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## Enhancing Market Performance for Small and Medium Enterprises (SMEs) in Nigeria through Digital Transformation

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### Abstract

*Market assistance plays a vital role in the success of small and medium enterprises (SMEs) as they often lack the resources to manage extensive marketing activities that larger enterprises can afford. SMEs require institutional support to address this marketing resource gap. This study investigates the influence of market support programs on SME performance across three Nigerian states, utilizing a mixed-method approach involving surveys and semi-structured interviews. Out of 400 questionnaires distributed to SME operators, 360 were deemed suitable for analysis. Additionally, 20 interviews were conducted with SME operators. Multiple regression was employed to analyze survey responses, while thematic analysis was used to evaluate qualitative interview data. The results underscore the substantial impact of marketing support on SME performance. Nevertheless, the qualitative analysis uncovered critical insights. Consequently, it is recommended that marketing assistance programs prioritize the establishment of a robust digital presence to further enhance SME performance.*

**Key words:** Marketing Assistance, SMEs, SMEDAN, Performance

## Introduction

Government support plays a pivotal role in the development of Small and Medium Enterprises (SMEs), as it facilitates their expansion, skills enhancement, development, commercialization, innovation, and export activities. Numerous studies underscore the significance of government backing for SMEs, emphasizing that any effort aimed at advancing SMEs without adequate government support may not yield favorable long-term outcomes. SMEs contribute significantly to national development by providing goods and services, creating employment opportunities, and fostering technological innovation. This role in economic development is recognized globally, making the design and execution of developmental programs for SMEs a key strategy for promoting economic prosperity, new markets, wealth distribution, and an improved quality of life for citizens. Governments have successfully used enterprise support programs to bolster economic growth in various regions, such as South Korea and China, resulting in remarkable advancements in SME sectors. In Nigeria, the rise of SMEs can be traced back to the pre-independence era when foreign firms dominated the private sector. However, the post-independence period witnessed significant government contributions to SME development, particularly in rural areas, through fiscal and non-fiscal incentives and training programs. Despite these support initiatives, SMEs in Nigeria continue to face a high failure rate, raising questions about the effectiveness of government support. This study seeks to investigate the impact of market assistance on the performance of SMEs, particularly in the context of Nigeria, and address the gap between government support program implementation and desired outcomes. Market assistance, including market information through trade missions, trade fairs, and digital marketing, is crucial for SMEs to expand their markets, yet its specific impact on the performance of Nigerian SMEs under the supervision of SMEDAN has not been extensively explored in existing research. This study aims to bridge this gap and contribute to a deeper understanding of the relationship between government support, market assistance, and SME performance in Nigeria.

## Review of Related Literature

### *The Concept of Marketing Assistance*

Marketing encompasses market research, product sales, service offerings, and promotional strategies aimed at boosting sales, as asserted by Ismail and Othman (2014). It serves as the foundation for business growth, sales tactics, and effective communication within enterprises. Moreover, it serves as a pivotal platform for nurturing robust customer relationships, generating value for both customers and businesses. The SME landscape is often fraught with market vulnerabilities due to limited market influence and the volatile nature of emerging markets, particularly with regards to SMEs, making them more susceptible to external forces compared to larger enterprises, as noted by Zonooze, Farzam, Satarifar, and Bakhshi (2011). Small businesses frequently grapple with insufficient marketing capabilities. This issue is further compounded by the challenges of accessing both local and international markets, constituting a major hurdle for SMEs. In Nigeria, one of the primary marketing challenges faced by small businesses is the lack of awareness, comprehension, and practical application of marketing concepts. Ogechukwu (2011) contends that many Nigerian small business owners often equate "marketing" with "selling," reflecting an orientation that may not be conducive to customer satisfaction and sound business practices. These businesses frequently lack the essential skills and tools required for fundamental marketing processes such as market research, market segmentation, marketing planning, and control. Consequently, Nigeria boasts several agencies providing marketing assistance, including the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) and the Federal Institute of Industrial Research Oshodi (FIRRO). SMEDAN offers a spectrum of training, especially in areas related to marketing, sales promotion, and exporting. Moreover, SMEDAN and BOI (Bank of Industry) distribute self-instruction kits containing training materials like videos, audio tapes, texts, samples, illustrations, case studies, and more to SMEs. SMEDAN and BOI also play a pivotal role in bridging SMEs with larger enterprises, facilitating trade-related activities, and providing valuable information on international trade. The public sector also serves as a significant market source for SMEs. Assistance in export market development, including export market information derived from trade missions, trade fairs, export workshops, seminars, overseas training programs, and product development and marketing initiatives, contributes

to cultivating a favorable attitude toward marketing activities. This suggests that offering consistent market intelligence, especially data on market trends and opportunities, can confer a competitive edge. Furthermore, the provision of technical assistance enhances the capacity of SMEs to access marketing information, identify niche markets, and pursue them. The expansion of market opportunities for goods and services, achieved through the adjustment of pricing signals, regulatory measures, public procurement, innovation support, and infrastructure investments, opens up new horizons for enterprises to expand into international markets (OECD, 2008)

### ***Market Assistance and Business Performance***

Many small and medium enterprises (SMEs) encounter heightened vulnerability to external influences due to their limited market power and the dynamic nature of emerging markets, which sets them apart from larger firms, as noted by Zonooze, Farzam, Satarifar, and Bakhshi (2011). The resource-based view (RBV) of the firm, highlighted by Ruzzier et al. (2007), underscores the significance of a firm's resources and capabilities in establishing sustainable competitive advantages within its market. Entrepreneurial and managerial knowledge and skills, described as valuable and inimitable human capital, encompass proficiency in market dynamics, technologies, consumer preferences, business networks, international market landscapes, and legal procedures. These attributes are instrumental in creating sustainable competitive advantages and enhancing an organization's capacity to mobilize its resources for superior performance. Given SMEs' resource constraints, particularly in terms of market information, many SME managers may remain unaware of global business sector opportunities or lack the motivation to explore such avenues, even when they are aware of their existence. As Czinkota (1994) emphasizes, government support aims at enhancing the organizational characteristics and capabilities of firms, fostering positive changes in managerial attributes. This portrays government assistance as an external catalyst for change, assisting small firms in honing their organizational capacities and competencies, enabling them to seize opportunities and unlock economic prosperity. Francis and Collins-Dodd (2004) contend that leveraging such support contributes to business success while enhancing SMEs' competitiveness. Furthermore, as observed by Ndubusi (2009), engagement in export market development-related assistance, which includes activities like providing export market information through trade missions, trade fairs, export workshops, seminars, and overseas training programs on product development and marketing, plays a vital role in fostering a positive attitude toward marketing activities. The expansion of markets for goods and services, driven by adjustments in pricing signals, regulations, public procurement, innovation support, and infrastructure investments, creates fresh prospects for firms seeking to expand into international markets, as highlighted by the OECD in 2008.

### **Keynesian Economic Theory**

The Keynesian theory, attributed to the British economist John Maynard Keynes (1883-1946) and further refined by his followers, ushered in a profound economic transformation, particularly during the Great Depression of 1936. Keynes' seminal work, "The General Theory of Employment, Interest, and Money," marked a significant shift from the microeconomic examination of individual and corporate economic behavior to the macroeconomic study of the entire economy. This theory fundamentally asserts that fostering a robust business sector necessitates active government intervention. Its noteworthy contribution lies in the recognition that the macroeconomy can remain in a state of disequilibrium for an extended period unless government intervention occurs. Such intervention becomes vital to mitigate economic instability stemming from various factors, including deficiencies in financial institutions like banks, skill shortages, and a lack of market influence (Mohan, 2006).

Keynesian economics staunchly advocates for a mixed economy, primarily driven by the private sector but subject to essential government regulations and public sector involvement (Nzotta & Okereke, 2009). This theory bears relevance to the present study, as it asserts that increased investment results in higher income, accompanied by a propensity to consume rather than save. Notably, in an economic marketplace, when individuals expend their funds, they infuse a portion of

their income back into the economy. Consequently, a modest boost in investment yields a more substantial cumulative impact on income, leading to increased spending, consumption, and, ultimately, GDP growth.

### Methodology

Mixed methods approach was adopted using the survey and semi-structured interview methods. The study makes use of stratified and simple random technique to select the respondent of the questionnaire. A total of four hundred (400) copies of questionnaire were administered to SMEs operators, out of which only three hundred and sixty (360) were returned and adjudged usable for the analysis, while 20 semi-structured interviews were conducted among students. Descriptive statistics and Multiple Regression were used to facilitate the estimation process. In addition, thematic analysis was used to analyze the qualitative interviews.

### Hypothesis Testing

**H<sub>01</sub>**- The provision of market assistance has no significant influence on market performance of SMEs in Nigeria.

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.518 <sup>a</sup>	.268	.262	.64340

a. Predictors: (Constant), Market Assistance

**Source: Researcher's Field Survey Result (2016)**

The model summary table shows how much of the variance of the dependent variable (market performance) is explained by the model. In this case, the R square is .268 if expressed by a percentage will be 26.8%. This means that our model explains 26.8% of the variance in the levels of market performance.

**Table 1b: ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	53.918	3	17.973	43.416	.000 <sup>a</sup>
	Residual	147.371	356	.414		
	Total	201.289	359			

a. Predictors: (Constant),

b. Dependent Variable: market performance

**Source: Researcher's Field Survey Result (2016)**

The F-value is the Mean Square Regression (17.973) divided by the Mean Square Residual (0.414), yielding  $F=43.416$ . From the results, the model in this table is statistically significant (Sig =.000) and hence the null hypothesis should be rejected. Therefore, market assistance has significant effects on market performance at  $F_{(3,359)} = 43.416$ . Hence, the null hypothesis is rejected.

**Table 1c: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.685	.248		6.808	.000
short courses in marketing, sales promotion and exporting	.006	.020	.015	.315	.753
promoting products/services awareness	.420	.052	.395	8.108	.000
provides on-line platform to improve the visibility of SMEs	.204	.046	.219	4.459	.000

a. Dependent Variable: market performance

**Source: Researcher’s Field Survey Result (2016)**

The table seeks to explain which of the variable is making a statistically significant unique contribution to the model looking at the sig column in the table; it reveals the strength of the contributions of the independent variable (market assistance) to the dependent variable (market performance). It made a unique and statistical significant contribution to the model.

**Decision;** Hence, based on the result above, it is justified that the null hypothesis be rejected while the alternate hypothesis be accepted. The implication of this result is that the provision of market assistance has influence on market performance of SMEs in Nigeria.

Findings from hypothesis above showed that training/technical assistance has significant impact on innovative performance of SMEs. This finding implied that the experience and skill of SMEs managers/owners acquired through training impacts on innovation performance particularly as regard quality and production process. This finding extends the result of the study of (Shaukat & Ghafoor, 2016) which argued that organizations that engage in upgrading the skills of their employees through training programmes had more favorable performance trends in areas such as revenues, profitability, employee relations, quality and productivity and their business viability and outlook. This finding is also in agreement with (OECD, 2013) which indicates that formal management training provided through training assistance can reduce the failure rates of small firms and improve performance.

However, it was emphasized that while some facilitators have the expertise, but training required to delivers the right blend of information is not sufficient. This is in line with the study of Mayuran (2016) which posited that there is a dearth of information, knowledge and skills as well as advice on the various aspects of a business among SMEs.

Likewise, the qualitative provided evidence that seminar and workshops provided in areas such as drafting business plans and implementation, book-keeping has brought about improved performance. This concurs with the findings of hypothesis three of this study indicating that training assistance has effect on innovative performance. However, there was indication that workshop provided does not adequately cover area such as the application e-commerce and the provision of updated information on technological advancement for SMEs to keep abreast with the changing trends that will enhance their competitiveness. This is considered as vital area that enable SMEs to respond to the demands of the 21st century in that they are able to communicate quickly and effectively. Also, it leads to prompt processing of orders. This is in validated by the work of (Ketley et. al., 2012) which suggests that many institutions have demonstrated weak capacity to provide advisory service to this sector, hence require to be trained to acquire the pre-requisite learning and relevant skills to deliver these services

effectively. However, it was emphasized that while some facilitators have the expertise, but training required to delivers the right blend of information is not sufficient. This is in line with the study of Mayuran (2016) which posited that there is a dearth of information, knowledge and skills as well as advice on the various aspects of a business among SMEs.

***Theme: Market Assistance and Market Performance***

Most of the SME owners/managers believed market assistance provided is not adequate. The responses implied marketing assistance does not cover relevant areas of marketing which enable SMEs operators to identify or explore market opportunities in a manner that is scalable and sustainable. This was considered as a crucial aspect of government assistance necessary for superior performance. One operator also insinuated that the marketing assistance should cover area such social networks and online presence.

*“Participant 8 pointed out that while market assistance has positively impacted their business operations, it predominantly concentrates on publicity and sales promotion through conventional media channels, which can be prohibitively expensive. However, the participant emphasized the need to extend the focus to encompass critical aspects like market intelligence, research, trends, and support for business linkages and distribution, which are integral for effective market penetration.*

*Participant 4 echoed similar sentiments by highlighting that market assistance primarily revolves around traditional media for promotion, with limited emphasis on leveraging modern technology, particularly social networks such as Facebook and Google Plus. The participant urged for efforts to create platforms and educational resources for SMEs to enhance their online presence, allowing them to tap into a wider customer base.*

*Participant 12 shared that the market assistance they have received has positively impacted their business. However, they emphasized that there is room for improvement in terms of promoting sub-contracting, franchising, licensing, joint ventures, and other business linkage strategies. These strategies are essential for expanding business opportunities and should receive more attention in the context of market assistance programs.*

The empirical findings unequivocally demonstrate the significant impact of market assistance on market performance. As noted by Okonkwo and Obidike (2016), the utilization of export market development-related support, encompassing elements such as export market information, trade fairs, export workshops, seminars, and overseas training programs focusing on product development and marketing, plays a pivotal role in cultivating a positive mindset and subsequently enhances market performance.

Moreover, theme two of the study corroborated the beneficial role of market assistance offered by SMEDAN in augmenting market performance. In alignment with hypothesis two, the study affirms that market performance is intrinsically linked to market assistance. However, there is a discernible imbalance in the emphasis placed by market assistance programs, with a predominant focus on publicity, advertising, and quality assurance, while potentially vital areas such as market intelligence, business linkages, distribution support, and research receive insufficient attention. This observation mirrors the findings of Adegbuyi (2015), who highlighted the persistent challenge faced by SMEs, particularly in Nigeria, where access to both local and foreign markets, along with distribution support, remains a significant constraint. It implies that many SMEs in Africa, Nigeria in particular, struggle to operate successfully due to a lack of crucial information regarding market opportunities and trends.

Consequently, the study underscores the importance of market assistance as a best practice that can facilitate business development and bolster the survival prospects of small and medium enterprises. This conclusion aligns with the research conducted by Osei, Shao, Forkuoh, and Osei (2016), which elucidates how the utilization of fare support programs facilitates the accomplishment of business

goals, enhances the capabilities and competencies of SMEs, and contributes to their superior performance.

### Conclusion and Policy Implications

In conclusion, the evidence suggests that market assistance is a key driver of SME success. However, to remain competitive in today's digital age, there is a compelling need for SMEs to embrace digital marketing methods. The collaborative efforts between government agencies like SMEDAN and SME operators are essential to transition SMEs into the digital sphere effectively. By establishing electronic-based trade platforms and providing digital marketing training, SMEs can unlock their full potential, access global markets, and drive economic growth. This proposed collaboration aims to create a win-win situation, where SMEs are better equipped to compete and grow, and the nation benefits from increased economic prosperity. It's time for SMEDAN and SME operators to embark on this journey towards a more digitally empowered future for SMEs.

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