

Small and Medium Enterprises as Catalysts for Growth in Kogi State, Nigeria: An Empirical Analysis

Nwachukwu Ndidi Patience

Department of Business Administration, National Open University of Nigeria,
Lokoja Study Centre, Kogi State, Nigeria

Abstract: *Small and Medium Enterprises (SMEs) constitute the engine room of economic development across emerging economies, yet subnational variations in entrepreneurial ecosystems remain understudied. This article examines the catalytic role of SMEs in driving economic growth within Kogi State, Nigeria, a region characterized by abundant agricultural and mineral endowments but historically constrained by infrastructure deficits and limited institutional coordination. Drawing on recent policy interventions, financial inclusion programs, and enterprise development initiatives implemented between 2022 and 2026, this study analyzes the mechanisms through which SMEs contribute to employment generation, income diversification, and industrial transformation. The research synthesizes data from the Kogi Enterprise Development Agency (KEDA), the Bank of Industry (BOI), the Nigerian Export Promotion Council (NEPC), and national MSME surveys to assess the state's entrepreneurial landscape. Findings indicate that targeted financial interventions, including the disbursement of six billion naira in grants and soft loans to over 15,000 enterprises, the establishment of a BOI branch in Lokoja, and the acquisition of 15 mining licenses to formalize artisanal mining, have significantly enhanced SME participation in key value chains. However, persistent challenges including inadequate power supply, multiple taxation, and limited access to affordable credit continue to constrain enterprise growth. The study proposes a multi-stakeholder framework for strengthening the SME ecosystem in Kogi State, emphasizing value addition, digital transformation, and public-private partnerships. The findings contribute to the literature on subnational economic development in Nigeria and offer policy insights for states seeking to leverage SMEs as instruments of inclusive growth.*

Keywords: Small and Medium Enterprises, entrepreneurship, economic development, Kogi State, Nigeria, MSME policy, financial inclusion, value chains

1. Introduction

The discourse on economic development in Africa has increasingly turned toward the role of Small and Medium Enterprises (SMEs) as drivers of inclusive growth, employment creation, and industrial transformation. Across sub-Saharan Africa, SMEs account for approximately 90 percent of all businesses and contribute between 30 and 40 percent of Gross Domestic Product (GDP) in most economies (World Bank, 2022). Nigeria, as Africa's largest economy, is no exception: micro, small, and medium enterprises (MSMEs) constitute over 96 percent of all businesses and contribute more than 40 percent to national GDP (SMEDAN & NBS, 2022; PwC Nigeria, 2023). Yet despite this macroeconomic significance, the spatial distribution of entrepreneurial activity and the subnational determinants of SME performance remain inadequately understood.

This gap in knowledge is particularly pronounced for states in Nigeria's North Central region, where structural constraints including infrastructure deficits, limited access to formal credit, and historical underinvestment in industrial capacity have impeded the development of robust SME ecosystems. Kogi State, situated at the confluence of the Niger and Benue rivers, exemplifies both the promise and the predicament of subnational economic development in Nigeria. With abundant agricultural resources (including cashew, cassava, yam, and rice), significant solid mineral deposits (limestone, coal, iron ore, tin, and bauxite), and a strategic location linking northern and southern markets, Kogi possesses the fundamental endowments necessary for SME-led growth. Yet the state has historically struggled to translate these endowments into sustained economic transformation.

Recent policy interventions under the administration of Governor Ahmed Usman Ododo (2024-present) have sought to address this disconnect. The establishment of the Kogi Enterprise Development Agency (KEDA), the commissioning of a Bank of Industry (BOI) branch in Lokoja, the acquisition of 15 federal mining licenses, and the rollout of inclusive entrepreneurial ecosystem initiatives represent concerted efforts to unlock the state's SME potential. These interventions, implemented against the backdrop of national economic reforms including fuel subsidy removal and exchange rate harmonization, provide a compelling case study of how subnational governments can leverage SME development as a catalyst for growth.

This article addresses the following research questions: (1) What is the current state of the SME ecosystem in Kogi State, including enterprise density, sectoral distribution, and employment contributions? (2) What policy and institutional interventions have been implemented to support SME development in Kogi State between 2022 and 2026, and what outcomes have these interventions produced? (3) What persistent constraints continue to limit SME growth in the state, and how do these constraints compare with

national patterns? (4) What strategic recommendations can be derived from the Kogi experience for other subnational governments seeking to leverage SMEs as catalysts for growth?

The article proceeds as follows. Section 2 reviews the theoretical and empirical literature on SMEs and economic development, with particular attention to the Nigerian context. Section 3 describes the research methodology. Section 4 presents the results, including detailed tables on SME demographics, financial interventions, sectoral performance, and constraint analysis. Section 5 discusses the findings in relation to existing literature and policy debates. Section 6 concludes with strategic recommendations and directions for future research.

2. Literature Review

2.1 Theoretical Foundations

The relationship between small enterprise development and economic growth has been theorized through multiple conceptual lenses. The entrepreneurship-led growth framework, associated with the work of Schumpeter (1934) and later refined by Acs and Audretsch (1990), posits that small enterprises serve as conduits for innovation, market experimentation, and structural transformation. Unlike large corporations that may suffer from bureaucratic inertia, SMEs are argued to possess greater flexibility, lower coordination costs, and stronger local embeddedness, enabling them to respond rapidly to changing market conditions and to exploit niche opportunities that larger firms overlook.

The institutional economics perspective, drawing on North (1990) and Rodrik (2004), emphasizes that the contribution of SMEs to growth depends critically on the quality of the institutional environment within which they operate. Formal institutions including property rights protection, contract enforcement, regulatory frameworks, and financial infrastructure shape the incentives for entrepreneurship and determine the transaction costs that SMEs face. In contexts where institutional quality is weak, SMEs may be forced to operate informally, limiting their access to credit, markets, and legal protections.

The value chain and cluster development literature, associated with Porter (1990) and Humphrey and Schmitz (2002), highlights the importance of agglomeration economies and inter-firm linkages in enhancing SME productivity. When SMEs are geographically concentrated in sectoral clusters, they benefit from shared infrastructure, specialized suppliers, knowledge spillovers, and collective action. Such clusters, when linked to global value chains, can serve as platforms for upgrading and technology transfer.

2.2 SMEs in the Nigerian Economy

Empirical research on SMEs in Nigeria has documented both their macroeconomic significance and the formidable constraints they face. According to the 2022 SMEDAN and National Bureau of Statistics (NBS) MSME Survey, Nigeria had approximately 39.6 million MSMEs, employing over 59 million people and contributing 46.3 percent to nominal GDP (SMEDAN & NBS, 2022). The survey revealed that micro enterprises (employing fewer than 10 people) accounted for 99.8 percent of all MSMEs, highlighting the preponderance of very small, often informal, enterprises in the Nigerian business landscape. Trade and commerce constituted the dominant sector (54.2 percent of MSMEs), followed by agriculture (19.3 percent) and manufacturing (10.1 percent).

Subsequent research has documented the severe impact of macroeconomic shocks on SME survival. The Nigerian Economic Summit Group (NESG) reported that 30 percent of MSMEs shut down between 2023 and 2024, driven by foreign exchange shortages, galloping inflation, and the cascading effects of fuel subsidy removal (NESG, 2025; Omisakin, 2025). The 2024 State of Entrepreneurship Report by the Fate Institute, surveying 10,535 businesses across Nigeria's 36 states and the Federal Capital Territory, found that while 64 percent of businesses experienced growth in the past year, this represented a decline from 72 percent in 2023 and 75 percent in 2022 (Fate Institute, 2024). Access to finance was identified as the top growth inhibitor, affecting 63 percent of female-led businesses and a comparable proportion of male-led enterprises (Nwaokolo, 2024).

The energy crisis has emerged as a particularly acute constraint for Nigerian SMEs. Nigeria remains the least electrified country globally, with an estimated 92 million people lacking access to electricity (Osinowo, 2024). The national grid collapsed 12 times in 2024 alone, costing the economy an estimated \$26 billion annually (New Telegraph, 2025). SMEs, unable to rely on grid electricity, are forced to operate expensive diesel generators, raising production costs and eroding profit margins (Businessday, 2024). A PwC survey found that over 60 percent of MSMEs cited high electricity costs as a major operational challenge, with many spending more on power than on labor (PwC Nigeria, 2024).

2.3 Subnational Entrepreneurship and State-Level Interventions

Despite the national focus on SME development, relatively little research has examined the subnational determinants of entrepreneurial performance in Nigeria. Existing studies have emphasized the importance of state-level institutions, including enterprise development agencies, investment promotion bureaus, and industrial policies, in shaping local business environments (Ajayi & Ogunleye, 2021; Eze & Okonkwo, 2022). However, most of this research has concentrated on Nigeria's southwestern and southeastern states, leaving the North Central region underexplored.

Recent scholarship has begun to address this gap. Adebayo and Yusuf (2023) examined the impact of state-level MSME policies on enterprise growth in Kwara and Niger states, finding that targeted interventions including business registration subsidies, skills training programs, and market linkage initiatives significantly improved SME survival rates. Similarly, Okafor and Nwosu (2024) documented the emergence of agricultural processing clusters in Benue State, where coordinated investments in rural infrastructure and cooperative development enabled small-scale farmers to integrate into formal value chains.

Kogi State has received limited attention in the academic literature on SME development. Existing studies have focused primarily on the state's agricultural potential (Olayinka & Bello, 2022) or its solid mineral endowments (Musa & Ibrahim, 2023), rather than on the institutional and policy frameworks for SME support. This article contributes to filling this gap by providing a comprehensive empirical analysis of the SME ecosystem in Kogi State and the recent policy interventions designed to strengthen it.

2.4 Theoretical Framework

This study is anchored in an integrated theoretical framework that combines elements of entrepreneurship-led growth theory, institutional economics, and value chain analysis. The framework posits that SME contributions to economic growth are mediated by three sets of factors: (1) entrepreneurial endowments (including human capital, access to finance, and business networks), (2) institutional quality (including regulatory frameworks, infrastructure, and governance), and (3) market integration (including value chain linkages, cluster formation, and export orientation). Subnational governments can influence all three domains through targeted policies: financial inclusion programs address entrepreneurial capital constraints; business environment reforms enhance institutional quality; and cluster development initiatives strengthen market integration.

The Kogi State case provides an opportunity to examine how these theoretical mechanisms operate in a resource-rich but institutionally constrained environment. The recent policy interventions by the Ododo administration, including KEDA's financial disbursements, the BOI branch establishment, and the mining license acquisition, represent explicit efforts to address each of the three mediating domains. This study evaluates the outcomes of these interventions and identifies remaining gaps.

3. Methodology

3.1 Research Design

This study employs a mixed-methods research design combining quantitative analysis of secondary data with qualitative case study analysis. The quantitative component draws on data from the Kogi Enterprise Development Agency (KEDA), the Bank of Industry (BOI), the SMEDAN/NBS MSME Survey (2022), the Fate Institute State of Entrepreneurship Report (2024), and the Nigerian Export Promotion Council (NEPC). The qualitative component involves document analysis of policy frameworks, program evaluations, and stakeholder reports.

3.2 Data Sources

The primary data sources for this study are as follows:

3.2.1 Kogi Enterprise Development Agency (KEDA) Records. KEDA, established as the state's flagship MSME development agency, has maintained administrative records on enterprise registration, grant disbursement, training participation, and loan recovery. This study draws on publicly reported data from KEDA's 2024-2025 program reports and media disclosures.

3.2.2 Bank of Industry (BOI) Program Data. The BOI's MSME intervention programs, including the N200 billion MSME Intervention Fund and the Presidential Conditional Grant Scheme (PCGS), have generated data on loan disbursement, beneficiary demographics, and sectoral distribution. This study synthesizes information from BOI press releases and program documentation.

3.2.3 National Surveys. The SMEDAN/NBS MSME Survey (2022) provides baseline data on MSME demographics, sectoral distribution, and employment contributions at the state level. The Fate Institute State of Entrepreneurship Report (2024) offers comparative data on entrepreneurial activity, growth rates, and constraint perceptions across Nigerian states.

3.2.4 Policy Documents and Reports. This study analyzes the Kogi State 32-Year Development Plan (2024-2056), the state’s MSME policy framework, and reports from the Nigerian Export Promotion Council on value chain development in the solid minerals sector.

3.3 Analytical Approach

The analysis proceeds in three stages. First, descriptive statistics are computed to characterize the SME ecosystem in Kogi State, including enterprise counts, sectoral distribution, employment contributions, and growth trends. Second, program outcome analysis is conducted to assess the reach and impact of key interventions, including KEDA’s financial disbursements and the BOI’s credit programs. Third, constraint analysis is performed to identify the most significant barriers to SME growth, drawing on survey data and stakeholder reports. Results are presented in tabular format to facilitate comparison and interpretation.

3.4 Limitations

Several limitations should be noted. First, the absence of a dedicated, publicly accessible SME registry for Kogi State means that enterprise counts rely on survey estimates and administrative records that may undercount informal enterprises. Second, impact evaluation data on specific programs (e.g., causal effects of grants on enterprise performance) are not available in the public domain, limiting the ability to make strong causal claims. Third, the study period (2022-2026) encompasses significant macroeconomic volatility, making it difficult to isolate the effects of state-level interventions from national economic shocks. Despite these limitations, the available data provide a robust basis for characterizing the SME ecosystem and assessing policy outcomes.

4. Results

This section presents the empirical findings of the study, organized into four subsections: (1) the demographic profile of SMEs in Kogi State, (2) financial interventions and their outcomes, (3) sectoral performance and value chain development, and (4) constraints to SME growth.

4.1 Demographic Profile of SMEs in Kogi State

Table 1 presents the estimated distribution of Micro, Small, and Medium Enterprises (MSMEs) in Kogi State based on the SMEDAN/NBS (2022) MSME Survey. The data are disaggregated by enterprise size and sector.

Table 1: Distribution of MSMEs in Kogi State by Size Category and Sector (2022)

Sector	Micro Enterprises	Small Enterprises	Medium Enterprises	Total	Percentage
Trade and Commerce	142,500	3,800	120	146,420	54.2%
Agriculture	48,200	1,900	80	50,180	18.6%
Manufacturing	25,600	1,200	45	26,845	9.9%
Food and Catering	18,300	650	25	18,975	7.0%
Artisanal/Craft	12,400	420	12	12,832	4.7%
Transportation	8,900	380	10	9,290	3.4%
ICT/Digital Services	3,200	180	8	3,388	1.3%
Other Services	2,400	90	5	2,495	0.9%
Total	261,500	8,620	305	270,425	100%

Source: Computed from SMEDAN & NBS (2022) MSME Survey data, state-level estimates.

Table 1 reveals that Kogi State is home to an estimated 270,425 MSMEs, of which 96.7 percent are micro enterprises (employing fewer than 10 people). This proportion aligns closely with the national average and reflects the predominance of informal, often single-person or family-operated businesses in the state’s economic landscape. Trade and commerce constitute the dominant sector, accounting for 54.2 percent of all MSMEs, followed by agriculture (18.6 percent) and manufacturing (9.9 percent). The relatively low share of manufacturing enterprises (less than 10 percent) is notable, suggesting that industrial transformation remains limited.

Table 2 presents employment contributions by enterprise size category.

Table 2: Employment Contributions of MSMEs in Kogi State by Size Category (2022)

Enterprise Size	Number of Enterprises	Number of Persons Employed	Average Employment per Enterprise
Micro (1–9 employees)	261,500	392,250	1.5
Small (10–49 employees)	8,620	172,400	20.0
Medium (50–199 employees)	305	30,500	100.0
Total	270,425	595,150	2.2

Source: Computed from SMEDAN & NBS (2022) MSME Survey data, state-level estimates.

Table 2 shows that MSMEs in Kogi State collectively employ an estimated 595,150 persons, representing a substantial share of the state’s workforce. Micro enterprises, despite their small average employment (1.5 persons per enterprise), account for the majority of jobs (66 percent) due to their sheer numerical dominance. Small and medium enterprises, while far fewer in number, provide higher-quality employment with greater stability and income potential.

4.2 Financial Interventions and Outcomes

The Kogi State Government, through the Kogi Enterprise Development Agency (KEDA) and in partnership with the Bank of Industry, has implemented a series of financial interventions aimed at addressing the capital constraints facing SMEs. Table 3 summarizes the major interventions between 2024 and 2026.

Table 3: Major SME Financial Interventions in Kogi State (2024–2026)

Intervention	Implementing Agency	Period	Beneficiaries	Total Disbursement (₦)	Terms
Presidential Conditional Grant Scheme (PCGS)	BOI/KEDA	2024	22,000	1,100,000,000	Grant (non-repayable)
BOI NANO Grant	BOI/KEDA	2025	15,000+	750,000,000+	Grant (non-repayable)
KEDA Grants and Soft Loans	KEDA	2024–2025	15,000+	6,000,000,000	Mixed (grants and soft loans)
KEDA–Jaiz Bank SME Loan Facility	KEDA/Jaiz Bank	2025–2026	~2,000 (projected)	~3,000,000,000 (projected)	Soft loans (15–17% interest)
Agricultural Input Support	Kogi State Government	2024–2025	7,000+	7,000,000,000	Grant (non-repayable)
Total	—	—	~61,000	~17,850,000,000	—

Sources: Kogi State Government (2024, 2025); BOI (2025); Tribune Online (2024, 2025); MSME Africa (2025).

Table 3 reveals that approximately 61,000 enterprises and farmers have benefited from financial interventions totaling nearly 18 billion naira between 2024 and 2026. The KEDA grants and soft loans represent the largest single intervention, with six billion naira reaching over 15,000 enterprises across the state’s 21 local government areas. Governor Ododo, announcing this disbursement, emphasized that the funds were distributed without political bias and were accompanied by training programs to ensure effective utilization.

The Presidential Conditional Grant Scheme (PCGS), implemented in 2024, provided 22,000 nano business owners with 50,000 naira each, targeting market women, artisans, and petty traders affected by the economic shocks of fuel subsidy removal. The BOI NANO Grant, disbursed in 2025, extended similar support to an additional 15,000 beneficiaries, focusing on informal sector operators with limited access to formal banking services.

The KEDA–Jaiz Bank partnership, launched in late 2025, introduced a structured loan facility with two categories: Category A (₦100,000–₦500,000), requiring only NIN and BVN for unregistered enterprises, and Category B (₦1,000,000–₦5,000,000), requiring CAC registration for more established businesses. The interest rate of 15–17 percent per annum, while higher than central bank intervention rates, remains significantly lower than commercial bank lending rates, which often exceed 25 percent.

4.3 Sectoral Performance and Value Chain Development

4.3.1 Agriculture and Agribusiness

Agriculture remains the backbone of Kogi State’s economy, providing livelihoods for the majority of rural households. The state is a major producer of cashew, cassava, yam, rice, and shea butter, with significant potential for value addition. Table 4 presents key agricultural SME activities and intervention outcomes.

Table 4: Agricultural SME Support in Kogi State (2024–2025)

Commodity	SME Activity	Support Provided	Beneficiaries	Outcomes
Cashew	Processing, Packaging	Training, Grants	Equipment 2,500 women cooperatives	40% increase in processed output
Cassava	Garri/Fufu Processing	Tractor refurbishment (140 units)	3,200 farmers	₦7 billion worth of inputs distributed
Rice	Milling, Parboiling	CAREC partnership	1,200 women	New processing facility established
Poultry	Rearing, Production	Feed Farm support	establishment 500 women and youth	Viable farms operational in Okene, Kabba, Ankpa
Orange-Fleshed Sweet Potato	Processing, Marketing	Training, Empowerment	Women clusters	New value chain developed

Sources: Kogi State Government (2024, 2025); CAREC/KEDA MoU (2025).

The state government’s agricultural support programme, announced in 2025, provided over 7,000 farmers with inputs valued at more than seven billion naira free of charge during the wet season. A particularly notable intervention was the refurbishment of 140 abandoned tractors at a fraction of the cost of acquiring new units, resulting in estimated savings of over 20 billion naira. These savings were subsequently redirected toward critical infrastructure projects, including roads and healthcare facilities. The partnership between KEDA and the Combined Agricultural and Renewable Energy Company Limited (CAREC), formalized through a Memorandum of Understanding in 2025, focuses on rice processing, cashew nut processing, and other agricultural derivatives through organized women cooperatives. This initiative integrates renewable energy solutions into agro-processing activities, reflecting a comprehensive approach to sustainable agribusiness development.

4.3.2 Solid Minerals Sector

Kogi State is endowed with over 32 solid mineral deposits in commercially viable quantities, including limestone, coal, iron ore, tin, and bauxite. The Federal Government’s award of 15 mining licenses to the state government in 2025 represents a significant step toward formalizing and industrializing the mining sector.

Table 5: Solid Minerals Sector Interventions and SME Opportunities in Kogi State

Mineral	Estimated Reserves	SME Opportunities	Policy Support
Limestone	200 million+ MT	Artisanal quarrying, lime production, construction materials	15 licenses acquired
Coal	100 million+ MT	Small-scale mining, briquette production, energy supply	Mining cooperative development
Iron Ore	50 million+ MT	Artisanal mining, ore processing, trading	Training programmes for 25,000 youth
Tin	30 million+ MT	Small-scale mining, processing, export	NEPC capacity building
Bauxite	20 million+ MT	Mining, processing, export	Value chain development initiatives

Sources: Kogi State Government (2025); Nigerian Export Promotion Council (2026).

The state government has articulated an ambitious target of empowering 25,000 youths through direct participation in the mining value chain. This initiative includes the establishment of cooperative societies in mineral-rich communities to coordinate youth engagement in mining activities. Planned training programmes are expected to cover critical areas such as mining safety standards, environmental and regulatory compliance, value addition and processing techniques, and entrepreneurship within the mining sector.

In February 2026, the Nigerian Export Promotion Council (NEPC) organized a capacity-building programme focused on value addition across key solid mineral value chains. Stakeholders—including representatives from the Bank of Industry, the Kogi State Chamber of Commerce, Industry, Mines and Agriculture (KOCCEIMA), and the Miners Association—emphasized the urgent need to transition from raw mineral exports to beneficiation, processing, and certification in order to enhance export competitiveness and increase value retention within the state economy.

4.3.3 Trade and Commerce

The Lokoja Ultra-Modern Market, currently under development on a 25-hectare site along Zone 8–Crusher Road, represents a major investment in commercial infrastructure. The market is designed to accommodate thousands of traders and will provide organized retail spaces, storage facilities, and improved sanitation infrastructure. These features are expected to enhance productivity, reduce post-harvest losses, and formalize trading activities within the state. In addition, the proposed International Airport at Zariagi, which has received presidential approval, is expected to significantly improve trade connectivity. The airport is anticipated to facilitate the movement of goods and services, attract domestic and foreign investment, and position Kogi State as a strategic logistics hub within Nigeria’s central region.

4.4 Constraints to SME Growth

Despite the range of policy interventions and financial support mechanisms, SMEs in Kogi State continue to face substantial constraints. Table 6 provides a comparative overview of major challenges affecting SME growth.

Table 6: Major Constraints to SME Growth in Kogi State (Comparative Analysis)

Constraint	% of SMEs Affected (Nigeria National)	Kogi State Specific Context
Lack of access to finance	64%	Addressed by KEDA and BOI programmes but remains pervasive

Constraint	% of SMEs Affected (Nigeria National)	Kogi State Specific Context
Unreliable electricity/power	60%+	Frequent grid failures; heavy reliance on generators
Multiple taxation	~55%	Overlapping taxes from federal, state, and local authorities
Poor infrastructure	~50%	Weak rural–urban connectivity; high logistics costs
Insecurity	~40%	Farmer–herder conflicts; kidnapping risks
Inflation and rising input costs	~70%	Effects of subsidy removal and currency depreciation
Limited market access	~45%	Weak value chain integration; export barriers
Inadequate skills/training	~40%	Existing programmes insufficient in scale

Sources: Fate Institute (2024); PwC Nigeria (2024); NESG (2025); BusinessDay (2024, 2025).

National-level evidence indicates that limited access to finance and unreliable electricity supply are the most significant constraints facing SMEs. The Fate Institute’s 2024 State of Entrepreneurship Report, based on a survey of 10,535 businesses, identified access to finance as a major growth inhibitor for 64 percent of respondents, while power supply ranked as the second most critical challenge.

In Kogi State, these challenges are further compounded by local conditions. Many SMEs operate in rural areas with limited or no access to grid electricity, necessitating reliance on diesel-powered generators. Following the removal of fuel subsidies, the cost of diesel has increased significantly, with energy expenses now accounting for between 20 and 30 percent of total operating costs for many manufacturing and agro-processing enterprises. Multiple taxation continues to impose a considerable burden on SMEs. Nigeria’s tax system includes over 60 different taxes levied across different levels of government, creating a complex and often duplicative compliance environment. SMEs in Kogi State frequently report paying multiple taxes for similar activities, with limited transparency regarding revenue utilization.

Insecurity also poses a significant challenge. Farmer–herder conflicts in rural areas restrict access to farmland, while incidents of kidnapping along major transportation routes increase the cost and risk of logistics operations. These security concerns disrupt both agricultural production and commercial distribution networks. Inflationary pressures, driven by currency depreciation and rising input costs, further constrain business operations. SMEs face increasing costs for raw materials, transportation, and energy, which reduce profit margins and limit expansion capacity. Although training and capacity-building programmes have been introduced by agencies such as KEDA, their reach remains limited relative to the scale of demand. This suggests the need for more comprehensive and scalable interventions to enhance entrepreneurial skills and business management capabilities across the state.

5. Discussion

5.1 The Catalytic Role of SMEs in Kogi’s Economic Transformation

The findings of this study confirm that SMEs are playing an increasingly significant role in Kogi State’s economic landscape. With an estimated 270,425 MSMEs employing nearly 600,000 persons, the SME sector constitutes the primary source of private sector employment and a major contributor to household incomes. The recent financial interventions, totaling nearly 18 billion naira and reaching approximately 61,000 beneficiaries, have provided a substantial stimulus to the state’s entrepreneurial ecosystem.

However, the data also reveal important limitations. The predominance of micro enterprises (96.7 percent of all MSMEs) and the concentration of activity in low-value-added trade and commerce (54.2 percent) suggest that structural transformation remains incomplete. The relatively low share of manufacturing enterprises (9.9 percent) indicates that the state has not yet achieved the industrial deepening necessary for sustained productivity growth. This pattern aligns with the national picture but is particularly concerning given Kogi’s rich agricultural and mineral endowments.

The theoretical framework proposed in Section 2 helps explain these patterns. In terms of entrepreneurial endowments, the financial interventions have improved access to capital for many SMEs, but the scale of these interventions remains modest relative to the size of the enterprise population. The KEDA grants and soft loans reached 15,000 enterprises, representing only 5.5 percent of the estimated total MSME population. While significant as a starting point, broader coverage will be required to achieve transformative impact.

In terms of institutional quality, Kogi has made progress through the establishment of KEDA and the commissioning of the BOI branch. These institutional innovations reduce transaction costs for SMEs by providing dedicated channels for financing and business development support. However, challenges remain in other institutional domains, including tax administration, contract enforcement, and infrastructure provision. The persistent constraints documented in Table 6 indicate that institutional quality remains a binding constraint on SME growth.

In terms of market integration, the agricultural and mining sector initiatives represent promising steps toward value chain development. The CAREC partnership for cashew and rice processing, the training of women cooperatives in value addition, and the acquisition of mining licenses all aim to move SMEs from raw commodity production to higher-value activities. The NEPC capacity building program on solid mineral value chains reflects recognition that export competitiveness depends on beneficiation and certification.

5.2 Comparison with Other Nigerian States

The Fate Institute's entrepreneurship index, which measures entrepreneurial activity across five pillars (business performance, skills acquisition, technology and innovation, enabling environment, and perception of opportunities), ranked Kogi among the leading states alongside Anambra, Ebonyi, Kwara, and Oyo (Fate Institute, 2024). This ranking, with a score of 0.70 for perception of opportunities, suggests that Kogi's entrepreneurial climate is perceived favorably relative to other states, particularly in the North Central region.

This relatively favorable ranking can be attributed to several factors. First, the state government's visible commitment to SME development, including the establishment of KEDA and the proactive pursuit of federal partnerships, has signaled to entrepreneurs that support is available. Second, the disbursement of grants and soft loans has provided tangible benefits to a substantial number of enterprises, creating positive word-of-mouth effects and encouraging others to formalize or expand their operations. Third, the state's strategic location and resource endowments create genuine opportunities for enterprise growth, particularly in agriculture, mining, and trade.

However, the ranking should be interpreted with caution. The entrepreneurship index measures perceptions and reported performance rather than objective outcomes such as productivity, profitability, or employment growth. Moreover, the index does not fully capture the constraints faced by SMEs in rural areas, where infrastructure deficits and market access problems are most severe.

5.3 Policy Implications

The findings of this study have several implications for policy makers at both state and federal levels.

First, the success of KEDA's financial interventions suggests that state-level enterprise development agencies can effectively channel resources to SMEs when they are properly resourced and managed. The KEDA model, which combines grant disbursement with training and monitoring, provides a template that other states could adapt to their local contexts. However, the scale of funding remains inadequate relative to the need. The state government should consider increasing its budgetary allocation to KEDA and exploring innovative financing mechanisms, including matching grants, guarantee schemes, and impact investment vehicles.

Second, the persistent constraints of power supply and infrastructure highlight the limits of state-level action in domains where federal responsibilities are paramount. While the Kogi State Government can invest in off-grid energy solutions for SME clusters and advocate for improved federal grid performance, fundamental improvements in electricity supply require federal policy reform and investment. The state government should prioritize partnerships with private sector energy providers to deploy solar mini-grids and other distributed energy solutions for SME clusters, particularly in rural areas where grid extension is not economically viable.

Third, the mining sector initiative illustrates the potential of subnational governments to drive value chain development through strategic licensing and partnership arrangements. By acquiring mining licenses and establishing cooperative structures for youth participation, the state government has created a framework for inclusive and responsible mining that could serve as a model for

other mineral-rich states. The emphasis on value addition, processing, and certification aligns with the NEPC's Double Your Exports initiative and positions Kogi to capture more value from its mineral resources.

Fourth, the multiple taxation burden requires coordinated action by federal, state, and local governments. The Presidential Committee on Fiscal Policy and Tax Reforms has proposed consolidating taxes into fewer, more manageable categories and digitizing tax collection processes (Oyedele, 2024). Kogi State should align its tax administration with these reforms, simplifying procedures for SMEs and providing clear guidance on tax obligations. The issuance of free CAC certificates to 10,000 small-scale business registrants, announced by Commissioner Muktar Shaibu, represents a positive step toward reducing formalization costs (Kogi State Government, 2025).

5.4 Limitations and Future Research

Several limitations of this study suggest directions for future research. First, the absence of enterprise-level panel data prevents causal identification of the effects of specific interventions. Future research should collect longitudinal data on SME performance, tracking outcomes before and after program participation to estimate treatment effects. Second, the study relies on secondary data sources that may contain measurement error or reporting biases. Primary data collection through surveys and interviews would provide more granular information on SME experiences and constraints. Third, the study focuses on aggregate patterns rather than heterogeneous effects across different types of enterprises. Future research should examine how intervention effects vary by sector, enterprise size, gender of owner, and geographic location.

6. Conclusion and Recommendations

6.1 Summary of Findings

This study has examined the role of Small and Medium Enterprises as catalysts for growth in Kogi State, Nigeria, focusing on the period 2022-2026. The findings reveal that Kogi State is home to an estimated 270,425 MSMEs employing nearly 600,000 persons, with the sector concentrated in trade and commerce (54.2 percent) and agriculture (18.6 percent). Recent policy interventions under the Ododo administration, including the establishment of KEDA, the commissioning of a Bank of Industry branch, and the disbursement of nearly 18 billion naira in grants and soft loans to approximately 61,000 enterprises, have significantly enhanced the state's entrepreneurial ecosystem.

However, persistent constraints including inadequate power supply, multiple taxation, poor infrastructure, and insecurity continue to limit SME growth. The state's rich agricultural and mineral endowments remain underexploited, with value addition limited and export orientation minimal. The predominance of micro enterprises and low-value-added activities indicates that structural transformation remains incomplete.

6.2 Strategic Recommendations

Based on the findings, the following strategic recommendations are proposed:

While existing financial interventions are commendable, they currently reach only a limited proportion of SMEs. The state government should increase budgetary allocation to KEDA, expand the KEDA-Jaiz Bank loan facility, and leverage matching grant arrangements with federal agencies and development partners. Strengthening access to affordable finance will enable broader enterprise participation and growth.

Given the persistent unreliability of grid electricity, the state should partner with private sector energy providers to deploy solar mini-grids and other decentralized energy solutions in key SME clusters. This will significantly reduce operating costs, improve efficiency, and enhance productivity, particularly in manufacturing and agro-processing sectors.

Building on existing initiatives such as the CAREC partnership and NEPC programmes, the state should develop comprehensive value chain strategies for priority sectors, including cashew, cassava, rice, and solid minerals. These strategies should incorporate technical support, quality standardization, export certification, and structured market linkages to connect SMEs with larger domestic and international buyers.

The government should simplify business registration processes, reduce multiple taxation, and enhance transparency in tax administration. Expansion of free CAC registration should be complemented with post-registration support. In addition, KEDA should establish a robust monitoring and evaluation framework to track programme outcomes, while institutionalizing regular stakeholder consultations—particularly with bodies such as KOCCIMA—to ensure responsive and evidence-based policymaking.

6.3 Concluding Remarks

Kogi State stands at a critical juncture. With its abundant natural resources, strategic location, and demonstrated policy commitment, the state has the foundational elements for SME-led economic transformation. The recent financial interventions and institutional innovations have created momentum, but sustaining and deepening this momentum will require continued investment, strategic focus, and adaptive management. If the state can address the persistent constraints identified in this study while scaling up successful interventions, SMEs can indeed serve as the catalysts for growth that Kogi State needs to achieve inclusive and sustainable development.

The Kogi experience offers lessons for other subnational governments in Nigeria and across Africa. State-level enterprise development agencies, when properly resourced and managed, can effectively channel financial and technical support to SMEs. Partnerships with federal agencies, development finance institutions, and private sector actors can amplify the impact of state resources. And a strategic focus on value addition and value chain development can unlock the potential of resource endowments. As Nigeria continues its quest for economic diversification and inclusive growth, the role of subnational SME policies will only increase in importance. Kogi State's journey provides both inspiration and instruction for the road ahead.

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