328.5 (60.15)
Management	146 (46.4)	57 (16.7)	101.5 (31.55)
Marketing	189 (60.0)	161 (47.1)	175 (53.55)
Market condition	226 (71.8)	210 (61.4)	218 (66.6)
Competition	169 (53.7)	157 (45.9)	163 (49.8)
Kwonhow	28 (8.9)	25 (7.3)	26.5 (8.1)
Administration	46 (14.6)	44 (12.9)	45 (13.75)
Need to grow	80 (25.4)	189 (55.3)	134.5 (40.35)
Most pressing problem of SMEs			
Trait	Osun state	Oyo state	Mean value
Finding customers	51 (10.2)	68(11.3)	59.5 (10.75)
Competition	72 (14.4)	192 (32.0)	132 (23.2)
Access of finance	377 (75.4)	340 (56.7)	358.5(66.05)

The outcomes of the most critical issue now confronting stakeholders in their respective firms were provided in Table 7. The majority of investors in the state of Osun, 75.4%, cited access to capital as their most important obstacle. This is due to the fact that finance plays a crucial role in the proper operation and upkeep of a corporation. In addition, 14.4% of respondents cited rivalry as a hurdle, while 10.2% cited client acquisition as a significant obstacle. Moreover, Oyo State follows the same pattern.

5. SUMMARY OF FINDINGS, POLICY IMPLICATION AND CONCLUSION

The study focuses on the socio-economic determinants of Micro, Small, and Medium Enterprises (MSMEs) in south-west Nigeria, focusing on their income generation, and income generation. The research reveals that older entrepreneurs can create more employment than 18-30-year-olds, and older company owners can produce more jobs. Marriage affects business job creation, and MSMEs' job-creating capacity depends on their owners' gender, age, and education. The study also highlights disparities based on gender and age, with female-owned enterprises tending to generate less income than male-owned ones. The younger generation seems to generate more revenue than the 30-60-year-olds, while elders over 60 seem to run more profitable firms than younger people. Marital status affects income creation more than employment generation, with marriage boosting revenue by 20%. Divorced and separated business owners earn less than those who are married or never married. Religion also affects income, with Muslim firms showing more promise than Christian enterprises, while other faiths appear to be worse off than Christianity or Islam. Education is vital to company performance, with graduates with a graduate degree or secondary certificate being more likely to earn more money than those with a basic school education. Manufacturing and support services make the most money, unlike wholesale and retail commerce, which dominates employment.

To enhance the employment-generating capacity, and income generation of MSMEs in the region, several recommendations are proposed. These include establishing specialized financial institutions or programs to cater specifically to the financing needs of MSMEs, strengthening financial literacy programs to educate MSME owners on effective financial management, implementing targeted policies to promote youth entrepreneurship, developing initiatives to support senior entrepreneurs, implementing gender-responsive policies, encouraging supportive policies that enable married entrepreneurs to integrate their business and personal responsibilities effectively, providing training and support for divorced and separated business owners, investing in vocational training and skill development programs, facilitating partnerships between educational institutions, industry associations, and MSMEs, reviewing and revising labour regulations, improving the availability of business support services, streamlining bureaucratic processes, promoting diversification within the MSME sector, and facilitating market linkages and access to larger markets through targeted interventions.

In conclusion, the study provides valuable insights and policy implications for fostering the growth and sustainability of MSMEs in south-west Nigeria. It reveals that senior entrepreneurs have the potential to create more jobs compared to younger age groups, but access to credit remains a persistent challenge for MSMEs. Addressing institutional issues related to labour regulations and finance availability is crucial for enhancing MSMEs' employment creation potential.

Several policy recommendations are proposed to support MSMEs in south-west Nigeria, including enhancing access to credit and financial support, addressing age and gender disparities through targeted initiatives, promoting marital status as a catalyst for growth, strengthening education and skills development, addressing institutional challenges, encouraging diversification and market access, and implementing robust monitoring and evaluation mechanisms.

By implementing these recommendations, the government and relevant stakeholders can create an enabling environment that supports the growth, job creation, and income generation potential of MSMEs, contributing to economic development, social empowerment, and sustainable prosperity in the region.

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