EFFECT OF COST LEADERSHIP STRATEGY ON SMALL AND MEDIUM ENTERPRISE (SMES) GROWTH IN NASARAWA STATE

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Abstract
Stagnation in the overall growth of SMEs especially in Nasarawa has remained worrisome this is despite internal and external efforts by stakeholders to stabilize the sector. This led to this study which examined the effect of cost leadership strategy on the growth of SMEs in Nasarawa State. Primary data was collected using 5-point Likert scale structured questionnaire for the study, the study employed purposive sampling techniques to select the sample size of 215 SMEs that are into production in Nasarawa State. The study employed the Partial Least Square Structural Equation Modelling (PLS-SEM) to model the regression analysis, based on the analysis the study revealed that cost leadership has negative and significant effect on SMEs growth in Nasarawa State, the study recommended that SMEs should continue to seek low-cost without compromise to the quality of products and services offered. This will ensure increase in patronage by way of retaining existing customers and wooing newer ones. This will translate into increased sales and profit which could be deployed for expansion purposes.

INTRODUCTION

Strategic Management is a concept that concerns making decisions and taking corrective actions to achieve long-term targets and goals of an organization (Bakar et al, 2011). It is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 2008). The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-years strategies irrelevant (Ofunya, 2013). Strategies should therefore be put in place to cushion the businesses from the uncertainty that comes along with an unpredictable environment. Strategic management addresses the reason why some organizations succeed while others fail (Melchorita, 2013; Porter, 2001). Strategic management involves identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies and evaluating the results (Robbins & Coulter, 1996).

Competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership. Also, it provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. Powell (2001) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possesses control over unique resources that has the ability to create such a unique advantage. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high-grade scores or inexpensive power, or access to highly trained and skilled personnel (Clulow et al.2003). New technologies such as robotics and information technology can provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business.

Competitive strategies are a broad formula on how business is going to compete in an increasingly dynamic environment. The intensity of competition in the SMEs is underlined in the economic structure and goes well beyond the behaviour of current competitors. The state of competition depends on the bargaining power of buyers and sellers, the threat of new entrants, potential substitute products and rivalry among existing competitors that determine the inherent profit potential of an industry (Pimtong, et al., 2012). Competitive strategy involves cost leadership, differentiation and focus strategies. However, this paper will address the cost leadership aspect of competitive approach to organisation performance. Cost leadership strategies involves cutting down costs throughout the value chain to try and achieve the minimum cost structure possible where the products are made of high value, but with limited standard features with the intention of gaining competitive advantage thus increasing market share (Sumer & Bayraktar, 2012). Cost leadership is one of Porter's five generic strategies that a business could implement in order to secure a sustainable competitive advantage over its competitors within the industry, thereby earning a higher profit. The five strategies are comprised of three basic classifications: cost leadership, differentiation, and focus, which target either a broad or a narrow market segment (Porter, 1980).

Statement of the Problem

In the bid to survive amidst intense competition, SMEs develop or choose from existing strategies to implement. Firms therefore choose strategies based on their resources and desired target market. Smaller firms especially in Nasarawa state often opt for low cost strategies especially in broader markets due to limited resources at their disposal. However, despite the choice of low-cost strategies by these SMEs, these firms have remained stagnant in terms of growth. This is evidenced in the fact that, they have remined at a single point of operation without expansion to other areas or products to warrant increase in sales, number of employees and subsequently profit. This makes one to wonder whether cost leadership strategy adopted by these SMEs have any effect on their performance and hence this study which examined the effect of cost leadership strategy on growth of small and medium enterprise (SMEs) in Nasarawa State.

LITERATURE REVIEW

Concept of Cost Leadership

Cost leadership strategy is a strategy to produce products with per-unit costs that are produced significantly low-priced compared with goods offered in the market (Amalia, 2015). According to Porter's Generic Competitive Strategies, cost leadership, a firm sets out to become the low-cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors (Peteraf, 1993). A low-cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

The goal of cost leadership strategy is to offer products or services at the lowest cost in the industry. The challenge of this strategy is to earn a suitable profit for the company, rather than operating at a loss and draining profitability from all market players. Companies such as Walmart succeed with this strategy by featuring low prices on key items on which customers are price-aware, while selling other merchandise at less aggressive discounts. Products are to be created at the lowest cost in the industry (Amit & Zott, 2001). An example is to use space in stores for sales and not for storing excess product. This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this (Kotler & Armstrong 2010). This strategy emphasizes efforts to produce standard products with a noticeably affordable unit cost is a low-cost strategy undertaken by companies to gain competitive advantage. Besides, the advantages of a company can be reflected when it is able to offer more economical prices compared to its competitors. Various combinations of level of differentiation and level of costs will give different results of strategic positions.

Some scholars assume that cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes. However, this takes a limited industrial view of strategy. Small businesses can also be cost leaders if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbents' costs and prices have become too high (Monroe, 2004). An example is the success of low-cost budget airlines who despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents.

Concept of Growth

There are several factors that lead to a firm growth. The age of the firm has an impact. Evans (2009) found that old firms, smaller firms have faster growth, and also have a positive coefficient of the interaction between size and age also found that age had negative effect on company's growth. Nelson and winter (2011) noted that firms have routines which are transferred from one person to the other. Thus, successful routines which have been producing growth in the past would likely to continue in producing growth in the future. The interrelation of profitability and growth is illustrated by the fact that a basic operating principle is that growth can best be evaluated by examining profit and total sales. It is important that all firms must remember the need to maintain a balance between profitability and growth: it is crucial for any business to grow as well as be profitable in order to sustain and stay relevant in the marketplace (Chowdhry, 2016).

There is a general opinion that the use of growth as a measure of firm performance is based on the understanding that growth is an antecedent to the attainment of sustainable competitive advantages. Sales growth rate was used to capture firm performance because EO is essentially a growth orientation (Fitzsimmons, 2005; Lumpkin & Dess, 1996). Therefore, it is appropriate to measure the effectiveness of EO by using an indicator that reflects the success of a firm at converting entrepreneurial opportunities into growth road maps (Simon, et al., 2011). The belief is that firms that are undergoing growth phases have higher rates of survival and they enjoy the benefits associated with economies of scale which in turn will affect their profitability (Fitzsimmons,2005).

Neneh and van Zyl (2014) emphasized that Growth is an organizational outcome resulting from the combination of firm-specific resources, capabilities and routines, a firm's growth opportunities are highly related to its current organizational production activities and its firm's growth is also uncertain due to environmental conditions such as competition and market dynamics and a firm's growth is the most vital source of new jobs and is considered a valuable measure of entrepreneurial success. Hardeep and Anupama (2013); Sakari (2015) viewed growth as an increase in amount, number or size. In the business or economic sense it means an increase in the value of goods or services produced and sold by a business or country. Levie and Autio (2013), Alarape, (2013) add that if entrepreneurs do not have any intention of growing their businesses, their businesses will most probably not grow, given that achieving growth is very difficult. SMEs growth means expanding firm's products or expanding its target markets, or some combination of each. Any increase in the volume of activities of enterprises is a clear indication of growth. Businesses grow for a number of reasons including innate desire to grow, taking advantage of a gap in the market or to gain a competitive advantage (Fatoki, 2012). Growth is often measured in terms of turnover and profit, but can also occur in knowledge, in human experience, and in efficiency and quality (Elumeh, et al., 2016).

Empirical Review

Atikiya et al., (2015) investigated the effect of cost leadership strategy on performance of manufacturing firms in Kenya. A survey questionnaire and an interview guide was used to collect data from 131 firms drawn from 12 key industrial subsectors located within Nairobi and its environs. The study adopted two tools of analysis namely; Pearson's correlation to indicate positive correlation between the input and the output variable and regression analysis to explain the nature of relationship between the input and output variable. Fstatistics was also used to determine the validity of the model while R-squared was used to help determine the model goodness of fit. The study adopted descriptive and explanatory research design. The findings revealed that performance of manufacturing firms are significantly influenced by cost leadership strategy. Arising from the findings, the study concludes that the managers of manufacturing firms adopt cost leadership strategy to increase their competitiveness and performance.

Chepchirchir et al., (2018) examined the effect of cost leadership strategy on organizational performance of logistics firms at Jomo Kenyatta International airport, Kenya. This research was guided by Porters five forces theory. The study was informed by explanatory research design. It targeted a population of 151 respondents and a sample size of 110 top and middle level management forming the study population. The study data came from 10 logistics firms with active websites operating at JKIA Nairobi. The respondents identified were selected using simple random sampling technique. A questionnaire based on the variables of the study was used to collect data from respondents. Analysis of data involved use of descriptive and inferential statistics. It was found out that cost leadership had a significant positive effect ($p<0.05$) on logistics firms performance. it was found out that as a result of utilising this approach, there was increased sales volume and profits. Further, there was reduction of costs associated with operations that resulted to increased profit margin. The paper recommends that there is need for all logistics firms to consider integrating cost leadership aspects in all their departments and sections of the organisation.

Surono et al., (2020) examine the effect of cost leadership strategy and differentiation strategy on company's performance. It was conducted in companies listed in the Jakarta Islamic Index from 2014 to 2018. Purposive sampling was used to obtain samples from 12 companies. Analysis was done by multiple linear regression with the help of the IBM SPSS 23 statistical program for windows with a quantitative descriptive approach. The results show that the cost leadership strategy influences company's performance compared to differentiation strategy. The implementation of a low-cost strategy is significantly relevant to the condition of people who are sensitive to price and are not much aware about brand products in decision making. The design of a unique item model does not determine success in marketing a product, the relative price offered is quite high and only in certain market segments the product is of public interest. Product quality is defeated by the quantity of goods, people prefer how much goods are obtained than the durability of the products consumed.

Nyauncho et al., (2015) investigated the effects of cost leadership strategy on performance of LPGC in Eldoret town. In doing this, the study adopted Porter's Generic Competitive Strategies which states that, cost leadership is a firm sets out to become the low-cost producer in its industry. The study used a survey design and targets a population of 175 which comprise of 10 station managers, 40 departmental heads, 20 supervisor and 105 employees. A sample size of 64 was selected using stratified sampling. The study used questionnaires and interview schedule as data collection instruments. Data analysis was carried out using descriptive statistics such as Spearman rank coloration, means. Pearson's product moment correlation coefficients were used to assess the degree of linear relationship among competitive strategies and between competitive strategies and performance of the liquefied petroleum gas companies. Normality of the variable was tested for cost–leadership using skewness and Kurtosis. Homogeneity of variances was tested using Levenne's test of equality of variances across gender of respondents. The study established that the company uses cost minimization of operational costs (M=427, SD=1.058) Minimization of procurement costs (M=4.54, SD=0.770), evaluation of labour costs (M=4.17,SD=0.966) and Conducts costing of its promotion activities (M=3.98 SD==1.2050.The study concluded that, cost leadership influences the performance of LPGCs performance enabling the company to reduce price leading to high volume of sales visa a-visa profit margin, increase in service delivery, less return inwards, reduced operational costs and reduced wastages. The study recommended that, Liquidified petroleum companies should carry out through market research to identify the gaps in the markets. The gaps should be varied that is product gap, market gap and promotion gap before designing the competitive strategies.

Kubai et al., (2021). determined the influence of cost leadership strategy on performance of the insurance companies in Kenya. Specifically, the study aimed at establishing the influence of price of premiums, maturity period, market segment and nature of products. The study adopted the descriptive research design method to ascertain and describe the characteristics of the variables. A sample size of 55 insurance companies was reached, and a semi-structured questionnaire was used to collect primary data from the respondents. Data was analyzed using the SPSS software, from which appropriate findings were presented. The study findings showed that the cost leadership strategy was largely applied in the insurance companies in Kenya, and most of them have realized great performance. Nonetheless, the study found that most insurance companies' distribution channels for products are moderately entrenched and hence firms may not have been perfectly efficient in reducing associated costs. The study recommends that insurance firms should devote more resources to execution of cost leadership programs, adoption of effective premium pricing, and enhanced use of proprietary technology in enhancing the products' quality. The study as well recommends that insurance forms should come up with effective strategies that will help them to gain a large market segment in Kenya in order to enhance their performance, as this will effectively help them in overcoming competition in their industry.

Abdullahi et al. (2017). examined cost leadership strategy on performance hotels. After extant literature review the research used quantitative survey approach to analyze the hypothesized relationships. The paper employs census sampling to collect data from the manager/owner of hotels Kano State Nigeria. The data were analyzed using partial least square (PLS) method one of the 2nd Generation statistical tool of analysis. The findings of this study indicate that cost leadership strategy have direct significant positive relationship with hotels performance, The result signifies the appropriateness of PLS in analysis and has contributed better understanding of cost leadership strategy influence on hotels performance. Similarly, finding of this study can assist practitioners and policy makers in Hotels industry support the idea of business level strategy in designing strategic plan for superior performance. Finally, study implications for theory and practice, limitations, conclusions as well as direction for future research were provided and discussed.

Ali et al. (2018) examined strategic management practices and performance of small and micro enterprises in Nairobi city county, Kenya the study used a descriptive research design. The population of study were youth owned SMEs in the 17 sub-counties in Nairobi City County that are operational. This consisted of 100 respondents who were the proprietors of the enterprises. A sample of 30 respondents was taken which formed 30% of the target population which was evenly spread across the sub-counties. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. The study realized that the Michael Porter's generic strategies of competitive advantage used in the study which include low cost leadership strategy, differentiation strategy, focus strategy and combination strategy significantly influenced the organizational performance of SMEs in Nairobi City County, Kenya. The variables explained 85.11% of the changes in organizational performance of the SMEs. A unit increase in low-cost leadership strategy adoption by SMEs led to a 0.655 increase in organizational performance of the SMEs, a unit increase in differentiation strategy adoption led to a 0.876 increase in performance of the enterprises, a unit increase in focus strategy transformed to a 0.945 increase in performance of the firms while a unit increase in application of combination strategy by the SMEs led to a the study used a descriptive research design. The population of study were youth owned SMEs in the 17 sub-counties in Nairobi City County that are operational. This consisted of 100 respondents who were the proprietors of the enterprises. A sample of 30 respondents was taken which formed 30% of the target population which was evenly spread across the sub-counties. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. The study realized that the Michael Porter's generic strategies of competitive advantage used in the study which include low cost leadership strategy, differentiation strategy, focus strategy and combination strategy significantly influenced the organizational performance of SMEs in

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Njuguna et al. (2020) sought to determine cost leadership strategy and organisational performance of insurance firms in Nyeri County, Kenya. It was anchored on Porter's Five Forces Model and the Dynamic Capabilities Theory. A census study approach was used to subject all the twenty (25) insurance companies operating in the county to study. Purposive sampling was used to identify the respondents who included branch managers, finance officers, marketing managers, claims managers and actuaries of all the insurance firms being studied. This procedure led to a total of 125 respondents. The study assessed non-financial performance of the insurance companies for 5 financial years 2014-2018. Primary data was collected through questionnaires while secondary data was gathered using a document review guide to review financial statements, management reports and other key publications in the company. Both descriptive and inferential statistics were used in the analysis. The Pearson correlation analysis results established that cost leadership ($r=0.791$, $p= 0.01$) has a very strong and positive correlation with organisational performance. Similarly, the results of the multiple linear regression analysis showed that cost leadership ($\beta=880$, $p=0.004$) has a positive effect on organisational performance. Thus, a conclusion was made that pursuit of cost leadership strategies delivers positive results to the organisation. The study recommends that insurance companies work on improvement of the adoption of proprietary technology and innovative distribution channels for products which were found to be only moderately entrenched. This could be limiting their efficiency in effectively controlling the operating and distribution costs.

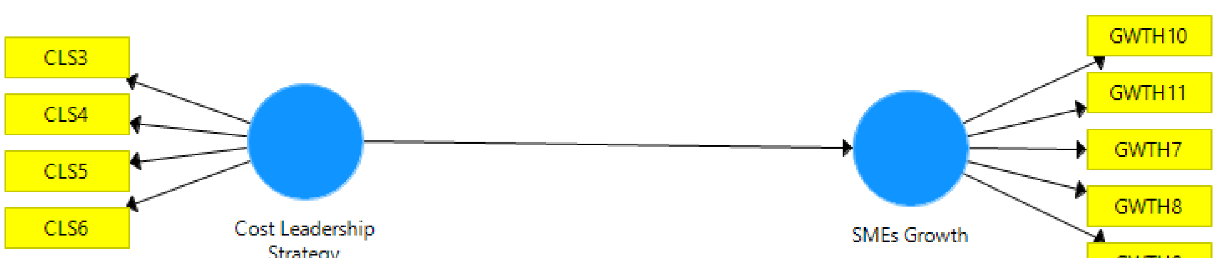
Sebastian (2014) examined the effects of cost leadership strategy and sustainable competitive advantage of Naivas supermarket in Kenya. The increasing global nature of competition requires that the firm utilizes all of its valuable resources in order to survive and succeed. Therefore, Naivas as a retail chain needs to identify and build on the cost drivers and key success factors that are sustainable and will set it above other supermarkets in the industry as competition intensifies. The study was carried out through a case study design of Naivas Supermarket where primary data was collected using an interview guide and secondary data obtained from the company website, Industry periodicals and company publications. Personal interviews were done with Naivas Supermarket Human Resource Manager, Operations Manager, Purchasing & Supplies Manager, ICT Manager, Business Development & Marketing Manager and Finance Manager at the company's head office in Nairobi's Sameer Industrial Park using an interview guide. Content analysis technique was used to analysed the data. The study found that Naivas supermarket had to a large extend applied the cost leadership strategy on its operations by defining its low- and middle-income market niche, but more needs to be done to enhance the efficiency of the cost leadership business model. The study further established that the retail chain business environment is moderately changing and is characterized by dominant privately owned firms which inform the kind of competitive strategies adopted. It was found that for cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage. The study also established as critical for senior managers to undergo occasional training and scenario exposures to be up to speed with dynamic industry environmental factors. The study recommended further research could be carried out on cost leadership and differentiation strategies in the retail chain business owing parallel strategies often adopted. Additionally, there is need to explore on the challenges of applying cost leadership in a controlled market economy.

Resource Based View Theory

The resource-based view (RBV) is one of the widely known theories related to firm performance. Following the work of Wernerfelt (1984), RBV became an influential theory within the field of strategic management. The foundation of the RBV can be traced back to earlier works that emphasized on the significance of resources in enhancing firm performance (Chandler, 1962; Penrose, 1959). The RBV postulated that the basis for competitive advantage of a firm depends on the organization's ability to utilize the bundle of valuable intangible and tangible resources available for the organization (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984). Resource based view/theory originated from the effort of Penrose (1959) describing firm as combination of resources. Therefore, firm performance largely relies on the capability of the firm to best utilize the available resources. Later Barney (1991) provided a more description of RBV theory, and defined firm resources as assets, capabilities, procedures, characteristics and knowledge that can be used by the firm to formulate and implement competitive strategies. Organizational resources are assets or entities that can be used by the organization strategically to maintain competitive advantage (Daft, 2009). This is in line with Peteraf (1993) that situation essentially can persist competitive advantage include superior resources (heterogeneity inside an industry), retroactive competition, imperfect resource mobility and proactive to competition. Resources contributed to competitive advantage when they are diverse from different angle of the firms, not easily to be share from one firm to another and cannot be replicate before or after implementation of the firm's competitive place (Peteraf, 1993). Thus, RBV in this study explain how hotels can used cost leadership in achieving greater performance.

METHODOLOGY

The study adopted a descriptive survey research design. Primary data was collected using 5-point Likert scale structured questionnaire for the study. The study employed the Partial Least Square Structural Equation Modelling (PLS-SEM) to model the regression analysis. The PLS path modelling method was developed by Wold (1982). The PLS algorithm is a sequence of regressions in terms of weight vectors. The weight vectors obtained at convergence satisfy fixed point equations. PLS-SEM is a non-parametric method that does not require that the data meet certain distributional assumptions. However, the parametric significance tests (e.g., as used in regression analyses) cannot be applied to test whether coefficients such as outer weights, outer loadings and path coefficients are significant. Instead, PLS-SEM relies on a nonparametric bootstrap procedure to test the significance of various results such as path coefficients, Cronbach's alpha, HTMT, and R^2 values. (Efron & Tibshirani, 1986; Davison & Hinkley, 1997). The population of the study consists of all the register SMEs in Nasarawa State however, the study employed purposive sampling techniques to select the sample size of 215 SMEs that are into production in Nasarawa State. The model for the path analysis is specified thus:



Theoretical Model on effect of cost leadership strategy on SMEs growth in Nasarawa State.

RESULTS AND DISCUSSION

Two hundred and fifteen (215) questionnaires were distributed, 211 were properly filled and returned giving a response rate of 98%. Subsequently, all further analyses were done using 211 responses data.

Table 4.1: Descriptive Statistics

variable	Mean	Median	Min	Max	SDV	Kurtosis	Skewness
CLS	4.39	4.75	2.00	5.00	0.77	0.75	-1.28

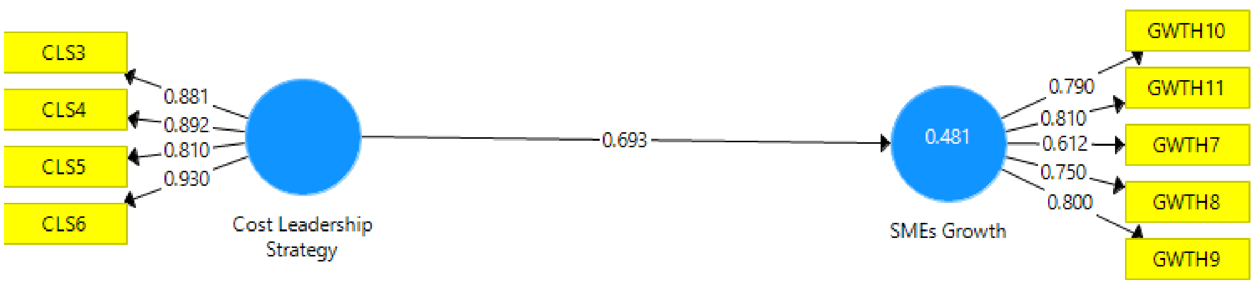
GWTH	4.49	5.00	2.80	5.00	0.65	-0.18	-0.89

Source: SMART, PLS Output, 2023.

Table 4.1 above-described data on the study variables in terms of the mean, minimum, maximum, standard deviation, skewness and kurtosis values. Cost leadership strategy (CLS) revealed an average value of 4.39 with a standard deviation value of 0.77. However, the minimum and maximum values stood at 2.00 and 5.00 respectively. Growth (GWTH) had a minimum value of 2.80 and a maximum value of 5.00 with an average value of 4.49 and the standard deviation value stood at 0.65. All the skewness and kurtosis values were less than 1 which shows that there is a normal distribution of data.

Assessment of Measurement Model

In assessing the measurement model, the study begins by assessing the item outer loadings. As a rule, loadings higher than 0.708 are recommended, as they indicate that the construct explains more than 50 percent of the indicator's variance, thus providing acceptable item reliability (Hair, et al., 2019). However, Hair, et al. (2019) posited that low but significant indicator loading of 0.50 can be included hence justifying why indicators with loadings less than 0.708 and above 0.50 were not deleted from the model as seen below.



Indicator Loadings

Table 4.2: Reliability of study scale

S/N	Variables		Factor Loadings	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)	No of Items
1	Cost leadership Strategy (CLS)	CLS3 CLS4 CLS5 CLS6	0.881 0.892 0.810 0.930	0.902	0.932	0.774	4
2	SMEs Growth (GWTH)	GWTH7 GWTH8 GWTH9 GWTH10 GWTH11	0.612 0.750 0.800 0.790 0.810	0.810	0.869	0.572	5

Source: SmartPLS Output, 2023

Composite reliability of Jöreskog's (1971) was applied to test for internal consistency of the study. All the values fall within the Hair, et al., (2019) rating of good consistency. The Cronbach alpha value were above 0.60 which is the minimum threshold as recommended by Sekaran (2010). To test for the convergent validity, the average variance extracted (AVE) was used. All the latent variables showed values greater than 0.50 which indicates that the constructs explain at least 50 percent of the variance of its items. According to Henseler et al., (2015) the Fornell-Larcker criterion does not perform well when explaining discriminant validity, particularly when the indicator loadings on a construct differ only slightly. As a replacement, they proposed the Heterotrait-Monotrait

(HTMT) ratio of the correlations which is the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct (Voorhees et al., 2016). Discriminant validity problems are present when HTMT values are high than 0.90 for structural models (Henseler, et al., 2015).

Heterotrait-Monotrait Ratio (HTMT)

	Cost leadership Strategy	SMEs Growth
Cost leadership Strategy		
SMEs Growth	0.803	

Source: SmartPLS Output, 2023

The variance inflation factor (VIF) was used to evaluate collinearity of the formative indicators. All the VIF values were less than 5 indicate the absence of critical collinearity issues among the indicators of formatively measured constructs (Hair, et al., 2019).

Model Goodness of Fit (GoF)

Sequel to the need to validate the PLS model, there is a need to assess the goodness of fit of the model as Hair, et al. (2017) suggested. This study used the standardised root mean square residual's (SRMR). The choice of this index was based on the fact that the SRMR provides the absolute fit measure where a value of zero indicates a perfect fit. The study adopted Hu & Bentler (1998) suggestion that a value of less than 0.08 represents a good fit while applying SRMR for model goodness of fit. The study result indicates an SRMR value of 0.030. This indicates the model is fit.

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which was considered include the path coefficient, t-values, p-values and coefficient of determination (R^2). The bootstrapping procedure was conducted using a resample of 5000.

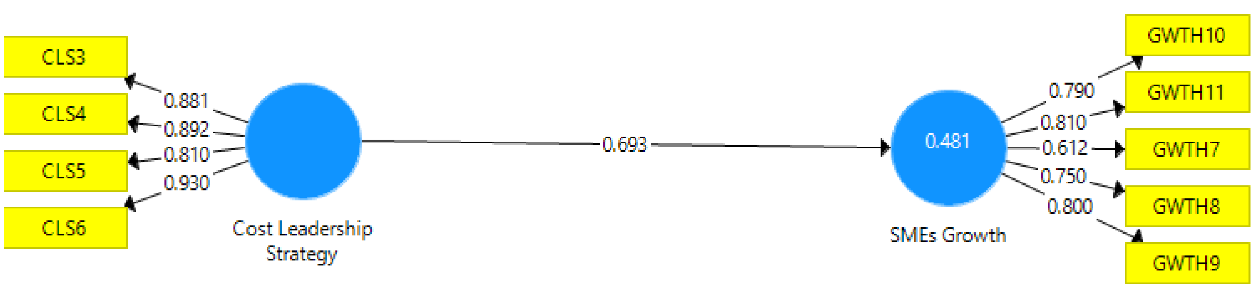


Fig. 3: Path Coefficients of the Regression Model.

The R-square value stood at 0.481 indicating that cost leadership strategy is responsible for 48% variation in SMEs growth in Nasarawa State. The remaining 52% variation could be explained by other factors not included in the study. Based on Hair, et al., (2019), the R-square is considered strong. The result of the path analysis is presented in the table below:

Table 4.4: Path Coefficients

Hypothesis	Variable	Path Coefficient ***(Beta)	t-value	p-value	Findings
Ho_1	Cost Leadership	-0.693	41.731	0.000	Reject

Source: SmartPLS Output, 2023

The finding from the analysis revealed that cost leadership has negative and significant effect on SMEs growth in Nasarawa State. This implies that the low-cost strategy being pursued by these firms has not yielded the desired level of performance. This could further imply that SMEs in the quest to minimize cost, end up jeopardizing quality and this must have led to decline in patronage and lowered level of sales and by implication lower profit. This decision was reached based on the t-value of 41.731 which is grater than 1.964 and a beta value of -0.693 with a p-value of 0.000. Thus, implying that the null hypothesis lacks sufficient ground to be accepted and as such the alternative hypothesis which states that cost leadership strategy has significant effect on SMEs growth in Nasarawa State is accepted. This finding agrees with that of Abdullahi et al. (2017) who revealed that cost leadership strategy of hotel in Kano has significant effect on the performance of the hotel.

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of cost leadership strategy on SMEs growth in Nasarawa State. Based on the finding of this study, it was concluded that cost leadership strategy has negative and significant effect on growth of SMEs in Nasarawa State. In addition, it was concluded that SMEs jeopardize quality in their quest to minimize cost and this has led to decline in patronage which have halted growth and in other instances, decline in growth. Based on the foregoing, the study recommends, that SMEs should continue to seek low-cost without compromise to the quality of products and services offered. This will ensure increase in patronage by way of retaining existing customers and wooing newer ones. This will translate into increased sales and profit which could be deployed for expansion purposes.

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S/N	ITEMS	A	SA	U	D	SD
	Cost leadership Strategy					
5	We serve large market					
6	we prioritize low prices for our products					
7	We prefer reducing quality than increasing price					
8	We offer verities of products					
	SMEs Growth					
9	Increase in sales in last three (3) years					
10	Increase in profit in the last (3) years					
11	Increase in number of branches in the last (3) years					
12	Increase in number of referrals in last three (3) years					
13	Increase in number of customers in the last (3) years					