# IMPACT OF BUSINESS CREATION AND INNOVATION ON EMPLOYMENT GENERATION AMONG STARTUPS IN KWARA STATE

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**Abstract**
In today's dynamic global economy, the creation of new businesses and the adoption of innovative practices serve as vital drivers of economic growth and competitiveness. However, unemployment especially among youth remains a major socioeconomic challenge in Nigeria despite policy efforts to stimulate job creation. The main objective of the study is to investigate the impact of Business Creation and Innovation on Employment Generation Among Startups in Kwara State. Other specific objectives is to determine the effect of business creation on employment generation among startups in Kwara State and examine the effect of innovation on Employment Generation Among Startups in Kwara State. A cross-sectional survey research design was used to collect quantitative data for this study. Three Hundred and Twenty (320) registered Startups that were financially supported by the Kwara State Social Investment Programme in 2024 make up the target population. The study adopted a census approach by including the entire population as the sample size. Multiple linear regression analysis with the aid of SPSS version 27.0 was used for analysis. The study concluded that that business creation has a significant and positive effect on employment generation among startups in Kwara State. Also, the study concludes that innovation exerts an even stronger positive influence on employment generation among startups in Kwara State. The study recommended that government agencies, financial institutions, and entrepreneurial support organisations in Kwara State intensify efforts to promote the establishment of new businesses through easier access to startup capital, reduction of bureaucratic bottlenecks, and provision of entrepreneurial training. Furthermore, in relation to innovation, policymakers, private sector stakeholders, and educational institutions should collaborate to strengthen innovation ecosystems that support startups.
**Keywords:** Business Creation, Employment, Innovation, Start Ups

## Introduction

In today's dynamic global economy, the creation of new businesses and the adoption of innovative practices serve as vital drivers of economic growth and competitiveness.

Entrepreneurship, the process of discovering opportunities, mobilizing resources, and launching new ventures have been shown to enhance productivity and foster socio-economic development. Entrepreneurship fundamentally involves risk-taking, creativity, and vision. By establishing new enterprises, entrepreneurs generate wealth, expand markets, and foster employment opportunities. Additionally, business creation enables efficient utilization of resources such as land, labour, capital, and technology yielding both financial and social returns (Tabuena-Ruddy, 2025).

Equally critical is the role of innovation, the creation and deployment of novel products, processes, marketing techniques, or business models that enhance efficiency, delivers value, and addresses evolving market or societal needs (Khan, 2023). Nwankwo and Ezeibe (2021) indicated that both process innovation and product innovation are positively associated with employment growth, especially within the manufacturing and service sectors. In Nigeria, product-oriented innovativeness exhibited a moderate positive correlation with employment growth, while process orientation showed a weaker but positive relationship with firm size (Ayodeji *et al*., 2025). The synergistic relationship between business creation and innovation is inherently symbiotic. Entrepreneurship provides the structure and resources for converting creative ideas into businesses, while innovation offers the competitive edge required for sustainability and growth. Together, these forces contribute significantly to employment generation, particularly since startups often adapt more rapidly than well-established firms (Mäkäräinen-Suni, 2021).

Globally, economies have leveraged supportive startup ecosystems to foster innovation and job creation. India's Startup India initiative, launched in 2016 by the Department for Promotion of Industry and Internal Trade, exemplifies this approach. The program simplifies regulatory compliance, offers tax exemptions and funding support, and nurtures incubation and industry partnerships reaching over 159,000 recognized startups and generating approximately 1.7 million direct jobs by 2025 (Jones *et al*, 2022). However, in Kwara State, Nigeria, startups face unique challenges, including limited access to finance, infrastructure deficits, and weak innovation support systems. Despite these realities, the potential for startups in Kwara State to alleviate unemployment through the combined forces of business creation and innovation remains significant.

This study, therefore, seeks to examine the impact of business creation and innovation on employment generation among startups in Kwara State. With that focus, it aims to fill a notable

gap in existing literature and deliver evidence-based insights to inform policy-making, entrepreneurial development programs, and innovation-driven strategies that support sustainable economic growth in the region.

**Problem Statement**

Unemployment especially among youth remains a major socioeconomic challenge in Nigeria despite policy efforts to stimulate job creation (Haruna & Haliru, 2025). Startups and SMEs are widely recognised as important sources of employment and livelihoods in Nigeria and in states such as Kwara; however, their capacity to generate sustained jobs is uneven and often constrained by limited access to finance, weak infrastructure, and unstable business environments (Labinjo, 2022). At the same time, innovation can enable firms to expand and hire more workers, but the empirical link between innovation and employment is mixed and appears conditioned by firm size, sector, and the quality of the business environment (Medase & Wyrwich, 2022).

In Kwara State specifically, recent local evidence points to gaps in entrepreneurial support systems (finance, incubators, and knowledge exchange) that may limit startups' ability to scale and create quality jobs (Ajirowo, 2024). Because there is limited empirical research that jointly examines business creation and innovation as drivers of employment generation within the Kwara State startup ecosystem, policymakers lack tailored evidence to design interventions that unlock startups' full job-creation potential. This study addresses that gap by investigating how business creation and innovation influence employment generation among startups in Kwara State.

**Objective of the Study.**

The main objective of the study is to investigate the impact of Business Creation and Innovation on Employment Generation Among Startups in Kwara State. Other specific objectives is:

i. to determine the effect of business creation on Employment Generation Among Startups in Kwara State.
ii. examine the effect of innovation on Employment Generation Among Startups in Kwara State.

**Research Hypotheses**

**$H_{o1}$**: business creation does not have significant effect on Employment Generation Among Startups in Kwara State.

**$H_{o2}$**: innovation does not have significant effect on Employment Generation Among Startups in Kwara State.

## Literature Review

### Business Creation

Establishing a systematic activity to produce goods and services for others instead of one's own use is referred to as business creation. Although the concepts of entrepreneurship are closely related, they encompass such a wide range of topics that it is challenging to use them for methodical study (Urbano *et al*., 2022). However, the idea that a new corporate entity, activity, endeavour, product, or service has been established is a part of all conceptions of entrepreneurship. The French word "entrepreneurship" was first used to refer to those who were putting together resources to create new economic value. Subsequent ideas of entrepreneurship focused on a predisposition for taking risks, identifying and seizing opportunities, growing, or dislodging established businesses through the notorious and poetic "creative destruction" mechanism (Faton & Hermans, 2025). Although the focus of these treatments varies, starting a business is a key component of all of them.

Reliable empirical metrics of business formation have been developed, but it is challenging to generate measures of "risk taking," "opportunity recognition," or "growth potential" (Bamidele *et al*., 2025). By creating direct measurements of engagement in firm creation and the management of existing enterprises, an alternative approach has been to use surveys of representative adult populations to identify people who are actively involved in starting or running businesses. Cross-national comparisons are made easier through the adoption of standardised interviewing techniques and harmonised sample tactics.

### Innovation

Innovation is the application of new and improved knowledge, concepts, procedures, techniques, machines, and equipment to produce new and improved goods, services, and procedures. In business, innovation is the process of transforming an invention into a successful product, procedure, or service that satisfies consumer needs (Juliana *et al*., 2021). According to Thakur *et al*. (2025), innovation is the creation and use of fresh concepts and abilities to create new goods, procedures, and services that enhance social and economic well-being. Innovation,

which is fundamentally defined by change, is the application of fresh concepts that originate from the foundation of ideas (Silva *et al*., 2023).

Numerous definitions have been used in the literature to demonstrate the importance of innovation as a firm's resource. Innovation, according to Robert and Tucker (2008), is the coming up of ideas and bringing them to life. Azmi *et al*. (2023) defined innovation as the renewal and enlargement of the range of products and services and the associated markets, the establishment of new methods of products, supply, and distribution, and the introduction of changes in management and work organisation. According to the various definitions offered, innovation can thus be seen as the process of developing and enhancing goods and services to satisfy consumer preferences and needs while enhancing employees' skills.

**Innovation in the Startup Context**

In the context of startups, innovation includes a broad range of endeavours, from business model and market innovations to product and process improvements. Product innovation increases market share and customer satisfaction, while process innovation increases operational efficiency and scalability. Business model innovation entails reinventing value creation, delivery, and capture, frequently upending established business practices. Companies like Uber and Airbnb revolutionised their respective markets by launching innovative business strategies that used technology to produce hitherto unseen value propositions.

Kartika (2024) carried out a comprehensive review on the role of innovation in startup success. Using a qualitative research design and case study methodology, the study found that product innovation increases market share and customer satisfaction, process innovation increases operational efficiency and scalability, and business model innovation provides distinct competitive advantages. The study aligns with resource-based and dynamic capacities theories in supporting the claim that innovation plays a major role in startup success.

**Processes and Strategies for Innovation**

In order to help startups successfully navigate the complicated terrain of market dynamics and technical breakthroughs, effective innovation management combines organisational practices and strategic procedures. The identification of innovation possibilities, the creation of creative solutions, and their application and commercialisation are all included in strategic processes

(Dodgson, Gann, & Salter, 2008). In a market that is always changing, these procedures are crucial for startups to keep a competitive edge and achieve long-term success.

Finding innovation possibilities is the initial stage in strategic innovation management. This entails a careful examination of consumer demands, market trends, and technology developments. Startups need to be skilled at identifying market gaps and areas where innovation might yield substantial benefits. Disruptive innovation frequently results from recognising underserved market niches and creating solutions that meet these unmet demands, claims Christensen (1997).

Following the identification of possibilities, creative solutions must be developed. Prototyping, experimenting, and brainstorming are all part of this stage. Startups should create an environment where team members can experiment with new concepts without worrying about failing. Innovation is a process of trial and error, and as Tidd and Bessant (2013) point out, it's just as crucial to learn from mistakes as it is to celebrate victories. Startups might use a variety of strategies at this stage, including collaborative ideation sessions, iterative prototyping, and design thinking, which emphasises empathy with the end user.

The last stage of the strategy approach is the application and commercialisation of creative solutions. This entails developing plans for market entry and expansion as well as turning prototypes into goods or services that are ready for the market. Startups need to create strong go-to-market plans that take distribution, pricing, and marketing into account.

**Importance of Innovation in Startups**

By providing distinctive value propositions, drawing clients, and creating a competitive edge, innovation helps a company outperform its rivals in a cutthroat market (Saqib & Satar, 2021). It enables entrepreneurs to successfully navigate changing trends, technology, and economic conditions by assisting them in adapting to shifting markets and consumer tastes. Additionally, innovation encourages innovative problem-solving, which enables business owners to recognise and creatively handle obstacles, resulting in increased client loyalty and satisfaction. Furthermore, by upending long-standing industries, generating employment possibilities, attracting investment, and promoting regional wealth, creative startups have the ability to significantly boost economic growth. Innovation is also essential to advancing sustainable business practices and a more ecologically friendly future (Wang & Chen, 2021).

Medase and Wyrwich (2021) found that employment growth in Nigerian manufacturing and service companies is positively correlated with process innovation, while the expansion of manufacturing jobs is favourably correlated with product innovation. Similarly, Sithole and Buchana (2020) showed that job growth in the manufacturing sector is positively impacted by sales growth of new to firm and new to market products, whereas process innovations generally have a decreasing impact on employment growth in both manufacturing and service sectors.

**Start-up Entrepreneurship.**

Start-ups are well-known companies that use their entrepreneurial expertise, abilities, and personalities to develop cutting-edge digital technology upgrades (Jesemann, 2020). Startups that are valued at more than 14 trillion rupiahs have a significant role in the development of the country. Furthermore, start-ups actively contribute to the creation of jobs to lower a nation's unemployment rate, entrepreneurial opportunities, and entrepreneurial ambition (Yasir *et al*., 2017). High-value startup investment inputs will generate new market dynamics and an ecosystem that will expand the range of work areas. It will lessen the high percentage of business failures that lead to staff layoffs (Roundy, 2021). Balogun (2022) examined the impact of entrepreneurship development on job creation in selected rural districts of Kebbi State. The study concluded that rural residents can create jobs through the growth of entrepreneurship.

**Startups as Engines of Job Creation**

Startups have a significant and quantifiable impact on the creation of new jobs. Statistics continuously show how they support employment numbers around the world (Fairlie *et al*., 2023). Startups create a big portion of new jobs and frequently surpass more established, larger companies in this regard. They play a crucial role in absorbing the growing workforce and creating job possibilities for a variety of skill sets, whether in the manufacturing, services, or technology sectors. Startup ecosystems provide a wide range of employment options that accommodate a variety of abilities. Startups offer a diverse range of positions that appeal to people with varying backgrounds and passions, from data analysts and software developers to marketing experts and customer service agents (Krishnamoorthy *et al*., 2025).

**Role of Startups in Reducing Unemployment**

Start-ups frequently aid in closing skills gaps by offering chances for professional growth and on-the-job training. In industries where technology is developing quickly, entrepreneurs are

essential in assisting employees in improving their abilities and being ready for new positions. Start-ups contribute to the development of a skilled labour force capable of meeting the demands of the modern economy by actively participating in academic institutions and vocational training programs (Shenkoya *et al*., 2023).

Apart from the direct generation of work, startups can provide a range of employment opportunities. Startups contribute to the general well-being of regional and national economies as they expand and thrive. Startup employees then turn into clients, boosting the economy. Furthermore, the tax income produced by these growing companies is utilised to pay for public services and infrastructure upgrades, generating a positive feedback loop that helps society as a whole. Furthermore, startups foster a dynamic work atmosphere that values creativity, initiative, and collaboration (Gupta & Agarwal, 2024).

**Challenges Faced by Startups**

Startups undoubtedly contribute to economic growth and job creation, but they also encounter a number of challenges that may hinder their progress (Bărbulescu *et al*., 2021). Raising the capital required to grow can be very challenging. Traditional financial institutions could be hesitant to participate in early-stage businesses due to the perceived dangers. However, the emergence of alternative funding sources like angel investors, venture capitalists, and crowdfunding websites has provided entrepreneurs with new avenues for obtaining the funds they require to expand and advance. Startups frequently struggle to navigate intricate regulatory frameworks that differ between sectors and geographical areas. Resource-intensive regulatory compliance can take important time and focus away from key business operations (Shahriar & Jalili, 2025). It is crucial to support laws that promote innovation, make it easier to enter new markets, and offer rewards for taking risks.

During the critical time frame referred to as the "Valley of Death," companies transition from the ideation phase to the commercial stage (Mkhize, 2023). Many businesses fail at this point, which emphasises the need for specialised support networks like mentorship programs, seed funding, and incubators. Financial sustainability is among the most significant challenges that organisations face. Start-ups must show that they can provide steady income in addition to adapting to feedback from the market and making iterative improvements to their strategies.

All things considered, start-ups deal with a variety of intricate problems, such as limited funding, legal restrictions, and the critical transition from concept to market (Singh, 2024). To solve these problems, the government, business community, and startup community must collaborate.

**Theoretical Review**

Joseph Schumpeter's 1934 Theory of Entrepreneurship serves as the foundation for this. This theory presents the entrepreneur from a neoclassical standpoint, seeing them as a capitalist, a risk-taker, a creative innovator, and someone motivated by profit. According to Schumpeter, an entrepreneur is present in any institutional system when innovation takes place. Schumpeter adds to the idea that the entrepreneur is a socially unique individual by arguing that when these innovations take place, global economies grow and the entrepreneur emerges to alter the institutional order. The "Schumpeter effect" is the term used to describe how entrepreneurship lowers unemployment in the economy. According to separate research by Garofoli (1994) and Audretsch and Fritsch (1994), unemployment is adversely correlated with the establishment of new businesses; that is, as new businesses are developed, employability is increased and unemployment significantly decreases. The relationship between unemployment and entrepreneurship has been unclear. It is well known that there is a reciprocal causal relationship between shifts in the degree of entrepreneurship and unemployment, and that operating a business has a "Schumpeter Effect" that lowers unemployment. Ali, Umar, and Hafiz (2014). Similarly, Lucas (1978) and Jovanovic (1982) observe that a high unemployment rate in a society is linked to a low level of entrepreneurial activity; that is, a low propensity to start businesses would result in a very high unemployment rate. The aforementioned claim implies that people without jobs tend to stay unemployed because they lack the human capital and entrepreneurial skills necessary to launch and maintain new businesses. Any civilisation with low economic growth, which also reflects a higher level of unemployment, may have a low rate of entrepreneurial culture and abilities (Oladele *et al*, 2011). According to Saleh, Fargadi, and Mohammed (2011), entrepreneurial prospects have demonstrated both the pull and push effects of unemployment. In addition to being a key driver of economic growth and development, entrepreneurship offers a long-term solution to the severe hunger and poverty brought on by unemployment (Ogwumike, 2013). The Schumpeter influence is a negative association that arises when the number of

entrepreneurs in an economy increases. It would have a negative influence on unemployment by lowering the unemployment rate in that economy, according to Ali *et al*. (2014).

**Methods**

A cross-sectional survey research design was used to collect quantitative data for this study. This design allows the researcher to quickly gather large amounts of data without the need for long-term follow-up and further provide representative data that is generalizable to the broader population. Three Hundred and Twenty (320) registered Startups that were financially supported by the Kwara State Social Investment Programme in 2024 make up the target population. The study adopted a census approach by including the entire population as the sample size. A copy of the questionnaire was administered to each owner of the startup. A structured five-point Likert-scale questionnaire was used as the instrument for data collection. The items were generated based on a thorough review of relevant literature to ensure coverage of all constructs, enhancing content validity. The reliability of the questionnaire was confirmed through a pilot test, where Cronbach's Alpha values for all constructs exceeded 0.70, indicating acceptable internal consistency. The main variables of the study were defined clearly as well as developing precise and relevant questions, ensuring that the questionnaire accurately measures the intended variables. Multiple linear regression analysis with the aid of SPSS version 27.0 was used for analysis.

**Results**

**$H_{o1}$**: business creation does not have significant effects on Employment Generation Among Startups in Kwara State.

**$H_{o2}$**: innovation does not have significant effects on Employment Generation Among Startups in Kwara State.

**Table 4.1: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .912[a] | .832 | .831 | 2.67632 |

a. Predictors: (Constant), Business Creation, Innovation

**Source: Field Survey, 2025**

The model summary, as presented in Table 4.1, shows a R square value of 0.832, meaning that the constant factors of business creation, innovation support employment generation among

startups for 83.2% of the variation in the dependent variable (employment generation). The created regression model may be utilized for prediction-making, since its $R^2$ value is statistically significant.

**Table 4.2: ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 11104.501 | 2 | 5552.250 | 775.160 | .000[b] |
| | Residual | 2241.930 | 313 | 7.163 | | |
| | Total | 13346.430 | 315 | | | |

a. Dependent Variable: Employment Generation among Startups

b. Predictors: (Constant), Business Creation, Innovation

**Source**: Field Survey, 2025

Furthermore, ANOVA's regression results in table 4.2 depicts that the estimated F-test was 775.160, significant at 1% [p<.000], and less than the 0.05 (p<0.05) p-value. This implies that changes in the dependent variable (Employment Generation) can be jointly influenced by the explanatory variable parts taken as a whole. Additionally, the results of an analysis of the dependent variable's variation were summarized in the table below. The large regression sum of squares value (11104.501) in relation to the residual sum of squares value (2241.930) showed that the model was able to explain a significant portion of the dependent variable's variation. The model was therefore well-specified.

**Table 4.3: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | -.413 | .979 | | -.422 | .673 |
| | Business Creation | .399 | .040 | .360 | 9.918 | .000 |
| | Innovation | .644 | .039 | .606 | 16.684 | .000 |

a. Dependent Variable: Employment Generation among Startups

**Source**: Field Survey, 2025

The coefficients of the independent variables are presented in Table 4.3. The coefficient for Business Creation is 0.399, indicating a positive correlation between business creation and

employment generation among startups. This means that for every unit increase in business creation activities, employment generation increases by 0.399 units, holding other variables constant. Furthermore, the alpha level of 0.05 is greater than the p-value (0.000), and the t-statistic value of 9.918 confirms that this relationship is statistically significant. These results suggest that enhancing business creation activities significantly contributes to job creation in startup ecosystems. This finding is in line with Balogun (2022), who revealed that entrepreneurship development is a major driver of employment generation in rural areas of Kebbi State, with capacity expansion in entrepreneurship programs playing a key role in labour absorption. Mechanisms through which business creation stimulates employment include the establishment of new firms that absorb idle labour, diversification of economic activities leading to broader skill utilisation, and multiplier effects within local value chains. Furthermore, the creation of new businesses often encourages the growth of complementary service providers, indirectly generating additional employment opportunities.

The coefficient for Innovation is 0.644, indicating a stronger positive correlation with employment generation compared to business creation. This suggests that for every unit increase in innovation activities, employment generation rises by 0.644 units, holding other factors constant. With a p-value of 0.000 (less than the alpha value of 0.05) and a high t-statistic of 16.684, this relationship is also statistically significant. The result reinforces the assertion that innovation whether through new products, processes, or business models is a powerful catalyst for job creation in startups. Kartika (2024) highlighted that product innovation improves market share and customer satisfaction, process innovation enhances operational efficiency, and business model innovation provides unique competitive advantages, all of which collectively contribute to startup growth and employment generation. Similarly, Medase and Wyrwich (2021) found a positive relationship between both product and process innovation and employment growth in Nigerian manufacturing and service firms, underscoring the role of innovation in enhancing firm performance in emerging economies. Sithole and Buchana (2020) also observed that product innovations, especially those new to the market, significantly increase employment growth rates in manufacturing sectors, though their findings caution that process innovations may have mixed employment effects depending on the sector. In the context of startups in Kwara State, innovation-driven activities expand markets, create demand for skilled labour, and stimulate ancillary

industries, resulting in both direct and indirect employment gains.The regression model is expressed as: EG = –0.413 + 0.399BC + 0.644IN

Where EG represents employment generation, BC denotes business creation, and IN denotes innovation. This equation reveals that both business creation and innovation positively influence employment generation, with innovation exerting a stronger effect. Based on these results, the null hypothesis was rejected, affirming that business creation and innovation significantly and positively impact employment generation among startups in Kwara State.

**Conclusion**

The objectives of this study is to determine the effect of business creation on Employment Generation Among Startups in Kwara State and examine the effect of innovation on Employment Generation Among Startups in Kwara State. However, the study concluded that that business creation has a significant and positive effect on employment generation among startups in Kwara State. The results indicate that fostering an environment where new businesses can be established leads to notable job creation, as these ventures absorb unemployed labour, diversify local economies, and create multiplier effects that indirectly stimulate additional employment. This supports the view that active entrepreneurship development and startup establishment are essential levers for addressing unemployment and enhancing economic vibrancy within the metropolis.

Furthermore, the study concludes that innovation exerts an even stronger positive influence on employment generation among startups in Kwara State. Innovation, whether through the development of new products, improvement of processes, or adoption of novel business models, expands market opportunities, enhances competitiveness, and increases the demand for skilled labour. This finding underscores the central role of innovative practices in enabling startups not only to survive but also to scale operations and contribute meaningfully to the reduction of unemployment in the region.

**Recommendations**

i. Based on the findings on business creation, it is recommended that government agencies, financial institutions, and entrepreneurial support organisations in Kwara State intensify efforts to promote the establishment of new businesses through easier access to startup capital, reduction of bureaucratic bottlenecks, and provision of entrepreneurial training. Targeted business incubation programs should be introduced to equip aspiring

entrepreneurs with essential skills in business management, marketing, and finance, ensuring that newly created enterprises are sustainable and capable of generating long-term employment.

ii. In relation to innovation, policymakers, private sector stakeholders, and educational institutions should collaborate to strengthen innovation ecosystems that support startups. This includes increasing investment in research and development, providing innovation grants or tax incentives for creative enterprises, and fostering partnerships between startups, universities, and industry players to enhance technology transfer. Capacity-building workshops on product design, process improvement, and business model adaptation should be encouraged, enabling startups to continually innovate and expand their workforce as they scale.

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