Research Paper   Open Access

DETERMINANTS OF SMALL BUSINESS PERFORMANCE IN OYE LOCAL GOVERNMENT, EKITI STATE, NIGERIA

Omolade Oluwatoyin Funmilayo
Department of Accounting. Afe Babalola University, Ado Ekiti, Nigeria

ABSTRACT: This study was design to access the factors determining the performance of small and medium enterprises (SMEs) in Oye Local Government, Ekiti State, Nigeria. A total of one hundred (100) questionnaires were administered to respondents of which one hundred fifty (100) were also returned.Descriptive survey design was used for the study. The population of the study is one thousand two hundred and forty (1, 240), a sample size of one hundred (100). From the strata, random selection technique was applied in choosing the number that will represent the sample size. Data were generated using questionnaire. Data collected were presented in tables and analyzed using descriptive statistical tool was used to analyze the data collected. The results of the analysis show that both financial and technological determinants are significant while infrastructural determinants were not. It is recommended that government should improve on the infrastructural facilities in the local government to improve the performance of the SMEs.
KEYWORDS: *SMEs, Determinants, Performances*

I. INTRODUCTION

Small businesses are privately owned corporations, partnerships, or sole proprietorships which have fewer employees and/or less annual revenue than a regular-sized business or corporation. Businesses are defined as "small" in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry. Small businesses range from fifteen employees under the Australian Fair Work Act 2009, fifty employees according to the definition used by the European Union, and fewer than five hundred employees to qualify for many U.S. Small Business Administration programs. While small businesses can also be classified according to other methods, such as annual revenues, shipments, sales, assets, or by annual gross or net revenue or net profits, the number of employees is one of the most widely used measures.

Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers or trades people (e.g., carpenters, electricians), restaurants, guest houses, photographers, very small-scale manufacturing, and Internet-related businesses such as web design and computer programming. Some professionals operate as small businesses, such as lawyers, accountants, dentists, and medical doctors (although these professionals can also work for large organizations or companies). Small businesses vary a great deal in terms of size, revenues, and regulatory authorization, both within a country and from country to country. Some small businesses, such as a home accounting business, may only require a business license. On the other hand, other small businesses, such as day cares, retirement homes, and restaurants serving liquor are more heavily regulated and may require inspection and certification from various government authorities.

Small business occupies a place of pride in practically every nation due to their momentous roles in development and growth of diverse economies. Pertinently, they have been referred to as the engine of growth and catalysts for socio-economic transformation of any given nation. As observed by Basil (2005), small business represent a genuine vehicle for the accomplishment of national economic objectives in aspects of employment generation, poverty diminution (at low investment cost) and development of entrepreneurial potentials together with indigenous technology. Hatch and Dyer (2004) repute that in today's knowledge economy, small business performance and competitive advantages are attained more from experience and skills possessed by the workforce. According to Ojukwu and Sajuyigbe (2015), the experience and skills possessed by the workforce of small business permit them to stay ahead of others. This view is further supported by Rogers (2003) that the ability to build a successful small business and harness performance depends largely on the experience and skills of workforce. In the same way, the above positions have been well elaborated by the Resource-Based Theory (RBT). According to the RBT view, the more viable resources a firm has, the stronger its competitive advantage and performance. These resources could be the workforce experience, skills, and

talents (Zander &Kogut 1995; and Maran, Lawerence&Maimunah, 2009). In response to this, most small businesses have clinched the idea of retaining an experienced and skilled workforce as a way of gaining competitive edge so as to boost or advance performance (Mohammed &Sadegheh, 2016). Consequently, employee experience and skills have now become divisions of attempts to accomplish a cost-effective and augmented firm performance. In the world where knowledge and communication have gained mounting import, human capital, which shows the degree of knowledge, practical skills and experiences, and resourcefulness, is measured as dynamic assets of an organization (Hendricks, 2002). Moreso, Davenport (1999) observes that people possess instinctive capabilities, experience, skills and that these elements make up human capital. A well-skilled and experienced workforce could boost SMEs performance (Yahya, Othman &Shamsuri, 2012). Thus, in order for SMEs to have a sustainable performance, they must focus on factors such as experience and skills of employees in order to increase competitive edge and boost their survival.

Many small business owners lack the knowledge of sustainability strategies to enhance their businesses (Meflinda, Mahyarni, Indrayani, &Wulandari, 2018). Small and medium enterprise owners also do not realize and consider the different organizational some of the reasons that jeopardize the growth and sustainability of SMEs in Oye-Ekiti are stakeholders and how they affect an organization's sustainability (Mile, 2017). Further, high employee turnover, low employee engagement, low employee motivation to improve the success of the business, lack of customer loyalty and continuous patronage, and low community support (Reina, Roger, Peterson, Byron, & Hom, 2018).Various researchers have conducted studies on the sustainability of small business with a factors (Wang, 2016; Quarter, Turkson, Abor, &Iddrisu, 2017).

In this study, I explored focus on external factors such as lack of capital, but less focus has been on internal and external organizational factors to sustain their small business. Such knowledge could provide how small business owners under Oye Local Government could deploy sustainability strategies comprised of internal awareness to help SME owners sustain their business beyond 5 years.

Base on the current situation on small and medium enterprises (SMEs) in Oye Local Government. Within the last two to three years, it appears that the numbers of small and medium enterprises (SMEs) in Oye Local Government has been increasing but yet the mortality rate among the new ones is still very high that is they start and fold up) within a very short period of time despite the fact that the university has increase their patronage. This calls for investigation as there appears to be some factors that determine the performance of these small businesses.

Therefore, it calls to question; what are those things that influence the performance and that can affect their performance.

II.   LITERATURE REVIEW

There have been some researches around performance of the SMEs in Nigeria generally. However, many of these researches are focused on different geographical location in the country and outside the country. Despite this trend, there is yet to be a consensus in the factors that actually determine the performance of SMEs hence this study is another contribution to the existingliteratures. Some os these studies are reviewed as follows;

For instance, Vătavu (2014) used OLS, fixed and random effect models, and the Generalized Method of Moments (GMM) to discover the size that affects firm profitability positively, whereas debt to equity has a negative effect. Berger and Di Patti (2006) provided evidence that increased leverage has a beneficial effect on firms' profitability in the US banking sector.

Abdissa and Fitwi (2016) have determined the factors affecting the performance of SMEs in the manufacturing, trade, and service sectors in the Bench Maji, Sheka, and Kefa zones. Their results show that the nine following factors were statistically significant: Political; Social; Land available; Technological factor, Infrastructural factor; Marketing factors; Financial factor; Management factor; Entrepreneurial factors. Odusanya et al. (2018) conducted a GMM analysis on 114 non-financial firms in Nigeria between 1998 and 2012. The research found a positive relationship between size and profitability but a negative relationship between leverage and profitability.

Matar et al. (2018) examined the impact of macroeconomic and firm-specific factors on corporate performance. The findings indicated that GDP and INF influence corporate performance, whereas the interest rate has a negligible effect. Additionally, Ibhagui and Olokoyo (2018) stated that the adverse effect of debts on performance is most significant for small businesses, and the evidence of a negative impact diminishes as the business grows.

Cicea et al. (2019) examined the effect of specific economic and social factors on SMEs' short—and long-term performance. Their findings showed variables, such as the Corruption Perceptions Index (CPI), Funds absorption rate (FAR), Unemployment (UR), and GDP affecting SMEs' performance that had established unidirectional causal relationships with it. Cointegration relationships occur more frequently, especially in the

long-term, and the coefficients that result from the estimation of regression equations applied to the residuals can be interpreted with a confidence level of 90% to 95%.

Tunyi et al. (2019) investigated the relationships between firms' internal capabilities, national governance quality (NGQ), and performance in Africa. Their study has shown the interconnections between firms' internal and external environments influence corporate performance. Specifically, they discovered that the firms' internal capabilities (as measured by financial resource availability and growth prospects) are critical factors to enable performance in weak and strong institutional environments.

Besides, Qalati et al. (2021) mentioned that the dynamic business environment had increased SMEs' competition, causing active interaction between owners and internal, external stakeholders. The study's findings point out technology, organization, and environment all contribute significantly to SME performance. More importantly, social media adoption positively mediates the relationship between technology, organization, environment, and performance of small and medium-sized businesses. The study assists organizations in recognizing the benefits of social media use and clarifies the rationale for an organization's investment in social media.

III. METHODOLOGY

This section of the paper explains the methodology adopted for the study. The techniques and the procedures used in undertaking the study are presented in this section. The chapter therefore highlights on the research design, data requirements and sources, data collection tools and methods, sampling techniques as well as data processing employed for the research.

Research Design

It is the overall scheme or program of the research (Creswell, 2014). This consider research design that utilized a descriptive-qualitative approaches to gather, treat, analyze and show information (Caruth, 2013; Tungka, 2016) with accurate and substantial information.

Agreeing to Akuezilo and Agu (2003), a descriptive survey research generally involves the collection of information from a characterized populace to describe opinion, status, benefits and views of the populace utilizing the variables beneath the study. This approach was choose since it has the advantage of allowing the researchers to accumulate information from huge tests to represent all components within the consider region while also being compatible with statistical analysis.

Population

The population of the study includes random population of the small business owners in Oye Local Government. However, only three (3) towns are considered in this study to form the sample frame. These three (3) towns were chosen randomly which are Aiyegbaju, Oye and Ilupeju. This incorporates all males and females from 18-35 years who are business owners of the aforementioned towns under Oye Local Government.

Sample and Sampling Techniques

A simple random sampling technique will be utilized to select 100 respondents from the population.A simple random sampling is a sampling strategy utilized in research study that falls beneath the category of probability sampling. When this strategy is utilized, it gives everyone within the target populace an equal and known probability of being selected as a respondent in the sample group.In other words, simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. A simple random sample is meant to be an unbiased representation of a group. The analyst can make a number, after which numbers are selected at random basis.

Method of Data Collection

Data collection varies and depends upon the kind of problem. Some data are obtained through controlled experiment a few are collected as a by-product of day-to-day administrative activities. However, this study employed the primary sources of data collection which is questionnaire.This refers to statistical materials which the investigator or analyst originates for the purpose of inquiry in hand. Data which are expressly collected for a specific purpose are referred to as primary data. One great advantage of primary data is that the exact information required is obtained. For instance, the collection of fact and figures relating to the population in the census provides primary data.

Method of Data Analysis

A mean score rating method was used to analyze the data based on 2.5 acceptance region format to answer the research questions, while to address the research hypothesis, the chi-square was used.

IV. RESULTS AND DISCUSSION

This section of the paper presents, analyses and discuses the results that have been gathered on the field. This starts with the descriptive analysis of the demographic features.

Table 1: Demographic analysis

Variables	Frequency	Percentage		
Gender				
Male	62	62%		
Female	38	38%		
Age				
20 – 35 years	52	52%		
36 – 50 years	27	27%		
51 – 65 years	15	15%		
66 years and above	6	6%		
Years of managing your business				
1 – 5 years	7	7%		
5 – 10 years	37	37%		
10 – 15 years	47	47%		
15 years and above	9	9%		
Educational qualification				
OND	21	21%		
B.Sc / HND	56	56%		
M.Sc / MBA	14	14%		
Others	9	9%		

Source: Authors Computation, 2023

The frequency distribution and demographic data of the respondents are further represented in this section. As shown in Table 4.0, 62% of the respondents are male while 38% are female.52% of the respondents are between of 20 – 35 years, 27% of the respondents are between 36 – 50 years, 15% are between 51 – 65 years, and 66 & above are 6%. This suggests that the majority of the respondents are within the age of 20 – 35 years. The respondents years of managing their business was also asked and it was revealed that 7% of the respondents have 1 -5 years of experience of managing their business, 37% have 5 - 10 years of managing experience, 47%have 10 – 15 years of managing experience and 9% have 15 years' experience and above. The level of education of the respondents was asked and it was revealed that 21% are OND holders, 56% are B.Sc / HND holders,14% are M.Sc / MBA holders and 9% are other degree holders. This shows that most of the respondents are B.Sc/HND holders and therefore have the intellectual capacity to answer the questionnaire.

Analysis of the determinants

This section discusses the regression result on each of the salient determinants of SMEs performance in Oye Local Government in Ekiti State

Table2: Model Summary for Financial determinants

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.041ᵃ	.002	.009	3.15265

a. Predictors: (Constant), Financial determinant

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.627	3.288		7.186	.000
	FINDET	.045	.111	.041	.401	.025

a. Dependent Variable: Business Performance

ANOVAᵃ					
Model	Sum of Squares	Df	Mean Square	F	Sig.

1	Regression	1.601	1	1.601	.161	.025[b]
	Residual	974.039	98	9.939		
	Total	975.640	99			
a. Dependent Variable: Business Performance						
b. Predictors: (Constant), Financial Determinant						

Source: Authors Computation, 2023

Model summary in table 2 above show that coefficient of correlation (R) is to determine the extent to which financial determinant affect business performance in Oye Local Government. It has a value of 0.041 indicating that the strength of the relationship between financial determinant and business performance is about 4.1% which indicate that there is a positive weak relationship between financial determinant and business performance in Oye Local Government. Table 4.7 further shows that the coefficient of determination (R^2) has a value of 0.002 and adjusted R^2 value of 0.009, the adjusted R^2 value is considered because it shows how fit the model is which implies that 0.9% of the changes in business performance is attributable to financial determinant in Oye Local Government. The other percent is capture by the error terms which are the other variable not considered in the research. The table above shows the standardized Coefficients of financial determinant on business performance with a value of 0.041 which implies that 1 percent increase in financial determinant brings about 0.041 percent increase in business performance of small business owners in Oye Local Government. Table 4.9 shows the F-statistic of the model which stands at 0.161 with ($p = 0.025<0.05$) which shows the overall model is significant and reliable for decision making. Hence, we conclude that there is positive significant relationship between financial determinant and business performance in Oye Local Government.

Table 3: Model Summary for Technological determinants

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.059[a]	.003	.007	3.14975
a. Predictors: (Constant), Technological determinant				

Coefficients[a]					
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.690	2.162		10.960	.000
	TECDET	.060	.103	.059	.585	.032
a. Dependent Variable: Business performance						

ANOVA[a]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.390	1	3.390	.342	.032[b]
	Residual	972.250	98	9.921		
	Total	975.640	99			
a. Dependent Variable: Business performance						
b. Predictors: (Constant), Technological determinant						

Source: Authors Computation, 2023

Model summary in table 3 above show that coefficient of correlation (R) is to determine the extent to which technological determinant affect business performance in Oye Local Government. R has a value of 0.059 indicating that the strength of the relationship between technological determinant and business performance is about 5.9% which indicate that there is a positive weak relationship between technological determinant and business performance in Oye Local Government. Table 5.0 further shows that the coefficient of determination (R^2) has a value of 0.003 and adjusted R^2 value of 0.007, the adjusted R^2 value is considered because it shows how fit the model is which implies that 0.7% of the changes in business performance is attributable to technological determinant in Oye Local Government. The other percent is capture by the error terms which are the other variable not considered in the research. The table above shows the standardized Coefficients of technological determinant on business performance with a value of 0.059 which implies that 1 percent increase in technological determinant brings about 0.059 percent increase in business performance of small business owners in Oye Local Government. The F-statistic of the model which stands at 0.342 with ($p = 0.032<$

0.05)which shows the overall model is significant and reliable for decision making. Hence, we conclude that there is a positive significant relationship between technological determinant and business performance in Oye Local Government.

Table 4: Model Summary for Infrastructure determinants

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.171[a]	.029	.019	3.10871
a. Predictors: (Constant), Infrastructure determinant				

Coefficients[a]					
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	28.458	2.070		13.748	.000
	INFDET	-.172	.100	-.171	-1.719	.089
a. Dependent Variable: Business performance						

ANOVA[a]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.561	1	28.561	2.955	.089[b]
	Residual	947.079	98	9.664		
	Total	975.640	99			
a. Dependent Variable: Business performance						
b. Predictors: (Constant), Infrastructure determinant						

Source: Authors Computation, 2023

Model summary in table 4 above show that coefficient of correlation (R) is to determine the extent to which infrastructure determinant affect business performance in Oye LocalGovernment. Rhas a value of 0.171 indicating that the strength of the relationship between infrastructure determinant and business performance is about 17.1% which indicate that there is a positive weak relationship between infrastructure determinant and business performance in Oye Local Government. Table 5.3 further shows that the coefficient of determination (R^2) has a value of 0.029 and adjusted R^2value of 0.019, the adjusted R^2value is considered because it shows how fit the model is which impliesthat 1.9% of the changes in business performance is attributable to infrastructure determinant in Oye Local Government. The other percent is capture by the error terms which are the other variable not considered in the research. The table above shows the standardized Coefficients of financial determinant on business performance with a value of -0.171,which implies that 1 percent increase in infrastructure determinant brings about -17.1 percent decrease in business performanceof small business owners in Oye Local Government but this is not significant. The table shows the F-statistic of the model which stands at 2.955 with (p = 0.089 > 0.05)which shows the overall model is not significant for decision making. Hence, we conclude that there is no positive significant relationship between infrastructure determinant and business performance in Oye Local Government.

V.   CONCLUSIONS AND RECOMMENDATIONS

The purpose of the study is to investigate the determinate of small business performance in Oye local government. The research Finding concluded that but finance and technological determinant affect business performance positive and significantly this research finding is consistent with that of (SharmileeSitharam and Muhammad Hoque 2016) why infrastructural determinant negatively and insignificantly affect business performance in Oye local government. Finance is known to be the lifeblood of any business without it there can't be business which in turn means there would be performance. Technology is essential to small business in Oye local government, for small business in Oye to stay relevant and to remain competitive, adoption of technology to their business should be consider. Infrastructures determinant do negatively affect performance due to competition it brings to businesses in Oye which is not healthy to businesses with less financial strength to compete. Government should spread infrastructural development to area that is less develops in Oye local government to create more opportunity for small business owners.

Recommendation

In ensuring effective small business performance in Oye Local Government, the following are hereby recommended:

- Government should make loan easily accessible to small business
- To be able to confront competition, collaboration between small businesses should be considered. By entering into joint ventures, the opportunity to combine strengths, information and technological capabilities to increase sales or to enhance their customer base.
- Small business owner need to continuously evaluate the environment that they operate in, understanding their competitors and their offerings/service.
- Government should ensure that technology requires for Small business to strive and to stay competitive should be made easily accessible and less expensive because small business are the driving force of economic growth.
- Government should spread infrastructure development to less develop area in other to create more business opportunity to business holder and easy competition among small business.

REFERENCES

[1]. Abbasi, W. A., Wang, Z., &Abbasi, D. A. (2017).Potential sources of financing for small and medium enterprises (SME) and role of government in supporting SMEs. Journal of Small Business and Entrepreneurship Development, 5, 39-47.doi:10.15640/jsbed.v5n2a4

[2]. Abbasi, W. A., Wang, Z., &Alsakarneh, A. (2018). Overcoming SMEs financing and supply chain obstacles by introducing supply chain finance. Holistical, 9(1), 7-22.doi:10.1515/hjbpa-2018-0001

[3]. Abdelkafi, N., & Tauscher, K. (2016). Business models for sustainability from a system dynamics perspective. Organization & Environment, 29, 74-96.noi:10.1177/1086026615592930

[4]. Abdul, O. E. (2018). Entrepreneurial skills and growth of small and medium enterprise(SMEs): A comparative analysis of Nigerian entrepreneurs and minorityentrepreneurs in the UK. International Journal of Academic Research in Businessand Social Sciences, 8, 27-46. doi:10.6007/ijarbss/v8-i5/4083

[5]. Abolade, D. A. (2018).Impact of employees' job insecurity and employee turnover on organizational performance in private and public sector organizations. Studies in Business and Economics, 13(2), 5-19. doi:10.2478/sbe-2018-0016

[6]. Adebayo, T. S., Alheety, S. N. Y., &Yusoff, W. S. (2019). Factors affecting SMEs'internalization process in the southwest Nigeria. International Journal of Entrepreneurship and Management Practices, 2, 44-62. Retrieved fromhttp://www.ijemp.com96

[7]. Adebiyi, A. J. (2017). Performance of small and medium enterprises in Lagos State: The implications of finance. International Journal of Research, Innovation andCommercialization, 13(5), 72-83. Retrieved from http://journals.univ-danubius.ro/

[8]. Beck, T, A Demirgüc-Kunt and V Maksimovic (2005). Financial and legal constraints to growth: Does firm size matter? Journal of Finance, 60(1), 137–177. Bernard, AB and JB Jensen (1999). Exceptional exporter performance: Cause, effect, or both? Journal of International Economics, 47(1), 1–25.

[9]. Fox, JT and V Smeets (2011). Does input quality drive measured differences in firm productivity? International Economic Review, 52(4), 961–989. Garcia, MU (2005). Training and business performance: The Spanish case. International Journal of Human Resource Management, 16(9), 1691–1710.

[10]. Kasahara, H and J Rodrigue (2008). Does the use of imported intermediates increase productivity? Plant-level evidence. Journal of Development Economics, 87(1), 106–118. Keller, W (2004). International technology diffusion. Journal of Economic Literature, 42(3), 752–782. Konings, J (2001). The effects of foreign direct investment on domestic firms: Evidence from firm level panel data in emerging economies. Economics of Transition, 9(3), 619–633