



SOCIAL MEDIA USAGE AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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Cite this article:

Isiaka M.A., Adeosun O.T., Okewale A.T. (2022), Social Media Usage and Performance of Small and Medium Enterprises in Nigeria. International Journal of Entrepreneurship and Business Innovation 5(2), 94-103. DOI: 10.52589/IJEI-UA02U9U3

Manuscript History

Received: 23 Oct 2022

Accepted: 14 Nov 2022

Published: 6 Dec 2022

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ABSTRACT: The 21st century have seen the rise in the use of information and communication technology. This technology had overtime facilitated the growth of social media for ease of socializing and networking. Companies like Amazon, Alibaba among others leverage on e-commerce, integrating social media to provide product and services all over the world. In Nigeria, the likes of Jumia, Konga among others leverage on the social media space to market their product and services along with their website and mobile applications enabled by technology. With the huge number of people adopting the use of social media, it is critical to investigate how social media have impacted financial performance of Small and Medium Enterprises (SMEs) in Nigeria. With the use of ANOVA, Chi-square, the study analyzes responses from 566 respondents based on cleaned data obtained from Research ICT Africa Survey (RIAS) survey data published in 2019. Theoretically, the study is anchored on the social network theory. Evidence suggested that social media have contributed immensely to the growth of SMEs in Nigeria, helped in customer engagement and retention and also facilitate advertisement of goods and services. Evidence also suggested a significant relationship between social media advertisement and financial performance among SMEs in Nigeria.

Keywords: Customer engagement, Financial performance, ICT, SMEs, Social media.



INTRODUCTION

The current 4th Industrial Revolution (4IR) has paved the way for a more improved information and communication technology (ICT). Many firms such as Amazon are able to sell worldwide through the use of their online platform. In Nigeria, several businesses leverage social media platforms to advertise and market their product to the large number of social media users around the world. Social media such as Facebook, Twitter, Whatsapp, and many others are being leveraged on to boost sales and in turn improve revenue. Social media is used in many domains hence, there is no geographical barrier or the extent to which products and services can travel. With the use of social media, information is easily accessible, trends, competitors and customers needs are easily monitored and new opportunities are harnessed.

The uninspiring performance of many SMEs had giving rise to business owners seeking diverse approach to improving business performance. One of them is the adoption of social media usage by many SMEs. Social media has proven to be an easy to use platform that connects businesses to their clients online, facilitating advertisement and helping to reach target audiences hence, a continuous rise in the usage by SMEs. Primarily, the goal of social media usage by SMEs does not rest only on its marketing capabilities. Social media has proven to be an important tool in creating brand awareness, generation of leads, customer support among others. Many SMEs see it as a viable tool of communication, sharing information on discounts, promotions, offers, order process and necessary procedures in the sales process.

Small medium enterprises according to SMEDAN (2014) refers to businesses made up of 10-99 employees. SMEs are a veritable tool for economic growth and development. They play a key role in promoting prosperity by creating new jobs, and increasing economic prosperity of a region (Kareem, 2015; Maksimov et al., 2017). Due to the importance of small businesses, governments in developing and developed nations see them as a means of employment, innovation and wealth creation (Mills & McCarthy, 2016). Small business is important for the growth of products and services. It creates employment at a smaller financial cost, particularly in the rapidly developing service sector. In developing countries, over 50 percent of jobs are created by SMEs (Lorenz & Pommet, 2018). In addition to employment generation, SMEs have proven to be alleviators of poverty, contributing to the reduction of poverty especially in the developing nations like Nigeria. SMEs play an important role in the growth of any economy (Schumpeter, 1934; Hossain et al., 2018).

SMEs performance can be measured in different terms including: profitability, growth, market value, total return on shareholder, economic value added, customer satisfaction, and also based on the stakeholder's expectations (Blackburn, Hart & Wainwright, 2013). Many specialists view firm performances principally from the finance perspective and so evaluating firm performance using financial basis has been a long standing traditional for many stakeholders (Delen, Kuzey & Uyar, 2013). Non-financial measurements of SMEs performance is also key in the measurement of performance such as the company goodwill, sales, employment, assets, and turnover profits and output, brand image, value created among others. In addition, most businesses regard their sales as highly important to their performance, hence the use of social media in advertising and engaging clients for more sales.

The broad objective of this study is to examine the contribution of social media to the performance of SMEs. Specifically, the study examines the role of social media presence, social media advertisement and social media customer engagement on financial performance



of SMEs in Nigeria. The article proceeds thus: the second section presents the conceptual and research discourse; the third section presents the research methodology, while data and results are analyzed and presented in section four; section five then concludes the paper.

LITERATURE REVIEW

There is absolutely no doubt that the usage of social media had been advancing gradually before the outbreak of the COVID-19 pandemic in 2020; and it is equally true that everyone did not only adapt to new health protocols but also to the compulsory lifestyle the pandemic brought. It directly brought the full usage of social media for transacting and keeping business operations going where every organization has to depend solely on social media to keep their operations going (Redjeki & Affandi, 2021).

Social media usage remains a flexible and digitalized systems of applications that allows integration of people, information and different functions through universal knowledge sharing (Eze et al., 2021; Baines, 2013). An integrated system that allows producers and consumers to connect and interact sharply and quickly, supporting new innovations and business growth (Musa et al., 2016). Undoubtedly, social media usage has consistently improved our mode of operations in terms of communication and collaboration. It has basically changed the ways business owners and organizations interact with their immediate society and the marketplace (Musa, 2021; Andzulis, 2012).

The adoption of social media usage in the world of business has immensely increased the operations of small and medium enterprises (Syaifullah et al., 2021; Guo et al., 2020). The impact of SMEs to the growth of developing countries cannot be overemphasized (Nuseir, 2018). It has significantly reduced the menace of unemployment by creating more durable jobs for people to do and contributing significantly to the country's economic growth (Eze et al., 2021). On the other hand, social media has become a remarkable avenue where most SMEs market their products (Effendi et al., 2020). Notable social media platforms that have contributed greatly to the growth of SME's include Facebook, Instagram, Twitter, etc (Kumar & Ayedee, 2018). The adoption of social media enables small and medium scale enterprises to market their goods through the internet and gives accessibility to a larger audience (Ahmad et al., 2018). It also allows smooth interaction between marketers and potential customers or clients and provides benefits like improving customer's satisfaction and providing an edge among competitors (Qalati et al., 2021). According to Eze et al. (2021) and Doshmanli et al. (2018), organizations or small and medium scale enterprises with a viable and functional social media system easily create awareness of their products and services to potential clients and improve sales better than what the conventional marketing can handle. The general impact of social media usage on small and medium scale enterprises goes beyond product marketing and improving customer's satisfaction. Interestingly, it is also improving employee's attitude to work with the advent of remote working, enabling workers to communicate and interact anywhere in the world with one another. It enhances hiring expertise and equally enables knowledge sharing which promotes new innovations (Redjeki & Affandi, 2021).



METHODOLOGY

To understand the contribution of social media to the performance of SMEs, we leverage on the Research ICT Africa Survey (RIAS). The sample size adopted from the population was 566 respondents based on cleaned data obtained from RIAS survey data published in 2019. The survey use the random sampling based on Census sample frames. The country was divided into Enumerator Areas (EAs) with density of about 200 households.

The methods applied are described as:

Step 1: The national census sample frames was split into urban and rural Enumerator areas (EAs).

Step 2: EAs were sampled for each stratum using probability proportional to size (PPS).

Step 3: For each EA, two listings were compiled, one for households and one for businesses. The listings served as sample frame for the simple random sections of households and businesses.

Step 4: Businesses were sampled using simple random sample for each selected EA.

Further information on the survey can be gotten from the Research ICT Africa Survey (RIAS).

Data Analysis Procedure

Both inferential and descriptive statistics were applied to the survey. Percentage, cross tabulation, t-test for equality of means, Levene's test for equality of variances, Pearson Chi-Square test of association as well as Analysis of Variance (ANOVA) were done with the aid of SPSS software.

Hypothesis

Given the objective of this study, we set out to test the following hypothesis.

H₁: There is no significant relationship between social media presence and financial performance of SMEs in Nigeria.

H₂: There is no significant relationship between social media customers' engagement and financial performance of SMEs in Nigeria.

Each hypothesis was tested along; The locality of the SMEs, the type of business, education qualification of managers and the financial profitability.

4.0 Result Presentation

4.1 Social Media Presence and SMEs Performance in Nigeria

Data from the survey showed that the majority of the respondents are not having a presence on social media. Table 1 gave the breakdown of social media presence along the geographical area.

**Table 1: Distribution of Social Media Presence by Locality**

Locality	Social Media Presence		Total
	No	Yes	
Rural	321 (58.79%)	6 (30.00%)	327 (57.77%)
Urban	225 (41.21%)	14 (70.00%)	239 (42.23%)
Total	546 [96.47%]	20 [3.53%]	566 [(100.00%)]

Pearson Chi-Square: Value- 6.56 Significant Level-0.01

()-column Percentage []-row percentage

Source: Author's Computation (2021)

Furthermore, the Pearson Chi-Square value of 6.56 and a probability value of 0.01, indicated significance at 5%. Therefore, we concluded that there is a strong relationship between location and social media presence. We also test for social media presence based on business types. Findings showed that 3.71% of the respondents stated that they are in the manufacturing business while the remaining 96.92% are in non-manufacturing business. For those with social media presence, only 5.00% are in manufacturing business while 95.00% are in non-manufacturing business. And for those without social media presence, 3.66% are in manufacturing while 96.34% are in non-manufacturing businesses.

About 71.91% of the respondents stated that they engage in trading/selling business out of which only 35% is present on social media, the agriculture category recorded only 5% presence while those in the service business have social media presence of about 30.22%. From the above, we can deduce that social media facilitates buying and selling as more respondents in the buying and selling category use it more than other categories and there is no relationship between manufacturing sector and social media usage.

We further test to see if the education qualification of our respondent has a determining factor in their presence on social media. From our data, 30.21% of the respondents has primary education qualification on social media presence, 28.27% of the respondents are within the secondary cadre of education qualification on social media presence, 39.40% of the respondents possess tertiary level of education qualification on social media presence and 2.12% of the respondents are self-educated and oriented about the knowledge of social media presence. With a Pearson Chi-Square value on 84.08 and a probability value of 0.000, indicating significance at 5%, we rejected the null hypothesis and concluded that there is a strong relationship between social media presence and educational qualification of SMEs owners in Nigeria.

The average monthly income is ₦41,957.10 and ₦315,760.00 for those without and those with social media presence respectively. This implies that those with social media presence have higher monthly profit of ₦273,802.9 (or 625.58%) than those without social media presence. The Laverne's test for equality of variance is significant at 1% for revenue and profit. This indicates that volatility of revenue and profit for businesses with social media presence is



significantly different from volatility of revenue and profit for businesses without social media presence.

Table 2: Test of Equality of Performance by Social Media Presence

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	T	df	Sig. (2-tailed)
Monthly revenue in Naira	25.422	.000	-3.429	564	.001
Monthly profit in Naira	40.390	.000	-3.948	564	.000

Source: Author's Computation (2021)

In the same vein, the t-test of equality of means is significant at 1% for revenue and profit indicating that average profit and average revenue for businesses with social media presence are significantly different from those without social media presence in Table 2. Hence, the first null hypothesis is rejected and the study concludes that there is a significant relationship between the social media presence and financial performance among SMEs in Nigeria.

Social Media Customers Engagement and SMEs Performance in Nigeria

The social media has facilitated customer engagement online real time, therefore, the study considers the role of social media customer engagement on profitability of SMEs in Nigeria. Testing of the second hypothesis goes thus:

H₂: There is no significant relationship between social media customers' engagement and financial performance of SMEs in Nigeria.

Along locality, Table 3 gave the summary distribution of how customers are engaged along various locations. 37.04% of SMEs in the rural area carry out social media customer engagement while 62.96% are carried out in urban areas.

Table 3: Distribution of Social Media Customers Engagement by Locality

Locality	Social Media Customers Engagement		Total
	No	Yes	
Rural	317 (58.81%)	10 (37.04%)	327 (57.77%)
Urban	222 (41.19%)	17 (62.96%)	239 (42.23%)
Total	539 [95.23%]	27 [4.77%]	566 [(100.00%)]

Pearson Chi-Square: Value-5.00 Significant Level-0.03

()-column percentage []-row percentage

Source: Author's Computation (2021)



The Chi-square value on 5.00 has a probability value of 0.03, at 5% significance level indicating that there is a significant relationship between social media customer engagement and location of SMEs in Nigeria. Considering the type of business, as seen in Table 4, we can deduce that those in the agricultural business do not engage their customers via social media platforms, this might be due to the crude nature of their business. The service businesses led in making use of social media customer engagement with 70% of SMEs in the business actively engaging clients via various social media platforms, this is followed by the trading and selling business where about 33% engage customers via social media platforms. Considering the Pearson Chi-Square value and probability, we can conclude that there is no significant relationship between agricultural business and social media customer engagement while manufacturing, trading/selling and services all have a positive and significant relationship.

Table 4: Distribution of Social Media Customers Engagement by Type of Business

		Social Media Customers Engagement		Total
		No	Yes	
Agriculture	No	484 (89.80%)	27 (100.00%)	511 (90.28%)
	Yes	55 (10.20%)	0 (0.00%)	55 (9.72%)
	Pearson Chi-Square: Value- 3.05 Significant Level-0.08			
Manufacturing	No	518 (96.10%)	27 (100.00%)	545 (96.29%)
	Yes	21 (3.90%)	0 (0.00%)	21 (3.71%)
	Pearson Chi-Square: Value- 1.09 Significant Level-0.30			
Trading/Selling	No	141 (26.16%)	18 (66.67%)	159 (28.09%)
	Yes	398 (73.84%)	9 (33.33%)	407 (71.91%)
	Pearson Chi-Square: Value- 20.89 Significant Level-0.00			
Services	No	378 (70.13%)	8 (29.63%)	386 (68.20%)
	Yes	161 (29.87%)	19 (70.37%)	180 (31.80%)
	Pearson Chi-Square: Value- 19.45 Significant Level-0.00			

()-column percentage []-row percentage

Source: Author's Computation (2021).

The education qualification of managers on social media customer engagement was examined. 30.21% of the respondents has primary education qualification on social media customer engagement, 28.27% of the respondents are within the secondary cadre of education qualification on social media customer engagement, 39.40% of the respondents possess tertiary level of education qualification on social media customer engagement and 2.12% of the respondents are self-educated and oriented about the knowledge of social media customer engagement. This implies that majority of the respondents are within the level of tertiary education qualification on social media customer engagement and out of which 50% are in conformity with the level of social media customer engagement. The Pearson Chi-Square value on 67.48 has a probability value of 0.000, indicating significant at 5%. Therefore, we conclude



that there is a significant relationship between social media customer engagement and qualification of SMEs owners in Nigeria.

Table 5 Test of Equality of Performance by Social Media Customers Engagement

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	Df	Sig. (2-tailed)
Monthly revenue in Naira	18.048	.000	-2.893	564	.004
Monthly profit in Naira	28.043	.000	-3.507	564	.000

Source: Author's Computation (2021)

The average monthly revenue for those without social media customer engagement is about ₦194,000. The average monthly revenue for those with social media customer engagement is higher with 331.55%. The Laverne's test for equality of variance in Table 5 is significant at 4% for revenue and profit. This indicates that volatility of revenue and profit for businesses with social media customer engagement is significantly different from volatility of revenue and profit for businesses with social media customer engagement for businesses without social media customer engagement.

Similarly, the t-test of equality of means is significant at 4% for revenue and profit indicating that average profit and average revenue for businesses with social media customer engagement are significantly different from those without social media customer engagement.

Table 6 presents the Analysis of Variance result. The result shows a 5% level of significance 0.004 and 0.000 for monthly revenue and monthly profit, respectively. Therefore, we reject the second hypothesis and conclude that there is a significant relationship between the social media customer engagement and financial performance among SMEs in Nigeria.

Table 6: ANOVA Analysis of Social Media Customers Engagement and Performance

		Sum of Squares (Billion)	Df	Mean Square	F	Sig.
Monthly revenue in Naira	Between Groups	10559.86	1	10559.86	8.372	.004
	Within Groups	711421.73	564	1261.39		
Monthly profit in Naira	Between Groups	1147.55	1	1147.55	12.299	.000
	Within Groups	52625.86	564	93.31		

Source: Author's Computation (2021)



CONCLUSION AND RECOMMENDATION

The aim of this study is to establish the relationship between the use of social media and SMEs financial performance in the context of Nigeria. More importantly, the study examines how social media presence and customer engagement via social media affect the financial performance of SMEs in Nigeria. The role of social media engagement in businesses cannot be overemphasized as it provides a framework through which the business can be advertised at a minimal cost, the business can also be felt and the customers can also be engaged in the process which in turn boost the performance level of the business.

Considering the two objective of the study, the study finds that: Social media presence is positively and significantly related with SMEs performance. This implies that the presence of social media brings enormous benefit to the activities of small and medium scale enterprises which in turn boost the performance level of the business. From this, it can also be revealed that the higher the involvement of social media by small scale businesses, the higher the level of performances and benefits accrued to the business and vice versa. Furthermore, it was revealed that the use of social media for customer engagement is positively and significantly related to performance. This implies that feedback received from customers, helps shape the performance of small businesses leading to more sales and a better financial performance. The study therefore concluded that social media presence and social media customer engagement has a significant effect on the performance of small and medium scale businesses.

The study recommends that for performance to be optimized on social media, small businesses should have presence on all the platforms but evaluate which one delivers the best customer engagement. Furthermore, ease of payment and delivery should be considered and made easy for customers to guarantee trust on payment transaction and safety of delivery. It is highly recommended that the business application for social media should be well managed for its intended purpose with well-coordinated social media activities which can increase the performance level of the business.

This study considered social media presence and how customer engagement affect financial performance of SMEs in Nigeria. The study recommends that further study should be done on how social media advertisements impact small businesses, especially along the location of such businesses.

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