# Influence of Social Capital on Performance of Micro and Small-Scale Enterprises in Osun State, Nigeria

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## ABSTRACT

This study examined the influence of social capital on business performance in Osun State, Nigeria. Multi-stage sampling technique was used to sample 291 entrepreneurs using a structured questionnaire. Descriptive and linear regression were employed for analyses. Findings showed that a majority of respondents were in their active age and highly educated. Density membership and meeting attendance indices were low while labor contribution and level of trust indices were high. Homogeneity index was moderate.

The results of the linear regression revealed that one or two social capital indices included in the model significantly affected four of the enterprises (barbering, hairdressing, mechanics, and furniture) while none of the variables affected fashion designing enterprise. Homogeneity Index significantly affected the performance of barbering and mechanic enterprises. Trust and labor contribution indices significantly influenced the business performance of barbers and hairdressers respectively. Membership density index significantly affected the business performance of mechanic and hairdressers. Meeting attendance index significantly influenced performance of furniture and mechanics enterprises.

(Keywords: social capital, business performance, micro-scale, small-scale enterprise, Nigeria)

## INTRODUCTION

The micro- and small-business sector is one of the leading employers and is considered to have the potential for making the highest contributions to employment growth and increased incomes (SMEDAN, 2010; Kennedy, 2014; Kamunge, Njeru & Tirimba, 2014). The sector development is therefore, viewed as an important strategy for bringing equitable distribution of income and as an indispensable tool of poverty reduction as well as the overall economic growth (Crudeli, 2005; Adeyemi & Lanrewaju, 2014).

The rate of failure of small- and micro-businesses in developing countries is higher than in the developed world. This mortality rate remains very high with five out of seven new businesses failing in their first year in African countries (Acs and Preston, 1997; Adcorp, 2014). In Nigeria, in particular, despite the support and incentive programmes to small and micro businesses, it would seem reasonable to expect that small businesses would grow and flourish, but the rate of business failure continues to increase because of the obstacles affecting business performance which include: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as poor infrastructure, shortage of raw materials, corruption, low demand for products and services, inability to control costs and problems of dumping of cheap foreign products and poverty (Akabueze, 2002; Ukonu and Tafamel, 2011).

The social capital of micro- and small-scale enterprises can be regarded as a resource that reflects the character of the enterprise's social relations and influences business capital and performance (Coleman, 1988; Hunt, 2000; Kostova and Roth, 2003). Researchers define social capital as a facilitator in attaining a variety of desirable outcomes and helps in accumulation of human capital, facilitates informational flows, reduces transaction costs, provides contract enforcement, enables credit constrained households access to funds, fosters adoption of new production technologies and provides avenues for risk sharing (Pollack, 1985;

Rosenzweig, 1988; North, 1990; Besley, 1995; Narayan and Pritchett, 1997; Johnson *et al*., 2000; Rauch and Casella, 2001 Isham, 2002).

Entrepreneurs require resources such as information, capital, skills, and labour to start business activities (Kushnirovich, 2010). They can complement their resources by accessing their contacts and invariably being able to combat some of the problems mentioned above. Business social networks, however, do not constitute the resources themselves but rather represent the ability of the entrepreneurs to mobilize these resources on demand (Portes, 1998).

The classic resources in economic theory are capital and labor. Coleman (2000) argues that like other forms of capital, social capital is productive, making possible the achievement of certain ends (like more sales and access to loan) that would not be attainable in its absence. He also argues that social capital has the ability to amplify and supplement the effects of both physical and financial capital. Similarly, Lin (1999) views social capital as important for entrepreneurship in the same way financial capital is for business start - ups and growth.

Evidence from the works of Fukuyama (1995); Coleman (1988); Leana and Van Buren (1999); Svendsen (2000); Reid and Salmon (2000); Adler and Kwon (2002); Davidson and Benson (2003); Paldam, Kostova and Roth (2003); Griffith and Harvey (2004); Crudeli (2005); and Fatoki (2011) have shown that social capital has a measurable impact on small- and micro-enterprises performance in some countries.

Although a few studies have considered this subject matter in Nigeria which include Okunmade, Yusuf and Omonona (2007); Yusuf (2008); Ajani and Tijani (2009); Lawal, Omonona, Ajani, and Oni (2009); Awoyemi and Ogunyinka (2010); Balogun (2011); Adepoju and Oni (2012); Olawuyi and Oladele (2012); Durojaye, *et al.* (2013); Omonona, Amao and Bamimore (2014); and Olawuyi and Olawuyi (2015), most of the studies focused on the influence of social capital on welfare status of general households as well as on female entrepreneurs. But this study sets to add to literature by considering the influence of social capital on performance of micro and small enterprises especially in Osun State. The study will be of great importance to entrepreneurs in Osun State since it will help to identify their social capital status that improve and increase their businesses' performance and allow them to take cognizance of these networks to safeguard their businesses' interest.

## Objectives of the Study

The specific objectives are to:

1. Examine socio-economic and social capital status of the entrepreneurs by type of enterprise in the study area.

2. Analyse the effect of social capital variables on performance by type of enterprise.

## Hypotheses of the Study

**$H_{01}$**: there is no significant effect of social capital variables on business performance in the study area.

**$H_{02}$:** there is no significicant effect of social capital variables on performance by enterprise type in the study area.

## RESEARCH METHODOLOGY

### Study Area

Osun State is an inland State in south-western Nigeria. Its capital is Osogbo. It is bounded in the north by Kwara State, in the east partly by Ekiti State and partly by Ondo State, in the south by Ogun State and in the west by Oyo State. Osun State has a population of about 4,137,627 (2006 census estimate). It occupies a land area of 9,251 $km^2$. Osun State is divided into three federal senatorial districts, each of which is composed of two administrative zones. The state consists of thirty Local Government Area, the primary (third tier) unit of government in Nigeria.

### Sampling Procedure

A multi-stage sampling technique was employed in this study. Osun state in south western Nigeria was purposively selected based on the high number of traders. The next stage was the random selection of three Local Government Areas (LGAs) out of thirty LGAs (10%). Followed by purposive selection of five most prominent

enterprises in the areas. These enterprises include fashion designing, mechanics, furniture, hairdressing and barbering. Lastly, twenty (20) entrepreneurs were randomly sampled from each of these five enterprises in all the three selected LGAs. In all, a total of three hundred entrepreneurs were sampled. However, 291 copies of questionnaire were retrieved and used for different analyses in this study.

## Method of Data Analysis

**Descriptive Statistics:** The descriptive tools used include mean, standard deviation and percentages. These were used to analyze the socio economic characteristics of the respondents as well as to profile social capital status of the entrepreneurs in Osun state.

**Linear Regression Model**: This is used to analyze and examine the influence of social capital on the performance of the micro and small enterprises in Osun State. Since social capital exist within the enterprise, therefore five models were used in this study to examine the infuence of social capital variables on performance.

$$\ln Y_i = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + .... + \beta_5 X_5 + \beta_6 X_6$$

$$\ln Y_{E_n}{}^{n=5} = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + .... + \beta_5 X_5$$

where, ln $Y_i$ = business Performance proxy Profit of the enterprises (pooled enterprises).

$\ln Y_{E_n}{}^{n=5}$ = business Performance proxy Profit of the enterprises (for each enterprise)

En =Enterprises n = five enterprises which include fashion designing, barbering, mechanics, furniture and hairdressing

Profitability = current sales - current expenses (Naira per year)

**Social Capital Variables:** These varables are defined as follows -

X1 = Level of Trust (%)

X2 = Membership density of entrepreneurs in association (%)

X3 = Labor Contribution index of entrepreneurs to association (%)

X4 = Meeting attendance index of entrepreneurs in association (%)

X5 = Homogeneity index of associations (%)

X6 = Enterprises (fashion=1, barbering=2, mechanics=3, furniture=4, Hairdressing=5)

The measurement of each Social Capital (SC) variables used in the model above is as described below:

**Membership Density**: This is measured by the number of active memberships of each respondent in existing associations. A complete inventory of all associations was made at local level institutions; each respondent was then given that inventory and asked which associations they were a member of. In other words, the proportion of membership of associations by individuals is found and rescaled to 100 (Grootaert, 1999; Balogun, 2011).

**Homogeneity Index**:. On each of the six (6) associations, each entrepreneurs was made to answer questions on whether members live in same neighbourhood, and are of same kin group; same occupation, income group, religion, gender and same age group. On that basis, for each of the factors a Yes response was coded two (2) while No was coded one (1). If mean is 100% it is highly homogenous (Omonona, Amao & Bamimore, 2014).

**Meeting Attendance Index:** This index was measured by finding the number of times members of association actually met as a group over a period of time. This is obtained by summing up attendance of the individual members at meeting and relating it to the number of scheduled meetings of the associations. The value is multiplied by 100.

**Labor Contribution Index/Level of Trust:** index was measured by the responses given by the respondents. On that basis, for each of the factors a Yes response was coded two (2) while No was coded one (1) (Balogun, 2011). And then it was multiplied by 12 for each association represents the highest labour contribution index/

level of trust. The score of the six associations were averaged for each respondent by dividing by maximum score 24 to obtain the index.

## A Priori Expectations

Level of Trust, membership density, labor contribution index, meeting attendance index should be positively related to performance while only homoogeneity index should have negative relationship with performance.

## RESULTS AND DISCUSSION

### Distribution of Respondents by their Socio-economic Characterisics

Table1 presents the distribution of the respondents by socio-economic characteristics across the five enterprises considered. It reveals that 73.79% of the total respondents were male while 26.21% of them were female. Out of the five enterprises four are male dominated while only hairdressing enterprise is female dominated (82.46%), also fashion designing have about 42.11% female. This is an indication that most of the enterprises considered in this study are male dominated. Also most of the respondents are married with average household size of five (5).

The mean age of the respondents was 31.2 years for all the five enterprises. Implicit in these findings is that a large proportion of the respondents are middle age, able-bodied and can therefore, be regarded as active, agile and physically disposed to pursue economic activities.

Those into hair dressing are more younger compared to other enterprises. The average year of educational attainment of the respondents is about 11.5 years indicating that most of the respondents were educated and the number of years of formal education is known to influence the behaviour, values, exposure and opportunities of individual. The implication is that the more educated an individual is, the harder he/she works and the more profit earned.

**Table 1:** Socio-Economic Characteristics of Small-Scale Enterprisess.

| Variable | Fashion | Barbing | Mechanics | Furniture | Hair Dressing | Total |
|---|---|---|---|---|---|---|
| **Gender** | % | % | % | % | % | % |
| Male | 57.89 | 86.67 | 96.67 | 94.74 | 17.54 | 73.79 |
| Female | 42.11 | 13.33 | 3.33 | 5.26 | 82.46 | 26.21 |
| **Marital Status** | | | | | | |
| Married | 61.40 | 55.00 | 86.67 | 56.14 | 63.16 | 70.66 |
| Otherwise | 38.60 | 45.00 | 13.33 | 43.86 | 36.84 | 29.34 |
| **Educational Level** | | | | | | |
| No formal | 12.5 | 8.3 | 45.0 | 7.0 | 21.0 | 21.71 |
| Primary | 5.4 | 1.7 | 21.7 | 33.3 | 8.8 | 13.43 |
| Secondary | 35.7 | 16.7 | 26.7 | 19.3 | 26.3 | 23.14 |
| Tertiary | 46.4 | 73.3 | 6.6 | 40.4 | 43.9 | 41.72 |
| **Mean** | 12.75 | 15.4 | 8.0 | 11.56 | 12.5 | 11.47 |
| **SD** | 6.09 | 3.78 | 5.66 | 5.02 | 6.72 | 6.29 |
| **Age** | | | | | | |
| $\leq$29 | 49.2 | 75.0 | 38.3 | 50.9 | 61.4 | 46.4 |
| 30-34 | 33.3 | 20.0 | 23.3 | 21.1 | 15.8 | 23.1 |
| 35-39 | 10.2 | 5.0 | 30.1 | 19.3 | 12.3 | 16.2 |
| 40-44 | 7.0 | 0 | 5.0 | 3.5 | 10.5 | 9.7 |
| $\geq$ 45 | 0 | 0 | 3.3 | 5.3 | 0 | 4.6 |
| **Mean** | 29.01 | 30.35 | 30.21 | 38.10 | 26.25 | 31.15 |
| **SD** | 5.62 | 5.60 | 4.90 | 6.44 | 5.19 | 6.63 |
| **Hosehold Size** | | | | | | |
| 1-3 | 25.00 | 43.33 | 18.33 | 10.50 | 26.32 | 23.42 |
| 4-6 | 71.43 | 55.01 | 75.00 | 89.47 | 68.42 | 72.57 |
| >6 | 3.57 | 3.33 | 6.66 | 0.00 | 5.26 | 4.01 |
| **Mean** | 4.84 | 4.17 | 5.50 | 4.91 | 5.22 | 4.94 |
| **SD** | 2.26 | 2.07 | 2.56 | 1.29 | 2.03 | 2.11 |

Source: Field Survey, 2016

**Table 2:** Social Capital Variables of Respondents by Enterprises.

| Variable | Fashion | Barbering | Mechanics | Furniture | Hair Dressing | Total |
|---|---|---|---|---|---|---|
| **Membership Density** | % | % | % | % | % | % |
| ≤40 | 52.63 | 50.0 | 51.66 | 57.89 | 64.91 | 56.97 |
| 41-81 | 45.6 | 24.34 | 46.67 | 21.05 | 24.56 | 13.33 |
| >81 | 1.75 | 28.33 | 0 | 21.05 | 10.52 | 9.68 |
| **Mean** | 31.75 | 49.27 | 33.61 | 37.08 | 27.14 | 35.07 |
| **SD** | 27.12 | 37.06 | 26.60 | 35.62 | 24.34 | 30.86 |
| **Meeting Index** | | | | | | |
| ≤40 | 48.88 | 57.14 | 11.36 | 57.88 | 44.67 | 44.48 |
| 41-81 | 51.12 | 33.93 | 88.64 | 42.12 | 53.19 | 52.4 |
| >81 | 0 | 8.93 | 0 | 0 | 2.1 | 3.1 |
| **Mean** | 36.29 | 40.95 | 47.39 | 31.11 | 38.56 | 39.71 |
| **SD** | 18.13 | 24.88 | 13.17 | 20.72 | 18.64 | 19.96 |
| **Homogeneity Index** | | | | | | |
| ≤40 | 21.05 | 10.0 | 23.33 | 15.78 | 16.07 | 17.09 |
| 41-81 | 58.95 | 83.3 | 76.67 | 84.2 | 83.92 | 81.47 |
| >81 | 0 | 6.67 | 0 | 0 | 0 | 17.55 |
| **Mean** | 47.36 | 66.30 | 52.97 | 48.74 | 51.14 | 51.60 |
| **SD** | 25.09 | 19.15 | 29.99 | 22.39 | 23.74 | 24.94 |
| **Labor Index** | | | | | | |
| ≤40 | 21.0 | 6.7 | 21.7 | 15.8 | 17.5 | 17.1 |
| 41-81 | 1.8 | 41.7 | 0 | 0 | 21.1 | 12.8 |
| >81 | 77.2 | 51.6 | 78.3 | 84.2 | 61.4 | 70.1 |
| **Mean** | 78.07 | 72.50 | 78.33 | 84.21 | 71.92 | 76.49 |
| **SD** | 41.20 | 31.11 | 41.54 | 36.78 | 38.97 | 38.49 |
| **Trust Index** | | | | | | |
| ≤40 | 22.81 | 6.67 | 23.33 | 21.05 | 17.54 | 18.23 |
| 41-81 | 0 | 3.33 | 76.67 | 3.51 | 10.53 | 4.56 |
| >81 | 77.19 | 90.0 | 0 | 75.44 | 71.93 | 77.21 |
| **Mean** | 77.19 | 91.66 | 38.33 | 77.19 | 77.19 | 79.48 |
| **SD** | 42.33 | 26.30 | 21.32 | 41.26 | 39.04 | 38.99 |
| **Local Level** | | | | | | |
| Cooperative | 37.21 | 50.00 | 26.09 | 50.00 | 57.45 | 46.98 |
| Environ/ | 0 | 0 | 13.04 | 0 | 0 | 2.35 |
| Farmer Association | 0 | 0 | 0 | 6.25 | 2.13 | 4.03 |
| Trader Associatio | 51.16 | 0 | 39.13 | 18.75 | 27.66 | 20.81 |
| Religion Association | 9.30 | 21.67 | 21.74 | 0 | 12.77 | 14.43 |
| Others | 2.33 | 28.33 | 0 | 25.00 | 0 | 11.41 |

Source: Field Survey, 2016

## Distribution of Social Capital Status of Respondents

**Local Level Institution of the Entrepreneurs:** Table 2 shows the social capital dimension of five various enterprises. The five enterprises are fashion designing, barbering, mechanics, furniture and hairdressing. Hence, Respondents in the study area belongs to various associations from which they obtain social capital. These associations include: cooperative societies, environmental protection/natural resources group, traders association, religious association and cultural group. The profile showed that the respondents in the study area belong to two or more associations.

The most prominent of the local association is the cooperative societies with 46.98% of the total respondents being the member followed by traders association (20.81%) and minotity belongs to environment. Majority of respondents under fashion designing belongs to trader association when compared with other enterprises. They belong to those association because of some certain benefits they derive in

them. Such benefits include: Thrift accessibility, easy access to loan and members of the same group render assistance to themselves. Also some join because of the economic benefits and honesty in dealing within themselves. Sometimes it is compulsory for any individual who engages in any of the five enterprises to join any of these associations.

**Meeting Attendance Index:** Table 2 further shows the respondents social capital variable in terms of meeting attendance, it is important for respondents to be regular and frequent at the meeting of each association he/she belongs. The results reveal that the mean meeting attendance for all the five enterprises was low with mechanics having the highest index (47.39%) that is, respondents that engaged in mechanics, attended meeting more frequently than other respondents in other enterprises. The mean meeting attendance was 39.7% approximately two out of five, implying that the entrepreneurs do not attend meetings frequently. This also indicates the low importance attached to regular meetings in the study area which invariably might prevent members from enjoying the benefits of regular attendance at meetings. This will help the members to get fresh ideas, information, opportunities and solution for their business, it also helps to build mutual relationship and get connected with influencers. This finding contradicts the finding of Omonona, Amao, and Bamilore (2014) that self employed respondents in Oyo State were more regular in attending meetings than salaried households.

**Homogeneity Index:** Homogeneity index of entrepreeneurs in associations shows that in 41-81% sub-group, furniture, hairdressing, and barbering enterprises had the highest homogeneity index of 84.2%, 83.9%, and 83.3%, respectively, which are above 80%. This happened as a result of the same age group, income group, religion, occupation, and living within the same neigbourhood. The respondent's mean homogeneity index was 51.60, implying associations is moderately diverse. The implication of this finding is that the entrpreneurs in this study have certain similar characteristics which can help them to build a good network and invariably enhance their business growth. This finding is in line with the finding of Omonona, Amao, and Bamimore (2014) that homogeniety index of salaried respondents was higher than that of self-employed respondents due to the fact that most of the salaried respondents had the same educational qualification. The finding also corroborates the finding of Balogun *et.al*. (2011) that households' homogeneity index in south west, Nigeria was low.

**Labour Contribution Index:** The results revealed that the mean labor contribution index for all the enterprises was 76.49% with furniture enterprise having the highest percentage (84.21%) and the enterprise with least contribution index was found among hairdressing enterprises with 71.92. the implication of this finding is that majority of the members contribute labour to their respective associations which invariably implies that they are helping one another, hence improves their business performance. This finding corroborates the finding of Omonona, Amao, and Bamimore (2014) that self-employed households were seen to contribute less cash and more labour to their associations.

**Density of Membership Index:** The result shows that the mean membership index was 35.07 implying low number of active membership of entrepreneurs in existing association. The barbering enterprise had the highest number of active member while the lowest was the hairdressing enterprises. Explicit in this finding is that majority of the repondents are not active members of associations.

**The Level of Trust Index:** The result reveals that level of trust is generally high among all the enterprises with index of 79.48. The enterprise with the highest level of trust index was barbering (91.6%) while mechanic had the least level of trust index (38.33%). The implication of high trust index is that they will be able to enjoy to the maximum the benefits of being a member of any association especially in the area of loan which invariably will improve their business performance

## Effect of Social Capital on Performance of Respondents accross Enterprises

Table 3a shows the pooled effect of social capital variables on business performance in the study area. The result reveals that enterprise engaged, labor contibution and heterogeneity indices

infuenced business performance. The fact that enterprise engaged in by respondents significantly influenced performance butresses the disagregation of the model into five different enterprises (density of membership, heterogeneity index, trust index, meeting attendance index, and labor contribution index) so as to examine social capital variables that affected each enterprise performance.

Tables 3b and 3c present the effect of social capital on business performance across the five enterprises in the study area with five models. The results show that different social capital variables incuded in the models affected enterprises differenly, that is, with different magnitude. All the variables positively affected the performance of the respondents. This finding agreed with the apriori expectations and the finding of Gomez and Santor (2001) that social capital contributes positively to the self employment earnings of microfinance borrowers. The details according to the five enterprises is presented below:

**Fashion Desigining:** No social capital variable significantly affected the performance of respondents enganged in fashion designing in the study area. This is an indication that fashion designers in this area need to be educated and motivated about the importance of social capital to their biusiness performance.

**Table 3a:** Pooled effect of Social Capital on Business Performance in the Study Area.

| Variable | Coefficient | Standard error | T |
|---|---|---|---|
| Trust index | 0.0011 | 0.0039 | 0.29 |
| Membership density | 0.0001 | 0.0026 | 0.03 |
| Labor contribution index | 0.0109* | 0.0044 | 2.47 |
| Meeting attendance index | 0.0017 | 0.0040 | 0.43 |
| Homogeneity index | -0 .0166* | 0.0077 | -2.15 |
| Enterprise | 0.2156* | 0.0516 | 4.18 |
| Constant | 13.4238 | 0.2261 | 59.36 |
| R- Squared | 0.0939* | | |
| R- Squared Adjusted | 0.0734 | | |
| N | 273 | | |

*Significant (P<0.05)
**Source:** Field survey, 2016

**Table 3b:** Effect of Social Capital Variables on Profitability status of Respondents.

| Variable | Fashion | | | Barbering | | | Mechanics | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coefficient | Standard error | T | Coefficient | Standard error | T | Coefficient | Standard Error | T |
| **Trust index** | -0.0039 | 0.0112 | -0.35 | -0.0261* | 0.0117 | -2.23 | -0.0015 | 0.0046 | -0.32 |
| **Membership density** | -0.0109 | 0.0071 | -1.54 | 0.0011 | 0.0036 | 0.30 | 0.0101* | 0.0037 | 2.74 |
| **Labor contribution index** | 0.0241 | 0.0203 | 1.19 | 0.0024 | 0.0056 | 0.42 | 0.0153 | 0.0181 | 0.85 |
| **Meeting attendance index** | -0.0063 | 0.0097 | -0.65 | 0.0059 | 0.0059 | 1.00 | 0.0212* | 0.0052 | 4.05 |
| **Homogeinty index** | 0.0236 | 0.0225 | 1.05 | 0.0419* | 0.0186 | 2.25 | 0.027* | 0.0125 | 2.14 |
| **Constant** | 11.3371* | 0.3308 | 34.27 | 11.4249* | 0.6432 | 17.76 | 13.9733* | 0.1416 | 98.68 |
| **R- Squared** | 0.3006* | | | 0.1882 | | | 0.2941* | | |
| **R- Squared Adjusted** | 0.2321 | | | 0.1036 | | | 0.2157 | | |
| **N** | 57 | | | 54 | | | 51 | | |

*Significant (P<0.05)Source: Field survey, 2016

**Table 3c:** Effect of Social Capital Variables on Profitability Status of Respondents.

| Variable | Furniture | | | Hair dressing | | |
|---|---|---|---|---|---|---|
| | Coefficient | Standard Error | T | Coefficient | Standard Error | T |
| Trust index | -0.0034 | 0.0041 | -0.83 | -0.0060 | 0.0048 | -1.25 |
| Membership density | 0.0012 | 0.0030 | 0.41 | -0.0148* | 0.0044 | -3.37 |
| Labor contribution index | 0.0173 | 0.0180 | 0.96 | 0.0121* | 0.0048 | 2.50 |
| Meeting attendance index | 0.0099* | 0.0050 | 1.98 | -0.0067 | 0.0053 | -1.25 |
| Homogeinty index | 0.0151 | 0.0143 | 1.06 | 0.0029 | 0.0082 | 0.36 |
| Constant | 14.1371* | 0.2342 | 60.37 | 12.8199* | 0.2307 | 55.56 |
| R- Squared | 0.1437 | | | 0.3013* | | |
| R- Squared Adjusted | 0.0564 | | | 0.2314 | | |
| N | 55 | | | 56 | | |

*Significant (P<0.05)Source:
Field survey, 2016

**Barbering Enterprise:** out of the five variables included in the model two of these variables (homoogeneity index and trust index) significantly influenced the business performance of the respondents that are into barbing. A unit increase in the index of diversity of local organization decreased the level of profit by 0.11%. This finding is in line with Nagarajan *et al* (1999) who found that homogeneous producer organizations were therefore more likely to perform better. Membership homogeneity reduces information problems and ensures members have the same interest. Also, a unit increase in the trust index of the respondents in the association increase profit by 0.15%.

**Mechanics Enterprise:** three of the variables included in the model (membership density, meeting attendance and homogeneity indices) significantly infuenced the business performance. Membership in association positively and significantly affected business performance. The result showed that entrepreneur who is a member of a local institution, his/her profit increased by 1.01%. This shows that low proportion of membership in association reduces profitability level of the respondents. As membership density increases, respondents tend to build relationship among them. According to Prusak and Cohen (2001), the main element, which builds social capital, is a conversation between members of social network, which binds those people into communities. Therefore the entrepreneurs will be ready to assist themselves. This result supports earlier finding by Davidson and Honing (2003) who found that membership in business networks had a significant impact on firm's profitability. It also agrees with Okunmadewa *et al.* (2007) that participation in local level institutions is a sign of commitments.

In the same vein, Tundui and Tundui (2013) found that Business owners who were members of informal business association were more likely to report profits increase in their enterprises. Also Heterogeneity index negatively inflenced the business performance of the respondents. A unit increase in the index of diversity of local organization decreased the level of profit by 2.7%. this shows high magnitude effect of diversity of membership in association. Meeting attendance index is positively related to performance by 2.12%. The more the meeting attended by the respondent the more profit they tend to make. This is because attending meeting exposes them to certain information and increases their chances of some available opportunities which invariably might improve their business performance.

**Furniture:** only the meeting attendance index significantly influenced performance by 0.99%. this is an indication that other variables did not have significant effect on the business performance of respondents

**Hair dressing:** two variables significantly affected performance (membership density and labour contribution indices). Membership in association positively and significantly affected business performance. The result showed that entrepreneur who is a member of a local institution, his/her profit increased by 1.48%. This finding contradict the findiing of Durojaye *et.al*. (2013) that high level of of commitment to associations can reduce profitability.

Labour contribution of the entrepreneurs also has a positive coefficient of 0.0121. The increase in the labour contribution made by the respondents leads to the increase in the profit of the respondents due to the fact that respondents use their labour/energy to contribute to the association because no cash is removed from the initial profit of the respondents. The more the labour contribution of respondent to the association improves the profitability level. This finding corroborates Ajani and Tijani (2009) who found that labour contribution score was positively associated with association benefit. Also that men who give labour contribution in their association are more likely to be considered for giving assistance by the association such as loan. Also the finding of Durojaiye et.al. (2013) confirms that an increase in both cash and labour contribution of the traders significantly improve profitability.

## CONCLUSION AND POLICY IMPLICATIONS

The basis of this study is empirical analysis of influence of social capital on business performance. Based on the empirical evidence emanating from both descriptive and inferential statistics employed for this study, it could be concluded that social capital is a profit increasing variable. Although social capital variables did not have significant effect on the business performance of the respondents that engaged in fashion designing but one or more of these variables significantly influenced business performance differently in the other four enterprises considered in the study. Also the magnitude effect of these significant variables was low.

The implications of these findings is that the enterprises in Osun state did not employ full benefits of social capital to improve or enhance their business performance especially fashion designing in which none of these variables significantly influenced their business performance. Therefore, entrepreneurs in Osun State should be encouraged to belong to social/local association. Policy makers interested in improving the business performance of entrepreneurs may be advised to consider promoting social capital through strengthening of local associations with a view to widening their sources of resources and information to make businesses to unleash their growth potentials.

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