

IMPACT OF INFORMATION TECHNOLOGY ON MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES

(A case study of Ibarapa Central Local Government)

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Abstract

This study investigates the impact of information technology on management of small and medium enterprises in Ibarapa central government, Igboora, Oyo state. The study becomes imperative as a result of poor performance of SMEs in Ibarapa central government, Igboora. The study adopts survey research design in which questionnaire was used to obtain data from the selected respondents. The sample size of 65 was determined using simple random sampling. Chisquare (X^2) was used to analysis the hypotheses. The findings from the study established that effective information technology is the remedy to effective and efficient management performance of SMEs in Ibarapa central government. The study recommends that there is need for every SMEs to endeavour and make information technology an essential integral part of its management strategies and map out a strategic ways of providing the needed tools; for this will enhance the performance of SMEs and other forms of businesses.

Keywords: Information; Small and Medium Enterprises; Impact, Strategies

Introduction

Traditionally, the task of decision making in a business enterprise has been the major responsibility of the decision makers. This task has become more challenging, with increased uncertainty to the outcome of any decision, as the business environment becomes more complex. The Firms have increased in size of operations and in terms of products sold. Competition among companies has become much keener as the number and types of products sold have multiplied. This, in turn, has required marketing channels to be revamped and this can be aided by the adoption of new information technologies.

Broadly speaking, new information technologies have a great impact on all aspects of life and the global society and economy is undergoing a fundamental transformation Lucey (2005). The growth of information and communication technology (ICT) has assisted organizations achieve greater coordination and collaboration among supply chain partners and automate the supply chain process Hsin and Anastasia (2008). Presently, society is dynamic and is becoming knowledge society Pollard (2006). This implies that, the ideas, processes, knowledge and information are growing share of trade in the knowledge economy.

European Commission maintains that small and medium sized enterprises (SMEs) are those companies which employed up to 250 people and a

maximum annual turnover of 50 million euro. The importance of SMEs today cannot be underestimated both in developed and developing countries. The role of SMEs in developing countries includes, contribution to economic growth, job creation and poverty alleviation Adekunle and Tella (2008). Small and Medium Enterprises are of significance to the economic development of Nigeria since they account for around 97% of privately owned businesses Ihua (2009). It has been acknowledged as the backbone of the economy, employing approximately 50% of the work force and providing more than 50% of Nigeria's industrial output Adekunle and Tella (2008).

The previous studies on the impact of information technology on small and medium enterprises indicate that even management functions such as planning, organizing, staffing, directing, and controlling are not done properly in many of those firms. It was discovered that many small and medium enterprises gone into extinction due to poor financial management, delay in decision making, lack of amenities and poor welfare and retirement facilities for the employees. All these factors retard the growth and development of small and medium industries. Adoption of Information Technology (IT) plays a significant role in tackling several problems confronting management of small and medium enterprises.

The fact that information technology has significant impact on SMEs in developing countries, as posited by the previous studies, yet it has not been given the required attention especially at the grass root like Ibarapa central local government. This impact has not transformed the lives of Nigerians via low per capita income and low GDP recorded. It causes great concern among scholars that in spite of the huge contribution of SMEs recorded, coupled with efforts of government to enhance the growth of SMEs, through the adoption of various policies, still the mortality rate of small scale business is very high. It is against this background that this study investigates the impact of information technology on small and medium enterprises.

Materials and methods

The intention of this research is to look into the impact of information technology on management of small and medium enterprises in major towns in Ibarapa Central Local Government area of Oyo State. The study adopted descriptive research design. Creswell (2002) maintain that a descriptive research design is used when data are collected to describe persons, organizations, settings, or phenomena.

Data for the study was collected through questionnaire designed to reflect five (5) point Likert scale. A total of 70 questionnaires were distributed to owner/managers and staff of SMEs in Ibarapa Central Local Government area of Oyo State. A covering letter was attached to the questionnaire stating the purpose of the study and assuring the anonymity of the respondents and their organization. Overall, 67 questionnaires were returned, of which 65 were complete, representing a response rate of 93%. This sample size is considered adequate for analysis and the response rate is similar to that of Apulu *et al.* (2011). The data were analyzed by the use of descriptive statistics (such as percentage, table, chart) and inferential statistics (Chi- Square test).

Results and discussion

Data in table 1 showed questionnaire distribution of responds from the selected SMEs in Ibarapa Central Local Government. It indicates that 66% of the respondents are employees of the selected SMEs while 34% constitutes the owner/manager of the selected SMEs in Ibarapa Central Local Government.

Frequency distribution of respondents by socio-economic characteristics

Data in table 2 has reveals the frequency distribution of respondents by socio-economic characteristics. Majority of the staff are male 50(77%), the age

distribution shows that 37(57%) of the respondents are 31-40years. which shows that the respondents are in their productive ages with less staff of above 50 years. This is backed up by the years of service of 30 respondents who have worked for over 11-20years. Finally the educational background also shows that majority 33(51%) of the respondents have either a HND/B.Sc, therefore they are more academically inclined in the field of study.

Test of Hypotheses

Hypothesis 1

H₀₁: There is no significant relationship between information technology and management of SMEs in Ibarapa Central Local Government. The result of Chi-Square analysis in table 3 reveals that at 0.05 level of significance and 1 df, X^2 tabulated is 3.814 and Chi-square calculated is 49.79. Since X^2 calculated is greater than X^2 tabulated ($49.79 > 3.81$) then the study accepts that there is significant relationship between information technology and management of SMEs in Ibarapa Central Local Government. This implies that information technology contributed positively to the management of SMEs in the study area. These results corroborate the findings of a study Adekunle and Tella (2008) that Small and Medium Enterprises are of significance to the economic development of Nigeria.

Hypothesis 2

H₀₂: There is no positive relationship between information technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government. The results of Chi- Square analysis in table 4 reveals that at 0.05 level of significance and 1 df, X^2 tabulated is 3.81 and chi-square calculated is 24.21. Since X^2 calculated is greater than X^2 tabulated ($24.21 > 3.81$) then the study accepts the alternative hypothesis that there is positive relationship between Information Technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government. This implies that adoption of information technology improves the performance of SMEs in Ibarapa Central Local Government. This result echoed the finding of Apulu and Latham (2009) that adoption of ICT offers many benefits across a range of intra and inter firm business processes and transactions.

Hypothesis 3

H₀₃: The adoption of information technology by SMEs in Ibarapa Central local Government is not positively related to the perceived ease of using information technology. The results of chi- square analysis in table 5 reveals that at 0.05 level of

significance and 1 df, χ^2 tabulated is 3.81 and chi-square calculated is 0.15. Since χ^2 calculated is lesser than χ^2 tabulated ($0.15 < 3.81$) then the study accepts the null hypothesis that adoption of Information Technology by SMEs in Ibarapa Central local Government is not positively related to the perceived ease of using information technology. The above analysis suggests that the SMEs in Ibarapa Central local Government are not fully aware of the benefits information technology (IT) may bring to specific business functions and processes.

Conclusion and recommendations

This study established that there is positive relationship between information technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government. This implies that information technology enhances performances of SMEs since employees performed better when adopted information technology facilities than those who are not using technology facilities.

Conclusively, effective information technology to the management of SMEs is the panacea for sustained and increased productivity of the workforce and organizational performances. It is not enough to have a good business idea but adoption and provision of information technology facilities will go a long way to enhance organizational performance and productivity. The study hereby recommended that there is need for every organization to endeavour and make information technology an essential integral part of its management strategies and map out strategic ways of providing the required equipment; for this will also reduce loss of profit and help to boost organizational productivity.

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Table 1 Questionnaire distribution of responds according to organizational in the institute

Category	Frequency	Percentage (%)
SMEs Manager	22	34
Staff/ workers	43	66
Total	65	100

Source: Field Survey, 2022

Table 2. Frequency distribution of respondents by socio-economic characteristics (N=65)

Items	Opinion			
Sex/Marital Status	Male	Female	Married	Single
Response	50 (77%)	15 (23%)	45(69%)	20(31%)
Age	21-30	31-40	41-50	50 and above
Response	14(22%)	37(57%)	12(18%)	2(3%)
Educational	PhD	M.Sc	B.Sc/HND	Others
Response	0 (0%)	2(3%)	33(51%)	30(46%)
Working Experience	1-10years	11-20yrs	21-30yrs	31 and above
Response	18 (28%)	30(46%)	14(22%)	3(4%)

Source: Field Survey, 2022

Table 3 Relationship between information technology and management of SMEs in Ibarapa Central Local Government.

Variables	Responses		Row Total
	Male	Female	
There is no significant relationship between information technology and management of SMEs in Ibarapa Central Local Government.	9	6	15
There is significant relationship between information technology and management of SMEs in Ibarapa Central Local Government.	24	26	50
Column Total	33	32	65

Source: Field Survey, 2022

	O	E	o - e	(o - e) ²	(o-e) ² /e
A	9	7.62	1.38	1.90	0.25
B	6	24.62	- 18.62	346.70	14.08
C	24	7.62	16.38	268.30	35.21
D	26	24.62	1.38	1.90	0.25

Total $X^2 = 49.79$

Source: Researcher's Computation, 2022.

Hypothesis 2

H_0 : There is no positive relationship between Information Technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government.

Variables	Responses		Row Total
	Male	Female	
There is no positive relationship between Information Technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government.	11	8	19
There is positive relationship between Information Technology adoption and perceived benefits in SMEs in Ibarapa Central Local Government.	28	18	46
Column Total	39	26	65

Source: Field Survey, 2022

	O	E	O- E	(O – E) ²	(O-E) ² /E
A	11	11.4	-0.4	0.16	0.01
B	8	7.6	0.4	0.16	0.02
C	28	11.4	16.6	275.56	24.17
D	18	18.4	0.4	0.16	0.01

Total X² = 24.21

Source: Researcher`s Computation, 2022.

Table 3 The adoption of Information Technology by SMEs in Ibarapa Central local Government is not positively related to the perceived ease of using Information Technology.

Variables	Responses		Row Total
	Male	Female	
The adoption of Information Technology by SMEs in Ibarapa Central local Government is not positively related to the perceived ease of using Information Technology.	17	18	35
The adoption of Information Technology by SMEs in Ibarapa Central local Government is not positively related to the perceived ease of using Information Technology.	16	14	30
Column Total	33	32	65

Source: Field Survey, 2022

	O	E	O- E	(O – E) ²	(O-E) ² /E
A	17	17.77	0.77	0.59	0.03
B	18	17.2	0.8	0.64	0.04
C	16	15.23	0.77	0.59	0.04
D	14	14.77	0.77	0.59	0.04

Total X² = 0.15

Source: Researcher`s Computation, 2022.