



## The role of urbanization in shaping SMEs in Anambra state, Nigeria

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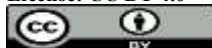
### KEY WORDS

Urbanization, shaping SMEs, Anambra state, Nigeria.

### ABSTRACT

Urbanization has emerged as one of the most significant demographic and economic transformations of the twenty-first century. In Nigeria, this process has accelerated rapidly due to rural–urban migration, population growth, and economic restructuring, with states such as Anambra becoming major commercial hubs driven by dense clusters of small and medium-sized enterprises (SMEs). Despite the opportunities urbanization offers in terms of market expansion, innovation, and employment generation, it also presents challenges including infrastructural deficits, congestion, and rising operational costs. Against this backdrop, this study examined the role of urbanization in shaping SMEs in Anambra State. Specifically, it investigated the influence of urbanization on SME start-ups, spatial concentration, sustainability, and structural characteristics. The study adopted a descriptive survey design, utilizing a structured questionnaire administered to SME owners across Onitsha, Awka, and Nnewi. A sample size of 324 was derived using Cochran's formula, although 300 valid responses were analysed using descriptive statistics and chi-square inferential statistics. The study found that urbanization significantly influences SME start-ups and promotes their spatial clustering in urban centres in Anambra State. The study also found that urbanization enhances business sustainability by improving access to markets, infrastructure, and customer demand. Furthermore, the study found that urbanization shapes the structure of SMEs, with a dominance of sole proprietorships and a concentration in trading and service activities. Thus, the study concludes that urbanization is a critical driver of SME development. The study recommended increased investment in urban infrastructure, strengthened SME support programmes, and improved entrepreneurial capacity in order to sustain SMEs growth.

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## Introduction

Urbanization has become one of the most defining demographic and economic transformations of the twenty-first century. It is worth noting that urbanisation started long ago among humans when they settle along seaports and come together to create large cities, engage in trades and other economic activities. Its impact can be seen in change in patterns of

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production, employment, and enterprise across the globe. Humans are mobile and have always lived together and also built cities. As populations concentrate in cities, economic activities increasingly cluster around urban centres where infrastructure, markets, and labour converge. Small and Medium Enterprises (SMEs), which constitute the backbone of most developing economies, are particularly sensitive to these spatial and structural changes. In Nigeria, the pace of urban growth has accelerated rapidly, driven by rural–urban migration, population increase, and economic restructuring (Aliyu & Amadu, 2025). Within this context, Anambra State has emerged as one of the most commercialized and entrepreneurial states in the country. The state host major markets (specifically, the Onitsha main market which is one of the biggest market in West Africa) and its people is known to have high business drives which have all led to dense clusters of trading, manufacturing, and service-based SMEs. However, while urbanization offers opportunities for market expansion, innovation, and employment generation, it simultaneously presents constraints such as infrastructural deficits, rising operational costs, congestion, and policy inconsistencies (Zhang, 2016). Thus, it is worth noting that understanding how urbanization shapes SME performance and sustainability is therefore critical for balanced economic development and inclusive growth.

Historically, urbanization has been closely intertwined with the evolution of business and industrial activity. In pre-industrial societies, economic production was predominantly agrarian and spatially dispersed. However, the Industrial Revolution marked a turning point as factories, markets, and financial institutions concentrated in urban centres, attracting labour and capital (Henderson, 2010). Urbanization thus became both a consequence and a catalyst of economic specialization, technological advancement, and organizational complexity. Cities have then evolved into hubs of commerce, innovation, and entrepreneurship, fostering the growth of small enterprises that supplied goods and services to expanding populations.

In developing countries, urbanization follows a different trajectory. It is often characterized by rapid population inflows without commensurate infrastructural and institutional development known as unplanned urbanisation (Sakketa, 2023; Parienté, 2017). This form of urbanization produces urban economies dominated by informal and small-scale enterprises, which absorbed surplus labour and provided livelihoods where formal employment is insufficient (Thompson & Lewis, 2018). In Africa, colonial trading posts and administrative centres laid the foundation for contemporary urban economies, while post-independence industrialization and rural–urban migration intensified urban growth (de Haas & Frankema, 2025). Consequently, SMEs became central actors in urban economies, mediating between population growth and employment generation. However, the historical linkage between urban expansion and enterprise development has been uneven, shaped by infrastructure quality, governance systems, and macroeconomic policies.

Globally, urbanization has reshaped SME ecosystems across both developed and developing countries. In highly industrialized nations such as United States, urban centres like New York and Los Angeles provide dense consumer markets, advanced infrastructure, and innovation networks that support SME growth, particularly in technology, retail, and services (Glaeser et al., 2008; Kazyeva, 2026). Similarly, China has leveraged rapid urbanization to stimulate industrial clusters and export-oriented SMEs, especially in coastal cities where infrastructure and trade integration are strong (Liang and Yang, 2019).

In emerging economies such as India and Brazil, urbanization has expanded opportunities for SMEs through market enlargement and labour pooling, yet persistent challenges of inadequate housing, power supply, and transport systems continue to constrain productivity (Arkalji, 2024). African countries reflect an even more complex relationship between urbanization and enterprise development. Studies show that urban growth in sub-Saharan Africa is frequently accompanied by unemployment, informality, and infrastructural stress, which shape the survival strategies of small businesses (Celik et al., 2023).

In Nigeria, urbanization has intensified since the late twentieth century, with cities such as Lagos, Onitsha, and Awka emerging as commercial nodes. SMEs in the country account for a

substantial share of employment and GDP. They also perform critical roles in poverty reduction and income generation (Eniola, 2014). However, the rapid expansion of Nigerian cities has outpaced infrastructural provision, leading to high production costs, unreliable power supply, and regulatory pressures that directly affect SME operations (Obokoh & Goldman, 2016). Empirical evidence suggests that while urbanization increases market access and entrepreneurial density, it also amplifies vulnerability due to congestion, taxation burdens, and policy volatility (Undie et al., 2023). This duality underscores the need for context-specific analyses of how urbanization shapes SMEs across different spatial and institutional environments.

Despite extensive global and regional scholarship on urbanization and economic performance, notable gaps remain in understanding its localized effects on SMEs, particularly within subnational contexts. Existing studies largely focus on macro-level indicators such as economic growth, productivity, and employment (Celik et al., 2023), or examine urban infrastructure and policy environments in major metropolitan areas like Lagos (World Bank, 2021). While Ibekwe (2024) provides empirical insights into the effects of urbanization on SME performance in Anambra State, the broader dynamics through which urbanization shapes SME structure, sustainability, and adaptive strategies remain insufficiently explored. Moreover, much of the Nigerian literature emphasizes unemployment and infrastructural deficits without fully interrogating how SMEs mediate between urban population pressures and economic opportunity. This study therefore addresses a critical gap by examining the role of urbanization in shaping SMEs in Anambra State, Nigeria, offering a context-specific contribution that integrates demographic change, infrastructural realities, and enterprise dynamics. By doing so, it extends existing knowledge beyond national aggregates to illuminate how urbanization processes operate at the state level, where policy implementation and entrepreneurial activity directly intersect.

### **Research Objectives**

The general objective of the study is to examine the role of urbanization in shaping SMEs in Anambra State. Specifically, the study investigated

1. The extent to which urbanization influences SME start-ups and their spatial concentration in Anambra State.
2. The influence of urbanization on the sustainability of SMEs in Anambra State.
3. How urbanization affects the nature and structure of SMEs in Anambra State.

### **Study Hypotheses**

1. There is a significant relationship between level of urbanization and SME startups in Anambra State.
2. There is a significant relationship between level of urbanization and sustainability of SMEs in Anambra State.

### **Literature Review**

#### **Urbanization: Concept, Historical evolution, Propellers,**

Urbanization refers to the process by which large numbers of people become permanently concentrated in relatively small areas, leading to the formation and growth of cities (Augustyn, 2019). It involves a shift in population distribution from rural settlements dominated by agricultural activities to urban settlements characterized by industrial, commercial, and service-based activities (United Nations, 2014). Urbanization is both a condition and a process. As a condition, it denotes the proportion of a population living in urban areas (level of urbanization); as a process, it reflects the increase in this proportion over time (rate of urbanization) (Hussain & Imitiyaz, 2018).

Demographically, urbanization implies population concentration in dense settlements (Davis, 1965; Tisdale, 1942). Sociologically, it also entails changes in lifestyle, values, and

social relationships associated with urban living (Mitchell, 1956; Anderson, 1928). Structurally, it represents the movement of people from agrarian communities to non-agricultural and industrial communities (Wineman et al., 2020; Aslam et al., 2025). Thus, urbanization is a multidimensional phenomenon encompassing demographic, economic, spatial, and behavioral transformations.

### ***Historical Evolution of Urbanization***

Urbanization is deeply rooted in human history. Permanent settlements became possible during the Neolithic period (circa 10,000 BCE) following improvements in agriculture that generated food surpluses (Augustyn, 2019; Finlayson, 2008). Early cities emerged where surplus production and transportation systems enabled rural areas to support non-farming populations. The invention of the wheel around 3500 BCE facilitated trade and movement of goods, strengthening urban growth (Mark, 2026).

In classical antiquity, cities such as Rome expanded to unprecedented sizes, reaching populations of over 800,000 by the 3rd century CE, supported by advanced infrastructure such as aqueducts and road networks (Mandich, 2019; Demin, 2026). However, urbanization remained limited globally until the Industrial Revolution.

The Industrial Revolution marked a major turning point by concentrating factories, labor, and capital in cities, triggering massive rural–urban migration (Encyclopaedia Britannica, 2026). In the United Kingdom, urban population increased from about 20% in 1801 to over 75% by 1901. This pattern was later replicated across Europe, North America, and eventually the developing world. By the early 21st century, more than half of the world’s population lived in urban areas (Encyclopaedia Britannica, 2026; McGranahan & Satterthwaite, 2014).

In contemporary times, urbanization is most rapid in developing regions, particularly Africa and Asia, driven by migration, natural population increase, and the reclassification of growing settlements as urban (McGranahan & Satterthwaite, 2014).

### ***Propellers (Drivers) of Urbanization***

Urbanization is driven by a complex interaction of economic, social, and institutional forces that collectively reshape population distribution and settlement patterns. One of the most significant drivers is economic transformation, particularly the shift from agrarian-based economies to industrial and service-oriented systems (Wang, 2025). Also, as economies develop, employment opportunities become increasingly concentrated in urban areas where industries, businesses, and financial institutions are located. This concentration of economic activity attracts individuals seeking better job prospects, higher incomes, and improved standards of living, thereby accelerating the movement of people from rural to urban regions (Cattaneo, et al., 2022).

Closely related to the shift from agrarian-based economies to industrial and service-oriented systems is rural–urban migration. Rural-urban migration remains a central mechanism of urban growth. According to Rao and Swamy (2025), individuals and households relocate to cities in search of employment, education, healthcare, and overall improved living conditions. This migration is often motivated by both “push” factors in rural areas, such as limited economic opportunities and inadequate services, and “pull” factors in urban centers. As migration intensifies, it not only increases the population of existing cities but also contributes to the physical expansion of urban areas and, in some cases, the emergence of new urban settlements (Angel, 2023).

In addition to migration, natural population growth plays a key role in urbanization, especially in developing countries. Urban populations expand as a result of higher birth rates relative to death rates, leading to a steady internal increase in city populations. Improvements in healthcare and living conditions in urban areas often contribute to lower mortality rates, further amplifying population growth and placing additional pressure on urban infrastructure and services (Cacciatore et al., 2025).

Another important factor is the availability of infrastructure and services, which serve as powerful urban pull factors. Cities typically provide better access to essential amenities such as transportation networks, electricity, clean water, communication systems, and social services including education and healthcare. These advantages make urban areas more attractive not only to individuals but also to businesses and investors. This reinforces the cycle of urban growth and development (Hussain & Imityaz, 2018).

Administrative and political factors also significantly influence urbanization patterns. Government decisions regarding the designation of administrative centers, the establishment of new capitals, and the allocation of public investments can stimulate rapid urban growth. Policies that concentrate resources, institutions, and development projects in specific urban areas often lead to increased migration and economic activity in those locations, thereby accelerating their expansion (Lampard, 1966; McGranahan & Satterthwaite, 2014).

Finally, technological advancement has played a crucial role in facilitating urbanization. Innovations in transportation, production systems, and information and communication technologies have reduced the constraints of distance and improved connectivity. These developments enable more efficient movement of people, goods, and information, supporting the growth of densely populated urban centers and making cities more viable as hubs of economic and social activity (Tisdale, 1942).

### ***Indicators of Urbanization***

Urbanization is measured using several indicators:

#### **1. Level of Urbanization**

This refers to the percentage of a country's population living in urban areas (World Bank, 2026).

#### **2. Rate of Urbanization**

This indicates the annual growth rate of the urban population share of a given population.

#### **3. Urban Population Growth**

The absolute increase in urban population, resulting from migration, natural increase, and settlement reclassification. It is driven by three main factors: natural increase (births minus deaths), rural-to-urban migration, and the reclassification of rural areas into urban zones (Nauman et al., 2015).

#### **4. Population Density**

This refers to high concentration of people per square kilometer in urban areas (Encyclopaedia Britannica, 2026).

#### **5. Land-Use Change**

This is the conversion of rural land to residential, industrial, and commercial uses. It is a spatial indicator of urbanization.

#### **6. Economic Structure**

This is the rising share of non-agricultural employment and dominance of industrial and service. And is a major signal of urbanization.

#### **7. Infrastructure Provision**

This refers to the presence of paved roads, electricity, water systems, waste disposal, and communication facilities are practical indicators of urban status.

### ***Concept of SMEs***

Small and Medium-Sized Enterprises (SMEs) are defined differently across countries due to variations in levels of economic development, industrial structure, and policy objectives. There is no universally accepted definition of SMEs; instead, countries adopt criteria based on number of employees, annual turnover, total assets, or a combination of these indicators (CFI Team, 2022; Liberto, 2022).

Generally, SMEs are described as independent, non-subsidiary firms operating below a specified threshold of employees or financial capacity. The most common upper limit used

internationally is 250 employees, though some countries set the limit at 200 employees, while others, such as the United States, extend it to 500 employees depending on industry classification (CFI Team, 2022; Global NAPs, 2023).

In the United States, SMEs are defined mainly by the Small Business Administration (SBA) using industry-specific standards aligned with the North American Industry Classification System (NAICS). In manufacturing, firms with 500 or fewer employees qualify as SMEs, while in wholesale trade, the limit is 100 employees. Certain mining industries allow up to 1,500 employees, illustrating the sector-based nature of SME classification in the U.S. (Liberto, 2025).

In Canada, SMEs are enterprises employing fewer than 500 persons. Small businesses are defined as firms with fewer than 100 employees in goods-producing industries and fewer than 50 employees in service industries. Statistics Canada further classifies SMEs as firms with less than 499 employees and gross revenue below \$50 million (CFI Team, 2022; Liberto, 2025).

In the European Union (EU), SMEs are classified into three categories:

Micro enterprises: fewer than 10 employees

Small enterprises: fewer than 50 employees

Medium enterprises: fewer than 250 employees

Additionally, SMEs in the EU must have an annual turnover not exceeding €40 million and/or a balance sheet total not exceeding €27 million (Global NAPs, 2023; Liberto, 2025).

In China, SME classification is complex and varies by sector. It is based on a combination of annual operating revenue, number of employees, and total assets. For example, retail firms are classified as SMEs if they employ 10–49 workers and generate at least \$1 million in annual revenue, while real estate firms are classified as SMEs if their revenue ranges between \$1 million and \$10 million with assets between \$20 million and \$50 million (Liberto, 2025).

In many developing countries, such as India and Kenya, the term MSME (Micro, Small, and Medium Enterprises) is commonly used. These countries typically define enterprises using size-based criteria that include employment and investment levels, reflecting the need to capture micro-scale operations in largely informal economies (Liberto, 2025).

In Nigeria, the definition of SMEs has evolved over time and varies across institutions. According to the Small and Medium Industries Enterprises Investment Scheme (SMIEIS), an SME is any enterprise with a maximum asset base of ₦200 million, excluding land and working capital, and employing between 10 and 300 workers (WTC Abuja, 2023).

The Federal Ministry of Commerce and Industry defines SMEs as firms with total investment not exceeding ₦750,000 (excluding land but including capital) and paid employment of up to 50 persons (WTC Abuja, 2023). Another commonly cited definition classifies small and medium-scale businesses as enterprises employing between five and 100 workers with an annual turnover of about ₦400,000 (WTC Abuja, 2023).

Empirical evidence from Nigeria shows that the majority of businesses fall within the SME category. A Federal Office of Statistics study indicates that 97% of all businesses in Nigeria employ fewer than 100 workers, confirming the dominance of SMEs in the Nigerian business landscape (General Statistics Office, 2007, as cited in WTC Abuja, 2023).

Summarily, SMEs are universally recognized as enterprises operating below large-scale corporate thresholds, but their precise definition varies by country. Developed economies such as the United States, Canada, and members of the European Union rely primarily on employee size and financial thresholds, while developing economies often incorporate investment levels and employment size. In Nigeria, multiple institutional definitions exist, reflecting differences in policy focus and economic context. These variations highlight the absence of a single global standard and the importance of contextualizing SME definitions within national development frameworks.

## **Urbanization and SMEs**

Urbanization and small and medium-sized enterprises (SMEs) have historically evolved in a mutually reinforcing manner. From early urban centers that emerged as hubs of trade and craft production, cities have provided the population concentration, markets, and infrastructure that enabled small enterprises to flourish, while these enterprises in turn supported urban growth through employment creation and service provision. The rise of industrial cities intensified this relationship as rural–urban migration expanded labor supply and demand for goods and services, giving rise to clusters of small firms in manufacturing, retailing, and services. In contemporary developing economies, rapid urban expansion continues to generate informal and formal enterprise activities, particularly in commerce and services, as migrants seek livelihood opportunities within urban settings (Chiloane-Tsoka & Mmako, 2014; Isibor, 2023).

This reciprocal relationship persists because urban areas concentrate economic opportunities, public investments, and human capital. Urbanization attracts people through better access to infrastructure, markets, and social amenities, while SMEs emerge as adaptive responses to these opportunities and pressures. Empirical evidence supports this linkage. Isibor (2023), using secondary data and ordinary least squares regression, demonstrated that urbanization significantly influences economic growth in Nigeria, largely through employment creation and enterprise activities. Similarly, Undie et al. (2023) employed survey methods and inferential statistics to examine the effect of urbanization pull indices on small-scale business viability in Calabar Metropolis. Their findings revealed that infrastructure and government policies associated with urban growth significantly affect business sustainability across manufacturing and service enterprises. These results indicate that urbanization creates both enabling and constraining conditions that shape SME operations.

Indicators that sustain this relationship between urbanization and SMEs include infrastructure provision, population density, technological diffusion, and spatial expansion of cities. Oghenekome and Onosemuode (2024), in a survey-based study of 184 respondents in Warri, showed that urbanization significantly alters the microclimate through changes in land use and building density. These environmental transformations reflect broader urban development processes such as road construction, housing expansion, and commercial land conversion, all of which signal increased economic activity and enterprise location. The persistence of such indicators—urban population growth, infrastructural concentration, and land-use transformation—continues to attract SMEs to cities and shape their spatial patterns.

Urbanization strongly influences SME start-ups and their spatial concentration by creating dense markets and lowering transaction costs through proximity to consumers, suppliers, and labor. SMEs tend to cluster along transport corridors, central business districts, and residential-commercial interfaces where foot traffic and demand are highest. Undie et al. (2023) found that infrastructure and policy environments in Calabar significantly affect the sustainability of small businesses, implying that new enterprises are more likely to emerge and survive in locations where urban services are relatively developed. Likewise, Ibekwe (2024), using a survey design and multiple regression analysis on 368 respondents in Anambra State, established that infrastructural services, social amenities, and technological development significantly influence SME performance. These findings confirm that urbanization-induced facilities such as electricity, roads, and digital connectivity encourage business formation and spatial agglomeration.

Urbanization also affects the sustainability of SMEs by shaping operating conditions and resilience. While cities provide markets and networks, they also introduce competition, rising rents, and environmental stress. Bomani et al. (2022), through qualitative interviews with 25 urban SMEs in Zimbabwe, found that access to finance, limited managerial skills, and regulatory burdens undermine SME sustainability despite government support measures. Their study further emphasized the need for clustering and business incubation centers to strengthen SME survival in urban environments. Similarly, Chiloane-Tsoka and Mmako (2014) observed that rapid urban growth and migration in South Africa led to the proliferation of informal

survivalist enterprises in settlements characterized by inadequate housing and sanitation. These enterprises emerge as coping mechanisms for urban poverty, illustrating how urbanization sustains SMEs not only through opportunity but also through necessity-driven entrepreneurship.

Urbanization further shapes the nature and structure of SMEs by influencing their size, sectoral focus, and organizational form. Urban SMEs increasingly gravitate toward service-oriented and trade-related activities, such as retailing, transportation, and personal services, reflecting the consumption patterns of dense populations. Ibekwe (2024) found that technological development associated with urbanization significantly affects SME performance, suggesting a shift toward more digitally enabled and structurally complex enterprises. Bomani et al. (2022) also noted that urban SMEs in Zimbabwe require stronger technical and managerial capabilities due to regulatory and competitive pressures, leading to gradual formalization and organizational restructuring. In contrast, in highly congested and underserved urban spaces, SMEs often assume informal, flexible, and survivalist structures, as observed by Chiloane-Tsoka and Mmako (2014).

## Methodology

The study adopted descriptive survey research design. It made use of a structured questionnaire in collecting data from selected SMEs across Anambra State major cities (Onitsha, Awka and Nnewi). These major cities were selected because they are the major urban centers in the state and host numerous SMEs. The population of the study consist of 1,737 registered SMEs in Anambra State. However, the sample size for the study was estimated using Cochran's formula for finite population. Thus, the study consisted of 324 SME owners selected using accidental sampling techniques. However, after the data collection, only 300 filled and returned questionnaire were fit for analysis and the analysis of the study was based on the 300 questionnaires. The data collected were analysed using descriptive statistics (simple frequency tables) while chi-square inferential statistic was used to test the hypotheses.

## Data Presentation/Analysis

The extent to which urbanization influences SME start-ups and their spatial concentration in Anambra State.

**Table 1: Respondents' views on the level of urbanization in Anambra State**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Very high    | 123        | 41.0       |
| High         | 158        | 52.7       |
| Low          | 11         | 3.7        |
| Very low     | 8          | 2.6        |
| <b>Total</b> | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 1 shows the responses of respondents when asked to rate the level of urbanization in Anambra State and the data showed that 41.0% rated the level of urbanization as very high, 52.7 rated the level of urbanization as high, 3.7% rated the level of urbanization as low while 2.6% of the respondents rated the level of urbanization as very low. By implication, the data showed that urbanisation in Anambra is high.

**Table 2: Respondents' views on the rate of SME start-ups in Anambra State**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Very high    | 176        | 58.7       |
| High         | 86         | 28.7       |
| Low          | 26         | 8.7        |
| Very low     | 12         | 4.0        |
| <b>Total</b> | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 2 shows the responses of respondents when asked to rate the rate of SME start-ups in Anambra State and the data showed that 58.7% rated the rate of SME start-ups as very high, 28.7% rated the rate of SME start-ups as high, 8.7% rated the rate of SME start-ups as low while 4.0% of the respondents rated the rate of SME start-ups as very low. By implication, the data showed that the rate of SME start-ups in Anambra State is very high.

**Table 3: Respondents' views on the extent urbanization influences SME spatial concentration**

| Responses        | Frequency  | Percentage |
|------------------|------------|------------|
| Very high extent | 186        | 62.0       |
| High extent      | 100        | 33.3       |
| Low extent       | 11         | 3.7        |
| Very low extent  | 3          | 1.0        |
| <b>Total</b>     | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 3 shows the responses of respondents when asked to rate the extent urbanization influences SME spatial concentration and the data showed that 62.0% rated the influence as very high extent, 33.3% rated the influence as high extent, 3.7% rated the influence as low extent while 1.0% of the respondents rated the influence as very low extent. By implication, the data showed that urbanization significantly influences SME spatial concentration in Anambra State.

#### **The influence of urbanization on the sustainability of SMEs in Anambra State.**

**Table 4: Respondents' views on whether urbanization contribute to increase turnover**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Yes          | 217        | 72.3       |
| No           | 20         | 6.7        |
| I don't know | 63         | 21.0       |
| <b>Total</b> | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 4 shows the responses of respondents when asked if urbanization contributes to increase turnover and the data showed that 72.3% of respondents said yes, 6.7% said no, while 21.0% of the respondents said they don't know. By implication, the data showed that majority of respondents believe urbanization contributes to increase turnover.

**Table 5: Respondents' views on whether urbanization contribute to business enabling environment**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Yes          | 212        | 70.7       |
| No           | 73         | 24.3       |
| I don't know | 15         | 5.0        |
| <b>Total</b> | <b>200</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 5 shows the responses of respondents when asked if urbanization contributes to business enabling environment and the data showed that 70.7% of respondents said yes, 24.3% said no, while 5.0% of the respondents said they don't know. By implication, the data showed that majority of respondents believe urbanization contributes to business enabling environment.

**Table 6: Respondents' views on whether urbanization improves access to infrastructure**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Yes          | 226        | 75.3       |
| No           | 21         | 7.0        |
| I don't know | 53         | 17.7       |
| <b>Total</b> | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 6 shows the responses of respondents when asked if urbanization improves access to infrastructure and the data showed that 75.3% of respondents said yes, 7.0% said no, while 17.7% of the respondents said they don't know. By implication, the data showed that majority of respondents believe urbanization improves access to infrastructure.

**Table 7: Respondents' views on the general rate of business sustainability in Anambra State**

| Responses    | Frequency  | Percentage |
|--------------|------------|------------|
| Very high    | 163        | 54.3       |
| High         | 109        | 36.3       |
| Low          | 19         | 6.3        |
| Very low     | 9          | 3.0        |
| <b>Total</b> | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 7 shows the responses of respondents when asked to rate the general rate of business sustainability in Anambra State and the data showed that 54.3% rated the rate as very high, 36.3% rated the rate as high, 6.3% rated the rate as low while 3.0% of the respondents rated the rate as very low. This result implies that the general rate of business sustainability in Anambra State is high.

#### **How urbanization affects the nature and structure of SMEs in Anambra State.**

**Table 8: Respondents' views on the nature of SMEs in Anambra State**

| Responses                                                       | Frequency  | Percentage |
|-----------------------------------------------------------------|------------|------------|
| Predominantly trading businesses                                | 43         | 14.3       |
| Mainly small-scale manufacturing enterprises                    | 18         | 6.0        |
| Mostly service-oriented businesses                              | 9          | 3.0        |
| A combination of trading, manufacturing, and service activities | 210        | 70.0       |
| Mainly informal or family-owned businesses                      | 20         | 6.7        |
| <b>Total</b>                                                    | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 8 shows the responses of respondents when asked to describe the nature of SMEs in Anambra State and the data showed that 14.3% said predominantly trading businesses, 6.0% said mainly small-scale manufacturing enterprises, 3.0% said mostly service-oriented businesses, 70.0% said a combination of trading, manufacturing, and service activities, while 6.7% said mainly informal or family-owned businesses. By implication, the data showed that majority of SMEs in Anambra State are a combination of trading, manufacturing, and service activities.

**Table 9: Respondents' views on the structure of SMEs in Anambra State**

| Responses                                                                        | Frequency  | Percentage |
|----------------------------------------------------------------------------------|------------|------------|
| Sole proprietorship businesses                                                   | 199        | 66.3       |
| Family-owned enterprises                                                         | 23         | 7.7        |
| Partnership businesses owned by two or more individuals                          | 40         | 13.3       |
| Cooperative or group-owned enterprises                                           | 5          | 1.7        |
| Privately registered limited liability SMEs with formal organizational structure | 11         | 3.7        |
| <b>Total</b>                                                                     | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 9 shows the responses of respondents when asked to describe the structure of SMEs in Anambra State and the data showed that 66.3% said sole proprietorship businesses, 7.7% said family-owned enterprises, 13.3% said partnership businesses owned by two or more individuals, 1.7% said cooperative or group-owned enterprises, while 3.7% said privately registered limited liability SMEs with formal organizational structure. By implication, the data showed that majority of SMEs in Anambra State are sole proprietorship businesses.

**Table 10: Respondents' views on how urbanisation influence the nature and structure of SMEs in Anambra State**

| Responses                                                                                       | Frequency  | Percentage |
|-------------------------------------------------------------------------------------------------|------------|------------|
| It encourages the growth of more trading and commercial SMEs                                    | 193        | 64.3       |
| It promotes the establishment of more service-oriented businesses                               | 36         | 12.0       |
| It leads to the expansion of SMEs from small informal businesses to more structured enterprises | 59         | 19.7       |
| It encourages partnerships and business collaborations among entrepreneurs                      | 10         | 3.3        |
| It has little or no significant influence on the nature and structure of SMEs                   | 2          | 0.7        |
| <b>Total</b>                                                                                    | <b>300</b> | <b>100</b> |

*Source: Field survey, 2025*

Data presented in table 10 shows the responses of respondents when asked how urbanisation influences the nature and structure of SMEs in Anambra State and the data showed that 64.3% said it encourages the growth of more trading and commercial SMEs, 12.0% said it promotes the establishment of more service-oriented businesses, 19.7% said it leads to the expansion of SMEs from small informal businesses to more structured enterprises, 3.3% said it encourages partnerships and business collaborations among entrepreneurs, while 0.7% said it has little or no significant influence. By implication, the data showed that urbanisation mainly encourages the growth of more trading and commercial SMEs in Anambra State.

### **Test of Hypotheses**

**Table 11: Chi-square test between level of urbanization and SME startups in Anambra State.**

| Level of urbanization | Rate of SME start-ups in Anambra State |           |           |           |            |
|-----------------------|----------------------------------------|-----------|-----------|-----------|------------|
|                       | Very high                              | High      | Low       | Very low  | Total      |
| Very high             | 96                                     | 18        | 5         | 4         | <b>123</b> |
| High                  | 72                                     | 63        | 16        | 7         | <b>158</b> |
| Low                   | 5                                      | 2         | 4         | -         | <b>11</b>  |
| Very low              | 3                                      | 3         | 1         | 1         | <b>8</b>   |
| <b>Total</b>          | <b>176</b>                             | <b>86</b> | <b>26</b> | <b>12</b> | <b>300</b> |

$$\chi^2 = 44.01, df = 9, p = 0.001$$

Data presented in table 11 shows a chi-square value of 44.01, a df of 9 and a p-value they is less than 0.05. Since  $p (<0.001) < 0.05$ , we reject the null hypothesis. There's a significant relationship between level of urbanization and SME startups in Anambra State.

**Table 12: Chi-square test between level of urbanization and sustainability of SMEs in Anambra State.**

| Level of urbanization | Rate of business sustainability |      |     |          | Total |
|-----------------------|---------------------------------|------|-----|----------|-------|
|                       | Very high                       | High | Low | Very low |       |
| Very high             | 77                              | 32   | 10  | 4        | 123   |
| High                  | 79                              | 71   | 6   | 2        | 158   |
| Low                   | 4                               | 4    | 1   | 2        | 11    |
| Very low              | 3                               | 2    | 2   | 1        | 8     |
| Total                 | 163                             | 109  | 19  | 9        | 300   |

$$\chi^2 = 28.40, df = 9, p = 0.001$$

Data presented in table 12 shows a chi-square value of 28.40, a df of 9 and a p-value of 0.001. Since  $p (0.001) < 0.05$ , we reject the null hypothesis. There's a significant relationship between level of urbanization and sustainability of SMEs in Anambra State.

## Discussion

The findings of this study indicate that urbanization significantly influences SME start-ups and their spatial concentration in Anambra State. The results show that the level of urbanization in the state is generally perceived to be high, and this is accompanied by a very high rate of SME start-ups. The majority of respondents also indicated that urbanization influences the spatial concentration of SMEs to a very high extent, suggesting that businesses tend to cluster in urban centres where markets, infrastructure, and population density are higher. The result of the hypothesis test further supports this observation, as the analysis revealed a statistically significant relationship between the level of urbanization and SME start-ups in Anambra State. This implies that increasing urban development encourages the establishment of new enterprises and promotes the concentration of SMEs within economically vibrant areas. These findings are consistent with the views of Chiloane-Tsoka and Mmako (2014), who noted that urban centres historically function as hubs of trade and enterprise development that stimulate the growth of small businesses. The findings also support the study of Ibekwe (2024), which established that infrastructural services, social amenities, and technological development associated with urbanization significantly influence SME performance and location decisions. Similarly, Undie et al. (2023) found that infrastructural development and policy environments in urban areas significantly affect the viability of small-scale businesses. This suggests that the presence of urban infrastructure and services creates favourable conditions for the establishment and clustering of SMEs.

The findings also reveal that urbanization has a strong influence on the sustainability of SMEs in Anambra State. The results indicate that the majority of respondents believe urbanization contributes to increased business turnover, provides a business-enabling environment, and improves access to infrastructure. In addition, the general rate of business sustainability in the state was rated high by most respondents. The hypothesis test also confirmed a statistically significant relationship between the level of urbanization and SME sustainability in Anambra State, indicating that urban development contributes positively to the ability of SMEs to survive and grow. These findings imply that urban environments provide favourable conditions such as better infrastructure, improved market access, and increased customer demand, which enhance the long-term viability of small businesses. The findings align with the study of Isibor (2023), who reported that urbanization significantly contributes to economic growth in Nigeria by stimulating enterprise activities and employment creation. Similarly, Undie et al. (2023) found that infrastructural development and government policies associated with urbanization significantly affect business sustainability. However, the findings

slightly contrast with the observations of Bomani et al. (2022), who reported that urban SMEs in Zimbabwe still face sustainability challenges such as limited access to finance, weak managerial capacity, and regulatory pressures despite operating in urban environments. This contrast suggests that although urbanization provides opportunities and supportive conditions for SMEs, other economic and institutional factors may still limit their sustainability.

Finally, the findings show that urbanization influences the nature and structure of SMEs in Anambra State. The results indicate that most SMEs operate across a combination of trading, manufacturing, and service activities, reflecting the diversified economic opportunities available in urban areas. However, the majority of SMEs were found to operate as sole proprietorship businesses, suggesting that small-scale entrepreneurship in the state is largely dominated by individually owned enterprises. Furthermore, the results show that urbanization mainly encourages the growth of trading and commercial SMEs, although it also contributes to the expansion of some SMEs from informal businesses to more structured enterprises. These findings suggest that urbanization shapes the operational focus and ownership structure of SMEs by encouraging business activities that respond to the demands of growing urban populations. The findings are consistent with the observations of Chiloane-Tsoka and Mmako (2014), who noted that rapid urban growth often leads to the proliferation of informal and small-scale enterprises, particularly in trading and service sectors. Similarly, Bomani et al. (2022) observed that SMEs in urban environments often evolve gradually from informal structures to more organized enterprises as they respond to competitive and regulatory pressures. The findings also support the study of Ibekwe (2024), which highlighted that technological development and infrastructural improvements associated with urbanization influence the performance and structural development of SMEs. Overall, the findings indicate that urbanization not only promotes the growth and sustainability of SMEs but also shapes their operational characteristics and organizational structures within the urban economy.

## **Conclusion**

This study concludes that urbanization is a critical driver of the development and sustainability of small and medium-sized enterprises in Anambra State. The study establishes that the expansion of urban environments creates favourable economic conditions that stimulate entrepreneurial activities, support business survival, and influence the operational structure of SMEs. This occurs because urban areas concentrate population, markets, infrastructure, and economic opportunities, which collectively provide the necessary environment for small businesses to emerge and thrive. Therefore, urbanization not only encourages the establishment and clustering of SMEs but also enhances their ability to operate and adapt within the evolving urban economy of Anambra State.

## **Recommendations**

The study, based on its findings recommends that

- The Anambra State Government and urban planning authorities should invest more in urban infrastructure such as roads, electricity, and market facilities in emerging urban areas. This can be implemented through targeted urban development projects and public-private partnerships in SME-dense locations. This will encourage more SME start-ups and promote balanced spatial distribution of businesses across the state.
- The Anambra State Ministry of Commerce and Industry should strengthen SME support programmes by providing easier access to business financing, training, and advisory services within urban centres. This can be implemented through SME development centres and collaboration with financial institutions and entrepreneurship agencies. This will improve business turnover and enhance the long-term sustainability of SMEs.
- SME owners and entrepreneurs in Anambra State should adopt better business management practices and diversify their activities across trading, manufacturing, and services to take advantage of urban market opportunities. This can be implemented

through participation in entrepreneurship training, digital marketing, and business networking programmes. This will improve business growth, competitiveness, and long-term sustainability in the urban economy.

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