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# Impact of Small and Medium Scale Enterprises (Smes) in Employment Generation and Crime Reduction in Katsina Central Senatorial Zone, Nigeria

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**Abstract:** This study explores the impact of Small and Medium Scale Enterprises (SMEs) on employment generation and crime reduction within the Katsina Central Senatorial Zone, Nigeria. Against a background of rising poverty and youth unemployment, which has led to increased incidences of kidnapping, banditry, and other social ills, the research examines the characteristics of local SMEs and their capacity to serve as a deterrent to criminal activity. The study utilized a descriptive survey research design, randomly selecting a sample of 381 participants from the target population. Data were collected via a structured questionnaire administered to SME owners and employees and subsequently analyzed using frequency, mean & standard deviation. The findings reveal a diverse SME landscape dominated by agricultural and manufacturing ventures, with a balanced distribution between micro, small, and medium enterprises. Results also indicate that while SMEs provide critical entry-level job opportunities for both skilled and low-skilled local staff ( $M=3.12$ ), their impact on significant poverty reduction remains moderate ( $M=2.99$ ) due to macroeconomic constraints. Furthermore, a positive correlation was established between active SME engagement and the reduction of localized crimes such as petty theft and kidnapping ( $M=3.13$ ). However, skepticism persists regarding government sincerity in policy implementation. The study concludes that SMEs are a vital but underutilized engine for socioeconomic stability. Recommendations include providing interest-free micro-grants, improving electricity and road infrastructure, and fostering partnerships between SMEs and educational institutions to enhance specialized skills development.

**Keywords:** Small and Medium Scale Enterprises (SMEs); Employment Generation; Crime Reduction & Poverty Alleviation.



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## Introduction

The rate of poverty, unemployment and crime in our society is on the increase on daily basis despite abundant human and natural resources Nigerian is blessed with. Almost every part of Nigeria is blessed with one type of natural resources or the other such that if they are properly tapped and processed, the level of poverty, unemployment and crime can be reduced for peace and development to thrive in the country Nigeria. According to Mokuolu and Oluwaleye, about 60-65% of graduates of tertiary institutions in Nigeria are facing unemployment and under employment leading to crime of different kind [1]. Small and medium scale businesses (SMEs) play significant role in reduction of socioeconomic issues like unemployment, poverty and poor economic growth,[2]. International Labour Organization, more than 90 percent of all enterprises can be classified as SMEs, and micro and small enterprises account for 70 percent of employment worldwide and for a large share of new job creation.

World Bank (2014) define Small and Medium Scale Enterprises (SME) as micro enterprises that comprises 1–9 employees; small: 10–49 employees; and medium: 50–249 employees. However, the local definition of SMEs varies from country to country, and is based not only on number of employees, but also by inclusion of other variables such as turnaround and assets. SMEDAN, (2013) sees SME as business organization with between 10 and 199 employees [3]. SME is any business enterprises owned by an individual to create values, which include economic, social and environmental values. These values enhance the economic growth of the nation, decrease poverty, and reduce unemployment. Amoah et al. stands that, the contributions of SME in the past two decades have been very impressive in both developed and developing countries as it has help in reducing unemployment which will in turn lead to reduction of crime rate in Nigeria and Katsina state in particular [4]. For some years, statistics shows that the total number of persons engaged in the SMEs sector are over 32 million, which justify the significance of the sector and its capacity to curb crimes such as kidnapping, banditry, child trafficking, smuggling and robbery. Small and medium scale enterprises have been noted as a source of job creation that results in poverty and unemployment reduction globally and Nigeria in particular [5].

Ogunjimi narrated that SMEs are important in tracking socioeconomic issues such as unemployment, poverty and unimpressive economic growth with about 32 million which shows the significance of the sector and its capacity to captivate economic issues such as kidnapping, child trafficking, smuggling and robbery. Despite the significance and establishment of SMEs, poverty rate as well as unemployment rate has been on the increase. This has led numerous government in Nigeria to occasion several polices aimed at encouraging SMEs in Nigeria and by implication reduce unemployment and poverty rate in the country [6]. However, the failure of these policies have increased the doubts of citizens as to the readiness and sincerity of the government towards implementing the several policies aimed at developing the SME sector.

Crime as a social evil is as old as human existence but the nature and magnitude is what matters. High rate of crime like terrorism, pipeline vandalism, hooliganism, drug, human trafficking and prostitution, child abuse, as well as other social ills among youth in Nigeria generally and Katsina state in particular is worrisome and heart breaking. All these could be attributed to the high rate of poverty and unemployment in the country. SMEs have the potential to promote social and economic development, but they are hindered by macroeconomic issues, making it difficult to reduce unemployment and poverty [7]. SMEs also have other benefits such as improving economic activities, providing infrastructural facilities, and increasing standard of living. Realizing the dangers that high unemployment rate posed to the economy, government established institutions, agencies and microfinance banks, among others to reduce poverty and unemployment in our society. Other policies and programs were also established aimed at empowering youths socially and economically [8].

### Statement of the problem

The efforts to the successive government to reduce poverty and unemployment in Nigeria generally and youth in particular have not achieved the expected success as unemployment remains

a bane of economic development causing rising level of crime in our society [9]. It is against this background that the present study explores the impact of Small and Medium Scale Enterprises (SMEs) in employment generation and crime reduction in Katsina central senatorial zone, Nigeria.

### **Research Questions**

To achieve the aforementioned aimed, the study used to following research questions for guidance.

1. What are the types and characteristics of small and medium scale enterprises operating in central senatorial zone of Katsina State?
2. What is the level of employment generation by the SMEs identified above in central senatorial zone of Katsina State?
3. What is the association between SMEs and crime reduction in central senatorial zone of Katsina State?

### **Scope of the study**

The study covered all the Staff of Small and Medium Scale Enterprises (SMEs) in Katsina Central Senatorial zone, Nigeria. The Local government Areas within the Senatorial Zone are: Katsina, Batagarawa, Kurfi, Safana, Kaita, Dutsinma, Jibia, Batsari, Rimi, Charanchi and Danmusa Local government Areas.

### **Significance of the study**

The study would be significant in different dimensions. The study would be significant to the youth who constitute the target as they make up of higher population among the entire population of Katsina in particular and Nigeria in general because if the recommendation is put into practice, the youth will be gainfully employed thereby leading to crime and poverty reduction in Katsina State and Nigeria in general.

The study is of significant importance to policy makers as the recommendation would enable them to improve on the policies and programs in Institutions in Nigeria to help in employment generation among Nigerian graduates.

The study is significant to institutions of learning as the study would add value to the existing literature in the institutional library.

The study equally is of significant importance to other researchers carrying out similar research in other areas as it serve as reference materials.

The study is paramount importance to Nigerians and other neighboring countries by establishing bilateral relation as Small and Medium Enterprises causes imaginable increase in the exports and afterward development of the industrial section. For instance, SMEs constitute about 20% of patents measure of innovation such as in biotechnology in Europe.

Above all, the study would reduce crime and peaceful coexistence in the study area as SMEs create employment opportunities in all geographic regions and sectors by employing various parts of the work force for low-skilled employees and allowing opportunities for growth in terms of health care and social services if the recommendations are strictly adhered to by the government and individuals within the study area.

### **Literature Review**

Small and Medium Scale Enterprises (SMEs) have no universally accepted definition as different experts viewed from different perspectives from one country to another. World Bank (2014) sees Small and Medium Scale Enterprises (SME) as small initiatives comprising of 1–9 employees in micro level; 10–49 employees small; and medium: 50–249 employees. Moreover, SMEDAN (2013) define SME as business organization with between 10 and 199 employees. Uchenna et al. (2019) defined SMEs as privately owned organizations set-up for the purposes of rendering or producing goods and services for profit motives [9]. The identifiable and predominant criteria across the globe include the size of capital invested, number of staff or employees, size of turnover or sales volumes

and value of assets. Similarly, the Ghana Statistical Service used workforce in defining SMEs: 1 to 5 as micro, 6 to 30 as small, 31-100 as medium, and more than 100 workers as a large enterprise.

Unemployment is the state of not having a job or gainfully employed while actively searching. In a simple term, it is a situation of not having job. Unemployment is a situation where the number of workers in the economy who are actively looking for work could not be able to get it. Gbadebo et al. define unemployment as the existence of people who are capable of working and qualified for the needed type and level of employment in a society, desired to get it, looked for it, and willing to take it, but they were unable to get it at a specific time. In a related development, Mokuolu and Oluwaleye expressed that, unemployment rates significantly decreased in 2003, falling to 2.3% as a result of government initiatives to address the issue through several programs to reduce poverty in Nigeria. Mokuolu and his Colleague expressed further that, there are several factors responsible for youth unemployment [10]. Some of these factors are lack of accountability and transparency in governance, social, political, cultural concerns, high costs of governance, lack of resources to promote work possibilities, weak economy, social, political conditions, economic growth among others.

Crime is a social evil as old as human existence such as terrorism, pipeline vandalism, hooliganism, drug and human trafficking, prostitution, child abuse, as well as kidnapping, and cattle rustling. It is an index of lawlessness and disintegration of social order in the society. According to Sutherland, crime is an act that is prohibited by the state and punishable by law, which is a violation of the social and cultural norms of a society. In another related development, Durkheim define crime as a social fact that exists in all societies that violates the moral and legal norms of the society which is punishable by the state.

The role of small and medium scale enterprises in poverty and unemployment reduction among youths cannot be underestimated. This is due to crucial and decisive role of Small and medium enterprises in both developed and developing countries, Al-Haddad et al. Small and Medium Enterprises causes imaginable increase in the exports and afterward development of the industrial section. For instance, the newly industrialized countries like Singapore, Taiwan, South Korea, Malaysia, and China boost their economic growth by practicing the activities of the Small and Medium Enterprises which later on led to the development of large scale enterprises. SMEs constitute of about 20% of patents measure of innovation such as in biotechnology in the Europe. This innovation processes have increased and transformed technologies gave SMEs to intensify their comparative advantages capacity. According to OECD, SMEs create employment opportunities in all geographic regions and sectors by employing various parts of the work force for even low-skilled employees and allowing opportunities for skills growth and aid to assist their employees' admission for health care and social services.

SMEs equally constitute a useful apparatus of addressing societal needs that provide public goods and services as well as innovative solution to the poverty, social exclusion and unemployment for the citizens. Small and medium-sized enterprises (SMEs) are of fundamental importance to many economies in Africa including Nigeria and the world at large. Generally, the contributions of Small and Medium Enterprises in the past two decades have been very impressive in both developed and developing countries. The activities of SMEs in most African countries account for the indispensable increase in economic growth and development.

There is no single comprehensive theory that explain the structure of the interpersonal and intergroup differentials in wealth and income, including the emergence and persistence of the poor in society. However, one theory would be identified which attempts to deal with the problems of income inequality and poverty. The power theory of poverty situates poverty within the structure of political power in society. According to the theory, poverty is a necessary concomitant of any situation in which the few possess much political power to organize the economic system in their own selfish interest. It explains further that poverty will remain prevalent since there is no effective pressure from the poor to restructure the distribution of political power in the society in favor of the majority. This is basically a Marxian theory of exploitative property system through which it

determines the allocation of opportunities, income and wealth using the apparatus of state power. The concentration of wealth in the hands of the few while the majority suffers in poverty is a manifestation of the same historical process. The implication of the theory for poverty alleviation is that poverty will continue unless there is a revolutionary consciousness of the subject class, of their organizational capacity to resist exploitation and to overthrow the property system and to what happens over time. Power theory seems more relevant to developing countries (including Nigeria) in view of the tendency of those without economic power to seek political power to amass ill-gotten wealth. The power theory explains the paradoxical situation in a country like Nigeria which is rich, yet the generality of the people is poor; the youths being the most affected.

### Methodology

The study utilized descriptive survey research design. This is because, survey can be used to designate any research activity in which the investigators gather data from a large population for the purpose of examining the characteristics, opinion or intentions of that population. A descriptive survey design is selected because of its high degree of representativeness and the ease with which a researcher could obtain views of the respondents or participants opinion. A sample of 381 was randomly selected from a population of 10,000,000 people. Data were collected from the participants using a structured questionnaire. The questionnaire was administered to the small scale business owners and their workers. The data collected was analyzed using descriptive statistics (mean and standard deviation) while Analysis of Variance (ANOVA) at the 0.05 level of significance.

### Data Analysis and Results

#### Research Question 1: Types and Characteristics of SMEs

Research question one sought to identify the types and characteristics of SMEs operating in the Katsina Central Senatorial Zone and the result is presented in Table 1 below.

**Table 1.** Frequency and Percentage Distribution of SME Characteristics (N=381).

Variable	Category	Frequency (f)	Percentage (%)
<b>Business Type</b>	Agriculture-related	79	20.7%
	Manufacturing	79	20.7%
	Retail/Trading	66	17.3%
	Services	71	18.6%
	Other	86	22.6%
<b>Business Size</b>	Micro (1–9)	129	33.9%
	Small (10–49)	133	34.9%
	Medium (50–199)	119	31.2%
<b>Years of Operation</b>	< 2 years	93	24.4%
	2–5 years	92	24.1%
	6–10 years	106	27.8%
	> 10 years	90	23.6%

The demographic analysis reveals that SMEs specifies a diverse and relatively balanced distribution across sectors in the Katsina Central Senatorial Zone [11]. Other business types (22.6%) and agriculture-related ventures (20.7%) emerged as the most frequent, stressing the reliance on diversified trade and natural resources in the zone. The data also shows almost equal representation of micro (33.9%), small (34.9%), and medium (31.2%) enterprises, which aligns with the global observation that micro and small enterprises account for the vast majority of all business entities.

In terms of operational years, the distribution is relatively uniform, with the largest group

(27.8%) having been in operation for 6–10 years [12]. This also prove a degree of resilience among local businesses despite the macroeconomic challenges and policy failures noted in recent years. The presence of both established firms (over 10 years) and newer startups (under 2 years) indicates a continuous, though careful interest in the SME in Katsina State.

### Research Question 2: Level of Employment Generation

This question examined the level of employment generation by SMEs. As shown in Table 2, the mean scores for all items cluster around the midpoint (3.0), suggesting a moderate perception of SMEs' role in creating jobs and reducing poverty

**Table 2.** Mean and Standard Deviation for Level of Employment Generation (N=381).

S/N	Item Statement	M	SD
5	SME provides job opportunities for previously unemployed youth.	2.96	1.43
6	Business establishment has directly reduced employee poverty.	2.99	1.43
7	Enterprise employs both skilled and low-skilled local staff.	3.12	1.43
8	Working in this SME has improved standard of living.	3.01	1.41
9	Business growth allows for periodic hiring of new staff.	3.02	1.43
<b>Cluster Mean</b>		<b>3.02</b>	<b>1.42</b>

The results in Table 2 above highlights the highest-rated item as the sector's ability to employ both skilled and low-skilled individuals ( $M = 3.12$ ), supporting the theory that SMEs are essential for providing entry-level opportunities for various segments of the workforce [13], [14]. However, the lower mean for direct poverty reduction ( $M = 2.99$ ) suggests that while these businesses provide jobs, the wages or stability may not yet be sufficient to significantly elevate the socioeconomic status of all employees.

### Research Question 3: Association between SMEs and Crime Reduction

Research question three investigated the association between SMEs and crime reduction and the results in Table 3.

**Table 3.** Mean and Standard Deviation for SMEs and Crime Reduction (N=381).

S/N	Item Statement	M	SD
10	Job availability discourages robbery or banditry.	3.07	1.44
11	SME employment reduces drug trafficking/smuggling likelihood.	2.99	1.42
12	Income from SMEs reduces general social ills and lawlessness.	2.89	1.44
13	Areas with active SMEs have lower kidnapping/theft rates.	3.13	1.38
14	Youth engagement provides purpose that resists crime.	2.96	1.43
<b>Cluster Mean</b>		<b>3.01</b>	<b>1.42</b>

The analysis presented in Table 3 above shows that association between SMEs and crime reduction shows a cautious agreement that business activity discourages illegal behavior ( $M = 3.01$ ). Specifically, respondents felt most strongly that areas with active SMEs experience lower rates of kidnapping and petty theft ( $M = 3.13$ ), reinforcing the idea that gainful employment acts as a deterrent to the social evils that plague the region. This suggests that providing youths with economic alternatives is a viable strategy for stabilizing the social order in Katsina Central [15].

Conversely, the data shows more skepticism regarding the impact of SMEs on broader social ills and lawlessness ( $M = 2.89$ ). This indicates that while jobs may reduce crimes of necessity like robbery, they may not be enough to combat more complex issues such as drug trafficking or organized terrorism without broader systemic changes. These results imply that while SMEs are a useful apparatus for addressing societal needs, their effectiveness is limited by the prevailing political and economic structures described by the power theory of poverty.

### **Conclusion and Recommendations**

The study concludes that small and medium-scale enterprises (SMEs) in the Katsina Central Senatorial Zone serve as a vital but underutilized engine for socioeconomic stability. While SMEs demonstrate a clear capacity to generate employment for both skilled and low-skilled individuals, their impact on absolute poverty reduction remains constrained by macroeconomic volatility and systemic barriers. The findings establish a positive correlation between active SME engagement and the reduction of localized crimes, such as petty theft and kidnapping, suggesting that economic engagement acts as a functional deterrent to social instability. However, the persistence of broader social ills and the perceived lack of government sincerity in policy implementation indicate that job creation alone, without structural transparency and infrastructure support, is insufficient to achieve long-term national development goals. Based on the findings and the literature reviewed, the following recommendations are proffered:

1. The government and financial institutions should move beyond standard lending and provide interest-free micro-grants for SMEs in high-impact sectors like agriculture and manufacturing to bolster their hiring capacity.
2. There is an urgent need for the provision of stable electricity and accessible road networks in the Katsina Central Senatorial Zone to reduce high overhead costs and improve the operational lifespan.
3. SMEs should leverage partnerships with educational institutions to provide specialized skills development, ensuring that the labor force is qualified for the technical demands of modern enterprise.
4. There must be a rigorous monitoring and evaluation framework for government SME policies to restore citizen confidence and ensure that empowerment programs reach the intended youth demographics.
5. Authorities should integrate SME groups into community security frameworks, recognizing that economic hubs are essential for maintaining social order and discouraging criminal activity.

SME owners should be encouraged to adopt modern record and statistical tools for better inventory and data management, improving their eligibility for international development grants.

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