



MEDIATING EFFECT OF DYNAMIC CAPABILITY ON THE RELATIONSHIP BETWEEN SOCIAL CAPITAL AND SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) PERFORMANCE IN KADUNA METROPOLIS

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Abstract

In the current technology driven era, Small and Medium Scale enterprises (SMEs) have emerged as very essential economic catalyst in the development and industrialization bid of most developed and developing economies such as Nigeria. Given the economic realities in Nigeria, the country must constantly create new jobs and diversify the industrial and commercial sector to take advantage of human and natural resources through entrepreneurship. The present research aims to identify the role of dynamic capability on the relationship between social capital and SMEs performance in Nigeria. Questionnaire was distributed to the owners/managers of registered SMEs in Kaduna metropolis. Structural Equation Model was used to analysed the data using Partial Least Square Method (PLS 2). The result based on the findings shows that structural social capital has positive and significant effect on SMEs performance, just as relational social capital and cognitive social capital, Similarly, dynamic capability significantly have effect on the performance of SMEs. On the mediation relationships, dynamic capability only mediates the relationship between cognitive social capital and performance of SMEs. The study therefore concludes that dynamic capability do not mediate other relationships in the study. Finally, the study recommends that Government of Nigeria and other stakeholders need to focus their attention on issues that are related to social network of SMEs such as, integrating, interpersonal trust, knowledge sharing within and across the businesses. On the other hand, SMEs owner/managers should attach more importance to the implementation of social capital most especially cognitive social capital in order to increase their performance.

Keywords: Social capital, dynamic capability, SMEs Performance.

Introduction

With a population of about 200 million people and touted as the largest market in Africa, one will be quick to assume that doing business in Nigeria will be a walk in the park. But

small business owners would tell you otherwise (Gbandi & Amissah 2014). Many challenges confront small business owners here making it difficult for many businesses to reach their full potential. According to a World Bank report (2020), Nigeria ranked 131 out of 189 countries regarding the ease of doing business. As a result, 80 percent of new small businesses fail in 3 years. This is not to say that there isn't business succeeding. But not enough business owners are well equipped for the challenges ahead and so, a lot of the business enterprises either pack up completely or remain redundant without growing (Oyeyinka, 2019).

Nigeria without doubt is one of the largest economies in the sub-Saharan Africa whose economy is growing by number of corporate organisations that cover almost all spheres of activities within the country, from Multinational Corporation to Indigenous Corporation and mostly Small and Medium Scale Enterprise (NBS, 2016). SME's plays crucial role in the development of the Nigerian economy as it contributes 41.43 percent to the GDP, and 57.9 percent to GNP at 212.6 billion US dollars (NBS, 2016). Although, dynamic capabilities is a vital tool to small and medium enterprises as an instrument for the growth and development of both developing and industrialized economies, where it contributes 98 percent to developed economies (Lejarraga & Oberhofer, 2015; Ipinnaiye, Dineen & Lenihan 2016; Rekik & Bergeron, 2017) and serves as a major sources in boosting the revenue of small-scale businesses (Aceleanu, Traşcă & Şerban, 2014; Al-Abri, Rahim, & Hussain, 2018).

Small and medium enterprises have contributed 91 percent of the businesses in South Africa, 70 percent of the GDP in Ghana as well as 70 percent of the manufacturing sector in Nigeria (Abor & Quartey, 2010; Frimpong, 2013). More so, social interaction skills and personal characteristics of entrepreneurs and managers influence the performance of their organisations. It is agreed that social capital which is resources embedded in personal networks of entrepreneurs is considered critical for performance of small-sized firms (Stam, 2014).

Social capital facilitates in discovering opportunities to identify, collect, and allocate internal scarce resource of organisations (Uzzi, 2018). SME's contribution in Nigeria is mainly in agriculture, manufacturing, and service industry. Furthermore, Asalaye, Ishola, Asamu, Inegbedion, Arisukwu and Popoola (2018) stated that SME's contributes to the mass reduction of unemployment rate in Nigeria through provision of job opportunities to millions of Nigerians and serve as a source for the promotion of local entrepreneurs (Gbandi & Amissah 2014; Oyeyinka, 2019). Past governments in Nigeria implemented diverse policies and incentives to boost the performance of SMEs and improve economic growth and development, because of instability and challenges suffered by the sector and inability of some enterprises to survive beyond three years (Agyapong, Agyapong & Poku, 2017).

The dispute on dimension of SC has been increased which include the role of social ties on providing information and solidarity (Kwon & Adler, 2014). In the perspective of firm Parra-Requena Ruiz-Ortega and García-Villaverde (2012), argue that social capital

composes of three main dimensions: structural, relational, and cognitive. Other studies examine the role of trust, norms, and networks, which support coordinated efforts in order to foster happiness and life satisfaction (Lim & Putnam, 2010).

Apart from that, prior study by Pinho (2013) have examined the role of relational social capital on performance, and the study by Muniady, Al Mamun, Mohamad, Permarupan, and Zainol (2015), on the effect of cognitive and relational capital on structural capital and performance, but such studies are few and are limited to single industry such as manufacturing industry. Among few studies conducted across the industry, Saha and Banerjee (2015) employed a quasi-experimental design examined the impact of social capital on small enterprise performance in West Bengal, India. The findings revealed a positive significant effect of formal networks on the performance of small enterprises in India. This therefore constitutes a methodology gap.

On the other hand, some other studies provide evident that social capital (SC) does not have significant impact on firm Performance (FP) for some reasons, e.g. the age of firm (Pirolo & Presutti, 2010); organizational capacity (Jansen Curseu, Vermeulen, Geurts & Gibeus, 2011); various level of institutional context (Stam, Arzalanian & Elfring, 2014) and also spillover effect that comes from homophile solidarities, which express similarities (Kwon & Adler, 2014).

Therefore, the study tries to examine the role of dynamic capabilities on the relationship between social capital and SMEs performance within Kaduna metropolis of Kaduna state, Nigeria.

Literature Review and Theory

Social Capital and Firm Performance

A number of studies have revealed a strong and significant correlation between social capital and firms' sustainability. For example, Geletkanycz and Hambrick (1997), cited in Agyapong *et al* (2017), concluded that social capital is an important source of information and knowledge that balance the experiences of workers, which in turn affect firm's performance. This relationship is positive for all three dimensions of social capital. For far-reaching benefit from social networks, it is important for entrepreneurs and firm executives to develop solid networks with social, business, and personal relationships (Rooks, Szirmai, & Sserwanga, 2009). Numerous studies indicated how effective internal communication promotes a stronger concentrate on organizational results (e.g. Moynihan & Pandey, 2006). This facilitates idea generation capability of individuals to identify better ways of accomplishing tasks in the organization. Leana and Pil (2006) also found a positive relationship between social capital and firm performance. For example, Ofori and Sackey (2010) aimed at assessing the effects of social capital on organizational performance among the Ghana Club 100 organizations, and revealed that social capital has a positive effect on organizational performance.

Social Capital as an antecedent of firm's practice helps managers to acquire and integrate major resources and simultaneously improve employees' negotiating position by

enabling them to access strategic information; increase their replacement fee; and increase their mobility to other firms. Sound performance may arise with robust SC through significant working environment (Duffy, Scott, Shaw, Tepper, & Aquino, 2012) and well-being of stakeholders (Lim & Putnam, 2010). Social capital surrounds the context and collection of relationships, interpersonal trust, and the norms that allow certain conduct and sustainable relationships between individuals and certify conditions favorable to managerial development and information exchange (Hoang, Nguyen, Ngo & Bui, 2018). For this reason, the way that each dimension of social capital facilitates retrieving, processing, integrating, and exchanging knowledge within and across organizations affect the performance of such firms.

Dynamic Capabilities

The Dynamic Capabilities (DCs) have gained interest of writers in the managerial field of analysis, particularly as regards the increase of resources and capabilities (Teece; Pisano; Shuen, 1997; Ambrosini; Bowman, 2009; Wang; Ahmed, 2007; Biazzi, 2012). Some researchers in recent times have offered views and facts on how businesses can increase their ability to become accustomed and even take advantage of an uncertainty and rapidly changing environments as asserted by Yih-Chang, Li-Chang and Shang-Ling (2015). The dynamic capabilities attempt to offer a logical structure, which can equally incorporate existing conceptual and practical knowledge, and facilitate direction as well as organizing and synchronizing the existing assets to satisfy such needs. The performance develop further on the hypothetical fundamentals presented by Schumpeter (1934); Penrose (1959); Williamson (1975, 1985); Barney (1986); Nelson and Winter (1982); Teece, (1994); Teece *et al* (1997); Teece *et al.* (2007); Pavlou and Sawy (2011); Da-yuan and Juan (2012); Makkonen, Pohjola, , Olkkonen, & Kopenen, (2014).

Consequently, the current study extracts on the concept of dynamic capabilities as antecedents of firm performance established on the work of Teece *et al.*, (1997), Eisenhardt and Martin, (2000) Rindova and Kotha (2001), Teece, (2007), Wang and Ahmed (2007); as well as Pavlou and Sawy (2011). As stated earlier, these writers theorized dynamic capabilities as the basis of firm superior performance and competitive advantage more particularly in an uncertainty and rapidly changing environments. Such environments are considered as a state or condition where the success of the firm's survival, expansion, and success are primarily guarded by uncertainty and rapid changes. Teece's, (2007) conceptual structure provided a pattern that can integrate existing conceptual and empirical knowledge in order to develop capabilities that are basis of performance as well as difficult to imitate. Thus, to be tactical, a particular capability must work on to a user need (in order that customers are available), unique (in order that the goods/services created can be valued without too much regard to competition) and difficult to replicate (in order that the returns would not be competed away), (Teece *et al.*, 1997).

In sum, Nieves and Haller (2014) argued that while the former conceptualization of DCs has linked the concept with changing nature of environment (e.g., Teece & Pisano, 1994; Teece et al., 1997), the latter contributions uphold that the concept does not only concern to the changing environment, but also the changes happening in the resources and capacities of firms. Helfat and Peteraf (2009) also sighted DCs as the resolute creation and renewal of firm's resources. In brief, DCs signify an emerging and a potential integrative concept of understanding new sources of firm performance (Wu, 2010).

Pavlou and Sawy, (2011) proposed and employed DCs model that comprise four basic stages (i.e., sensing, learning, integrating and coordinating). These were soon adopted in the study conducted by Nieves and Haller (2014). These activities or stages of DCs contains a pool of capabilities and their communication in logical sequence so as to recombine existing operational capabilities to new ones (i.e., dynamic capabilities) that will lead to superior firm's environment (Nieves & Haller, 2014). Therefore, Pavlou and Sawy's, (2011) DCs best suit the need for resources reconfiguration in order to tackle environmental needs in an attempt to create and sustain superior performance (Mohammad, 2015).

Consequently, these set of capabilities identified by Pavlou and Sawy (2011) are appropriate to the need of resources reconfiguration in order to tackle environmental flux to produce and maintain superior performance. Pavlou and Sawy (2011) disputed that their operationalization of DCs is essentially establish on the work of Teece *et al.* (1997) on organizational and managerial processes roles (i.e., coordination/integration, learning and reconfiguration), and Teece's (2007) framework (i.e., sensing environment to seize opportunities). Moreover, Pavlou and Sawy (2011) depend on the definition and view of Eisenhardt and Martin (2000) to propose these collection capabilities. Pavlou and Sawy (2011) added that they also illustrated upon the literature of strategic management and decisional sciences in determining these logical phases of DCs reconfiguration.

Empirical Review of Literature

Akmal (2020) investigation was to explain impact of various dimensions of social capital on cooperation. In the attempt, he constructed a research model by utilizing social capital theory. Ultimately, cooperation within research and development teams in textile industry in Uzbekistan was assessed. A survey method was applied and a questionnaire was developed and administered. Structural Equation Modelling together with multiple regression was used to test the predictive value of the model on the sample of 170 Research and development department members. Findings suggest there is a large positive impact of social capital on cooperation. Therefore, the study confirms the value of social capital in explaining cooperation. The study helps managers and team members to better understand the importance of social capital generation on projects and in organizations. The developed concept can be used as a framework for facilitating cooperation for governments, research institutions, academic institutions, and

companies. However, the study drew attention to the value of SC on corporation, but it fail to consider an inclusion of an intervening variable which can help to exert influence on the variables. This therefore constitutes a variable gap.

Fried (2020) investigates the causal connection between social capital (SC), knowledge transfer, innovation, and firm performance. Based on existing literature on social capital, he developed a research model showing that three dimensions of social capital, including network ties, trust, and shared visions have positive relationships with company performance via two mediators, namely knowledge transfer and innovation. Using a sample of 153 Vietnamese firms, including one to two respondents from each firm, the study applied structural equation modeling to confirm the hypotheses. The results show that all three dimensions of social capital were positively related to firm performance with knowledge transfer and innovation acting as mediators. Knowledge transfer and the company's innovation were found to have a strong association with each other. Academically, this paper offers an opportunity to investigate social capital in terms of other factors in one specific industry. Practically, the findings motivate firms to focus on improving knowledge transfer on both quantity and quality prospects to boost firm performance. However, the study includes intervening variables and significant result was obtained, but it can be further conducted in other regions in order to generalise the findings.

Mahar and Ghumro (2020) conducted a study on the impact of Social Capital on Business Performance of Small and Medium Enterprises of Sindh (Pakistan). The study specifically investigated the impact of the personal, professional, associative, and institutional network towards performance from 397 respondents. The research was quantitative in nature and a regression analysis technique was employed in the study. The findings revealed a significant relationship between Social Capital and Firm's performance. The study was generalised to all SME's but only concentrated on one single industry and it also failed to include an intervening variable that may improve the result. These constitute a scope and a variable gap.

Akintimehin, Eniola, Alabi, Eluyela, Okere, and Ozordi (2019), investigated the effect of internal and external social capital on the financial and nonfinancial performance of businesses in the Nigerian informal sector and the role of firm age as a controlling variable. The study employed a cross-sectional survey of 650 informal business owners in Ikeja, Lagos state and a partial least square method of the structural equation model (SEM) for data analysis. The findings revealed that social capital had a positive effect on business performance without the controlling variable of firm age. Internal social capital had a positive effect only on non-financial performance, but had no positive effect on financial performance, while external social capital had neither a positive effect on financial performance, nor on non-financial performance. Nevertheless, with the controlling variable of firm age, social capital had a positive effect on business performance; internal social capital had a positive effect on both financial and non-financial performances, while external social capital had no positive significant effect on

financial and non-performance. Different dimensions of social capital were used in the study and the findings revealed positive and negative effect (mixed findings). There is the need to test the relationship using other dimensions of social capital in order to exert more influence.

Theoretical Framework

A potential framework for augmenting the conceptual analysis of the mediating effects of dynamic capability on the relationship between social capital and firm performance is social capital theory and dynamic capital theory which offers a useful theoretical focus in the study. Social capital emerges from social network theory and our attention on social capital theory aroused from the fact that social capital is surrounded in relationships at many levels. The application of this theory is meant to recognize, network ties, interaction trust and reciprocity and the dynamic capability theory which postulates that the core of competences and capabilities originated in the organizational and managerial processes produced by the resources of a firm, and guided by its path dependencies.

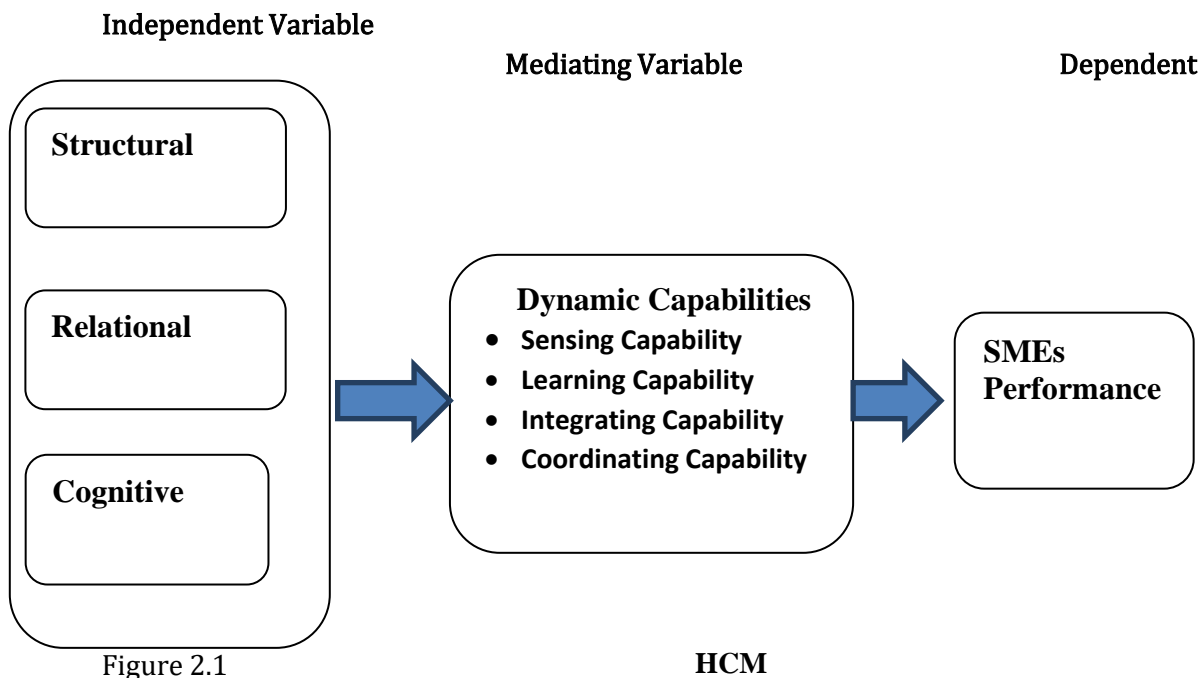


Figure 1. Model for the study

The model depicts a relationship amongst the key variables that affect Firm performance. The framework is developed to test the mediating role of dynamic capability on the relationship between social capital and Firm performance in Nigeria.

Research Methodology

This study was conducted as a cross sectional survey research which is designed to obtain pertinent information concerning the current state of affairs. The population of the study consists of 2,650 SMEs while the ones operating within Kaduna metropolis were 1,282. The number of SMEs was obtained from SMEDAN and National Bureau of Statistics Collaborative Survey (2017). However, 305 sample size was determined using Yamane (1967) method of calculating sample size of a population. Thus, 50% of the minimum sample provided in the formula will be added as suggested by Salkind (1997) to take care of non-response bias and improper filling of the questionnaire, bringing the total sample size to 458.

Primary source of data was used in the study to examine the mediating role of dynamic capability on the relationship between social capital and SMEs performance in Kaduna metropolis. This primary data was obtained through the use of self-administered questionnaires to business owners/managers using simple random sampling techniques. The measurement for each of the variables was adapted from different authors. Additionally, content validity was used to validate each statement of the instrument based on the evaluation of the two experts in the management field.

Data were analyzed using partial least square (SmartPLS 2) and followed the two-stage approach for assessing the measurement model and the structural model respectively. According to the suggestion of Urbach and Ahlemann (2010), this study tested the important criteria and process to estimate the outer and inner model.

Data Presentation, Results and Discussions

A total of 458 copies of questionnaires distributed to respondents of the study, out of which 389 copies of questionnaires were retrieved by the researcher. This represents about 88% of the total distributed copies of questionnaires. However, 13 copies of the returned questionnaires were considered to be outliers and were deleted from the data set. Hence, only 376 copies of questionnaires were found usable for final analysis. This is considered very appropriate for this study.

Table 4.1 Summary of Response

Questionnaires	Frequency	Rate (%)
Distributed Questionnaires	458	100
Unreturned Questionnaires	69	15
Returned Questionnaires	389	85
Unusable Questionnaires	13	3
Usable Questionnaires	376	82

From Table 4.1, the number of useful questionnaire is 376 representing (82%) which is a response rate considered sufficient for statistical reliability and generalization (Tabachnick & Fidell, 2013) cited in (Aminu & Shariff, 2015).

Table 4.2 Demographic Distribution of Respondents

Characteristics	Frequency	Percentage	Cumulative Percentage
Gender			
Male	256	68	68
Female	120	32	100
Firm Age	Frequency	Percentage	Cumulative Percentage
< 1 years	54	14	14
5 years	158	42	56
6- 10 years	97	26	82
11 Above	67	18	100
Education	Frequency	Percentage	Cumulative Percentage
SSCE/ Undergraduate	31	8	8
Diploma	47	13	21
Degree/HND	154	41	62
Masters	87	23	85
Others	57	15	100
Industry	Frequency	Percentage	Cumulative Percentage
Manufacturing	55	15	15
ICT	34	9	24
Trade and Commerce	101	27	51
Hotel and Restaurant	56	15	66
Building and Construction	23	6	72
Agriculture and Tourism	34	9	81
Transportation	21	6	87
Film and Multimedia	32	9	96
Others	20	4	100
No of Employees	Frequency	Percentage	Cumulative Percentage
10 to 49	211	13.0	13.0
50 to 99	111	46.6	59.6
100 to 199	54	40.4	100
Current Position	Frequency	Percentage	Cumulative Percentage
Owner	98	26	26
CEO/Chairman	99	26	52
Managers	103	27	79
Others	76	21	100

Table 4.2 presents the result of the demographic characteristics of the respondents of this study. It is seen on Table 4.2, there are more males than female respondents in this study. 68 percent of the total respondents are males, while 32 percent are females. A total of 14 percent of the participating firms are less than a year old, while 42 percent of

them are about 5 years old. On the other hand, 26 percent of the participating firms are between 6 to 10 years old, while, 18 percent of the participating firms are above 11 years. On the other hand, only 8 percent of the respondents of the study are SSCE or undergraduates. More so, 13 percent of the respondents of the study are diploma holders, while, 41 percent of the respondents of the study are degree or HND holders. In addition, 23 percent of the respondents of the study are Master degree holders, while, 15 percent of the respondents of the study have qualifications not specified on Table 4.2. With respect to the industry of each of the respondents of the study, about 15 percent of the respondents are in the manufacturing industry, while 9 percent of the respondents are in the ICT sector. Further, 27 percent of the respondents are in trade and commerce, while 15 percent of the respondents are in the hotel and restaurant industry. A total of 6 percent of the respondents of the study are in building and construction, while 9 percent are in agriculture and tourism. Finally, 6 percent, 9 percent and 4 percent of the respondents of the study are in transportation, film and multimedia and in other sectors not specified on Table 4.2 respectively.

In continuation, 13 percent of the respondents of the study have between 10 and 49 employees, while 46.6 percent of them have employees between 50 and 100, and 40.4 percent of the respondents have employees between 100 and 199. Finally, 26 percent of the respondents of the study are the owners of the business, while 26 percent of the respondents of the study are the CEO/Chairman of their business. To continue, 27 percent of the respondents are the managers of the sampled firms, while 21 percent of the respondents hold positions that are not specified on Table 4.2.

Table 4.3 Construct Reliability and Convergent Validity

Construct	Item	Loadings	AVE	CR
Structural Social Capital	SSC1	0.82	0.69	0.90
	SSC2	0.86		
	SSC3	0.82		
	SSC4	0.82		
Relational Social Capital	RSC1	0.78	0.62	0.89
	RSC2	0.82		
	RSC3	0.83		
	RSC4	0.79		
	RSC5	0.71		
Cognitive Social Capital	CSC1	0.81	0.67	0.91
	CSC2	0.89		
	CSC3	0.86		
	CSC4	0.86		
	CSC5	0.66		
Performance	FP1	0.79	0.70	0.93
	FP2	0.81		

	FP3	0.83		
	FP4	0.87		
	FP5	0.86		
	FP7	0.84		

Note: AVE represents Average Variance Extracted; CR represents Composite Reliability. One item was deleted due to measurement issues.

The reliability of the constructs was tested using composite reliability whereas convergent validity of such constructs was determined using average variance extracted (AVE) as suggested by Garson (2016). However, for each reflective construct to achieve internal consistency reliability, the value of its CR should be ≥ 0.7 (Lee & Chen, 2013), while AVE should be ≥ 0.5 for it to attain a convergent validity (Garson, 2016). Item loadings should be above 0.5 (Hair et al., 2014). From the results presented on Table 4.3 above, both reliability and convergent of all the constructs are therefore achieved. On the other hand, as the grand mean scores of each construct (i.e., the average of the squared of factor loadings of each construct's items) is above the threshold of 0.50, it clearly indicates that each of these constructs explains more than 50% of the variance of its indicators (Hair et al., 2014). Thus, both the reliability and convergent validity are said to be achieved.

Table 4.4 Measurement Model: Discriminant Validity (Fornell-Lacker Criterion)

	1	2	3	4
1. Cognitive Social Capital	0.82			
2. Performance	0.65	0.83		
3. Relational Social Capital	0.56	0.58	0.79	
4. Structural Social Capital	0.36	0.44	0.34	0.83

Note: The bolded diagonal values correspond to the square root of the AVE of the constructs.

Fornell-Larcker (1981) criterion was used to assess discriminant validity. The bolded numbers represent the square root of AVE. For the constructs to meet discriminant validity using Fornell-Larcker criterion, correlations with the bolded square root of AVEs should be lower than the bolded number. On Table 4.5, it is seen that correlations with the bolded number are lesser than the bolded numbers. Thus, using Fornell-Larcker criterion, the constructs passed discriminant validity.

Bootstrapping Analysis (Structural Model)

Bootstrapping analysis is conducted to determine the direct effect. This was done by using 5000 subsample with 376 cases as presented in figure 2.

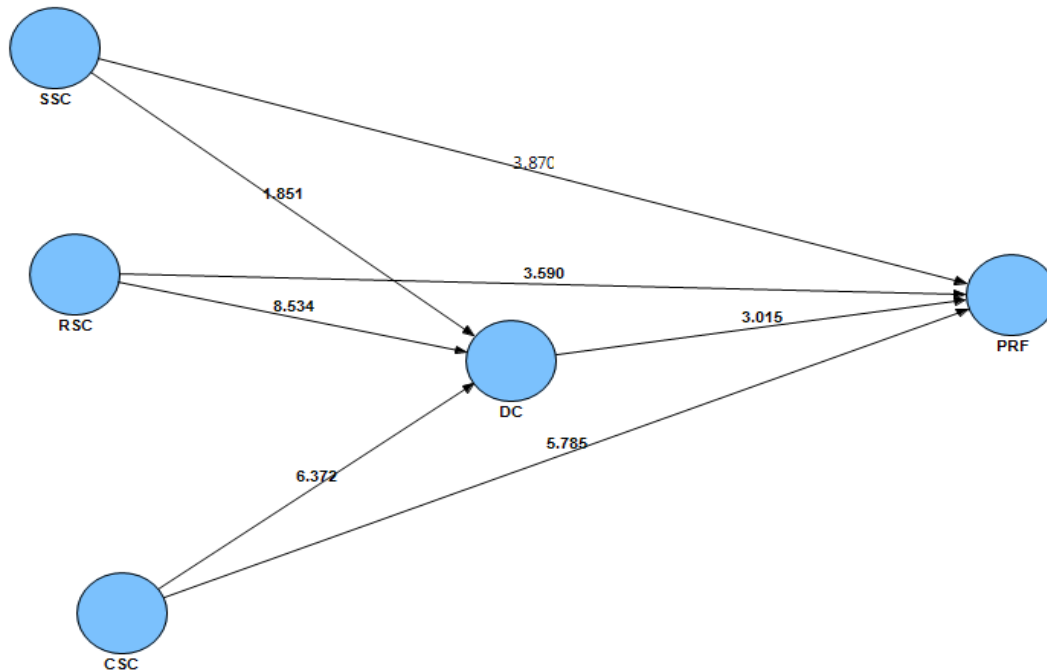


Figure 2

Table 4.5 Structural Model: Test of Significance for Direct Relationships

Hypotheses	Relationships	Beta	SE	T Statistics	P Value	Decision
H ₀₁	SSC-PRF	0.18	0.05	3.87***	0.00	Rejected
H ₀₂	RSC-PRF	0.21	0.06	3.59***	0.00	Rejected
H ₀₃	CSC-PRF	0.35	0.06	5.78***	0.00	Rejected
H ₀₄	DC-PRF	0.19	0.06	3.02***	0.00	Rejected

***p < 0.01; **p < 0.05; *p < 0.10

Table 4.5 presents the result of the bootstrapping analysis of the direct relationships in the study. From Table 4.5, it can be seen that Structural Social Capital(SSC) significantly predicts performance of SMEs ($\beta= 0.18, p<0.01$). As a result, H₀₁ that states that there is no significant effect of structural social capital on SME’s performance in Kaduna Metropolis is rejected. Similarly, Relational Social Capital (RSC) does significantly predicts performance of SMEs ($\beta=0.21, p<0.01$). Thus, this study rejects H₀₂ that states that there is no significant effect of relational social capital on SME’s performance in Kaduna Metropolis. So also, Cognitive Social Capital (CSC) is significantly related to the performance of SMEs ($\beta=0.35, p<0.01$). Thus, H₀₃ that states that there is no significant effect of cognitive social capital on dynamic capabilities of SME’s performance in Kaduna Metropolis. is rejected. Finally, Dynamic Capabilities (DC)is significantly related to the performance of SMEs ($\beta=0.19, p<0.01$). Thus, H₀₄ that states that there is no significant effect of dynamic capabilities on SME’s performance in Kaduna Metropolis is rejected.

Table 4.6 Structural Model: Bootstrapping Results for Indirect Effect

Path <i>a</i>	Beta	Path <i>b</i>	Beta	Indirect Effect (a*b)
SSC -> PRF	0.18	DC ->PRF	0.19	0.03
RSC -> PRF	0.21	DC ->PRF	0.19	0.04
CSC -> PRF	0.35	DC ->PRF	0.19	0.07

Hair *et al.*, (2014) opined that mediation effects can be determined using indirect effects. On Table 4.6, indirect effects of the exogenous latent construct were calculated. Indirect effect is calculated by multiplying bootstrapped path *a* by *b*. to test for the significance of a mediating effect, *t* values can be used, using indirect path coefficient. T value is calculated by dividing indirect effects by standard error (i.e., a*b/SE).

Table 4.7 Structural Model: Test of Significance for Mediating Relationships

Hypotheses	Relationship	Beta	SE	T Statistics	P Value	Decision
H ₀₄₅	SSC-DC-PRF	0.03	0.05	0.60	0.55	Fail to Reject
H ₀₆	RSC-DC-PRF	0.04	0.03	1.33	0.18	Fail to Reject
H ₀₇	CSC-DC-PRF	0.07	0.03	2.33	0.02	Rejected

***p < 0.01; **p < 0.05; *p < 0.10.

Table 4.7 presents the results of the significance of mediating relationships using *t*value. It is seen that dynamic capabilities do not significantly mediates the relationship between structural social capital and SMEs performance ($\beta=0.03$, $p>0.1$). Therefore, this study fails to reject H₀₅ that states that dynamic capabilities has no mediating significant effect on the relationship between structural social capital and SMEs performance of Kaduna Metropolis. Similarly, dynamic capabilities do not significantly mediate the relationship between relational social capital and SMEs performance ($\beta=0.04$, $p>0.1$). Therefore, this study fails to reject H₀₆ that states that dynamic capabilities has no mediating significant effect on the relationship between relational social capital and SMEs performance of Kaduna Metropolis. On the contrary, dynamic capabilities significantly mediates the relationship between cognitive social capital and SMEs performance ($\beta=0.07$, $p<0.05$). It can be said that there is an indirect relationship between cognitive social capital and SMEs performance. This means cognitive social capital significantly predicts dynamic capabilities, while similarly, dynamic capabilities predict SMEs performance.

Table 4.8 Coefficient of Determination for Mediating Relationships: R-Squared

Construct	R Squared
SMEs Performance	0.54
Dynamic Capabilities	0.52

It can be seen on Table 4.12, that the exogenous variables in this study explains 54 percent variance in SMEs performance. The R square is considered to be adequate. On

the other hand, 52 percent variance in dynamic capabilities is accounted for by the independent variable. This is also considered as appropriate for the study.

Table 4.9 Assessment of the Effect Size of all Relationships on Performances: F-Square

Construct	f ² (FP)	Effect Size	f ² (DC)	Effect Size
Structural Social Capital	0.07	Small	0.00	None
Relational Social Capital	0.07	Small	0.23	Medium
Cognitive Social Capital	0.15	Medium	0.17	Medium
Dynamic Capabilities	0.04	Small	NA	NA

NA means not applicable

Table 4.9 show the effect size of structural social capital, relational social capital, cognitive social capital, dynamic capabilities and SMEs performance. Structural social capital, relational Social capital and dynamic capabilities have small effect sizes on SMEs performance. On the other hand, cognitive social capital has medium effect size on SME performance. In addition, structural social capital has no effect size on dynamic capabilities, while, relational social capital and cognitive social capital have medium effect sizes on dynamic capabilities.

Table 4.10 Predictive Relevance for Mediating Relationships on the Dependent Variable: Q-Square

Construct	SSO	SSE	1-SSE/SSO
SMEs Performance	376.0000	183.8467	0.51
Dynamic Capabilities	376.0000	178.9286	0.52

The study utilised the Stone-Geisser’s Q² value to assess the predictive relevance of the exogenous variables. The result is presented in Table 4.10. From Table 4.10, it is seen that the Q² value of performance is above 0. SMEs Performance has a Q² value of 0.51, which means the exogenous variables in this study have large degree of predictive relevance with regard to the endogenous variable performance. Dynamic capabilities have a Q² value of 0.52, which also means the exogenous variables in this study have large degree of predictive relevance with regard to dynamic capabilities.

Conclusion and Recommendations

The findings reveal that structural social capital is seen to have a positive and significant effect on the performance of SMEs. These findings agreed with the earlier studies of Song (2016); Popoola, Edem and Agbi (2019); Beltramino, García-Perez-de-Lema and Valdez-Juárez (2020) and Fried (2020). However, based on the findings of the study, it is seen that dynamic capabilities do not significantly mediate the relationship between structural social capital and firm performance. So if the social system and the network

relations of SMEs are well crafted and designed, according to the finding of this study, the performance of such SMEs will be high.

Similarly, relational social capital is positive and significant predictor of the performance of SMEs. That is to say that, the higher the relational social capital of an SME, the better their performance.

This finding is consistent with that of Pinho (2013); Song (2016); and that of Fried (2020). Similarly, dynamic capabilities do not significantly mediate the relationship between relational social capital and firm performance, hence, dynamic capabilities do not have an indirect influence on relational social capital and firm performance.

Similarly, cognitive social capital positively and significantly influences the performance of SMEs. Thus, it can be said that increase in cognitive social capital will lead to simultaneous increase in the performance of SMEs. This finding supports the works of Muniady, Mamun, Mohamad, Permarupan and Zainol (2015). Contrarily, dynamic capabilities significantly mediate the relationship between cognitive social capital and firm performance. That is to say that, there exist indirect relationship between cognitive social capital and firm performance. To this end, the presence of cognitive social capital will lead to dynamic capabilities and in the end, lead to higher firm performance.

Finally, the study concludes that there exists a significant relationship between dynamic capabilities and the performance of SMEs. Dynamic Capabilities are the firm's ability to integrate, build, and reconfigure internal and external resources/competences to address and shape rapidly changing business environments (Teece et al., 1997). The goal is to generate abnormal returns. Therefore, owners and managers of SMEs should ensure to integrate, build, and reconfigure internal and external resources/competences to address and shape rapidly changing business environments. This will ensure successful operations of high risk organizational projects. Hence, future researchers ought to consider covering a larger geographical area so that generalizations can be made. Other moderator's mediators can be included in the model for further theoretical combinations. The study could be replicated in other sectors of the economy.

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