SOCIAL CAPITAL AND MICRO ENTERPRISE PERFORMANCE IN NIGERIA

OLADIMEJI MORUFF SANJO (Ph.D)
Department of Business Administration,
Olabisi Onabanjo University,
Ogun State

&

WORIMEGBE POWEL MAXWELL
Department of Business Administration,
Olabisi Onabanjo University,
Ogun State

&

WORIMEGBE TEMITOP E MARIAM
Department of Financial Studies,
Redeemers University,
Osun State.

Abstract
Social Capital in business is a new concept among micro enterprise owners in Nigeria. The issue has been under emphasized due to the fact its importance has been over looked in how it affects business performance. This study examines the effect of different dimensions of social capital on micro enterprise performance. The survey research design was employed in investigating the effect of social capital on micro enterprise performance. Customers' satisfaction which is a non-financial indicator was used in measuring performance. Questionnaires were distributed among 248 micro enterprise owners and their customers. Using the structural equation model, the study established that cognitive dimension, relational dimension and structural dimension of social capital affects customers' satisfaction. The study also reveals that among the dimensions, structural dimension is the most significant to micro enterprise performance. The study recommends that micro enterprises should explore social capital as a catalyst for better performance.

Keywords: Cognitive dimensions, Relational dimensions, structural dimension and micro enterprise performance

INTRODUCTION
The issue of social capital has been of great interest to researchers in recent times although it has been an area with limited studies. According to Samimi & Madhoosi (2015) Social entrepreneurship is both a concept and practice as implemented by social entrepreneurs and social entrepreneurs have moved from their traditional philanthropic and charitable practices to find more effective and that sustainable solutions to social problems. In Nigeria, the issue of social capital is sublime due to lack of social network. Okafor (2012) is of the opinion that social capital is necessary requirement for business creation, success and survival. Developing, emerging and developed countries alike, have come to the realization that Social capital is an integral part of capital outlay for countries. Christoforou (2014) argues that Social capital contributes to economic growth by highlighting the importance of cooperation and trust within the firm, the market and the state. The interdependence between decisions of individual agents and the emergence of externalities and common goods, makes cooperation imperative to maximizing social welfare. According to Durojaiye, Yussuf, Falusi & Okoruwa (2013) Micro Enterprises have been affected considerably by low capital outlay required for setting up Micro enterprises which would have enabled them to convert minimal resources into productive areas or ventures. Many economies developed and developing have come to realize the value of small businesses. The Micro enterprises are characterized by its dynamism, witty innovations, efficiency, and their small size allows for faster decision making process. Micro enterprises play a vital role in Nigeria. There has been dart of literature on the role of social capital.
and its effect on the sustainability of Micro enterprises in Nigeria. This study therefore addresses the issues of social capital in Nigeria and how it affects the performance and sustainability of Micro enterprises in Nigeria.

Objectives of the study are to ascertain what social capital is: the different dimensions of social capital and there effect on Micro enterprises performance and to what degree social capital affects Micro enterprises operation in Nigeria.

Based on the aforementioned statement, the following hypotheses were formulated;

- Ho1: Cognitive Dimension does not significantly affect Micro Enterprise performance.
- Ho2: Relational Dimension does not significantly affect Micro Enterprise Performance.
- Ho3: Structural Dimension does not have any significant effect on Micro enterprise Performance
- Ho4: There is no significant effect of social capital on Micro enterprise Performance.

Concept of Social Capital

The concept of social capital in literature is of debatable nature. There are still divergent views on what social capital is all about. Wu (2008) argues out that there is lack of consensus on a precise definition of social capital. Woolcock & Narayan (2000) suggests that a virtue of adopting a relatively narrow and agreed upon definition is that it encourages supporters and skeptics to adhere to the same rules. Kavee & Mburu (2016) are of the opinion that Social capital is the connections among individuals, based on norms and networks of cooperation and trust, which spills over to the market and state to enhance collective action between formal actors and achieve improved social efficiency and growth. The Organization for Economic Corporation and Development (OECD, 2015), defines social capital as networks together with shared norms, values and understandings that facilitate co-operation within or among groups. Acquaah (2008) defines social capital as the actual and potential resources embedded in net-working relationships that are accessed and used by actors (for example, managers of business enterprises) for actions (for example, conduct of enterprise business activities). Acquaah (2008) further notes that social capital can be divided into internal and external social capital. While internal social capital deals with the structure and social networking relationships among actors (that is, individual members) within a system organization, external social capital focuses on the structure and social networking relationships.

Social Capital is therefore, the connection and relationship within and outside an organization which improves the efficiency and productivity of an organization. According to Durojaiye, Yusuf, Falusi & Okoruwa (2013) Social network makes individuals and organizations to take advantage of entrepreneurial opportunities through interaction with other actors in the knowledge of market situation.

Determinants and Components of Social Capital

The determinants and components of social capital vary and her numerous in literature. The study of Aldridge, Halpern, Fitzpatrick. (2002) suggested that the main determinants of social capital include: history and culture; whether social structures are flat or hierarchical; the family; education; the built environment; residential mobility; economic inequalities and social class; the strength and characteristics of civil society; and patterns of individual consumption and personal values while Pantoja (1999) identified family and kinship connections; wider social networks of associational life covers the full range of formal and informal horizontal arrangements; networks; political society; institutional and policy framework which includes the formal rules and norms that regulate public life; and social norms and values as social capital. Woolcock (1998) suggests that social capital can be viewed from four dimensions. These are network, synergy, institutional and communitarian. In this study, the components of social capital would be based on the works of Acquaah, Gyampah and Nyathi (2014) which views that Social Capital can be viewed from the perspective of structural, relational and Cognitive.

Cognitive Dimension

The cognitive dimension looks at social capital as bonding and bridging community ties and that the actors are of this dimension of social capital are the Entrepreneurs, business groups and information brokers and this type of entrepreneurship leads to creation of enterprise zone, bridging social divides among others. According to Acquaah et al (2014) Cognitive dimension includes Attitudes & beliefs, emotional intensity & reciprocity, shared cognition (common goals, values and alignment), shared norms, values and obligations shared goals, shared knowledge, shared vision and shared purpose. Nahapiet & Ghoshal (1998) are of the opinion that categorized cognitive dimensions involve shared codes and language and shared narratives
Relational Dimension
Nahapiet & Ghoshal (1998) sees relational dimension of social network as involving trust, norms, obligations and identification. The view of Acquaah et al (2014) supports relational dimension as involving trust, association membership (togetherness, family and friends connections, informal sociability and neighbourhood connections). Woolcock & Narayan (2000) explained that the basic idea of relational dimension is that a person’s family, friends and associates constitutes an important asset, one that can be called on in crisis, enjoyed for its own sake, and leverage for material gain. Batjargal & Liu (2004) summarizes that relational dimension integrates agent’s relations such as confidence, trust and duration of the links. The relational dimension of social capital is characterized by behavioural perception of people close to businesses in supporting a person’s venture.

Structural Dimension
This dimension depends on the structure of the network and the properties of the position occupied by the agent in the network (Batjargal & Liu, 2003). Acquaah et al (2014) posit that Structural dimension includes Network structure (number of links, position, network centrality, network size, network density, betweenness centrality, network homogeneity/heterogeneity, homophily/heterophily, network constraint, tie strength, structural holes) and Network ties (bonding, bridging, & linking, connectivity.). Putman (2000) posits that bonding social capital is forming social ties within enclosed family and groups of friends while bridging deals with forming social ties across cleavages and requires people to transcend their simple identity. Nahapiet & Ghoshal (1998) added that structural dimension includes network ties, network configuration and appropriate organization.

Micro Enterprise Performance
There is no specific measurement of performance in Micro Enterprises. Cho & Pucik (2005) posit that measuring performance in micro enterprises is multifaceted and that diverse parameters can be employed in measuring performance. Jamil & Mohamed (2012) are of the opinion that there is consensus on which is the best method of measuring performance in Micro Organizations and that different business organizations adopt different measures which suit that strategy and purpose. However, it is important that the selection and adoption of performance measure must reveal the true situation of Micro businesses with some degree of reliability and certainty. Gerba & Viswanadham (2016) argue that different scholars use different approaches of performance measurement because it helps to take the advantage of various approaches and minimizes shortcomings of single of measure performance of small firm. Chong (2008) views that business organization could measure their performance using combining both financial (profit before tax and turnover) and nonfinancial measures (customer satisfaction, delivery time, waiting time and employees turnover). Verbeeten & Boons (2009) argue that employing financial indicator of performance is not a perfect picture of performance measurement as financial indicators are based on historical and backward looking information causing management frustration, short-run orientation, and results are incongruent with organizational strategic priorities. This study adopts a nonfinancial measure of customers Satisfaction. Customers’ satisfaction is the degree of perception customers have towards a product or service

Conceptual Framework
Authors Initiative based on the work of Acquaah et al (2014)

Social Capital and Micro Enterprises Performance
Okafor (2012) argues that one of the measures of medium, small and medium enterprise (SME) sustainability is profitability. Profits are necessary for survival in the long-run in a competitive environment. Long –term profitability derives from the relations between cost and revenue: it is necessary but not sufficient condition for sustainability. Griffith & Harvey (2004) posit that Social capital is defined in the literature as an asset that is engendered via social relations and can be employed to facilitate action and enlarge one’s profit. Gomez & Santor, (2001) posit that social capital –social relations that facilitate individual action – is essential for micro entrepreneurial success. They empirically demonstrated that social capital, as proxied by membership in civil society, contributes positively to the self – employment earnings of microfinance borrowers.. Fafchamps & Minten, (2000) reveal that there is a strong positive effect that social capital has on the performance of agricultural traders. The study shows that social
network capital has a large effect on traders’ profitability. According to them better connected MSMEs have significantly larger sales and value added than less connected.

Stam, Arzlanian & Elfring (2014) did a study on social capital entrepreneurs and small firm performance using metal analysis, established that social capital—small firm performance link was positive and that effect sizes of weak ties were smaller than those of structural holes, while network diversity had the largest positive effect on performance. Results also showed that the social capital—small firm performance link depends on the age of small firms, the industry and institutional contexts in which they operate, and on the specific network or performance measures used. The study recommended the contingent value of social capital for small firms for future research based on their findings.

Social Capital Theory
Social Network theory as viewed by Premaratne (2002) looks into importance of social relationship and how pivotal it is to entrepreneurial activities. The theory establishes that information is needed to start and expand a business and this is passed to the entrepreneur through existing social network of friends and opportunity structure. Thomas & Ranganathan (2005) posit that the social network theory is all about nodes and ties. The nodes are the individuals within the network while the ties are the relationship between the individuals. Clausen (2006) argues that entrepreneurs are enmeshed in a bigger social network which involves crucial facets of opportunity structure. It is therefore argued that the larger the social network structure the more the opportunity of a new business expanding. Social capital is viewed as cultural capital or relationship based capital.

Methodology
The survey research design was used in this study. Well-structured questionnaire based on a 5 likert scale was adopted for the study and distributed among micro enterprises in Nigeria. According to Small & Medium Enterprises Development Agency of Nigeria (SMEDAN, 2016), there are 36, 994,578 micro enterprises in Nigeria. Using the raosoft sample size calculator which is based on normal distribution, the sample size was 248 at a confidence interval of 90%. The questionnaire was distributed among micro enterprise owners and their customers. Lagos state was chosen as study area because it has the highest number of micro enterprise in Nigeria. A number of analytical tools were used based on the objectives of the study. Cronbach alpha test was applied to all fives scales to ensure the reliability of scale, including three independent variables and one dependent variable. The scales showed satisfactory alphas that were larger than the acceptable threshold of 0.60 (Nunnally, 1978). The questionnaire was subjected to vigorous content, convergent and face validity.

The convergent validity of the measurement model, a confirmatory factor analysis was conducted and resulted in a significant model ($c^2 = 189.869$, df = 80, p < 0.00, goodness-of-fit index (GFI) = 0.92, (IFI) = 0.90, (CFI) = 0.91, and RMSEA = 0.079). For this measurement model, the indices all suggested a satisfactory model fit. Therefore, convergent validity was also achieved.

At the end of the data collection period, 204 completed questionnaires had been received and this gives a response rate of 82 per cent, and this can be considered acceptable. Split-half means test was adopted for the pilot study. There was no significant difference between the split half groups for all of the items that were related to microentreprise performance information, such as year of establishment, and performance, which indicated that the sample was representative of the population. The Pearson correlation coefficients was 0.85. This shows that non response bias was not a critical concern in the sample.

Table 1
Latent and Observed Variables in study

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Observed Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognition Dimension</td>
<td>Time</td>
</tr>
<tr>
<td></td>
<td>Norm</td>
</tr>
<tr>
<td></td>
<td>Value</td>
</tr>
<tr>
<td>Relational Dimension</td>
<td>Social Cohesion</td>
</tr>
<tr>
<td></td>
<td>Social Network</td>
</tr>
<tr>
<td>Structural Dimension</td>
<td>Network Structure</td>
</tr>
<tr>
<td></td>
<td>Civic Engagement</td>
</tr>
<tr>
<td>Performance</td>
<td>Micro Enterprise Competitiveness</td>
</tr>
</tbody>
</table>
Analysis of Results
The chart shows micro enterprises sampled and their years of existence. 67% of the micro enterprises sampled have operated between 1-3 years, 26 persons 4-5 years and 7% greater than 5 years. This reflects the general situation in Nigeria that micro enterprises fizzle out within a couple years of existence. As the years go by, micro enterprises stay out of operations.

Descriptive and Covariance Matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Trust</th>
<th>Value</th>
<th>Norms</th>
<th>Social Cohesion</th>
<th>Social Network</th>
<th>Civic Engagement</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>2.377</td>
<td>1.017</td>
<td>1.014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>2.422</td>
<td>1.031</td>
<td>0.372</td>
<td>1.063</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norms</td>
<td>2.623</td>
<td>1.007</td>
<td>0.197</td>
<td>0.254</td>
<td>1.034</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relational</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Cohesion</td>
<td>2.613</td>
<td>1.088</td>
<td>0.223</td>
<td>0.381</td>
<td>0.403</td>
<td>1.184</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Network</td>
<td>2.637</td>
<td>1.112</td>
<td>0.325</td>
<td>0.365</td>
<td>0.389</td>
<td>0.627</td>
<td>1.237</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Structure</td>
<td>2.529</td>
<td>1.009</td>
<td>0.216</td>
<td>0.273</td>
<td>0.321</td>
<td>0.472</td>
<td>0.553</td>
<td>1.019</td>
<td></td>
</tr>
<tr>
<td>Civic Engagement</td>
<td>2.309</td>
<td>0.925</td>
<td>0.053</td>
<td>0.032</td>
<td>0.119</td>
<td>0.115</td>
<td>0.011</td>
<td>0.062</td>
<td>0.855</td>
</tr>
<tr>
<td>Performance</td>
<td>2.534</td>
<td>1.094</td>
<td>0.148</td>
<td>0.099</td>
<td>0.167</td>
<td>0.252</td>
<td>0.308</td>
<td>0.361</td>
<td>0.110</td>
</tr>
</tbody>
</table>

The descriptive statistics and covariance matrix for the study variables are presented in Table 2. To test the hypotheses, a series of regression analysis procedures were performed. The results indicated that all three dimensions of social capital were positively and significantly related to micro enterprise performance, thus supporting Hypotheses 1, 2, and 3.

The descriptive statistics and covariance matrix for the study variables are presented in Table 2. To test the hypotheses, a series of regression analysis procedures were performed. The results indicated that all three dimensions of social capital were positively and significantly related to micro enterprise performance, thus supporting Hypotheses 1, 2, and 3.

Hypothesis 1: Cognitive Dimension does not significantly affect Micro Enterprise Performance

Performance = 1.868 + 0.112*Norms + 0.0215*Values + 0.135*Trust + Error,
Standerr (0.271) (0.0814) (0.0804) (0.0775)
Z-values  6.903  1.381  0.267  1.735
P-values  0.000  0.000  0.009  0.013

R² = 0.345
From the Z-values associated with the coefficients, there is empirical evidence for rejecting the statistical hypotheses of nullity of the coefficients associated with the causal relationships between Norms (Z=6.930), Values (Z=1.381) and Trust (Z=1.735) which are measures of Cognitive Dimension of Social Capital. Therefore, we can confirm the existence of these three relations of causality and must therefore reject the null hypothesis and Accept H₁. The R² which is the coefficient of determination shows 0.345 and this indicates that 34.5 variation in Micro Enterprise Performance is caused by Cognitive dimension of Social capital. The P-Values of all the variables measured show that Norms, Values and Trust are significant to the model. This is because P<0.05 at 5% confidence significant interval.

Hypothesis 2: Relational Dimension does not significantly affect Micro Enterprise Performance
Estimated Equations

Performance = 1.736 + 0.111*Social C + 0.193*network + Error, R² = 0.731
Standerr (0.216) (0.0798) (0.0781)
Z-values 8.021 1.390 2.469
P-values 0.000 0.165 0.014
Error Variance = 1.108

From the Z-values associated with the coefficients, there is empirical evidence for rejecting the statistical hypotheses of nullity of the coefficients associated with the causal relationships between Social Cohesion (Z=1.390) and Social Network (Z=2.469) which are measures Relational Dimension of Social Capital. Therefore, we can confirm the existence of these two relations of causality and must therefore reject the null hypothesis and Accept Hₐ. The R² which is the coefficient of determination shows 0.731 and this indicates that 73.1% variation in Micro Enterprise Performance is caused by Relational dimension of Social capital. The P-Values of all the variables measured show that Social Cohesion and Social Network are significant to the model. This is because P<0.05 at 5% confidence significant interval.

Hypothesis 3: Structural Dimension does not significantly affect Micro Enterprise Performance

Estimated Equations

Performance = 1.415 + 0.348*structur + 0.103*Engageme + Error, R² = 0.315
Standerr (0.259) (0.0721) (0.0787)
Z-values 5.466 4.830 1.314
P-values 0.000 0.000 0.029
Error Variance = 1.059

From the Z-values associated with the coefficients, there is empirical evidence for rejecting the statistical hypotheses of nullity of the coefficients associated with the causal relationships between structure network (Z=4.830) and Civic Engagement (Z=1.314) which are measures Structural Dimension of Social Capital. Therefore, we can confirm the existence of these two relations of causality and must therefore reject the null hypothesis and Accept Hₐ. The R² which is the coefficient of determination shows 0.315 and this indicates that 31.5% variation in Micro Enterprise Performance is caused by Structural dimension of Social capital. The P-Values of all the variables measured show that structural network and civic engagement are significant to the model. This is because P<0.05 at 5% confidence significant interval.

HYPOTHESIS 4: Social Capital does not have significant effect on Micro Enterprise Performance

Performance = -0.028*Cognitive - 0.49*Relational + 0.92*Structural, Errorvar. = 0.74
(0.077) (0.15) (0.11) (0.070)
-0.37 -3.30 7.98 10.58
0.000 0.000 0.000 0.000
R² = 0.562

From the Z-values associated with the coefficients, there is empirical evidence for rejecting the statistical hypotheses of nullity of the coefficients associated with the causal relationships between Cognitive Dimension (Z=-0.37), Relational Dimension (Z=-3.30) and Structural Dimension (Z=10.58) of Social Capital. Therefore, we can confirm the existence of these two relations of causality and must therefore reject the null hypothesis and Accept Hₐ. The R² which is the coefficient of determination shows 0.562 and this indicates that 56.2% variation in Micro Enterprise Performance is caused by Social capital. The result also reveals that as cognitive dimension increases, performance in micro enterprise reduces. This is also evident in the inverse relationship between relational dimension and micro enterprise performance. The P-Values of all the variables measured show that structural network and civic engagement are significant to the model. This is because P<0.05 at 5% confidence significant interval.

Test of Goodness Fit

All of the paths were freely estimated, and error variances were constrained to one, which is the program default. The proposed structural equation model achieved a good fit ($χ² = 413.93$, df = 109, p < 0.00; GFI = 0.94, IFI = 0.98, CFI = 0.98, RMSEA = 0.088). The path coefficients are reported in figure 2.
Estimation Of Structural Equation Model

Figure 2
Beyond these hypotheses, the estimated values of the coefficients of the four structural equations provide relevant information about the ways in which each dimension of social capital affects micro enterprise performance. The result reveals that structural dimension of social capital is the main cause of micro enterprise performance. The Path analysis also shows that out of the observable variables, the structural network plays the most significant role in achieving performance in micro enterprises.

Conclusion and Recommendation
This study looks into and provides evidence on the main mediums through which social capital affects micro enterprise performance. From the empirical evidence we concluded that with respect to hypotheses, H1, H2, H3 and H4 there was enough empirical evidence available to reject the statistical hypothesis of nullity of the coefficients associated with the causal relationships of social capital’s relational dimension on Micro enterprise performance. Therefore, we can confirm the existence of these three causal relationships and we accepted the alternative hypotheses. The result shows that cognitive dimension, relational dimension and structural dimensions all affect micro enterprise performance.

The estimation of SEM, which relates the all the dimensions of social capital and there observed measures to performance, provides a number of interesting conclusions. Performance depends primarily on structural dimension and to a large extent structural network. To a lesser extent and to a lesser extent on access to finance and markets. It is therefore of utmost importance to conclude that social capital plays a pivotal role in micro enterprise performance. This conclusion has important implications because it suggests micro enterprise owners should concentrate effort firstly on structural dimension of social capital before other dimensions. The dimensions of social capital reveal stimulate micro enterprise to performing better (especially in meeting customers expectation and increasing customers satisfaction). The findings of this work lends support to the work of Fomoni, Arribas & Vila (2012) and Wu (2008). Based on the results from the study, the study recommends that micro enterprises explore the use of social capital as the awareness and merits of social capital is low in Nigerian micro enterprises. Entrepreneurs should explore the use of social capital more in order to maximize it benefits. For micro businesses advancement, structural dimension of Social capital should be first explored before other dimensions. To effectively and efficient meet the expectation and satisfaction of customers, micro businesses should lay emphasis on social capital.

REFERENCES


