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### **Effect of Access to Finance and Market Orientation on the Performance of Kano State's Small and Medium Enterprises (SMES) In Nigeria**

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#### **Abstract**

This study investigates the effect of access to finance and market orientation on the performance of Small and Medium Enterprises (SMEs) in Kano State, Nigeria. Using a survey of SMEs in Kano State, the study examines the relationship between access to finance, market orientation, and SME performance in Kano State. The study used stratified random sampling to sample 153 respondents from the population of registered SMEs in the State. Structured questionnaire were administered and the data collected were analysed using simple descriptive and Pearson Product Moment Correlation Coefficient. The findings suggest that access to finance and market orientation have a significant moderating effect on SME performance in the state. The study therefore recommends that the government should come up with visible and achievable policies that can strengthen access to finance for SMEs in Kano state and SMEs business owners should show more preference to market orientation to improve their performance.

**Keywords:** Access to Finance, Market Orientation, Performance, SMEs, Kano State

## **Introduction**

Small and Medium Enterprises (SMEs) play a vital role in the economic development of Nigeria, particularly in Kano State. However, SMEs in Nigeria face significant challenges, including limited access to finance and inadequate market orientation. This study aims to investigate the moderating effect of access to finance and market orientation on the performance of SMEs in Kano State, Nigeria.

The performance of Small and Medium Enterprise (SMEs) have largely received global concern by many academic researchers and industry practitioners. This is because SMEs are seen as contributing to a nation's growth and development (OECD, 2017). In developing countries, SMEs are important not only because they create employment but also because they employ unskilled workers, who are overly abundant in these countries. Beside, over 90% of the entire SMEs in the developing countries are in agricultural and non-agricultural sectors, contributing significantly to their GDP (Ugochukwu, Nathaniel & Emeka, 2018).

SMEs in Nigeria are motivated by the government with various entrepreneurial opportunities (both financial and non-financial) but the level of awareness is still lacking (NBS & SMEDAN, 2012; Thong, Chye, & Fong, 2013). For example, among

every 10 SMEs operators, more than 9, which is equivalent to 95.2 percent, are not aware of the entrepreneurial opportunities available for entrepreneurial activities in Nigeria (NBS & SMEDAN, 2012)

**H**aider, Asad and Fatima (2017) argued that SMEs play an important role in economic growth, innovation and competitiveness, which ultimately enhances the standard of living of people of any country. Similarly, Ismail, Dassanayaka and Mudalige (n.d) opined that in addition to SMEs contribution to economic development, SMEs play a key role in social development, reduction of poverty through more equal distribution of wealth, more engagement of female citizens, social stability through reduction in unemployment, use of domestic resources thereby creating a chain of new ventures that are important for the development of any country.

**A**ccording to Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) (2013), SMEs are growth supporting sectors that not only contribute significantly to improve living standards, but also bring substantial local capital formation and are responsible for driving innovation and competition in developing economies. The Organisation for Economic Cooperation and Development [OECD] came to a conclusion that SMEs account for approximately about 90% of firms and employ about 70% of workforce in the world. It has been observed by Abor and Quartey (2010) that SMEs contributes significantly to the Gross Domestic Product and employment rate of most nations of the world (OECD, 2016).

**S**MEs in Nigeria, including those in Kano State, often face significant challenges in accessing finance, which can hinder their growth and performance. Infrastructure, government policies and cultural attitudes towards entrepreneurship also influence growth and performance of SMEs in Kano State of Nigeria. This study examine the moderating effect of access to finance and market orientation on the performance of kano state SMEs. The paper is structured in five sections: the introduction, literature review, methodology, results and discussion and conclusion and recommendations.

### **Objectives of the Study**

**T**he main objective of the study is to examine the relationship between access to finance, market orientation and performance of SMEs in Kano state. Specifically the study seeks to:

- i. Examine the extent to which access to finance influence SMEs performances in Kano State, Nigeria
- ii. Investigates the extent to which market orientation influence SMEs in Kano State, Nigeria

### **Research Questions**

**T**he study seeks to answer the following questions:

- i. Does access to finance influence SMEs performances in Kano State, Nigeria?
- ii. Does market orientation influence SMEs in Kano State, Nigeria?

## **Literature Review**

### **Conceptual Definitions**

#### **Access to Finance**

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. Those who involuntarily have no or only limited access to financial services are referred to as the unbanked or underbanked, respectively (Demirgüç-Kunt, Beck, & Honohan, 2008).

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#### **SMS Performance**

SMEs performance is considered to be the outcomes of many activities which constitutes; efficiency, effectiveness, productivity and growth (Mandy, 2009). It is the ability of SMEs to achieve certain results or outputs in its day-to-day business activities (Lonnqvist, 2004). According to Mandy (2009), SMEs performance is considered to be the outcomes of many activities which constitutes; efficiency, effectiveness, productivity and growth.

#### **Market Orientation**

Market orientation is a business approach that focuses on understanding customer needs and preferences to develop products and services that meet those demands. Marketing was positioned among top functions of an organization, which indicated that fact that all the marketing functions need to be integrated and coordinated in order to maximize profit on long term (Kirca, 2011). According to Zhou and Dev (2009), by adopting marketing orientation, the organization manages to satisfy its customers' needs over the long term (Chad, 2013; Kirca, 2011). Market orientation developed its origins from the marketing as the management philosophy meaning that the organizational goals are to determine the needs and preferences of customers and to deliver customer satisfaction.

#### **Empirical Review**

Anthony, Shamsudeen, Aminu and Nura (2023) investigates effect of access to finance on the performance of small and medium enterprise (SMEs) in Kano State. The sample of 390 out of the population of 21,615 registered SMEs operating in Kano State was obtained using Dilman (2014) sample size formular. The analysis was carried out using Structural Equation Modelling (SEM) with PLS version 3.0. The results show that access to finance has positive and significant effect on SMEs performance in Kano State. The study concluded that access to finance can play a vital

role in improving the performance of SMEs. Therefore, the study recommends that SMEDAN, CBN, MFIs and NIRSAL should work together by providing adequate financial resources that can assist SMEs to boost their performance. Finally, limitations and suggestion for future research were provided and discussed.

Chinedu and Michael (2021) examine relationship that exists between entrepreneurial orientation and performance of SMEs in South-Eastern Nigeria. The study adopted a survey research design. The target population of the study comprised of 35,535 SMEs in South East Nigeria with a sample of 396 respondents, arrived at using Taro Yamane Formula. Data was collected using structured questionnaire and analyzed using, frequency, percentage and mean. Pearson Product Moment Correlation Coefficient was used to test the hypotheses at 5% level of significance. Results indicated that there exist a strong positive relationship between strategic orientation and market expansion of SMEs ( $r=0.76$ ,  $p\text{-value} < 0.05$ ) and that there exist a strong positive relationship between market orientation and market sustainability of SMEs business activities ( $r=0.83$ ,  $p\text{-value} < 0.05$ ) The study concluded that entrepreneurial orientation has positive impact on the performance of SMEs in South East Nigeria and recommended among others that SMEs need to embrace entrepreneurial orientation, strategic orientation and market orientation, to improve business performance.

Kabir, Ooi and Hazlinda (2017) examining the moderating role of access to finance on the relationship between entrepreneurial awareness and SMEs performance in north-western Nigeria. Literature suggested many factors as determinants of SMEs performance. But, few studies have been attempted to consider the influence of entrepreneurial awareness on SME performance in Nigeria. These few studies came up with mixed findings. Hence, this study aims to fill up the gap that exists in the extant literature by employing quantitative survey method. Using 354 owner/managers of SMEs in Kano, Kaduna and Sokoto State in north-western Nigeria. PLS-SEM was used for data analysis. It was found that entrepreneurial awareness is positively related to SME performance and access to finance is negatively and significantly related to SME performance. Additionally, access to finance moderates the relationship between entrepreneurial awareness and SME performance. Implication of the finding and suggestion for future research were also discussed

Nwekpa, Onwe and Ezezue (2017) examined the relationship between EO and performance of the micro businesses within the context of a developing country. The study specifically examined whether EO significantly predicts increase in sales, assets and employees' satisfactions respectively of micro businesses. The approach adopted exploratory design, where by a survey was done on a total of 273 micro businesses from four different sectors; Retail; ICT Manufacturing and Artisans. The data gathered were analyzed using the Pearson's Product Moment Correlation analysis. This study confirmed the universal empirical evidence that EO has positive and significant relationships with business performance. The study also suggested that EO amongst micro businesses will lead to increase in sales, increase in assets and as well as increase in employees' satisfaction of micro businesses.

Murtala and Mohd (2016) investigate the mediating role of access to finance on the positive relationship between entrepreneurial orientation (EO), market orientation (MO), learning orientation (LO), technology orientation (TO) and SMEs performance in Nigeria. A sample size of 522 SMEs operating in Kano, Kaduna and Sokoto states of Nigeria were selected using stratified simple random sampling techniques. Partial Least Squares-Structural Equation Modelling was used to analyze the data. Hence, the data analysis was conducted using SmartPLS 3.0. The results of path analysis indicate that access to finance mediates the positive relationship between MO, LO, TO and the performance of small and medium enterprises in Nigeria. This is an important additional explanation for the existence of the relationship between these strategic orientations and firm performance. The results further suggest that SMEs need to use their strategic activities to improve their ability to obtain finances in order to perform well. Finally, recommendations for further research are also discussed

### Theoretical Framework

The theoretical framework for this study is based on the Resource-Based View (RBV) of firms, which suggests that access to resources, such as finance, can provide a competitive advantage for SMEs. The (RBV) according to Barney, (1986) argues that firms possess resources, a subset of which enable them to achieve competitive advantage, and a subset of those that lead to superior long-term performance (Saqib & Rahid, n.d). Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to enjoy long term performance. The RBV takes the perspective that valuable, tangible firm resources and capabilities provide the key sources of sustainable competitive advantage (Hart, 1995).

The RBV articulated that there are relationships among firm resources and competitive advantage (Hart, 1995). Penrose (1959) argued that a firm's resources are important to a firm's competitive advantage. Similarly, Barney (1991) posits that firms that possess resources that are valuable and rare would attain a competitive advantage and enjoy improved performance. The resources that makes a competitive advantage are resources that are valuable and rare ((Saqib & Rahid, n.d).Penrose (1959) focus on the internal resources of the firm as the major determinant of competitive success.

The study proposes the following hypotheses

Hypothesis 1(Null Hypothesis): There is no positive relationship between access to finance and SMEs performances in Kano State, Nigeria

Hypothesis 2 (Null Hypothesis): There is no positive relationship between market orientation and SMEs performances in Kano State, Nigeria

### Methodology

The study employed the survey research design because the design is a methodology used to collect and analyze data from a sample of participants to gain

insights into their attributes, behaviours, and features. The population of this study comprises of 2,441 SMEs registered with SMEDAN (2020) in Kano State. The study uses primary sources of data generated through the administration of structured questionnaires to the respondents. The Taro Yamane formula was used to determine sample size of 153 respondents while stratified random sampling technique was employed to select respondents. Information collected through the administered questionnaires was analyzed using simple descriptive statistics such as frequency, percentages, and Pearson Product Moment Correlation Coefficient at 0.05 level of significance.

## Results and Discussion

### Demographic Characteristics of Respondents

In order to achieve the study objectives, 153 copies of questionnaire were administered to all the sample size of the population and all were successfully retrieved. Table 1 presented the bio-data of the respondents.

**Table1: Respondents Assessment (Bio-data)**

<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>
Male	107	69.9
Female	46	30.1
<b>Total</b>	<b>153</b>	<b>100.0</b>
<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
Younger than 30 years	21	13.7
30-39yrs	75	49.0
40-49yrs	29	18.9
50-59yrs	19	12.4
60 and Above yrs	09	6.0
<b>Total</b>	<b>153</b>	<b>100.0</b>
<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Single	59	38.6
Married	81	52.9
Divorced	13	8.5
<b>Total</b>	<b>153</b>	<b>100.0</b>
<b>Highest Education Level</b>	<b>Frequency</b>	<b>Percentage</b>
Islamic School Cert	31	20.3
Primary School Cert	57	37.3
Secondary School Cert	34	14.3
NCE/OND	21	22.2
HND/B.Sc	9	5.2
Postgraduate Cert	1	0.7
<b>Total</b>	<b>153</b>	<b>100.0</b>

**Source: Field Survey April, 2021**

Table 1 shows respondent's socio-demographic characteristics. The data reveal that majority of the respondents were male as indicated by the frequency and percentage of 107 (69.9%), while 46 represents 30.1% are females. The results also indicates that between ages of 30-39 years are the majority of the study respondents with 75 respondents representing (49.0%). Married people are the majority of the study respondents as indicates with 81 of the 153 sample size which represents 52.9% of the

total. Singles represent 38.6% while Divorced represents only 8.5% of the total respondents respectively. Finally, the study revealed that 31 (20.3%) of the respondents are having Islamic education, 57 (37.3%), with Primary school education, 34(14.3%), with secondary education, 21(22.2%) with NCE/OND qualification, 9(5.2), with HND/BSc. Qualification while only 1 of the respondents with postgraduate education.

### Descriptive Statistics

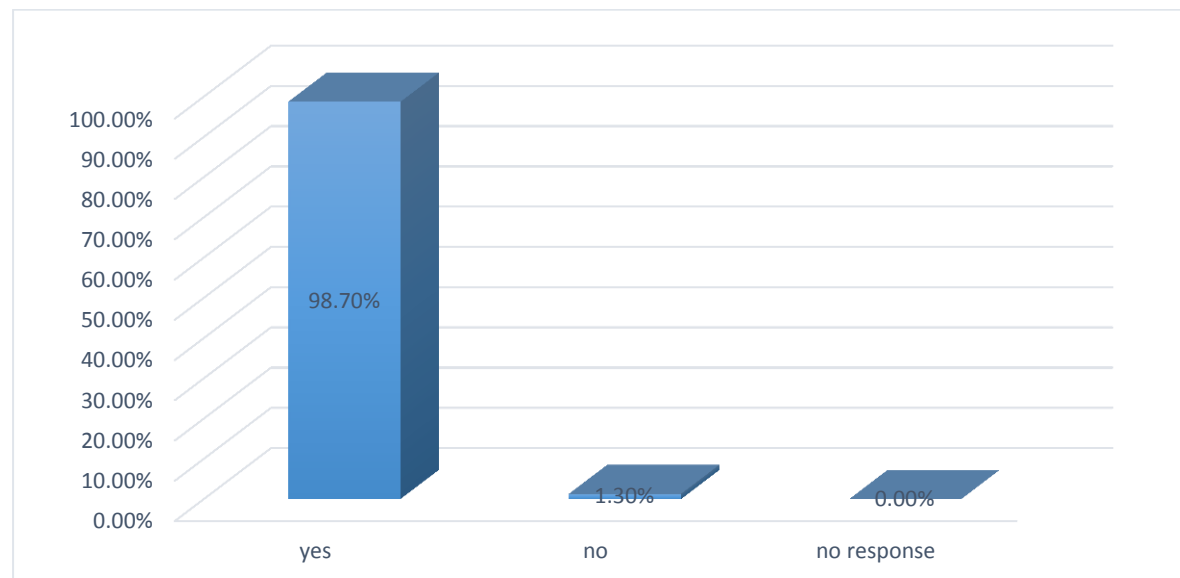
The study uses descriptive statistics to examine the frequency, percentage of the respondent's responses to the research questions and also presented it graphically

**Questions 1:** Does access to finance influence SMEs performances in Kano State, Nigeria?

**Table 2: How Access to Finance Influence SMEs Performance in Kano State**

Response	Frequency	Percentage %
Yes	151	98.7
No	02	1.3
No Response	0.0	0.0
<b>Total</b>	<b>153</b>	<b>100.0</b>

**Source:** Computed Using SPSS, 12.0 (2025)



**Fig. 1: Access to Finance influenced SMEs Performance**

Table 2 shows that 151 respondents who represent 98.7% said that access to finance is a strong determinant and influencer of SMEs performance in Kano State. This means that both the government, and private sectors should encourage SMEs expansion and performance through financial supports and sectors such as government grants and subsidies, development finance institutions, banks (low interest rate), microfinance institutions and also educates the SMEs on personal savings and retained

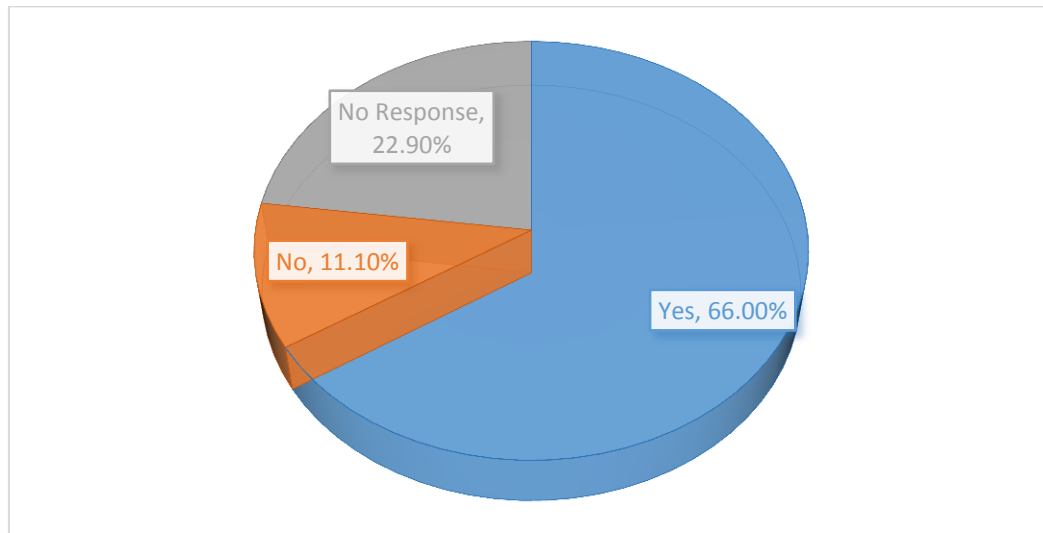
earnings among others. This findings is in line with the previous works of Anthony, Shamsudeen, Aminu and Nura (2023)

**Question 2:** Does Market orientation influence SMEs performances in Kano State, Nigeria?

**Table 3: How Market Orientation Influence SMEs Performance in Kano State**

Response	Frequency	Percentage %
Yes	101	66.0
No	17	11.1
No Response	35	22.9
Total	153	100.0

Source: Computed Using SPSS, 12.0 (2025)



**Fig.2:** Market Orientation Influenced SMEs Performance in Kano State

Table 3 indicates that an overwhelming majority of the respondents numbered 101 put at 66.0% are with the opinion that market orientation (customer-centric, market research, inter-functional coordination and adaptability) influenced SMEs performance in Kano State. This findings is in line with the conclusion of Murtala and Mohd (2016).

### Pearson Product Moment Correlation Results

The study used the Pearson Product Moment Correlation coefficient and test the hypothesis of the study as presented below:

**Hypothesis 1(Null Hypothesis):** There is no positive relationship between access to finance and SMEs performances in Kano State, Nigeria

**Table 4: Correlation Result for Hypothesis 1**

Correlations			
		Access to Finance (AF)	SMEs Performance
Access to Finance (AF)	Pearson Correlation	1	.913
	Sig. (2-tailed)		.000
	N	153	153
SMEs Performance	Pearson Correlation	.913	1
	Sig. (2-tailed)	.000	
	N	153	153

\*\*. Correlation is significant at the 0.05 level (2-tailed).

Source: Computed Using SPSS, 12.0 (2025)

The Pearson's Product Moment Correlation Coefficient for hypothesis one is presented in Table 4. The results indicates the Pearson's Product Moment Correlation Coefficient on the relationship between access to finance and SMEs performance in Kano State, Nigeria. From the result, it shows the SMEs performance with correlation (r) of 0.913 and probability value of 0.000 which is less then 0.05. This means that there exist a strong positive relationship between access to finance and SMEs performance in Kano State, Nigeria. This is a clear indication that access to fiancé is a strong determinant of SMEs performance and can significantly influenced SMEs performance in Kano State. The study therefore, reject the null hypothesis of no positive relationship between access to finance and SMEs performances in Kano State, Nigeria and accept the alternative hypothesis of positive relationship between access to finance and SMEs performances in Kano State, Nigeria

**Hypothesis 2 (Null Hypothesis):** There is no positive relationship between market orientation and SMEs performances in Kano State, Nigeria

**Table 5: Correlation Result for Hypothesis 2**

Correlations			
		Market Orientation	SMEs Performance
Market Orientation	Pearson Correlation	1	.691
	Sig. (2-tailed)		.000
	N	153	153
SMEs Performance	Pearson Correlation	.691	1
	Sig. (2-tailed)	.000	
	N	153	153

\*\*. Correlation is significant at the 0.05 level (2-tailed).

Source: Computed Using SPSS, 12.0 (2025)

The results of the Pearson's Product Moment Correlation Coefficient conducted for the second hypothesis is presented in Table 5. The result shows that SMEs performance correlation (r) coefficient is 0.691 with probability value of 0.000 which is less than 0.05. The findings indicate that there exist a strong positive relationship between market orientation and SMEs performance in Kano State, Nigeria. This shows that market orientation positively influenced SMEs performance in Kano State. The

study therefore reject the null hypothesis of no positive relationship between market orientation and SMEs performances in Kano State, Nigeria and accept the alternative hypothesis of positive relationship between market orientation and SMEs performances in Kano State, Nigeria

### Conclusion and Recommendations

This study will contribute to the existing literature on SME performance in Kano State and Nigeria in general by examining the effect of access to finance and market orientation of SMEs performance in Kano State. The findings revealed that access to finance and market orientation have positive and significant relationship with SMEs performance in Kano State, Nigeria. The findings will have implications for policymakers (government), SME business owners, and managers seeking to improve SME performance in Nigeria.

Based on the findings, the study recommends that:

- i. The Government and private sectors should develop visible and achievable policies that will improve access to finance for SMEs in Kano State, Nigeria.
- ii. The owners of SMEs businesses should prioritize market orientation to improve their performance.
- iii. Future research should investigate the relationship between access to finance, market orientation, and SME performance in other contexts.

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