EFFECT OF ENVIRONMENTAL FACTORS ON SMALL SCALE BUSINESSES PERFORMANCE IN KANO AND SOKOTO STATES

BY

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M.Sc/ADMIN/13510/2010-11

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DECLARATION

I declare that this thesis titled "Effect of Environmental factors on Small Scale Businesses (SSBs) Performance in Kano and Sokoto States" is the outcome of my research efforts. To the best of my knowledge and belief, this work has never been submitted to any institution for the award of a degree or certificate of whatever kind. The various sources of information used have been duly acknowledged by means of references.

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Salihu Abubakar Date

M.Sc/ADMIN/13510/2010-11

CERTIFICATION

This is to certify that this thesis titled "Effect of Environmental Factors on Small Scale Businesses (SSBs) Performance in Kano and Sokoto States" by Salihu Abubakar (M,Sc/Admin/13510/2010-2011) meets the regulations governing the award of the degree of Master of Science (M.Sc) in Business Administration of Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

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DEDICATION

This work is dedicated to my late parents, May the Almighty Allah forgive them and reward them with Aljannatul Firdaus.

ACKNOWLEDGEMENT

My profound gratitude and thanks be to Almighty Allah, for His divine protection, blessing, love, kindness, power, providence, grace, mercy, and for sustaining my life to this time and making this research work a reality.

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ABSTRACT

This is survey study carried out to investigate the SSBs performance and examine the impact of environmental factors on SSBs performance in Kano and Sokoto states. Questionnaire methods were mainly used to collect data from the sampled SSBs. The data was analyzed using multivaried discriminant analysis and multiple regression technique in order to assess the level of performance as well as establish the significance of the relationship. The findings of this study clearly show that SSBs record low performance within the period studied and environmental factors have significant impact on their performance in Kano and Sokoto states. The study recommends that government should create enabling environment for both existing and potential investors in the sector, through provision of adequate infrastructures, financial support and formulation of policies favorable to SSBs.

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CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Small scale businesses (SSBs) constitute large population of businesses worldwide and they play a significant role in the economy. Consequently, the performance of small scale enterprises sub-sector is closely associated with the performance of the nation. SSBs play very important role towards fostering accelerated economic growth, development and stability within several economies. They play tremendous roles in employment generation, provision of goods and services, creating better standard of living, as well as contributing to the growth of Gross Domestic Product (GDP) of the nation, (OECD, 2000). Small firms create new jobs, open up opportunities for upward social mobility, foster economic flexibility, and contribute to competition and economic efficiency (Liao, Welsch, & Moutray, 2009). SSBs are the driving force for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved. Furthermore SSBs has been recognized as a feeder service to large- scale industries (Fabayo, 2009).

Studies have indicated that SSBs provide an effective means of stimulating indigenous enterprises, enhancing greater employment opportunities per unit of capital invested and aiding the development of local technology (Sule, 1986; and World Bank, 1995). SSBs help in mobilizing surplus income and resources through savings for investment. In similar vein they also encourage, as well as, promote the use of local raw materials. Their nationwide spread contributes to a more equitable income distribution among individuals and regions, as well as mitigating rural-urban migration. They also enhance the strengthening of industrial linkages and the integration of industry with other sectors

of the economy via production of intermediate products such as raw materials and spare parts.

In Nigeria, for instance the recent survey of formal sector of small and medium enterprises by National Bureau of Statistics (NBS) and Small and Medium Scale Enterprises Development Agency (SMEDAN) reveals that 92.8 per cent of the enterprises are small scale while 7.22% are medium scale enterprises, (NBS/SMEDAN, 2012). Small scale businesses represent about 90% of the industrial sector in terms of the number of enterprises; they also account for 70% of national industrial employment if the threshold is set at 10 – 50 employees, and contribute 10% of manufacturing output in Nigeria (Ajayi, 2002). Anwatu (2006) opined that 75% of the private sector in Nigeria is dominated by small scale enterprises reiterating that Organized Private Sector (OPS) is the engine of growth and creator of wealth and employment. The Nigeria Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA), (2006) argued that Small businesses are the vehicle for rapid industrialization and development of any nation. Eke (2007) argued that small businesses account for over 93 % of the total entrepreneurs in Nigeria.

However, despite the number of SSBs and assistance given to them by government and other agencies toward sustainable economic development, the performance of the sector still fall below expectation in Nigeria, (Basil, 2005 & Abiodun, 2011). This may be because the sub-sector has been bedeviled by several environmental factors militating against its performance. Thus, this study assess the performance of SSBs in Kano and Sokoto from 2005 to 2012, and also examine the extent to which the major environmental factors (internal and external) impacted on the performance of SSBs in the two states using profit, sales (revenue) and employment (number of employees) as performance indicators.

Business performance refers to the firm's success in the market, which may have different outcomes (Lebas & Euske, 2002). Therefore, strategically business performance is often referred to as firm success or failure. Business performance is a focal phenomenon in business studies. Therefore looking at the firm as a complex organization seeking to survive or thrive in its competitive environment, performance evaluation and measurement systems serve as a key contributor to the perceptual and coordination/control capabilities of the firm. Firms evaluate their performance to help monitor and control specific activities; to predict future internal and external states; to monitor state and behavior relative to its goals; to make decisions within needed time frames; and to alter the firm's overall orientation and/or behavior. Firm performance measurement has been described in terms of the extent to which a firm's economic and strategic objectives are achieved in the market place. Since essentially all firms regularly set and refine strategic and economic goals for their pursuits, high performance is the function of the degree to which the firm has achieved its goals. Accurate business performance evaluation is a key to success for enterprises. As such the research in the area of SSBs performance assessment is necessary for the success of SSBs in developing countries like Nigeria.

A business organization could measure its performance using the financial and non-financial measures. Recognizing the limitations of relying solely on either the financial or non-financial measures, owner-managers of the modern SSBs have adopted a hybrid approach of using both the financial and non-financial measures. The selection of performance measures that reflect the true situation of small and medium businesses with some degree of certainty and reliability is indeed a crucial process. The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose their own performance measure. As such this study

used both financial and non-financial indicators to assess the performance of sampled SSBs.

The factors affecting business performance are many and varied, and may stem both from the external environment as well as from factors internal to the business. Internal factors affecting business performance may in many cases be capable of being foreseen in advance, while on the other hand some external factors are not so predictable. In most cases, a complex mixture of factors influence the performance of the business; it is very rare for one single factor to be involved. A high proportion of new ventures are closed down during their first years of life, and many small scale businesses are closed down every year, indicating that these firms were not able to maintain the alignment with their environment.

Akabueze, (2002) succinctly stated that it would seem reasonable to expect that small businesses would grow and flourish, but the rate of small business failure continues to increase because of the obstacles affecting their performance which include: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as poor infrastructure, corruption, low demand for products and services, and poverty. Others include: shortage of raw materials, handicap in obtaining finance, inadequate competent personnel, inability to control costs and problems of dumping of cheap foreign products and others. It is therefore essential to understand the problems associated with small and medium business performance in developing countries.

In almost all economies, high performances of SSBs are vital for sustained growth. Low performance and high failure rate of SSBs have huge negative effects on the economy, especially a developing economy with limited capital. Therefore the reason for poor

business performance is worth investigating. Thus, this study intends to assess the performance of SSBs in Kano and Sokoto states within the period under review (2005-2012). The study also examine the major internal and external environmental factors influencing the performance of SSBs in Kano and Sokoto states using both financial and non-financial performance indicators which include profit, sales (revenue) and employment (number of employees). The study selected the following environmental factors for analysis as the most crucial factors affecting SSBs performance: Management Inefficiency (Poor managerial skills, poor planning, & poor record keeping), Marketing and Sales Problems (lack of creating awareness, lack of marketing research, & poor sales effort), Inadequate Infrastructure (poor access road, inadequate water supply & inadequate power supply), Market Competition (non-patronage due to competitors, lack of modern technology, & lack of access to advertisement facilities), and Financial Inadequacy (lack of access to external funds, high interest rate & lack of collateral).

1.2 Statement of the Problem

SSBs are the engine of growth and development of most developed and developing nations in the world, but unfortunately the state of economic growth of Nigeria appears to be very low despite the large concentration of businesses in the country. The poor contribution of SSBs to the development of the country may be due to some internal and external business environmental factors such as management inefficiency, marketing and sales problems, inadequate infrastructure, market competition, and financial inadequacy that are militating against the performance of SSBs in term of their profit, sales and employment generation.

Small and medium enterprises (SMEs) in Nigeria have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Nigeria, (Basil, 2005). Year in year out, government at federal, state and local level make an effort in support of entrepreneurship development, but still the contributions of SSBs to economic development is low. It is worrisome that despite the incentives, favorable policies, regulations and preferential support by government aimed at improving SSBs, the sub-sector have performed below expectation in Nigeria (Abiodun, 2011).

Inspite of the large volume of studies on SSBs in developing countries, there is a death of literature on studies relating to business performance evaluation particularly in the North West of Nigeria. Most of empirical studies conducted in developing countries particularly in Nigeria are mainly related to the problems of SSBs, but the question of the extent to which environmental factor(s) affect the profit, sales and employment of SSBs and assessment of their performance in Kano and Sokoto states has not been thoroughly investigated.

1.3 Research Questions

The study was designed to seek answers to the following research questions:

i. What is the level of SSBs performance in Kano and Sokoto states?

ii. To what extent does environmental factors affects the profit of SSBs in Kano and Sokoto states?

iii. What are the impacts of environmental factors on sales/revenue of SSBs in Kano and Sokoto states?

iv. To what extent does the environmental factors impacted on employment of SSBs in Kano and Sokoto states?

1.4 Objectives of the Study

The main aim of this study is to evaluate the level of performance of SSBs and examine the factors affecting their performance in Kano and Sokoto states. Thus, the specific objectives of this study are to:

i. Assess the level of SSBs performance in Kano and Sokoto states.
ii. Examine the impact of environmental factors on the profit of SSBs.
iii. Examine the impact of environmental factors on sales/revenue of SSBs.
iv. Examine the impact of environmental factors on employment of SSBs.

1.5 Research Hypotheses

In order to achieve the stated objectives of the study, the following formulated hypotheses are proposed for testing:

Hypothesis 1: SSBs performance is not significantly high in Kano and Sokoto states.

Hypothesis 2: Business environmental factors do not have significant impact on the profit of SSBs in Kano and Sokoto states.

Hypothesis 3: Business environmental factors do not have significant impact on the sales (revenue) of SSBs in Kano and Sokoto states.

Hypothesis 4: Business environmental factors do not have significant impact on employment of SSBs in Kano and Sokoto states.

1.6 Significance of the Study

Given the importance of SSBs to the nation's economic growth, and also the role they plays in reducing poverty and unemployment, the result of this study would be of great importance to government, researchers and major stakeholders such as investors, staffs, managers, business consultants, financial analyst and consumers. It's expected to contribute to SSBs sub-sector development process in developing countries and even developed countries that share similar environmental factors influencing business performance.

In a globalized economy, there is increase recognition that identifying the factors hindering SSBs performance in a developing country may be meaningful in terms of assistance developed countries provide to developing countries in the area of SSBs development. Thus, the result of this study is expected to help both Nongovernmental organizations (NGOs) and international agencies that assist in the area of SSBs and entrepreneurship development.

The study would draw the management and policy maker's attention to the urgent need for specific management practice to enhance the effectiveness and sustainability of SSBs in Kano and Sokoto states. The study can also assist local entrepreneurs in formulating strategies that will guide against poor business performance.

From the academic perspective the study insights should contribute to the future development in this area of research, particularly in a developing country like Nigeria. Therefore, the findings of this study are expected to contribute to the existing literature on SSBs performance and factors affecting their performance. Thus, the study addresses an issue currently agitating the minds of academics, corporate decision makers, foreign and local investors, and government as well. It comes at the time when the country is

considering very seriously, and is implementing several policies that are aimed at development of SSBs sub-sector. Given the importance of SSBs understanding the environmental factors negatively affecting their performance in Nigeria is a vital first step in managing and avoiding poor SSBs performance.

1.7 Scope of the Study

This study assesses the level of performance of SSBs from 2005 to 2012, and investigates the major environmental factors determining SSBs performance in Kano and Sokoto states. The reason behind selection of 8 years period (2005-2012), is for easy identification of SSBs owners and manager that operate within that period, second to ease analysis in terms of model formulation and control, and third during this period considerable efforts were made by governments and other stakeholders in order to improve SSBs development.

However, it is impossible for any study limited by time and resources to examine the performance of the entire SSBs sub-sector in Kano and Sokoto states. As a result, this study is restricted to small scale businesses that are operational from 2005 to 2012 in the two states. Those States were selected because first, they are among the commercial centers in north western states of Nigeria in term of concentration of SSBs. Second they are among the most populous states in the region, third considering the similar geographical features and location of the two states. For the purpose of this study SSBs are those enterprises that have 10-49 employees as classified by NBS/SMEDAN, (2012).

The study would use both financial and non-financial performance indicators which include profit, sales (revenue) and employment generation. Environmental factors that may determine business performance are many and varied, as such this study focus on

two (2) internal and three (3) external key environmental factors. Therefore this study will examine the extent to which the selected environmental factors affect the performance of SSBs in Kano and Sokoto states from 2005 to 2012.

1.8 Limitations of the Study

The focus of this study is on assessment of SSBs performance; therefore its major limitation is mainly about availability and reliability of data from the sampled SSBs due to poor record keeping. Also accessibility to the data that is necessary for assessing business performance is difficult, because it involved financial data of those SSBs. Watson and Everett, (1999a) suggested that "lack of reliable data is a major difficulty in studying small business, stating that once a small business was not performing well or has ceased operation, the information concerning the business becomes difficult to obtain". In the test of hypothesis one the study could have use Edmister model of discriminant analysis consisting of seven variables but due to the problem of poor and inadequate record keeping by SSBs, we used alternative Springate model of multi varied discriminant analysis consisting of four variables, also the study could have use published annual reports and account of the sampled SSBs which secondary data for testing hypothesis one, but still due to improper record keeping by the SSBs, the research have to use the primary source to collect the data.

We try to mitigate the problem of availability of data by adopting the survey questionnaire method of data collection and purposive sampling technique, which is non-probability method. Jankowicz (2005) noted that where there is difficulty of accessing data, the non-probability method is more suitable, but still obtaining high response rate was not an easy task, because of the apathetic attitude towards questionnaires. Also, the prevailing economic condition which has affected SSBs made some of them to conclude that the exercise had nothing to offer.

The problem of unreliability of data also portends danger of error and misjudgment. However these limitations were overcome by the researcher, we are able to convince the respondents that the information provided is strictly an academic exercise that can lead to improved and enhanced business performance, by drawing the attention of policy maker's on the importance of SSBs to the nation development, in order to creating an enabling environment for SSBs to operate towards better performance. We also convince the respondent that the data collected from them would be use as confidential as possible and will not be us for any purpose except this research work.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the existing related literatures that are essential to this research works, which provide the foundation on which this research is built. This study reviewed range of related literature available, and it also presents the theoretical framework that defines the basis for this research. The chapter contains; the concept of small scale business (SSB), definitions of SSB, the importance of small scale enterprises, problems and challenges of SSBs in Nigeria, concept of business performance, small business performance: success and failure, the firm and its environment, previous studies on SSBs performance, Comparative studies of success and failure factors, determinant of small business performance, key performance indicators, business performance measurement, factors affecting business performance, and theoretical framework.

2.2 Concept of Small Scale Business

Business is fundamental to the well-being of every society. Small scale enterprises exist in all economic environments. Most people have an idea of what is meant by small-scale business, but defining it poses a problem. How it is defined depends on who is defining it and the purpose for which it is defined. Thus, there is no universally accepted definition of small-scale business, because the classification of business into large, medium or small scale is relative. Bandar and Presley (1992) observe that the different socio-economic structures of each country are the reasons for non-uniformity in definition of SSB.

Small scale business, small scale industry and small scale enterprise are used interchangeably. The criteria that have been used to define Small Scale Businesses include employment, capital investment, sales turnover, accessibility, output and in some cases, a blend of some or all of these criteria. In Nigeria and worldwide, there seems to be no specific definition of small business. Different authors, scholars, and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the others.

Individual countries' circumstances determine how micro, small, medium, and large scale enterprises are being defined in that country, however, in Nigeria, the current classification is based on the number of employees and assets (excluding land and buildings). In practice, the number of employees is the most common standard used in National SME policies worldwide. The criteria/ classification adopted in the recent enterprises survey in Nigeria is micro enterprises less than 10 employees, small scale enterprises 10-49 employees, medium scale enterprises 50-199 employees and large scale enterprises 200 and above employees, (NBS/SMEDAN, 2012).

2.3 The Importance of SSBs

The strategic importance of SSBs in the economic development of any nation is well recognized. Kilby (1965) observes that small and medium scale enterprises are the spring boards for inventions, adaptations and general technological development. According to Ogundele (2007), SSBs represent 90% of the enterprises in African, Caribbean and Pacific (ACP) countries. They also provide 70% of employment opportunities for the citizens and promote the development of local technology. Kuratko

and Hodgetts (2001) have observed that small businesses employ 53% of the private workforce and account for 47% of sales and 51% of private sector gross domestic product.

In Nigeria, much of the success of our economy has resulted from innovations of the individual entrepreneurs operating in an environment of private enterprise. The number of small scale enterprises in Nigeria has increased greatly in the last twenty years due largely to the general economic environment that may have encouraged the startup of well initiated and well run small enterprises (Oladunni, 2004, Orisanaye, 2004). Eke (2007) argued that small businesses accounts for over 93 % of the total entrepreneurs in Nigeria. Small scale enterprises in Japan accounted for about 99.4 % of the non-primary business establishments, employing 81.1 % of the country labour force and contributing 51.8% of the shipment (Cowdhury, & Kazuhiro 2007). Given the needed financial support small businesses ensure income stability, growth and development as averred Alabi, Alabi and Ahiawodzi,(2007). Owualah (1987) is of the view that economic development is a factor of industrialization, characterized by increasing growth of small scale enterprises (SSEs). These SSEs make invaluable contributions to the economies of both More Developed Countries (MDCs) and Less Developed Countries (LDCs).

The contributions that the SSEs have made to the economic development of various countries of the world especially the developing countries cannot be exhausted. Therefore Nigeria as a developing country cannot close eyes from the potentials of SSEs. In this wise, according to Asaolu (2004) a viable small scale enterprises sector in a country like Nigeria is in dire need of self-reliant industrial strategy to turnaround the economy. The implication of these issues on SSEs development calls for the attention of both the policy makers and academicians. This is because from the works of Abdukadir (1985) and Babalola (1982), at the end of 1979 over 80% of all establishments

registered under the Factory Act were small scale enterprises and according to NACCIMA (2006) 75% of the private sector is dominated by small and medium enterprises.

In developing economies, the role of SSBs is even more obvious and conspicuous to the degree they dominate economic activities, it can be inferred that they play significant role in whatever economic growth is recorded (Francis, 2000). Among other things, estimates put the percentage of labor force engaged by small businesses alone (i.e. excluding the medium-sized ones) as high as 25% in developing economies (Elkan, 1998). Elkan (1998) come to conclusion that small businesses are the most promising vehicle of entrepreneurial dynamism in Africa.

A study carried out by the Small Business Research Unit in the United Kingdom between the periods 1982-1988, showed that SMEs created between 8000,000 and 1,000,000 new jobs. Also, Gibb (1996) opined that small and micro enterprises were by far the most common form of enterprises in Europe and constitute over 98 percent of all registered companies, in Japan, the industrial strength of the nation is premised on SSBs, they employ more than 82 percent of the total labor force and account for more than 50 percent of the total manufacturing value added. In Nigeria, Kasimu (1998) opined that the SSBs have through NIDB assisted projects created more than 300,000 jobs and through the Nigeria Agricultural and Co-operative Bank (NACB), created more than 700,000 jobs.

Studies in five African countries (Botswana, Kenya, Malawi, Swaziland, and Zimbabwe) found that only micro and small enterprises (MSEs) generate nearly twice the level of employment that registered large-scale enterprises and the public sector do (Mead & Liedholm, 1998).

Small and medium scale industries generate employment for a lot of Nigerian. A lot of unemployed people and youths have found employment in small scale industries. A lot of small retail shops, cottages, restaurants, poultry farms, and telecommunication/ telephone shops have been established and managed profitably by Nigerian who would have been unemployed till date. The entrepreneurs have in turn provided jobs for other Nigerian who serves as support, technical and administrative staffs for them.

It has encouraged self-employment for many youths both in the rural and urban areas; the spirit of successful entrepreneurship has taken over the mind of Nigerians, who believe in themselves and in the goals of self-employments, instead relying on government jobs. In the telephone retail and rental jobs, a lot of youths and Nigerian have remained self-employed. Their businesses have expanded to the level of employing some other unemployed people. It has reduces the dependence on government and large firms on salaries employment this is evidenced from the liberalization policy of the government in the telecommunication and education sectors as a lot of companies have been established to provide support staff and employment for Nigerian.

Small scale industries have stimulated rural development and the achievement of a meaningful level of broad economic and rural development. To reduce the migration from rural to the urban centers, Some infrastructural facilities which promotes small scale industries were provided in the rural area, such as the provision of access road, increased improvement in communication facilities like telephone, postal services and the internet facilities, construction of industrial layouts and estates, and the provision of electricity and water expansion schemes. This is evidence in the many success stories of small and medium scale industries as recorded by the print and electronic media houses, (Ayozie, 2011).

2.4 Problems and Challenges of SSBs in Nigeria

The fact that SSBs have not made the desired impact on the Nigerian economy in spite of all the efforts and support of succeeding administration and governments gives a cause for concern. It underscores the belief that there exist fundamental issues or problems, which confront SSBs but which hitherto have either not been addressed at all or have not been wholesomely tackled. Basil (2005) in his study reveals the following problems facing SMEs in Nigeria which includes; inadequate infrastructures, inefficient incentives and support facilities by the government, Lack of easy access to funding/credits facilities, discrimination from banks, uneven competition, lack of access to appropriate technology, high dependence on imported raw materials, lack of patronage of locally produces goods by the general-public as well as those in authority, unfair trading practices, managerial problems, multiple taxation and high levies, corruption, financial problems, lack of technical knowhow, and lack of suitable training and leadership development. Essentially, SMEs are left most often on their own to eke out success amidst the avalanche of operational difficulties inherent in the Nigerian environment as well as the operational shortcomings, which characterize institutions set up to facilitate SME businesses.

Their characteristics and the attendant challenges notwithstanding, it is the consensus that small businesses, which globally are regarded as the strategic and essential fulcrum for any nation's economic development and growth have performed rather poorly in Nigeria. Operating a business organization supposedly should be an entertaining venture noting the large number of the Nigerian populace which provides a ready market for business goods and services. Despite this promising market, Nigeria business organizations are still confronted with myriad of problems (Sunday, 2008). According

to Sunday, (2008), the difficulties facing businesses in Nigeria could be grouped into two broad categories: internal factors, which are mainly management-related problems and external factors, which are otherwise.

All the same, the trend did not imply that favorable conditions exist for small businesses to thrive. Nevertheless, in building a business venture, entrepreneurs face a number of significant challenges. The immediate challenge lies in establishing the company as a successful business venture. Once the early success is achieved, a subsequent challenge emerges – the management of business growth as put by Steven and Gaylen, (1994). It is therefore essential to understand the problems of small business development in African countries because they are significantly different from those facing developed countries. Some of these obstacles of their performance/growth include among others a lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as infrastructure, corruption, low demand for products and services, and poverty (Alarape 2007; Okpara and Wynn 2007).

2.5 Concept of Business Performance

The concept of performance is used to determine the success of a business entity whether small, medium or big. Firm performance refers to the firm's success in the market, which may have different outcomes. Firm performance is a focal phenomenon in business studies. However, it is also a complex and multidimensional phenomenon. Performance can be characterized as the firm's ability to create acceptable outcomes and actions (Pfeffer, & Salancik, 1978). However, performance seems to be conceptualized, operationalized, and measured in several ways. Lebas and Euske (2002) provide a good definition of performance as "doing today what will lead to measured

value outcomes tomorrow." Business Performance Measurement then is concerned with measuring this performance relative to some benchmark, be it a competitor's performance or a preset target. Performance is the act of performing; or doing something successfully; using knowledge as distinguished from merely possessing it.

In 1999, the Organization for economic cooperation and development (OECD) issued a document emphasizing that corporations should be run, first and foremost, in the interest of shareholders (Lazonick & Sullivan, 2000). According to Jensen (2002), this view of OECD is justified by two hundred years of research in economy and finance. The International Accounting Standard Board (IASB) conceptual framework specifies that frequently, profit is used as measure of performance. Ariyo (2007) is of the view that one of the modalities for encouraging individuals and organizations to invest in equity dominated capital market instruments is the dissemination of projections about the future performance of a firm and as such performance is usually measured in term of earnings, profitability and dividend. Small and medium business performance can be measured in term of size, employment, turnover, capital base and profitability.

2.6 Business and its Environment

The firm interacts with its environment. There are in fact different levels of environment, each encompassing several components. Thus, the environment of the firm consists of several environments. Environment as a general term refers here to all those arenas the firm is operating in and is attached to (Kauranen, 1996). Moreover, environments and their components affect firm performance in many ways, directly or indirectly.

Hence, the firm operates in many environments simultaneously collaborating with other actors in the market and at the same time competing for scarce resources with others.

For instance, from the firm's point of view, one of the most critical markets is the customer market, where the firm sells the products which have gone through the process of combining the production factors. On the other side of the supply chain, in the supplier market, the firm buys factors of production. In the financial market, the firm acquires necessary financing for the business.

Several environmental dimensions have been presented in the literature for describing the qualities of organizational environments. For instance, Dess and Beard (1984) distinguish between dimensions such as munificence, dynamism, and complexity. Munificence refers to the environmental capacity as the extent to which the environment can support sustained growth. In general, a munificent environment is regarded as more favourable for business success than a scarce environment. Dynamism is related to the turbulence, i.e. the dimension of stability vs. instability. It has been found that small firms that face an environment with increasing dynamism tend to grow faster than others (Wiklund, 1998). Environmental complexity indicates that there are several different segments of the market with varied characteristics and needs that are being served by the firm. Thus, the firm sees a heterogeneous environment as complex.

A distinction can also be made between hostile and benign environments (Covin & Slevin, 1989). Hostile environments are characterized by precarious industry settings, intense competition, harsh, overwhelming business climates, and the relative lack of exploitable opportunities. On the other hand, benign environments provide a safe setting for business operations due to their overall level of munificence and richness in investment and marketing opportunities. Perhaps the most elaborate typology of environmental dimensions is the one presented by Jurkovich (1974), who identified 64 types of environments based upon the following dimensions: complex/non-complex,

routine/non-routine, organized/unorganized, direct/indirect, low-change/high-change, and stable/unstable.

However, it seems that the environmental dimensions commonly used are uncertainty, dynamism, homogeneity, munificence, and complexity (Miller, 1987c). It is important to notice that the environment may play a bigger role for small firms than for larger firms because of small firms' higher vulnerability to environmental influences. Paradoxically, environment is a threat for the firm, but also an opportunity in providing resources the firm needs.

2.7 Approaches to Studies on Business Performance

Business performance is often referred to as business success or failure, but to date, research into firm success and failure does not provide a comprehensive explanation for small business performance. Much research has been carried out in trying to discover the factors responsible for firm success and failure (Lussier, 1995; Duchesneau & Gartner, 1990). However, the findings of previous studies of such factors have been contradictory. This may be explained, at least partly, by differences in research designs, operationalization of variables and different limitations of the studies, some potential factors may have not taken into account in the research, for example, most of such studies have been carried out in the large scale enterprises context, or have focused on the success and failure of new ventures rather than on established small enterprises, and the factors affecting their longevity and growth or failure. Moreover, few studies have focused on the foundations of the performance of SMEs in peripheral locations (Vaessen & Keeble, 1995). However, many studies have found that there are cross-national differences in the factors affecting business performance (Lussier & Pfeifer, 2000; Yusuf, 1995).

There are several approaches to investigating business performance. Several studies have been based on a single specific and often narrow perspective on factors affecting firm performance, e.g. on decision making (Eisenhardt, 1999). Many studies have focused on firms with a certain age or size, or on a single industry sector. Moreover, the type of firm may affect the success and failure factors of the firm. Also, several methodological approaches to investigating business performance have been used, for instance, there are studies focused on a very limited number of potential success or failure factors, comparative studies of success and failure factors, and studies focused on the holistic profiles or configurations of successful or failed firms. Most studies have concentrated on studying the role of a small number of variables for firm success (Lussier & Corman, 1996; 1995; Cressy, 1996; McDougall, Robinson, & Denisi, 1992; Tsai, MacMillan, & Low, 1991; Keeley & Roure, 1990; Stuart & Abetti, 1990; Sandberg & Hofer, 1987).

In reaction to the contradictory nature of the results of previous studies, recent research has called for a more integrated and holistic approach in studying firm performance (O'Farrell & Hitchens, 1988; Sandberg & Hofer, 1987; McDougall et al. 1992; 1994). Few studies have investigated how different types of factors may be inter-related with small firm performance (Gadenne, 1998). It can be argued that the field is fragmented and several research streams exist. For instance, attempts have been made to explain firm success or failure in terms of the personality traits of the entrepreneur. However, as Storey (1994) argues using "the analogy of the rowing boat on a rough sea" in describing the role of the entrepreneur's personality in SME performance in the event of unpredictable external shocks, it might be that firm performance is not easily predicted on the basis of the entrepreneur's personality.

There is considerable variation in the criteria for business success used in previous studies. Empirical studies of factors affecting small business success can be roughly divided into two groups according to whether they focus on a quite limited set of variables or try to capture more holistic profiles of successful SSBs. Previous empirical research has used both surveys and case studies. There are also some compilations of the results of previous studies of the factors contributing to firm success. For instance, Storey (1994) has compiled the results of previous studies focused on the birth, growth and death of small firms, on the basis of which he presents some normative "dos and don'ts" lessons for small firms. Aminul, Ejaz and Muhammad, (2008) in their study of SMEs in Bangladesh found that product and service, the way of doing business, management know-how and, external environment are most significant factors in determining the business success of SMEs.

The following studies based on surveys have dealt with the factors affecting business success. Nurul and Marja (2005) identified key components to be important in analyzing the business success of SMEs which includes the characteristics of the entrepreneurs; the characteristics of the SMEs; and the contextual elements of SME development. Westhead (1995) studied factors influencing the survival of 227 high-technology small firms. Ghosh and Kwan (1996) made a cross national intersectoral study of the key success factors of 152 SMEs in Singapore and 164 SMEs in Australia. Kauranen (1996) carried out a follow-up study of 37 new manufacturing firms in Finland and studied the determinants of the future success of the firm in the short term and in the long term. Yusuf (1995) explored critical success factors for small firms in several industry sectors based on the perceptions of 220 South Pacific entrepreneurs. Wijewardena and Cooray (1996) explored the importance of a set of success factors by studying a sample of 300 small manufacturing firms in Japan. Gadenne (1998)

investigated the effect of various management practices on small firm performance by studying 369 small businesses in the retail, service, and manufacturing industry in Australia. Bracker and Pearson (1986) studied planning and financial performance of small mature firms in the dry cleaning business. Pelham (2000) explored the relationship between market orientation and the performance of manufacturing SMEs in eight industrial sectors.

2.8 Determinants of Business Performance

As Cragg and King (1988) and Rutherford and Oswald (2000) observe, previous research on determinants of small business performance fell into three categories: individual characteristics, firm characteristics, and environmental characteristics. The studies that fell under the category of Individual Characteristics of the Firm have examined the relationship between individual characteristics and performance such as: age, education, managerial experience, entrepreneurial competence, industry experience, leadership practices, race, CEO personality, and gender. The studies that fell under the category of Characteristics of the Firm have examined firm characteristics such as strategy/planning, structure, competitive orientation, top management team, culture, organizational growth, family control, operations management, and stage of development. The studies that fell under the category of Characteristics of the Environment have examined contacts with customers, suppliers, competitors, regulatory organizations, consultants, creditors, stockholders, and financial institutions. Other aspects of the environment include perceived uncertainty in the industry environment (Osita & Braimoh, 2010).

Fischer, Reuber, and Dyke, (1993) study found that women's businesses tend to perform less well on measures such as sales, employment and growth, but concluded

that the determinants of gender differences in business performance were far more complex than had been recognized in earlier studies. Box, Beisel, and Watts, (1995) suggest that there are 4 elements which have positive relationship with the business performance, that is, previous experience as a member of an entrepreneurial management team, number of previous starts, age and scanning intensity.

Gerry, Dan, and Jerry, (2008), investigated the effect of founders' human capital on the performance of their firms, in their model, founder human capital had two dimensions: (1) level of education and (2) industry managerial experience. The authors hypothesized that higher levels of founder education and more years of founder industry managerial experience led to better firm performance. This research uses a resource-based perspective to examine the role of founder human capital in determining small firm performance. Resources are defined as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables it to improve its efficiency and effectiveness" (Barney, 1991). Barney categorized firm resources as: (1) physical capital resources, such as physical technology used, equipment, and geographic location; (2) human capital resources, such as experience and training; and (3) organizational capital resources, such as internal and external relationships and firm planning. Because these resources are valuable, rare and not easily imitated, they lead to competitive advantage and better firm performance (Barney, 1991).

Individuals with advanced educational backgrounds develop more intellectual capability and knowledge that can aid them in making strategic choices which can lead to firm performance in any business environment (Hitt, Bierman, Shimizu, & Kochhar, 2001). Focusing on start-up firms in Korea, Jo and Lee (1996) found founder's level of education related to firm profitability. Similarly, Mengistae (2006) found founder's

years of schooling related to small firm survival and growth. Sapienza and Grimm (1997) found founders' general educational level positively related to firm performance. Steiner and Solem (1988) demonstrated that managerial background and experience of the owner/entrepreneur or lack thereof as a cause or contributing cause for the success or failure of a small or medium business. Furthermore, prior experience as an entrepreneur has been found to be a good predictor of re-venturing and can contribute to future success (Vesper, 1980).

A number of recent studies have examined the relationship between quality management practices and organizational performance. One of the most widely-cited research projects on quality management practice (Adam, 1994; Forker, 1996) was the International Quality Study conducted jointly by the American Quality Foundation and the public accounting firm Ernst & Young (Adam, 1994). The study was quite broad, looking at 945 management practices in more than 580 organizations over four industries on three continents. The main aim of the study was to identify quality management practices that have a significant impact on organizational performance. The survey results indicated that only three management practices (process improvement methods, strategic plan deployment, and supplier certification programs) have significant impact on performance (Adam, 1994).

2.9 Business Performance Measurement

The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Murphy, Trailer, & Hill, 1996). The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance. Such performance measures

include but not limited to: market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some might argue that most of these performance measures are appropriate for large corporations, they are not always perfectly applicable to small businesses.

One performance measure that is widely used among small businesses, as a subjective indicator of the overall business performance is the degree of owner/manager satisfaction with the business performance. Few researchers have consulted owner/managers about their views on success of their business ventures (Simpson, Nicki, & Bellamy, 2004). Luk (1996) identified the success of small businesses as actual performance equal to or exceeding the business owner/manager's expectations. The diverse range of measures that can be adopted to define success can lead to a false judgment on the actual performance. For example, a small business with declining profits or market share could be seen as failing when in fact its owners/managers are satisfied with the overall business performance. Adequate income, job satisfaction, a happy workforce, and a stable market position are all factors that lead to small business owners'/managers' satisfaction.

Another valid performance measure is turnover. Turnover growth is an objective measure that is relatively easy to get due to data availability and common use and is also a good indicator of firm size and a proxy for overall business growth. In this respect, Barkham, Gudgin, Hart, and Hanvey, (1996) concluded that an analysis of a company's growth should, at least in part, be based on changes in turnover. In all cases, regardless of what measure should be used, the literature has strongly endorsed using multiple performance indicators (Corchran & Wood, 1984; and Ibrahim & Rue, 1998).

Generally speaking, indicators of business performance are results-oriented, so some imperceptible or procedural outcomes often have been overlooked. As a result, it is difficult to evaluate the key factors in business success or failure. Although business performance can be measured and judged from various perspectives, Walker and Ruekert (1987) proposed a three-dimensional conceptualization of performance consisting of effectiveness, efficiency, and adaptability. Effectiveness is defined as the success of business products and services compared with those of a company's competitors in the marketplace. Efficiency is treated as an index (a set of outputs of business products and services divided by a set of inputs of resources employed in implementing them). Adaptability refers to success in responding over time to change in a dynamic environment. To be explicit, effectiveness is most closely associated with nonfinancial goals, efficiency is highly associated with achieving profitability, and adaptability is associated with adaptation to change.

There is a wide range of measures of organizational performance in the literature. Often, performance has been measured by growth (turnover, number of employees, market share), profitability (e.g. profit, return on investment), and survival (Storey, 1994; Kauranen, 1993; Smith, Bracker, & Miner, 1987; Robinson, Pearce, Vozikis, & Mescon, 1984; Dess & Robinson, 1984). However, few studies have sought to determine whether the factors that enhance one measure of performance, such as survival, are the same as those that lead to others, such as growth (Cooper, 1993). Firm growth has been used as a simple measure of success in business (Storey, 1994). Also, as Brush and Vanderwerf (1992) suggest, growth is the most appropriate indicator of the performance for surviving small firms. Moreover, growth is an important precondition for the achievement of other financial goals of business (Storey, 1994; Reynolds, 1993; Phillips & Kirchhoff, 1989). From the point of view of an SME,

growth is usually a critical precondition for its longevity (Storey, 1994). Phillips and Kirchhoff (1989) found that young firms that grow have twice the probability of survival as young non-growing firms. It has been also found that strong growth may reduce the firm's profitability temporarily, but increase it in the long run (McDougall et al. 1994).

In research, firm growth has been operationalized in many ways and different measures have been used. This may be one reason for the contradictory results reported by previous studies (Weinzimmer, Nystrom, & Freeman, 1998; Davidsson & Wiklund, 2000). The most frequently used measure for growth has been change in the firm's turnover (Weinzimmer et al. 1998; Hubbard & Bromiley, 1995; Hoy, McDougall & Dsouza, 1992; Venkatraman & Ramanujam, 1986). Another typical measure for growth has been change in the number of employees. However, it has been found that these measures, which are frequently used in the SME context, are strongly intercorrelated (North & Smallbone, 1993; Storey, Keasey, Watson, &Wynarczyk, 1987). It may be supposed that such an intercorrelation does not exist among capital-intensive large companies.

A firm's profitability can be a useful measure of performance in the case of large companies. The measurement of performance is more complicated when studying small businesses, for several reasons. First, the central goals and objectives of a small business may be other than financial. Second, it is difficult to obtain reliable information on the factors affecting the financial performance of small business: for example, in family businesses it is difficult to take into account the inputs of family members that are not recorded by means of the accounting system. Third, organizational form can create artificial differences, e.g. procedures for handling owner compensation can present major sources of error (Dess & Robinson, 1984). Fourth, SSBs may be very

reluctant to provide financial data on their performance (Dess & Robinson, 1984). Fifth, it may take several years before a new business venture becomes profitable (Biggadike, 1979).

However, instead of performance indicators calculated from financial statements, subjective assessment of firm performance has been used (Powell, 1992a; Robinson & Pearce, 1988). The use of subjective assessment of performance has clearly some advantage over performance indicators calculated from financial statements. For instance, in cross-sectional studies, the profitability of firms in different industry sectors is not comparable due to the different degrees of capital intensiveness (Kauranen, 1993). In reality, time is a crucial factor that could affect survival and extent of receiving the continuing supports from the external stakeholders. In this respect, performance should be measured based on a holistic approach which incorporates the financial and non-financial measures as well as time element. Gin (2008) report that an increase in sales volume is due to the past efforts and performance, customers' satisfactions and continuing referrals by the existing customers, in effect, most SSBs use both market shares and returns on investments as measuring indicators, reflecting on the holistic approach of using the financial and non-financial measures.

2.10 Environmental Factors and Business Performance

Environmental factors that may influence business performance are many and varied; some are internal to the business while others are external to the business. Thibault, Wilcock, and Kanetkar, (2002) suggest that factors influencing business performance could be attributed to personal factors such as demographic variable and business factors such as amount of financing, use of technology, age of business, operating location, business structure and number of full-time employees as important factors in

examining the performance as small scale business operators. The most comprehensive summary of factors influencing performance was noted in a literature review by Olabisi, Andrew, and Adewole, (2011) to include: individual characteristics, parental influence, business motivation and goals, business strategies, goals and motives, networking and entrepreneurial orientation. Others include environmental factors.

Studies have been conducted on the implication of entrepreneurial skills to small business performance. However most of the studies were outside Nigeria which has its own peculiarity. Akande (2010) investigated the relationship between entrepreneurial skills and small business performance, using Pearson product moment correlation and Regression Analysis, found that out of the four entrepreneurial skills like business management, financial management, marketing and record keeping skills, the business management skill contributed more than others and that the financial management skill alongside increased the contribution. The finding was in line with the earlier studies by Alarape (2007), Akwani (2007), Yusuf and Schindehutte (2000) etc. Thomas (2004) stated three fundamental propositions about entrepreneurial skills thus; entrepreneurs are successful to the extent that they have the necessary skills, entrepreneurs come to entrepreneurship at different level of skills and that entrepreneurial skills can be developed.

Storey (1994) agreed with Duchesneau and Gartner (1990) that the following three categories of factors primarily have the greatest influence on the growth of small business: (1) The characteristics of the entrepreneur(s)/owner-manager(s), (2) The characteristics of the small firm. (3) The range of business development strategies. These three categories of factors require a homogenous well planned integration to achieve adequate growth.

As discussed earlier in chapter one, the environmental factors were selected as variables from the existing literature reviewed as the most crucial factors influencing business performance. Under each environmental factor there are many variables, but for the purpose of this study we selected two variables under each environmental factor in order to be more specific and ease response to the respondents. Each of the two variables selected under each and every factor have evident in the literature as follows:

2.10.1 Management Inefficiency:

Managerial performance is a key factor for entrepreneurial success and a lack of managerial abilities contributes strongly to business failure. The performance of managers is constituted by their abilities in strategic decision-making, their skills and expertise or their talent to implement decisions. From these abilities, a poor strategic decision-making is the major driver of young firm failure. In particular, main reasons why young German firms fail are disregarding new customers, mistaken investment, failure in obtaining funds, and a lack of proper long-term planning (Egeln, Falk, Heger, Hower, & Metzger, 2010), which indicates a poor performance in strategic management decisions. Quite similar results are valid for a sample of small businesses from the US (Carter & Van Auken, 2006). The study of Hall (1990) finds that entrepreneurial firms in Great Britain mainly went bankrupt due to a poor operational management. However, the second most cited reason for failure in his study is a wrong strategic decision making. In brief, all these results indicate the influence of a poor managerial performance on business failure. Many aspects of poor management are reported to be connected to several related issues, such as poor financial circumstances, inadequate accounting records, limited access to necessary information, and lack of good managerial advice (Gaskill, Van-Auken &Manning, 1993). Some studies focused more on the managerial causes of failure and listed some 25 causes and categorized them

simply as poor management, and concluded that poor management combined with the personality traits of the owner-manager, cause business failure (Berryman, 1983). A business failure may happen as a result of poor management skills, (Wu, 2010).

The results of the study of Zahra (2011) indicated that management deficiency is among the four main causes of business failure in Iranian context. According to Williams (1986) and McMahon, Holmes, Hutchinson & Forsaith, (1993), internal factors relating to the quality of management are reported as the major contributing causes of firm failure at least a twice as often as factor external to the firm. Based on the findings of earlier researches, the factors affecting SMEs success was classified into different categories among which include: (1) an entrepreneur Characteristics (Kristiansen, Furuholt & Wahid, 2003), (2) characteristic of SME (Kristiansen, et al. 2003), (3) management and know-how (Swierczek & Ha, 2003). Storey (1994) agreed with Duchesneau and Gartner (1990) that the following three categories of factors primarily have the greatest influence on the growth of small business: (1) The characteristics of the entrepreneur(s)/owner-manager(s), (2) The characteristics of the small firm. (3) The range of business development strategies. These three categories of factors require a homogenous well planned integration to achieve adequate growth.

The statistical analysis of the data collected in the study of Blackwood and Mowl (2000) carried out in Spain, suggested that successful businesses were likely to be managed by owners who had initially considered several alternative ventures, purchased the business as a going concern, prepared a financial plan, regularly maintained financial records, used financial targets to assess business performance, and have had previous experience managing private business. Thompson (2001) and Weitzel & Jonsson (1989) grouped the factors associated with business decline into three categories. First, factors related to inadequate strategic leadership: (1) poor

management; (2) acquisitions which fail to match expectations; (3) mismanagement of big projects; and (4) dishonesty. Second category of factors associated with business decline relate to poor financial management: (5) poor financial control; and (6) cost disadvantages. Moreover, in another study Lussier (1995) concluded that successful firms develop more specific business plans than those who fail. It has also been shown that lack of a business plan is associated with firm failure (Sommers & Koc, 1987; Gaskill et al. 1993; and Lussier, 1995). Lack of planning and especially strategic planning is often seen to be characteristic of failed firms (Boyle & Desai, 1991).

2.10.2 Marketing and Sales Problems:

Demand problems of a firm may occur if the entrepreneur in charge performs poor in sales activities, even though, some problems in sales are triggered by environmental factors. However, problems in marketing are probably the most prominent reason for young firm failure. Egeln et al. (2010) investigate a sample of 3007 young German firms, which exited between 2006 and 2008; they found that more than fifty percent of those firms failed because of severe demand problems. A quite similar pattern holds true for small firms in Japan. Approximately seventy percent out of a sample of 701 failed Japanese businesses closed down due to a decline in sales or orders (Harada 2007). A business failure may happen as a result of insufficient marketing, (Wu, 2010). Cressy (1996) found that fluctuations in firm sales increase the probability of firm failure.

2.10.3 Inadequate Infrastructures:

According to Basil (2005), other challenges which SMEs face in Nigeria include irregular power supply and other infrastructural inadequacies such as water, roads etc. Sunday (2008) stated that the external difficulties facing SMEs in Nigeria include

infrastructural problems. Alarape (2007), and Okpara and Wynn (2007) stated that some of the obstacles to small business development in African include critical factors such as infrastructures.

In the study of Charles (2006) power shortages that lead to load shedding accounted for 50% of the respondents and high electricity bills were identified as major problems faced by businesses. The findings of the study revealed that on average, businesses such as hotels, bars, filling stations each uses 582 units of electricity on a monthly basis which costs large amount of money. Generators were found to be a major alternative source of power. Businesses that do not have generators come to a standstill during such times. Even those that use generators find it much more expensive because of the high costs of fuel and diesel.

2.10.4 Market Competition:

Basil (2005), in his study identified many factors as the possible causes or contributing factors to the premature death of SMEs, which includes; inability to procure the right plant and machinery, cut-throat competition, lack of official patronage of locally produced goods and services. According to Sunday (2008), one of the difficulties facing Nigerian SMEs is competition. Low demand for products and services is found to be one the obstacles to small business development in Africa (Alarape, 2007; Okpara & Wynn, 2007). In a recent representative study on failure of young German firms, three main causes for young-firm failure are made out by Egeln et al. (2010), among which include problems with the demand. A business failure may happen as a result of inability to compete with other similar businesses, (Wu, 2010).

Thompson (2001) and Weitzel and Jonsson (1989) grouped the factors associated with decline into three categories. The third category of factors relate to competitive forces

which include: (a) the effect of competitive changes; (b) resource problems; and (c) inadequate or badly directed marketing. Other studies have also found that stiff and increased competition, and the firm's inability to respond to it, is associated with firm failure (Roure & Maidique 1986; and Gaskill et al. 1993).

Oparanma, Hamilton, & Zep-Opibi, (2010), in Their study discussed the negative internal and external environmental factors including pressure from competitors or new entrants, poor improvement in modern technology and poor sales, etc. In the study of factors influencing the survival of 227 high-technology small firms, Westhead, Storey, Cowling, (1995) found that out of 69 variables studied; only 13 were statistically significantly associated with survival/non-survival of firms. Some of the variables related to the characteristics of the business, and competitive structure. New establishments are more likely to survive in industries characterized by an entrepreneurial regime, where new entrants to the market have advantages with technological innovation over the incumbents (Audretsch & Mahmood, 1995). On the other hand, in an industry that has a routinized technological regime, where incumbents possess advantages as innovators, it is more difficult for new startups to survive. Baldwin and Rafiquzzaman, (1995) that found that competition remove the most inefficient of new entrants; Evidence that experimentation costs influence the failure rate is somewhat stronger.

2.10.5 Financial Inadequacy:

Inadequate finance is a critical problem which may have a huge impact on the growth of SSBs and even pose threat to their survival. In William's (1986) survey, 8% of 5,456 failed owners associate their failure with capital inefficiency. Respondents said it was hard for them to get access to external fund. It is clear that factors like interest rates,

taxation and the state of economy' would affect all ventures (Peacock, 2000). Hall and Young (1991) also demonstrate that high interest rate is correlated with entrepreneurs' survival and growth.

Insufficient capitals, uneasy access to funding and unfavourable monetary policies, are among the challenges facing SMEs (Basil, 2005). Alarape (2007), and Okpara and Wynn (2007) stated that lack of financial resources is one of the obstacles to small business development in African. In the annual report of GEM, financial problems were cited as the reason for quitting the business by no more than 55% of all respondents; it was cited more often by respondents in the factor- and efficiency-driven economies (just over 50%) than innovation-driven countries (just over 40%) (Bosma, Acs, Autio, Coduras, & Levie, 2009). The results of the study of Zahra (2011) indicate that four main causes of business failure in Iranian context are management deficiency, lack of financial support from banks and financial institutions, inadequate economic sphere and insufficient government policies. These results show the effect of external factors on the success and failure of businesses in Iranian context.

Based on the findings of earlier researches, the factors affecting small business success was classified into different categories among which include resources and finance (Swierczek and Ha, 2003; and Kristiansen, et al. 2003). Also in the study of factors influencing the survival of 227 high-technology small firms, Westhead et al. (1995) found that out of 69 variables studied; only 13 were statistically significantly associated with survival/non-survival of firms. Some of the variables related to the financial base.

Firm resources and finance are seen to have a critical role in many studies. Firms that start undercapitalized have a greater chance of failure than other firms (Lussier, 1996; Hall &Young, 1991). The failed new firms studied by Smallbone (1990) also suffered

from undercapitalization. Financial inadequacies such as undercapitalization and problems in venture capital relationship are the major factors affecting firm failure (Bruno, Leidecker, & Harder, 1987; Boyle & Desai, 1991; and Cromie, 1991). In the study of discontinuance among new firms in the retail industry, Carter, Williams, & Reynolds (1997) showed that lack of human and financial resources is associated with business discontinuance. Such an association was also confirmed by Cressy (1996) in his database analysis. The lower the level of external borrowing, the higher is the probability that the firm will not survive (Reid 1991).

2.11 Theoretical Framework

Firm performance is often related to its environment, i.e. the business performance is based on the match between the business and its environment. The environment carries needs and expectations, i.e. market opportunities, which the firm tries to respond to with its resources and capabilities. The better the relationship between firm and it environment, the better the success, according to contingency theory, firm performance is the result of a proper alignment of firm design with the context it operates in, (Donaldson, 1995; Burns & Stalker, 1961). Similarly, there is no one best way to organize, and contextual factors should be taken into account (Pfeffer, 1982). In the configurational approach (Miller & Friesen, 1984) successful firms are considered to be aligned in a small number of typical patterns. However, as the business environment of many firms is changing all the time, there is a continuous need for adjustment of the fit between the firm and its environment. From the firm's viewpoint, this process of adapting to changes in its environment is called strategic management (Schendel & Hofer, 1979).

Firm performance can be approached from many perspectives, i.e. from an internal (firm) or external (environment) perspective. Recently, the most popular theoretical approaches in research have been strategic management and population ecology (Tsai et al. 1991). They explain firm performance from opposite directions: the first from the firm-internal viewpoint, and the second from the firm-external point of view. Later studies of firm performance have discovered the benefits of an integrated approach, i.e. a dialectical approach (Amit, Glosten, & Muller, 1993; Vesalainen, 1995). Therefore; business performance is bounded with firm internal factors and with environmental factors and their fit.

A strategic choice approach (Child 1972, 1997) assumes that firms are in a state of continuous change, which is directed according to the actors' subjective interpretations of the situation and the preferences they have (Vesalainen, 1995). Naturally, there are some external and internal constraints, but management has certain discretion in strategy formulation. According to Astley and Van de Ven (1983), the strategic choice approach draws attention to individuals and their interactions, social constructions, autonomy, and choices, as opposed to the constraints of their role incumbency and functional inter relationships in the system. Both environment and structure are enacted to embody the meanings and actions of individuals. According to this approach, managers are regarded as performing a proactive role. Their choices are viewed as autonomous, and their acts are viewed as energizing forces that shape the organizational world. However, the decisions made by entrepreneurs restrict the number of alternatives available in subsequent decisions.

Strategic management research encompasses several research streams, and this may make it difficult to see and understand the role of different factors and mechanisms affecting firm performance. In view of the existence of this variety of research streams,

it can be concluded that the theory behind strategic management research has more than one 'hard core' (Lakatos, 1972). The most popular recent research stream in the field of strategic management has been the resource-based view of the firm (Wernerfelt, 1984; and Barney, 1991) and its extension, the knowledge-based view of the firm (Kogut & Zander, 1992; Spender & Grant, 1996; Grant, 1996).

These theoretical perspectives are founded on firm-internal aspects. However, the roots of the resource-based view of the firm can be seen to be based on Penrose's (1959) idea of viewing a firm as a bundle of resources. Subsequently, since the appearance of Wernerfelt's (1984) work "A resource-based view of the firm", the popularity of the resource-based view of the firm has grown rapidly, and researchers attempted to explain differences in firm performance by differences in firm resources.

The population ecology which is the opposite approach, i.e. environmental selection, emphasizes the determinism of environmental forces and tries to explain organizational behavior mainly through environmental determinants. According to the population ecology approach, the adaptation of the firm to environmental changes is strictly limited due to the inertial forces of the firm. Consequently, as a result of differences in inertial forces between firms, the natural selection made by environments favours some firms and affects their performance. It means the survival of the fittest, and the destruction of the less well-fitted firms. However, fundamental to population ecology is the study of firm populations rather than single firms (Young, 1988).

Variation, selection, and retention constitute the three stages of the evolutionary change process (Campbell, 1969; Hannan & Freeman, 1977; Aldrich, 1979; Vesalainen, 1995). Due to variations in firm populations, environmental changes affect firms differently. Selection refers to this process, where firms congruent with new environmental

conditions will survive and others will become extinct. Finally, predominant environmental conditions reinforce the characteristics of the surviving firms until the next environmental change will happen.

Rather than keeping the strategic choice and environmental selection approaches separate, it is suggested that it might be useful to combine these approaches, and see that the firm is operating in a continuum where it has more or less power and control depending on the issues at hand. Such a combined approach can be called *dialectical* (Bourgeois, 1984). Thus, environmental determinism and management's free choice can be viewed as a continuum. Hrebiniak and Joyce (1985) suggest a multidirectional relationship in which organizations neither mechanistically react to environmental forces nor exercise unrestricted free will. Therefore, the interdependence and interactions between strategic choice and environmental determinism define organizational adaptation. In addition, as Bedeian (1990) has argued, this interaction is derived from two factors: organizations do not only react to their respective environments, but also create or enact them. Moreover, the resulting new environments influence future organizational strategies and resource allocation, which will again bring about subsequent environmental change. At the same time, the firm itself creates new restrictions for its own operation (Child, 1997).

However, firm performance is bounded with firm-internal factors such as firm resources and the firm's strategic choices, and with firm-external factors such as the carrying capacity of the environment and competition, and further, their fit. The environment provides a chance to cease operation all the time. Only a few firms can avoid or overcome in the long run all the threats which cause an actual or potential threat for the firm. However, a number of firms face these threats and become under threat, but

survive. Those firms which are not able to overcome the threats and their consequences are closed down.

From the effort of previous researches, contingency theory and the dialectical approach to firm performance provide the theoretical validity for the conduct of this research, and this study establishes that it is feasible to study the level of SSBs performance and the environmental factors affecting SSBs performance in Kano and Sokoto states. Thus the study establishes that investigating the role of management inefficiency, marketing and sales problems, inadequate infrastructures, financial inadequacy, and market competition on SSBs performance would be a useful contribution to existing literature.

2.12 The gap in the literature

From the careful examination of several studies made by researchers in the preceding sections, there are vast literatures on business performance, there by placing this study within the framework of existing literature, but this study noted that the results of most of these researches conducted have not been all conclusive in terms of the impact of both internal and external environmental factors on profit, sales, and employment (performance indicators) of SSBs. This study also found that in Nigeria such effort has not been made in the past, particularly in Kano and Sokoto states. Therefore, this study aims at assessing SSBs performance and investigating both internal and external environmental factors influencing SSBs performance in Kano and Sokoto states from 2005 to 2012 in order to fill up this gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses how the researcher goes about achieving the research objectives. It justifies the choice of the method in the light of those objectives. This section begins with this introduction and proceeds to explain the research design, population of the study, sample and sampling techniques, research instruments for data collection, and methods of data analysis.

This study focuses on all formal small scale business enterprises sub-sectors at Kano and Sokoto states in northwestern Nigeria. Kano is regarded as the northern Nigeria commercial centre, and Sokoto has for long been rated the third to Kano and Kaduna state in terms of commercial activities in northwestern region. The two states have been characterized as commercial and agricultural state, also among the most populous states in the country. The agricultural products of the two state acts as a source of raw materials for the industrial sector, in term of industrialization, Kano state has for long been known for its industrial activities and is still been rated as the second leading industrial centre in Nigeria after Lagos.

3.2 Research Design

This study is a survey and descriptive research which focused on assessing the performance of small scale business enterprises in Kano and Sokoto states and examining the environmental factors affecting business performance.

Multiple discriminate analysis and multiple regression were used to analyze the data in order to answer the research questions. The study used three performance indicators namely; profit, sales/revenue and number of employees. The study also selected two

internal and three external environmental factors; such as management inefficiency, marketing problems, inadequate infrastructures, market competition and financial inadequacy as variables for analysis in order to investigate the effect of these selected environmental factors on SSBs performance (profit, sales and employment) in Kano and Sokoto states.

The variables that are of interest in this research are the three performance indicators namely; profit, sales/revenue, and employment (number of employees) which are the dependent variables, and five key environmental factors such as management inefficiency, marketing and sales problems, inadequate infrastructure, market competition, and financial inadequacy which are the independent variables.

3.3 Population of the Study

This section describes the characteristics of small and medium scale business enterprises in Kano and Sokoto states, which are the universe of this study. Therefore the population of interest to this study is the set of all operational SSBs in Kano and Sokoto states, between 2005 and 2012; thus, the size of the population is 2,429 SSBs. This population figure was derived from NBS/SMEDAN MSME collaborative survey, where Kano and Sokoto states have 1,829 and 600 SSBs respectively.

SSBs operating in Kano and Sokoto states are selected for this study considering the similar characteristics of SSBs in the two states. Kano is the commercial nerve of the north, also the most populous state in Nigeria, hence it attract diverse business activities. Sokoto is among the largest commercial centers in North West, also among the most populous states in North West.

3.4 Sample and Sampling Techniques

However it is difficult to cover the entire population because of a number of reasons such as resources and time constraint, a fair representative sample of the population was therefore imperative. According to Okeke (1995) sample size can be determined using Taro Yamani Formula. Thus the sample size for this study was determined using Yamani (1968) formula for calculating sample size as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where; n = Sample size

N = Total population

e= Sampling error

$$n = \frac{2{,}429}{1 + 2{,}429(0.07)^2}$$

$$n = \frac{2{,}429}{1 + 2{,}429 \text{ x } 0.0049}$$

$$n = \frac{2{,}429}{1 + 11.9021}$$

$$n = \frac{2{,}429}{12.9021}$$

$$n = 188.26$$

$$n = 188 \text{ SSBs}$$

Applying the formula above the total sample size for this research is one hundred and eighty eight (188) SSBs for both Kano and Sokoto states. We thus determined the number of SSBs to be in the sample in Kano and Sokoto state, viz:

$$r = \frac{x}{N} \times \text{n}$$

Where r = Sample proportion

x = Number of SMEs in the state

N = Total population

n= Total sample

From the simple arithmetic for proportional division above, the table below shows the sample proportion for Kano and Sokoto states which gives a total of one hundred and eighty eight (188) SSBs sample size;

Table 3.1 SSBs Population and Sample Selected by State

States	Population	Sample	Percentage
Kano	1,829	142	76
Sokoto	600	46	24
Total	2,429	188	100

Source: computed and compiled by the author

The research adopted a purposive sampling technique for generating data through the use of questionnaire, as Jankowicz (2005) suggested that this involves selecting people (respondents) whose views are relevant, important, and particularly worth obtaining for the research, i.e. the key informant technique of selecting people (respondents) with specialized knowledge and information as instances of purposeful sampling.

This technique was adopted because of the nature of data required. Watson and Everett, (1993) suggested that "lack of reliable data is a major difficulty in studying small business, stating that once a small business was not performing well or has cease operation, the information concerning the business becomes difficult to obtained. Jankowicz (2005) also noted that where there is difficulty of accessing data, the non-probability method is more suitable. The choice of this sampling technique will also enable the researcher to purposely select only those SSBs that are operational from 2005 to 2012, and those that have book keeping and accounts for the period under review.

3.5 Sources of Data

The primary source of data was used for this study. Questionnaire was used to collect the primary data; questionnaires were administered to owners and managers of sampled SSBs in Kano and Sokoto state.

3.5.1 Research Instrument for Data Collection

The instrument that will be used for collection of primary data is the questionnaire method.

Questionnaires:-

In general terms questionnaire include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (Mark, Philip, & Adrian, 2009). The survey questionnaire was chosen because it enhanced the translation of the research objectives into specific questions that will be asked to the respondents, standardization of the questions in a way that participants respond to identical stimuli, the crafting of the questions in a way that fosters the respondent's cooperation and keep respondents motivated to answer all the questions.

The questionnaire for this study consists of two parts; part one is the letter to owner/ manager of SSBs, while part two is the main questionnaire which is divided into four sections, A, B, C and D. Section A is meant for description of the nature of the business and profile of the respondent. Section B comprises of questions about the performance indicators used in the study. Section C consist of the critical rating questions (likert-style rating scale) with five categories examining the effect of selected environmental factors on business performance, while section D consist of two open – ended questions regarding what the respondents considered as other factors affecting the performance of SSBs apart from those used in the study and areas in which SSBs need assistance in order to improve their performance. The section C of the questionnaire responses would be score and coded as follows: Not at all = 1, to a little extent = 2, to an average extent = 3, to a large extent = 4, to a very large extent = 5.

3.5.2 Validity and Reliability of Instrument

Credibility and initial direction for the questionnaire were achieved in this research by ensuring internal and external validity. Initially 10 businessmen were approached and interviewed in a pre-pilot study in 2012 on an adhoc basis to establish what they believe affect the performance of their businesses. Using this input, an open-ended structured questionnaire was compiled which was pilot-tested in early 2013 on 30 owners and managers of SSBs. These responses were used to fine-tune the final questionnaire in 2013 which was administered to a different sample of 188 owners and managers of SSBs that are operational from 2005 and 2012.

The above mentioned processes enhanced the internal validity of the instrument, thus avoiding extraneous factors to ensure that the instrument was designed to measure exactly what it was supposed to measure, that is the impact of environmental factors on

the performance of SSBs. The threats to external validity were reduced by considering generalization with reference to this research, the measurement of the dependent variable (i.e. profit, sales and employment of SSBs), as well as the interaction of history and treatment effect were also considered. In ensuring construct, content, and criterion validity, we first scrutinized the theory and the instrument at hand; we ensured that all the variables are included in the final measurement and the criterion measures were judged by ensuring their relevance, freedom from bias, reliability and availability.

Reliability which is the extent to which a variable or a set of variables is consistent with what is intend to measure, consist of stability, equivalence, internal consistency and practicality, was ensured in this research by remaining consistent in the method of obtaining answers from the respondents, consistency in the manner of approach to the entire sample, and the measurement in this research met the test of practicality by making it cost-effective and convenient for the questionnaire administrator and the respondents.

3.6 Methods of Data Analysis

This section explains the techniques used in data analysis and hypotheses testing. The analysis of data for this work involves the use of descriptive statistics by cross-tabulation of the data (contingency table) to show the different variables, and use of inferential statistical techniques of multi varied discriminate analysis, and multiple regression analysis to test the hypotheses.

The choice of discriminate analysis to test hypothesis one is because of the nature of dependent and independent variables in this study. The basic purpose of discriminate analysis is to estimate the relationship between a single categorical dependent variable and a set of quantitative independent variables. According to Castagna, Huberty, and

Olejnik, (2006), discriminate analysis is appropriate for a research problem in which the dependent variable is categorical (nominal or non-metric). The dependent variable usually consists of two groups or classifications, for example; high or low, good or bad, accept or reject, male or female, etc. in other instances more than two groups are involved such as low, medium, and high classifications. The models and variables for testing each hypothesis in this study are as follows:

Hypothesis one: Small scale businesses do not significantly record high performance in Kano and Sokoto states.

The data for analysis and testing of hypothesis one were generated from the questionnaires responses retrieved from the sample SSBs, where the ratio analysis were conducted using the performance indicators (profit, sales, employment) figures generated from the retrieved questionnaires and apply it on the adopted multiple discriminate analysis model developed by Springate (1978). The dependent variable for this study consists of two classifications (low and high groups) that are to discriminate between low and high performance SSBs in Kano and Sokoto states. The Springate model takes the following form:

$$Z = 1.03x_1 + 3.07x_2 + 0.66x_3 + 0.4x_4$$

Where:

X_1 = Profit/ Number of employees

X_2 = Profit/ Total assets

X_3 = Sales/ Number of employees

X_4 = Sales/ Total assets

The decision rule of the above model is that if Z < 0.862, then the performance of SSB is classified as low. The discriminate equation was run for each and every SSBs in the sample, the average for all the period (years) of operation of SSBs profit, Sales/revenue, number of employees and total assets was used to calculate the ratios for X_1, X_2, X_3, and X_4. The adopted model was used on excel software to determined the field data classifications of low and high performing SSBs, as well as defined the dependent variable for running the discriminate analysis on SPSS in order to cross validate the field data classifications.

Hypothsis two: Business environmental factors do not have significant impact on profit of SSBs in Kano and Sokoto states.

Hypothesis Three: Business environmental factors do not have significant impact on the sales (revenue) of SSBs in Kano and Sokoto states.

Hypothesis four: Business environmental factors do not have significant impact on employment of SSBs in Kano and Sokoto states.

The multiple regression equation with five (5) independent variables were used to test hypothesis two, three and four, applying the variables the regression equations would be represented as follows:

$$PROFIT_1 = a + b_1MGT_i + b_2MKT_i + b_3INFR_i + b_4CMP_i + b_5FNC_i \quad \text{---------- (1)}$$

$$SALES_2 = a + b_1MGT_i + b_2MKT_i + b_3INFR_i + b_4CMP_i + b_5FNC_i \quad \text{---------- (2)}$$

$$EMPLOYMENT_3 = a + b_1MGT_i + b_2MKT_i + b_3INFR_i + b_4CMP_i + b_5FNC_i \quad \text{-------- (3)}$$

Where:

MGT = Management inefficiency

MKT = Marketing and sales problems

INFR = Inadequate Infrastructure

CMP = Market Competition

FNC = Financial Inadequacy

3.6.1 Variables Definition

The five (5) key environmental factors influencing business performance were identified from literature review. The study used these factors as variable for analysis, and these variables were measured with the responses to the questions in the questionnaire. These environmental factors (variables) are briefly explained below:

Management Inefficiency: - Relates to poor managerial skills, improper and poor planning, and poor accounting and record keeping.

Marketing and Sales Problems: - Relate to lack of creating awareness, lack of marketing research, and poor sales effort.

Inadequate Infrastructures: - Relates to poor access road, inadequate water supply and inadequate power supply.

Market Competition: - Relates to non-patronage due to competitors, lack of modern technology, and lack of access to advertisement facilities.

Financial Inadequacy: - Relates to lack of access to external funds, high interest rate, and lack of collateral.

3.6.2 Variable Measurement:

Profit of SSBs is the dependent variable in hypothesis two and it was measured by mean average of the total annual profits of sample SSBs for the entire period of operation, from 2005 to 2012.

Sales of SSBs is the dependent variable in hypothesis three and it was measured as mean average of the total annual Sales of sample SSBs for the entire period of operation, from 2005 to 2012.

Employment (number of employees) of SSBs is the dependent variable in hypothesis four and it was measured as mean average of the total number of employees (workforce) at the end of every trading year of sample SSBs for the entire period of operation, from 2005 to 2012.

Management inefficiency, marketing and sales problems, inadequate infrastructure, market competition, and financial inadequacy are the independent variable (X_1, X_2, X_3, X_4 and X_5 respectively). They were measured by the summation of their annual effect (likert-style rating codes) on the dependent variable for the entire period of operation of the sample SSBs, i.e. from 2005 to 2012.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the results of data analysis and hypothesis testing. The study is an attempt to examine the level of SSBs performance in Kano and Sokoto states. The aim is to evaluate the variables that best discriminate between low and high performing SSBs. The study also examines the extent to which business environmental factors affect the performance of SSBs in Kano and Sokoto states in term of their profit, sales and employment.

Towards the end, the four null hypotheses formulated to guide the conduct of the study are tested. Discriminant analysis model was used to test the first hypothesis. The second, third and fourth hypotheses were tested with multiple regression analysis. The chapter is divided into two sections. This section is the first section which introduces the entire contents of the chapter. In the second section, we present the result of data analysis and test of hypotheses of the research. The section also includes a discussion of the findings from the hypotheses testing.

4.2 Data Analysis, Hypotheses Testing and Discussion of Findings

This section begins with discussion of the responses to the open ended questions, presentation of some descriptive analysis results which are useful in understanding subsequent analysis. The section is followed by another on hypotheses testing and discussion of findings.

The respondents were asked whether there are other factors that affect the performance of their businesses apart from those five selected environmental factors for this study. The specific factors that about 50% of the respondents mentioned, include; insecurity,

unfavourable business environmental conditions, unfavourable government policies, taxation, delay in payment of supplies/ services, poor quality and quantity of materials and equipments, NAFDAC policies, inflation, importation and smuggling, location problems, and political instability.

4.2.1 Descriptive Analysis

The tables below present the summary of questionnaires administered and retrieved

Table 4.1: Summary of Questionnaire Administration

States	Administered	%	Retrieved (completed)	%	Retrieved (incomplete)	%	Non Response	%
Kano	**142**	**100**	**71**	**50.0**	**9**	**6.3**	**62**	**43.7**
Sokoto	**46**	**100**	**36**	**78.2**	**5**	**10.9**	**5**	**10.9**
Total	**188**	**100**	**107**	**56.9**	**14**	**7.5**	**67**	**35.6**

Source: field survey, compiled by the author

Table 4.1 above, indicates for both completed and incomplete retrieved questionnaires, sixty four percent (i.e. 56.9% + 7.5% = 64.4%) response rate were achieved for both Kano and Sokoto states. The number of responses to the questionnaire was 121 or 64 percent of the total sample size of 188 sampled SSBs.

Table 4.2: Status of Respondents

Nature of ownership	**Frequency**	**%**
Owner	35	28.9
Manager	45	37.2
Owner/Manager	41	33.9
Total	**121**	**100**

Source: field survey, compiled by the author

Table 4.2 above present the frequency of the respondents that are owners, managers and owners that also manage their business.

Table 4.3: Line of Business (Sector) and Registration Status

Sector	**Frequency**	**%**	**Registered with CAC**	**%**	**Not Registered with CAC**	**%**
Agriculture, Hunting, Forestry and Fishing	4	3.3	4	4.4	0	0.0
Mining and Quarrying	2	1.7	1	1.1	1	3.3
Manufacturing	26	21.5	19	20.9	7	13.3
Building and Construction	15	12.4	13	14.3	2	6.7
Wholesale and Retail Trade	33	27.3	26	28.6	7	23.3
Hotels and Restaurants	**10**	**8.3**	**6**	**6.6**	**4**	**13.3**
Transport, Storage and	**4**	**3.3**	**3**	**3.3**	**1**	**3.3**

Communication						
Financial Intermediation	**2**	**1.7**	**1**	**1.1**	**1**	**3.3**
Real Estate, Renting and Business Activities	**3**	**2.5**	**3**	**3.3**	**0**	**0.0**
Education	**4**	**3.3**	**3**	**3.3**	**1**	**3.3**
Health and Social Work	**8**	**6.6**	**7**	**7.7**	**1**	**3.3**
Other Community, Social and Personal Service Activities	**10**	**8.3**	**5**	**5.5**	**5**	**16.7**
Total	**121**	**100.0**	**91**	**75.0**	**30**	**25.0**

Source: field survey, compiled by the author.

The classification of the SSBs sub-sector in table 4.3 was adopted from NBS/SMEDAN collaborative survey. The table indicates the response rate to the administered questionnaire cut across every SSBs sub-sector. It also shows the percentage of SSBs that registered with corporate affairs commission (CAC) and those that do not register from the sampled SSBs.

4.2.2 Analysis of the Result of Statistical Testing

Statistical tests of the four null hypotheses with a view to either accept or reject is presented below:

4.2.2.1 Hypotheses One

SSBs do not significantly record high performance in Kano and Sokoto states.

For the purpose of testing hypothesis one, the study adopted a multiple discriminate analysis model developed by Springate (1978) consisting of four independent variables

(i.e. profit/employment, profit/total assets, sales/employment, and sales/total assets) and developed our model in order to assess the level of performance of SSBs in Kano and Sokoto states from 2005 to 2012, where the dependent variable consist of two classifications that is discriminating between low and high performance SSBs in the two states. The Springate model takes the following form:

$$Z = 1.03x_1 + 3.07x_2 + 0.66x_3 + 0.4x_4$$

We used the average figures of profit, sales, employment and total assets generated from the questionnaires for the entire period of study (2005-2012) and calculated the ratios for all the sample SSBs, which we applied on the adopted model (Springate model) using excel and determined the field data classification of low and high performing SSBs. We also used the classification result of the adopted model on the excel and defined the dependent variable for use in the model we developed and finally we run the discriminant analysis on the SPSS and cross validated the field data classification. The result of the discriminant analysis is summarized below:

Table 4.4 Discriminant Analysis Result of Low and High Performing SSBs

Model	Analysis	Low Performing SSBs	High Performing SSBs	Total
Original	Field Data Count	65	42	107
	Correct Classification	60	21	81
	Misclassification	5	21	26
	Cross-validated	81	26	107

Developed	Field Data Count	65	42	107
	Correct Classification	60	18	78
	Misclassification	5	24	29
	Cross-validated	84	23	107

Source: Compilation of the author, base on the analysis results using SPSS

Discussion of the Result

The result in table 4.4 above indicate that using the original model we adopted, 65 SSBs out of 107 were classified as low performing SSBs, while 42 SSBs out of 107 were classified as high performing SSBs, but by cross validation the result shows that 60 out of 65 were classified correctly as low performing SSBs while 5 out of 65 were classified wrongly(misclassification) as low performing SSBs, while 21 out of 42 were classified correctly as high performing SSBs while the remaining 21 out of 42 were classified wrongly (misclassification) as high performing SSBs. Therefore going by cross validation result of original model used only 26 SSBs out of 107 are performing high, while the remaining 81 are low performing SSBs.

From the same table the result of the model we developed from the original model we adopted gives us the same result that 65 SSBs were classified as low performing while the remaining 42 SSBs were classified as high performing SSBs, but when cross validated it was discovered that 60 out of 65 SSBs classified as low performing SSBs by our new developed model were classified correctly, but 5 out of that 65 SSBs were classified wrongly (misclassification) as low performing SMEs while 18 SSBs out of 42 that were classified as high performing were classified correctly, but 24 out of 42 SSBs

were classified wrongly as high performing SSBs. Therefore by cross validation result of our developed model 84 out of 107 are low performing SSBs, and only 23 are high performing SSBs.

Both adopted and developed models we used are efficient, the reason for misclassification is because of the principles of disciminant analysis theory which is a default that it uses a probability between one and zero to discriminate between the groups, that is ≥0.5 is considered as 1, while <0.5 is considered as 0.

It's observed from the note attached to classification result table (appendix 2) that all the two models scores high level of accuracy, where adopted and developed model achieved 75.7% and 72.9% respectively. The adopted model is slightly high than our developed model by 2.8%, this is because in discriminating between low and high performing SSBs the adopted model get 92.3% correctness (correct classification) and 7.7% misclassification (wrong classification) in classifying low performing SSBs, as well as 50% correctness and 50% misclassification in classifying high performing SSBs while our developed model got also 92.3% correctness and 7.7% misclassification in the case of low performing SSBs as well as 42.9% correctness and 57.1% misclassification in the case of high performing SSBs. Statistically the adopted model correctly classified 60 SSBs as low performing and 21 SSBs as high performing, therefore 60+21=81/107X100=75.7%, while our developed model correctly classified 60 as low and 18 as high performing SSBs and score 72.9% efficiency ie 60+18=78/107X100.

The model we developed from the adopted model is as follows:

$Z = -0.502x1 -1.008x2 +0.694x3 +1.790x4$

The coefficient values in the above model were derived from the standardized canonical discriminant function coefficients table result (appendix 3). We therefore recommend this model to be use by other researchers to discriminate between two groups, because it achieved 72.9% (Appendix 2) accuracy and correctness in classification. The decision rule for our developed model is if Z < 0.5 the SSB (observation) is considered as low.

Table 4.5 Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1	.792	24.001	4	.000

The Wilks Lambda table result shows that our model is well fitted with 0.792 wilks lambda, it also indicated that there are significant relationship between the sets of variables used in discriminating between low and high performing SSBs, with 0.000 significance (p-value) which less than 0.05 (5%) alpha.

Therefore it's empirically evident that the performance of SSBs in Kano and Sokoto states was low during the period studied, and this finding was in line with the earlier studies by Abiodun, (2011) who stated that it is worrisome that despite the incentives, favorable policies, regulations and preferential support by government aimed at improving small and medium scale enterprises, SSBs have performed below expectation in Nigeria. Basil, (2005) argue that small and medium enterprises (SMEs) in Nigeria have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Nigeria. This is because most of these small and medium businesses in Nigeria failed while some that still exist are not doing well due to one reason or the other. Sunday, (2008) opines that SSBs, which

globally are regarded as the strategic and essential fulcrum for any nation's economic development and growth have performed rather poorly in Nigeria. And despite the promising market, Nigeria business organizations are still confronted with myriad of problems.

4.2.2.2 Hypothesis Two

Business environmental factors do not have significant impact on profit of SSBs in Kano and Sokoto states.

For the purpose of testing hypothesis two, five variables multiple regression analysis were used. The result from the analysis is presented on the following table:

Table 4.6: Regression Result on the Impact of Selected Environmental Factors on Profit of SSBs.

Statistical Variables	**Profit (*Dependent Variable*)**
R	0.86
R Square	0.74
Adjusted R Square	0.443
F Statistics	8.46
Beta: MGT	-0.60
MKT	-0.53
INFR	-0.63
CMP	-0.84
FNC	-0.76
Significance: MGT	0.032
MKT	0.044
INFR	0.029
CMP	0.032
FNC	0.018

Source: Compilation of the author, base on the analysis results using SPSS

MGT = Management Inefficiency

MKT = Marketing Problems

INFR = Inadequate Infrastructures

CMP = Market Competition

FNC = Financial Inadequacy

Discussion of the Result

From the statistical results in the table above, the R value of 0.86 indicate our model is well fitted, because the greater the R value the better fit the model is. Therefore the R^2 of the profit of 0.74 indicate that 74% of the variations in the profit of SSBs in Kano and Sokoto states are explained or accounted for by the variation in management inefficiency, marketing problems, inadequate infrastructure, market competition and financial inadequacy. Therefore the R value explains the extent to which the selected independent variables determined the dependent variable used in the model.

The beta coefficients of -0.60, -0.53, -0.63, -0.84, and -0.76 for profit indicate a negative relationship between the profit of SSBs, on one hand, and MGT, MKT, INFR, CMP, and FNC, on the other hand. This means that the more the impact of these environmental factors on SMEs, the more the profit of SSBs in Kano and Sokoto states will decrease; but only to the extent of 60%, 53%, 63%, 84% and 76% by MGT, MKT, INFR, CMP, and FNC respectively. Therefore profit is negatively related to those five environmental factors. So, when the problems associated with these environmental factors increase, the profit of SSBs will reduce. Therefore the Beta-coefficient values indicate the unit impact of environmental factors on the profit performance of SSBs.

The selected environmental factors (MGT, MKT, INFR, CMP, and FNC) have significant impact on profit. This is because the significance values of 3.2%, 4.4%, 2.9%, 3.2% and 1.8% of the dependent variable are less than 5% in each case. Therefore we reject the null hypothesis and accept the alternative hypothesis that environmental factors have significant impact on profit of SSBs. Also the F statistics gives positive values of 8.46 for profit, the values indicate that business environmental factors has significant impact on the performance of SSBs in Kano and Sokoto states.

These results, however, provide evidence that the regression model is well fitted and that the selected environmental factors have significant impact on the profit of SSBs in Kano and Sokoto states. The inference here is that worseness business environmental factors in Kano and Sokoto states will have negative effect on the performance of SSBs in the two states. Therefore, this study has no sufficient evidence to accept the null hypotheses formulated. Therefore the study established significant impact of MGT, MKT, INFR, CMP, and FNC on profit of SSBs. But external environmental factors are the major factors influence the profit generation of SSBs in the two states.

4.2.2.3 Hypothesis Three

Business environmental factors do not have significant impact on the sales (revenue) of SSBs in Kano and Sokoto states.

For the purpose of testing hypothesis two, five variables multiple regression analysis were used. The result from the analysis is presented on the following table:

Table 4.7: Regression Result on the Impact of Selected Environmental Factors on Sales/ Revenue of SSBs.

Statistical Variables	**Sales (*Dependent Variable*)**
R	0.67
R Square	0.45
Adjusted R Square	0.32
F Statistics	4.161
Beta: MGT	-0.65
MKT	-0.61
INFR	-0.73
CMP	-0.64
FNC	-0.80
Significance: MGT	0.035
MKT	0.022
INFR	0.028
CMP	0.025
FNC	0.027

Source: Compilation of the author, base on the analysis results using SPSS

MGT = Management Inefficiency

MKT = Marketing Problems

INFR = Inadequate Infrastructures

CMP = Market Competition

FNC = Financial Inadequacy

Discussion of the Result

From the statistical results in the table above, the R value of 0.67 indicate our model is well fitted, because the greater the R value the better fit the model is. Therefore the R^2 of the sales of 0.45 indicate that 45% of the variations in the sales of SSBs in Kano and Sokoto states are explained or accounted for by the variation in management inefficiency, marketing problems, inadequate infrastructure, market competition and financial inadequacy. Therefore the R value explains the extent to which the selected independent variables determined the dependent variable used in the model.

The beta coefficients of -0.65, -0.61, -0.73, -0.64, and -0.80 for sales/revenue indicate a negative relationship between the sales/revenue of SSBs, on one hand, and MGT, MKT, INFR, CMP, and FNC, on the other hand. This means that the more the impact of these environmental factors on SSBs, the more the sales/revenue of SSBs in Kano and Sokoto states will decrease; but only to the extent of 65%, 61%, 73%, 64% and 80% by MGT, MKT, INFR, CMP, and FNC respectively. Therefore sales/revenue is negatively related to those five environmental factors. So, when the problems associated with these environmental factors increase, the sales/revenue of SSBs will reduce. Therefore the Beta-coefficient values indicate the unit impact of environmental factors on the sales/ revenue performance of SSBs.

The selected environmental factors (MGT, MKT, INFR, CMP, and FNC) have significant impact on sales/revenue. This is because the significance values of 3.5%, 2.2%, 2.8%, 2.5% and 2.7% of the dependent variable are less than 5% in each case. Therefore we reject the null hypothesis and accept the alternative hypothesis that environmental factors have significant impact on sales of SSBs. Also the F statistics gives positive values of 4.161 for sales/ revenue, the value indicate that business environmental factors has significant impact on the performance of SSBs in Kano and Sokoto states.

These results, however, provide evidence that the regression model is well fitted and that the selected environmental factors have significant impact on the sales/ revenues of SSBs in Kano and Sokoto states. The inference here is that the worse the business environmental factors in Kano and Sokoto states the more adverse effect on the performance of SSBs in the two states. Therefore, this study has no sufficient evidence to accept the null hypotheses formulated. Therefore the study established significant impact of MGT, MKT, INFR, CMP, and FNC on sales (revenue) of SSBs.

4.2.2.4 Hypothesis Four

Business environmental factors do not have significant impact on employment of SSBs in Kano and Sokoto states.

For the purpose of testing hypothesis two, five variables multiple regression analysis were used. The result from the analysis is presented on the following table:

Table 4.8: Regression Result on the Impact of Selected Environmental Factors on the Employment of SMEs.

Statistical Variables	**Employment (*Dependent Variable*)**
R	0.75
R Square	0.56
Adjusted R Square	0.40
F Statistics	3.861
Beta: MGT	-0.58
MKT	-0.63
INFR	-0.55
CMP	-0.64
FNC	-0.60
Significance: MGT	0.002
MKT	0.024
INFR	0.025
CMP	0.001
FNC	0.006

Source: Compilation of the author, base on the analysis results using SPSS

MGT = Management Inefficiency

MKT = Marketing Problems

INFR = Inadequate Infrastructures

CMP = Market Competition

FNC = Financial Inadequacy

Discussion of the Result

From the statistical results in the table above, the R value of 0.75 indicate our model is well fitted, because the greater the R value the better fit the model is. Therefore the R^2 of the employment of 0.56, indicate that 56% of the variations in the employment of SSBs in Kano and Sokoto states are explained or accounted for by the variation in management inefficiency, marketing problems, inadequate infrastructure, market competition and financial inadequacy. Therefore the R value explains the extent to which the selected independent variables determined the dependent variable used in the model.

The beta coefficients of -0.58, -0.63, -0.55, -0.64, and -0.60 for employment indicate a negative relationship between the employment of SSBs, on one hand, and MGT, MKT, INFR, CMP, and FNC, on the other hand. This means that the more the impact of these environmental factors on SSBs, the more the employment generation of SSBs in Kano and Sokoto states will decrease; but only to the extent of 58%, 63%, 55%, 64% and 60% by MGT, MKT, INFR, CMP, and FNC respectively. Therefore employment is negatively related to those five environmental factors. So, when the problems associated with these environmental factors increase, the employment of SSBs will reduce.

Therefore the Beta-coefficient values indicate the unit impact of environmental factors on the employment performance of SSBs.

The selected environmental factors (MGT, MKT, INFR, CMP, and FNC) have significant impact on employment. This is because the significance values of 0.2%, 2.4%, 2.5%, 0.1% and 0.6% of the dependent variable are less than 5% in each case. Therefore we reject the null hypothesis and accept the alternative hypothesis that environmental factors have significant impact on employment of SSBs. Also the F statistics gives positive values of 3.861 for employment; the values indicate that business environmental factors have significant impact on the performance of SSBs in Kano and Sokoto states.

These results provide evidence that the regression model is well fitted and that the selected environmental factors have significant impact on the employment of SSBs in Kano and Sokoto states. The inference here is that the greater the effect of business environmental factors in Kano and Sokoto states the lower the performance of SSBs in the two states. Therefore, this study has no sufficient evidence to accept the null hypotheses formulated. Therefore the study established significant impact of MGT, MKT, INFR, CMP, and FNC on employment of SSBs.

It's evident from the discussion of the result of test of hypothesis two, three and four that both internal and external environmental factors have significant effect on the performance of SSBs, but external factors are the major environmental factors affecting SSBs performance in Kano and Sokoto states, with market competition having 84% effect, follow by financial inadequacy with 80% effect and inadequate infrastructure with 73% effect on SSBs performance. This finding was in line with the earlier study by Kauranen, (1996) reported that environments and their components affect firm

performance in many ways, directly or indirectly. Chuthamas, Aminul, Thiyada, and Dayang, (2011), stated that both firm-internal and firm-external factors affect firm success, therefore to achieve business success, many factors should be optimal simultaneously, since SSBs success is a multidimensional phenomenon.

Blackwood and Mowl (2000) carried out a study in Spain with the primary objective of identifying and describing patterns of success and failure among small businesses. They concluded that business success or failure is dependent not only on the behavior of business owners/managers, but also on the economic and social behaviors of environment in which these businesses operate. Basil (2005) in his study reveals the following plethora of problems which are enormous, fundamental and far-reaching: inadequate infrastructures, Lack of easy access to funding/credits facilities, discrimination from banks, uneven competition, lack of access to appropriate technology, lack of patronage of locally produces goods by the general-public as well as those in authority, managerial problems, financial problems, and lack of technical knowhow. Alarape (2007); and Okpara and Wynn (2007) discovered some of the obstacles of business performance/growth which include among others a lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as infrastructure, corruption, low demand for products and services, and poverty. In the study of Zahra, (2011) the results indicate that four main causes of business failure in Iranian context are management deficiency, lack of financial support from banks and financial institutions, inadequate economic sphere and insufficient government policies. These results show the effect of external factors on the success and failure of businesses in Iranian context. It has been widely recognized that business growth and survival depend on both external and internal factors, (Zahra, 2011).

4.3 Research Findings

This section present the summary of the findings, based on the result of the hypotheses tested as follows:

a) The performance of SSBs in Kano and Sokoto states is low from 2005 to 2012. This is explained and accounted for by the influence of environmental factors in the two states.
b) Business environmental factors have significant impact on the profit of SSBs in Kano and Sokoto states. This implies that the negative effect of environmental factors adversely influence the ways and means of profit generation of SSBs and vice vassal.
c) Business environmental factors have significant impact on the sales or revenue of SSBs in Kano and Sokoto states. This implies that environmental factors influence the sales volume of SSBs.
d) Business environmental factors have significant impact on the employment of SSBs in Kano and Sokoto states. This implies that environmental factors can determine the employment generation of SSBs.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research study consists of five chapters. Chapter one presents the general introduction of the work with general background information on the subject matter. The problems encountered by SSBs was analyzed, which eventually led us to the statement of the research problem and from the problem statement research questions were raised. SSBs in Kano and Sokoto states experience low performance which is as a result of the effect of internal and external environmental factors such as management inefficiency, marketing problems, inadequate infrastructures, market competition and financial inadequacy among others. In view of these problems and stated research questions, the major objective of the study is to investigate the level of performance of SSBs and examine the factors affecting their performance in Kano and Sokoto states. Thus, the specific objectives of this study are to: (a) Assess the level of performance of SSBs in Kano and Sokoto states. (b) Examine the impact of business environmental factors on the profit of SSBs. (c) Examine the impact of business environmental factors on sales/revenue of SSBs. (d) Examine the impact of business environmental factors on employment of SSBs. In order to achieve these objectives, four hypotheses were formulated and tested in chapter four. In determination of scope of the study, we limited our study to the SSBs in Kano and Sokoto states that were operational from 2005 to 2012. We also restricted our analysis to three performance indicators which include profit, sales (revenue) and employment generation and five environmental factors; namely: management inefficiency, marketing problems, inadequate infrastructures, market competition, and financial inadequacy.

Chapter two reviews the related literatures and select an appropriate theoretical framework for the study. We reviewed the existing literature on performance of SSBs

and factors affecting their performance. The review started with clarification of the concept, importance, and challenges of SSBs, followed by concept, empirical studies and theories that explained business performance. The review revealed that despite government institutional and policies support to enhancing the capacity of SSBs, the sub-sector has fallen short of expectations and indicates that several factors influence business performance. The negative internal and external environmental factors including pressure from competitors or new entrants, poor sales, management inefficiency, financial problems, poor infrastructures etc are also important factors affecting business performance. Some of the earlier studies also explained that measures of business performance are annual sales, number of employees, return on sales, growth in sales, and growth in employee numbers. While various theories relevant to the research were reviewed, the contingency theory and the dialectical approach to firm performance provide the theoretical validity for the conduct of this research.

Chapter three present research methodologies that befits the objectives of the study. The study is a survey research which investigates the performance of SSBs, and the impact of environmental factors on the performance of SSBs in Kano and Sokoto states. The population of interest to this study is the set of all operational SSBs in Kano and Sokoto states, from 2005 to 2012; thus, the size of the population is 2,429 SSBs. We studied a sampled of SSBs which sample we selected through a purposive sampling technique. A total sample size of 188 SSBs was determined using Yamani formula. The questionnaire instrument was the major source of primary data employed in this study. Multiple discriminate analyses and multiple regressions were the statistical tools used to test the hypotheses formulated.

Chapter four is data analysis, hypothesis testing, and discussion of the findings. The responses generated from the questionnaires were analyzed using the Statistical Package

for Social Science (SPSS). The four hypotheses earlier postulated were tested. Hypothesis one tested using multi-varied discriminant analysis and the null hypothesis were accepted, we rejected the alternative hypothesis because we did not find sufficient evidence to support it. We found that SSBs record low performance in Kano and Sokoto states within the period studied. Hypotheses two, three and four were tested using multiple regression analysis, and the null hypothesis were rejected in each case; we accepted the alternative hypotheses, because we found that management inefficiency, marketing problems, inadequate infrastructures, market competition, and financial inadequacy have impact on profit, sales (revenue) and employment of SSBs in Kano and Sokoto states.

Chapter five present a summary of the work, conclusions drawn from the findings, and proffered recommendations. The chapter also made suggestions for further research.

5.2 Conclusion

This section presents the conclusions drawn from the findings that emerged after data analysis and the test of hypotheses. The study concludes as follows:

a) SSBs in Kano and Sokoto States performed very low, from 2005 to 2012. This is evident in the result of test of hypothesis one, which indicated that only 21% of the sampled SSBs are performing better (high), as cross validated in our developed model.
b) Management inefficiency, marketing problems, inadequate infrastructures, market competition and financial inadequacy affect the performance of SSBs in term of their profit generation, sales volume, and employment generation.

c) The negative effect of both internal and external environmental factors leads to low performance of SSBs and consequently leads to an adverse effect on the economy.

d) The external environmental factors are the major factors influencing the performance of SSBs in Kano and Sokoto states.

5.3 Recommendations

A high performing SSB is beneficial to all stakeholders and the nation in general. The contributions that SSBs offers are achievable only when there is a conducive business environment. In view of the findings that emerged from this study, and the conclusion drawn, we recommend:

a) That in order to achieved significant positive contribution of SSBs sector to economic development, government should create enabling environment for both existing and potential investors in the sector, this can be done through improvement of infrastructural facilities and formulation of policies favourable to SSBs.

b) Government and other stakeholders should find a means through which owners and managers of SSBs get adequate managerial skills to run their business effectively and efficiently. This can be done through entrepreneurship development programmes and orientation, seminars, workshops, etc. in order to minimize managerial problems.

c) Adequate and proper record keeping of all business transactions by SSBs, in order to be able to track all the activities and transaction of the business. This can be achieve through training and re-training of staffs in the area of record keeping.

d) SSBs should always make proper planning for all the activities of the business in order to achieve the desired performance. Planning is one of the functions of management team of an organization; it can also be achieved through regular meetings, training and development.

e) SSBs should develop proper marketing strategies, and make adequate marketing research through proper formulation and implementation of marketing mix (product, price, promotion & placement) strategies as well as market and consumer research in order to improve their sales volume.

f) The problem of inadequate infrastructural facilities such as access road, water and power supply should be properly addressed by the government in order to ease the operational problems experience by SSBs in the two states and the country at large. The costs that SSBs incur in provision of infrastructures definitely increases their total cost of production, thereby raising their prices to the extent that it will reduce the demand for their products and services, which will result in decreasing their profitability. The power holding company of Nigeria (PHCN) and Nigerian electricity regulatory commission (NERC) should be reorganized in order to increase its operational efficiency. In the area of road and transportation, government should increase efforts at rehabilitating Nigerian road which are presently in bad shape. It's also recommended that other means of transport like railway should be enhanced. Government should also intensify effort in providing good and sufficient water supply. These recommendations were given with considering the fact that high performance cannot be achieved by Nigerian SSBs without adequate supply of infrastructural facilities.

g) SSBs owners/managers and government should join hands to addresses the problem of competition, in order to enhance the competitive advantage of SSBs.

The negative effect of competition affects the sales volume as well as profitability of SSBs. Government should reorganize Nigerian Custom Service in order to increase its operational efficiency; such effort will be geared toward reducing the problems of smuggling and importation of product that are produce locally by SSBs. Government and relevant stakeholders should strategize and improve the size of the market and make it accessible to all. SSBs should also make consumer research, so that they can produce base on the quality and taste of the consumers in order to gain market share.

h) The problem of financial inadequacy such as lack of access to external funds, high interest rate, and lack of collaterals should be properly addressed by the government and relevant stakeholders in order to ease the financial problems experience by SSBs in Kano and Sokoto states and the country at large. Government should provide simple and affordable credit facilities to SSBs through microfinance institutions as well as grants. Government should also formulate fiscal and monetary policies that are favorable to SSBs; this will also address the problem of high interest rate. It's also recommended that banks should emphasize on goodwill rather than collateral. This would likely reduce asymmetric information as goodwill becomes the prominent acceptable factor.

5.4 Suggestions for Further Studies

Business performance indicators and environmental factors influencing the performance are many and varied; therefore this study could not exhaust issues regarding SSBs performance and environmental factors. Since this study considered only three performance indicators; such as profit, sales and employment, two internal environmental factors that is management inefficiency and marketing/ sales problems, and three external environmental, which includes inadequate infrastructures, market

competition, and financial inadequacy. The study is also limited to only Kano and Sokoto states in north western part of the country and restricted to SSBs. However, to date comparative studies have been rare. Therefore, we suggest the following for further research.

a) Study to assess the performance of SSBs using total assets, growth rate and market share as indicators
b) Study the impact of taxation, business location, and market demographics on the performance of SSBs.
c) Study the impact of business environmental factors on performance of large scale enterprises in Kano and Sokoto states.
d) Comparative study on the SSBs performance between states.
e) Study the sectoral disparity in the effect of environmental factors on the performance of SSBs.

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APPENDICES

Appendix 1.

LETTER TO SMEs OWNERS/ MANAGERS AND QUESTONNAIRE IN THE RESEARCH AREA TO EVALUATE THE PERFORMANCE OF SMALL SCALE ENTERPRISES IN KANO AND SOKOTO STATES.

PART ONE: LETTER TO SSBs OWNERS/ MANAGERS

Dear Respondent

This questionnaire examines the level of performance and investigates the internal and external environmental factors affecting the performance of SSBs in Kano and Sokoto states. The main objective of the research is to establish "how?" and "why?" Your small scale business enterprise performs below expectation in order to inform policy formulators, investors, and other stakeholders to make necessary action towards improving the performance of SSBs.

It would be appreciated if you will answer the questions as thoroughly as possible. All information will be treated as confidential and will be used for academic purposes only. It is hoped that the research will provide input toward policy formulation aimed at understanding and improving the performance of SSBs.

Thank you in anticipation

Sincerely,

SalihuAbubakar
M.Sc Student
Department of Business Administration
Ahmadu Bello University, Zaria.

PART TWO: QUESTIONNAIRE

SECTION A: Demographic Information

1. Name of Owner/ Manager (optional):

   Mr./Ms……..

2. Name of the Business:

   …….....

3. Address of the Business:

   Street……

   LGA……State…….

4. Please indicate (tick) the sub-sector in which your business belong

Agriculture, Hunting, Forestry and Fishing	
Mining and Quarrying	
Manufacturing	
Building and Construction	
Wholesale and Retail Trade	
Hotels and Restaurants	
Transport, Storage and Communication	
Financial Intermediation	
Real Estate, Renting and Business Activities	
Education	

Health and Social Work	
Other Community, Social and Personal Service Activities	

5. Status of the respondent: Owner ☐

Manager ☐

Owner/ Manager ☐

6. Please indicate your state:

Kano State	
Sokoto State	

7. Please state the year in which your business enterprise was established

1	**9**		

2	**0**		

8. Please state the year in which your business enterprise was registered

1	**9**		

2	**0**		

9.a) Have you ever measure the performance of your business?

Yes ☐

No ☐

b) If yes how often in a year?

Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually ☐ Others ☐

c) If yes, what is the performance measurement indicator(s) you used?

……

SECTION B: Business performance indicators

1. Please can you state the amount of profit after interest and tax of your business at the end of each of the following years (trading period)?

YEAR	AMOUNT (N)
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	

2. Please can you state the amount of total sales or revenue of your business at the end of each of the following years (trading period)?

YEAR	AMOUNT (N)
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	

3. Please can you state the total number of permanent employees in your business enterprise (excluding the owner) at the end of each of the following years (trading period)?

YEAR	NUMBER OF EMPLOYEES
2005	
2006	
2007	

2008	
2009	
2010	
2011	
2012	

4. Please can you state the amount of total assets of your business enterprise at the end of each of the following years (trading period)?

YEAR	AMOUNT (N)
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	

SECTION C: Factors affecting business performance

1. To what extent does the management inefficiency (poor managerial skills, poor planning and poor record keeping) affect the profit of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

2. To what extent does the management inefficiency (poor managerial skills, poor planning and poor record keeping) affect sales/revenue of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent

2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

3. To what extent does the management inefficiency (poor managerial skills, poor planning and poor record keeping) affect the employment in your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

4. To what extent does marketing and sales problems (lack of creating awareness, lack of marketing research, and poor sales effort) affect the profit of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

5. To what extent does marketing and sales problems (lack of creating awareness, lack of marketing research, and poor sales effort) affect sales/revenue of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					

2006					
2007					
2008					
2009					
2010					
2011					
2012					

6. To what extent does marketing and sales problems (lack of creating awareness, lack of marketing research, and poor sales effort) affect the employment in your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

7. To what extent do inadequate infrastructures (poor access road, inadequate power supply, and inadequate water supply) affect the profit of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

8. To what extent do inadequate infrastructures (poor access road, inadequate power, and inadequate water supply) affect sales/revenue of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					

2007					
2008					
2009					
2010					
2011					
2012					

9. To what extent do inadequate infrastructures (poor access road, inadequate power, and inadequate water supply) affect the employment in your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

10. To what extent does market competition (non-patronage due to competitors, lack of modern technology, and lack of access to advertisement facilities) affect the profit of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

11. To what extent does market competition (non-patronage due to competitors, lack of modern technology, and lack of access to advertisement facilities) affect sales/revenue of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					

2012					

12. To what extent does market competition (non-patronage due to competitors, lack of modern technology, and lack of access to advertisement facilities) affect the employment in your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

13. To what extent do financial inadequacies (lack of access to external funds, high interest rate, and lack of collaterals) affect the profit of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					

2006					
2007					
2008					
2009					
2010					
2011					
2012					

14. To what extent do financial inadequacies (lack of access to external funds, high interest rate, and lack of collaterals) affect sales/revenue of your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

15. To what extent do financial inadequacies (lack of access to external funds, high interest rate, and lack of collaterals) affect the employment in your business in the following years?

Code	1	2	3	4	5
Option	Not at all	To a little extent	To an average extent	To a large extent	To very large extent
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					

SECTION D: Open ended questions

What are the other major problems affecting the performance of your business apart from those mentioned section C above?

……

……

……

Please state any three major areas that SMEs require assistance in North West of Nigeria in order to improve their performance?

……

……..

……

Appendix 2.

Classification Results[a,c]

		Z	Predicted Group Membership		Total
			.00	1.00	
Original	Count	.00	60	5	65
		1.00	21	21	42
	%	.00	92.3	7.7	100.0
		1.00	50.0	50.0	100.0
Cross-validated[b]	Count	.00	60	5	65
		1.00	24	18	42
	%	.00	92.3	7.7	100.0
		1.00	57.1	42.9	100.0

a. 75.7% of original grouped cases correctly classified.

b. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

c. 72.9% of cross-validated grouped cases correctly classified.

Appendix 3.

Standardized Canonical Discriminant Function Coefficients

`	Function
	1
X1	-.502
X2	-1.008
X3	.694
X4	1.790

Appendix 4.

Prior Probabilities for Groups

Z	Prior	Cases Used in Analysis	
		Unweighted	Weighted
.00	.500	65	65.000
1.00	.500	42	42.000
Total	1.000	107	107.000

Appendix 5.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.86[a]	.74	.443	2188361.0412096480000	.74	8.46	5	101	.003

a. Predictors: (Constant), FNC, MGT, MKT, CMP, INFR

ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	228910569081617.570	5	45782113826323.514	8.46	.003[a]
	Residual	483681328715101.700	101	4788924046684.175		
	Total	712591887796719.270	106			

a. Dependent Variable: Profit

b. Predictors: (Constant), FNC, MGT, MKT, CMP, INFR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2449554.254	582623.241		4.204	.000
	MGT	-115816.847	54244.520	-.60	-2.135	.032
	MKT	-94576.621	65073.606	-.53	-1.453	.044
	INFR	-200171.624	72053.621	-.63	-2.778	.029
	CMP	-323415.927	72923.546	-.84	-4.435	.032
	FNC	-395038.477	89355.005	-.76	-4.421	.018

a. Dependent Variable: Profit

Appendix 6.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.67[a]	.45	.32	19349027.45170545200000	.45	4.161	5	101	.012

a. Predictors: (Constant), FNC, MGT, CMP, MKT, INFR

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7826515565148135.800	5	1565303112829627.200	4.161	.012[a]
	Residual	37812871196011968.200	101	374384863326851.200		
	Total	45639386761160104.000	106			

a. Dependent Variable: sales

b. Predictors: (Constant), FNC, MGT, CMP, MKT, INFR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14047669.004	5152461.131		2.726	.008
	MGT	-1241939.300	508133.307	-.65	-2.444	.035
	MKT	-1864654.754	522727.422	-.61	-3.567	.022
	INFR	-2012620.001	660647.303	-.73	-3.046	.028
	CMP	-1908218.222	599067.450	-.64	-3.185	.025
	FNC	-2354211.516	727595.947	-.80	-3.236	.027

a. Dependent Variable: sales

Appendix 7.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.75[a]	.56	.40	24.13231685569580	.56	3.861	5	101	.010

a. Predictors: (Constant), FNC, MGT, INFR, MKT, CMP

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10077.895	5	2015.579	3.861	.010[a]
	Residual	58819.240	101	582.369		
	Total	68897.135	106			

a. Dependent Variable: Employment

b. Predictors: (Constant), FNC, MGT, INFR, MKT, CMP

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.

		B	Std. Error	Beta		
1	(Constant)	25.502	5.321		4.793	.000
	MGT	-1.998	.622	-.58	-3.212	.002
	MKT	-1.855	.766	-.63	-2.422	.024
	INFR	-2.608	.780	-.55	-2.344	.025
	CMP	-2.924	.844	-.64	-3.464	.001
	FNC	-2.608	.772	-.60	-3.378	.006

a. Dependent Variable: Employment