



Disparities in Employment Generation growth rate Among MSMEs of Kano state Nigeria

Mohammed Babagana Shettima

Department of Economics,

School of Interdisciplinary & Liberal studies, Suresh Gyan Vihar University Jaipur, India.

ABSTRACT

The MSME sector is exceedingly an imperative segment of the economy because of its contribution to GDP, exports, job creation, and overall social and economic development. Government designs policies, programmes, schemes and ensures its effectual execution for the augmentation and expansion of job creation. Findings in the study revealed that there are disparities in the employment generation growth rate among enterprises of Kano state and the study aims to identify the factors hindering that growth. These factors may include; inadequate and inequity access to finance, lack of infrastructures, corruption, insecurity among others. Data is been obtained from the secondary source and Thiele-T statistics model is used to examine the growth rate disparities in employment generation in some five selected MSMEs of the state which include the Arts & crafts, Jewellery, Rugs & carpets, Pottery and Textile industries for a period of five years (2013-2017). New strategies are recommended in the study to boost employment generation growth rate in MSMEs of the state and government needs to acquire effective procedures by having an undeviating intercession to the enterprises so that the lagging MSMEs are endowed with the indispensable resources which on the whole guarantee a sustainable employment generation growth rate.

Keywords: *disparities, employment generation, growth rate, Kano, micro, small and medium enterprises, MSMEs, Nigeria*

I. INTRODUCTION

The role of Micro, small and medium enterprises (MSMEs) in the economic and social development of a nation cannot be overemphasised. The MSME sector accounts for most of the job opportunities, proposition of new products and overall performance of an economy. The MSMEs are known all over the world as aggregate generators of employment. The government has a key role to play in employment generation in any country as most nations undertake job creation programmes or projects which assist its citizens gain meaningful employment. In fact, it must persevere to increase the employment levels of the country.



As the MSME sector is said to contribute immensely to economic growth and more importantly to employment and job creation in both developed and developing nations, in the case of developed and transitional economies, [1] concluded that, MSMEs provided 60-70 percent of employment in those economies. In developing nations, [2], [3] were with the view that MSMEs offered about 45 percent of total employment and 33 percent of Gross Domestic Product (GDP). The MSMEs are often considered as engines for innovation, economic growth, employment and social mobility as cited by [4],[5]. The jobs created and employments offered by the MSMEs generally improve the welfare, standard of living, income levels and social stability of people across the world including African countries. The MSMEs in Africa are accounting for about 90 percent of all enterprises and can be found in most rural and urban areas in the sub-region. According to [6], in Nigeria, the MSME sector is responsible for about 70 percent of the total industrial employment in the country and between 10-15 percent of the total manufacturing output. The agricultural sector is said to comprise of mainly the MSMEs which have promoted indigenous technology and increased utilisation of local raw materials and in terms of industrial growth the MSMEs are the main hope the country has.

The Micro, Small and Medium Enterprises sector in Kano is said to be very strong and diverse in nature, having an estimation of 1.6 million business enterprises as at 2017 across all economic activities, and contributing approximately 60-70% of output and employment of the state.

According to [7], Kano state is considered as the commercial and industrial centre in Northern Nigeria. In 1903 when Lord Lugard came to Kano, he made mention that industrial activity in the state is growing tremendously and as a result of that it became the second largest industrial/economic centre in the country. However this growth was as a result of the excellent communication network, good transport system, fairly developed infrastructural facilities and high population density which actually provides customer base for doing business and attracts foreign investors. According to [8], the central bank of Nigeria released N2Billion to MSMEs in Kano. The governor of the state mentioned that women would constitute 63 percent of beneficiaries of the fund, which is an interest free loan, through the microfinance banks established in the state. This is to empower the women economically and lift families out of poverty and unemployment.

Employment growth is a primary economic development goal of most nations. More jobs generally mean more residents, more spending at local businesses, and in general more tax revenues for the economy. Thus job growth permits the expansion and improvement of public goods and services, leading to an improved local quality of life and enhanced prospects for future employment growth. Also growth in employment has a multiplier effect as it provides more income and enables the uneducated populace to further their education since the rewards for such are evident in better employment opportunities. And an expanding job market encourages local workers to upgrade their skills in order to qualify for available higher wage jobs. Sustained job growth stimulates improvements in the education and skills of the local labor force, making the community a more attractive location for businesses in the future.



II. LITERATURE REVIEW

This fact still remains obvious and true that with increasing expenditures and standard of living, people definitely need to be self employed so as to sustain their current standard of living and eventually grow the business. According to [9] in their study of Asians in Atlanta, found out that family networks are a great source of manpower for entrepreneurs. Reference [10] asserted that in the present times, it is widely accepted that entrepreneurship contributes positively to development of a society, ranging from creating employment, economic expansion, a larger tax base, and more consumer well being. In a situation whereby groups with distinct spheres of values co-exist, the result is a pluralistic society. Entrepreneurs are considered the social agents of change since they are very active in the transformation of a community. It is also paramount to note that an Enterprise is very much influenced by the nature of pluralism. It is therefore, important to distinguish between melting pot pluralism, and structural pluralism. The melting pot pluralism is when people, from different cultures, share activities in a secular mainstream arena; the expression of cultural differences tends to be limited to private life. Most times, employment is shared in a common sphere of life, while cuisine, customs, languages and religion are a domestic concern. This mostly happens or exists in a country like Singapore. On the other hand, structural pluralism involves a society with different cultures that do not share a secular mainstream arena and in such cases; there is minimal interaction across cultures. This type of pluralism is prevalent in Xinjiang (China). According to [11] Entrepreneurship is seen as a key factor in reducing poverty level, as it creates new jobs, creates an atmosphere of innovative thinking, and can lead to the launch of pioneering and cutting edge companies. However, much evidence has shown clearly that entrepreneurs create more employment than those people not in to entrepreneurship and it is very important to note that entrepreneurial activities encourage and leads to development of new businesses. Reference [12], in his study found out that the establishment and growth of MSMEs results to more Job creation and are also responsible for a greater percentage of the formal jobs in the developing world, therefore the MSMEs can be a very effective way in creating jobs. Another key determinant of employment generation is innovation, which will actually improve economic growth rate in developing nations. As research is going on in its early stage most especially in developing countries on the intersection of entrepreneurship and innovation, there is however a general understanding that entrepreneurship encourages high level of innovation. Innovation is of great importance because it brings about more high-value productivity chains and changes technological process, which leads to a wider range and high quality of goods and services. Reference [13] asserted that entrepreneurs are the ones that encourage innovation as they are much more aware of the potential new markets and utilise these opportunities in creating new ventures, products and services. Hence, entrepreneurship plays a very important role in the process of changing developing countries from factor-driven economies based on natural resources and unskilled labour, to innovation-driven economies which compete in the form of providing new and unique products and services. Entrepreneurship development as phenomena in job creation plays a very important role in reducing the high rate of unemployment.



In an entrepreneurial society, job creation is a common characteristic as new entrepreneurs in the society have new traits through open-source culture. In such a society a strong network is generated on new investors and training activities for the future venture capitalists and corporate leaders. After all, entrepreneurial activity is always about value creation and this enhances factor productivity which promotes factor utilisation and intensity in a typical production process. Consequently, jobs are created within and outside a particular enterprise from any entrepreneurial activity. According to [14] most economies in both developed and developing countries acknowledge the role and importance of SMEs in generating employment, stimulating growth and creating social cohesion. Moreover, interest in SMEs also seems to have been further revived in the face of globalisation, which is increasingly becoming an influential force in world trade. Reference [15] argued that SMEs expansion boosts employment more than large firm growth because SMEs are more labour intensive thereby subsidising SMEs may represent a poverty alleviation tool, by promoting SMEs and individual countries and the international community at large can make progress towards the main goal of halving poverty level by year 2020.

III. OBJECTIVES

The specific objectives of the study include;

- Assessing the disparities in employment generation growth rate among the selected MSMEs.
- Establishing the factors responsible for such disparities
- Recommend strategies to increase the employment generation growth rate in the MSMEs

IV. METHODOLOGY

Data for this study is collected from both the primary and secondary source as questionnaires are been administered in the case of the primary data while for the secondary data, it is obtained from published books, research publications, journal papers, reports, government publications, newspapers, thesis project and internet sources. The study is pragmatic in nature and analytical in approach. To examine the disparities in employment generation growth rate of the selected enterprises for the periods under review (2013–2017), ‘Thiele-T statistics model’ has been used with the help of the following formula:

$$T = \frac{1}{n} \sum_{i=1}^n \left[\frac{Y_i}{\mu} \cdot \log \left(\frac{Y_i}{\mu} \right) \right]$$

Where, Y_i = share of each state,
 μ = mean,
 n = total number of states.



V. DATA ANALYSIS & DISCUSSION OF FINDINGS

The five selected MSMEs were used as sample MSMEs to examine the employment generation growth rate among MSMEs of Kano state; this enables us to achieve our first objective of assessing the disparities in the employment generation growth rate of the MSMEs. The analysis is also shown below.

TABLE 1 Employment Generation Growth rate in the selected micro, small and medium enterprises of Kano State (2013-2017).

	SELECTED MSMEs	2013	2014	2015	2016	2017
1	Arts & crafts	1,120	1,247	1,340	1,573	1,601
2	Rugs & carpets	1,125	1,192	1,161	1,311	1,439
3	Textile	1,124	1,279	1,374	1,403	1,494
4	Jewellery	1,139	1,115	1,152	1,271	1,322
5	Pottery	1,110	1,131	1,108	1,232	1,384

Source: Field 2018 (Responses from questionnaire)

Table 2 Behavior of Employment Generation growth rate in selected micro, small and medium enterprises as measured by Thiele-T Statistics

T-Values of selected MSMEs	Review period (Years)				
	2013	2014	2015	2016	2017
Arts & Crafts	-0.07	-0.04	-0.01	0.07	0.08
Rugs & Carpets	-0.04	-0.02	-0.03	0.02	0.07
Textiles	-0.06	-0.02	0.01	0.02	0.05
Jewellery	-0.02	-0.03	-0.02	0.03	0.05
Pottery	-0.03	-0.02	-0.03	0.01	0.07

Source: Thiele-T Statistics

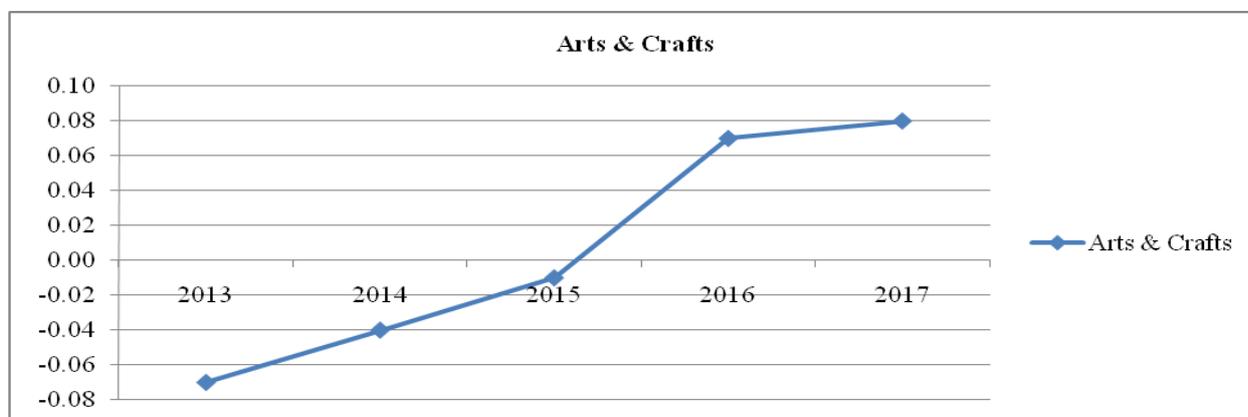


Fig 1: Employment growth rate in the Art & crafts Industry

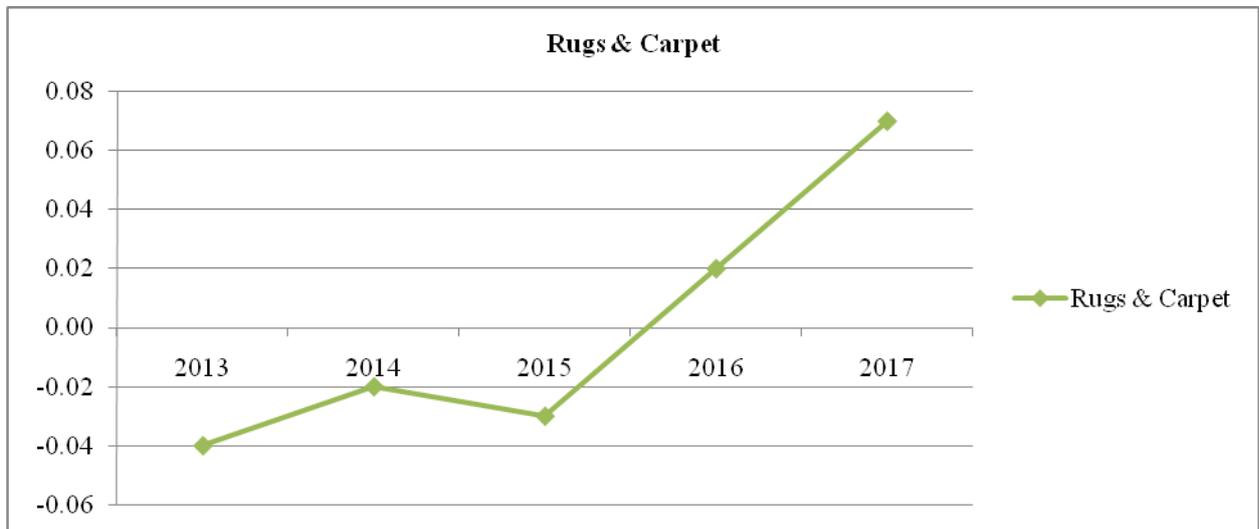


Fig 2: Employment growth rate in the Rugs & carpet Industry

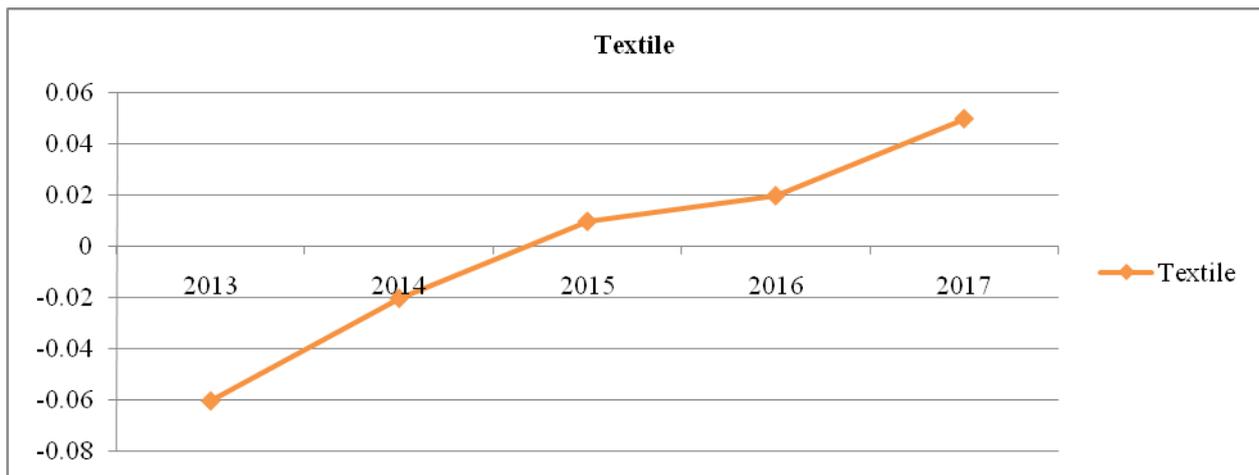


Fig 3: Employment growth rate in the Textile Industry

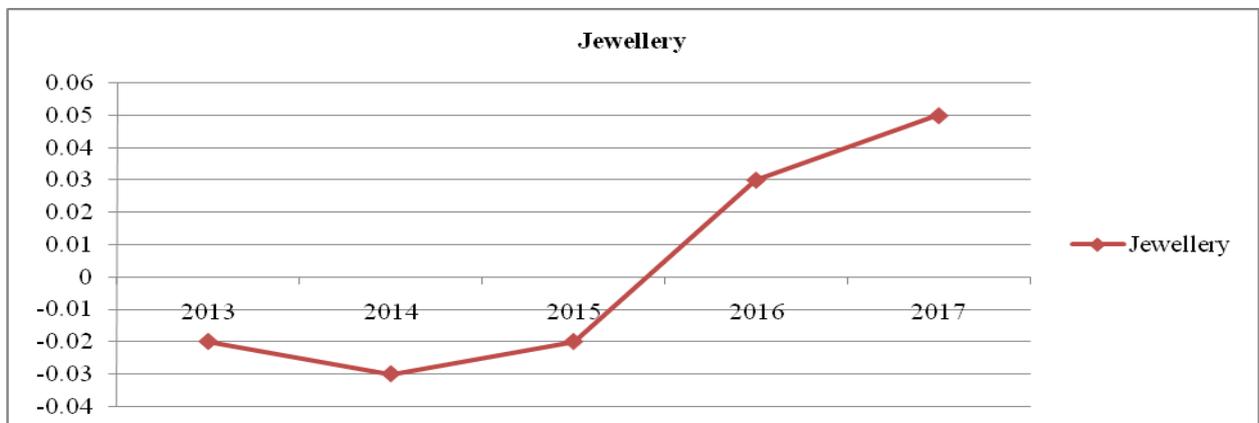


Fig 4: Employment growth rate in the Jewellery Industry

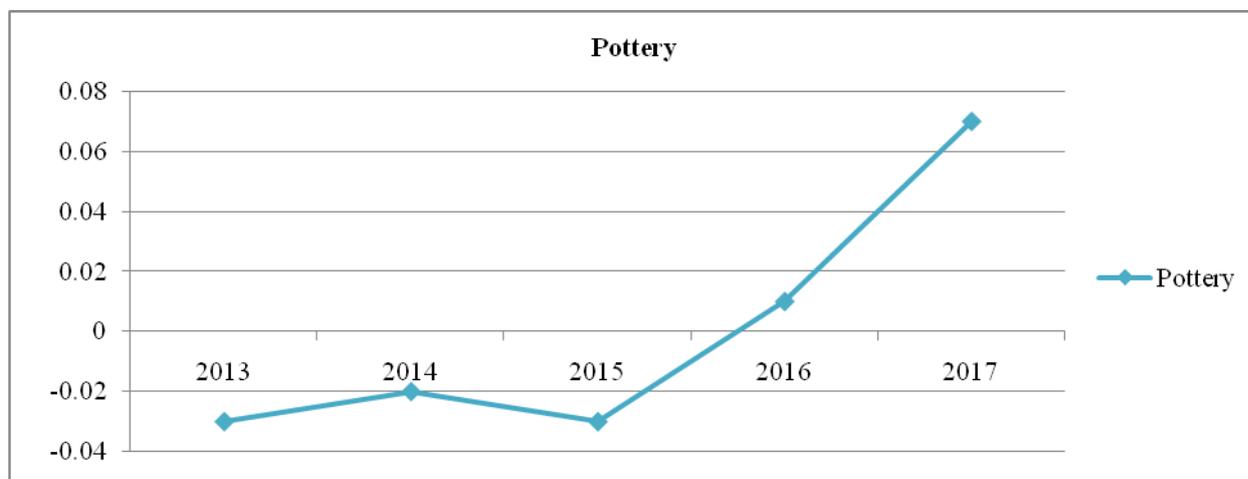


Fig 5: Employment growth rate in the Pottery industry

As seen in Tables (1&2) and Figures (1-5) above, the Arts & crafts and Textile industries experienced progressive trends and steady increase in employment generation throughout the period under review 2013-2017. There has not been any fluctuation in the employment generation but an increasing one. It could be observed also that in the Rugs & Carpets and Pottery industries employment generation increased during 2013 to 2014 but from 2014 – 2015 there was a decline in employment generation in the two industries but afterwards from 2015, employment generation started increasing up to 2017. And also in the Jewellery industry from 2013 to 2014, there was a decline in employment generation which later from 2015 – 2017 the industry started experiencing an increase in employment generation.

Amongst the industries during the period (2013-2014), there was a 10%, 5.6%, 12.1%, and 1.8% increase in employment generation growth rate in the Arts & crafts, Rugs & carpets, Textile and Pottery industries respectively and a 2.1% decline in the Jewellery industry. During (2014-2015), there was 6.9%, 6.9%, and 3.2% increase in employment generation growth rate in the Arts & crafts, Textile and Jewellery industries respectively and a decline of 2.6% and 2.1% in the Rugs & carpets and Pottery industries respectively. For the periods of (2015-2016), there was a 14.8%, 11.4%, 2.3%, 9.4% and 10.1% increase in employment generation growth rate in the Arts & crafts, Rugs & carpets, Textile, Jewellery and Pottery industries respectively. And lastly during the periods of (2016-2017), there was a 1.7%, 8.9%, 6.1%, 3.8% and 11% increase in employment generation growth rate in the Arts & crafts, Rugs & carpets, Textile, Jewellery and Pottery industries respectively. Findings in the study however conclude that there are disparities in the employment generation growth rate in these selected MSMEs during the period under review. A lot of factors can be responsible for such disparities ranging from;

- ✓ Inequity access to finance
- ✓ Access to land
- ✓ Business licensing
- ✓ Corruption



- ✓ Crime
- ✓ Trade regulations
- ✓ Electricity
- ✓ Inadequate education
- ✓ Political instability
- ✓ Competition
- ✓ Tax rates
- ✓ Tax administration
- ✓ Insecurity
- ✓ Telecommunication

VI. CONCLUSION & RECOMMENDATIONS

MSMEs are drivers of economic growth and job creation. Moreover, MSMEs are effective tools for poverty alleviation. As a result, the development of MSMEs is vital to developing countries, and it is therefore paramount to determine strategies on how to increase the employment growth rate in such MSMEs. The goal of all job creation strategies is to stimulate healthy economic growth. Generally Employment growth is directly linked to growth of an Economy. An economy grows when Capital investment is made to create capacity for production of goods and services. However, all investments may not directly relate to increase in employment as some of capital investment may lead to automation, which may reduce employment potential. In fact, excessive automation may even kill existing industry and therefore lead to loss of jobs. That is however called creative destruction which means that, with the introduction of new technology even though may lead to short-term reduction in job, it can create new jobs. But these jobs often require new skills and competencies. Therefore with economic expansion, skills development is an important priority. Skill development is like a capital investment, which firms may not be interested in spending money on. Here Government has to intervene to increase the skills and competency levels of people, offering incentives and subsidies to learners and trainers and industries to accelerate this. The main challenge however is that, training infrastructure and trainers have to be created so as to achieve quality outcomes. This also has to be balanced with educational quality, which is the foundation of rapid acquisition of new skills. Another important strategy to be considered in increasing employment growth in MSMEs is to reduce interest rates. When the interest rates go down this is the time that start ups rejoice since as a result of lower interest rates, mortgage and other interest rates decline. With cheaper credit, consumers can borrow and spend more, allowing businesses to expand to meet the increased demand. Companies hire more workers, whose incomes rise, allowing them to shop even more. A very fundamental strategy again is to invest in youth programmes since an increase in funds towards the community and youth programmes help pave a way towards quality education which enhances the rate of employment and upwards mobility for young workers. It is pivotal to realise that these investments are well-returned as youth employment serves to a higher economic growth. Also, there should be reduction in taxes levied on the MSMEs, as tax cuts



create jobs by letting families or businesses keep more of their own money. The idea is that consumers will buy more stuff, stimulating demand. Businesses will use tax cut money to hire much-needed workers. However, all tax cuts are not created equal when it comes to job creation and these MSMEs can use the tax savings in so many ways to increase the demand needed to drive employment growth. These ways may include; reduce price, increase employee wages, buy more supplies, hire more workers directly among others.

REFERENCE

- [1] Nickell, W. (2006). The CEP-OECD institutions data set (1960-2004): Centre for Economic Performance, London School of Economics and Political Science, 2006.
- [2] Stein, P., Goland, T and Schiff, R. (2010) "Two trillion and counting: Assessing the credit gap for micro, small, and medium-size enterprises in the developing world," McKinsey & Company and IFC, 2010.
- [3] Kumar, R. (2017). "Targeted SME Financing and Employment Effects: What Do We Know and What Can We Do Differently?," World Bank, 2017.
- [4] Ayyagari, M., Demircuc-Kunt, A. and Maksimovic, V. (2011). Small vs. young firms across the world: contribution to employment, job creation, and growth: The World Bank, 2011.
- [5] Söderbom, M. and Page, J. (2015). "Is small beautiful? Small enterprise, aid and employment in Africa," African Development Review, vol. 27, no. S1, pp. 44-55, 2015.
- [6] National Bureau of statistics report 2016
- [7] Kano State Investors handbook 2013. A guide to Business and Investment in Kano state.
- [8] Economic Confidential. June 2016 report.
- [9] Min, P.G. and Jaret, C. (1985) 'Ethnic business success: the case of Korean small business in Atlanta', Sociology and Social Research, Vol. 69, No. 3, pp.412-435.
- [10] Dana, L.P. (2007) Asian Models of Entrepreneurship – From the Indian Union and the Kingdom of Nepal to the Japanese Archipelago: Context, Policy and Practice, World Scientific, Singapore & London, ISBN: 981-256-878-6.
- [11] Amaeshi et al. (2007) 'Entrepreneurship as a core economic development strategy for Nigeria', Journal of Business and Management Studies, Vol. 1, No. 2, pp.1-9
- [12] Amadasun, B.A. (2003) 'Entrepreneurial roles and factors affecting entrepreneurship', Journal of Professional Administration, April-June, Vol. 5, No. 2, ISSN: U18-81622.
- [13] Owuala, S.I. (1999) Entrepreneurship in Small Business Firms, Lagos, GMAG Investment Ltd.
- [14] Chosniel, E.O., Selorm, A. and David, K.W. (2014) 'Globalisation and competitiveness: challenges of small and medium enterprises (SMEs) in Accra, Ghana', International Journal of Business and Social Science, Special Issue – March, Vol. 5, No. 4, pp.288-289.
- [15] Muritala, T.A., Awolaja, A. and Bako, Y.A. (2015) 'Impact of small and medium scale enterprises on economic growth and development', American Journal of Business and Management, Vol.1 No.1, pp18-22.