

The Impact of Innovation on Small and Medium Enterprises Growth

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Abstract

The role of Innovation on small and medium enterprises (SMEs) growth is inevitable in any form of business organisation. Innovation has to do with a new idea, creative thought, and new imaginations of device of production of new product to add value to its customer. Innovation save as rebirth of product and reintroduce product in new look. This study has assessed the impact of investment and technological innovation in growth of SMEs in Yobe State Nigeria. Structured questionnaire was used to gather the data; random sampling method were also adopted in surveying the 150 number of respondent. The finding shows significant relationship between innovation of product and production device and small and medium Growth, the result shows there is a relationship and the relationship is medium and positive. Moreover, therefore there is impact of both investment and technological innovation on small and medium enterprises Growth The innovation has highly increase the growth of the enterprises. The study also recommends the government to consider and increase funds being allocated to grow the SMEs to make more innovations.

Keywords: *Innovation, Growth small and medium enterprises and Performance*

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Background to the Study

Innovation became paramount important in entrepreneurship development globally, due to importance attached to innovation both government and private enterprises are allocating resources to innovation and further growth of their organisations. Kater, (2006). Innovation has to with business activities with use of high tech facilities to come out of new product and services with improved quality at appropriate cost, (Rose et al., 2009). The researcher focus on technological innovation, it has been defined as the technical process through which new and improved technologies are developed or used to produce qualitative product are produced, (Lee, Et al, 2011). Moreover, SMEs are widely recognized as power house of economic development in Nigeria and African in general, due to important attached to it is dominating the policy and debates of today managerial research. It also had been stimulating growth the SMEs development, (Obeng, 2009). Cambridge Small Business Research Centre on useful insight of research found that, SMEs are very significant to any nation's Economy, these SMEs face harsh situation leading some of them failing to survival and growth to become large corporate entities. One of the key salvage of such a situation is innovation. With this technological era no nation can survive without innovation, innovation found to be globally non-negotiable. Purcarea et al., (2013) found that both in Asia and Europe innovation lead to reduction in number of employers in firms.

Literature Review

Innovativeness is a process of creating, introducing new product and services through technological activities (Micheal, et al., 2015). It is the process of coming out with a new product, service or technology by using the new idea, experiment and creation process (Kreiser and Davis, 2010). The entrepreneur should not spend much on innovation to the extent of losing profit.

SMEs Performance

Measuring the firm's performance is a great challenging issue in research due to the complexity and different approaches to measuring the performance. Profitability is a great issue used to measure the performance of the firm since the business is set up for the purpose. Penrose, (1959) defined firm performance as the extent to which enterprises achieved its organisational or financial goal. Therefore, firm performance represents the success of the firm. The performance of a firm is the process by which a particular firm's success is in the market, which may have a different outcome (Mika, 2003). Profit is the best determinant of accessing whether an organisation is successful or not by considering the economic value added; real economic profit is the performance indicator, but cost should be taken into account, (Tulvinschi, 2013). One of the major concerns in a business is performance; therefore it is the ability of the business to produce an acceptable outcome.

Innovativeness and SME Growth (Hypothesis)

- H1: There is significant relationship between investment innovativeness and SMEs Performance among the respondents.
- H2: There is significant relationship between technological innovativeness and SMEs Performance among the respondents.

Previous studies support that SMEs that innovate their products and services and modify or come out with a new product, the patronage of the goods and service will increase. Therefore, their sales and profit will be highly increased. Many researchers have found empirical evidence in their studies (Kreiser et al., 2013; Abu Bakar and Zainol, 2015; Ngugi, Mcorege and Muiru, 2013). Equally, Raud et al. (2009) in their conceptual paper found that the majority of the researcher is in favour of innovation as significance to performance, but only a few opposed. Furthermore, other researchers found innovation as an insignificant predictor of SMEs performance. Kraus, et al. (2012) pointed out that risk-taking is a dimension of entrepreneur orientation that guides the entrepreneur to engage in uncertain investments as opposed to the fear of collapse. Moreover, innovation found it not to be a contributor to the SME performance in the empirical study of Sadik, Mohamad and Nasir (2016). With the above findings, this study proposed the below hypothesis.

Methodology

In order to identify the relationship between investment and technological innovation and SMEs performance this study employs regression model with two predicting variable name investment innovation and technological innovation. Investment innovation (X_1), technological innovation (X_2). The independent variable (IV) are investment innovation and technology innovation while the dependent variable (DV) is SMEs Growth.

$$\hat{Y} = b_0 + b_1X_1 + b_2X_2 + e_i \dots \dots \dots (1)$$

Where:

- \hat{Y} = SMEs Growth;
- B_0 = constant
- $B_{1,2}$ = regression coefficient
- X_1 = investment innovation;
- X_2 = technological innovation
- e_i = Random error.;

The population of the study consist of Small and Medium enterprises in Yobe state Nigeria. And sample of 150 where selected using (Cochran's, 1997) sampling method.

Research Instrument

A Questionnaire has been used as an instrument for the collection of research data. A questionnaire is used because the population is large, the time for the data collection expected is limited and some of the data required can only be extracted systematically by using questionnaire (Robbins et al., 1969).

Result and Analysis

- H1: There is significant relationship between investment innovativeness and SMEs Growth among the respondents.
- H2: There is significant relationship between technological innovativeness and SMEs Growth among the respondents.

Table 1 below revealed that, there is a significant high and positive relationship between investment innovativeness and SMEs Growth ($r = .568, p < .05$), so, $H1$ is accepted. This finding indicated that, higher SMEs Growth is associated with higher investment innovativeness among the respondents due to direct relationship between the two variables. While the technological innovation and SMEs Growth ($r = .615, p < .05$), so, $H2$ is also accepted. It was also confirmed by Kreiser, et al (2013) but contrary to finding of Kraus, et al (2012).

Table 1: Relationship between independent variables and SMEs Growth

Variable	Y	X ₁	X ₂
Y (SMEs Performance)	1		
X ₁ investment (Innovativeness)	.568**	1	
X ₂ (technological innovation)	.615**	.556**	1

** . Correlation is significant at the 0.01 level (2-tailed).

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

Conclusion

This study was conducted to investigate the role of investment and technological innovation to small and medium enterprises (SMEs) growth, the result found that there is positive impact of innovation on the Growth of SMES in Yobe state, Nigeria more especial in term of investment and technological innovation, the have positive inputs in to the efficiency of the firm other than the of cost. The cost implication has to do with production cost that will improve the output. The purpose of this research is to find out the impact of innovation on SMEs growth in north east, based on literatures the is relationship between SMEs growth and innovation worldwide, furfure more the outcome of this study also give strong relationship between innovation and SMEs Performs. Finally, it is recommended of further studies on innovation and SMEs Growth in the other States of the country.

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