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CONTENTS

IMPACT OF ENTREPRENEURIAL CHARACTERISTICS ON THE PERFORMANCE OF SMALL SCALE FOOD VENDORS IN KADUNA STATE, NIGERIA
Yusuf A. Hashim, ABUBAKAR SAMBO JUNAIDU 1

RELATIONSHIP BETWEEN SERVICE QUALITYANDCUSTOMER SATISFACTION: EVIDENCE FROM MOBILE USERS IN NIGERIA
Bashar LabaranJega, AbubakarSamboJunaidu 18

HUMAN RESOURCE MANAGEMENT AS A TOOL FOR ENHANCING ORGANIZATIONAL PERFORMANCE IN NIGERIA
TAFAMEL, Ehiabhi Andrew , TAFAMEL, Imade (Miss) 34

ENTREPRENEURSHIP AND THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN THE KWARA STATE, NIGERIA
SALMAN, A. 55

IMPACT OF ICT IN THE MANAGMENT OF SMEs TURNOVER IN ILORIN METROPOLIS, KWARA STATE, NIGERIA.
KADIRI, Ismaila Bolarinwa, SULEIMAN, Ahmed Aremu 65

REFORMS AND OVERHAULING OF FINANCIAL INSTITUTIONS: LESSONS FROM A PUBLIC SECTOR BANK IN SRI LANKA
S L Tilakasiri , Asoka De Silva 76

IMPACT OF CORPORATE GOVERNANCE MECHANISMS ON CORPORARE TAX AGGRESSIVENESS: A SURVEY OF SELECTED MANUFACTURING COMPANIES IN NIGERIA
Mathias'Gboyega, OGUNDEJI, Mubaraq, SANNI, Abdulrasaq, MUSTAPHA, Oladipupo Muhrtala, Tijani 91

THE ROLE OF ORGANIZATIONAL JUSTICE ON EMPLOYEE COMMITMENT OF SENIOR NON- ACADEMIC STAFF IN THE NIGERIAN UNIVERSITIES.
Munir Shehu Mashi, Olanrewaju Atanda Aliu 124

IMPACT OF ICT IN THE MANAGMENT OF SMEs TURNOVER IN ILORIN METROPOLIS, KWARA STATE, NIGERIA.

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Abstract

Small and Medium-scale Enterprise (SMEs) play very important roles in the process of industrialization and sustainable economic growth. SMEs die as soon as they were established because their production process, marketing of their output as well as their turnover are often neglected thereby almost impossible to estimate their growth pattern. The emergence of computer application to SMEs will result into growth of the Internet and other communication network, growing diversity of business transactions and increased competition. The Internet is fast becoming the foundation for new business models, process and marketing of industrial products. This study therefore examined the impact of computer application to the management of the small business operations in Ilorin Metropolis. A structured questionnaire was administered to respondents and the linear regression analysis was used to analyse the data obtained. The result of the ANOVA of 0.001 signifies that SMEs that use ICT in the management of their turnovers are more profitable than those that do not use it. The paper therefore recommends that SMEs should intensify its efforts in the use of ICT in their operation to enhance their productivity.

Key Words: Profitability, global environment, socio-economic and technology

Introduction

Small and Medium-Scale Enterprise (SMEs) play important roles in the process of industrialization and sustainable economic growth (Ogujiubaet al 2004; Ariyo 2005: Ihua2009: Aremu and Adeyemi 2011: Terungwa 2012).

SMEs sub-sector came into the mainframe of policy formulation in Nigeria owing to its obvious vital contribution to Nigeria's economic growth and development (Obamuyi, 2007). Like in the developed world, SMEs have enabled entrepreneurship activities through which employment have been guaranteed and poverty reduction and sustainable livelihood achieved

(Ogujiubaet al2004). It makes up about 97% of the business in Nigeria and provide Average 50% of Nigeria's employment, and its industrial output (Ariyo, 2005; Taiwo, Ayodeji and Yusuf 2012).Government and development experts have, therefore realized the fact that SMEs possess the needed catalyst to turn the economy around for good(Udechukwu 2003, Anganwu, 2003)

However, we have undoubtedly witnessed a fundamental shift in the way traditional business operate and engage with their customers over the years. The explosion of the telecommunication industry particularly the internet has propelled the pattern as well as the process of business management. Business that wants to compete in the current global market must therefore as a matter of necessity computerize its processes. Organizations whether small or big that do not use computers are often unable to compete in the current global environment, their products does not go beyond their local markets thereby reducing their capacity to generate income and increase productivity. This study therefore seeks to examine the impact of computer application to the management of the small Business operations in Nigeria to increase their profitability level.

Conceptual Framework

There are different terminologies used for the creation, acquisition, storage, dissemination, retrieval, manipulation and transmission of information. According to Chan. (2002); Information technology can be referred to as the means of processing data, gathering information, storing collected materials, accumulating knowledge and expediting communication.

Frenzel (1999) in his view conceptualizes information technology as the term that describes an organizations computing and communications infrastructure. This includes computer systems, telecommunications, networks, and multimedia software and hardware. He goes on to assert that information technologies are computer based and operate on a convergence of the electronics and telecommunications devices. The possibilities offered by technologies (like internet) for facilitating and optimizing the communication and information exchange at the workplace are supposed to be countless.

However, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) defines SMEs based on the following criteria: a micro enterprise as a business with less than 10 people with an annual turnover of less than

#5,000,000.00, a small enterprise as a business with 10-49 people with an annual turnover of #5,000,000.00 to 49,000.000.00; and a medium enterprise as a business with 50-199 people with an annual turnover of #50,000,000.00to 499,000.000.00.

Small and Medium Enterprises (SMEs) occupy a place of pride in virtually every country or state. Because of their (SMEs) significant roles in the development and growth of various economies, they (SMEs) have aptly been referred to as the engine of growth and catalysts for socio-economic transformation of any country (Basil, 2005). Ongori and Migiro (2010) agreed that SMEs not only help to improve the living standards of people but bring about substantial local capital formation and achieve high levels of productivity and capacity.

Theoretical frame work

Technological Acceptance Model(TAM)

Technology Acceptance Model(TAM) is a model that is frequently used to study user's acceptance of ICT. It is widely viewed as an information system theory which helps to understand the adoption and use of ICT and the internet (Gibbs *et al.,* 2007). Technological Acceptance Model(TAM) assumes that when someone forms an intention to act, he/she will be free to act without limitation (Bagozzi, Davies & Warshaw, 1992). The model suggested that when the users are presented with a new technology, a number of factors such as Perceived Usefulness (PU) and Perceived Ease-of-Use (PEOU) influence their decisions about how and when they will use it. The theory helps to understand how small and medium scale enterprises come to accept or reject the use of ICT in their small businesses.

Diffusion of Innovation Theory (DOI)

Diffusion of innovation theory involves the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1995). The DOI approach focuses on how potential technology adopters perceive an innovation in terms of relative advantage/disadvantage (Rogers, 1995). Brychan (2003) observed that the diffusion theory can explain, predict, and account for the factors that increase or impede the diffusion of innovations. This theory comprises four elements including innovation, communication channels, time and the social system. The diffusion theory provides a framework that helps to understand

why ICTs are adopted by some business enterprises and not by others(Shih, Venkatesh, Chen & Kruse, 2013). The diffusion of innovation approach to technology acceptance help indicates that firms that intensely use a particular technology are often prime candidates for early adoption of the next generation of that technology (Shih, *et al.*, 2013). This study adopts the diffusion theory of innovation because it helps to assume that the earlier Nigerian business enterprises accept and use ICT facilities in their business process, then the earlier it improve their business abilities to be able to satisfy their customers.

Empirical Framework

Olise, Anigbogu, Edoko & Okoli (2014) conducted a study on the determinants of ICT adoption for improved SME's performance in Anambra State, Nigeria". Using t-test statistics, and regression analysis to test hypotheses, revealed that there is significant difference in the levels of awareness and adoption patterns of ICT facilities among SMES.

Also in the work of Adewoye & Akanbi (2012) titled " Effects of Information and communication Technology investment on the profitability" using a sample size of 60 randomly selected sachet water businesses in Oyo State, Nigeria, with questionnaires and scheduled interviews conducted to managers, data management officers, staff and customers of the selected sachet water companies, with a linear regression, reported a significant and positive effect of ICT's investment on the profitability of SMEs in Nigeria.

Also in another study conduct by Oluwatayo (2012) titled Information and Communication Technologies as Drivers of Growth: Experience from Small Scale Businesses in Rural Southwest Nigeria', with a random sample size of 350 small scale business owners in Southwest Nigeria, reported cost reduction, ease of marketing and enhanced incomes by small scale entrepreneurs as consequences of ICT adoption and usage.

This paper therefore fills a gap by examining the impact, that ICT adoption has on customer satisfaction of micro business enterprises in Kwara State Senatorial District, Nigeria which is an important linkage that is found missing in the literature, particularly as it relate to developing countries such as Nigeria.

Use of ICT in the management of SMEs

The uses of computer applications play a very important role in helping SMEs to have hedged over competitors in term of accessibility to global markets, reduction in the cost of production among others.

Duan *et al* (2002) ascertained that the use of ICT in many organizations has assisted in reducing transactional cost, overcome the constraints of distance and have cut across geographic boundaries thereby assisting to improve coordination of activities within organizational boundaries. In fact, ICT has the potential to improve the core business of SMEs in every step of the business process. Through the use of information technology, SMEs can capabilities for managing information, intensive resources utilization, enjoy reduced transaction costs, develop capacity for information gathering and dissemination of international scale and gain access to rapid flow of information(Minton, 2003). According to a study by Lymer (1997), he stressed that ICT implementation in the organization which includes SMEs has the potential to reduce costs and increase productivity level. To him, SMEs might find cost-effectiveness as a motivating factor to use Internet-commerce for improving communication with trading partners and consumers. It will also assist to create a larger market for their outputs. Computer technology is also capable of increasing the access of SMEs to cheaper and diverse sources of factors of production such as raw materials. Sajuyigbe and Alabi (2012) also argued that ICTs are being used for strategic management, communication and collaboration, customers' access, managerial decision making, data management and knowledge management since it helps to provide an effective means of organizational productivity and service delivery.

Ashrafi and Murtaza (2008) also agree with the assertion that information and communication technologies (ICT) have positive effect on firm performance in terms of productivity, profitability, market value and market share.

Furthermore, Onugu (2005) affirms that ICT enables organizations to decrease costs, increase organizational capabilities and also, assist to shape inter-organizational coordination. Therefore, the use of ICT can help to lower coordination cost and increase outsourcing in organizations. According to OECD (2004) discovers that ICT is able to improve information and knowledge management inside the firm and increase the speed and reliability of transactions for both business-to-business (B2B) and business-

to-consumer (B2C) transactions. Lauder and Westall (1997) have given their experts opinion that ICT impacts include cheaper and faster communications, better customer and supplier relations, more effective and efficient marketing, product and service development and better access to information and training.

Factors affecting ICT Adoption among SME Operators

Previous studies identified factors affecting adoption of ICT in SMEs, for instance, Adebayo, Balogun and Kareem, (2013) and Kadiri (2014) discover that cost, funds, infrastructure, skills and training, management support and government support attitude are the main factors that affects ICT adoption in Nigeria by SMEs. The study of Sajuyigbe and Alabi, (2012) also confirm that infrastructural, cost of acquisition, lack of finance, skills, management and government support are the main challenges of ICT adoption by SMEs in Nigeria. Pinsonneault and Kraemer (1993) in their study have categorized internal and external barriers that impede adoption of ICT by SMEs in developing countries. The internal barriers include; owner/manager characteristics, cost and return on investment, and external barriers include; infrastructure, social, cultural, political, legal and regulatory. Factors such as owner/manager characteristics, the role of top management, firm characteristics, costs and return on investment, lack of adequate telecommunication infrastructures such as poor internet connectivity, lack of fixed telephone lines for end-users, dial-up access and the underdeveloped state of the Internet Service Providers (ISPs) have been identified by Kapurubandara and Lawson (2006) as problems that hinder SMEs' adoption of ICT in a developing country. While Chau (1995) argues that the owner's lack of knowledge of ICT technology and perceived benefits is a major barrier to the adoption of ICT. The lack of knowledge on how to use the technology and the low computer literacy are other contributing factors for not adopting ICT (Knoll and Stroeken 2001). Duan*et al*, (2002) also identify lack of ICT skills and knowledge in SMEs as one of the major challenges faced by all European countries, particularly in the UK, Poland and Portugal.

According to Cloete*et al* (2002) finding in a study of SMEs in South Africa they discover that ICT adoption is significantly influenced by lack of access to computer software, other hardware, and telecommunication at a reasonable cost; security concerns and unclear benefits from ICT.

Methodology

The primary method of data collection was used for this study. A total of 127 SMEs were surveyed in the study area. A sample size of 105 respondents were selected using a convenience sampling techniques, while questionnaires were administered to the respondents, with a total of 83 respondents representing 79% correctly filled and returned. This cut across the agro and non agro allied sectors of the SMEs.

Model specification and variable definition

Regression analysis was used to analyze the study data. The linear regression model is expressed below:

$Y=\beta_0 + \beta_1 X_1 + e$

Where:

Y= Dependent variable,

β_0 = Intercept of the model;

β_1 = Estimate of the parameter of the independent variable in the model of the slope;

X_1 = Element of independent variable and **e** = Error term

Model for this study becomes:

$CUPIT = \beta_0 + \beta_1 X_1 + e$

Where:

CUPIT = Customer Purchase Interest (Dependent variable)

Discussion of Results

Effect of ICT on SMEs Turnover rate (Profitability)

Table 1.0 Model Summary

Model	R	R Square	Adjusted R square	Std Error of the Estimate
1	.507(a)	.257	.238	.52306

Source: Authors' computation (2015)

Table 1 above presents an R^2 value of 0.257. This means that ICT contribute about 26 per cent of the turnover rate in the study area. The SMEs in Ilorin metropolis are yet to fully integrate their business to computer application processes.

Table 2.0 ANOVA

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	3.604	1	3.604	13.171	.001
Residual	10.396	38	.274		
Total	14.000	39			

Predictors: (Constant), Application of ICT
Customer Purchase Interest
Reject Ho, it is significant because 0.001 < 0.05
The result of table 2.0 suggests that we should reject the null hypotheses and accept the alternative and posits that there are positive relationship between SMEs use of ICT and their profitability level. An increase in the use of ICT will result into higher profit level.

Conclusion and Recommendations

The study attempted to investigate and summarize the current state of research in the area of application of computer to the Small Business in Nigeria. The uses of computer applications in the routine services, operations as well as productions of small and medium enterprises presented an R^2 of about percent.

This conforms with the fact that SMEs in the study area currently do not use ICT in the planning, production or sales process. Literature has presented to us that SMEs that wants to compete favourably in its production process must be computer(ICT) compliant. Past studies have shown that computer is an integral part of organization that may want to succeed.
This paper also presents a significant value of 0.001 which suggest that we reject the null hypothesis and accept the alternative and conclude that there exists a positive relationship between SMEs utilization of computers and profitability level.

Recommendations

Having weighed the advantages and the challenges that are associated with the uses of computer application by Small business in Nigeria, the paper therefore recommends as follows;

i. The Small Business Enterprises are required to make the use of computer application a must in the operations of their various businesses in the State and beyond, as it will help to lower coordination cost and increase outsourcing in organizations.

ii. Compliant will also found effect of computer applications on marketing and delivery service by advertising on line and the use of social media as well as monitoring their product in transit.

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