Title of Article: Determinants of Factors Influencing Capacity of Small and Medium Enterprises (SMEs) in Employment Creation in Lagos State, Nigeria

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Abstract: This study analyzed the characteristics of Small businesses (SBs) in Lagos, Nigeria and examined factors influencing the capacity of SMEs to create employment in Lagos in Southwest, Nigeria. Primary data were used for this study. The target population was all small businesses in Lagos State. The choice of the study area was based on size and concentration of SMEs. Data were collected using questionnaires from a sample of 180 small firms. The selection of respondents was done using two- stage stratified sampling procedures. In the first stage, five local governments with highest number of SMEs concentration were selected. In the second stage, using systematic sampling on the list of all the SMEs in the selected local governments, a total 36 SBs were selected systematically from each local government area in the five LGAs in Lagos state. The data collected were analyzed using appropriate descriptive statistics and inferential techniques. The results showed that majority (75%) of surveyed SMEs operating in the study area were microenterprises employing less than 10 workers while only (19%) and (6%) of the respondents engaged in small scale and medium scale enterprises employing between 10 and 50 workers respectively. The results also showed that there was substantial increase (133%) in number of SMEs owners that have grown in terms of employment generation from microenterprises to small scale and medium firms over the span of five years. The result showed further that business registration, business size, nature of business, sources of capital, were the major factors determining both income and Employment generation potentials of SMEs. The study concluded that age of business, education, and sources of raw materials were only significant in influencing the capacity of SME to generate employment