

**Digital Entrepreneurship As Factors Fostering The Performance Of Small And Medium-Scale Enterprises (SMEs)**

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**ABSTRACT**

The study examined digital entrepreneurship as a factor fostering the operational effectiveness of small and medium-scale enterprises (SMEs). Three research questions and two hypotheses guided the study. A correlation research design was used. The population comprised SME operators in the Sagamu local government area. A total of 50 SME operators were selected as the sample size. Researcher developed questionnaire tagged: 'Digital Entrepreneurship and SMEs Performance Questionnaire (DESMEQ)' with ( $r = .95$ ) as reliability coefficient was used for data collection. Research questions were answered using descriptive statistics of mean and standard deviation. Hypothesis 1 was tested using regression analysis. The findings of the study revealed that lack of financial support, poor management, corruption, lack of training and experience, inadequate infrastructure, insufficient profits and low demand for products and services were among the factors affecting the effective performance of SMEs in Nigeria. Cost reduction, enhanced business flexibility, potential for business growth, improved customer experience, easier access to customers, increased return on investment, and faster data collection were among the benefits of digital entrepreneurship for SMEs' effective performance. There was a significant influence of digital entrepreneurship on the effective performance of SMEs. Schemes for promotional assistance should prioritise the building and managing of a robust online presence to improve SME performance further. The SMEs in Nigeria should prioritise the development of innovative technological solutions through extensive research and development, fostered by collaborative efforts, as this approach holds the greatest potential for driving sustainable growth.

**Keywords: Digital Entrepreneurship, Effective, Performance, Small and Medium Scale Enterprises**

**Introduction**

Nigeria's small and medium-sized business (SME) rate and impact on its financial system are strikingly similar to those of certain developed and emerging nations. Nigerian SMEs are vital to the country's economic growth, particularly in the industrial sector. Similarly to the circumstances of financially stable and industrialised societies, Nigerian SMEs are viewed as the inventiveness of business owners in making use of the abundant non-oil natural resources of Nigeria, which offer a launching pad and sustainable platform for economic development and industrial development (Sheikh & Olajide, 2020). Technology advancements have changed how business is conducted. It represents the business setting that encourages connection and the sharing of ideas, but it also demands reactions, feedback, and engagement. Together with their strong curiosity, today's young are more interested in finding information online and effectively communicating their opinions (Awwal & Joseph, 2023). This has led many, if not all, experts and professionals, both domestically and abroad, to embrace the dynamism of digital entrepreneurship. Despite its inherent dynamic nature, entrepreneurship consistently goes through stages of introductions, including those related to manufacturing, sales, marketing, and consumers. Unifying the global market to establish relationships with customers and explore possibilities in a worldwide community is a significant advantage for the corporate world.

Economic expansion and the development of the dynamic business environment depend heavily on digital entrepreneurship. According to Manjon (2022), the foundation of contemporary technology, innovation, and entrepreneurship in the digital era is digital entrepreneurship. The creation and growth of digital firms that generate revenue through digital interactions on online platforms is the main focus of Bogacho's (2021) notion. As a result, it has been a domain for a long time, spurred by the introduction of the internet. Developments in digital technology and real-world occurrences influence the quantity of articles that take place within each recognised era (Bogacho, 2021). Researchers studying how digital technologies affect entrepreneurship are increasingly interested in digital entrepreneurship (Ngugi & Goosen, 2021; Bican & Brem, 2020). According to Manjon (2022), a growing number of scholarly publications are structuring their frameworks for digital entrepreneurship around digital technologies, with some even conceptualising complete ecosystems dedicated to this emerging domain. As a result, digital entrepreneurship is increasingly being recognized as a specific field of study. Intellectuals have emphasized the pivotal role of communication technologies in this comprehensive approach, prompting further exploration of entrepreneurship within digital environments that encompass its multifaceted dimensions (Chen, 2021; Lamba & Jain, 2021).

Broadly speaking, digitalisation means the adoption and increasing use of digital technologies by governments, businesses, and organisations. Innovations under this umbrella include technologies such as intelligent computing, Web-based Solutions, decentralised computing, and additive manufacturing (Chen, 2021; Lamba & Jain, 2021). The unique attributes of digital technologies give rise to digital capabilities, which open up new possibilities for action tailored to specific users or contexts—opportunities that can be leveraged by actors like entrepreneurs (Lamba & Jain, 2021). The implementation of digital innovations introduces new market dynamics, shaping emerging values, practices, and processes that challenge established norms and test existing business logics. Examples of such digital advancements are business operation planning systems and other globally accepted, personalised components. Key digital infrastructures—such as blockchain technology and online market platforms—that facilitate coordination among stakeholders are also prominent examples (Baranauskas & Raisiene, 2022).

These powerful digital innovations significantly influence business models (Lamba & Jain, 2021). Intellectuals argue that digital capabilities embedded in platforms and components expand strategic options, opening up new avenues for value creation, delivery, and capture. The shift in economic activity brings forth fundamentally new business models, which require the development of specific organisational competencies for effective implementation. While digital technologies may have distinct competencies of their own, they also introduce new rationales that coexist with, and influence, existing paradigms—manifested through shifts in behaviours, values, and frameworks (Chen, 2021). The process of digitalisation is grounded in principles such as inheritability, variability, accessibility, connectivity, and interaction. Based on these principles, this study demonstrates that a "digital logic" composed of these elements can be considered part of the evolving set of alternative rationales that influence business models at a strategic level.

Climate change and growing wealth inequality are two of the world's most urgent ecological and social problems, and entrepreneurship has been heralded as the solution (Baranauskas & Raisiene, 2022). Business models that are innovative, commercially viable, and have a positive impact on society and the environment are essential to achieving sustainability. For instance, digital technology facilitates the creation of new knowledge, skills, and business concepts. Digital technology has already been demonstrated to help create features and advantages that involve social and environmental advantages. Digital technology also facilitates co-creation, community expansion, and increased stakeholder participation all of which gain from special configurations for value-generating elements. Digital technologies that provide potential ripples, durability of socio-environmental benefits, and synergistic impacts can capture the complex and diverse value. Although Baranauskas and Raisiene (2022) also shed light on potential logical problems within and across various business model components, a significant worry in the research to date is the degree to which digital entrepreneurs in SMEs promote sustainability. Innovation-driven digital entrepreneurship has become an essential tool for small and medium-sized businesses looking to navigate the fiercely competitive landscape of today. Macro-economically speaking, digital entrepreneurship is a significant boost to the performance of SMEs. The small-scale level is also accelerated by digital entrepreneurship, which is regarded as an evolutionary process for the development of novel and improved goods (i.e. progressive change). In order to improve profitability and expansion, fortify their competitive edge, and allow for market versatility, SMEs are concerned with inter-/intra-relationships that transcend boundaries within an organisation (Ekeh, 2023).

### **Statement of the Problem**

One significant gap that needs to be addressed in small firms and other organisations is the assessment of performance and the identification of its causes and effects. Digital entrepreneurship encompasses the ability to use technology in a safe, responsible, and efficient manner, as well as the degree to which it can improve corporate performance. The significance of digital entrepreneurship skills is becoming more and clearer as technology becomes more integrated into everyday life. The calibre of its workforce significantly impacts an organisation's performance and expansion. On the primary factors influencing SMEs' performance, there is disagreement. With technology continuing to permeate every aspect of people's lives, both adults and children, the significance of digital entrepreneurship in companies has grown more and more clear. The proper application of technology is now seen as crucial for success and growth in the modern world. Although electronic competencies are becoming increasingly essential for

effective living, understanding, and working, most small firms struggle to enhance their performance through digital entrepreneurship due to a lack of competent managers and talented staff. These organisations thus have to deal with the issue of the negative effects of digital intelligence and literacy. The straightforward reality is that, as technology has become more prevalent worldwide, digital entrepreneurship has become crucial for thriving in today's knowledge-driven and progressively digitalised society. Thus, organisations should emphasise the availability of digital capabilities within their company, as disregarding this can lead to a significant reduction in business interactions and a meager product cost. These difficulties prompted the researcher to look at the role of digital entrepreneurship in improving SMEs' performance.

### **Objectives of the Study**

The main objective of the study was to examine digital entrepreneurship as a factor fostering the performance of SMEs. Specifically, the study sought to:

1. identify factors affecting the performance of SMEs in Nigeria;
2. find out the benefits of digital entrepreneurship on the performance of SMEs;
3. determine the extent to which digital entrepreneurship influences the performance of SMEs.

### **Research Questions**

The following research questions guided this study:

1. What are the factors affecting the effective performance of SMEs in Nigeria?
2. What are the benefits of digital entrepreneurship on the effective performance of SMEs?
3. To what extent does digital entrepreneurship influence the performance of SMEs?

### **Literature Review**

Peter and Peter (2024) employed a mixed-methods approach, comprising surveys and semi-structured interviews to assess the role of market support programs on the achievement of SMEs across three Nigerian states. The study revealed that marketing assistance significantly influences SME performance. Qualitative insights further emphasized the need for advertising support programs to focus on enhancing SMEs' online presence as a strategy for improved performance. Similarly, Ekeh (2023) looked at the influence of technological innovation on the progress of medium-sized enterprises in North Central Nigeria. The findings indicated that advancements in technological procedures substantially contributed to business expansion. The study recommended that medium-sized enterprises invest in innovative technologies through intensive research and development, particularly by fostering strategic collaborations, to maximize growth potential. In another related study, Olufemi et al. (2022) explored the effects of sustainable business models and digital entrepreneurship on SMEs in Lagos State. Their empirical findings demonstrated that digital technologies enable innovative combinations of maintainable business model elements, such as multifaceted value capture, integrated value propositions, and comprehensive value creation. Arobo (2022) focused on the role of digital marketing in enhancing the competitiveness of SMEs. The study concluded that digital marketing serves as a vital platform for brand visibility and strategic positioning, offering valuable guidance to SME managers and owners. Lastly, Sheikh and Olajide (2020) investigated the relationship between digital adoption and SME performance in Nigeria. The regression analysis revealed a significant

positive relationship, underscoring the importance of digital transformation in driving improved business performance among Nigerian SMEs.

Among its goals, Mohammed and Naveen (2020) examined the prospects, needs, and challenges of digitalization for small and medium-sized businesses. Small and medium-sized businesses are essential to the economy's employment of individuals, allowing entrepreneurs to take advantage of expansion prospects as the digitalization process progresses. In Enugu State, Nigeria, Apeh et al. (2023) investigated the contribution of digital entrepreneurship to young empowerment. Therefore, by advancing their careers, skills, and general well-being, young people can be empowered through the constructive use of digital platforms. Mahad et al. (2023) looked at using digital entrepreneurship to create jobs. Based on the ideas of actor networks and social capital theories, which are essential for economic growth, the results showed that digital entrepreneurship significantly contributed to the creation of job prospects. On the other hand, social capital has little bearing on the connection between job creation and digital entrepreneurship. Bruce et al. (2023) investigated the use of digital marketing to support SMEs' sustainable initiatives. According to the study's findings, people's plans to utilize digital marketing were shown to be influenced by subjective norms and expectations of behavior control. However, views regarding digital marketing had no impact on this intention. The relationship between technology entrepreneurship and the business model (BM) for small enterprise growth was examined by Gebrekidan et al. (2023). The outcome shows that through technology entrepreneurship, BM indirectly impacts a venture's success. Designing a suitable BM presents an opportunity for small businesses struggling with inadequate strategy formulation and limited resources. It can be incorporated into the process of adopting technological entrepreneurship. Worgwu et al. (2023) investigated how employment in Nigeria was affected by social entrepreneurship and the use of information and communication technology (ICT). The study concluded that programs and policies that assist social entrepreneurs in creating jobs should be implemented and executed effectively.

Galindo-Martín et al. (2023) investigated competitiveness, entrepreneurship, and digitalization in 19 European nations. The empirical analysis's findings demonstrate that in order to encourage entrepreneurship, a nation must have a digitalization-friendly climate and invest in talent that enables the right players to gain from digital technologies. Using a systematic review methodology, Mosavi and Triansyah (2023) investigated how digitization affected SMEs. Digitalization is a significant element that can enhance SMEs' performance, sales, efficacy, and resilience, according to several findings. Mahad et al. (2022) investigated the moderating effect of social capital and the relationship between digital entrepreneurship and job creation. The results of the study showed a strong positive correlation between social capital, job creation, and digital entrepreneurship. According to the empirical facts, the nation's job creation is significantly impacted by digital entrepreneurship. The moderation analysis's findings showed that social capital moderates the association between employment creation and digital entrepreneurship.

## **Methodology**

A descriptive research design of survey type was used. The population of this study comprised SME operators in Sagamu Local Government Area of Ogun State, Nigeria. A total of 50 SME operators in the Sagamu Local Government Area of Ogun State were selected as the sample size

through the use of a purposive sampling technique. The "Digital Entrepreneurship and SMEs Performance Questionnaire (DESMEQ)," a questionnaire created by the researcher, was utilized in the study. The survey asked for answers on a four-point Likert scale, which was a variation of the five-point scale. There were two sections in the questionnaire: A and B. The demographics of the respondents were the main emphasis of Section A, while the performance of SMEs and digital entrepreneurship were the subjects of Section B. The researcher can verify the instrument's content validity. This was possible to guarantee that the specialists and the designated authority properly examine the instruments. Furthermore, all of the responses provided by the different respondents were used exclusively for their intended purposes, which in turn enabled the achievement of the goals of this study. Ten SMEs in the Ijebu-Ode local government that were not part of the study sample size were used to evaluate the instrument's reliability. The reliability coefficient of the instrument, as determined by Pearson Product-Moment Correlation (PPMC), was 0.95. The targeted population provided the data, and their opinions served as the foundation for the study's conclusions. Nonetheless, the researcher gave the questionnaires to the participants with the assistance of three qualified research assistants. Regression analysis was utilized to address research question 3, while descriptive statistics such as mean and standard deviation were employed to analyze research questions 1 and 2.

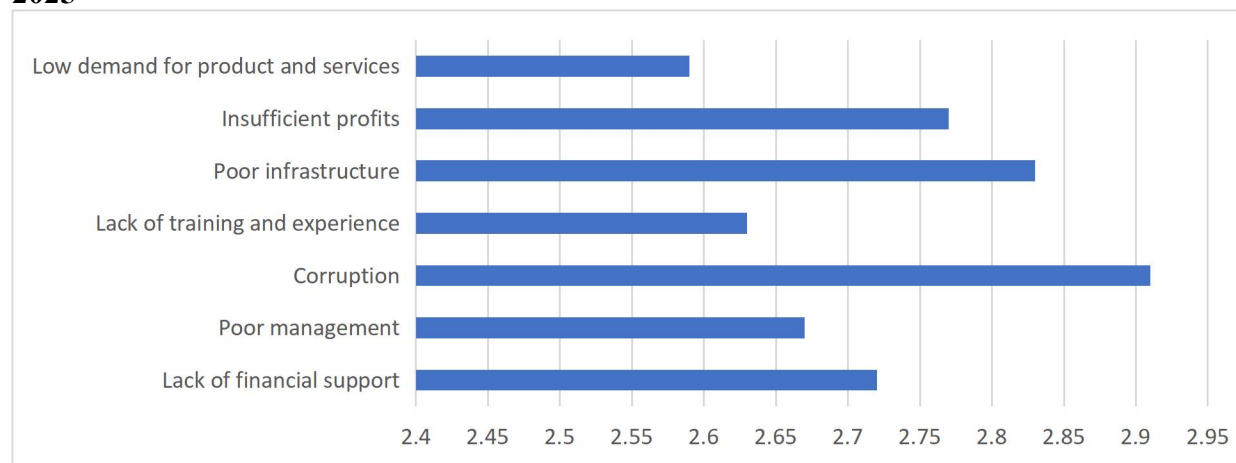
## Results

**Research Question 1:** What are the factors affecting the performance of SMEs in Nigeria?

**Table 1: Descriptive statistics on the factors affecting the performance of SMEs in Nigeria**

Items	Mean	SD	Remarks
Lack of financial support	2.72	0.916	Agreed
Poor management	2.67	0.899	Agreed
Corruption	2.91	0.993	Agreed
Lack of training and experience	2.63	0.921	Agreed
Poor infrastructure	2.83	0.826	Agreed
Insufficient profits	2.77	0.896	Agreed
Low demand for products and services	2.59	0.957	Agreed
Cluster Mean	2.73		Agreed

**Source:** **Field** **Survey,**  
**2025**



**Figure 1: Bar-chart showing the factors affecting the performance of SMEs in Nigeria**

Table 1 indicates that the cluster mean was 2.73, which is greater than the benchmark of 2.50. This suggests that factors such as inadequate financial support, poor management practices, corruption, limited training and experience, weak infrastructure, low profit margins, and insufficient demand for products and services hinder the effective performance of SMEs in Nigeria.

**Research Question 2:** What are the benefits of digital entrepreneurship on the effective performance of SMEs?

**Table 2: Descriptive statistics on the benefits of digital entrepreneurship on the performance of SMEs**

Items	Mean	SD	Remarks
Cost reduction	3.10	0.611	Agreed
Enhance business flexibility	3.11	0.692	Agreed
Potential for business growth	2.99	0.671	Agreed
Enhance customers experience	2.98	0.611	Agreed
Enhance easy access to customers	2.97	0.631	Agreed
Increase return on business	3.16	0.673	Agreed
Enhance fast data collection for the business	3.17	0.666	Agreed
Cluster Mean	3.07		Agreed

**Source: Field Survey, 2025**

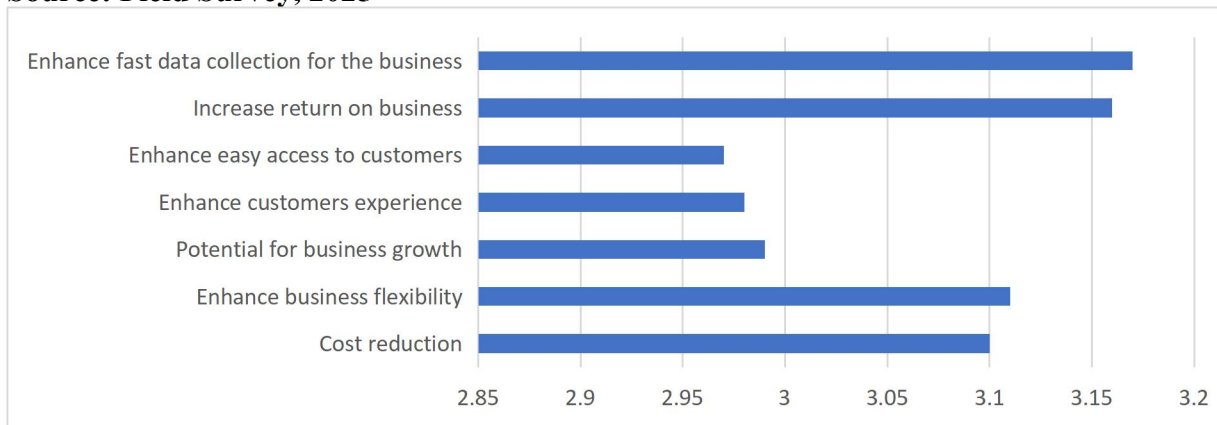


Figure 2: Bar-chart showing the benefits of digital entrepreneurship on the performance of SMEs

Table 2 indicates that the cluster mean was 3.07, which is greater than the benchmark mean value of 2.50. This implied that cost reduction, enhancing business flexibility, potential for business growth, enhancing customer experience, enhancing easy access to customers, increasing return on business and enhancing fast data collection for the business were among the benefits of digital entrepreneurship on the effective performance of SMEs.

**Research Question 3:** To what extent does digital entrepreneurship influence the performance of SMEs?

**Table 3: Extent to which digital entrepreneurship influences the performance of SMEs**

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
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		B	Std. Error	Beta		
1	(Constant)	17.714	.312		56.711	.000
	digital entrepreneurship	.091	.022	.102	4.224	.05

a. Dependent Variable: Performance of SMEs

The first important thing to note in Table 4 is that the sign of the coefficient of digital entrepreneurship is positive. This implies that the performance of SMEs increases with digital entrepreneurship. The probability ( $p = 0.05$ ) as reported in Table 4 for digital entrepreneurship implies that the slope ( $\beta = 0.091$ ) is statistically significant ( $r = .102 < p = 0.05$ ). Hence, the researcher concluded that about a 10.2% increase in the performance of SMEs in the Sagamu local government area could be attributed towards the influence of digital entrepreneurship.

### Discussion of Findings

The study's conclusions showed that among the elements influencing the efficient operation of SMEs in Nigeria were inadequate funding, inept leadership, misconduct, a lack of knowledge and expertise, inadequate infrastructure, low profits, and a lack of demand for goods and services. The positive effects of digital entrepreneurship on the efficient operation of SMEs were also shown to include cost reduction, increased business adaptability, potential for expansion, enhanced client experience, enhanced access to customers, higher return on investment, and faster data collection. Developing a successful website, a lack of capital, an unclear path to follow, crowded markets, technology limitations, consumer acceptance, and market volatility were some of the issues affecting the performance of digital entrepreneurship for SMEs in Nigeria. The profitable growth of SMEs was significantly impacted by digital entrepreneurship. Digital entrepreneurship and the efficient operation of SMEs were significantly correlated. These results support those of Peter and Peter (2024), who emphasise the significant influence of marketing assistance on the performance of SMEs. However, the qualitative analysis revealed important information. According to Ekeh (2023), the development of medium-sized businesses in North-Central Nigeria was significantly aided by technological innovation. According to the study's findings, technology innovation practices significantly boosted the expansion of medium-sized businesses in North Central Nigeria. In response to the first goal of the study, Olufemi, Solomon, Oluwayemisi, and Tina (2022) found that the majority of digital entrepreneurs in Lagos State are start-ups. According to the empirical findings, digital technologies offer distinctive combinations of elements of sustainable business models, including multifaceted value capture, integrated value proposition, and comprehensive value generation. The results also support the conclusions of Arobo (2022), who concluded that digital marketing is a novel and effective way to build, expand, and preserve client connections. The most advantageous platforms for SMEs are online ones, including websites, industry-specific publications, and discussion boards. Digital adoption was shown to be a substantial and favorable predictor of business performance by Sheikh and Olajide (2020). Among other things, Mohammed and Naveen (2020) lack expertise in digital strategy, secure cybersecurity intelligence, and the use of digital technologies for business. Making full use of information and communication technology to access global resources is the fundamental tenet of digitalization, which also benefits society. Small and medium-sized businesses are crucial to the economy's employment of individuals, enabling entrepreneurs to capitalize on expansion opportunities as the digitalization process advances. According to Apeh et al. (2023), youngsters who utilize digital platforms responsibly can empower themselves by advancing their well-being, careers, and skill sets.



## Conclusion

Having digital entrepreneurship as a factor fostering the performance of SMEs, from the analysis of the study, the following conclusions were drawn;

1. The effective performance of SMEs in Nigeria is hindered by several challenges, including inadequate financial support, poor managerial practices, corruption, limited training and experience, underdeveloped infrastructure, low profit margins, and weak demand for products and services.
2. Cost reduction, enhanced business flexibility, potential for business growth, improved customer experience, easier access to customers, increased return on investment, and faster data collection were among the benefits of digital entrepreneurship that contributed to the effective performance of SMEs.
3. There was an influence of digital entrepreneurship on the effective performance of SMEs.

## Recommendations

Based on the findings of the study, the following recommendations are provided:

1. Marketing assistance programs should prioritise the establishment of a robust digital presence to enhance SME performance further.
2. Medium-sized enterprises in Nigeria should prioritise the development of innovative technological solutions through extensive research and development, fostered by collaborative efforts, as this approach holds the greatest potential for driving sustainable growth.
3. It further recommends that newly established and existing SMEs stand to hugely benefit by adopting a digital marketing strategy in creating brand awareness and building brand trust amongst customers.

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