

INNOVATION AND COMMUNITY ENTREPRENEURSHIP IN ETSAKO WEST LOCAL GOVERNMENT AREA OF EDO STATE

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ABSTRACT

Etsako West LGA, Edo State, Nigeria was the site of this research on community entrepreneurship and innovation. In particular, it delves at the ways in which process and technology advancements impact societal and economic growth. Two hundred and eighty-seven entrepreneurial operators from the agro-processing, retail, service, and artisanal industries were surveyed to gather primary data for the study. Multiple regression analysis, correlation, and descriptive statistics were used to examine the data. Researchers found that Etsako West business owners are very innovative when it comes to technology and moderate to high when it comes to processes, which shows that they are cognisant of the need to update and streamline their operations. Technological and process improvements have a favourable and substantial impact on company performance, according to regression results. These innovations account for 57.1% of the variation. Like technological innovation, these advances have a beneficial effect on social impact and community development; together, they explain 46.8% of the variation. According to the research, innovation helps communities grow by fostering job creation, skill development, and local empowerment in addition to increasing entrepreneurial profitability and operational efficiency. The findings suggest that entrepreneurs and owners of SMEs should prioritise technology tools and operational process optimisation. Researchers, practitioners, and development planners in Nigeria who are looking to use innovation for long-term community entrepreneurship might benefit from this study's findings, which add to our knowledge of innovation's role as a catalyst for social and economic outcomes in semi-urban settings.

Keywords: Innovation, Technological Innovation, Process Innovation, Community Entrepreneurship, Business Performance.

1.0 Introduction

In emerging markets like Nigeria's, innovation is playing an increasingly important role in fostering entrepreneurship and driving local economic growth. The importance of micro, small, and medium-sized businesses (MSMEs) in boosting the economy, alleviating poverty, and enhancing local communities has been more widely acknowledged within the past decade. Nevertheless, national surveys repeatedly highlight that Nigerian businesses face a difficult environment marked by inadequate infrastructure, scarce financing options, unpredictable policies, and difficult market circumstances (Alli, 2025; Rutherford, 2023). According to the FATE Institute's 2024 State of Entrepreneurship Report, the entrepreneurial index fell to 0.46 out of 1.00, indicating that the environment for businesses to survive and flourish is becoming worse (FATE Institute, 2025).

Despite this strong entrepreneurial foundation, the region continues to struggle with issues such as a lack of reliable energy, bad roads, few institutional support services, and difficult access to traditional funding. How local entrepreneurs approach new methods is greatly influenced by these challenges (Ikuemonisan, 2024). Still, some Etsako West company owners are starting to use digital tools, smartphone apps, internet marketing, and even some basic agro-processing advancements in their operations. Even little inventions like these, when given the right kind of backing, may have a big impact on productivity, market reach, and community development. Studying innovation within specific local settings is timely, especially in light of recent policy orientations in Nigeria that emphasise technology diffusion, digital literacy, and innovation assistance for MSMEs (FATE Institute, 2025). Grounded evidence on local entrepreneurs' interactions with innovation, difficulties, and enabling variables that support community-based company growth is necessary for effective policy implementation. Academic studies on the topic of how innovation influences community entrepreneurship in Etsako West are few, despite the area's importance to the local economy. Moreover, the entrepreneurial environment has probably been affected in ways that have not been well investigated in academic literature by the economic upheavals that occurred between 2020 and 2025, such as currency depreciation, inflationary pressures, and post-pandemic recovery difficulties. To better assist local businesses, raise living standards, and promote sustainable growth in the area, it is crucial to have a firm grasp of these dynamics (Adebayo, Yunana, & Ishaya, 2024).

The innovation gap is growing as entrepreneurs in urban regions adopt digital technologies at a moderate pace compared to those in rural and semi-urban areas, such as Etsako West. Traders, craftsmen, agro-processors, transport operators, and small service enterprises make up the majority of Etsako West LGA's entrepreneurial environment, and they mostly use traditional techniques to operate. Systemic innovation acceptance is poor, despite anecdotal signs of growing digital use among certain company owners. This may be due to a number of things, including a lack of knowledge about available technologies, expensive training, restricted internet connection, and a general aversion to change. These limitations hinder business expansion, which in turn limits the generation of new jobs, the enhancement of existing ones, and the overall economic revitalisation of the town. The adoption of innovation is both essential and difficult due to the economic shocks that destabilised community enterprises from 2020 to 2025 — high inflation, currency instability, and the post-pandemic recovery phase. However, there is a lack of empirical evidence in the academic literature about how these factors influence the innovative behaviours of entrepreneurs in Etsako West. Policymakers, development agencies, and local institutions face challenges in creating initiatives that accurately represent the LGA's needs and reality because of this lack of information. So, to address this important knowledge vacuum, this study examines how widespread innovation adoption is among Etsako West's community entrepreneurs, what factors influence this adoption, and how it affects business performance and community development.

This research set out to do two things: first, look at the state of innovation and community entrepreneurship in Edo State's Etsako West LGA. These are the specific goals:

1. Assess the effect of business performance on community entrepreneurship in Etsako West.
2. Ascertain the extent of social & community development on community entrepreneurship in Etsako West.

The research questions formulated in line with the objectives are:

1. How does business performance affect community entrepreneurship in Etsako West?
2. What is the effect of social & community development on community entrepreneurship in Etsako West?

The following hypotheses were formulated to guide the study:

H1: Business performance has significant effect on community entrepreneurs in Etsako West.

H2: Social impact & community development does not have effect on community entrepreneurship in Etsako West.

2.0 Literature Review

Concept of Community Entrepreneurship

For the purpose of making a profit, creating social value, and boosting local development, “community entrepreneurship” means starting, organising, and managing economic operations within a specified community. Collective welfare, shared resources, and the empowerment of community members are the primary tenets of community entrepreneurship, in contrast to conventional entrepreneurship’s emphasis on individual or firm-level advantages (Peredo & Chrisman, 2020). Linking entrepreneurship to community development objectives including job creation, poverty reduction, social cohesion, and local capacity building has made this topic popular in recent research. According to Peredo and Chrisman (2020), community entrepreneurs usually run SMEs that are deeply rooted in their local community, meaning that their business decisions aim to balance making a profit with having a positive social effect.

There are several facets to community entrepreneurship, including monetary and social ones. Income generation, operational sustainability, market expansion, and job creation are the primary foci of the economic component as they pertain to community companies. Small and medium-sized enterprises (SMEs) are vital to every community’s economy since they employ people and generate revenue; moreover, they frequently serve as springboards for other forms of entrepreneurship. Entrepreneurship has a positive effect on community welfare in many ways, as highlighted by the social dimension. These include better education, healthcare, infrastructure, skill development, and group problem-solving. For example, according to Peredo and Chrisman (2020), agro-processing SMEs controlled by cooperatives have the potential to boost household incomes and offer training in contemporary processing techniques, leading to improved economic and social results. There are a number of things that set community entrepreneurship apart from other types of business. First, it demonstrates embeddedness at the local level, as entrepreneurs work closely with citizens, government officials, and social institutions in the area. Second, it prioritises the group above the individual, with corporate choices frequently taking into account the greater good in addition to individual or group interests. Third, entrepreneurs in community entrepreneurship show resourcefulness by making use of local knowledge, networks, and cooperative arrangements to overcome limits in resources. Lastly, it aims to do double duty by generating wealth and improving society. Areas like Etsako West LGA, which are semi-urban and rural, highlight the significance of community entrepreneurship. Local job creation, increased skill and capacity development, resource mobilisation, social cohesion, and the adoption of innovations that boost productivity and competitiveness are all outcomes of community entrepreneurship in these types of settings (Godwin & Akenbor, 2025).

To sum up, community entrepreneurship is best understood as a meeting point for a community’s social and economic growth. It highlights the fact that SMEs should strive for both financial success and social good. To study how innovations — especially technical and process innovations — can improve company performance, boost local economic growth, and encourage sustainable development in semi-urban and rural settings like Etsako West LGA, it is essential to understand the dynamics of community entrepreneurship (Ijatuyi & Akanbi, 2024).

Concept of Business Performance

The success, efficiency, and longevity of an enterprise may be gauged by looking at its performance, which is the quantifiable result of entrepreneurial endeavours. The term encompasses a wide range of ideas that show how successfully a business accomplishes its goals, such as increasing profits, expanding into new markets, satisfying customers, and maximising organisational effectiveness (Peredo & Chrisman, 2020). Business performance is an important measure of operational efficiency, financial health, and the ability to grow for entrepreneurs, particularly those running small and medium-sized businesses (SMEs).

It is common practice to use both monetary and non-monetary metrics when assessing a company’s success. Growth in sales, profit margins, ROI, and liquidity are all financial indicators that shed light on the long-term viability of the

business. Contrarily, non-financial metrics encompass things like staff productivity, market share, innovation adoption, customer happiness, and product quality. Small and medium-sized businesses (SMEs) and community-based enterprises (CBEs) (Nwuche, 2025) rely heavily on intangible assets like reputation, local connections, and social capital to stay afloat, making these measures especially important for them.

Concept of Social Impact

Community entrepreneurship places a strong emphasis on social effect, which highlights how entrepreneurial endeavours go beyond monetary profit to enhance the welfare and standard of living of community members. Businesses have both direct and indirect effects on society through their operations, which may be described as having a “social impact.” These consequences might include better health, education, employment, social cohesiveness, and overall living standards. However, local businesses and entrepreneurs frequently play a key role in community development projects that aim to improve social, economic, and environmental circumstances (Peredo & Chrisman, 2020).

There are several ways in which small and medium-sized businesses (SMEs) contribute to society. Local infrastructure development, increased access to goods and services, new jobs, and vocational training are all outcomes of community entrepreneurs’ efforts. An agro-processing SME, for instance, may create social and economic value by hiring local youngsters, providing them with training in current production techniques, and selling their wares at affordable prices. According to Adamu (2024), small and medium-sized enterprises (SMEs) play a significant role in driving social change and empowering communities. Community entrepreneurship stands out from traditional profit-driven business models due to its combined focus on these two issues.

Theoretical Framework

A foundational principle of this research is Schumpeter’s theory of innovation. The main driver of economic progress and entrepreneurial growth, according to Joseph Schumpeter (1934), is innovation. Schumpeter argues that entrepreneurs shake things up by introducing novel combinations — like new goods, processes, or technologies — that benefit businesses and society at large. Gaining an advantage over the competition and amassing money are, hence, dependent on innovation. In the framework of community entrepreneurship, Schumpeter’s theory proposes that small and medium-sized enterprises (SMEs) are able to increase efficiency, boost product quality, decrease production costs, and broaden their access to markets via the implementation of new technology and process innovations. Digital resources, mobile payment systems, and automated machinery all help businesses expand their customer bases and streamline their operations. Workflow optimisation and enhanced production procedures are examples of process improvements that increase operational efficiency and decrease wastage. Social impact and community development (job creation, skill development, and local empowerment) and company performance (profitability, expansion, market share) are both enhanced by both types of innovation. The centrality of innovation to Schumpeter’s theory as the driving force behind entrepreneurship makes it applicable to this research. Community entrepreneurs may achieve the goals of both company success and community development by embracing new ideas and methods that benefit society and the economy.

Empirical Review

Researchers Olaleye, Lekunze, Sekhampu, Khumalo, and Ayeni (2024) looked at the relationship between SMEs in Nigeria and their capacity to innovate and stay in business. Staff members from 401 small and medium-sized enterprises (SMEs) in the Greater Lagos Area made up the population. The authors analysed the data obtained from structured questionnaires using Partial Least Squares Structural Equation Modelling (PLS-SEM). They discovered that the capacity to innovate greatly improves the longevity of a company. This association was significantly impacted by mediating variables. Innovation capability contributes to sustainable company success, and environmental dynamism strengthens this relationship. Resilience also plays a role in mediating this link. The authors draw the

conclusion that small and medium-sized enterprises (SMEs) must cultivate robust innovation capabilities and resilience if they are to persevere in ever-changing contexts. They suggest that policymakers back resilience-building and innovation-based training for small businesses, and that SMEs develop strategies that can quickly adjust to changes in the market.

3.0 Methodology

An explanatory strategy and a survey research design were used in this study. The survey's appropriateness lies in the fact that it collects data from a sizable sample of Etsako West LGA businesses, whose adoption of process and technology innovations was studied for their effects on company performance and community development. The explanatory component helps to establish the links between the dependent variables (enterprise success and social/community impact) and the independent variables (technological and process innovation).

All small and medium-sized businesses (SMEs) in Etsako West LGA, Edo State, whether registered or not, make up the study's population. The Edo State Small and Medium Enterprises Development Agency (2024) reports that the LGA is home to some 1,250 SMEs engaged in a variety of industries, including artisanal production, retail, services, and agro-processing. These SMEs are the lifeblood of community entrepreneurship, fuelling economic growth and creating jobs in the area. By applying Yamane's formula (1967) for sampling from a finite population with a 5% margin of error, the sample size was calculated at 300 SMEs:

$$n = N / (1 + N(e)^2)$$

Where: n = required sample size; N = population size (1,250); e = level of precision (set at 5% or 0.05 for this study).

To guarantee that a wide range of SMEs from the agro-processing, retail, service, and artisanal sectors were appropriately represented, the study used a stratified random sampling approach. A simple random sampling method was employed to choose respondents within each stratum. A systematic questionnaire, with sections for each of the research variables, was used to gather primary data.

4.0 Results and Discussion

Presented here is the analysis of data gathered from small and medium-sized enterprises (SMEs) in Etsako West LGA, Edo State. Respondent demographics, study variable descriptive statistics, and hypothesis-testing inferential analyses are all part of it. The objective is to learn how community-based SMEs' commercial performance and community development/social impact are affected by technological and procedural innovation. The agro-processing, retail, service, and artisanal SME sectors were all surveyed with 300 questionnaires. With 287 valid returns, the response rate of 95.7% is good enough for statistical analysis.

Table 1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	170	59.2
	Female	117	40.8
Age	18–30	82	28.6
	31–45	145	50.5
	46–60	60	20.9
Education	Secondary	72	25.1
	Tertiary	168	58.5
	Others	47	16.4

Variable	Category	Frequency	Percentage (%)
Business Type	Agro-Processing	95	33.1
	Retail	82	28.6
	Services	70	24.4
	Artisanal	40	13.9

Source: Field survey, 2025.

Interpretation: The majority of respondents are male (59.2%) and within the age group of 31–45 years (50.5%). Most have tertiary education (58.5%), suggesting a reasonable level of literacy for understanding and adopting innovative practices. Agro-processing and retail SMEs dominate the business types in Etsako West LGA.

Descriptive Statistics of Study Variables

Table 2: Mean and Standard Deviation of Variables

Variable	Mean	Std. Deviation	Interpretation
Technological Innovation	4.12	0.68	High adoption of technology
Process Innovation	3.95	0.72	Moderate to high process improvement
Business Performance	4.05	0.70	Generally high performance reported
Social Impact / Community Dev.	3.88	0.75	Positive community contributions

Interpretation: Respondents report a high level of technological adoption, moderate process innovation, and generally good business performance. Social impact is positive but slightly lower than technological innovation, indicating that SMEs are more focused on operational efficiency than broader community development.

Inferential Statistics — Correlation Analysis

Table 3: Pearson Correlation between Variables

Variable	Tech. Innovation	Process Innovation	Business Performance	Social Impact
Technological Innovation	1	0.542**	0.613**	0.498**
Process Innovation	0.542**	1	0.577**	0.462**
Business Performance	0.613**	0.577**	1	0.589**
Social Impact	0.498**	0.462**	0.589**	1

Interpretation: There is a significant positive correlation between both technological and process innovation and business performance and social impact ($p < 0.01$). This suggests that SMEs that adopt innovations are likely to perform better financially and contribute more to community development.

Hypotheses Testing

Based on the objective of the study and research questions, the study formulated two hypotheses:

H1: Business performance has significant effect on community entrepreneurs in Etsako West.

H2: Social impact & community development does not have effect on community entrepreneurship in Etsako West.

Table 4: H1 — Regression Results (Business Performance)

Predictor Variable	Beta (β)	t-value	p-value
Technological Innovation	0.412	6.21	0.000

Predictor Variable	Beta (β)	t-value	p-value
Process Innovation	0.351	5.48	0.000
$R^2 = 0.571$, $F(2,284) = 188.32$, $p < 0.001$			

Interpretation: The R^2 value of 0.571 indicates that 57.1% of the variance in business performance is explained jointly by technological and process innovations. Both technological ($\beta = 0.412$, $p < 0.001$) and process innovation ($\beta = 0.351$, $p < 0.001$) positively and significantly influence business performance. This result confirms that SMEs adopting new technologies (digital tools, mobile payment systems, mechanized equipment) and improved operational processes (workflow optimization, production methods) experience higher profitability, better market share, and overall enhanced performance.

Table 5: H2 — Regression Results (Social Impact / Community Development)

Predictor Variable	Beta (β)	t-value	p-value
Technological Innovation	0.384	5.92	0.000
Process Innovation	0.327	5.01	0.000
$R^2 = 0.468$, $F(2,284) = 124.55$, $p < 0.001$			

Interpretation: The R^2 value of 0.468 shows that 46.8% of the variance in social impact/community development is jointly explained by technological and process innovations. Technological innovation ($\beta = 0.384$, $p < 0.001$) and process innovation ($\beta = 0.327$, $p < 0.001$) both positively and significantly influence social impact, indicating that SMEs implementing innovative practices contribute to employment creation, skill development, and local empowerment. Technological innovation has a slightly stronger effect than process innovation, possibly because tools like digital platforms and mechanized equipment extend the reach and efficiency of community-oriented entrepreneurial activities.

Discussion of Findings

The results show that improvements in technology and processes greatly boost the efficiency and effectiveness of SMEs. Profitability, operational efficiency, and market expansion are all enhanced for SMEs that utilise digital tools, automated equipment, and enhanced production workflows. This is in line with the Schumpeterian theory of innovation, which states that entrepreneurial success is driven by innovative combinations of resources and processes (Schumpeter, 1934; Alli, 2025). In addition to fostering local empowerment, acquiring new skills, and creating jobs, innovations also have a good social impact and contribute to community development. Particularly important is technological innovation, which may have a greater impact because of its ability to reach more people and make information sharing easier among members of the community. According to Barney (1991) and Nwankwo (2022), this supports the Resource-Based View (RBV), which emphasises that the internal capacities of SMEs, including technological skills and creative processes, are essential for attaining long-term economic and social success (Ilemona & Nwite, 2024).

Research by Olaleye et al. (2024), Emegwara et al. (2025), and Ojenike & Shodiya (2024) has shown beneficial correlations between innovation and the success of SMEs. This study verifies those findings. This study fills a gap in the literature on rural and community entrepreneurship, however, by establishing a direct connection between innovation and the growth of businesses and their surrounding communities in a semi-urban setting in Nigeria.

5.0 Conclusion and Recommendations

The study concludes that innovation has a significant effect on community entrepreneurship in Etsako West Local Government Area of Edo State.

Based on the findings, the study makes the following recommendations:

1. SME owners/entrepreneurs should invest in technological tools such as digital payment systems, online marketing, and mechanized production equipment to enhance efficiency and profitability. They should also optimize operational processes by improving workflow management, production methods, and quality control practices to increase productivity.
2. Government and policy makers should provide incentives (grants, low-interest loans, and tax relief) to SMEs adopting technological and process innovations, especially in semi-urban and rural areas.

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