



Socio - Economic Impact of Small - Scale Enterprises on Residence of Mubi Metropolis, Adamawa State, Nigeria

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Abstract

Small-scale enterprises provide employment and development. The aim of this study seeks to assess the socio-economic impact of small-scale enterprises on residence of Mubi North local government area of Adamawa state. The objectives of this study seek to find the type of small scale enterprises found in the study area, to examine the adequacy of small-scale enterprises in the area, examine the factors affecting and examine the impact on the environment. Relevant literatures were reviewed for this study. Closed ended questionnaires were administered to 100 entrepreneurs and those working in small scale enterprises of the selected types which include pure water, tailoring, bakery, furniture making and block enterprises in which interviews were conducted with a view of obtaining additional information. Data generated were analyzed using descriptive statistics and presented in the form of frequencies and tables. Findings from the studies revealed that small- scale enterprises help in boosting socio-economic growth hence, help in reducing unemployment rate, poverty etc. The activities of small-scale enterprises also have some negative impact on the environment and the residence of Mubi. The study therefore recommends that, there should be an increase in the technological and equipment based enterprises, the use of modern machineries should be adopted so also Government should continue to provide direct subsidies to small-scale enterprises operators which will help them in accessing raw materials, granting of tax moratorium etc.

Keywords: *Small-scale, Socioeconomic, Enterprises, Impact.*

INTRODUCTION

Adamawa state is naturally endowed with entrepreneurship opportunities; however; the realization of the full potential of these opportunities has been dampened by the adoption of inappropriate industrialization policies at different time. Throughout the world it is acknowledged that micro and small enterprise play a vital role in socio-economic development of a country. This is because, it provides immediate large scale employment, compared to higher capital intensive enterprises as they need lower investment, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources, capital and skill (Ministry of Finance and Economic Development Bureau, 2002). Moreover, studies by UNIDO-Nigeria, (2012) show that Micro, small and medium Enterprises (MSMEs) has the propensity to drive the Nigerian Economy. The activity is mainly poverty driven; hence, it is people-initiated and a direct poverty alleviation measure for the state as a whole, with little cost, and limited intervention, on the part of the government. The small-scale traders, however, do not only generate cash income for themselves, their families and their respective communities. They also serve as grassroots prospectors; for a country where there is little formal exploration activity by large companies, this is vital to the existence and development of the state's sector. On the other hand, small-scale enterprises in Mubi North as in many other states have had a wide range of adverse impacts on people, communities and the environment. It also contributes to a number of unwanted economic activities such as the illegal production of equipment and smuggling of products, non-payment of taxes, and corruption. The government of Adamawa is fully aware of both the positive and negative contributions of the small-scale enterprises sector to its people and the economy, and, therefore, has acted accordingly by allowing small- scale enterprises to be set up in the state and giving loans to registered small-scale enterprises. Small scale enterprise is one of the driving forces of industrial growth and development by ensuring diversification and growth of industrial production and the achievement of the basic

objective of developments. Small businesses account for a greater percentage of all businesses in virtually every economy and generate the majority of private sector employment and output. Thus, generates employment opportunities thereby reducing the rate of unemployment. Small-scale enterprises utilize on local raw materials in carrying out its production and contributing to the growth and development of the economy. The contribution of Small-Scale Enterprises should not be underrated at this critical time of socio-economic and political devastation of the nation, especially if this government must deliver dividend of democracy to the citizen. SMEs have been discovered to be a key driver for a country's economic growth (Schliemann, 2009) hence; SMEs cannot be overlooked in the economic development of any country. Okongwu (2011) argues that SMEs are recognized as the main source of economic growth and a major factor in promoting private sector development and partnership, in developed and developing countries. SMEs help to create employment and are often seen as very important for the growth and innovation of dynamic economies. Therefore, economic growth and development in Mubi North can be achieved through the emergence of strong SMEs, which will later grow to become major players in developing economy. SMEs help to diversify economic activities that have significant contributions to imports and exports, they are flexible and can adapt quickly to changing market demand. Thus, SMEs contribute more and more to the national and international economies of the world. According to Wattanaputtipaisan (2003), the significance of SMEs for growth, productivity and competitiveness of the economies in both developed and developing countries is acknowledged universally, since SMEs bring about substantial local capital formation, contribute to improved living standards and achieve high levels of productivity. Each country, however, will also have specific priorities that need to be given particular consideration. Unfortunately, priorities can change with development of the sector, potentially making specific proposals inappropriate, untimely or obsolete.

Statement of the Problem

The small and medium scale Enterprises survey conducted in 2005 by the Central Bank of Nigeria (CBN) provides some evidence that apart from the acute short of technology, managerial skills, poor management, adverse environment, and change in policy, capital is a source of great concern to the entrepreneur in the sector. In a continent where finance is a major constraint on development, the problem confronting the private sector in Nigeria above all small and medium scales enterprises stand out. Most large-scale enterprises in Nigeria have reduced their borrowings due to high interest rates and the short-term nature of available loans exchange markets.

The research question from the above experience is thus; will small and medium scale contribute much to economic growth in Nigeria when they are not properly funded. Therefore, it is vital to assess the socio-economic impact of small-scale enterprises using Mubi North Local Government Area, Adamawa State as case study.

Materials and Methods

This study adopted the survey type of research design. The data used for this study were sourced from different sources and therefore, there mode of collection also differs distinctly. The Primary data used were obtained through field survey, oral interview and administration of structured questionnaire on the socio-economic impact and demographic characteristics of the people in the study area. The copies of questionnaire were administered to the small-scale enterprises owners as well as their workers. The secondary data used were collected from academic text books, published academic articles, conference papers, bulleting and unpublished thesis.

The target population is the entire number of small-scale enterprises in Mubi North and the entire number of populations of Mubi North. Therefore, the target population of this study is 266,800 (NPC 2006). Sample procedure is a process of choosing part of a population to use to test hypotheses about an entire population. It used to choose the number of participants, interviews, or work samples to use in the assessment process (Seidman 1998). The combination of purposive, stratified and systematic random sampling techniques was adopted for this study. The number of enterprises selected for questionnaire administration were based on purposive sampling method, simply because the number of the small-scale enterprises in the town differs greatly. The first industry and household to be sampled were selected randomly in each of the industrial category and the town while systematic sampling was then used to select every fourth industry and household in the town for the subsequent sampling. The sampling frame used for this study was the identified number of small-scale enterprises in the study area. Method of Proportional Allocation which appeared to be more appropriate and efficient adopted in allocating the sample size needed in each type of the industrial category selected, this is in order to have a fair representation as the number of the selected enterprises differs greatly. The method is also considered to be more comprehensive, correct, reliable and appropriate and appeared to have addressed the potential problems of incomplete frame, cluster of elements and blank foreign elements. The sample size for this research was optimum as it fulfilled the requirements of efficiency, representativeness, reliability and flexibility. A sample is a portion of the full population taken to be a worthwhile and meaningful representation of that population. The sample size of the population depends on the complexity of the study and the population under study. 400 questionnaires were designed and administered. But due to complexity only 100 questionnaires were administered.

Descriptive statistics such as frequency counts in percentages and visual presentation tools such as graphs, tables and charts were used to analyze the data acquired from the questionnaire administration, as the questionnaire will provide qualitative data of the respondents.

RESULTS AND DISCUSSIONS

1.5. Data Presentation and Analysis

1.5.1. Demographic analysis of respondents

Table 1.1: shows the gender of the respondents. The table shows that 67% of the respondents are male while 33% of them are females. Complexity of small-scale enterprises is the reason why we have high male respondents than female respondents. And most men venture into small-scale enterprises to earn for a living to carter for the family.

Table 1.1 Gender Distributions of Respondents

| Sex | Frequency | Percentage (%) |
|--------------|------------|----------------|
| Male | 67 | 67.0 |
| Female | 33 | 33.0 |
| Total | 100 | 100% |

Source: Field Survey 2023

Table 1.2 shows the age distribution of the respondents. The table shows that 24% of the respondents are between the age brackets of 15 – 24, 42% of the respondents fall within the age bracket of 25-34, 18% of the respondents fall within the age bracket of 35-44 while 16% of them are between the age brackets of 45 and above.

Table 1.2: Age Distribution of respondents

| Age distribution | Frequency | Percentage (%) |
|------------------|------------|----------------|
| 15 – 24 | 24 | 24 |
| 25 -34 | 42 | 42 |
| 35 – 44 | 18 | 18 |
| 45 and above | 16 | 16 |
| Total | 100 | 100% |

Source: Field Survey, 2023.

The table 1.3 shows the marital status of the respondents. It indicates that 61 of the total population were married, while at about 24 are single and the remaining 6 were divorced due to so many reasons not important to the cause of this research work while at about 7 are widowed. The data above shows clearly that most population engaged in small scale enterprises in Mubi environs are married just to be able to fend for the family and need daily life needs.

Table 1.3: Marital Status of respondents

| Marital status | Frequency | Percentage (%) |
|----------------|------------|----------------|
| Single | 24 | 24.0 |
| Married | 63 | 63.0 |
| Widowed | 7 | 7.0 |
| Divorce | 6 | 6.0 |
| Total | 100 | 100% |

Source: Field survey, 2023

The table 1.4 shows the educational qualification of respondents. It reveals that majority of those engaged in small scale enterprises are secondary school certificate holders with a percentage of 41 followed by primary school drop outs at 30, 9 are totally uneducated and just 20 have attained a level of education.

Table 1.4: Educational Qualification of respondents

| Educational qualification | Frequency | Percentage (%) |
|---------------------------|------------|----------------|
| No education | 9 | 9.0 |
| Primary school | 30 | 30.0 |
| Secondary school | 41 | 41.0 |
| Post-secondary school | 20 | 20.0 |
| Total | 100 | 100% |

Source: Field survey, 2023

From the table 1.5 shows that 17% of the respondents are engaged in block industry activities, 10% are engaged in bakery, 23% are in furniture activities, 38% in tailoring because both the male and females are found in this category and 12% are engaged in pure water industry. The tailoring enterprises tend to be the highest due to low start-up capital and low cost of the raw material and machineries used in the sector.

Table 1.5 Types of selected Small-scale Enterprises in the Area

| Enterprises | Frequency | Percentage (%) |
|---------------------|------------|----------------|
| Pure water industry | 12 | 12.0 |
| Tailoring | 38 | 38.0 |
| Bakery | 10 | 10.0 |
| Furniture making | 23 | 23.0 |
| Block Enterprises | 17 | 17.0 |
| Total | 100 | 100% |

Source: Field survey 2023

Table 1.6 shows the ownership structure of small scale enterprises in the study area, in which 79% are sole proprietorship while 21% are partnership operations. This implies that majority of the small scale enterprises in the study area are individually owned Table 1.6 Ownership Structure of some selected Small Scale Enterprises.

| Ownership | Frequency | Percentage (%) |
|------------------------|------------|----------------|
| Sole proprietor | 79 | 79.0 |
| Partnership | 21 | 21.0 |
| Total | 100 | 100% |

Source: Field survey 2023.

Table 1.7 shows that majority of the people in the study area are owners of their enterprise, as 60% have their initial capital from personal savings and 21% from family assistance while 15% are loans from family and friends and only 4% have gotten access to government loan. This result shows that most of the entrepreneurs started their manufacturing, production and constructions because of realization of its economic potential and viability as well as satisfy their needs.

Table 1.7: Source of Initial Capital for the Enterprise

| Sources | Frequency | Percentage (%) |
|---|------------|----------------|
| Personal savings | 60 | 60.0 |
| Family assistance | 21 | 21.0 |
| Loan from friends and family | 15 | 15.0 |
| Loan from formal financial institution | 4 | 4.0 |
| Total | 100 | 100% |

Source: Field survey 2023

The table 1.8 below shows the type of small-scale enterprises in the study area

Table 1.8: Types of Small-Scale Enterprises in the study area

| TYPE OF INDUSTRY | NUMBER |
|--------------------------------|-----------|
| Aluminum fabrication | 17 |
| Bakery | 12 |
| Barbing saloon | 43 |
| Beverages | 6 |
| Cement blocks | 45 |
| Car wash | 19 |
| Canopy and chairs | 15 |
| Computer and cyber café | 12 |
| Furniture making | 45 |
| Hair dressing | 32 |
| Motor mechanical | 33 |
| Motor panel beating | 7 |
| Pure water | 9 |
| Printing press | 21 |
| Shoe production | 11 |

| | |
|-------------------------------|-----------|
| Tailoring services | 35 |
| Photography | 22 |
| Rice milling | 11 |
| Plastic production | 1 |
| Diary production | 1 |
| Metal fabrication | 16 |
| Soap and pomade making | 5 |

Source: Adamawa State Ministry of Industry (2023)

This table 1.9 shows those engaged in small scale business don't even meet up with the national minimum wage by the federal government. Only 28% of them earn more than the minimum wage. Majority of the earners falls under 30100 and above monthly.

Table 1.9: Monthly income of the respondents

| Monthly income (in naira) | Frequency | Percentage (%) |
|----------------------------------|------------------|-----------------------|
| 1000-5000 | 5 | 5.0 |
| 5100-10000 | 14 | 14.0 |
| 10100-20000 | 36 | 36.0 |
| 20100-30000 | 17 | 17.0 |
| 30100 and above | 28 | 28.0 |
| Total | 100 | 100% |

Source: Field survey, 2023

1.5.2. Impacts of small-scale enterprises on the environment of the study area

1. Water pollution: some of the activities carried out in small-scale enterprises pollute the water available in the surroundings. Waters used by local rice enterprises along bye-pass road, blacksmith enterprises along bye-pass road also pollute the water around the area which affect the water quality and make drinking water inaccessible for those living around the area.
2. Air pollution: the burning of tyres from blacksmith enterprises pollutes the environment as carbon monoxide change the quality of the atmosphere and also affect the people around the environment and causes difficulty for them to inhale natural oxygen.
3. Destruction of biodiversity: the polluted water that channel into the river Mugulbu causes the death of some living things inside the water body. Clearing of vegetation to set up enterprises affect the vegetation.
4. Waste generation: the waste generated from tailoring enterprises, carpentry enterprises and other small-scale enterprises affect the environment by improper disposal of waste.
5. Noise pollution: machines from block enterprises, noise from blacksmith and tailoring enterprises do generate noise pollution to the people living around the area.

Conclusion and Recommendations

Small-scale enterprises serve in increasing the economic growth of both individual and the government. The activities of small-scale enterprises have effect on the environment and the people in the study area as earlier stated in the research work. The people engage in small-scale enterprises earn for a living which also improve the standard of living. Base on the reports returned from the questionnaire administered, 28% of those engage in small-scale enterprises earn 30,000 and above which means that 28% earn the minimum wage of the country.

The presence of small-scale enterprises helps reduce the level of unemployment in the country which also reduces the level of crime rate and rubbery due to engagement of youths in small-scale enterprises. Some of the problems identified to confront small-scale enterprises are in the areas of finance, management, commerce, technical skills and infrastructure.

In conclusion, small-scale enterprises have both positive and negative impact on the study area. Therefore, it should be encouraged and the impact on the environment should be strongly protected. However, based on the findings made in the course of this study, the following recommendations should be taken into consideration:

1. There should be increase in the technological and equipment based enterprises. Imported machineries should be implemented. Government should continue to provide direct subsidies to small-scale enterprises operators, help them in accessing raw materials, granting of tax moratorium etc. Since small-scale enterprises help in boosting the economic growth of the nation, the government should encourage giving out loan and encourage small-scale enterprises.
2. Also, employers of small-scale enterprises should try and augment the payment of workers as we saw that just 28% earn 30,000 and above. Proper education on small-scale enterprises should be done so as people will learn more about it and practice.

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