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## Determinants and Performance of SMEs in Osun State, Nigeria

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### **Abstract:**

*The paper examines the determinants of performance in small and medium enterprises in the present economy in Osun state. The SMEs plays an important role in the economy of any nation including Nigeria. The performance of SMEs greatly influences the performance of the entire country, so the need to pay close attention to their survival in the country.*

*The survey research design was employed, questionnaire was administered and 145 responses were analysed using descriptive method and the hypothesis was tested using regression analysis.*

*The findings revealed that funding, customer patronage, employees and Government policies were significant factors affecting the performance of SMEs in the present economic situation in Osun state. The study recommend that Government should not relent their efforts rather intensify it by focusing on all factors found affecting the performance SMEs to ensure the overall success of SMEs.*

**Keywords:** Determinants, performance, SMEs.

### **1. Background to the Study**

Small and medium enterprises (SMEs) play an important role in any nation including the developing countries which Nigeria is inclusive. They are seen to provide employment for greater number of people and creation of wealth. OECD (2009) noted that SMEs employ greater number of workforce in the private sectors making them key generators of employment and income, they form about 99% of all enterprises in EU countries.

Akeem (2014) opined that SMEs sector in Nigeria has stagnated and contributed little to GDP and gainful employment. The SMEs contributions over the years have been same, this could be as a result of access to finance among others. Kanu, Onuoha and Gabriel (2014) noted that SMEs for both formal and informal sectors accounts for between 70% and 90% of employment and greater than 70% of National output with Agricultural sectors contributing between 40-45% of GDP in Nigeria and 70% of employment with over 80% from the Agricultural sector being either subsistence farmers of Agro Allied business.

The Government introduced various schemes to assist the SMEs but how effective are the various bodies in discharging their duties especially in the present economic conditions in Nigeria. The Bank of Industry (BOI), Small and Medium Enterprises Development Agency (SMEDAN) offering technical assistance to SMEs, assistance to draw business plan and reactivate old businesses. Small and Medium Enterprises Equity Investment Scheme (SMEEIS) scheme requiring all banks to set aside 10% of their profit before tax for equity investment in SMEs on annual bases.

Heslina, Otto, Muh and Muh (2016) noted that developed countries places great concern on SMEs because they are considered to be the backbone of the economy but are however, susceptible to internal and external factors. The Government, conducive environment, access to local and international markets, provision of finance and network information among others. The importance of SMEs to the economy makes Government in the developed countries place more concern on them as they are key to economic development in any nation.

According to Eniola, Entebang and Sakariyau (2014) evidence from scholars revealed that SMEs performance is the life blood of the economy as SMEs contributes greatly to the economic growth of the country. The Nigerian Government has introduced strategy support policy to aid the performance growth of SMEs. The Government has provided scheme like the Industrial Development Center (IDC) for training of entrepreneurs and their staff. All entrepreneurs should be able to access this scheme so as to improve and be able to thrive in the competitive environment. Performance of SMEs reflects to the performance of the entire nation. The performance of SMEs affects the nation in diverse ways. Hence, the need to study the determinants of performance of SMEs in the present economy.

The SMEs play an important role to the economy of any nation including Nigeria as they form a greater percentage of employment in the private sector thus reducing unemployment rate experienced in countries. The present economic conditions have mandated the need to taking initiative to earn income rather than waiting for the Government as Nigeria have various business opportunities waiting to be tapped. However, the support of the Government cannot be overlooked as it greatly aids the performance of SMEs.

There are internal and external factors contributing to the performance success of SMEs. As noted by Nden in Adebayo (2017) that foundation must be in place for the success of SMEs which could involve the Government laying the structure by resolving the problems in the energy sector rather than much talks, actions must be taken. SMEs requires financial support from the Government among others but effort of the Government is more geared towards the large companies.

A lot of literature has been written on SMEs performance in the developed countries but little in developing countries including Nigeria thereby the need to study determinants of SMEs performance. Hence, the paper centers on the determinants of performance of SMEs in Osun state with a major focus in Osogbo the state capital.

The main objective of the study is to consider the determinant of performance of SMEs during the present economic situation in Osun state. Achieving the main objective, the following specific objectives were considered to identify; effect of customer patronage on performance in the present economic situation, funding strategy affecting performance of SMEs, Government policies affecting the performance of SMEs, issues affecting the performance of SMEs in the present economic situation. What are the effect of customer patronage on the performance of SMEs in the present economic situation? How does funding strategy affects the SMEs in the present economic situation? How does Government policies affects the performance of SMEs? What are the issues affecting the performance of SMEs in the present economic situation?

## 2. Literature Review

Etuk, Etuk and Baghebo (2014) defines SMEs based on criteria including turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry. They suggested that quantitative factors are not enough to define SME but qualitative factors should as well be considered. Jasra, Asifkhan, Hunjra, Rehman and I-Azam (2011) defines SMEs as enterprises that employ not more than 250 employees working on a small scale. They stressed that the definition vary from country to country but usually based on employment, assets or combination of both. According to Oluwaremi, Odelabu, Lawal and Obisesan (2016) the Multilateral Investment Guarantee Agency (MIGA) and International Finance Corporations (IFC) define small enterprises as those that meet two of the following three conditions:

- Less than 50 employees
- Less than S3 million total assets
- Less than S3 million total annual sales

While medium enterprises are those that meet two of the following:

- Less than 300 employees
- Less than S15 million total assets
- Less than S15 million total annual sales

SMEDAN (2009) defines MSMEs as stated below:

S/N	Size Category	Employment	Assets Excluding Land And Buildings
1	Micro enterprises	Less than 10	Less than N5million
2	Small enterprises	10-49	5- less than N50 million
3	Medium enterprises	50-199	50- less than N500 million

Table 1

Source: SMEDAN, 2007

Different countries define SMEs in different ways. The International Labor Organizations noted that over 50 definitions were used in 75 countries. The definitions were made suitable for the criteria of enterprises and level of development.

Sandberg, Vineberg and Pan (2002) in Moorthy, Tan, Choo, Wei, Ping and Leong (2012) defined performance of small business as their capability to lead to the creation of employment and wealth by business start-up, survival and sustainability. Hornby (2000) in Akinruwa, Awolusi and Ibojo (2013) views performance as an action or achievement relating to how successful something is. This definition relates performance with success thus anything unsuccessful is said to have not performed well. Organizations measures performance using different yardstick, this is so because there is no universally accepted parameter for measuring performance. Akinruwa, Awolusi and Ibojo (2013) noted that financial indicators that were used to measure performance prior to 1980s were profit return on investment, sales per employees, and productivity. However, from 1980 till date focus of performance indicators have been on less tangible and non-financial measures such as just in time delivery, total quality management, stakeholder's satisfaction, communication, trust, competitive position and quality product. Performance measurement were categorized by Narangajavana (2005) in Akinruwa, Awolusi and Ibojo (2013) as including

- Profit that includes return on assets, return on investment and return on sales.
- Growth in terms of sales, market share and wealth creation.

- Stakeholders satisfaction in form of customers satisfaction and employees satisfaction.
- Competitive position including overall competitive position and success rate in launching of new products.

Performance is discovered to be measured in different ways by companies. There is no universally accepted way on how performance is measured. Organizations make use of whichever means they deems fit.

SMEs are very important to the performance of any economy especially the developing countries economy which Nigeria is inclusive. Olatunji(2010) noted that Small and medium industries can help in achievement of the following objectives which are important to the performance of a nation. They are as follows:

Employment generation: In developing countries, a large proportion of unemployment exist and small and medium industries generates employment for the unemployed. This in turn curb many social vices a country would have experienced.

Utilization of local resources: The small industries are creative and thus making use of the local raw materials which do not require the use of high level of technology to process. In Nigeria SMEs concentrates on enterprises such as food processing, textiles, wood works, leather products, soap and detergent requiring simple technology and the raw materials are sufficient.

Transformation of indigenous technology: Giants corporations today started in very rough and small firms. All economies transited from household artisan industries over time to modern Industrial setup. Developing countries can learn from the giant corporation experience thus create an environment that is conducive and enable SMEs adapt imported technologies, modernize their process and grow to become large corporations.

Production of intermediate goods: Small and medium industries intermediate and provide products that are needed as financial consumption goods by larger enterprises and the entire economy. These includes raw materials, machinery, equipment, spare parts and household goods. Rather than competing with larger enterprises, the small enterprises delivers to the large corporations through sub-contracting and thereby meeting their needs.

Several issues affects the performance of small and medium enterprises ranging from country to country. The issues affecting performance of small and medium enterprises in Nigeria may be different from other countries including countries in Africa. Alabi, Awe and Musa (2015) opined that a great number of SMEs have problems with raising sufficient capital for business start up and encounters difficulty in attracting credit facilities from banks, even when visible, the issue of collateral security and high interest rate charged on the loan pose a challenge. They also highlighted the following issues:

- Bank discrimination on adverse risk of lending to SMEs especially the new ones.
- SMEs lack of knowledge on how to package a good business proposal.
- Weak demand for products arising from low and dwindling consumers purchasing power and preference for foreign products at the expense of local ones.
- High incidence of multiplicity of regulating agencies, taxes and levies resulting in high cost of doing business and discouraging entrepreneurship.
- Wide spread corruption and harassment of SMEs by some Government agencies over unauthorized levies and charges.
- Exorbitant interest rate charged by banks and other financial institutions on loans granted to SMEs.
- Wide spread pilfering and outright stealing prevalent among SMEs staff constitutes a major financial challenges hampering on the expansion of businesses.

OECD (2009) noted the importance of small enterprises as they are essential to the economic recovery of a nation. They noted that even under normal circumstances, Government realizes that for SMEs to grow and survive, they need specific policies and programmes. However, the global crisis have hit hard on the SMEs. They noted SMEs are vulnerable in time of crisis as a result of the following:

- There small nature makes it difficult for them to downsize.
- They are individually less diversified in their economic activities.
- They have a weaker financial structures.
- They have lower or no credit rating.
- They are heavily dependent on credit.
- They have fewer financing options.

Contingency theory is a situational theory. It is usually called it depends theory. The situation determines the approach and outcome of any event. It tries to identify and measure conditions under which certain event will occur. Luthans and Stewart (1977) defines contingency approach as identifying and developing functional relationship between environmental variables (technology) and performance. The practice that is suitable for any organization will depend on the circumstances since we do not have a universal accepted practices for organizations. Hence, the intense need for SMEs to be innovative and take advantage of environmental conditions to explore areas so as to be in the forefront.

### 3. Empirical Review

Eniola and Entebang (2015) noted that SMEs performance depends on the choice of Government policy, spatial relations and guidance of Government, schemes and incentives, and support arrangement for the individual sector.

Aworemi, Akanbi and Ayeni (2014) study on 'Economic analysis of the factors influencing the performance of small scale entrepreneurship in Kwara state' revealed that power supply, labor, patent laws, state and local Government policies, and other financial constraints were highly correlated with the dependent variables. Signifying the salient factors influencing the performance of entrepreneurs in the study area.

Mohammed, Basher and Abdullahi (2013) also identified inadequate and sporadic electricity, water supply, poor road network, outdated and grossly inadequate railway, low access to finance, dearth of professional managers, multiple taxation problem, inconsistent economic policies and lack of adequate protection from imported products amongst others as problems to SMEs development.

Moorthy, Tan, Choo, Wei, Ping and Leong (2012) findings revealed a significant negative relationship between ineffective entrepreneurship together with inappropriate human resources management and performance of SMEs. Also, a significant positive relationship between the use of marketing information, application of information technology and SMEs performance. The use of marketing information can greatly influence the performance of SMEs.

Akinruwa, Awolusi and Ibojo (2013) findings revealed that funds, managerial skills, Government policy, education and facilities were found significantly related to performance. However, fund ranked first, followed by education, Government policy, managerial skills and facilities. In order to achieve performance, the determinants must be readily available so as to complement each other.

Heslina, Otto, Muh and Muh (2016) result showed a significant effect of venture capital business growth strategy and business performance. Entrepreneurial characteristics significantly influence business performance. However, growth strategy have no significant effect on performance while venture capital has significant influence on business performance through business growth strategy. Entrepreneurial characteristics significantly influence the business growth strategy and entrepreneurial competence.

Sajuyigbe, Alabi and Adewale (2016) in their study on 'Globalization and its effect on the performance of small scale businesses in Nigeria revealed that globalization has significant influence on small scale business performance and is a predictor of survival of SMEs in Nigeria thus boosting their performances.

Onukwuli, Akam and Onwuka (2014) study revealed external and internal challenges affecting small scale industries sustainability and employment generation includes lack of credit accessibility, managerial competence, technology, research and development, credit records as internal factors. External factors includes corruption and crime, multiple taxation, high competition and infrastructural base thus calling for financial regulatory system and Government intervention in a volatile operating environment. Corruption and crime could equally be an internal factor perpetuated by dishonest employees.

#### 4. Methodology

Given the population of 110 SMEs in Osun state among other small businesses. 190 copies of questionnaires were administered to some selected SMEs and smaller businesses in Osogbo, the state capital of Osun with the help of 2 trusted research assistance. The population was selected using simple random sampling. 165 copies of questionnaire were returned making 87% out of which 20 were invalid. Thus, 145 copies of questionnaire were analyzed making 88% of the copies of questionnaire that were returned. The range of the scale ranging from 1 for strongly disagree up to 4 for strongly agree.

SPSS version 16.0 was used applying the descriptive method and regression was used for hypothesis testing. Face and content validity was carried out for testing of the validity of research instruments. The reliability test using Cronbach's Alpha was 0.831.

#### 5. Discussion of Findings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	78	53.8	53.8	53.8
	female	67	46.2	46.2	100.0
	Total	145	100.0	100.0	

Table 2: Distribution of Respondents According to Gender  
Source: Administered Questionnaire, (2017)

From the above table, more males responded to the questionnaire than the females

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<20years	23	15.9	15.9	15.9
	20-<30years	63	43.4	43.4	59.3
	30-<40	41	28.3	28.3	87.6
	40-<50years	9	6.2	6.2	93.8
	50 and above	9	6.2	6.2	100.0
	Total	145	100.0	100.0	

Table 3: Distribution of Respondents According to Age  
Source: Administered Questionnaire, (2017)

Majority of the respondents falls between the age of 20 – 39 years. This shows that many young people are into entrepreneurship.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PRIMARY	3	2.1	2.1	2.1
	SECONDARY	31	21.4	21.4	23.4
	TERTIARY	111	76.6	76.6	100.0
	Total	145	100.0	100.0	

Table 4: Distribution of Respondents According to Highest Academic Qualifications  
Source: Administered Questionnaire, (2017)

Table 4 shows that majority of the respondents have tertiary education implying the respondents are well educated.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	manufacturing	34	23.4	23.4	23.4
	Services	111	76.6	76.6	100.0
	Total	145	100.0	100.0	

Table 5: Distribution of Respondents According to Line of Business  
Source: Administered Questionnaire, (2017)

Table 5 shows that most of the respondents are from the service industries.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5YEARS	77	53.1	53.1	53.1
	5- <11 YEARS	40	27.6	27.6	80.7
	11-15 YEARS	14	9.7	9.7	90.3
	>15 YEARS	14	9.7	9.7	100.0
	Total	145	100.0	100.0	

Table 6: Distribution of Respondents According to Years of Experience  
Source: Administered Questionnaire, (2017)

Table 6 shows most of the respondents fall below 11 years of experience indicating the development of involving the youth in entrepreneurship.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<10 EMPLOYEES	92	63.4	63.4	63.4
	10-49 EMPLOYEES	38	26.2	26.2	89.7
	>49- 199EMPLOYEES	15	10.3	10.3	100.0
	Total	145	100.0	100.0	

Table 7: Distribution of Respondents According to Number of Employees  
Source: Administered Questionnaire, (2017)

Table 7 shows that most of the respondents has less than 10 number of employees implying the present capacity of businesses in employment of staff.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	6	4.1	4.1	4.1
	D	13	9.0	9.0	13.1
	A	57	39.3	39.3	52.4
	SA	69	47.6	47.6	100.0
	Total	145	100.0	100.0	

Table 8: Customer Patronage Relating to Sales of Products and Services  
Source: Administered Questionnaire, (2017)

Table 8 shows 126 respondents representing 86.9% were in agreement customer patronage relating to sales of products has declined in recent time. This implies that sales of products and services are important to business performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	2	1.4	1.4	1.4
	D	14	9.7	9.7	11.0
	A	52	35.9	35.9	46.9
	SA	77	53.1	53.1	100.0
	Total	145	100.0	100.0	

Table 9: Customers Patronage Relating to Increased Price  
Source: Administered Questionnaire, (2017)

Table 9 shows 129 respondents representing 89% were in agreement that increased prices has led to declined customers patronage in recent time. This implies the inflation rate in the present economy.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	12	8.3	8.3	8.3
	D	34	23.4	23.4	31.7
	A	53	36.6	36.6	68.3
	SA	46	31.7	31.7	100.0
	Total	145	100.0	100.0	

Table 10: Delay in Payment of Goods and Services by Customers  
Source: Administered Questionnaire, (2017)

Table 10 shows that 99 respondents representing 68.3% were in agreement that they experience delay in the payment of goods and services rendered to customers in the recent time. This implies how present economy affects business performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	10	6.9	6.9	6.9
	D	23	15.9	15.9	22.8
	A	64	44.1	44.1	66.9
	SA	48	33.1	33.1	100.0
	Total	145	100.0	100.0	

Table 11: Present Purchasing Power of Customers  
Source: Administered Questionnaire, (2017)

Table 11 shows that 112 of the respondents representing 77.2% of the respondents are in agreement that the present purchasing power of customers has affected business patronage. This implies present purchasing power of customers is a factor determining performance of businesses.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	3	2.1	2.1	2.1
	D	15	10.3	10.3	12.4
	A	58	40.0	40.0	52.4
	SA	69	47.6	47.6	100.0
	Total	145	100.0	100.0	

Table 12: Business Performance Relating to Profitability  
Source: Administered Questionnaire, (2017)

Table 12 shows that 127 respondents representing 87.6% were in agreement that business profitability has declined affecting business performances in recent time.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	6	4.1	4.1	4.1
	D	23	15.9	15.9	20.0
	A	72	49.7	49.7	69.7
	SA	44	30.3	30.3	100.0
	Total	145	100.0	100.0	

Table 13: Old Regular Customers Patronage  
Source: Administered Questionnaire, (2017)

Table 13 shows that 116 respondents representing 80% of the respondents were in agreement that the present economy has reduced the patronage of their old regular customers. This implies old regular customers patronage is significant to business performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	14	9.7	9.7	9.7
	D	52	35.9	35.9	45.5
	A	53	36.6	36.6	82.1
	SA	26	17.9	17.9	100.0
	Total	145	100.0	100.0	

Table 14: New Regular Customers Patronage  
Source: Administered Questionnaire, (2017)

Table 14 shows that 79 respondents representing 54.5% of the respondents were in agreement that new regular customers do not patronize their business. This implies that the present economy do not have much effect on the business as new customers still patronize them.

	Mean	Std. Deviation
Sales of products	3.3034	.80212
Increased price	3.4069	.72165
Delay in payment of goods and services	2.9172	.93914
Customers purchasing power	3.0345	.87729
Old regular customers patronage	3.0621	.79251
New regular customers patronage	2.6276	.88933

Table 15: Customers Patronage  
Source: Administered Questionnaire, (2017)

Table 15 shows the performance of business relating to customers patronage. Majority of the respondents agree that increased prices have affected the performance of business making it an important factor, followed by product sales, old regular customers patronage decline, purchasing power of customers, delay in payment of goods and services, and new regular customer's patronage was seen to be the least factors of business performance.

	Mean	Std. Deviation
Conditions to accessing loans	3.2759	.86989
Lack of adequate capital	3.2759	.69205
Business cutting cost due to shortage of capital	3.1448	.87384
Product quality affected due to finance	2.8000	1.02470
Business activities not carried out in desired way	3.1034	.81415
Difficulty of opening new branches	3.1448	.85780
Complaint from other business owners	3.3931	.76645

Table 16: Funding  
Source: Administered Questionnaire, 2017

Table 16 shows the performance of business relating to funding. Majority of the respondents agree that of business owners compliant due to lack of money, followed by both conditions to accessing loans and insufficient capital, cutting of cost due to shortage of capital and difficulty in opening new branches, business activities not carried out in desired way and product quality affected due to lack of finance was seen to be the least factor of business performance.

	Mean	Std. Deviation
Enviromental policy of Government	2.4621	1.04762
Multiple taxation	3.0000	.81650
No reduction of tax rate	3.1655	.88203
Business support from Government inadequate	3.2207	.81197
Power supply	3.1793	.83057
Business registration difficulty	2.8069	.93761
Operating environment	2.7034	.95105

Table 17: Government Policies  
Source: Administered Questionnaire, 2017

Table 17 shows Government policies on performance, inadequate support from Government, followed by power supply, no reduction in tax rate, multiple taxation as important factors affecting performance of SMEs.

	Mean	Std. Deviation
No employment of new staff	3.1655	.84174
Reduction of staff salaries	2.8483	.93787
Delay in payment of staff salaries	3.1862	.88965
Prefer use of cheap labor than highly skilled which is expensive	3.1655	.83345
Poor infrastructures having negative impact on business	3.2138	.74709
Increase in general operating cost	3.2690	.84373

Table 18: Employee and Others  
Source: Administered Questionnaire, 2017

Table 18 indicates that increased in general operating cost, followed by poor infrastructure have negatively impacted on businesses, delay in payment of staff, no employment of new staff and the use of cheap labor instead of highly skilled staff, and reduction of staff salaries as the least factor affecting performance in the present economy.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796(a)	.633	.623	.30921

Table 19: Model Summary  
Source: Administered Questionnaire, 2017  
a. Predictors: (Constant), Z4, Z3, Z1, Z2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.106	4	5.776	60.414	.000(a)
	Residual	13.386	141	.096		
	Total	36.491	145			

Table 20: ANOVA (b)  
Source: Administered questionnaire, 2017  
a. Predictors: (Constant), Z4, Z3, Z1, Z2  
b. Dependent Variable: P

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.072	.216		-.334	.739
	Z1	.322	.068	.315	4.760	.000
	Z2	.350	.074	.349	4.712	.000
	Z3	.157	.063	.146	2.488	.014
	Z4	.198	.054	.210	3.630	.000

Table 21: Coefficients (a)  
Source: Administered questionnaire, 2017  
a. Dependent Variable: P

The customer patronage is significant at 1% showing increased prices of goods, decline in product sales, old regular customers patronage decline, purchasing power of customers, delay in payment of goods and services are

significant factors to business performance. Funding is also significant at 1% indicating how useful this could boost business performance. Business owners compliant due to lack of money, accessing loans and insufficient capital, cutting of cost due to shortage of capital and difficulty in opening new branches, business activities not carried out in desired way are significant to business performance. This is in line with the findings of Heslina, Otto, Muh and Muh (2016), Mohammed, Basher and Abdullahi (2013).

Employees among others are significant at 1% showing increase in general operating cost, poor infrastructure having negative impact on businesses, delay in payment of staff, no employment of new staff and the use of cheap labor instead of highly skilled staff.

Government policy is significant at 5% indicating inadequate support from Government, erratic power supply, no reduction in tax rate and multiple taxation including other factors. This is in line with the findings of Eniola and Entebang (2015), Aworemi, Akanbi and Ayeni (2014).

The decision of Frederick Larry (2003), states that when  $P < \alpha$ , it infers that there is a significant relationship, but when  $P > \alpha$ , it infers there is no significant relationship. That is, when P value is less than 0.05 level of significance, then the null hypothesis is rejected and the alternative hypothesis is accepted and vice versa. The regression analysis employed to test the hypothesis shows that the null hypothesis is rejected and the alternative hypothesis is accepted stating that, the present economic situation has a significant relationship with the performance of small and medium enterprises in Osun state.

## 6. Conclusion and Recommendations

The small and medium enterprises (SMEs) play an important role in any nation including the developing countries which Nigeria is inclusive. They are seen to provide employment for greater number of people and creation of wealth. Customer patronage, funding, employees among others were found to be significant at 1%. Customer's patronage is a significant factors to business performance and is determined by increased prices, product sales, old regular customers patronage decline, purchasing power of customers, delay in payment of goods and services. Compliant from business owners about inadequate access to fund is a factor affecting the performance of SMEs. This factors should be well taken care of so as not to have adverse effects on businesses in the present economy.

The study recommend that Government should not relent their efforts rather intensify it by focusing on all factors found affecting the performance SMEs to ensure the overall success of SMEs. Government should ensure SMEs in the country are thriving as this will affect the overall performance of the nation because SMEs are pivotal to the growth of the nation.

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