

## Socio-Economic Determinants of Survival and Transition Rate of Micro, Small and Medium Scale Enterprises in South West Nigeria



Olufemi Saibu<sup>1</sup>, Adebowale Ayobade<sup>2</sup>, Oluseye Ajuwon<sup>3</sup>

<sup>1</sup>Institute of Nigeria-China Development Studies, University of Lagos Akoka, Lagos

<sup>2</sup>Department of economics, University of Lagos Akoka Lagos Nigeria

<sup>3</sup>Department of Social Work, University of Lagos, Akoka Lagos Nigeria

**ABSTRACT:** The paper investigates the socio-economic factors that influence the rate of transition among Micro, Small, and Medium Enterprises (MSMEs) in Nigeria. Data used for the analysis was obtained from a sample of 1100 micro, small, and medium enterprises (MSMEs) located in two states of southwest Nigeria. This was achieved by employing mobile phone-enabled data collection ODK (open data kit) software to administer structured questionnaires. The transition rate was simulated utilising the analytical model of Kaplan survival. Over 90% of the surveyed MSMEs were micro-businesses, with only eight per cent and two per cent initially classified as small and medium-sized enterprises, respectively. However, after five years, 41% of small to medium-sized businesses and 30% of microenterprises have expanded to small scale. While the gender disparity continues to be a significant issue in Osun, its impact is comparatively lesser in Oyo state. Conversely, it is more probable that Osun SMEs will generate employment, expand, and develop more rapidly than Oyo's enterprise. Commerce, technical service provision, support services, and manufacturing predominate over MSMEs, which contribute little to the economy and primarily facilitate product distribution. Additionally, the study revealed that enterprises led or owned by women have a 1.2-fold greater likelihood of expanding and hiring more personnel at a quicker rate than those led by men. Employee recruitment and career advancement within MSMEs are both influenced by the prevailing business climate. In contrast to the notion that higher education plays a substantial role in determining corporate survivability, it is technical and management education that exclusively impacts business performance. The findings indicate that government intervention efforts should prioritise small businesses over micro or medium-sized enterprises (MSMEs) due to their greater capacity to generate income and employment.

**KEYWORDS:** MSMEs, Employment, Wealth creation, Transition rate, informality, Nigeria

### 1. INTRODUCTION

A small business as remain the focal point of growth strategy in many developing countries. As a result, governments in many countries like Nigeria had focus attention on small business, despite numerous interventions by national and international authorities, the problem of small businesses persists. The crux of this paper is to establish that the rate of transition from micro to medium, is dependent on socioeconomic characteristics more than funding for MSMEs enterprises development and survival in Nigeria. Three related but independent observations serve as the study's driving force.

First, national and international development economists and policymakers have recently placed a greater emphasis on the importance of small businesses in alleviating poverty, creating jobs, and reducing income inequality. These imagined functions of MSMEs have consequently become a recurring topic of interest among policy analysts and academic researchers. The significance of micro, small, and medium-sized enterprises (MSMEs) in academic and policymaking circles is a result of the poor performance and unmet expectations of the previous development policy, which placed a greater emphasis on large businesses at the expense of small businesses (Maliti and Mmenwa, 2008). Expectedly, the economic recovery policy and reforms prompted by the economic recession and slump since 2015, which aimed to create possibilities for fledgling small businesses, have led to an increase in interest and focus on small business research activities.

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Second, multiple studies (Davis et al., 1996a, b; Atkinson and Storey, 1993; David, 1998; Beck et al., 2005) indicate that MSMEs are less likely to be suited for the given developmental responsibilities. They established that small enterprises are not superior to larger corporations, that they do not create net new jobs, and that they are better suited as service providers. Even though some people say otherwise, recent studies like Birch (1979), Ayyagari et al. (2011), IFC (2013), ILO (2015), Ayozie et al. (2013), and Selamawit and Nigus (2014) show that MSMEs are the ones that grow the economy and create jobs. Small businesses, as opposed to large corporations, created the majority of jobs in many of the countries studied. Thirdly, and beyond the issue of employment creation capacity, there is a well-known stylized fact regarding the high mortality rate of small businesses a few years after their inception.

Falancha, Resende, and Cardoso (2012) argued that the transition rate of micro and medium businesses is crucial for any intervention programme in developing countries, yet it is largely ignored in studies on small businesses. The supposed significance of the MSME sector in the job creation and growth process is predicated on the premise that micro, small, medium, and large businesses grow organically. As a result, it is essential, as a policy objective for any government action, to identify the transition potentials and factors that influence the smooth transfer of small businesses. In the extant literature on MSMEs and evaluation of development policies aimed at MSMEs in Nigeria, this is lacking. While there have been some attempts to investigate the pace of MSMEs' business formation, these studies not only failed to examine the transition rate but were also outdated and limited in scope. Moreover, the drivers and determinants of the transformation of these MSMEs from micro to small and medium-sized firms in Nigeria have received scant attention. The specific aims are to determine the rate of transition for various MSMEs in south-west Nigeria and identify the principal socio-economic determinants influencing the transition rate and income and employment-generating capacities of MSMEs in Nigeria.

Establishing the specific roles that various types of small businesses play in a nation's development agenda is most relevant to policy design and implementation. Building an empirical foundation and identifying crucial components are therefore essential to the effectiveness of government policy. Extending the frontier of knowledge and developing new perspectives in small business development literature generates a healthy dialogue, thereby mainstreaming the role of micro, small, and medium-sized enterprises (MSMEs) in development discourse and literature. This paper contributes to reviving the discussion on MSMEs from a different angle in the existing literature by exploring holistically the opportunities and limitations of MSMEs as a strategy for employment and economic empowerment in Nigeria. This study's technique differs from those employed in earlier research. In the majority of prior studies, correlation, and regression analysis were employed, but this study employs survival analysis based on the Kaplan-Meier model, which is prevalent in medical research but uncommon in economic and development literature. Deploying such a strategy mitigates several issues with the current descriptive statistical method and enhances statistical conclusions in small businesses. This is a significant innovation and advancement in the Nigerian small business literature's methodological approach.

This paper is organized into five sections. The first chapter addresses the issue statement, research questions, and purpose of the study, as well as the study's scope and methodology. The second chapter conducts a critical analysis of the existing literature to reinforce the basis for the study by identifying the gaps and outstanding controversial areas in the existing body of knowledge regarding the studied subjects. The third chapter describes the research methodology, data types and sources, and data analysis. The fourth chapter will be devoted to empirical analysis and discussion of results in an effort to attain the stated objectives and provide answers to the research questions posed. The fifth chapter gives a synopsis of the findings and concludes with policy implications and recommendations for policy intervention to improve the effectiveness of MSMEs as a vehicle for job creation and economic empowerment.

### **2. LITERATURE REVIEW**

There is an increasing volume of literature on MSMEs and their contribution to the economy especially in employment and income creation potentials. Ayanda and Laraba, (2011) posited that the major significance of small businesses to an economic 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 (Abdullahi and Abdullahi, 2013). The meager capital requirement of small-scale enterprises also makes them promote an even distribution of income in the economy. Hence, the 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 a lack of job opportunities in the rural area.

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Atkinson and Storey (1993) and David (1998) concluded 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 labour-intensive than their larger counterparts. Biggs et al. (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 et al. (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 et al., 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%. (1996a,b).

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. Abdullahi 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 on their own finances or friends' and relatives' savings, and informal financial institutions for investment capital. Thus, government policies aimed at the creation of a favourable 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 is taken away by the foreign investors since they cannot compete favorably (Abdullahi and 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 (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 labour-intensive SME sector remains underdeveloped. Bouazza (2015) then recommended that extra efforts should be undertaken progressively to upgrade and promote the SME 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 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 et.al., (2013) found that the secret behind the success of the self-reliant strategy is mainly in people's positive attitudes to enterprise, and in the extent to which the right incentive is adequate to make risks worth taking, rather than in any particular political philosophy. They further recommended that Nigeria should follow Japan's 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 labour. Emphasis was also laid on small business 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. Which, more efforts should be put not only into 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's 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 that are aimed at rural development should top the lists of policies aimed at developing the already or semi-developed urban centres to reduce rural-urban migration.

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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 that deter people with genuine business ideas should be reduced to a bearable level to make borrowing cheaper. The security situation of the country needs to be improved to make business doable in the country. Institutional improvement in functional education is also required to increase human capital formation which would be able to capture and indigenize technology for the vibrancy of the SMEs (Abdullahi and Abdullahi, 2013). Although, Ekpeyoung and Nyoung (2022) 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 the much-needed transformation due to poor coordination and monitoring and policy inconsistencies (Ayanda and Laraba, 2011).

### **3. MATERIALS AND METHODS**

The data for the analysis is drawn from a survey carried out under the University of Lagos Central Research Fund Project 2018. This survey is carried out using cross-sectional primary data collected from Oyo and Osun states in the south-west of Nigeria. Southwest was chosen owing to its high concentration of micro, small, and medium-sized enterprises and its excellent representation of all aspects of Nigerian business. In recent years, Nigeria's Southwest has become the most tranquil and business-friendly region. Such characteristics have prompted the migration of several entrepreneurs to the region. In addition, despite its industrial progress relative to other regions, the region contains a proportionate number of poor and wealthy people. Consequently, the south-west region presents a case study that is reflective of Nigeria's overall characteristics. The survey involved 1100 MSMEs from Osun and Oyo states in Nigeria's southern states. 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. To ensure that both rural and urban wards are covered, the selection of the MSMEs 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 the 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 & 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.

#### **3.1 Data Collection Methods**

As against the traditional manual data collection using the paper and pen data collection techniques, the project used 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 statistics required for both univariate and bivariate analysis were generated rapidly. The data were analysed using both statical description and inferential regression techniques

#### **3.2 Empirical Model Specification**

To determine the MSMEs transition rate, a hazard duration model was specified to determine the length of time it takes for a set of business transits from one classification of MSMEs to another. In line with the empirical works of Facanha, Reende, and Cardoso (2012) the model captures the probability of (a firm) exiting from the initial state within a short interval will transit to a bigger form by estimating the probability function with a random variable  $T$  that reflects the duration it takes a newly created firms to transit will have a probability density function  $f(t)$  and cumulative distribution function  $F(t)$  that readily give rise to the transition function given by:

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$$S(t) = 1 - F(t) = P(t \geq t) \quad (1)$$

And in a similar vein, the hazard rate is given by:

$$\lambda(t) = \lim_{\Delta t \rightarrow 0} \frac{P(t \leq T \leq t + \Delta t | T \geq t)}{\Delta t} = \lim_{\Delta t \rightarrow 0} \frac{F(t + \Delta t) - F(t)}{\Delta t S(t)} = \frac{f(t)}{S(t)} \quad (2)$$

To identify the variables that determine the transition rate the Cox's Proportional Hazards Model (1972) represented by equation 2 will be estimated:

$$\ln \lambda(t) = \ln \lambda_0(t) + Z\beta \quad (3)$$

Where  $\ln \lambda(t)$  stands for the log of probability that a firm will transit from a small size to a bigger one using the baseline hazard function,  $Z$  is a vector of explanatory variables (covariates) and  $\beta$  is a vector of parameters. Equation 2 can therefore be reformulated as

$$P\left[T_i \geq t + \frac{1}{T_i} \geq t\right] = \exp[-\exp(z_i) \beta + \gamma(t)] \quad (4)$$

$$\text{Where } \gamma(t) = \ln\left(\int_t^{t+1} \lambda_0(u) du\right)$$

Equation 4 can be rewritten as a log-likelihood function as:

$$\lambda_i(t) = \alpha_i \lambda_0(t) \exp(z_i(t)' \beta) \quad (5)$$

Equation 5 is equivalent to the conventional log-likelihood regression model which implies that discrete-time hazard duration models can be estimated using computer routines used to estimate logistic regression models. Here each discrete time unit for individual MSMEs is treated as a separate observation. For instance, if an MSME in the 2006 population failed three years after 2006, then the first three-year observations will be coded 1 and subsequent years will be zeros. To estimate equation 5, the independent (explanatory) variables are attributed to the individual year observation based on the unit of time used in the study. To examine the factors that can influence the transition of MSMEs, categories of variables are specified namely (i) firm-specific (ii) geographic-specific (iii) industry-specific, and macroeconomic-specific factors.

### 4.0 EMPIRICAL RESULTS

#### 4.1.1 Socio-Demographic Profile of the Respondents

##### 4.1.1.1 Gender

The analysis began with the business owners' and employees' profiles. As seen in Table 1, 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 south-western 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.

##### 4.1.1.2 Age distribution

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 lower than in Oyo (17%). This indicates that there are more young entrepreneurs in Oyo than in Osun state.

##### 4.1.1.3 Marital status

In terms of marital status, more than 85 per cent of respondents were married. Only 4.0% of these business owners are currently separated, while just 10 per cent are yet to marry. 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 groups in the business

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sphere of the state, notwithstanding the level of modernity and civilization based on the education and literacy levels of the regions.

**Table 1: Socio-demographic profile of the respondents.**

Trait	Osun State	Oyo State	Total
<b>Gender</b>			
Male	344 (68.8)	240 (40.0)	584 (54.4)
Female	156 (31.2)	360 (60.0)	516 (45.6)
<b>Age</b>			
18-30yrs	72(14.4)	42 (7.0)	114 (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)
<b>Marital Status</b>			
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)
<b>Ethnicity</b>			
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)
<b>Religion Affiliation</b>			
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)

### 4.1.1.4 Religion status

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

### 4.1.1.5 Educational Status

In term of education status, the small business owners of Oyo and Osun states were profiled in Table 2. 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.

### 4.1.2 Employment Status

Table 2 also 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



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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 large 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.

### 4.1.3 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.

### 4.1.4 Business Status and Year of Formalization

The formal status of 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 2 business registration status data. Only 37% has formality status. 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 percent of the business had been functioning for more than ten years. The pattern of registration years is comparable and not significantly different.

**Table 2: Economic Business Profile of MSME Business**

Trait	Osun State	Oyo State	
<b>Education</b>			
Primary education	37 (7.4)	60 (10.0)	97 (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)
<b>Employment Status</b>			
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)
<b>Motivation for Business Establishment</b>			
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)
<b>Registration of Business Status</b>			

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Yes	256 (51.2)	132 (22.0)	194 (36.6)
No	244 (48.8)	468 (78.0)	356 (63.4)
<b>Year of Registration</b>			
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 3 displayed the business's initial employment status. Using the number of employees to identify the business, the majority of businesses were classed as small businesses because they employed fewer than five people. In the states of Osun and Oyo, Small businesses 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% of small businesses, respectively. The survey did not identify any medium-sized enterprises (MEs), yet 2% of Oyo's MSMEs 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 micro businesses decreased from 84% to 54%, the percentage of small businesses increased from 16% to 34%, and 12% of MSMEs 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.

### 4.1.5 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% were 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.

### 4.1.6 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 small businesses appear to be dominated by commerce (60%), technical service provision (12%), and support services (12%), followed by manufacturing (11%) and fabrication and construction (6%). This shows that Nigerian small businesses create little value and, at most, generate value through product distribution and facilitation.

**Table 3: SMEs Status and Size**

Trait	Osun State	Oyo State	
<b>Previous Number of Workers</b>			
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)
<b>Current Number of Workers</b>			
Micro	270 (54.0)	481 (80.2)	375.5 (67.1)
Small	169 (33.8)	86 (14.3)	127.5 (24.05)



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Medium	61 (12.2)	33 (5.5)	47 (8.85)
<b>Role Activities</b>			
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)
<b>Firm Owner Status</b>			
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)
<b>Duration</b>			
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)
<b>Business Activities Status</b>			
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)

### 4.1.7 The Age of the Business

The goal of government intervention is to enable MSMEs to create jobs and grow wealth income, as well as to increase the output and productive capacity of the industrial sector, resulting in increased welfare and economic activity in the country. A business enterprise transits if it increases its employment level or income over a given period to meet at least the minimum threshold of the higher category of business classification. As a result, the time to transit is measured from the beginning of the operation to the year in which the business enterprise shifts to a higher business category. As a result, our primary goal is to estimate how long it took each MSME to progress from micro to small business to medium, and large businesses.

Table 4 categorizes MSMEs based on their year of operation. According to the table, 13% of the surveyed MSMEs were in their third year of operation, while 28% and 27% were in their third to fifth and sixth to tenth years, respectively. The majority of the MSMEs had been in business for more than ten years.

**Table 4: Duration of the existence of the Organization**

Duration of the Business	Frequency		Percentage	
	Individual	Cumulative	Individual	Cumulative
Less than 3 years	147	147	13.4%	13%
Between 3 to 5 years	309	456	28.1%	41%
Between 6 to 10years	293	749	26.6%	68%
10years and above	351	1100	31.9%	100%

### 4.1.8 Survival Potentials Among the MSMEs

Table 5 shows the log-rank test of equality to see if the time to transit (fail) is the same or different among the three categories of MSMEs. Sixty-four percent (64%) or 700 micro enterprises out of 1100 MSMEs with at least one employee were found to have survived the five-year analysis. Only 39 and 9 were found in the small and medium categories, respectively. When compared to the expected, there is a significant difference and a significant number of shifts in size and category among the three types of MSMEs. The potential to migrate and progress to higher levels of employment is greater in micro and small businesses. The significance using the Chi2 and p-value (0.00) in the table indicates that there is a significant difference in the survival time of each category of enterprises.

Given the expected number of microenterprises in the sample as 360 and the actual observed number of microenterprises as 700, the actual observed number of microenterprises is 100% higher than the expected number of enterprises beyond the first five years of operation. This disparity in the observed and expected number of small and medium-sized businesses was significant.

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However, when compared to the other categories of MSMEs, with 262 and 122 enterprises expected in the small and medium enterprise categories, respectively, and 35 and 9 observed, there is a clear difference in the structure and size of the three MSMEs. Thus, there appears to be an upward movement of MSMEs from micro to small and then to medium size in terms of job creation. It implies that there may be a significant difference in the number of years required for MSMEs to transition from one category to the next.

**Table 5: Log-rank test for equality of survival functions among the MSMEs**

Type of Entrepreneurship	Observed Event	Expected Event
Micro Enterprises	700	359.9
Small Enterprises	35	261.9
Medium Enterprises	9	122.2
<b>Total</b>	<b>744</b>	<b>744</b>
<b>Chi 2, P-value</b>	897.99, (0.0000)	

### 4.1.9 Firm Survival and Failure Rate

The survival and failure functions of MSMEs are presented in Table 5. In this sense, the failing enterprise denotes the firms whose employment levels exceeded their current category of MSMEs and, as a result, had transferred to a higher category. Also, the survival rate reflects the fraction of SMBs that have stagnated in their current category. They were unable to increase their employment beyond the category's maximum for its starting point. Therefore, they could not advance to higher MSME classifications.

Based on Table 6's survival function, 700 businesses had at least one employee at the outset. There was no net loss, thus none of these kinds of businesses shrank. Eighty-three percent of these 700 businesses that began with at least one employee were unable to employ more than the maximum of five workers allowed for micro businesses over the past five years. 17% of the remainder were able to employ two or more workers, allowing them to transfer to a higher category. As the number of employees in the microenterprise increases from two to five, the rates decrease. It decreases from 83% to 63%, 44%, 19%, and 0% for microbusinesses with 2, 3, 4, and 5 employees respectively. In the last five years, only 81%, 56%, and 37% of Microenterprises with 4, 3, and 2 or more workers were able to migrate to small businesses. This indicates that all Microenterprises with five workers were able to transfer to small business enterprises. On average, 55 percent of microenterprises moved to small firms, indicating that one out of every two microenterprises in Nigeria has the potential to increase employment and expand its business size within five years of operation.

**Table 6: MSMEs Transition Rate and Growth Potentials**

Time	Total	Fail	Net Lost	Survival Function	Failure Function	Standard Error	95%Lower Confidence	95%Upper Confidence
<b>Micro Enterprises</b>								
1	700	117	0	0.8329	0.1671	0.0141	0.0803	0.8585
2	583	143	0	0.6286	0.3714	0.0183	0.5916	0.6632
3	440	131	0	0.4414	0.5586	0.0188	0.4044	0.4778
4	309	176	0	0.1900	0.8100	0.0148	0.1619	0.2199
5	133	133	0	0.0000	1.0000	-	-	-
<b>Small Enterprises</b>								
6	255	1	61	0.9961	0.0039	0.0039	0.9725	0.9994
7	193	1	35	0.9909	0.0091	0.0065	0.9637	0.9978
8	157	2	40	0.9783	0.0217	0.0109	0.9423	0.9919
9	115	2	17	0.9613	0.0387	0.0160	0.9136	0.9829
10	96	8	23	0.8812	0.1188	0.0308	0.8045	0.9291
11	65	1	9	0.8676	0.1324	0.0332	0.7859	0.9197
12	55	3	11	0.8203	0.1797	0.0411	0.7223	0.8864
13	41	5	2	0.7203	0.2797	0.0553	0.5950	0.8127
14	34	3	2	0.6567	0.3433	0.0614	0.5219	0.7619

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15	29	7	10	0.4982	0.5018	0.0700	0.3555	0.6254
16	12	0	3	0.4982	0.5018	0.0700	0.3555	0.6254
17	9	0	1	0.4982	0.5018	0.0700	0.3555	0.6254
18	8	2	6	0.3736	0.6264	0.0926	0.1994	0.5482

### Medium Enterprises

33	34	1	0	0.9706	0.0290	0.0290	0.8090	0.9958
35	33	0	6	0.9706	0.0290	0.0290	0.8090	0.9958
36	27	0	3	0.9706	0.0290	0.0290	0.8090	0.9958
38	24	0	1	0.9706	0.0290	0.0290	0.8090	0.9958
40	23	0	4	0.9706	0.0290	0.0290	0.8090	0.9958
41	19	1	0	0.9195	0.0568	0.0568	0.7011	0.9804
42	18	0	2	0.9195	0.0568	0.0568	0.7011	0.9804
43	16	0	1	0.9195	0.0568	0.0568	0.7011	0.9804
45	15	1	1	0.8582	0.0795	0.0795	0.6058	0.9544
47	13	0	1	0.8582	0.0795	0.0795	0.6058	0.9544
48	12	1	0	0.7867	0.1000	0.1000	0.5078	0.9186
50	11	0	1	0.7867	0.1000	0.1000	0.5078	0.9186
51	10	0	1	0.7867	0.1000	0.1000	0.5078	0.9186
52	9	1	1	0.6993	0.1212	0.1212	0.3967	0.8708
53	7	0	1	0.6993	0.1212	0.1212	0.3967	0.8708
56	6	1	0	0.5827	0.1467	0.1467	0.2601	0.8053
72	5	0	1	0.5827	0.1467	0.1467	0.2601	0.8053
85	4	1	0	0.4370	0.1674	0.1674	0.1287	0.7159
86	3	0	1	0.4370	0.1674	0.1674	0.1287	0.7159
98	2	2	0	-	-	-	-	-

The Small enterprise category likewise exhibited comparable tendencies, albeit with a smaller capacity to generate employment. There was a significant decline in the number of businesses within this category. In the past five years, around 61 firms with six or more employees have closed their doors. This loss of enterprises decreased gradually and varied with the size of small businesses. For instance, although 35 organizations with seven employees shrunk during the same period, 40 small businesses with nine employees also shrunk. The number of lost businesses decreased significantly to 17 for those with nine employees, grew to 23 for those with ten, and then dropped to 9 for those with eleven. It plummeted to a net loss of two for the 12-worker category, one for the 18-worker category, and two for the 18-worker category. This net loss diminishes the small business's ability to transfer to the medium-size category.

In terms of the potential for small businesses to grow and expand by employment size, as assessed by the survival and failure function, more than 86% of small businesses with 6 to 9 workforces were unable to move to medium-sized businesses, and only around 14% of them did so. About 80% of small businesses with 10 to 12 employees were only able to keep their current workforce, while just over 20% were able to grow into medium-sized organizations. 28% and 34% of businesses with 13 and 14 employees, respectively, were able to migrate and expand their workforce size. Small businesses with more than 15 employees had better potential to generate jobs. With over fifty percent of businesses transitioning to larger workforce sizes. The employment and business growth potentials of small and medium-sized businesses follow a similar pattern in terms of the fraction of medium-sized businesses that have attained their optimal employment size. The majority could not grow beyond their existing employment levels. None of the Medium-sized businesses expanded to a huge extent. The movement was within the middle range from a lower to a higher employment level.

In conclusion, it was evident that microenterprises had a high potential for growth into small firms. A preliminary examination of the average transition rate reveals that approximately 55% of micro-businesses were able to increase their workforce size. None of the standard errors fall within the confidence interval rates, indicating that the transition rate is substantial.

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### 4.1.10 Time to Transit from One Category to Another

As a baseline, the initial five years of a firm's operations have been utilized in the analyses of its survival to date. Some businesses required less or more time to relocate. Therefore, it is necessary to calculate the average time required for each entry category to migrate to a higher category. The time required for businesses to transition from one category of MSMEs to another is summarized in Table 7. As anticipated, it takes microenterprises an average of three years to transit from micro to small enterprises. Small businesses in Nigeria have approximately 15 years to make the shift from small to medium enterprise, and medium-sized businesses have 85 years to grow from medium to large enterprise. This transitional stage implies that there are few opportunities for medium-sized businesses to become large-scale businesses. In addition, it will take small businesses about two decades to become medium-sized organizations, but it will only take them three years to become small businesses employing five to twenty people. It will also take such a business 15 years to increase its employees from 5 to 50, and it may be a daunting undertaking for such microenterprises in Nigeria to ever become large-scale enterprises.

**Table 7: Time taken for transition from one category to another**

Traits	No of Subject	Incidence Rate	Years to transit
Micro	700	0.3233	3years
Small	255	0.0149	15years
Medium	94	0.0028	85years

### 4.2 Determinants of MSMEs Transition and Growth Potentials

#### 4.2.1 Socioeconomic Factors

Variable travel times for MSMEs would have been caused by underlying variables. These may include firm-specific, macroeconomic, societal, and demographic elements influencing their business operations. Some of these elements may also be related to business owner profiles. Table 8 displays the Cox proportional analysis of the social, economic, firm-specific, and institutional factors that may influence the transition of Nigerian MSMEs. The Cox model is a multinomial model that compares the relevance of one category to a set of reference criteria. In each category of qualities, the reference criterion has a hazard ratio coefficient of 1. While the other characteristics are approximated relative to this value of 1.0. If the value is greater, it indicates that the qualities performed better, while a lower value indicates the opposite.

According to the facts given in Table 8, the gender of the business owner is a crucial determinant in business survival and expansion. However, female-owned and managed enterprises had a 1.21 hazard ratio compared to 1.00 for male-owned businesses. This shows that businesses with female leaders or owners are 1,2 times more likely to grow and expand employment to a greater extent than those led by men. Given the P-value, the result is significant and suggests that female businesses in the study sample state have a 20% better expansion potential than male businesses. Age is also a crucial determinant in business growth and expansion, and younger entrepreneurs appear to have a better potential for expanding their enterprises than their older counterparts. Specifically, using the 18-30 age range as a benchmark, as shown in the table, businesses owned by entrepreneurs aged 31 and older are less likely to expand than those controlled by younger entrepreneurs. The older an entrepreneur is, the less likely it is that they have the capacity and potential to expand their business.

The age group between 31 and 40 has a 0.9-times chance of expanding their business than those younger than 30, whereas the age groups between 41 and 50, 50 to 60, and 60 and older have a 0.68-, 0.50-, and 0.70-times lesser chance of expanding their business and hiring more workers than those younger than 30. There is evidence of a nonlinear link between age and transition in this nexus. The age group of 60 years and older appears to indicate that at a certain age, business potential tends to develop and employ more people. The majority of business owners aged 60 and older are likely to be retirees who spend nearly all of their time in the company, similar to younger entrepreneurs. The proprietor between the ages of 30 and 60 is most likely running the company on a part-time basis. They are more likely to have additional sources of income besides their business.

Additionally, the marital status of the firm owner played a significant effect in the potential of MSMEs to generate high levels of employment. The businesses managed and owned by currently married individuals appear to function better than those handled by people who have never been married or have been divorced. Current married business owners are 1.13 times more likely to increase employment and transfer to higher business categories than never-married and formerly married business owners. Formerly married business owners are less likely to employ more people than those who have never been married and those who are currently married. In terms of religion, businesses owned by Christians tend to play a larger role in business expansion than businesses held by members of other religions. However, businesses held by traditional religion practitioners and those who do

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not adhere to either of the two main religions appear to be more likely to create more jobs and grow more rapidly than enterprises owned by religiously biased individuals. Regarding education. Higher education and technical education were significant factors in fostering the expansion of MSMEs. Therefore, higher education seems most essential and fundamental for the successful operation and expansion of MSMEs in terms of job creation and generating. Businesses run by individuals with postsecondary degrees are 0.9 and 0.7 times less likely to employ workers and transition to higher MSME categories. Therefore, higher education may not be a significant factor in determining the growth capability and potential of MSMEs. In terms of economic activity, trading, technical service providers, and manufacturing SMBs have stronger expansion and employment creation potential. Manufacturing and support services are less likely to expand and grow their company to generate jobs.

**Table 8: Social Factors and Transition to Higher MSME Category in South-western, Nigeria.**

Cox Proportional Hazard Model				95% Conf. Interval	
Social Demographic Factors	Hazard Ratio	Standard Error	P> Z	Lower	Upper
<b>Gender</b>					
Male	1.0000				
Female	1.2127	0.0982	0.017	1.0347	1.4213
<b>Age Group</b>					
18-30	1.0000				
31-40	0.8977	0.1433	0.499	0.6566	1.2275
41-50	0.6826	0.1138	0.022	0.4923	0.9464
51-60	0.4991	0.0897	0.000	0.3508	0.7099
60 years and above	0.7006	0.1535	0.104	0.4560	1.0763
<b>Marital Status</b>					
Never Married	1.0000				
Currently married	1.1299	0.1928	0.474	0.8087	1.5788
Formerly married	0.7909	0.2265	0.413	0.4512	1.3864
<b>Religion Affiliation</b>					
Christianity	1.0000				
Islam	0.9425	0.0729	0.444	0.8087	1.5788
Traditional	2.0223	1.4568	0.328	0.4931	8.2978
<b>Educational Status</b>					
Primary Education	1.0000				
Secondary Education	1.0111	0.1490	0.941	0.7560	1.3522
Graduate	0.6426	0.0962	0.003	0.4791	0.8618
Technical/Others	0.4647	0.1198	0.003	0.2803	0.7703
<b>Main Activities</b>					
Whole & Retail	1.000				
Manufacturing	0.5080	0.0648	0.000	0.3957	0.6522
Technical Service Provider	1.0995	0.1313	0.427	0.8700	1.3894
Support Service provider	0.7206	0.0855	0.006	0.5701	0.9093
Fabrication and construction	1.0897	0.1771	0.589	0.7925	1.4985

### 4.2.2 Business Conditional Factors

In terms of economic variables, the business climate is a crucial determinant of a company's capacity to hire additional workers and ascend to a higher business category. For example, as shown in Table 9, a good management style, a superior marketing plan, a competitive edge in market conditions, and the need to grow significantly influenced the ability and likelihood of MSMEs to rapidly develop and transition from micro to small and medium enterprise categories.

### 4.2.3 Institutional Factors

Institutional factors such as regulations, business skills, supportive government policies, and easy access to credit also play a significant role in propelling MSMEs to grow faster, expand their operations, employ more people, and generate more revenue to

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evolve into a higher business type. Marketing strategy and government regulation are the primary stimuli for MSMEs' smooth transition.

**Table 9: Economic Factors and Transition to Higher MSME Category in South-western, Nigeria**

Business Conditional Factors	Hazard Ratio	Standard E.	P Z	95% conf. interval	
				Lower	Upper
Management	0.7705	0.0773	0.009	0.6331	0.9379
Marketing	1.2072	0.1252	0.069	0.9852	1.4793
Market Condition	1.1939	0.1246	0.089	0.9731	1.4649
Competition	1.0217	0.0964	<b>0.820</b>	0.8491	1.2292
Need to grow	0.8970	0.1365	0.475	0.6657	1.2088
Administration	1.0056	0.1273	<b>0.965</b>	0.7846	1.2887
Know how	1.0736	0.1008	0.449	0.8931	1.2906
	<b>P-value</b>	<b>0.0079</b>			
<b>Institution Factors</b>					
Business Skill	0.7412	0.0661	0.001	0.6224	0.8827
Regulation	1.1363	0.1137	0.201	0.9340	1.3824
Business Network	0.7798	0.0757	0.010	0.6447	0.9433
Supportive government Policies	0.8420	0.1277	0.257	0.6255	1.1334
Easy access to credit	0.8719	0.1639	0.466	0.6032	1.2602
	<b>P-value</b>	<b>0.0002</b>			

### 5. 0 CONCLUSION AND POLICY IMPLICATION

This paper evaluated the critical socio-economic determinants of both the transition rate of MSMEs using cross-sectional data collected from the Oyo and Osun states of South-west Nigeria. Specifically, the critical issue examined was the factors responsible for the high mortality rate and slow transition of small businesses to large-scale businesses in Nigeria. Hence the need for this current study. Based on the empirical analysis, it was established that more than 90% of surveyed MSMEs were micro businesses, and only 8 and 2% were small and medium-sized when they started operations. Nonetheless, after five years, 30% of microenterprises have grown to a small scale, and 41% of small to medium businesses. About half of Osun's microenterprises transitioned, while 17% of Oyo's did. This shows that Osun's MSMEs are more likely to create jobs, expand, and grow faster than Oyo's enterprise. About business leaders' gender. Women run 43% of businesses, compared to 67% of men. However, that the gender glass ceiling is still a concern in Osun, but less so in Oyo. MSMEs' business activities are dominated by commerce (60%), technical service provision (12%), support services (11%), and manufacturing (6%). This reveals that Nigerian MSMEs create minimal value and mostly facilitate product distribution.

On small business survival, within the last five years before the study, over 50% of businesses transitioned from micro to small businesses. The employment and business growth potentials of small and medium-sized businesses follow a similar pattern to medium-sized businesses that have reached their optimal employment size level. Microenterprises have the potential to become small corporations. The average transition rate shows that 55% of micro businesses increased their worker size. It was also established that microenterprises require three years to grow from micro to small business categories. Nigerian small businesses require a minimum of about 15 years to expand from micro to small, while medium-sized enterprises require an inconceivable 85 years to grow from medium to large. Medium-sized businesses in Nigeria have little chance to grow during this transitional period. Nigerian microenterprises may struggle to become large businesses.

On MSMEs transition potentials, enterprises with female leaders or owners are 1.2 times more likely to grow and increase employment faster than those managed by men. The odds are against elder entrepreneurs, although those under 40 and over 60 have a better probability of expanding than those under 30 and between 40 and 60. The owner's marital status also affected MSMEs' employment prospects. Presently married business owners are 1.13 times more likely to grow employment and shift to higher business categories than never-married and formerly married ones. The business climate affects MSMEs' ability to recruit more personnel and move up the corporate ladder. A competent management style, a good marketing plan, a competitive



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advantage in market circumstances, and the urge to grow dictate significantly the capacity of MSMEs to migrate from micro to small and medium categories. Institutional elements, including rules, business expertise, supporting government policies, and easy access to finance, also played a significant and critical role in helping MSMEs develop quicker, extend their operations, employ more people, and create more income to transition into higher company types. MSMEs' seamless transition relies on marketing strategy and government regulation.

The findings indicate that small businesses and not microenterprises should be the focus of government intervention efforts, as the small business category has more income- and employment-generating potential than any other category. However, given the impossibility of small-scale businesses growing and becoming large-scale, the government needs to make a deliberate effort to syndicate the establishment of large-scale businesses, and the economic scale may be a major challenge for small-scale businesses to grow and become large-scale. This affects the sustainability and mortality rates of many of these MSMEs. Higher education seems not to be a major factor in business survival; rather, it is technical and managerial education that determines the success of businesses; hence, the focus should be on technical and managerial education for MSME owners. There is a need to improve the business climate, and institutional constraints such as adverse regulatory rules, heavy taxes, and unfriendly government policies should be removed as they undermine the employment and income-generating capacity of SMEs.

Given the empirical evidence that showed that there is a high mortality rate of small businesses a few years after their inception, the transition rate of micro and medium businesses is crucial for any intervention programme that is pinned on using MSME as an employment income creation strategy in developing countries. This supposed significance of the MSME sector in the job creation and growth process is predicated on the premise that micro, small, medium, and large businesses grow organically. As a result, it is essential, as a policy objective for any government action, to identify the transition potentials and factors that influence the smooth transfer of small businesses as a basis to motivate the policy intervention and development strategy that revolves around MSMEs development in Nigeria.

In view of the empirical evidence that showed that there is a high mortality rate of small businesses a few years after their inception, the transition rate of micro and medium businesses is crucial for any intervention programme that is pinned on using MSMEs as an employment income creation strategy in developing countries. This supposed significance of the MSME sector in the job creation and growth process is predicated on the premise that micro, small, medium, and large businesses grow organically. As a result, it is essential, as a policy objective for any government action, to identify the transition potentials and factors that influence the smooth transfer of small businesses as a basis to motivate the policy intervention and development strategy that revolves around MSMEs development in Nigeria.

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