AI-Driven Innovation and SME Development in Emerging Economies: A Focus on Nigeria

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Small and Medium-sized Enterprises (SMEs) are considered backbone of any economy growth, employment generation, and innovation in emerging economies. In Nigeria, SMEs account for over 90% of businesses and contribute significantly to national development. This study examines the role of Artificial Intelligence (AI) in enhancing SME development in Nigeria. Existing studies on AI have largely focused on developed economies, with limited attention given to how AI can support SMEs in emerging nations such as Nigeria. Using a qualitative research design, data were collected through interviews with SME operators across sectors including technology, manufacturing, education, and pharmaceuticals. The findings reveal that although Nigerian SMEs recognize the potential benefits of AI in improving efficiency, productivity, customer service, and decision-making, AI adoption remains low due to poor infrastructure, limited digital literacy, inadequate funding, and lack of awareness about AI technologies. Most SMEs still rely heavily on manual business operations. The study concludes that AI-driven innovation can significantly improve SME competitiveness and sustainability in Nigeria if the necessary support systems are provided. The study recommends increased government investment in digital infrastructure, affordable AI training programs for entrepreneurs, improved access to finance for technology adoption, and stronger collaboration between government agencies, financial institutions, and technology firms to promote AI integration among SMEs.

Keywords: Artificial Intelligence, SMEs, Innovation, Digital Transformation, Emerging Economies, Nigeria.