# SOCIAL ENTEPRENEURSHIP AND THE SUSTAINABILITY OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN LAGOS STATE

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***Abstract***
*This study examined the relationship between Social entrepreneurship and the sustainability of small and medium scale enterprises (SMEs) in Lagos state. Specifically, the study investigated the nature of the relationship that exists between social innovation and financial sustainability of small and medium scale enterprises (SMEs) in Lagos state. The research design for this study is a quantitative research approach. Purposive sampling technique was used to select the participants for this study. The sample size was 20 entrepreneurs who are engaged in social entrepreneurship activities within Lagos State. The selection criteria were based on their involvement in social innovation and their willingness to participate in the study. Primary data was collected through a structured questionnaire. The questionnaire consisted closed-ended questions that measures the level of social innovation and financial sustainability of SMEs. The collected data was analyzed using descriptive and inferential statistical techniques. Descriptive statistics such as frequencies, means, and standard deviations was used to summarize and present the data. Inferential statistics such as correlation analysis and regression analysis was conducted to determine the nature of the relationship between social entrepreneurship and the sustainability of SMEs in Lagos State. The study therefore found out that there is significant and positives relationship between Social entrepreneurship and the sustainability of small and medium scale enterprises (SMEs) in Lagos state. Based on the findings the study recommends that Entrepreneurs should engage in more of social activities rather than see entrepreneurship as profit making venture alone.*
***Keywords:*** *Social entrepreneurship, sustainability, SMEs, Lagos State.*

## Introduction

The desire to develop and make every nation a better place of inhabitancy gave birth to the concept of social entrepreneurship. Social Entrepreneurship made it crucial for Entrepreneurs to look beyond profit making and start addressing social, environmental and economic issues as far as development is concerned in the society. Social Entrepreneurs can be described as individuals who want to solve social problems through change and innovation of their products and services. While some Social Entrepreneurs may start inform of non-profit ventures, others may venture into profit making business with the intention of giving back to the society. Hence, Social Entrepreneurs are more concerned about social development and change rather than profit-making like other Entrepreneurs. Numerous attempts have been made to address the immense social and environmental problem. Some of those efforts have been successful, but unfortunately; most of them have failed to generate substantial progress. Social entrepreneurship was then seen as a good method of solution to the social and environmental problems. This is due to the fact that in this capitalist society position entrepreneurs as a main actor in the society who can create a change, influence the economy and the whole world. Over the last four decades, social entrepreneurship attempts to use entrepreneurial private sector approaches to address social and environmental needs have emerged (Aliyeva 2021).

Despite the numerous opportunities that are being presented by social entrepreneurs to the society, sustainability remains a crucial concern, because for the society to continuing benefiting from the opportunities of social entrepreneurship it has to be sustainable within the industry in which it

operates. Since they are majorly not out to make profit, to what extent are they financially sustainable within the industry? Meanwhile Obioro, Oladejo, Oyalaku and Solaja (2020) asserts that while some researchers believed that social entrepreneurs has the resources and its important to support government in social developmental issues, others researchers believed that it is a waste of resources and it is at the detriment of the survival of the business.
In light of this, the researcher seeks to verify the relationship between social Entrepreneurship and financial sustainability of SMEs in Lagos state.

The inequality and social injustice we have in the society have contributed negatively to social, environmental and economic development we are currently experiencing today.

Thus, the desire for a better standard of living and to make the society a better place of inhabitancy motivated the researcher towards the concept of social Entrepreneurship.

Also, social entrepreneurship as a non-profit making venture or profit-making venture for social good, the extent to which it's sustainable in the industry becomes a major concern.

The objective is to determine the nature of the relationship that exit between Social innovation and Financial sustainability of small and medium scale enterprises (SMEs) in Lagos state.

The study will be of immense significance to the community by benefiting directly from social, economic and environmental infrastructures and services rendered to the community from the proceeds of their profit. Also, the government will equally benefit by way of aids, support and assistance in rendering services to the community from private sector. Finally, Entrepreneurs will definitely gain positive corporate image out of their goodwill in giving back to the society.

## Review of Related Literature

### Concept of Social Entrepreneurship

The concept of social Entrepreneurs has been defined by different authors in different but related ways.

Aliyeva (2021) defined social entrepreneurship as a movement for addressing social problems by catalyzing the transformation of existing ideologies. Ogbo, Ezeobi, Igwe and Kalu (2019) defined Social Entrepreneurship as an act of innovation, creativity, flexibility and collective work to accomplish community goals in order to bring about a sustainable social change. Bansal, Barg and Sharma (2019) defined Social Entrepreneurship as an arm of Entrepreneurship that focuses on the society in order to identify problems that are associated with the society and proffer lasting solution. Roger and Osberg (2007) defined social entrepreneurs as individuals with innovative solutions to society most pressing and daunting social problems, they are ambitious and persistent tackling major social issues and offering new ideas for wide scale change.

Social Entrepreneurship can therefore be described as an intervention in form of Social innovation, Social change and creativity for the purpose of providing solutions to social and environmental problems in the society.

### Concept of Social Innovation

The first approach to the concept of social innovation was Taylor in 1970, as cited in Derbez (2019) defining it as a new way of doing things with the specific interest of attending to the needs of society, such as poverty or crime. Mulgan (2007) simply defined Social Innovation as new ideas that work in meeting social goals. While Baker and Mehmood, (2015) defined it as has the potential to transform society through practices oriented to allow individuals or groups to deal with a social need or a set of needs that could not be met by other means. Despite the different approaches to the concept of social innovation, it has four key elements: satisfaction of a need, innovation of the solution, change of social structures and relationships, and the increase of society's capacity to act Derbez (2019).

**Concept of Sustainability**

Sustainability has been defined by different authors from different dimension. The most cited definition from business dimension was that presented at the World Commission on Environmental and Development (1978) as cited in Kotob (2011); Rahman, Abdullatiff and Abdulwahab (2022) as the development that meet today's need without compromising the ability of future generations to meet their own needs. While, Bom, Jorge, Ribeiro, & Marto (2019) described Sustainability from three dimensions which are: Social; the act of incorporating concept of equity accessibility, cultural identity and institutional stability. , Environmental; Involves preservation of national capital, ecosystem integrity, carrying capacity and biodiversity and financial sustainability; which impies economic feasibility while development moves towards environmental and social sustainability.

**Concept of Financial Sustainability**

Financial sustainability as the way in which is forms are financially managed to ensure that current fnancial success does not jeopardise future fnancial success, including the success of future generations (Günther and Günther 2017).While, Zabolotnyy and Wasilewski (2019) analyse defined fnancial sustainability in terms of two dimensions namely: value and continuity. Considers fnancial sustainability as dealing solely with the company's long-term financial security as an important part of the overall goal of sustainability. Concept of financial sustainability is also important for risk management (Lenssen et al. 2014),

Gleißner, Günther and Walkshäus (2022) described financial sustainability from three dimensions which are: a real growth of the form that prevents its shrinkage or liquidation over time, a signifcant probability of form survival, an adequate level of risk exposure by the frm, and an attractive risk–return profle for the owners.

**Emperical Review**

Obioro, Oladejo, Oyaleku and Solaja (2020) empirically reviewed social entrepreneurship and the sustainable development of SMEs in Oyo state through structured questionnaire. The study found out that social entrepreneurship is a strategy that an entrepreneur can adopt to ensure sustainable development of SMEs in Nigeria.

Ogbo, Igwe, Ezeobi, Modebe and Ume (2019) empirically examined the impact of social entrepreneurship on sustainability of business development in Nigeria. Research survey design was employed through the use of structured questionnaire.The study found out thatthe sources of funds for financing the social entrepreneurs are contributions from social entrepreneurs,

subventions from government, donor supports, loans and advances and retained earnings/reserves hence, social entrepreneur is found sustainable in SMEs industry in Nigeria.

Sauermann (2000) this study employs a mixed-methods approach, drawing on data collected from surveys of 60 community members and interviews with 20 social entrepreneurs operating in low-income communities to examine the role of social entrepreneurship in fostering sustainable development. The findings reveal that effective initiatives require strong leadership, community engagement, funding accessibility, and adaptability, as well as that social entrepreneurship has the potential to advance sustainable development through the provision of innovative solutions to complex social and environmental problems, the promotion of local economic development and the enhancement of community resilience. The study further underscores the difficulties social entrepreneurs face in low-income communities, including navigating complex regulatory environments, securing funding, and establishing community.

Obinna (2014) the study evaluated the contributions of social entrepreneurship and its core elements in sustainable development using a cross section of entrepreneurs and interest groups from Imo and Abia States. While simple correlation analysis was used to process the data. It was revealed that social entrepreneurship has not contributed effectively to sustainable development due to low level of creativity and innovation in our entrepreneurs.
Hattab (2023) this study examined effectuation theory and the social entrepreneurship: An empiricalstudy of the relationship between adopting the principles ofeffectual logic and social enterprise's performance in Egypt. The objective of the research is to investigate whether effective logicprinciples affect social enterprises' financial, market, and innovative performance in Egypt. An online survey was shared via email with social entrepreneurs identified using snow-ball sampling. Results showed that the performance of socialenterprises in Egypt is average, and in some instances, lesserthan average, especially financial and innovation performance, while they moderately apply effectuation principles as theyperform their regular activities.

**Theoretical Frame Work**

This research anchored on Schumpeterian Theory of Innovation. Schumpeterian Theory of Innovation was propounded in 1934. This theory places emphasis on innovative entrepreneurs who upset and disorganize the existing way of doing things. Schumpeter sees an entrepreneur as someone who creates a firm, implements 'new combinations of means of production', and an innovator. In his theory, the entrepreneur's role is to disturb the status quo (the general equilibrium) through innovation. He claimed that all change that altered the normal circular flow of industry was as a result of entrepreneurship, and he called this force the "creative destruction of capital". Creative destruction is a process of industrial mutation that revolutionizes the economic structure from within, destroying the old one, creating a new one. Schumpeter (1934) cited in the work of Nteere (2021) argued that innovation by the entrepreneur leads to gales of creative destruction as they cause old inventories, ideas, technologies, skills and equipment's to be obsolete. Schumpeter argued that innovation was to be found in entrepreneurial activities to; 1)offer new products and services, 2) new markets, 3) new production methods, 4) new sources of supply and 5) developing a new organization. According to Schumpeter, entrepreneurship is the source of change. Innovation creates new activities and markets. He proposed that profits are the result of firm innovation. The most important part of Schumpeterian theory of innovation to social entrepreneurship is that a social entrepreneur should create a social enterprise, create new

combinations of means of production, be innovative and cause social change by causing disequilibrium in the market.

**Methodoogy**

The research design for this study is a quantitative research approach. This approach allows for the collection and analysis of numerical data, which enabled the researcher to determine the nature of the relationship between social entrepreneurship and the sustainability of SMEs in Lagos State.

A purposive sampling technique was used to select the participants for this study. The sample size will include 20 entrepreneurs who are engaged in social entrepreneurship activities within Lagos State. The selection criteria used was based on their involvement in social innovation and their willingness to participate in the study.

Primary data was collected through a structured questionnaire. The questionnaire consisted closed-ended questions measured the level of social innovation and financial sustainability of SMEs. The questionnaire was pre-tested before the actual data collection to ensure its reliability and validity. These questionnaires were designed using 4-point scale to elicit information that borders on the objectives of the study. The 4 points ratings scale used are: Strongly Agree (SD) = 4 points, Agree (A) = 3 points, Disagree (D) = 2 point, Strongly Disagree (SD) = 1 point respectively.

**Data Presentation and Analysis**

The collected data was analyzed using descriptive and inferential statistical techniques. Descriptive statistics such as frequencies, means, and standard deviations will be used to summarize and present the data. Inferential statistics such as correlation analysis and regression analysis was conducted to determine the nature of the relationship between social entrepreneurship and the sustainability of SMEs in Lagos State.

**Result**

**Table 1**

**Cluster A:** Various Social innovation of SME in Lagos state.

**N = 20**

| | **ITEMS** | **SA** | **A** | **D** | **SD** |
|---|---|---|---|---|---|
| 1. | Sourcing raw materials and components from socially responsible suppliers who prioritize fair trade, ethical labor practices, and environmental sustainability is one of the principles in supply chain the SMEs should abide with. | 10 | 6 | 2 | 2 |
| 2. | The use of collaborate with community organizations to address specific social issues, such as promoting education, | 11 | 6 | 3 | |

| | | | | | |
|---|---|---|---|---|---|
| | improving healthcare access, or supporting marginalized groups is a common practice by SMEs in Lagos State. | | | | |
| 3. | SMEs in Lagos State were known with offer flexible working arrangements, promote diversity and inclusion, or implement profit-sharing schemes. | 12 | 5 | 2 | 1 |
| 4. | SMEs in Lagos state are adopting circular economy practices to minimize waste and reduce their environmental footprint, such as implement recycling programs, encourage the use of renewable materials, or offer repair and refurbishment services. | 12 | 7 | 1 | 0 |
| 5. | Many SMEs are leveraging technology to create social impact by harnessing technology to solve social problems because they can not only generate financial returns but also create tangible benefits for individuals and communities. | 9 | 6 | 4 | 1 |

**Source:** Field Survey, 2023

**Table 2**

**Cluster B:** Pattern of Financial sustainability of SME in Lagos state.

**N = 20**

| | **ITEMS** | **SA** | **A** | **D** | **SD** |
|---|---|---|---|---|---|
| 1. | One way to ensure financial sustainability for SMEs is to diversify their revenue streams, because relying solely on one product or service can make the business vulnerable to market fluctuations or disruptions. | 12 | 6 | 1 | 1 |
| 2. | SMEs need to carefully manage their costs to maintain financial sustainability, this involves regularly reviewing and optimizing expenses, negotiating favorable terms with suppliers, and implementing efficient operational processes. | 11 | 6 | 3 | |
| 3. | To ensure financial sustainability, SMEs need access to appropriate financing options, which include securing loans from banks or financial institutions, exploring crowdfunding or peer-to-peer lending platforms, or attracting investments from venture capitalists or angel investors. | 10 | 7 | 2 | 1 |
| 4. | Maintaining strong customer relationships is crucial for financial sustainability, by satisfied customers and more likely to provide repeat business, refer others, and generate positive word-of-mouth, which contributes to revenue growth. | 12 | 6 | 0 | 2 |
| 5. | Embracing technology can significantly contribute to the financial sustainability of SMEs, tis involved investing in automation, digital marketing strategies, and enterprise resource planning (ERP) | 6 | 5 | 4 | 5 |

| | | | | | |
|---|---|---|---|---|---|
| | systems, SMEs to streamline operations, improve efficiency, and reduce costs. | | | | |

**Source:** Field Survey, 2023

## Regression

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| FinancialSustainabilityofSMEs | 16.2000 | 4.20025 | 20 |
| SocialInnovationSMEs | 13.2500 | 3.29074 | 20 |

The descriptive statistics table provides information about the mean and standard deviation of the variables "Financial Sustainability of SMEs" and "Social Innovation SMEs." The mean for "Financial Sustainability of SMEs" is 16.2000, with a standard deviation of 4.20025. The mean for "Social Innovation SMEs" is 13.2500, with a standard deviation of 3.29074. These statistics give us a sense of the central tendency and variability of the data.

**Correlations**

| | | FinancialSustainabilityofSMEs | SocialInnovationSMEs |
|---|---|---|---|
| Pearson Correlation | FinancialSustainabilityofSMEs | 1.000 | .986 |
| | SocialInnovationSMEs | .986 | 1.000 |
| Sig. (1-tailed) | FinancialSustainabilityofSMEs | . | .000 |
| | SocialInnovationSMEs | .000 | . |
| N | FinancialSustainabilityofSMEs | 20 | 20 |
| | SocialInnovationSMEs | 20 | 20 |

The correlations table shows the correlation between the two variables. The Pearson correlation coefficient between "Financial Sustainability of SMEs" and "Social Innovation SMEs" is .986, indicating a strong positive correlation between the two variables. The significance level (Sig.) for this correlation is .000, suggesting that the correlation is statistically significant.

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .986[a] | .973 | .971 | .71369 | .973 | 640.086 | 1 | 18 | .000 | 1.821 |

a. Predictors: (Constant), SocialInnovationSMEs

b. Dependent Variable: FinancialSustainabilityofSMEs

The model summary table provides information about the regression model used to predict "Financial Sustainability of SMEs" based on "Social Innovation SMEs." The R-square value of .973 indicates that approximately 97.3% of the variance in "Financial Sustainability of SMEs" can be explained by the predictor variable "Social Innovation SMEs." The F-statistic of 640.086 is highly significant (Sig. F Change = .000), indicating that the regression model is a good fit for the data.

## Test of Hypothesis

**ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 326.032 | 1 | 326.032 | 640.086 | .000[b] |
| | Residual | 9.168 | 18 | .509 | | |
| | Total | 335.200 | 19 | | | |

a. Dependent Variable: FinancialSustainabilityofSMEs

b. Predictors: (Constant), SocialInnovationSMEs

The ANOVA table further explains the goodness of fit of the regression model. The regression sum of squares is 326.032, indicating the variation in the dependent variable explained by the independent variable. The residual sum of squares is 9.168, representing the unexplained variation in the dependent variable. Since F-statistic is 640.086 and p-value is 0.000 confirms that the regression model is statistically significant.

This suggested that Social Innovation SMEs has a significant and positive relationship with the financial sustainability of SMEs", indicating that higher values of the Social Innovation SMEs are associated with financial sustainability of SMEs".

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.479 | .678 | | -.707 | .489 |
| | Social Innovation SMEs | 1.259 | .050 | .986 | 25.300 | .000 |

a. Dependent Variable: FinancialSustainabilityofSMEs

The coefficients table provides information about the coefficients of the regression model. The intercept term is -.479, and the coefficient for "Social Innovation SMEs" is 1.259. These values indicate the direction and strength of the relationship between the independent variable and the dependent variable.

**Residuals Statistics[a]**

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 5.8148 | 19.6617 | 16.2000 | 4.14241 | 20 |
| Residual | -1.59125 | 1.18518 | .00000 | .69466 | 20 |
| Std. Predicted Value | -2.507 | .836 | .000 | 1.000 | 20 |
| Std. Residual | -2.230 | 1.661 | .000 | .973 | 20 |

a. Dependent Variable: FinancialSustainabilityofSMEs

Finally, the residuals statistics table displays descriptive statistics for the residuals of the regression model. The minimum residual is -1.59125, and the maximum residual is 1.18518. The mean residual is 0, indicating that the model is unbiased. The standard deviation of the residuals is .69466, which shows the spread of the residuals around the mean.

## Summary of Findings

The findings of this study shows that there is a positive and significant relationship between Social Innovation and economic sustainability of small and medium scale enterprises (SMEs) in Lagos state.

## Conclusion

Social Entrepreneurship unlike traditional entrepreneurship is majorly not in existence to make profit. However they still make profits through their products and services, which invariably are giving back to the society inform of social and environmental infrastructures. The sustainability of social Entrepreneurship in small and medium scale industry is in no doubt astheir activities in the society will go a long way to affect their business positively.

## Recommendations

The study hereby recommends that Entrepreneurs should engage in more of social activities rather than see entrepreneurship as profit making venture alone.

Government should also ensure that their policies supports, encourage, promote and facilitate entrepreneurship in Nigeria.

Financial institutions should also support them financially by making loans available to them at low interest rate.

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