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EFFECT OF MICRO-ENTREPRENEURSHIP ON HOUSEHOLD POVERTY LEVEL: EVIDENCE FROM NIGERIA

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ABSTRACT

Nigeria's high rates of poverty, unemployment, and poor income continue to be a major cause of worry. Despite the implementation of various entrepreneurial efforts by government and non-governmental organizations, income remains low, which is exacerbated by the country's high percentage of young unemployment. While previous research has looked at the function of entrepreneurship in raising welfare and boosting shared prosperity, the intervening role of income in these relationships has gotten less attention, especially in the context of primary data analysis. This prompted this study to examine the impact of micro-entrepreneurship on income generation in the Ilorin, as a case study. During the investigation, data was collected at random from 430 entrepreneurs. Using cross-tabulation and the chi-square statistic. The researchers discovered a positive but inconsequential relationship between micro-entrepreneurship and revenue production. This may be explained by the fact that 42% of the 291 entrepreneurs that are regarded innovators have a modest income. The findings of this research show that when the government provides appropriate financing to stimulate entrepreneurship and the inventive spirit, it generates more income and helps to reduce poverty. The study provides data to corroborate the literature, emphasizing the favorable impact of appropriate entrepreneurial funding on revenue growth. It was shown that most of the entrepreneurs surveyed focused on the issue of insufficient funding. This has constrained entrepreneurs' creativity and innovation, forcing them to operate on a small scale with minimal profits.

INTRODUCTION

Microfinance institutions (MFIs) have demonstrated that providing small loans, savings facilities, and financial literacy programs to microentrepreneurs can have transformative effects on poverty alleviation. Access to credit allows microentrepreneurs to start or expand businesses, increase productivity, and build assets, ultimately contributing to household income and community development. Micro-entrepreneurship has emerged as a significant tool in the global fight against poverty, offering a sustainable pathway for individuals and communities to improve their socioeconomic conditions. This nexus highlights the relationship between small-scale entrepreneurial activities and their impact on poverty reduction. Poverty remains one of the most pressing global challenges, particularly

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in developing and underdeveloped economies. Despite various policy interventions, a significant proportion of the world's population continues to live in extreme poverty, with limited access to essential resources, education, healthcare, and employment opportunities. In recent decades, micro-entrepreneurship has emerged as a promising pathway for poverty alleviation, offering individuals and communities a means to improve their livelihoods through self-employment and small-scale business ventures.

Entrepreneurs in high-income countries are frequently portrayed as individuals who established a firm because they wanted to pursue a recognized business opportunity. They are known as opportunity entrepreneurs. This definition of entrepreneurship does not fully capture the reality of many low-income countries, where individuals are forced to seek entrepreneurship out of need or survival, earning the moniker necessity entrepreneurs. Opportunity entrepreneurs, on the other hand, are more creative, whereas necessity entrepreneurs are more replicative (Klapper and Love, 2011; Cheung, 2014) and primarily motivated by money. On a broad level, entrepreneurship has been connected to its potential to create jobs. Policymakers believe that entrepreneurs and the new enterprises they start are vital to the prosperity and well-being of their communities. Any modern economy's growth and progress rely heavily on entrepreneurship. Adam Smith recognized the importance of markets in national economic growth and development as early as 1776, through job creation, greater salaries, and increased access to fundamental human necessities (Adenutsi, 2009).
Micro-entrepreneurship refers to the creation and operation of small businesses, often characterized by minimal startup capital, limited scale of operations, and reliance on local resources. These businesses, typically run by individuals or families, play a crucial role in creating employment, generating income, and fostering local economic development. In many developing countries, micro-entrepreneurship has been promoted through microfinance initiatives, government programs, and support from non-governmental organizations (NGOs) to enable marginalized groups, including women and rural populations, to participate in economic activities.

The nexus between micro-entrepreneurship and poverty alleviation lies in the capacity of small businesses to empower individuals economically and socially. By offering income-generating opportunities, micro-entrepreneurship can reduce dependency on formal employment and external aid. Moreover, it fosters financial inclusion by providing access to credit and financial services, which are often inaccessible to poor individuals due to a lack of collateral or financial literacy. Poverty in every community has a significant influence on the economy, politics, social, and general growth of the society.

Furthermore, in our society, low education, unskilled labor, a wasteful lifestyle, the failure to deliver a comprehensive policy package based on needs, policy leakages to non-target populations, and traditional values and norms all have an impact on poverty alleviation initiatives' performance. The consensus is that all of the causes of poverty act in tandem, supporting one another in an ever-increasing cycle of declining economic power. Underlying these poverty-induced economic pressures are irregular new components of the Nigerian economy, such as continual intercommunal clashes that result in wanton destruction of life and property, as well as an increase in crime rates caused by a lack of jobs.

Approximately 2 billion people globally, with at least half of them being adults, lack one of the most basic financial amenities: a bank account. Many belong to disadvantaged groups struggling to support their families, particularly in volatile regions and developing countries. In such areas, micro-entrepreneurship often functions less effectively, and vulnerable individuals need access to micro-entrepreneurship for their basic survival.
(a) To evaluate the role of micro-entrepreneurship in improving household income and living standards among small business owners.
(b) To identify the key barriers faced by micro-entrepreneurs and propose strategies to overcome these challenges, thereby maximizing the impact of micro-entrepreneurship on poverty reduction.

LITERATURE REVIEW

Micro-entrepreneurship

Micro-entrepreneurship refers to the establishment and operation of small-scale businesses, often characterized by low capital investment, minimal workforce, and localized operations. These businesses are usually owned and managed by individuals or families and serve as a means of generating income, improving living standards, and alleviating poverty (Yunus, 1999; Robinson, 2001). The concept of micro-entrepreneurship gained significant attention following the success of microfinance initiatives, notably pioneered by Muhammad Yunus and the Grameen Bank in Bangladesh (Yunus,1999).

Micro-entrepreneurship is particularly significant in developing economies, where it plays a vital role in addressing unemployment, fostering economic resilience, and empowering marginalized groups, including women and rural populations (Khandker, 2005). Micro-entrepreneurs typically operate in sectors such as agriculture, retail, handicrafts, and small-scale manufacturing. They often rely on microfinance institutions for access to credit, savings, and other financial services, which enable them to overcome financial constraints and sustain their businesses (Ledgerwood, 2013). According to Yunus (2003), micro-

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entrepreneurship serves as a transformative tool for poverty alleviation by allowing individuals to create their own economic opportunities rather than relying on formal employment. Similarly, Morduch (1999) highlights that micro-entrepreneurship can foster financial independence and improve household well-being, contributing directly to economic development.

Poverty Alleviation

The term "poverty alleviation" refers to the collection of plans, laws, and programs designed to raise people's standards of life and lessen or eradicate poverty. It entails addressing the root causes of poverty, such as lack of education, unemployment, poor health services, and unequal distribution of resources. According to the World Bank (2020), poverty alleviation encompasses measures to improve income levels, provide access to quality education and healthcare, and ensure social inclusion for marginalized populations.

Poverty alleviation is not merely about increasing income but also enhancing people's capabilities and opportunities to lead dignified lives. Amartya Sen (1999) emphasizes the importance of expanding individuals' freedoms and capabilities as a central aspect of poverty alleviation, arguing that poverty is not just low income but also the deprivation of basic capabilities. Programs and strategies for poverty alleviation can include microfinance initiatives, vocational training, social welfare programs, and sustainable development projects. Sachs (2005) highlights that long-term poverty alleviation requires integrated approaches, including investments in healthcare, education, infrastructure, and economic empowerment.

Modernization Theory (Rostow, 1960)

According to Rostow, industrialization and economic growth are central to modernization. This theory explains how societies transition from traditional, underdeveloped economies to modern, industrialized ones through a series of stages. Rostow's theory emphasizes economic growth, technological advancement, and institutional development as key drivers of modernization and poverty alleviation. Economic growth and access to modern financial systems are key drivers of development and poverty reduction. Financial services act as a catalyst for economic modernization, enabling poor households to participate in economic activities.

Capability Approach (Amartya Sen, 1999)

According to Sen (1999) Poverty is not merely a lack of income but also the lack of capability to make meaningful life choices. Capability here refers to real freedom of individuals and opportunities to achieve what they value in life. Unlike traditional economic theories that primarily measure poverty through income levels, Sen emphasizes the importance of capabilities (what people can do and be) and functioning's (what people actually achieve with their resources). Financial inclusion enhances capabilities by offering access to financial resources, empowering individuals to improve their quality of life. Poverty is not just about low income; it encompasses education, health, financial security, and social inclusion amongst others. Micro-entrepreneurship empowers individuals by increasing their agency, skill development and access to opportunities which directly align with poverty alleviation.

Resource-Based View (Jay Barney, 1991)

Originally articulated by Wernerfelt (1984) and expanded by Barney (1991) the theory argues that resources must be valuable, rare, inimitable and non-substitutable to achieve sustained competitive advantage. This theory suggests that resources (financial, human, social capital) play a crucial role in determining an organizations or individual's success. In the context of micro-entrepreneurship and poverty alleviation, RBV explains how entrepreneurs leverage their limited but critical resources such as skills, knowledge, social networks and financial capital to create sustainable businesses and improved livelihood.

Schumpeter's Theory of Entrepreneurship

Joseph Schumpeter, in his seminar work '' The Theory of Economic Development'' (1934), introduced the Schumpetarian view to Entrepreneurship, emphasizing the critical role of entrepreneurs as agents of economic development and innovation. Schumpeter viewed entrepreneurship as a dynamic process of creative destruction 'where new innovations replace outdated products, processes or systems, driving economic progress. Schumpeter significantly contributed to the understanding of entrepreneurship basically from a development perspective where he tagged innovation as the basic feature of entrepreneurship. This study adopts the Schumpeter's view of entrepreneurship because for small business owners to be considered micro-entrepreneurs, they are expected to have developed something unique that makes them different from their predecessors, thus, enabling them to explore their innovative capacity which will in turn bring about income generation and poverty reduction.

Empirical Review

Nahuce, Hassan and Ismail (2024) in Zamfara, employing primary data analysis tried to determine the relationship between social innovation and poverty alleviation, as well as to examine the relationship between social value and poverty alleviation. Data was analysed using Structural Equation Model. The result reveal that social entrepreneurship has a highly significant impact on poverty reduction and sustainable development in Zamfara State. However, in Akwa Ibom, Umoh and Ekpo (2023) looked into the value and difficulties of entrepreneurship in eradicating poverty as well as methods for encouraging entrepreneurship among the populace. The Multidimensional Poverty Index (MPI) and Global Data Lab (GDL) were used to create the data. Using the Narrative Textual Case Study (NTCS), the results showed that entrepreneurship significantly contributes to the elimination of poverty.

Nursini (2020) conducted research in Indonesia on the direct and indirect effects of MSMEs on poverty reduction through labor absorption from 1997 to 2018. The results of the time-series data analysis reveal that MSMEs have a statistically significant direct and indirect impact on poverty reduction in Indonesia. In addition, the study found that economic expansion had a considerable direct and indirect influence on poverty reduction. Azamat, Fayzullokh and Nilufar (2023) analysed how entrepreneurship and entrepreneurship development incentives may assist to reduce poverty and enhance the entrepreneurial climate in nations throughout the world. This strategy was carried out using a quantitative way. The panel fixed effects model was used, and the results show that entrepreneurship has a positive and substantial influence on poverty alleviation. Furthermore, entrepreneurship development incentives improve the effectiveness and ability of entrepreneurial efforts to alleviate poverty.

Popoola, Brimah and Gbadeyan (2018) analysed the significant influence of entrepreneurial activities on poverty reduction in South Western Nigeria. Data was collected through interviews and in-depth discussions with respondents. Using descriptive statistics and partial least squares (PLS) analysis, the researchers discovered that entrepreneurial activities had a significant beneficial influence on poverty reduction in Southwestern Nigeria. Furthermore, the study indicated that in Nigeria, entrepreneurial activities are the most effective antidote to poverty reduction and job creation, implying that the country is technically emerging from an economic slump.

Bhuiyan and Ivlevs (2019) in Bangledash tried to analyse the impact of micro-entrepreneurship on subjective well-being. Employing the instrumental variable approach to a unique census like household survey conducted in three villages of Bangledash in 2013, the findings reveal that micro credit borrowing has an indirect negative effect on overall life satisfaction. Contrary to this, Neji and Osisioma (2024) in Benue State, Nigeria investigated the influence of entrepreneurship development on poverty reduction among micro businesses in Makurdi. Applying primary data analysis via administering questionnaires to selected samples and analysing data using ordinary least square (OLS) regression, findings reveal that credit scheme has a positive significant effect on poverty reduction among micro businesses.

Lawan, Rufai and Doffi (2023) in Sardauna Local Government, Taraba State, Nigeria investigates the impact of small and medium-sized firms on poverty alleviation. Using both descriptive and inferential statistics on a purposefully

drawn sample of 400 households, the study found a significant relationship between SMEs and poverty reduction in the Local Government Area, resulting in increased efficiency and production of goods and services that meet the basic needs of the poor. Muhammad (2016) used descriptive statistics, correlation, OLS regression, and ANOVA to discover a positive and significant association between entrepreneurship development programs and revenue creation in Kano State.
Adebayo and Nassar (2014) aimed to assess the impact of micro and small business entrepreneurship on poverty reduction in Ibadan metropolis. Applying the difference-in-difference model of impact assessment, the study found a positive and significant relationship amongst variable. Although, it is faced with some socio-economic, infrastructural and management challenges. Similarly, Kimaro (2014) analysed the impact of entrepreneurship education on women's income creation in Akeru Ward, Meru District, Tanzania. Data were gathered from both primary and secondary sources. Using both quantitative and qualitative methods, the researchers discovered a favorable and substantial association between entrepreneurship education and income-generating activities. As a result, women may reduce their financial reliance on their husbands, earning more respect from their homes and the community as a whole.

METHODOLOGY

The study adopts the purposive sampling technique. Because it affects the validity and dependability of the data that is eventually gathered, respondent selection is a crucial component of social research. The study employs a pragmatic research philosophy, using a structured questionnaire to collect primary data. Such philosophies frame the feminist entrepreneurial phenomenon as a worldview arising out of actions, situations, and consequences rather than conditions. There is concern about the applications, what works, and the solutions to problems (Patton, 1990). Researchers emphasize the research problem and question and use an approach available to understand the problem (Rossman & Wilson, 1985).Primary data was employed in the process of carrying out this study via the use of cross-sectional data from household surveys. The survey method is adopted because it suits the purpose of the social researcher in describing current practice and events. The qualitative method via focus groups and interviews with sample respondents and financial institutions to gather insights on barriers, challenges, and success factors, was employed

The study draws inspiration from the work of Amartya Sen (1999) where poverty is not just about lacking money but lack of freedom and opportunities to explore changes and development. Thus, poverty is influenced by financial inclusion, education level and gender inequality Entrepreneurs from a range of

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business endeavours in Ilorin, Nigeria was given questionnaires and interviewed. Since it is a significant metropolitan area in the state and includes land uses for transportation, education, industry, and residential purposes. The Yamane's sampling equation was used to determine a sample size of 400. The size was chosen for the study using a purposive sampling technique because it enables the researcher to choose participants who meet certain criteria pertinent. A sample size of 400 is deemed sufficient to provide a representative snapshot of businesswomen in the area, though this may limit the generalizability of the findings to the broader population of businesswomen in Ilorin, Nigeria. However, the larger the sample size, the better because it minimizes the sampling error (Abebe, 2022). Reason why the study added 30 samples to the recommended sample size making it a total of 430 micro entrepreneurs.

The study used descriptive statistics (percentages, cross tabulation, and the chi-square test). Crosstabulation was utilized specifically to investigate the degree of the association between micro-entrepreneurship and income creation. The chi-squared test was used to determine the level of significance between variables. For example, the chi-square is defined as:

$$x^2 = \sum \frac{(f_o - fe^2)}{f_e} \qquad (1)$$

where x^2 = chi square value
f_o = observed frequency and
f_e = expected frequency

RESULTS AND DISCUSSIONS

The data presented in this section are extracted from responses in retrieved questionnaires during field work. To measure the effect of micro-entrepreneurship on poverty alleviation, income change was used to measure poverty alleviation while innovation served as a proxy for micro-entrepreneurship. The study assessed the amount or rate of change in respondents' income, specifically their monthly income prior to starting their enterprises against what they receive monthly after establishing their firms. However, respondents' income will be divided into three categories: low income (1,000 - 80,000), average income (81,000 - 160,000), and high income (161,000 and above) for a more clear and exact grouping of income ranges.

In addition, to examine the magnitude of the association between variables, the study cross-tabulated micro-entrepreneurship and income, using innovation as a proxy. According to the literature, innovation is the fundamental trait of entrepreneurship (Baumol, 1990; Audretsch & Thurik, 2001). Table 1 shows the income change of the respondents and Table 2 presents magnitude of income change for respondents.

Table 1. Income Change of Respondents

Income Category (₦)	Income Before	Income After	Difference	Percentage Change
Low (1,000-80,000)	325 (75.60%)	272 (63.25%)	-53	-16.30%
Average (81,000-160,000)	43 (10.00%)	84 (19.53%)	41	95.34%
High (161,000 and above)	24 (5.60%)	46 (10.70%)	22	91.66%
No response	38 (8.90%)	28 (6.51%)		
Total	430 (100%)	430 (100%)		

Source: Author

The result, presented in Table 1, shows that the low-income range witnessed a decrease from 75.60% respondents before establishing self-businesses to 63.25% after establishing self- businesses, thus, leading to a 16.30% decrease in its share of respondents. The average income witnessed an increase from 10% respondents before owning self-businesses to 19.53% respondents after owning businesses bringing about a 95.34% increase in its share of respondents. The percentage of respondents in the high-income category increased by 91.66%, from 5.6% before starting their own firms to 10.7% following the establishment of businesses. According to Table 2, of the 325 respondents who had low-incomes before starting their businesses, 75.7% remained in their status-quo, 18.46% climbed to the average income level, and about 4.3% moved up to the high-income category.

Table 2. Magnitude of Income Change for Respondents

			After →		
Before ↓	**Low Income**	**Average Income**	**High Income**	**No response**	**Total**
Low Income	246 (75.7%)	60 (18.4%)	14 (4.30%)	5 (1.53%)	325 (100%)
Average Income	12 (27.9%)	15 (34.9%)	14 (32.5%)	2 (4.65%)	43 (100%)
High Income	2 (8.33%)	6 (25%)	14 (58.33%)	2 (8.33%)	24 (100%)
No response	12 (31.5%)	3 (7.89%)	4 (10.52%)	19 (50%)	38 (100%)
Total	272	84	46	28	430

Source: Author

For the 43 respondents earning who had an average income before owning their enterprises, 27.9% got worse-off after owning their own firm, falling into the low-income bracket. However, about 34.9% maintain the status-quo, and 32.5% have shifted to the high-income level. Notably, of the 24 respondents earning in the high-income range, roughly 8.33% were worse-off by declining to the low- income range, about 25% earned less by moving to the average income level, and about 58.33% remained the same. Similarly, of the 38 respondents who did not respond to the question because they were unemployed before owning their enterprises. Thus, earning nothing, or consider their previous income range private, about 31.58% currently earn within the low-income category, about 7.89% within the average

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income and 10.52% within the high-income category. However, about 50% of these respondents did not share their current income because they consider it confidential. These findings show that there are more respondents in each income category who were better-off after owning their firms than those who became worse-off. It also suggests that entrepreneurial development has a beneficial and positive impact on respondents' income.

Table 3. Cross Tabulation between Income and Entrepreneurship development for all respondents

		Innovation			
		No	Yes	No response	Total
Income (₦)	1,000-20,000	13 (3.0%)	35 (8.1 %)	1 (0.2%)	49 (11.4%)
	21,000-40,000	36(8.4%)	63 (14.7 %)	4 (0.9%)	103 (24.0%)
	41,000-60,000	24 (5.6%)	62 (14.4 %)	5 (1.2%)	91 (21.2%)
	61,000-80,000	10 (2.3%)	19 (4.4 %)	0	29 (6.7%)
	81,000-100,000	6 (1.4 %)	31 (7.2 %)	0	37 (8.6%)
	101,000-120,000	5 (1.2 %)	8 (1.9 %)	0	13 (3.0%)
	121,000-140,000	8 (1.9 %)	12 (2.8 %)	0	20 (4.7%)
	141,000-160,000	5 (1.2 %)	9 (2.1 %)	0	14 (3.3%)
	161,000 and above	12 (2.8 %)	34 (7.9 %)	0	46 (10.7%)
	No response	7 (1.6 %)	18 (4.2 %)	3 (0.7%)	28 (6.5%)
	Total	126 (29.3 %)	291 (67.7%)	13 (3.0%)	430 (100%)

Source: Author

Table 3 shows the cross tabulation between income and entrepreneurship development and reformatted cross tabulation between income and entrepreneurship development for all respondents for all respondents. According to Table 3, majority of the respondents (24% and 21.2%) make between ₦21,000 to ₦40,000 and between ₦41,000 to ₦60,000. Also, 24% respondents who make between ₦21,000 to ₦40,000 range, 14.7% are engaged in the innovation process and 8.4% are not. Interestingly, 0.9% of people in this income range did not reveal their status. Additionally, a sizable portion of respondents, about 14.4% claim to be inventing, while 5.6% agree that they are not, out of the 21.2% income range of ₦41,000 to ₦60,000. Nonetheless, a sizable portion of respondents (7.9%) who earn ₦161,000 or more say they are innovators.

Table 4 shows that of the 67.7% of respondents who are innovators, the majority, approximately 42%, earn within the low-income range, implying that innovation is associated with low income. This could be explained by the fact that the monthly earnings of these micro-entrepreneurs are only sufficient to meet their basic needs (particularly food and shelter), limiting their ability to innovate and improve their business ideas. It is also worth noting that while this finding is not particularly promising, it does correspond to the chi-square test result with a p-value of 0.053. Therefore, the result is negligible at $p < 0.05$. In a nutshell, micro-entrepreneurship has a favourable but insignificant influence on poverty reduction in Ilorin, Nigeria. As a result, this contradicts Muhammad's (2016) findings in Kano State, which indicated a statistically significant relationship between entrepreneurship and micro-entrepreneurs' income.

Table 4. Reformatted Cross Tabulation between Income and Entrepreneurship Development

		Innovation			
		No	**Yes**	**No response**	**Total**
Income (₦)	Low (1,000-80,000)	83 (19.30)	179 (41.62%)	10 (2.33%)	272 (63.25%)
	Average (81,000-160,000)	24 (5.58%)	60 (13.95%)	0	84 (19.53%)
	High (161,000 and above)	12 (2.8%)	34 (7.9%)	0	46 (10.7%)
	No response	7 (1.6%)	18 (4.2%)	3 (0.7%)	28 (6.5%)
	Total	126 (29.28%)	291 (67.7%)	13 (3.0%)	430 (100%)
	Statistics:				
	Chi square value	13.51			
	Degree of freedom	6			
	α	0.05			
	Prob(chi)	0.05342			

Source: Author

CONCLUSION

Although the results are still unclear, recent advances in theoretical and empirical research indicate that micro-entrepreneurship is essential for producing revenue and reducing poverty. As a result, this study looks at how microbusinesses affect household poverty in Ilorin, Nigeria. Frequency tables, percentages, cross tabulation, and chi square statistics were all used in the study. Given that micro-entrepreneurship has increased wages in the state, it was discovered that, despite its beneficial effects on income production and poverty reduction, the effects were statistically insignificant.

This conclusion might indicate that their monthly earnings are only sufficient to meet their fundamental needs (particularly food and housing) but also restrict their potential to explore innovative talents. Furthermore, the study provides data to corroborate the literature, emphasizing the favorable impact of appropriate entrepreneurial funding on revenue growth. It was shown that most of the entrepreneurs surveyed focused on the issue of insufficient funding. This has constrained entrepreneurs' creativity and innovation, forcing them to operate on a small scale with minimal profits. It is not inaccurate to suggest that finance plays a key role in enterprises and, if sufficient, will stimulate innovation, which in turn will foster entrepreneurship.

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Findings from the study suggest that:

1. Government should allocate sufficient funds to support the growth of SMEs.
2. Financial policies should be geared to encourage increased investment in entrepreneurship. This might be accomplished by instructing commercial and microfinance banks to make low-interest loans to microentrepreneurs with collateral.
3. Organize seminars and workshops to help micro-entrepreneurs and wannabe entrepreneurs develop management abilities, including innovation, financial literacy, and positive employer employee relationships.
4. Effective monitoring of micro-entrepreneurship financing is crucial to ensure efficiency.

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