Impacts of Entrepreneurial Competence and Government Policy on SMEs’ Non-Oil Export Performance in the Southwest Nigeria

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Abstract:
This paper investigated the effects of entrepreneurial competence and government support policy on the non-oil export performance of the Small and Medium-scale Enterprises (SMEs) in the Southwest Nigeria. The study anchors on resource-based view (RBV) and dynamic capabilities theory (DCT). Primary data collected from 279 SME owners/managers, who were selected through multi-stage and purposive sampling procedure in Lagos state, were analyzed using multiple regression method. The scale reliability test from the pilot study gave high Cronbach’s Alpha Coefficient (α) of 0.870 above the threshold of 0.7 (Nunnally, 1978). A face validity for the questionnaire used was also established through qualitative assessment by trained experts in the field of SME business management. The study findings revealed that key dimensions of entrepreneurial competence (i.e., firm’s owners/managers’ experience in exporting; innovation & creativity; and company reputation), as well as those of government support policy (i.e., administration of incentives supports to SMEs; control of multiple taxation & high interest rate; corruption, insecurity & regulatory issues; infrastructural facilities; and import duties on raw materials) exerted positive and significant impacts on SMEs’ non-oil export performance. Consequently, the two null hypotheses tested in the study were rejected. The research therefore, recommends that SME business community should intensify efforts and investments on firms’ entrepreneurial competence and ingenuity; while the government should renew institutional tenacity in creating enabling business environment in Nigeria to accelerate SMEs’ non-oil export contributions to foreign exchange earnings.

Keywords: Entrepreneurial competence, government, non-oil export, Southwest Nigeria

1. Introduction
The role of an effective export sector on an economy is of paramount importance in promoting growth and attainments of a nation’s developmental objectives. This is due to its capacity to create employment opportunities and improve income generation with consequent reduction in social costs of youth unemployment and other associated crimes (Akeem, 2011). Export is also an important means of ameliorating the balance of payment deficits and contributing to foreign exchange generation needed for general economic growth and development (Mohsen, 2015). A well-performing export sector particularly in the non-oil product market for a country like Nigeria, has a multiplier effect that enhances increase in the national income (Usman & Salami, 2008). However, while the oil sector according to the recent Central Bank of Nigeria data (CBN, 2017, p. 230) still maintains its dominance with 98.2% of the total exports in Nigeria, the trajectory and vagaries of instabilities in the international market price of crude oil is a well-known challenge to the dynamics of economic growth and development in Nigeria. This is why many research experts (Ehinomen & Adeleke, 2012; Aladejare & Saidi, 2014; Osotimehin, Jegede, Akinlabi & Olajide, 2012; Onodugo, Ikpe & Anowor, 2013, etc.) are of the view that promoting the export potentials of the Nigerian SMEs in the non-oil products sector, will provide a better and more reliable result in the ongoing economic diversification programme. However, despite that the SME-led non-oil sector employs over 84% of Nigerian labour force according to Premium Times Newspaper report (25.01.2019), its contribution to total exports stillstands at dismal and meagre level of 7.70% (CBN, 2017, p. 230). This contrasts widely with the average of 45% and 65% SMEs’ export contributions in the Asian Tigers and the European Union respectively (SMEDAN & NBS, 2013). Therefore, if Nigeria is to make progress in her quest for the SME non-oil export-led growth alternative, urgent and drastic action needs to be taken regarding proper identification of, and effective decision making on the core determinants of improved trade performance of her SMEs domestically and internationally.

1.1. Research Problem
Previous studies (Sanchez, 2011; Ajayi, 2016; Mpunga, 2016) have attributed the inability of the SMEs in developing countries to strategically exhibit proactive actions against the challenges of international business to low capabilities and resourcefulness of the firms. With reference to Nigerian economy, researchers (Onodugo et al., 2013; Ehinomen & Adeleke, 2012; Osotimehin, et. al, 2012, etc.) have cited poor entrepreneurial skills, lack of organizational
capabilities and inconsistency in government policy on SMEs as the major reasons for poor SMEs’ non-oil export performance in Nigeria. However, while there is lack of empirical evidence to substantiate most of the claims in past studies, there is also, paucity of investigations on the determinants of non-oil export performance of the SME firms in the Southwest Nigeria. Consequently, given that entrepreneurial competence is the core determinant of every business achievement, and without which no reasonable performance outcome can be made (Salim, 2015), the massive influence of government on the economy through its influence on monetary, finance and trade regulations can also, not be over-emphasized. This being the motivation for this paper therefore, the researchers have chosen to investigate in this work, the impacts of entrepreneurial competence and government support policy on SMEs’ non-oil export performance in the southwest Nigeria by anchoring on the resource-based view (RBV) and dynamic capabilities theory. The result of this study will serve the government and SME stakeholders with its findings as tools for improving the export performance of the sector.

1.2 Research Questions
- What are the effects of entrepreneurial competence on SMEs’ export performance?
- What are the impacts of government incentive support policy on SMEs’ export performance?

1.3 Research Hypotheses
- H1: Entrepreneurial Competence has no influence on SMEs’ export performance.
- H2: Consistency in government incentives support policy has no effect on the SMEs’ export performance.

2. Literature Review

2.1 Theoretical Framework
Sound resource commitments for export business campaign, sustainable areas of competitive advantages and feasible positioning strategy in the foreign market are the panacea for SMEs’ improved export performance. These requirements are the core parlance of the resource-based view (RBV) of Barney (1991) and the dynamic capabilities theory (DCT) of Teece & Pisano (1994). While the resource-based view (RBV) is concerned with recognizing and identifying the critical resources that SME exporting firms need to create, develop and properly maintain for successful export strategies and performance in the foreign market, the dynamic capabilities theory (DCT) has advanced the understanding of the concept to the extent that firms also, need to strategically respond effectively and timely to changing competitive forces in its market with constellation of resources and capabilities needed for its export campaigns. The competitive forces which exporting firms must regard as offensive and be proactive to defend itself against according to Porter (1980) include: threat of new entrants into the market; bargaining power of suppliers; bargaining power of buyers; threat of substitute products or services; and rivalry among existing firms. Thus, while the Resource-Based View (RBV) is mainly concerned with how firms build and sustain the resources that signify their unique competitive advantages; the dynamic capabilities theory (DCT) emphasizes on how firms can scale through the ever-changing conditions and threats of competitive forces in its internal and external business or marketing environments. The present study wasthus guided by the foregoing postulates in its examination of the topic of this research.

2.2 The Conceptual Framework and the Study Hypotheses
Assessing the performance of business operations internationally, is a guide for determining the level of success achieved in the foreign market. A thorough examination of SMEs’ operations is thus, the analytical way of establishing the significance of the factors responsible for the level of success recorded. This is often needed for the purpose of evaluation, control, comparison and improvement in strategies for better performance of the sector (Brahim, 2014). Entrepreneurial competence which is made up of diverse combination of attributes (e.g. acquired skills and experience, innovation and creative thinking, strategic management ability, etc.) inherent in firms’ owners or managers, is one of the firm’s distinctive capabilities used for such analysis. These are known to significantly influence the performance of SMEs in export markets. Cavusgil and Zou (1994) found positive effect of entrepreneurial competencies on exporting operations among the American businessmen. Mpunga (2016) also, examined the impacts of competencies of SMEs on their export performance in Tanzania and found that exporting SMEs are significantly constrained by lack of needed entrepreneurial competencies. Ajayi (2016) investigated SMEs’ internationalization process of the Nigerian agricultural sector and found the synergy between firm’s core entrepreneurial orientation and its unique resources as the key to competitive positioning and superior performance in the export market. This paper thus, examines the direct and empirical impact of the constructs characterizing the role and significance of entrepreneurial competence in contributing to export performance of the SME sector in the Southwest Nigeria in the null hypothesis (H1) formulated as:

- H1: Entrepreneurial Competence has no influence on SMEs’ export performance.

Government incentive supports for the SMEs is widely recognized as an external change agent that provides facilitating stimuli to businesses both in creating conducive business environment, as well as complimenting the inputs of the firms’ specific capabilities in achieving the performance targets of the SMEs in the domestic and foreign market operations. Eniola & Entabang (2015) state that the role of government and its institutions in removing the bureaucratic bottlenecks and institutional inefficiency facing the SME sector, positively and significantly enhances the sector’s performance in general. Shamsuddoha, Ali & Ndubisi (2014) carried out a study on the direct and indirect effect of government assistance programme on export performance in Bangladesh, using Structural Equation Model and found that
government assistance programs directly and significantly impacted on firms' export performance. The focus and target of government incentive and institutional support policy is as usual, to enhance the sustainability of capacity building and development of entrepreneurial and managerial competence of the SME firms. Therefore, how government and institutional factors affect SMEs' performance through finance and monetary regulations, infrastructural facilities and laws on private businesses to the extent of their export operations, cannot be over emphasized. This paper thus formulates and tests the following null hypothesis (H2) in the study as follow:

- H2: Consistency in government incentive support policy has no effect on the SMEs' export performance.

2.2.1. Independent Variables Dependent Variable

![Conceptual Framework](source: Author's own)

Consequently, as shown in figure 1, the paths of direct relationships between the dependent and independent variables in the study, correspond to the relevant hypotheses that have been formulated for empirical testing and verification in the study.

3. Research Methodology

3.1. Sampling and Data Collection Method

Quantitative method was used for gathering the data used for answering the research questions and testing the hypotheses formulated for the study. Through a multi-stage, stratified sampling approach, 6 out of the 57 local government development councils (LGDC) of Lagos state were randomly selected as the study locations, with each for 50 interviews (or 16.66%) from the total 300-sample size determined for the study. Only SME owners/managers or persons in senior management positions were interviewed through convenient sampling procedure with the aid of questionnaire that was constructed in conformity with the study objectives, the research questions and valuable ideas drawn from literature (Malhotra, 2015; Sanchez, 2011).

3.2. Measurement of Study Variables, Data Processing and Analysis

Respondents were asked to indicate their level of agreement or disagreement with structured statements on a 5-point Likert-type scale ranging from 1 = 'strongly disagree' or 'to a very low extent', 2 = 'disagree' or 'to a low extent', 3 = 'neutral (i.e. neither agree nor disagree)', 4 = 'agree' or 'to a large extent', 5 = 'strongly agree' or 'to a very large extent'. Twenty (20) separate copies of the study instrument were used in a pilot study organised and the scale reliability tests were conducted (as shown in table 1) with high Cronbach alpha coefficients found to be 0.870 well above the threshold of 0.7 for all the measured variables (Nunnally, 1978). Content and face validity were employed to ensure the absence of systematic errors in the internal mechanism of the study instrument. For this, qualitative assessment of the opinions and objective comments of business persons and specialists in the field were adequately sought on all the study variables and constructs intended to be measured in the research. The PASW Statistics 18 was used for processing and analyzing the survey data obtained from the279 study questionnaires returned on SMEs studied, while multiple regression method was used for analyzing the relationships suspected to exist between the dependent variable, SMEs' export performance and the constructs or dimensions of the independent variables in the subsequent analysis of the empirical data collected in the study.

4. Results and Discussion

Table 1 shows the result of the multiple regression models (1) which expresses the dependence of SMEs’ export performance (Yexp) on the key constructs of entrepreneurial competence (ECp) as:

\[
Y_{exp} = 0.430 + 0.333E_{exp1} + 0.254I&C_{2} + 0.094SMP_{3} + 0.165CR_{4} + 0.019MP_{5} ................... (1)
\]
The result as shown in Table 1, shows that entrepreneurial competence impacts positively and significantly on SMEs’ non-oil export performance in the Southwest Nigeria through: owners'/managers’ experience in exporting (β = 0.333, p value < 0.05); innovation & creativity (β = 0.254, p value < 0.05) of SMEs' owners and their employees especially, in manufacturing flexibility and new product development, etc.; and company reputation (β = 0.165, p value < 0.05) from things like good company image, customer/brand loyalty, trust and goodwill. The overall result shows a very high multiple correlation coefficient (r = 62.1%, p-value < 0.05) between the dependent variable, SMEs' export performance and the significant dimensions of entrepreneurial competence. Consequently, the null hypotheses (H1) of no relationship between SMEs' export performance and entrepreneurial competence was rejected. These findings support earlier studies (Salim, 2015; Mpunga, 2016; Ajayi, 2016; Cavusgil and Zou, 1994) which have found that entrepreneurial competence is an important factor that determines the competitiveness of a company and hence, its performance in the foreign markets.

Secondly, the result of the effects of government incentive support policy (GEISP) on SMEs export performance as shown in Table 2, is presented in multiple regression model (2):

\[ Y_{exp} = -0.525 + 0.142AIS_1 + 0.244MT&HIR_2 + 0.290CI&L_3 + 0.151FIF_4 + 0.006FR&D_5 + 0.134IDRM_6 \ldots \ldots \ldots (2) \]
In Table 2 therefore, government support policy for the SMEs was also found significantly determining SMEs’ export performance in the Southwest through institutional control over multiple taxation and high interest rate policy (β = 0.291, p value < 0.05); official corruption, insecurity and export trade regulations that are not SME-supportive (β = 0.290, p value < 0.05); provision of functional infrastructural facilities like electricity, good roads, etc. (β = 0.151, p value < 0.05); effective administration of incentives supports to the SMEs (β = 0.142, p value < 0.05) and custom duties paid on imported raw materials (β = 0.134, p value < 0.05). The null hypothesis (H2) of no relationship between government support policy and SMEs’ export performance were thus, rejected. This by implication suggests that a positive change in the constructs noted can lead to positive and significant increase in the exporting fortunes of the SMEs operating in the Southwest Nigeria. These findings therefore, corroborate and substantiate earlier claims in previous studies (Eniola & Entabang, 2015; Shamsuddoha, Ali & Ndubisi, 2014; Ajayi, 2016; etc.) which have maintained that the role of government and its institutions in removing the bureaucratic bottlenecks and institutional inefficiency facing the SME sector will positively and significantly enhance the sector’s performance in the Southwest and Nigeria in general.

5. Conclusion and Recommendation

An important way to enhance the SME sector’s performance and increase its competitiveness in the global market is to properly identify and analyze the core. resources and capabilities that shape the sector’s performance in the global economic system for increased foreign exchange earnings. This exactly, is what the present study has done by investigating into the effects of entrepreneurial competence and government policy on SMEs’ non-oil export performance in the Southwest Nigeria. The following conclusions have thus, been reached in view of the study objectives, the research questions and the study findings regarding the study hypotheses:

• The overall result of the study showed that entrepreneurial competence has predicted 56.2% of the variation in SMEs’ export performance (see Table 1). Consequently, the hypothesis (H1) of no relationship between entrepreneurial competence and export performance of the SMEs is rejected in favor of the alternative hypothesis. Hence, entrepreneurial competence is an important determinant of SMEs’ export performance in the Southwest Nigeria.

• The influence of government and institutional policy on SMEs’ export performance is positive and significant in the Southwest Nigeria. The predictor variable, government & institutional support policy has explained 61.4% of the internal changes in SME export performance in the Southwest Nigeria and thus, we refused to accept the null hypothesis (H2) of no influence of government policy on SMEs export performance (see Table 2).

Based on the findings from the study therefore, we have made the following recommendations:

SMES’ stakeholders must be proactive in taking measures to upgrade the SME owner’s experience in exporting business. These must involve functional improvement in innovative ideation process, creativity of SME owners, managers and their employees. There must be increased application of long term strategic marketing plans, with sound resource commitments, into well identified areas of competitive advantages within the domestic economy, while capitalizing on effective positioning strategies in the foreign market. SME owners must tackle the challenges of good business ethics, while imbuing the culture of demonstrable social responsibility in the local and foreign business engagements.

A proactive action must be taken earnestly by government and its agencies in providing functional and specialized financial institutions created for the purpose of granting easy and accessible credit facilities and soft loan acquisition and repayments to qualified SME businesses; while eradicating multiple taxes and reducing high interest rates. There must also, be consistency in government export policy support programs for the success of Small and Medium-scale Enterprises. Exporting SMEs should be allowed to enjoy sales tax exemption, deduction of expenses on promotion of export of agricultural, agri-business, mining related products, and other made-in-Nigerian brands, for Nigerian SMEs to thrive in exporting. There must also be an increased focus on programs towards eradication of corruption in the administration of aids, grants, and incentive supports to the qualified SME firms in the Southwest Nigeria.

The study has thus contributed to knowledge by providing empirical evidence on the determinants of SMEs’ export performance in the Southwest Nigeria. The work has also, provided a concise and logical analysis of the interrelationships existing among the important variables examined, while substantiating the findings of some of the earlier research that have maintained that the SME sector in the non-oil export trade is undermined by mirage of challenges but had little or no empirical evidences to support their claims.

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