

IMPLICATION OF SOCIO-CULTURAL ENVIRONMENT ON THE PERFORMANCE OF SELECTED SMES IN KANO STATE, NIGERIA

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ABSTRACT

This study was undertaken after the realization that most SME owners in developing economies like Nigeria deliberately or ignorantly underestimate the implication of the elements of the socio-cultural business environment on such performance variables as sales turnover and profit margin. The major objective was to evaluate the implications of socio-cultural environment on the performance of selected small and medium scale enterprises (SMEs) in Kano State, Nigeria. This empirical study gathered data from secondary and primary sources. Specifically, copies of questionnaire were administered on randomly selected 25 SME owners/managers each from 4 purposively selected groups or sectors including fabrics/fashion; ICT accessories; Bureau De Change dealers and restaurants/eateries. The simple percentage (%); correlation coefficient and the analysis of variance (ANOVA) statistical tools were employed in the analysis of data collated and it was discovered that some elements of the socio-cultural environment have more implications on some performance variables than others. Generally, the result showed that the socio-cultural environment has positive and significant implication on performance of SMEs if properly understood and taken seriously. Consequently, the study recommended that as part of government's efforts in encouraging the growth and development of SMEs, owners/managers should be formally or informally trained on how to scan the environment and, this training and implementation of knowledge acquired should be taken very seriously by these owners/managers.

Keywords: Business environment; Performance; Profit margin; Sales turnover; SMEs; Socio-cultural

1.0 INTRODUCTION

It is common knowledge that small and medium scale enterprises (SMEs) do not exist and operate in a vacuum or in isolation, but they exist within environments where several other interrelated and interdependent factors exist too. Generally, these related factors of the small and medium scale enterprises (SMEs) environment have been classified into the internal and external factors. The internal factors also are known and referred to as the controllable factors include variables such as the calibre and quantity of management, employees and owners as well as the small and medium scale enterprises (SMEs) culture, assets and products, while the external factors also known and referred to as the uncontrollable factors include such variables as the political/legal, economic, socio-cultural, technological, environments amongst some others. Furthermore, all these major factors of the environment have sub-elements that are imperatives for the survival, growth and development of the business organizations and all other entities. The sociocultural variable of the external small and medium scale enterprises (SMEs) environment with such components as the languages spoken, beliefs, value systems, norms, demographic statistics, mortality rate, birth rate, etc. is one major variable whose effects on the different performance components of the small and medium scale enterprises (SMEs) cannot be underestimated, especially in a developing economy and also a culturally sensitive society like Nigeria. This environmental factor is seen to be very sensitive and closely related to the performance of the micro, small, medium and large business organizations that exist in the society.

Despite the overwhelming evidence that the environment impacts on the activities and performances of small and medium scale enterprises (SMEs) generally, most-small and medium scale enterprises (SMEs) owners and/or managers in developing and highly culturally sensitive societies like Nigeria, ignorantly or deliberately undermine the relevance and implications of key environmental components as the sociocultural variable on the success or failure of their business organizations. They simply invest in locations with huge markets such as Kano State, Nigeria, without understanding the implications of the location's beliefs, value systems, spoken languages and perceptions on the performance of that business. Most small and medium scale enterprises (SMEs) owners and/or managers lack the capacity to properly scan and acknowledge that these sociocultural components are imperatives that can make business organizations at any location. They do not understand that in a multicultural country like Nigeria, the consumers and customers can be culturally sensitive and this can impact on the business organization's sales turnover and profit margin.

Consequent upon the statement of the problem, the following research questions have been drawn:

- i. To what degree does the socio-cultural business environment impact on the sales turnover of the selected SMEs in Kano State, Nigeria?
- ii. To what extent does the socio-cultural business environment affect the profit margin of the selected SMEs in Kano State, Nigeria?
- iii. Thus, the major objective of the study is to evaluate the implication of the socio-cultural business environment on the performance of selected SMEs in Kano State. To attain that objective, the study specifically sought to:
- iv. Determine the degree to which the socio-cultural business environment impacts on the sales turnover of the selected SMEs in Kano State, Nigeria.

- v. Ascertain the extent to which the socio-cultural business environment affects the profit margin of the selected SMEs in Kano State, Nigeria.

Based on the research questions and objectives, the following assumptions were made:

HO1: The socio-cultural business environment does not significantly impact on the sales turnover of the selected SMEs in Kano State, Nigeria.

HO2: The socio-cultural business environment does not significantly affect the profit margin of the selected SMEs in Kano State, Nigeria.

The significance of this study in a developing economy and culturally sensitive society like Nigeria where most-small and medium scale enterprises (SMEs) owners and/or managers are faced with the challenges of understanding the implications of the business environment, especially the socio-cultural aspect on the performances of their investments cannot be overemphasized. The study exposes the small and medium scale enterprises (SMEs) owners and/or managers to the extent of the relationships and relevance of the socio-cultural variables to the different performance components. It further reinforces the interdependence and interrelatedness of the environmental factors on another especially the business, and serves as reference material to the students, scholars, experts, other researchers and all other groups in the academia.

This empirical study on the implication of the socio-cultural business environment on the performances of some selected small and medium scale enterprises (SMEs) concentrated on a few socio-cultural components including the value systems, beliefs, spoken languages and perceptions of the indigenes and inhabitants of Kano State, Nigeria as they affect the sales turnover and profit margins of the small and medium scale enterprises (SMEs) in four major sectors including the fashion/fabric/clothing; Bureau de Change (BDC); dealers in ICT accessories; and restaurants/eateries in the State.

Furthermore, the purposively selected small and medium scale enterprises (SMEs) fit the description of small business by the Central Bank of Nigeria (CBN), which held that the business organization with an asset base of between N5 million and N500 million and with a staff strength of between 11 to 300 employees is a small business. This is adopted because of the prevailing value of the local currency, the Naira; the significant number as well as the impact of these small and medium scale enterprises (SMEs) on the Nigerian economy.

The study covered the last 10 years (January 2010 – December 2019), which is a period when governments at various levels, private agencies and groups as well as individuals have done a lot in the encouragement and growth of SMEs not only in Nigeria but all over the world in order to reduce the challenges posed by social problems such as unemployment and poverty.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The socio-cultural factor of the business environment is one that is a combination of two concepts including social and culture, and neither has a universally accepted definition. The term social can simply refer to the ways people relate and interact while culture is the

people's ways of life. Similarly, the combined term of the socio-cultural environment does not also have a generally accepted definition, but there are a few relevant definitions chosen for the purpose of this study. Akpor-Robaro (2012) presented the socio-cultural environment as referring primarily to the elements that affect people's behaviour, relationships, perception and way of life, including their survival and existence. The writer further added that it includes conditions, variables, and influences that shape the personality of the individual and potentially affect his/her attitude, disposition, behaviour, decisions and activities.

Wetherly and Otter, (2011) defined this environmental factor as made up of collections of activities and relationships by which people engage in their personal and private lives. Some of these collections include the population characteristics, ethnicity, beliefs, values, attitude, lifestyles and associates. The businessdictionary.com (2017) saw it as a set of beliefs, customs, practices and behaviour that exists within a population that should be examined prior to or during investment. Berger and Luckman, (1991) defined it as a socially built reality in which individuals create a social framework for themselves and consequently develop it into an effective reality that shapes and influences their behavioural pattern. Adeleke, Oyeguna and Ogundele, (2003), like Akpor-Robaro (2012) disclosed some elements of this business environment to include the forms of behaviour, beliefs, lifestyles, values, attitudes as developed from cultural, religious, educational and social conditioning. Thus, some of these elements of the sociocultural environment including beliefs, value systems, languages, and perceptions were adopted for this study in relation to the adopted performance variables of the selected small and medium enterprises (SMEs) in Kano State, Nigeria.

The belief of the host community with respect to this study has to do with their norms, faith and religion that may influence buying behaviour. Religion is one of the leading factors that shape economic consciousness (Bwisa & Ndolo, 2011; Garba, Mansor, & Djafar, 2013). Value is a cultural conception about what is the appropriate (highly or lowly rated) standard for judging actions. It refers to convictions about what is right and wrong in any given community or society (Robbins & Coulter, 2007). Language, on the other hand, is the method of communication in any given society whether orally (verbal) or not (non-verbal); and perception is the host communities understanding, views and opinions about any situation or variable.

The nomenclature and definition of the concept of small and medium enterprises (SMEs) differ across individuals, societies, countries and regions of the world. In Nigeria and Europe it is simply referred to as Small and Medium Enterprises (SMEs) while in South Africa this group of business is called Small, Medium and Micro Enterprises, (SMMEs); and in the United States of America (USA) it is called Small and Medium-sized Businesses (SMBs).

With respect to the definitions, several individuals as well as public and private agencies in Nigeria have provided theirs. The Nigerian Federal Ministry of Commerce and Industry (FMCI) defined small and medium enterprises (SMEs) as any business with a capital layout of not over N750,000 while the third National Development Plan; cited by Isyaka and Aina (2014) described the concept as manufacturing establishments employing less than 12 people or whose investment in machinery and equipment does not exceed N600,000. Furthermore, the Companies and Allied Matters Act Decree of 1990 defined it in section 376 (2) as industries whose annual turnover is not more than N2 million and whose net asset value (net

worth) is not more than N1 million. Most of these definitions have been overtaken by so many events especially prevailing circumstances. The Central Bank of Nigeria (2010) described an SME as a business with an asset base of between N5 million and N500 million and with a staff strength of between 11 to 300 employees. Consequently, for the purpose of this study, the Central Bank definition is adopted because of the prevailing value of the naira, the significant number as well as the impact of these businesses in the Nigerian economy especially in fabric/fashion/clothing industry; Bureau de Change (BDC); grains export; and foods/drinks in Kano State, Nigeria.

Furthermore, the concept of performance is another that has generated a lot of debates. Albu (2005) held that it is not easy to define, because it is an ambiguous and integrative concept. Eniola (2015) opined that performance index or criteria requires a relationship between inputs, process, outputs and outcomes and should be conducted with the objective that resources are being managed rightly. Generally, Pasanen (2003) presented performance as the achievement, outcome or result of an action or activity while Albu (2005) defined it as a success, competitiveness, achievement, action, and constant effort

With respect to organizational performance, Gavrea, Ilies and Stegorean (2011) cited Georgopoulos and Tannenbaum, (1957) as defining performance as the extent to which organizations are viewed as a social system that fulfils their objectives. Lebens and Euske (2006) on their part illustrated the following: (i) Performance is dynamic, requiring judgment and interpretation; (ii) Organizational performance is imperative to be able to quantify outcomes, and; (iii) To define performance, it is necessary to know its elements. The businessdictionary.com (2016) defined it as an analysis of an organization's performance in relation to its goals and objectives. It states how well an organization has performed in line with its goals and objectives. According to the en.wikipedia.com (2015) performance comprises measuring the actual results of the organization against its intended outputs (or goals and objectives).

Overall, it can be deduced that defining or explaining the concept of performance is related to measurement, and it is relative. It may be erroneous to use the same measurement instrument with the same standard in assessing different variables e.g. measuring similar organizations in the same sector with same sales or profit level, instead it will be fair to use same measurement instrument with the relative standard. For instance, it is fair to measure similar organizations in the same sector using sales and profit in relation to each organization's set goals and objectives or projections. Consequently, for the purpose of this study, Small and Medium Scale Enterprise' performance is the outcome or result of the business' activity in relation to the expected target.

Since it has been deduced that performance is an analogy that is measurable and that it is dependent on the criteria set by the individual, group or organization involved, meaning it is a relative concept, suffice to submit at this juncture that there are two major dimensions of measuring performance with respect to the business and these include the financial and non-financial dimensions. Lebens and Euske (2006) saw the performance as a set of financial and non-financial indicators that offer information on the degree of achievement of objectives and results.

The financial dimensions are the performance standards that can be measured in monetary units such as profitability, profit margin, return on investment (ROI), return on assets (ROA), etc., and are at the centre of the business' effectiveness domain. Worthy of note is that this dimension cannot be said to be sufficient in determining the overall effectiveness (Murphy, Trailer, & Hill, 1996). The non-financial dimensions on the other hand are the measurements that cannot be stated in monetary terms. These dimensions are mostly leading indicators and some of them include customer influence and value, sales turnover organization's reputation, competitiveness etc.

For the purpose of this study, two performance variables including profit margin and sales turnover were adopted. The profit margin is the profitability ratio or the amount by which the sales exceeded the cost of sales including expenses, while sales turnover is the rate, frequency, quantity or units of items sold by these selected SMEs within their sectors in Kano State.

This empirical study was hinged on a few motivation theories including Victor Vroom's Expectancy theory of 1964; the Situational theory; the Systems theory, the Goal setting theory and Clayton Alderfer's ERG theory while the Dependency theory served as the theoretical base. Motivation theories were adopted because they drive and inspire performance.

The expectancy theory by Victor Vroom in 1964 assumes that behaviour results from conscious choices amongst options whose purpose is to maximize pleasure and minimize pains (Mohammed & Mohammed, 2012). The theory holds that the propensity to act in a certain way is contingent on the expectation that the act will be followed by the certain outcome and the relation between that outcome and the goals of the individual or organization. The theory is relevant because if small and medium scale enterprises (SMEs) owners and/or managers carefully study their socio-cultural environment and consciously make right choices with respect to elements of this environment, their performances will improve.

The contingency theory of organizations by Donaldson (2001) originated from the situational theory of management that holds that no one method or approach is best fit for all situations and circumstances because the society is dynamic. That means that the performances of organizations including small and medium scale enterprises (SMEs) is tied to the prevailing happenings or circumstances in the environment including the population demography, languages, beliefs, perceptions, values, etc. no best or single style can result in optimal performances at all times. Thus the method or approach that best suits a prevailing circumstance is the best. To buttress this position, the Great Alexander Pope submitted that, "for forms of government, let fools contend, what is best is best."

The system's theory, on the other hand, is a subset of the organizational theory that includes a series of variations such as Ludwig von Bertalanffy (1956)'s General Systems Theory, Mulej's Dialectical Systems Theory, Flood and Jackson (1995)'s Critical Systems Thinking, and Beer's (1984, 1985) Viable Systems Theory. It opposes reductionism and promotes holism. It emphasizes interdependence, interconnectedness, interrelationship, interwoven and openness as opposed to independence, isolation and closeness. It encourages synergy. The

theory considers organizations including small and medium scale enterprises (SMEs) as part of a system with relative boundaries, which makes exchanges with the environment and must adapt to environmental changes in order to survive. They are open systems, which interact directly with the environment through inputs and outputs.

Locke and Latham goal-setting theory is one of the most effective motivational theories that was formulated inductively based on empirical research conducted over nearly four decades. Its roots are based on the premise that conscious goals affect action (where goals are considered the object or aim of an action) (Locke & Latham, 2002). While the goal-setting theory is generally analyzed at the individual level, its principles are considered relevant at the organizational level, too. Locke (2004) further argued that goal setting is effective for any task where people have control over their performance. Research in this field currently explores goal setting theory at both individual and organizational level.

The ERG theory is fully known as the Existence, Relatedness and Growth theory by Clayton Alderfer in 1972 as a result of some of the criticisms of Abraham Maslow's Hierarchy of Needs theory. This theory is of the opinion that individuals and organizations are inspired and driven by the need to exist, socialize or relate and grow. Thus, for the small and medium scale enterprises (SMEs) businesses to remain as going concerns (exist) they need to mutually relate with their host communities. That mutual relationship should favourably translate to growth.

The dependency theory submitted that the performance of every organization is based on the resources of another organization and the society for survival or sustainability (Pfeffer & Salancik, 1978). The theory is on the premise that organizations depend on the environment and other actors in this environment for success. Thus, the socio-cultural environment of the host society is therefore vital for the survival of all organizations including small and medium scale enterprises (SMEs). Overall the business should depend on its environment in order to succeed or survive. Consequently, the dependency theory is adopted as the theoretical base to help explain how dependent businesses are on some other variables of the business environment like the socio-cultural environment.

Johnson, George, Owoyemi, and Adegboye, (2014) conducted an empirical study on effects of socio-cultural realities on the Nigerian SMEs in Lagos State, Nigeria in order to identify the realities and the impacts of three socio-cultural variables including religion, attitudes and values on ten selected SMEs in five major districts of the state and the study revealed that SMEs are tied to the owners' culture, tradition and religion as shown by his/her orientations, values and personality. Maziku, Majenga, and Mashenene, (2014) did a descriptive assessment of the effects of socio-cultural variables on the performance of women SMEs at Dodoma urban and Chamwino districts in Tanzania and discovered that lack of women mobility, lack of necessary support for the women and ethnicity have negative effects on the performance of women SMEs. Consequently, the study concluded that the socio-cultural variables negatively impact on the performance of women SME owners.

In another related descriptive study in Tanzania by Majenga and Mashenene (2014) on effects of socio-cultural factors and financial performance among women SMEs and found out that socio-cultural factors and financial performances of women SME owners are related.

It further revealed that low literacy level, lack of training in related areas, lack of access to relevant information and poor support from their spouses have a critical effect on the capital growth and sales volume of women SMEs in Tanzania.

Abdullahi and Zainoi (2012) did an exploratory study on the impact of socio-cultural business environment on entrepreneurial intention because it was observed that despite the investment opportunities available in places like Kano State, Nigeria, the State is still rated poorly in global poverty index and youth employment due to low entrepreneurial activities. The study discovered that socio-cultural environment is a critical variable to entrepreneurial intention especially as it relates to unearthing new entrepreneurs, education, religion and family background.

Rotich, Cheruiyot, and Yegon, (2014) investigated the extent to which the socio-economic features of women influence the performance of their SMEs, collecting data from 60 randomly selected women SME owners in Kericho County, Kenya. Findings showed that the socioeconomic characteristics of these women SME owners are positive and significantly related to the performances of their organizations. The study further revealed that the literacy level is another important variable for consideration and performance. Akpor-Robaro, (2012) did a theoretical and evaluative analysis of the Nigerian society by studying the impact of the socio-cultural environment on entrepreneurial emergence, with particular focus on education, gender, poverty and value. The study discovered that socio-cultural variable significantly impact on entrepreneurial emergence positively or negatively. Dut (2015) investigated effects of the local business environments on the performance of SMEs in Mekong Delta and the findings showed that some local environmental factors like bribery positively impact on the performance of SMEs in the short run, but negatively affect in the long run.

Tambari, Chioma, and Ononogbo (2018) undertook a descriptive survey on implications of environmental factors on the productivity of selected SMEs in Rivers State and computed results from the data collated revealed that environmental variables particularly the economic and political factors impact on the productivity of SMEs than the socio-cultural factors. Consequently, the study recommended that SME owners should continuously monitor the business environment, align their strategies with prevailing situations and government should provide safety nets for these investors. In a study by Barro and McClearly (2003), it was discovered that beliefs are positively related to other socio-economic variables to a large extent and are instrumental to the economic growth of SMEs. Altinay (2008) found that the entrepreneurs' religious background affects his/her decision-making process especially on whom to or not to employ.

In the review of empirical studies, it was discovered that there was hardly any study conducted in Kano State or any other part of Nigeria that had focused on the implication of such variables as the beliefs, values, spoken languages and perceptions of the SME owners and those of the customers on SMEs profit margin and sales turnover. Consequently, the motivation to understand the implication of these sub-variables of the socio-cultural environment on SMEs profit margin and sales turnover led to this study.

3.0 METHODOLOGY

This empirical study has a population including all the investors (owners, representatives, and/or managers) of SMEs in 4 purposively selected sectors including fabric/fashion/clothing sector; Bureau De Change (BDC) dealers; restaurants/eateries and dealers in ICT accessories in Kano State, North-West Nigeria. For the sake of convenience, 25 investors in each of these selected SME sectors were randomly selected and administered a copy of well-structured opened and closed-ended questionnaire covering the selected study variables viz: language, belief, value and perception as they relate to their profit margin and sales turnover,

Furthermore, the data collated were analyzed using the simple percentage (%), correlation coefficient (R2) and the Analysis of Variance (ANOVA). The correlation technique was adopted to ascertain the extent of the relationship among the adopted variables while the ANOVA was to compare the impacts (mean) of the independent variables on the dependent variables of each sector of selected SMEs.

The ANOVA model for the study is stated as follows:

HO1: $\mu_1 = \mu_2 = \mu_3 = \mu_4 \dots \dots \dots \text{eqn 1}$

Where:

Equation 1, comparatively explains the implications of the adopted variables of the socio-cultural environment on the sales turnover/volume of the selected SMEs. That is, it compares the mean of the relationship of the adopted socio-economic components of the host communities to each SME's sales turnover (HO1). Furthermore, μ_n represents the adopted sociocultural elements including language (μ_1); value (μ_2); beliefs (μ_3); and perception (μ_4).

HO2: $\mu_1 = \mu_2 = \mu_3 = \mu_4 \dots \dots \dots \text{eqn 2}$

Where:

Equation 2, comparatively explains the implications of the adopted variables of the socio-cultural environment on the profit margin of the selected SMEs. That is, it compares the mean of the relationship of the adopted socio-economic components of the host communities to each SME's profit margin (HO2). Furthermore, μ_n represents the adopted sociocultural elements including language (μ_1); value (μ_2); beliefs (μ_3); and perception (μ_4).

4.0 DATA PRESENTATION AND ANALYSIS

Table 1 Response rate

| Selected SMEs | Administered copies of questionnaire | Returned copies | Percentages |
|-----------------------------------|--------------------------------------|-----------------|-------------|
| Fabrics/fashion | 25 | 19 | 76% |
| BDC Dealers | 25 | 18 | 72% |
| Dealers in ICT accessories | 25 | 22 | 88% |
| Restaurants/eateries | 25 | 19 | 76% |
| Total | 100 | 78 | 78% |

Source: field survey (2020)

Table 1 showed the breakdown of the response rates. Twenty-five copies of the questionnaire were administered on each of the 4 purposively selected groups of SME and the following were the return rates. 19 of the 25 randomly selected respondents in the fabric/fashion/clothing SME sector as well their counterparts in restaurants/eateries, representing 76% each completed and returned their copies of the questionnaire while 18 or 72% of the dealers in BDC completed and returned theirs. Furthermore, 22 of the 25 investors representing 88% in the ICT accessories sector completed and returned their copies of the administered questionnaire. Overall, 78 of the selected 100 respondents representing 78% completed and returned their copies of the questionnaire.

Table 2 Years of business

| Selected SMEs | Less than 10 years | 11-20 years | Above 20 years |
|-----------------------------------|---------------------------|--------------------|-----------------------|
| Fabric/fashion/clothing | 7 (35.84%) | 5 (26.32%) | 7 (36.84%) |
| Dealers in BDC | 3 (16.67%) | 6 (33.33%) | 9 (50%) |
| Dealers in ICT accessories | 4 (18.18%) | 16 (72.73%) | 2 (9.09%) |
| Restaurants/eateries | 2 (10.53%) | 8 (42.11%) | 9 (47.36%) |
| Total | 16 (20.51%) | 35 (44.87%) | 27 (34.62%) |

Source: field survey (2020)

Table 2 displayed the breakdown of the years of the study’s respondents as investors in the different sectors. The table showed that 7 of the 19 investors in fabric/fashion/clothing, representing 35.54% have about 10 years or less investment experience in that sector while 26.32% or 5 of them have between 11 and 20 years. Additionally, 7 or 36.84% have over 20 years, investment experience in fashion/fabric/clothing sector. Furthermore, the same table disclosed that 16.67% of the dealers in BDC representing 3 of the 18 respondents have about or less than 10 years, investment experience while 6 and 9 of these 18 BDC dealers representing 33.33% and 50% respectively have between 11 and 20 years, as well as above 20 years, investment experience in BDC dealership. Similarly, 4 of the 22 investors in ICT accessories representing 18.18% have about or less than 10 years, investment experience in related areas while 72.73% or 16, and 9.09% or 2 of the ICT respondents have between 11 and 20 years, and above 20 years, investment experiences in related area respectively.

In addition, the table also revealed that 2 or 10.53%; 8 or 42.11%; and 9 or 47.36% of the restaurant/eatery SME owners/managers have about or less than 10 years; between 11 and 20 years; and above 20 years, investment experience in this sector. Overall, 16 of the 78 respondents representing 20.51% have about 10 years or less experience in their different businesses while 35 of them representing 44.87% have put in above ten but below 20 years. 27 of 78 study’s respondents representing 34.62% have over 20 years in these areas of investments. Significantly, the number of years of experience as depicted by table 4.1.2 should add value to the quality of finding of this study.

Test of Hypotheses

HO1: The socio-cultural business environment does not significantly impact on the sales turnover of the selected SMEs in Kano State, Nigeria.

Table 3 Model Summary

| Indicator | Coefficient |
|----------------------------|-------------|
| R | 0.708 |
| R ² | 0.501 |
| Adjusted R ² | -0.354 |
| Std. Error of the Estimate | 2.3318 |

Source: Field Survey, 2020

The regression results on Table 3 showed the goodness of fit for regression between sales turnover (ST), and the adopted elements of the socio-cultural business environment including languages (LANG); values (VAL); beliefs (BEL) and perception (PRC) is significant as depicted by the positive coefficient value (R) of 0.708 (i.e. 70.8%). The R-Squared (R²) value on the table indicated the extent of the relationship between the dependent variable (ST) and these predictors as 0.501 (i.e. 50.1%). That R-Squared (R²) value means that 50.1% of the variations in the selected SMEs sales turnover (ST) are determined by the adopted elements of the socio-cultural business environment including languages (LANG); values (VAL); beliefs (BEL) and perception (PRC) while 49.9% changes are determined by other elements and factors not captured or adopted for this study.

Table 4 Analysis of ANOVA Variance

| Indicator | Sum of Squares | Df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|-------|-------|
| Regression | 5.119 | 4 | 3.172 | 0.633 | 0.527 |
| Residual | 2.237 | 8 | 3.396 | | |
| Total | 2.742 | 12 | | | |

The ANOVA results in Table 4, revealed the overall result with respect to the test of hypothesis one of this study. It displayed an F-value or ratio of 0.633, which indicated that the stated null hypothesis (HO1) is rejected and the alternative (HA1) is adopted meaning that the socio-cultural business environment significantly impacts on the sales turnover of the selected SMEs in Kano State, Nigeria.

Table 5 Regression Coefficient Results

| Variable | Beta | Std. Error | T | Sig. |
|----------|---------|------------|--------|-------|
| Constant | 371.742 | 5.717 | -0.096 | 0.629 |
| LANG | 514.149 | 1.321 | -0.147 | 0.345 |
| VAL | 332.842 | 432.795 | 0.109 | 0.622 |
| BEL | 37.65 | 580.001 | 0.169 | 0.488 |
| PRC | 38.66 | 718.213 | 0.243 | 0.567 |

The regression coefficient in Table 5, revealed the coefficient (beta) values of the adopted elements of the socio-cultural business environment in relation to the selected SMEs' sales

turnover (ST). Positive coefficient or beta values as shown in table 5 disclose the direct relationship between each element of the socio-cultural environment and the selected SMEs' sales turnover (ST). It provides constant value and the beta values for each factor variable studied. Indeed, there was a strong positive relationship between the study variables as indicated by a positive constant value of 371.742.

HO2: The socio-cultural business environment does not significantly impact on the profit margin of the selected SMEs in Kano State, Nigeria.

Table 6 Model Summary

| Indicator | Coefficient |
|----------------------------|-------------|
| R | 0.543 |
| R ² | 0.295 |
| Adjusted R ² | -0.179 |
| Std. Error of the Estimate | 2.4506 |

Source: Field Survey, 2020

The regression results on Table 6 showed the goodness of fit for regression between profit margin (PM) and the adopted elements of the socio-cultural business environment including languages (LANG); values (VAL); beliefs (BEL) and perception (PRC) is also significant as depicted by the positive coefficient value (R) of 0.543 (i.e. 54.3%). The R-Squared (R²) value in the table indicated the extent of the relationship between the dependent variable (ST) and these predictors as 0.295 (i.e. 29.5%). That R-Squared (R²) value means that 29.5% of the variations in the selected SMEs profit margin (PM) are determined by the adopted elements of the socio-cultural business environment including languages (LANG); values (VAL); beliefs (BEL) and perception (PRC) while 70.5% of the changes are determined by other elements and factors not captured in or adopted for this study.

Table 7 Analysis of ANOVA Variance

| Indicator | Sum of Squares | Df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|-------|-------|
| Regression | 21.346 | 4 | 12.129 | 0.607 | 0.698 |
| Residual | 222.923 | 8 | 24.523 | | |
| Total | 212.313 | 12 | | | |

The ANOVA results in the Table 7, revealed the overall result with respect to the test of hypothesis two of this study. It displayed an F-value or ratio of 0.607, which indicated that the stated null hypothesis (HO2) is rejected and the alternative (HA2) is adopted meaning that the socio-cultural business environment significantly impacts on the profit margin of the selected SMEs in Kano State, Nigeria.

Table 8 Regression Coefficient Results

| Variable | Beta | Std. Error | T | Sig. |
|----------|--------|------------|--------|-------|
| Constant | -5.757 | 1.442 | -0.492 | 0.377 |

| | | | | |
|------|-------|-------|-------|-------|
| LANG | 0.679 | 4.817 | 0.332 | 0.721 |
| VAL | 0.223 | 2.089 | 0.083 | 0.936 |
| BEL | 0.561 | 1.357 | 0.242 | 0.686 |
| PRC | 0.321 | 0.332 | 0.315 | 0.465 |

The regression coefficient in Table 8, revealed the coefficient (beta) values of the adopted elements of the socio-cultural business environment in relation to the selected SMEs' profit margin (PM). Positive coefficient or beta values as shown in table 8 disclose the direct relationship between each element of the socio-cultural environment and the selected SMEs' profit margin (PM). It provides constant value and the beta values for each factor variable studied. Indeed, there was a strong negative relationship between the study variables as indicated by a negative constant value of -5.757.

4.0 RESULTS AND DISCUSSION

It was determined by the computed results of the study that the socio-cultural business environment of business has a significant impact on the sales volume of the selected SMEs. The study further revealed the extent of implications of the adopted variables. The implication as revealed that beliefs (BEL) as an adopted element of the socio-cultural business environment with the least beta value of (51.2%) is a major determinant of variations in the selected SMEs' sales turnover (ST). That is for every one per cent (1%) change in the selected SMEs' sales turnover; there is a corresponding 51.2% change in the beliefs of the host community and owner/manager. The less the coefficient (beta) value the higher the effect. The belief has the most implication on the sales turnover, followed by the language, then the values, and then the perception element of the socio-cultural environment

Furthermore, it was ascertained by the computed results of the study that the socio-cultural business environment of business also has a significant impact on the profit margin of the selected SMEs. The study further revealed the extent of implications of the adopted variables. The implication as revealed that language (LANG) as an adopted element of the socio-cultural business environment with the least beta value of (35.6%) is a major determinant of variations in the selected SMEs' profit margin (PM). That is for every one percent (1%) change in the selected SMEs' profit margin; there is a corresponding 35.6% change in the language of the host community and owner/manager. The less the coefficient (beta) value the higher the effect. The language element has the most implication on the profit margin, followed by the values, then the beliefs, and then the perception element of the socio-cultural environment.

Summarily, the study found that the socio-cultural business environment of business has significant implication on the performance of SMEs. This finding is in agreement with other earlier studied including Akpor-Robaro, (2012); Majenga et al. (2014); and Johnson, et al. (2014)

5.0 CONCLUSION AND RECOMMENDATIONS

The study found that all variables of the socio-cultural environment of business have implication on the performances of small and medium scale enterprises (SMEs), but at

different degrees and extent. The finding of this study revealed that the belief element of socio-cultural environment has the most impact on the sales turnover of SMEs while the language variable has the most on SMEs' profit margin. It was recommended that:

- a. SME owners should scan the socio-cultural environment of its host community and consider that element of this environment that has the most positive as well as most negative implications as imperatives for higher performances.
- b. SME owners should acquire simple and basic knowledge (formally or informally) for understanding prevailing environmental circumstances in order to continue to survive, grow and expand.
- c. The various levels of government efforts aimed to encouraging and supporting the growth and development of SMEs should be extended to their understanding the environments especially the socio-cultural environment because some communities are more culturally sensitive than others.

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