

**IMPACT OF INNOVATION ON THE PERFORMANCE OF  
SMALL AND MEDIUM SCALE ENTERPRISES.**

**(A CASE STUDY OF IBAFO OGUN STATE)**

**BY**

**ONI OLUWATOSIN ESTHER**

**MATRIC NUMBER: 16020201005**

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS  
ADMINISTRATION,**

**MOUNTAIN TOP UNIVERSITY,**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF BACHELOR  
OF SCIENCE.**

**JULY, 2019**

## **CERTIFICATION**

I certify that this study was carried out by ONI, OLUWATOSIN ESTHER at the Department of Business Administration, Mountain Top University Ogun State, Nigeria under my supervision.

Name of Supervisor: DR. ADELEKAN SAIDI ADEDEJI

Signature & Date .....

## **DEDICATION**

This project is dedicated to Almighty God, the one whom all power in heavens and on earth belongs to. His faithfulness and love thus far cannot be quantified. Glory be to His name forever.

Also to my parent Mr. and Mrs. Abayomi Oni for their parental and financial support. May God bless them abundantly and most importantly may they reap the fruit of their labour.

## **ACKNOWLEDGEMENTS**

My utmost gratitude goes to my Maker, my Redeemer, for His steadfast love and infinite mercy upon my life. Words cannot express how grateful I am. May all glory and honour be restored back to His Holy Name

I also owe a heavy debt of appreciation to my parents, Mr. and Mrs. Abayomi Oni for their parental and financial support towards the successful completion of this project. Thank you so much.

I appreciate the Chancellor of Mountain top University, Dr. D.K Olukoya for granting me the opportunity to be among the students who were given scholarship. May God bless you sir.

I must not forget my amiable supervisor Dr. Adedeji for his support, love, guidance and suggestions during the course of carrying out this project.

I must appreciate my lecturers Dr. Ogundele and Mr Olurin who assisted me one way or the other to complete this project, God bless u abundantly. Also to my amiable lecturers who has impacted my life positively, Professor E.A Adedun, Bursar, Dr. Ademola Young, Mr. Majekodumi, Dr. Ojo, Dr. Erigbe and Professor Jackson. Thank you all.

My in depth appreciation also goes to my humble Chaplain, Pastor Olumide Adeshina and Pastor Olumide Tanimowo for their prayers, love and support. Thank you sirs. Also to the Dean of Student Affairs, Dr. Abiala for his advice both academically and spiritually.

Moreover, I would like to appreciate a special and bosom friend, Oludapo Victor for his advice, love and contributions towards this project. Thank you

My appreciation in all goes to my friends and course mates, Glory, Moji, Damilola, Kevwe, Progress, Faith, Micheal, Joel, Samuel, Abigail, Iteoluwakishi, Beauty, Benjamin, Mosun, Ruth, Joy, Alero, Kingsley, Daniel, Blessing, and lots more. I pray we meet in high places.

## TABLE OF CONTENTS

Title page	I
Certification	II
Dedication	III
Acknowledgement	IV
Table of content	V
Abstract	VI
<b>CHAPTER ONE: INTRODUCTION</b>	<b>1</b>
1.1 Background of the Study	1
1.2 Statement of Problem	3
1.3 Research Objectives	4
1.4 Research Questions	5
1.5 Research Hypothesis	5
1.6 Scope of Study	5
1.7 Significance of Study	6
1.8 Justification of Study	6
1.9 Definition of Terms	7
<b>CHAPTER TWO: LITERATURE REVIEW</b>	<b>9</b>
2.0 Introduction	9
2.1 Conceptual Framework	10
2.1.1 Concept of Innovation	10
2.1.2 Concept of Process Innovation	16
2.1.3 Concept of product innovation	16
2.1.4 Concept of marketing innovation	17
2.1.5 Concept of Small and Medium Enterprise	19

2.2	Theoretical Framework	19
2.2.1	Diffusion theory of innovation	19
2.3	Empirical Framework	23
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b>		<b>25</b>
3.0	Introduction	25
3.1	Research Design	25
3.2	Area of Study	25
3.3	Population of Study	25
3.4	Sample Size	26
3.5	Sample Technique	26
3.6	Method of Data Collection	27
3.7	Sources of Data	28
3.8	Data analysis Method	28
3.9	Validity and Reliability of Data	29
3.10	Ethical Considerations	30
3.11	Model Specification	30
<b>CHAPTER FOUR: DATA PRESENTATION</b>		<b>31</b>
<b>AND ANALYSIS</b>		
4.1	Presentation, analysis of demographic data	31
4.2	Analysis of the responses given by the SMEs	33
4.3	Test of hypotheses	48

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND**

### **RECOMMENDATIONS. 51**

5.1 Summary 51

5.2 Conclusion 51

5.3 Recommendations 52

References/Bibliography 54

Appendixes/Questionnaire 57

## ABSTRACT

*One of the critical challenges facing Small and Medium Scale Enterprises in Nigeria businesses is innovation. The approach or attitude of many business owners of Small and Medium Scale Enterprises towards innovation is lukewarm and this is seriously affecting the degree of their business expansion and profit generation capacity. Innovation has not been adequately and creatively used. This study showed the impact and significance that innovation has on Small and Medium Scale Enterprises through product, process and marketing innovation.*

*The study adopted Diffusion theory of innovation which explained when, where and how idea or product can be diffused or spread. The research design used by the study was questionnaire where questions were structured and made simple for all respondents. In this research work, multi stage sampling technique was used in order to get sample size that would be true representative of the total population, the sample size 226 was derived from the formula Yaro yameni and of which the population is 520. 226 questionnaires were administered of which only one wasn't returned. However, the area of Study used is Ibafo Ogun State, this is because little or no form of innovation is being applied in the area.*

*The data were analysed and of which 87 males and 138 females responded. The result of the first objective, product/service, 54.7% respondents disagreed that innovation product and services added to their sales volume. More so, 34.7% of the respondents did not agree with the view that there was improvement of old products and the need to raise quality of new ones.*

*In respect of the second objective, process innovation, majority of the respondents 37.3% respondents that new machinery, technology, process, methods were being used in the companies often. Moreover, 44.0% of the respondents did not agree with the view that their firms conducted internal training for employees upon introduction of new products.*

*Likewise in the third objective, marketing innovation, majority of the respondents 69.3% agreed that their companies was better than competitors in terms of entering new markets, new pricing methods, new distribution methods etc. Also, 45.3% of the respondents agreed as well that they advertised their products to create much awareness. However, the first hypothesis measured the rate of product innovation and revealed that there was positive relationship between product innovation and sales volume. Also, the second hypothesis measured the rate of process innovation and revealed that there was a negative relationship between process innovation and*



*quality, delivery of goods and services. Moreover, the third hypothesis measured the rate of marketing and discovered that there was a positive relationship between marketing innovation and product design, distribution of goods and services.*

*From the research findings, it was recommended that Government through appropriate legislations and policies should encourage SMEs to flourish in Nigeria by creating business climate favourable for their survival. Robust subventions must also be given to the diligent and hardworking SMEs owners in order to establish their base financially with sound working capital, products of the best quality can be produced and sold. Besides, the quality and delivery of goods and services will be attractive. Likewise, the product qualities will be of the best standard that can withstand foreign products.*

*Keywords: innovation, performance and Small and Medium Scale Enterprises.*