Effect of Social Capital on the Performance of Small and Medium Scale Enterprises in Ilorin Metropolis

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Abstract

Despite their significant contributions to Nigeria's economic growth and development, SMEs continue to face a variety of problems, including limited or no access to human resources, technology, and market intelligence necessary for their growth and survival. As a result, the purpose of this study was to investigate the impact of social capital on the performance of SMEs in Ilorin. Social capital theory and social cognitive theory were used to base the research. The study used a survey research design, in which data were gathered from respondents randomly sampled. The participants in the study were SMEs operators in the Ilorin metropolitan area. Three hundred and fifty (350) respondents were chosen at random for the research study. Data collected were analyzed using One-way ANOVA and correlation coefficient used to test the formulated hypotheses at 5% level of significance. The finding revealed that cognitive social capital variables (relevance & trust) have lesser relationship with business performance as compared to structural social capital variables (friendship & information). Information has the highest and cordial relationship (coefficient of 0.7741) with business performance. The study concluded that social capital influences SMEs' success; but, due to the unique characteristics of Nigerian SMEs, structural social capital appears to have a far more pronounced impact on company performance. To take full advantage of social capital, the study recommended that entrepreneurs should maintain strong relationships with their families, friends, and co-workers, as well as absolute trust and social cohesiveness among themselves and their respective company partners, employees, or apprentices.

Keywords: Business Performance, Ilorin metropolis, SMEs and Social Capital

Introduction

Small and Medium Enterprises (SMEs) are essential components of most economies throughout the world. According to the Nigeria Bureau of Statistics, SMEs in Nigeria have contributed about 48% of the national GDP in the last five years and 57.9% of the country's GNP at US$212.6 billion, and so continuing to grow in terms of national GNP (Schneider, 2002). Aside from that, the business adds to Nigeria's ever-increasing unemployment rate by significantly lowering it (Asalaye, Popoola, Lawal, Ogundipe & Ezenwoke, 2018). By providing job opportunities to over 48 million Nigerians and operating as a safe refuge for Nigerian youth seeking work in the formal sector (Yusuf, 2019).

The capacity of SMEs to accept persons who are gainfully employed to generate other revenue sources often called in Nigeria as "side-hustle," demonstrates their flexibility. Because of these factors, the importance of SMEs to the Nigerian economy's growth and development cannot be overstated. Emphasising on the relevance of SMEs, the Organization for Economic Co-operation and Development (OECD, 2016) reveal that SMEs account for around 99 percent of all businesses, 70 percent of all jobs, and are critical to value creation, producing between 50 and 60 percent of value generated on average. Small and medium-sized enterprises (SMEs) account for 99 percent of non-financial firms in Europe, and they supply around 70% of job possibilities (Agyapong, Agyapong & Poku, 2017).

Meanwhile, someone who is having difficulties at this stage of growth might become self-sufficient and consider entrepreneurship as a viable choice (Eliyana, Rohmatul, Sridadi, Razaq & Gunawan, 2020). This is because entrepreneurship is a means of achieving self-actualization as well as survival. In terms of self-employment, one must recognize that advantages come only from successful firms, and to do so, one must examine both predictors and indicators (i.e., traits that can be used to forecast the likelihood of entrepreneurial success) (i.e. instruments that indicate success).

Therefore, the business's success will be determined by how successful the effort made was. Furthermore, the entrepreneur can achieve his objectives by establishing a competitive edge and attaining long-term business growth. Human resources are one of the factors that might impact business success. In today's digital world, human resource concerns are still at the forefront and serve as the basis for businesses and organizations to thrive. Human resources, often known as human capital, is a critical and strategic asset in the corporate world (Holbeche, 2009). Although the amount of money spent on human resources is significant, the outcomes are difficult to see in the near term. To generate the necessary human resources, it needs a lot of time and patience, as well as the proper strategy. Social capital is one of the capitals that humans possess (Popescu, Bostan, Robu, Maxim & Diaconu, 2021).

In a nutshell, social capital refers to the quantity of real and potential resources accessible to people or social units through a network of interactions (Yan, 2018). When a person's social capital is poor, he or she will experience a clash of values and a lack of trust. To achieve greater long-term prosperity, it is critical to strengthen the engagement of social connections in the production of human resources in nations or transitional zones. This study will explain the impact of social capital and provide a better understanding of how individuals must develop their potential in the form of entrepreneurial skills in order to attain economic success.

Despite their significant contributions to Nigeria's economic growth and development, SMEs continue to confront a variety of problems, including limited or no access to necessary human and financial resources, technology, and market intelligence. Furthermore, most African governments do not appear to have a development plan for SMEs (Chima, 2016). As a result of these difficulties, majority of SMEs experience insecurity and do not survive for more than three years (Agyapong *et al*, 2017). Although research has shown that the amount of social capital rooted in an entrepreneur's personal network is critical for the efficient performance of their business (Nahapiet, & Sumantra, 2020), business owners in the informal sector appear to be unable to create, expand, and exploit the wealth of social capital at their disposal to ensure improved business performance and growth (Agyapong *et al*, 2017).

As a result, this study investigated the impact of social capital on the performance of SMEs in Ilorin. According to Dai, Mao, Zhao and Mattila (2015), it is critical to explore the impact of structural and cognitive social capital on business success in Nigerian SMEs. As a result, past research has found that social capital is becoming a more important predictor of performance improvement. However, if an entrepreneur's social capital is low, there will be a value conflict and a lack of trust. To achieve greater long-term prosperity, it is critical to strengthen the engagement of social connections in the production of human resources in nations or transitional zones.

Considering this, this research has opened up conversions concerning the unstructured and informal pathways via which small enterprises survive in Nigeria, based on a thorough assessment of literature and application of empirical data. As a result of the research of social capital, new narratives about small-scale business success have emerged, and previous findings in the literature that social capital influences small-scale business success in its foundational phases have been substantiated. This study will provide a better understanding of social capital and its impact on corporate performance by researching SMEs in Ilorin. The study therefore investigated the impact of social capital on the performance of SMEs in Nigeria, with a focus on the relationship between structural and cognitive social capital and the performance of SMEs in the Ilorin metropolitan.

Theoretical Review

This study is anchored on the social capital theory. Coleman (1994) proposed the social capital hypothesis, arguing that social interactions constitute resources that might contribute to the growth and accumulation of human capital. For example, a stable home environment may support academic accomplishment and the development of highly valued and rewarded qualities and credentials. In evolutionary terms, social capital can be defined as any aspect of a social interaction that benefits reproduction.

Humans have developed wide preferences for friendship as well as specific preferences for indicators of higher levels of social capital. Since evolved preferences for different types of social interactions should have been chosen in the EEA, we can expect to witness gender inequalities that reflect the division of labour in foraging societies. Females, for example, are more likely to value and derive emotional fulfilment from being a part of small social networks with close personal contacts and strong social relationships. These kinds of collaborations would benefit women by assisting them with foraging and childcare. Males are expected to profit more from membership in larger social networks with weak links, such as hunting groups, political alliances, and combat parties. Men would benefit most from forms of social capital that confer money and social status.

In this study, the social capital theory was applied, and it proved to be a useful theoretical lens. The term "social capital" comes from social network theory, and the study's interest in it arises from the fact that it is entrenched in interactions on multiple levels. To better comprehend social relationships, social interaction, trust, and reciprocity, the social capital theory is applied (Pratono, 2018). The social capital theory in all dimensions relates to this research in the sense that when an entrepreneur has a strong social network of people who share similar values and beliefs, the business firm will be able to benefit from the social network's various resources by achieving higher levels of business performance.

Social Cognitive Theory (SCT)

Albert Bandura, a psychologist, defined self-confidence as one's belief in one's ability to succeed in specific situations or finish a task. SCT may have a significant impact on how you approach goals, initiatives, and challenges. The concept of self-efficacy is central to Bandura's social cognitive theory, which emphasizes the importance of observational learning and social experience in the construction of personality. The central notion of social cognitive theory is that an individual's actions and reactions, including social behaviours and cognitive processes, are influenced by the actions of others in almost every situation. Social capital is an essential part of social cognition theory since it is based on external experiences and self-perception and determines the outcome of numerous events. The personal view of external social influences is referred to as social capital. Hence, the people with high social capital, or the belief that they can do well, are more inclined to perceive complicated activities as something to master rather than something to avoid, according to Bandura's concept.

In summary, the theories of social capital and social cognition were employed to explain the circumstances surrounding this study. For instance, social capital helps in the management of the relationship between the interpersonal and internal and external cues. While the social cognitive theory was used to provide a logical theoretical framework for understanding the relationships between individual intentions and social, psychological, and personal factors such as attitude toward behavioural control, personality traits, perceived behavioural control, and entrepreneurial education.

Literature Review

Concept of Social Capital

Social resources can be converted into social capital, which can then be used for development, according to Yani, Anis, Hamidah, Ketut, Sudiarditha and Agung (2020). Knowledge is a component of social capital that enables two people to trust and influence one another. Through resource conversion, this knowledge can be improved, allowing individuals and groups to work toward similar goals. Social capital is the amount of real and potential resources available through a network of ties held by people or social units (Yani *et al*, 2020). These resources include financial capital, skilled labor, and knowledge gained from investing in social interactions.

Meanwhile, Smith and Franz (2018) argued that social capital is a set of hidden values resulting from personal and organizational links, such as norms, orientation, values, networks, and social relationships that regulate human behaviour and interactions. The social capital hypothesis will be used to investigate trust, social relationships, social interactions, and reciprocity (Carr, Michael, Cole & Daniela, 2016). It could also include the impact on the firm's competitive advantage and long-term growth. Members will be able to work together to achieve their mutual goals consequently. Individuals will exchange knowledge through social contact, and the cognitive component of social capital will represent those who share information's shared ideals and vision (Eccles & Paul, 2018). Individuals will be able to communicate information and understand their background to interpret new knowledge thanks to these common values. A collection of varied entities with the same two qualities, such as supporting the activities of individual actors or businesses, is referred to as social capital.

Dimensions of Social Capital

The distinction between structural, cognitive, and relational social capital was created by Janine Nahapiet and Sumantra Ghoshal and are the most widely used and accepted frameworks. These dimensions are conceptual differences that are useful at analysis of convenience, but social capital involves complex interrelationships between three dimensions. Structural social capital indicates the existence of an access network while cognitive social capital highlights Resource sharing (Andrews, 2010).

Structural Social Capital

Structural social capital is a network of people that people know and can access for services such as information and support. This is usually considered the density, connectivity, hierarchy, and suitability of the network of relationships in a particular context, such as groups, organizations, and communities (Davenport & Daellenbach, 2011). An important aspect of structural social capital is the number of relationships a person has, the relationships with whom, and the strength of those relationships (Taylor, 2007). Structural social capital is more visible than the other components of social capital since it is concrete.

Cognitive Social Capital

Cognitive social capital is a shared language and code that forms the basis of communication (Stensaker & Gooderham, 2015). Originally, Nahapiet and Ghoshal (1998) linked cognitive social capital to common language and narratives. Cognitive social capital is a type of social capital that refers to the resources that allow parties to share shared representations, interpretations, and systems of meaning. It's the cognitive schemes and meaning systems that can be found in everyday words and tales. Cognitive social capital often manifests itself in the use of certain languages and codes. For example, certain words within an organization may have different meanings or no meaning outside the organization (Ansari, Shahzad, Kamal & Gregg, 2012). When it comes to shared reality interpretations, the cognitive dimension is intangible.

Business Performance

In today's economic climate, both academics and practical managers are worried with determining business success. It's critical to consider distinguishing factors that could lead to a confusion of subjective (also called perceptual performance) and objective measurements (Jean-Luc, Hitt, Sirmon & Philippe, 2017). The levels of achievement of each job, as well as the fulfilment of expectations, requirements, or criteria for the organization's official position, are examples of job completion outcomes (Wardani & Eliyana, 2020).

Productivity, which refers to the volume, quality, and contribution of work, is another term for performance. When productivity is high, the overall performance of the company is also high. Meanwhile, business performance can be defined as a company's capacity to adapt to changes in the business environment, such as customers, competitors, and other factors that may affect how business is done (Kashif, Anna, & Ramayah, 2017). As a result, superior business performance needs capable management, as well as a more effective marketing strategy and smart financial planning.

Social Capital and Business Performance

Social capital, according to Mustafa and Osama (2017), provides access to intellectual, financial, and cultural resources, all of which are crucial for good corporate performance. Furthermore, social capital is seen to be critical for an entrepreneur's ability to complement one another to ensure optimal company performance and a long-term competitive advantage. This is conceivable because, from two perspectives, social capital plays an important role in entrepreneurial operations via socio-economic processes that are influenced by context and social factors (Nahapiet & Sumantra 2020). First, entrepreneurship is a product of their social environment; second, entrepreneurship is a social activity, and the presence or absence of social contacts and ties has an impact on the business's character (Ahmed, Guozhu, Mubarik, Khan & Khan, 2019). As a result of this study, social capital has been identified as a valuable resource for sharing value creation, knowledge, competitive advantage, and enhanced firm performance and development. Ahmed *et al* (2019) also show that human capital is a requirement for social capital, which leads to enhanced business performance.

Social capital will facilitate the acquisition and generation of knowledge through external and internal resources. The answer to the problem is then fine-tuned by increasing social capital, which improves the company's performance. To increase company performance, an entrepreneur who is accountable for openness, fairness, honesty, and ethics is essential. According to Pratono, Ruswiati, and Jatie (2016), this component represents the bedrock of social capital. As a result, the foundation of social capital can have an impact on an entrepreneur's commercial performance. Social capital is developed when organizations in a strategic network focus on relationship management, such as goal division, trust, and organizational structure, which influences the behaviour and thinking of company members (Kim & Chung, 2016). As a result, a link between social capital and corporate performance will be established.

The relational dimension of social capital includes trust, standards, and ideals (Davenport & Daellenbach, 2011). Trust, honesty, and shared standards can influence and facilitate corporate decisions and interactions, ultimately leading to firm success. The term "social capital" refers to the close bonds that develop over time because of interactions amongst social networks (Nahapiet, Janine & Sumantra, 2020). Collaboration between SMEs and other individuals is a form of social capital that is often supported by shared history, trust, respect, and friendship (Muniady, Abdullah, Permarupan & Zainol, 2015). Mutual trust, relational bonding, and friendship encourage commercial relationships since most businessmen and women prefer to conduct business with friends and individuals they trust. This explains why most SMEs and entrepreneurial ventures remain family-owned and operated (Carr *et al*, 2016). Relational social capital is a key phenomenon because trust improves access to riches (Yan, 2018).

Structural Social Capital and Business Performance

In the structural dimension of social capital, network structure, interaction, information flow, knowledge exchange, and honest communication are all addressed. The basic topic and most crucial element of structural social capital is the free flow of information, knowledge dissemination, and exchange (Carr *et al*, 2016). On the other side, an unlimited flow of data supports company operations and boosts firm performance (Smith & Franz, 2018). Because knowledge is such an important component of business growth, proponents of the social capital theory argue that structural social capital can help firms perform better (Smith & Franz, 2018).

This explains why structural social capital has a positive association with company success among women entrepreneurs, according to a Chinese study (Yan, Leidner, Benbya & Zou, 2019). Because structural social capital is assumed to improve information flow among entrepreneurs inside the network of SMEs, entrepreneurs must grow their social network to get a competitive advantage. It's remarkable to discover how many resources SMEs require, which may be found through sharing information on social media (Won-jun, 2015). The demand for information because of knowledge has been a vital competitive advantage for businesses, as no firm can operate in a globalized world without it (Eccles & Paul, 2018). Enough cost data can reduce production costs, while proper market data will boost revenue creation and improve corporate performance.

Cognitive Social Capital and Business Performance

In a social network, the cognitive part of social capital entails being devoted to the firm's mission. The dimension relates to a group's collective identity, which may help SMEs connect more efficiently as a social network. Cognitive component is linked to shared vision, belief, and aspiration, according to (Won-jun, 2015), which permits members of social networks to exchange free flow of information (structural social capital) based on trust (relational social capital). Being a part of the same SMEs links members to the same entrepreneurship goal, vision, and goal, which serves as the foundation for knowledge exchange (structural social capital) based on trust (relational social capital). This component is tied to a social network's (SMEs) common goal, as well as a shared vision and identity (Pratono *et al,* 2016).

Empirical Review

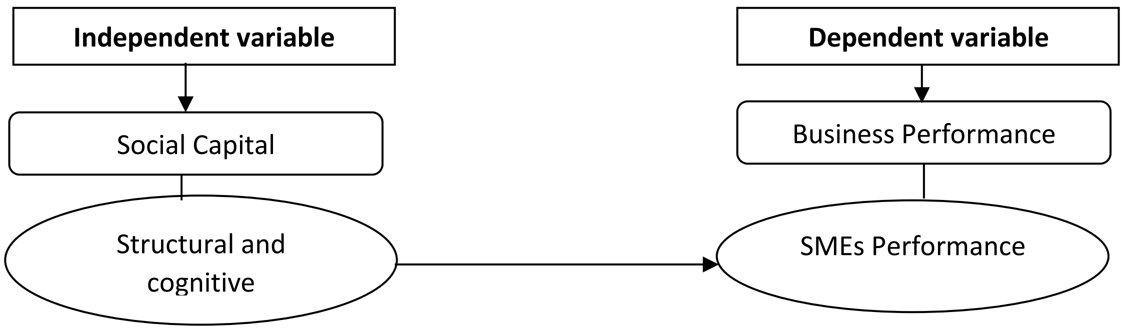
Pratono (2018) used 380 small and medium enterprises (SMEs) in Indonesia as a study population and the structural equation model (SEM) as a data analysis method to investigate the mediating role of trust, selling capability, and pricing capability on the relationship between social networks and firm performance. Trust plays a vital role in enabling social network structures to produce selling and pricing skills, resulting in a beneficial impact on business performance, according to the findings.

Yani *et al* (2020) investigated the impact of social capital and entrepreneurial competence on company performance in SMEs. According to the survey, establishing a new venture is a difficult task for entrepreneurs. The study demonstrated how individuals must comprehend social capital in order to enhance their potential as entrepreneurial competences that would affect their business performance. The purpose of the study was to see how Social Capital and Entrepreneurship Competence affect business performance (Empirical Study of SMEs in Bekasi City, West Java). The study was based on a survey of UKM players in Bekasi City, West Java. An individual who engages in micro-business activities, such as selling food by setting up a street food stall along Bekasi City streets, is the unit of analysis. Data were gathered using questionnaire from 315 respondents who were chosen based on the location that had been determined. The study's findings were summarized descriptively with analysis tools using the SmartPLS software and the Structural Equation Modeling (SEM) techniques.

Mustafa and Osama (2017) explored the impact of capital structure on the performance of public Jordanian enterprises listed on the Amman stock exchange. The study applied a multiple regression model with ordinary least squares (OLS) as a technique to assess what effect capital structure had on the performance of 76 organizations (53 industrial firms and 23 service corporations) over a period (2001-2006). The findings of the study revealed that capital structure was statistically linked with company performance in the study sample. Furthermore, the study discovered that there was no substantial difference in the influence of financial leverage on business performance between high and low financial leverage firms. Finally, the study found that the effect of financial leverage based on growth is that there is no difference in financial leverage between high and low growth enterprises on performance, which was statistically negative.

Similarly, Popescu *et al* (2021) investigated how certain psycho-behavioural characteristics of individuals (creativity, locus of control, need for achievement, and risk-taking propensity) influence entrepreneurial intentions, as well as the impact of various types of education on these intentions, to see if entrepreneurial education has a significant impact on Romanian young people's entrepreneurial intentions. The study was conducted using a survey research approach. Questionnaire was sent to 600 students enrolled in undergraduate (bachelor's) and master's programs at Romania's biggest public institutions which take entrepreneurial courses. Six different research hypotheses were put to the test. Data analysis approaches such as Analysis of Variance (ANOVA), Principal Component Analysis (PCA), and General Linear Models (GLM) were used in the research. The study's findings revealed that the desire to succeed and the willingness to take risks were critical factors in predicting entrepreneurial intent. Conversely, the study revealed that graduates of entrepreneurial high schools were less likely to start their enterprises than graduates of general education high schools.

Conceptual Framework of the Study



Source: Author's Conceptualization, 2021.

Methodology

The study adopted a survey research design, where data were collected from a sample of respondents. The population of the study consisted of SMEs within Ilorin metropolis. Hence, a population census was used for the study at the total population of 320 SMEs based on researcher's convenience (Yani *et al,* 2020). The data for the study were sourced from primary method of data collection. Measuring the success of small businesses can be difficult and time-consuming because SMEs are not required by law to create and publish financial reports, thus they are not open to public inspection. As a result, business performance was measured using the survival in the market and performance review.

The data generated through structured questionnaire that was administered on SMES in Ilorin metropolis. The questionnaire was divided into three sections. Section 'A' part of the questionnaire centres on demographic characteristics of the respondents such as gender, age, level of education which analysed using simple percentages. Section 'B' and section 'C' contains questions in relation to the subject matter using a Likert scale question rating scale from Strongly Agree to Strongly Disagree. The respondents would react to the statement by ticking strongly agreed (SA=5), agreed (A=4), undecided (U=3), disagreed (D=2), or strongly disagreed (SD=1).

Validity and Reliability of the Instrument

The outcome of the study must be in accordance with two primary criteria for determining quality validity and reliability, which is an important way of verifying that the researcher used the correct instrument and took correct measurements. Validity, according to Yin (2009), is the degree to which a notion, conclusion, or measurement is well-founded and properly reflects reality.

Validity and reliability are critical indicators of a research project's trustworthiness. The questionnaire instrument was carefully prepared for the study to ensure its validity and reliability as well as to reduce the possibility of bias arising from the research. The content and construct validity of the instrument were both checked. To do this, a copy of the questionnaire was given to selected experts in the field to review before it was administered. Modifications were made because of the comments, and a pilot study was completed. A pilot test in the form of a test-retest procedure was done to determine the questionnaire's appropriateness and relevance. This type of consideration, according to Uma and Roger (2003), aided in establishing content validity as well as offering the opportunity to make necessary changes prior to pilot testing. The respondents, on the other hand, were given the final form of the questionnaire.

Table 1. Reliability test for a research instrument

Cronbach's alpha	α values	Redundancy
Structural and cognitive social capital	0.7138	0.0001
Business performance	0.8162	0.0200

Source: Field Analysis, 2021

Table 1 shows the instrument's reliability. It was evident from the result that all the variables have a Cronbach's alpha value of more than 0.7000, which shows sound reliability of the instrument except for society with a Cronbach's alpha value of 0.6137.

Furthermore, for ascertaining the reliability which is an assessment of the degree of consistency between multiple measurements of a variable (Pallant, 2011), Cronbach's alpha test was used. This is to ensure that the test result to be dependable, stable, and consistent. The internal consistency of the full scale described for this study would be assessed using Cronbach's alpha test. Souza, Alexandre, and Guirardello (2017) defines reliability as a score of 0.70 or higher that indicates the validity and internal consistency of the variables that an instrument measures. The purpose of the reliability test was to see if all the respondents' responses were consistent. It also used the Cronbach's Alpha () with a coefficient value ranging from 0 to 1 to look at the interconnectivity of replies (Tavakol & Dennick, 2011).

A quantitative method of data analysis was utilized for the purpose of the study. Data collected were analysed with One-way ANOVA and correlation coefficient used to test the formulated hypotheses at 5% level of significance.

Result of the Findings

Test of Hypothesis

Ho_1: Structure and cognitive social capital does not have effect on performance of SMEs

Table 2: One-way ANOVA Analysis

Source	Partial SS	df	MS	F	Prob>F
Model	23.903077	11	2.173007	16.26	0.0000
Relevance	0.6730769	3	0.22435897	1.68	0.1877
Trust	0.3471074	4	0.8677686	0.65	0.6307
Friendship	3.5	3	1.1666667	8.73	0.0002
Information	0.875	1	0.875	6.55	0.0146
	5.0769231	38	1.3360324		
Residual					
Total	28.98	49	0.59142857		
Dependent Variable: Performance Predictors (constant), Social Capital					

Source: Field Survey, 2021

Table 2 examined the effect of social capital on business performance, according to this table 1% increase in relevance increased business performance by 0.6% but they are not significant. It shows relevance has effect on business performance, but it isn't significant (0.1877 > 0.05). 1 % in trust increases the business performance by 0.3 % but it isn't significant (0.6307 > 0.05). 1 % in friendship increases business performance by 3.5% but it is significant (0.0002 < 0.05). 1% in information increases business performance by 0.8% but it is significant (0.0146 < 0.05). Therefore, the overall model shows that the model is fit to analyse the effect of social capital on business performance because of the probability F which is 0.0000.

Table 3: Correlation Coefficient

	q15	q5	q7	q8	q13
business performance	1.0000				
Relevance	0.5664*	1.0000			
Trust	0.7557*	0.7877*	1.0000		
Friendship	0.7680*	0.6506*	0.6237*	1.0000	
Information	0.7741*	0.6934*	0.6665*	0.6208*	1.0000
Dependent Variable: Performance Predictors (constant), Social Capital					

Source: Field Survey, 2021

Table 3 examined the relationship between social capital and SMEs' success; all the independent variables have a positive and substantial relationship with business performance, according to this table. It can be deduced that Relevance has the lowest relationship with business performance because of coefficient of 0.5664 but information has the highest and cordial relationship with business performance because without information no SMEs will thrive. After information, friendship comes next which also has strong relationship with business performance (0.7680). There is no multicollinearity because there is no independent variable that has 0.8 relationships with business performance.

Discussion of Findings

The null hypothesis (Ho_1) is invalid based on the findings, as all elements of social capital have an impact on SMEs' performance. Though the significance of relevance and trust is low because of the fact that their coefficient is greater than 0.05 as compared with coefficients that are less than 0.05 friendship and information has. It shows that friendship and information have significant effects on the business performance of SMEs with friendship having the greatest of effects on business performance. Hence the alternative hypothesis is accepted which states that there is effect of social capital on SMEs performance in Ilorin.

According to the analysed results, social capital has positive and significant relationship with business performance. Relevance has the lowest relationship with business performance with coefficient of 0.5664 while Information has the highest and cordial relationship with business performance with the coefficient of 0.7741. There is no multicollinearity because there is no independent variable that has 0.8 relationships with business performance. Hence the alternative hypothesis is accepted which states that there is relationship between social capital and performance of SMEs in Ilorin. This finding is supported by the study conducted by Yani et al (2020); Yusuf (2019) who worked on the informal sector and employment generation in Nigeria.

Conclusion

This study has discovered that there is an effect of social capital on business performance. Even though structural social capital appeared to have a much more pronounced effect on business performance due to the peculiarity of Nigerian SMEs, they are just as important. In fact, as businesses become more established and mature, they may become more important than cognitive social capital, because they will have superior legitimacy, making it easier to access financial and non-financial resources from external social capital.

Recommendations

Based on the findings, the study recommends that:

i. Entrepreneurs should maintain quality relationships with their families, friends, and colleagues, and to ensure absolute trust and social cohesion between themselves and their respective business partners, employees, or apprentices to take full advantage of social capital.

ii. SMEs should thrive to have an active social media account as this does not only increase awareness for them but also increases sales and fosters relationship with customers.

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