MEDIATING ROLE OF ACCESS TO FINANCE AND MODERATING ROLE OF BUSINESS ENVIRONMENT ON THE RELATIONSHIP BETWEEN STRATEGIC ORIENTATION ATTRIBUTES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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DEGREE OF DOCTOR OF PHILOSOPHY
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By

IBRAHIM MURTALA AMINU

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School of Business Management
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in Fulfillment of the Requirement for the Degree of Doctor of Philosophy
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ABSTRACT

The main objective of this study is to examine the mediating role of access on finance and the moderating role of business environment on the relationship between entrepreneurial orientation (EO), market orientation (MO), learning orientation (LO), technology orientation (TO) and performance of Small and Medium Enterprises (SMEs) in Nigeria. Data were collected from the SMEs operating in North Western Nigeria using a cross-sectional study design. The study adopted cluster sampling and randomly selected 522 respondents and questionnaires were distributed and collected through the personally-administered method. Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to test the study hypotheses. This study finds that EO, LO and TO are important strategic orientations for the performance of SMEs in Nigeria. The findings reveal that SMEs’ access to finance depends on the degree of MO, LO and TO of the enterprise. It is expected EO would improve a firm’s accessibility to finance, but the finding of this study does not support this expectation as EO negatively influences firm performance. Interestingly, the results further show that with better access to finance, MO, LO and TO influence firm performance. Furthermore, business environment does not have a significant moderating influence on the paths between EO and performance, MO and performance, LO and performance and TO and performance. The results of this study provide important insights to owner-managers, policy-makers and researchers to further understand the effects of strategic orientations on firm performance. Owner-mangers of SMEs should emphasize on EO, MO, LO and TO; however, it is important to note that over-concentration on EO may result in lower accessibility of financing. Policy-makers should encourage SMEs to improve their cash flow, profit and retained earnings which may encourage financial institutions to provide them with financial services. Lastly, limitations of the current study and avenues for future research are discussed.

Keywords: strategic orientation, access to finance, business environment, SMEs’ performance

Kata kunci: orientasi strategik, akses kepada kewangan, persekitaran perniagaan, prestasi PKS
The most excellent words of praises are due to Allah (SWT) for helping me and keeping me alive to the end of this programme. May His peace and blessing be upon the prophet MUHAMMAD (SAW), his household and companions. I would like to thank and place on record my profound gratitude to my supervisor, Prof. Dr. Mohd Noor Mohd Shariff for reading this work, support and guidance throughout this study. It was a great pleasure working under his supervision because his criticisms have been very challenging and have served as a source of inspiration throughout the period of this study. Special thanks and appreciation to Prof. Dato Dr. Yuserrie Bin Zainuddin and Dr. Norashidah Hashim, for their corrections that have contributed enormously to this study.

I am indebted to my mother who sacrificed a lot but did not live to see this, may Allah (SWT) reward her with Jannatul Firdaus. Also, to my father, I pray that you live longer with more Iman and benefit from this achievement. My appreciation goes to my wife and kids for their love, this journey would have been a lonely one without you, thank you. I would like to express my gratitude to all my brothers and sisters for supporting me with their hearts.

Special thanks to Bayero University Kano, for given me opportunity to pursue this PhD degree. Special regards to friends and colleagues in the programme who have screamed, cried, and laughed with me, thank you for you motivation.

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>CERTIFICATION OF THESIS WORK</td>
<td>ii</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xvii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xviii</td>
</tr>
<tr>
<td>CHAPTER ONE: INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>16</td>
</tr>
<tr>
<td>1.3 Research Questions</td>
<td>24</td>
</tr>
<tr>
<td>1.4 Research Objectives</td>
<td>25</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>25</td>
</tr>
</tbody>
</table>
2.6.3 Shared Vision
2.7 Technology Orientation
2.8 Access to Finance
2.9 Business Environment
2.10 Underpinning Theory
   2.10.1 Resource Based View (RBV)
   2.10.2 Pecking Order Theory
   2.10.3 Contingency Theory
2.11 Chapter Summary

CHAPTER THREE: RESEARCH METHODOLOGY
3.1 Introduction
3.2 Research Framework
3.3 Hypothesis Development
   3.3.1 Relationship between EO, MO, LO, TO and Firm Performance
   3.3.2 Relationship between EO, MO, LO, TO and Firm Access to Finance
   3.3.3 Mediating Role of Access to Finance
   3.3.4 Moderating Role of Business Environment
3.4 Research Design
3.5 Operationalization of Variables
## CHAPTER FOUR: ANALYSIS AND FINDINGS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
<td>149</td>
</tr>
<tr>
<td>4.2 Response Rate</td>
<td>149</td>
</tr>
<tr>
<td>4.3 Non-response Bias Test</td>
<td>150</td>
</tr>
<tr>
<td>4.4 Common Method Bias Test</td>
<td>156</td>
</tr>
<tr>
<td>4.5 Initial Data Examination, Screening and Preparation</td>
<td>157</td>
</tr>
<tr>
<td>4.5.1 Analysis of Missing Data</td>
<td>157</td>
</tr>
<tr>
<td>4.5.2 Analysis of Outliers</td>
<td>158</td>
</tr>
<tr>
<td>4.5.3 Normality Test</td>
<td>159</td>
</tr>
<tr>
<td>4.5.4 Multicollinearity</td>
<td>160</td>
</tr>
<tr>
<td>4.6 Sample Characteristics</td>
<td>162</td>
</tr>
<tr>
<td>4.7 Evaluation of PLS-SEM Result</td>
<td>165</td>
</tr>
<tr>
<td>4.7.1 The Measurement Model</td>
<td>167</td>
</tr>
<tr>
<td>4.7.2 The Structural Model</td>
<td>176</td>
</tr>
<tr>
<td>4.7.2.1 Direct Relationships</td>
<td>177</td>
</tr>
<tr>
<td>4.7.2.2 Mediation Test</td>
<td>183</td>
</tr>
<tr>
<td>4.7.2.3 Moderation Test</td>
<td>190</td>
</tr>
<tr>
<td>4.7.2.4 Coefficient of Determination ($R^2$)</td>
<td>196</td>
</tr>
<tr>
<td>4.7.2.5 Assessment of Effect Size ($f^2$)</td>
<td>197</td>
</tr>
</tbody>
</table>
4.7.2.6 Assessment of Predictive Relevance (Q²) 198

4.7.2.7 Assessment of Goodness-of-Fit Index (GoF) 199

4.8 Control Variables 200

4.9 Chapter Summary 204

CHAPTER FIVE: DISCUSSION, RECOMMENDATIONS AND CONCLUSION 205

5.1 Introduction 205

5.2 Executive Summary 205

5.3 Discussion 206

5.3.1 Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria 206

5.3.2 Positive Relationship between EO, MO, LO, TO and SMEs’ Access to Finance in Nigeria 210

5.3.3 Mediating Role of Access to Finance on the Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria 216

5.3.4 Moderating Role of Business Environment on the Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria 221

5.4 Implications of the Study 225

5.4.1 Managerial Implications 225

5.4.2 Theoretical Implications 229
5.4.3 Methodological Implications 233
5.5 Limitation and Suggestions for Future Research 233
5.6 Conclusion 236

REFERENCES 239

APPENDIX A: RESEARCH QUESTIONNAIRE 293
APPENDIX B: PLS-SEM MEASUREMENT 300
Appendix B1: Cronbachs Alpha 300
Appendix B2: Composite Reliability 301
Appendix B3: Average Variance Extraced (AVE) 302
Appendix B4: Discriminant Validity 303

APPENDIX C: PLS-SEM STRUCTURAL MODELS 305
Appendix C1: Inner VIF Values 305
Appendix C2: Path Coefficients Direct Relationships 305
Appendix C3: Mediation Results (Bootstrapping) 306
Appendix C4: Moderation Results (Bootstrapping) 308
Appendix C5: Coefficient of Determination (R2) 309
Appendix C6: Effect Size (f2) 310
Appendix C7: Predictive Relevance (Q2) 311
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.1 Definition of SMEs in Nigeria</td>
<td>7</td>
</tr>
<tr>
<td>Table 3.1 Measurement Instruments</td>
<td>130</td>
</tr>
<tr>
<td>Table 3.2 Population</td>
<td>136</td>
</tr>
<tr>
<td>Table 3.3 Sample Frame</td>
<td>139</td>
</tr>
<tr>
<td>Table 3.4 Reliability Test</td>
<td>147</td>
</tr>
<tr>
<td>Table 4.1 Response Rate of the Questionnaires</td>
<td>150</td>
</tr>
<tr>
<td>Table 4.2 Group Descriptive Statistics for the Early and Late Respondents</td>
<td>152</td>
</tr>
<tr>
<td>Table 4.3 Independent Samples Test</td>
<td>153</td>
</tr>
<tr>
<td>Table 4.4 Correlations among the Exogenous Variables</td>
<td>161</td>
</tr>
<tr>
<td>Table 4.5 Multicollinearity Test based on Tolerance and VIF Values</td>
<td>162</td>
</tr>
<tr>
<td>Table 4.6 Summary of Respondents Demography</td>
<td>164</td>
</tr>
<tr>
<td>Table 4.7 Loadings, Reliability and Convergent Validity Values</td>
<td>169</td>
</tr>
<tr>
<td>Table 4.8 Discriminant Validity</td>
<td>171</td>
</tr>
<tr>
<td>Table 4.9 Factor Loading and Cross Loading</td>
<td>172</td>
</tr>
<tr>
<td>Table 4.10 Collinearity</td>
<td>176</td>
</tr>
<tr>
<td>Table 4.11 Results of Hypotheses Testing (Direct Relationships)</td>
<td>181</td>
</tr>
<tr>
<td>Table 4.12 Results of Mediation Test</td>
<td>189</td>
</tr>
<tr>
<td>Table 4.13 Result of Moderation Test</td>
<td>196</td>
</tr>
<tr>
<td>Table 4.14 Effect Size (f 2)</td>
<td>198</td>
</tr>
<tr>
<td>Table 4.15 Predictive Relevance (Q2)</td>
<td>199</td>
</tr>
</tbody>
</table>
Table 4.16 Control Variables 201

Table 4.17 Recapitulation of the Study Findings 203
<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 3.1 Research Framework</td>
<td>109</td>
</tr>
<tr>
<td>Figure 4.1 Measurement Model</td>
<td>175</td>
</tr>
<tr>
<td>Figure 4.2 PLS Algorithm Direct Relationship</td>
<td>179</td>
</tr>
<tr>
<td>Figure 4.3 PLS-SEM Bootstrapping Direct Relationship</td>
<td>180</td>
</tr>
<tr>
<td>Figure 4.4 PLS Algorithm Indirect Relationship</td>
<td>184</td>
</tr>
<tr>
<td>Figure 4.5 PLS-SEM Bootstrapping Indirect Relationship</td>
<td>185</td>
</tr>
<tr>
<td>Figure 4.6 PLS-SEM Algorithm Moderator</td>
<td>191</td>
</tr>
<tr>
<td>Figure 4.7 PLS-SEM Bootstrapping Moderator</td>
<td>192</td>
</tr>
<tr>
<td>Figure 4.8 PLS-SEM Algorithm Interactions</td>
<td>194</td>
</tr>
<tr>
<td>Figure 4.9 PLS-SEM Bootstrapping Interactions</td>
<td>195</td>
</tr>
<tr>
<td>Figure 4.10 Structural Model</td>
<td>202</td>
</tr>
</tbody>
</table>
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADBG</td>
<td>African Development Bank Group</td>
</tr>
<tr>
<td>AF</td>
<td>Access to Finance</td>
</tr>
<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
</tr>
<tr>
<td>BE</td>
<td>Business Environment</td>
</tr>
<tr>
<td>CARICOM</td>
<td>Caribbean Community</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>CR</td>
<td>Composite Reliability</td>
</tr>
<tr>
<td>EO</td>
<td>Entrepreneurial Orientation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FCT</td>
<td>Federal Capital Territory</td>
</tr>
<tr>
<td>FP</td>
<td>Firm Performance</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>KSEEDS</td>
<td>Kano State Economic Empowerment and Development Strategy</td>
</tr>
<tr>
<td>LO</td>
<td>Learning Orientation</td>
</tr>
<tr>
<td>MAN</td>
<td>Manufacturing Association of Nigeria</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>MO</td>
<td>Market Orientation</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro Small and Medium Enterprises</td>
</tr>
<tr>
<td>NBS</td>
<td>National Bureau of Statistics</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>NPC</td>
<td>National Population Commission</td>
</tr>
<tr>
<td>NPC</td>
<td>National Planning Commission</td>
</tr>
<tr>
<td>OECD</td>
<td>Organizations for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PLS</td>
<td>Partial Least Squares</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource based View</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modelling</td>
</tr>
<tr>
<td>SmartPLS</td>
<td>SmartPLS Statistical Package</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>Small and Medium Enterprises Development Agency of Nigeria</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Science</td>
</tr>
<tr>
<td>TO</td>
<td>Technology Orientation</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization.</td>
</tr>
<tr>
<td>VRIN</td>
<td>Valuable, Rare, Inimitable and Non-substitutable</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today’s rapidly evolving business world, it is not the big organizations that are powering leading economies, but the Small and Medium Enterprises (SMEs). Over the years, SMEs have gained increasing attention all over the world. This is because of the role they play in the economic growth and development of a country’s economy (Yauri, Koko, & Bankanu, 2008). They play a significant role in improving economic growth and development, ranging from poverty reduction to employment creation. Specifically, they provide employment, improve income per head, increase raw material supply, enhance export earnings and boost capacity utilization within the key industries (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN], 2012).

Therefore, SMEs have been increasingly considered as one of the major contributors and drivers of economic growth and development in many nations’ economies (Gulumser, Nijkamp, Baycan-Levent, & Brons, 2008). Thus, the importance of SMEs to economic growth and development of any nation cannot be over-emphasized.

SMEs and entrepreneurs occupy a central position in policy issues and academic research as they constitute the largest number of enterprises. SMEs are considered to be the
REFERENCES


247


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281


282


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