

Cultural Determinants and Their Impact on SME Performance

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Abstract: The research investigated cultural determinants and their impact on small and medium-sized businesses' performance, a study of a few chosen small and medium-sized businesses in Delta State's Warri. The study aims to find out the extent to which cultural determinants influence entrepreneurial behavior and decision-making of SMEs in Warri, Delta State; whether cultural determinants have a positive effect on the effectiveness of small and medium-sized enterprises in Warri, Delta State; and whether cultural factors have a positive effect on the growth of small and medium-sized enterprises in Warri, Delta State. The study was conducted using a survey research design. Both primary and secondary sources of data were used. Using Taro Yamani's formula, 133 small and medium-sized business owners were chosen as the study's population, with a sample size of 100. The data were shown in tables, and the Pearson Product Correlation Coefficient was used to test the hypotheses. The results demonstrate that cultural determinants have a major impact on the growth of small and medium-sized businesses in Warri, Delta State, as well as on entrepreneurial behavior and decision-making. The study came to the conclusion that cultural influences had a favorable impact on small and medium-sized businesses' performance in Warri, Delta State. The report also suggests that small and medium-sized businesses should participate in leadership development programs and adopt contemporary business techniques while honoring cultural values. Additionally, strengthening relationships with other companies to exchange resources and expertise will increase their competitive advantage.

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I. INTRODUCTION

The historical development of Nigeria's socioeconomic and cultural landscape supports the link between cultural elements and the growth of small businesses (SMEs) in the country. SMEs have traditionally functioned inside a cultural framework shaped by religion, customs, community values, and traditional conventions. Businesses as we all know do not operate in a vacuum but within a defined geographical location with defined cultural factors. Before the coming of the whites to Nigeria, we had our cultural system which we cherish so much. The whites came along with their culture which we assimilated and has been part of us to this day.

Although culture is dynamic, it can be adjusted to fit a particular environment rather than being changed mechanically. Culture is a human intervention that shapes nearly every perception and action. By allowing certain activities and prohibiting others, each culture molds

perception and behavior by paying relative attention to some aspects of reality and disregarding others.

The success of businesses and entrepreneurial endeavors are significantly influenced by cultural elements, which include societal conventions, attitudes, beliefs, and practices.

Thus, the study investigated cultural determinants and their impact on SMEs performance. SMEs in Nigeria still confront numerous obstacles that impair their performance and sustainability, despite their role in turning the economy around. SMEs are form the vehicle for industrialization. Without SME the economy will continue to suffer. The impact of cultural determinants on SME operations is one important but frequently disregarded issue. Cultural values and practices can enhance entrepreneurial success, particularly in a diverse and complex society like Nigeria.

Additionally, Nigerian religious traditions and beliefs influence consumer preferences or interfere with corporate operations, work ethics, and strategy. They can also cause disputes or opposition to particular commercial practices that are thought to be out of step with cultural values (Chukwuka 2016). The difficulty of creating culturally relevant policies and company growth plans is exacerbated by the paucity of research on the specific effects of cultural elements on SMEs in Nigeria.

This study's primary goal is to determine how cultural factors affect SMEs performance in Warri, Delta State. Additional specific goals include analyzing how cultural factors affect the entrepreneurial behavior and decision-making of small and medium-sized businesses in Warri, Delta State; figuring out whether cultural factors have a positive effect on the efficacy of small and medium-sized businesses in Warri, Delta State; and figuring out whether cultural factors have a positive effect on the expansion of small and medium-sized businesses in Warri, Delta State.

II. CONCEPTUAL REVIEW

Culture as we all know covers the values, customs, beliefs, and behaviors that influence how people behave and make choices in a community. The dominant attitudes and behaviors that define a group or organization can also be referred to as its culture. The transfer of acquired behavior from one generation to the next through imitation and language is sometimes referred to as culture.

Human conduct is also shaped by cultural patterns of values, concepts, and symbolic elements. Human cognition and motivational values that direct decisions, commitments, and behavioral standards are shaped by values and norms, which are the conventional patterns of human conduct that govern them. (Emon & Khan2023). In addition to influencing social and economic structures, culture also fosters growth.

Common beliefs, values, traditions, conventions, and social practices that shape people's interactions and behaviors within a society are referred to as cultural elements. In both personal and professional contexts, these elements have a significant impact on how individuals communicate, conduct business, and make decisions. Shared understandings that develop within groups are known as cultural elements. Cultural elements have a big impact on the corporate environment, organizational procedures, leadership philosophies, and employee relations of SMEs in Nigeria. This has an impact on how well these companies operate overall. (Ogunyomi & Bruning 2016).

Cultural elements are multifaceted and include things like language, religion, social conventions, values, and attitudes toward entrepreneurship as well as the importance of community and family in company.

In Nigerian SMEs, these factors influence the work ethic, management approaches, and entrepreneurial spirit. It is essential to comprehend cultural elements in order to

identify how they may help or impede the growth and success of SMEs in Nigeria (Aremu & Adeyemi, 2011).

The cultural values influencing small businesses are as follows:

- **Values and Beliefs:** These are the firmly held beliefs that influence people's attitudes and actions within a particular community.
- **Language:** Language reflects social dynamics and cultural identity in addition to being a means of communication.
- **Religion:** Religious convictions frequently influence the moral and ethical standards of entrepreneurs and staff, which can impact SME performance in both positive and negative ways.
- **Attitudes toward Entrepreneurship:** People's motivation to launch and maintain firms is influenced by cultural perspectives on entrepreneurship (Ogunyomi & Bruning, 2016).

Nigerian SMEs encounter many obstacles that impede their expansion and long-term viability. These difficulties include little government backing, high operational expenses, inadequate infrastructure, and limited access to financing. Cultural factors also affect SMEs in Nigeria, affecting internal management as well as interactions with suppliers, customers, and other stakeholders. The performance of these businesses can be greatly impacted by the interaction of cultural elements including society norms, attitudes, and values with business procedures. (Olawale & Garwe, 2010).

These businesses must successfully negotiate a challenging cultural landscape that affects their performance, operations, and ability to compete. Therefore, to improve their performance and promote long-term success, it is crucial to comprehend how cultural influences affect SMEs in Nigeria. (Chukwuka & Igweh 2024). From the foregoing, cultural factors has a significant role to play in the growth and effectiveness of SME worldwide. In some developed countries, cultural factors stimulate entrepreneurial behavior and decision-making of SMEs while the reverse is the case in some lands

SMEs are essential for promoting economic growth. Because they create jobs, encourage innovation, and make a significant contribution to the GDP of the country, SMEs are frequently regarded as the foundation of any economy.

The generation of jobs is one of the main ways SMEs support economic growth. Over 60 million Nigerians were employed by SMEs as of 2013, making up a sizeable share of the labor force. (National Policy on Micro, Small, and Medium Enterprises, 2013). These companies hire a variety of workers, including unskilled, semi-skilled, and skilled laborers. Because they are a major source of income for many people, SMEs are therefore essential in lowering employment rates, especially in urban and rural areas. SMEs also value adaptability and creativity. By creating supply networks that assist other local companies, SMEs also promote the growth of the local and regional economies, which in turn boosts the overall economy. The

success of SMEs in Nigeria is frequently hindered by several reasons, including inadequate infrastructure, cultural influences, and adequate access to financing, despite its crucial importance. Although SMEs play a major role in Nigeria's economic expansion, resolving their issues is crucial to maximizing their potential for long-term, sustainable economic growth. (Ogunyomi & Bruning, 2016).

Cultural determinants and their impact on SMEs has been the topic of numerous empirical research. Bamiwuye (2017) looked at how cultural orientation affects business practices and the success of SMEs in West Africa, especially Nigeria. While a conservative approach may promote stability, he contends that the collective cultural orientation, which prioritizes group interests over individual interests, affects organizational dynamics, and decisions are frequently made with an emphasis on preserving harmony and relationships within the family or community. This can also make it more difficult for SMEs to remain competitive over the long term in quickly shifting economic environments.

Aremu and Adeyemi (2011) emphasized how the sociocultural context of Nigeria influences the operations of SMEs, such as the concentration of power in company ownership and the dependence on family networks for decision-making. In Nigerian SMEs, this frequently results in a distinctive organizational culture where company activities are guided by cultural customs and interpersonal interactions. According to the authors, the substantial influence of cultural ties in the workplace can both help and hinder the growth of SMEs because family-run enterprises may find it more difficult to adjust to changes in the external market because of deeply ingrained cultural standards.

To improve the outcome and sustainability of SMEs in Nigeria, researchers, policymakers, and entrepreneurs must have a thorough understanding of these cultural dynamics.

Hofstede's theory of the cultural dimension serves as the foundation for this research project. According to his theory (Hofstede, 1980), culture influences how people behave and think in a social setting, which affects how they interact with one another in a professional setting. Important cultural aspects including individuality against power distance, uncertainty avoidance, masculinity versus femininity, and long-term orientation are highlighted by this approach.

III. METHODOLOGY

This work was constructed by the researchers using a descriptive research survey design. A survey of a few chosen SMEs in Warri, Delta State. The entire universal area that the study covers is known as the population. The population of the study for this article consisted of 133 respondents in total, who were chosen from among owners of small and medium-sized businesses in Warri, Delta State. Simple random sampling was used in the study to choose the study population. Simple random sampling is a technique for choosing a sample from the population in

which every individual has an equal probability of being chosen. The Taro Yamani (1967) formula was applied in this study to determine the sample size because the population was restricted to a specific proportion. The sample size was determined to be 100 using the Taro Yamani formula. The primary data was collected mostly through a questionnaire, while the secondary data came from other researchers' works on the same and related subjects.

To determine the validity of the instrument, the authors took steps to ensure that the questionnaire elicited the intended responses. The study also asked experts in the field of management or organization, to validate the questionnaire's contents. Experts reviewed the items, and based on their recommendations and changes, the questionnaire's wording and structure were changed to reduce ambiguity, verbosity, and inconsistencies.

Simply said, a research instrument's reliability is its capacity to replicate the same study results for a different researcher. Accordingly, the degree to which the instruments are error-free and produce consistent data is known as dependability. Test-retest reliability was employed in this study to assess the instrument's dependability.

The developed hypotheses were tested using a parametrical statistical tool called the Pearson Product Moment Correlation Coefficient (r).

The degree of a linear relationship between two variables is gauged by the Pearson product-moment correlation coefficient. It is employed to examine how two variables that are both assessed on interval and ratio scales relate to one another.

IV. DATA PRESENTATION

Testing of Hypotheses

Testing of Hypothesis One

Ho: Cultural influences do not influence entrepreneurial behavior and decision-making.

To test the hypothesis, the formula for the Pearson product-moment correlation coefficient is;

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{[(N\sum x^2 - (\sum x)^2)(N\sum y^2 - (\sum y)^2)]}}$$

Table 1 Calculation of Pearson Product Moment Correlation Co-efficient

Options	X Points	Y Responses	XY
Strongly Agree	5	41	205
Agree	4	31	124
Undecided	3	16	48
Strongly Disagree	2	8	16
Disagree	1	4	4
Total	15	100	397

Source: Field Survey, 2025

A 5-point Likert-type scale was used with the following response categories

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{[(N\sum x^2)(\sum x)^2 - (N\sum y^2 - (\sum y)^2)]}}$$

$$r = \frac{5(397) - (15)(100)}{\sqrt{[(5 \times 55)^2 - (15)^2 - (5 \times 2978)^2 - (100)^2]}}$$

$$r = \frac{1985 - 1500}{\sqrt{(272 - 225) - (14890 - 10000)}}$$

$$r = \frac{485}{\sqrt{(50 \times 4890)}}$$

$$r = \frac{485}{\sqrt{244500}} \quad r = \frac{485}{494.46}$$

$$r = 0.9808$$

The aforementioned finding indicates that cultural influences have a favorable and significant impact on the decision-making and entrepreneurial behavior of small and medium-sized businesses in Warri, Delta State.

However, additional testing is necessary to support the given hypothesis. The significance test will be used in this process.

$$T_{cal} = \frac{r}{\frac{1-r^2}{n-2}}$$

$$T_{cal} = \frac{0.9808}{\frac{1-0.9808^2}{5-2}} = \frac{0.9808}{\frac{1-0.96196}{3}}$$

$$T_{cal} = 8.7100$$

$$t_{tab} = n-2, \alpha 0.05 = 5-2, \alpha 0.05 = 3 \alpha 0.05$$

$$\therefore t_{tab} = 2.35$$

The decision rule here is to reject the null hypothesis Ho if $t_{cal} > t_{tab}$

Since $t_{cal} > t_{tab}$, Ho (the null hypothesis) is rejected which means that there is a positive and significant relationship between cultural factors on entrepreneurial behavior and decision-making of small and medium-scale enterprises in Warri, Delta State.

Testing of Hypothesis Two

Ho: Cultural factors do have a positive effect on the growth or expansion of SMEs in Warri, Delta State,

Table 2 Calculation of Pearson Product Moment Correlation Co-efficient

Options	X Points	Y Responses	XY	X ²	Y ²
Strongly Agree	5	43	215	25	1849
Agree	4	28	112	16	784
Undecided	3	14	42	9	196
Strongly Disagree	2	9	18	4	81

Disagree	1	6	6	1	36
Total	15	100	393	55	2946

Source: Field Survey, 2025

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{[(N\sum x^2)(\sum x)^2 - (N\sum y^2 - (\sum y)^2)]}}$$

$$r = \frac{5(393) - (15)(100)}{\sqrt{[(5 \times 55)^2 - (15)^2 - (5 \times 2946)^2 - (100)^2]}}$$

$$r = \frac{1965 - 1500}{\sqrt{(275 - 225) - (14730 - 10000)}}$$

$$r = 0.95617$$

The aforementioned analysis's conclusion suggests that cultural variables and the expansion of small and medium-sized businesses in Warri, Delta State, are significantly correlated. However, additional testing is also required to support the idea. The significance test will be used in this process.

$$T_{cal} = \frac{r}{\frac{1-r^2}{n-2}}$$

$$T_{cal} = \frac{0.95617}{\frac{1-0.95617^2}{5-2}}$$

$$T_{cal} = 7.9106$$

$$t_{tab} = n-2, \alpha 0.05 = 5-2, \alpha 0.05 = 3 \alpha 0.05$$

$$\therefore t_{tab} = 2.35$$

Reject Ho (null hypothesis) if $t_{cal} > t_{tab}$

Ho (null hypothesis) is rejected since t_{cal} is greater than t_{tab} , indicating a strong and favorable correlation between cultural characteristics and the expansion of small and medium-sized businesses in Warri, Delta State.

Testing of Hypothesis Three

Ho: Cultural factors have a positive influence on the effectiveness of SMEs in Warri, Delta State.

Table 3 Calculation of Pearson Product Moment Correlation Co-efficient

Options	X Points	Y Responses	XY	X ²	Y ²
Strongly Agree	5	46	230	25	2116
Agree	4	30	120	16	900
Undecided	3	13	39	9	169
Strongly Disagree	2	7	14	4	49
Disagree	1	4	4	1	16
Total	15	100	407	55	3250

Source: Field Survey, 2025

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{[(N\sum x^2)(\sum x)^2 - (N\sum y^2 - (\sum y)^2)]}}$$

$$r = \frac{5(407) - (15)(100)}{\sqrt{[(5 \times 55)^2 - (15)^2 - (5 \times 3250)^2 - (100)^2]}}$$

$$r = \frac{2035 - 1500}{\sqrt{(275 - 225) - (16250 - 10000)^2}}$$

$$r = 0.9570$$

The results of the above table demonstrate that cultural influences have a favorable and considerable impact on the efficiency of small and medium-sized businesses in Warri, Delta State. However, additional testing is necessary to support the idea.

In doing so, the test of significance will be employed.

$$T_{cal} = \frac{r}{\frac{1-r^2}{n-2}}$$

$$T_{cal} = \frac{0.9570}{\frac{1-0.915849^2}{5-2}}$$

$$T_{cal} = 5.7140$$

$$t_{tab} = n-2, \alpha 0.05 = 5-2, \alpha 0.05 = 3 \alpha 0.05$$

$$\therefore t_{tab} = 2.35$$

If t_{cal} is greater than t_{tab} , the null hypothesis, H_0 , is rejected. There is a positive correlation between cultural characteristics and the efficacy of SMEs in Warri, Delta State, and the null hypothesis is rejected.

V. DISCUSSION OF FINDINGS

The study found that cultural influences had a considerable impact on small and medium-sized business decision-making and entrepreneurial behavior. The hypothesis's results were consistent with those of Binns & Neill (2016), who found that cultural influences significantly influence small and medium-sized business decision-making and entrepreneurial behavior.

The study's conclusions show a strong correlation between cultural elements and the expansion of small and medium-sized businesses. Regarding hypothesis two, the results support Bamiwuye's (2017) assertion that cultural influences improve the performance and growth of small and medium-sized businesses.

The study's considerable correlation between cultural characteristics and the efficacy of small and medium-sized businesses is another striking finding. The opinions of Ogunyemi and Bruning (2016), who see cultural elements as an essential component for the success of SMEs, supported this claim.

VI. CONCLUSIONS

The effect of cultural determinants on the performance of SMEs in a few chosen SMEs in Warri, has been investigated in this article.

The following deductions are drawn from the study's results:

- Entrepreneurial behavior and decision-making in small and medium-sized businesses in Warri, are significantly influenced by cultural variables.
- In Warri, Delta State, the development of small and medium-sized businesses is significantly influenced by cultural influences.
- In Warri, Delta State, cultural variables significantly and favorably affect the efficacy of small and medium-sized businesses.

RECOMMENDATIONS

Based on the study's findings and conclusion, the following suggestions have been put forth.

- To increase their competitive edge, small and medium-sized businesses should forge closer ties with other companies in order to exchange resources and expertise.
- Policymakers and business executives should take cultural considerations into account when drafting strategy that will help propel the growth of SMEs
- Diversifying their offerings is one tactic that SMEs' owners should use to reduce risk and unpredictability.
- In order to increase consumer loyalty and foster trust, SMEs should actively engage local communicators in their operations.
- SMEs should place a high priority on the health and work-life balance of their employees because they understand how crucial it is to have a motivated and healthy workforce for sustained success.

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