

Effect Of Business Environment on The Performance of Small and Medium Scale Enterprises During Covid-19 Era (A Study of Selected Smes in Lagos State)

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ABSTRACT

The study examined effect of business environment on the performance of small and medium-scale enterprises (SMEs) during covid-19 Era. Survey research design was adopted and questionnaire was used as research instrument. The population of study comprised of the SMEs entrepreneurs in Ikeja, Surulere, Ikorodu, Oshodi and Lagos Island and the totaling 11,663. Thus, Krejcie and Morgan's sample size determination technique was used to select three hundred and seventy (370) SMEs as the appropriate sample size using purposive sampling technique. Structured questionnaires were administered to the 370 sample size while 344 was filled and returned. Simple percentage method was used to analyze the demographic information of the respondents while multiple regression was adopted to test the hypotheses formulated. However, it was found that economic and political environment has a negative and significant effect on performance of SMEs In Lagos state, Nigeria ($\beta_1 = -.952$; $p = 0.000 < 0.05$; $\beta_2 = -1.458$, $p = .026 < 0.05$). In contrast social environment and technological environments exert a positive and significant effect on the performance of SMEs In Lagos state, Nigeria ($\beta_3 = 3.209$; $p = 0.002 < 0.05$; $\beta_4 = .564$, $p = .049 < 0.05$). Based on this finding we conclude that business performance has a significant impact on performance of SMEs in Nigeria. Hence the study recommended that there should be a shift to promote SME development by creating an enabling policy environment, which fosters SME competitiveness and reduces the transaction costs for smaller companies. It is important to pay attention to the fact that the removal of regulatory and administrative barriers is expected to encourage enterprises operating in the informal economy to formalize their structures, which is a pre-condition for expanding their operations.

INTRODUCTION

The business environment in which businesses operate is constantly evolving and changing. Business environment refers to the factors and forces that affect a business's operations, decisions, and overall success (Shabani and Parang, 2019). These factors can include economic conditions, technological advancements, government regulations, social trends, and competitive pressures. Within the context of SMEs, business environment is particularly important, as these businesses often have limited resources and are more vulnerable to external influences. Despite these, all over the world, SMEs are very important for economic growth and job creation. They play a crucial role in driving innovation, fostering entrepreneurship, and contributing to the overall development of a country (Liman et al., 2021). SMEs are often seen as the backbone of the economy, as they account for a significant



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portion of employment and GDP in many countries. World Trade Organization (WTO) confirmed that in industrialized nations, SMEs account for approximately 90% of businesses, 60–70% of jobs, and 55% of GDP (Molina, Déniz-Déniz and García-Cabrera, 2019). In a similar vein, Sabour and Ghassemi (2014), also agrees with the WTO's assessment that SMEs improve people's quality of life by expanding economic possibilities. In wealthy nations, SMEs account for over 55% of GDP and over 65% of overall employment, while in low-income nations they makeup over 60% of GDP and over 70% of total job opportunities, and in countries with middle incomes they account for over 95% of the workforce and roughly 70% of GDP. In Nigeria, SMEs is also a driving force for economic growth and development. According to Taiwo (2023), SMEs contribute approximately 48% of Nigeria's GDP, 50% of industrial jobs in the country, accounted for 96% of businesses and 84% of employment. This highlights the significant role that SMEs play in job creation and poverty reduction, particularly in a country with a large population and high unemployment rates.

Despite these accolades, the business environment in which SMEs in Nigeria operate is not without challenges. One major hurdle is the lack of access to finance. Many SMEs struggle to secure loans or investment capital from traditional financial institutions, as they often lack the necessary collateral or credit history (Asah et al. 2020; Durowoju, 2017). This limits their ability to expand operations, invest in new technologies, or hire additional staff. () further supports the argument that high interest rates and stringent repayment terms imposed by some lenders also exacerbate the financial burden on SMEs. SMEs in Nigeria also face challenges such as limited electricity access, inadequate infrastructure, and corruption, which hinder their growth and development (Adeola, 2016). Limited skilled labor access and high employee training costs further exacerbate these issues, making it difficult for them to compete and thrive. These factors contribute to financial constraints and hinder their ability to operate effectively.

However, in the event of the COVID-19 pandemic that hit the world unexpectedly in 2020, the challenges faced by SMEs is further exaggerated exponentially as many SMEs in Nigeria were forced to shut down or operate at reduced capacity due to lockdown measures and restrictions (Taiwo, 2023). This resulted in significant revenue losses and financial strain for these businesses. Additionally, the pandemic disrupted global supply chains, making it even more difficult for SMEs to access necessary resources and inputs for their operations (Taiwo, 2023), and lack of digital infrastructure and limited online presence also posed challenges for SMEs in adapting to remote work and digital business models during the pandemic. As a result, many SMEs faced an uncertain future and struggled to survive in the midst of the crisis. Statista (2022), also pointed out that limitation of movements, the rise in the prices of transportation, and an upsurge in the price of essential supplies are the three main sources of difficulty for SMEs in Nigeria as a result of the epidemic. Informal companies cited limitations of movement as the main contributing factor more frequently. Instead, legitimate businesses reported the reduction in sales income more frequently than unofficial ones (Statista, 2022).

Economic mishaps and political challenges are also a significant factor that affects SMEs in Nigeria (Njoroge et al., 2016). Nigeria is faced with various economic crises and political instability, which have further exacerbated the difficulties faced by small and medium-sized enterprises (Njoroge et al., 2016). These challenges include high inflation rates, fluctuating exchange rates, corruption, and inadequate infrastructure (Molina et al., 2019). Moreover, the government's policies and regulations often create obstacles for SMEs, hindering their growth and profitability. As a result, many businesses struggle to survive and thrive in such a challenging environment. Policies developed by the Nigerian

legislative on all businesses does not most times factor SMEs, as they tend to be more burdensome and restrictive. For instance, the tax laws in Nigeria are primarily designed to benefit larger corporations, leaving SMEs with a heavier tax burden (Olufemi, 2023). This not only hampers their ability to reinvest in their businesses but also discourages potential entrepreneurs from starting new ventures. Additionally, the bureaucratic processes involved in obtaining licenses and permits can be time-consuming and costly for SMEs, further impeding their growth. Despite these, SMEs in Nigeria have continued to play a vital role in the country's economy. They account for a significant portion of employment and contribute to GDP growth. Despite the challenges they face, many small and medium-sized enterprises have found ways to thrive and succeed in Nigeria's competitive business landscape. This resilience can be attributed to various factors, including the entrepreneurial spirit of Nigerian business owners and their ability to adapt to changing market conditions.

Several studies have been conducted on business environment and performance of SMEs and there are missed result. For instance, Pérez-De-Lema et al. (2019), Zeng et al. (2011), Asikhia and Naidoo (2021), Kheng (2022) conducted studies on various developed countries and found out that the business environment has a significant impact on the performance of SMEs. Countries with supportive business environments, like streamlined regulations, financing, and robust infrastructure, tend to have higher SME growth and success. Conversely, unfavorable environments, like bureaucracy, corruption, and limited resources, struggle to foster growth. These studies emphasize the importance of creating a conducive environment for SMEs to thrive and contribute to economic development.

Studies have also been conducted on within the Nigerian context as Adeola (2016) conducted a study on external business environment and organizational performance of Micro, Small and Medium Scale Enterprises in Nigeria and found that external business environment have influence on MSMEs operators in Nigeria using economic, political, legal, socio-cultural environment, demographic, natural, technological, global and financial environment. Similarly, Liman, Burah and Jibir (2021) also conducted a study on find out whether external business environment affect SMEs performance in Yobe state, Nigeria and found out that the results showed that the technical environment had a beneficial impact on SMEs' effectiveness, but not significantly enough to be 5% significant. However, the economic and socio-cultural environments had a positive impact on SMEs' performance.

From the review of various academic literature, it is evidenced that there are limited studies on how business environment affects performance of SMEs in Nigeria. However, from the studies conducted in Nigeria, No research were specifically conducted in Lagos state being the economic hub of Nigeria. Lagos state is home to a large number of SMEs, making it an important area to study in order to understand the impact of the business environment on their performance especially during the COVID-19 period. Therefore, conducting research in Lagos state will provide valuable insights into the specific factors that influence SMEs' performance in this region. Additionally, studying the business environment in Lagos state will contribute to the existing literature by providing a more comprehensive understanding of the overall impact of the business environment on SMEs in Nigeria.

Aim and Objective of the Study

The aim of this study is to determine the impact of business environment on performance

of SMEs in Lagos State in the COVID-19 period. To address this aim, the following objective are stated as follows:

1. Determine the effect of economic environment on the performance of SMEs during covid-19 era.
2. Evaluate the effect of political environment on the performance of SMEs during covid-19 era.
3. Investigate the effect of social environment on the performance of SMEs during covid-19 era.
4. Examine the effect of technology environment on the performance of SMEs during covid-19 era.

Research Hypotheses

The following hypotheses were formulated, which were in tandem with the research questions:

Ho1: Economic environment has no significant effect on the performance of SMEs covid-19 era.

Ho2: Political environment has no significant effect on the performance of SMEs during covid-19 era.

Ho3: Social environment has no significant effect on the performance of SMEs during covid-19 era.

Ho4: Technology environment has no significant effect on the performance of SMEs during covid-19 era.

The next section of this paper will review various literatures on business environment and performance of SMEs which will be viewed from 3 perspective; conceptual, theoretical, and empirical perspectives. In the third session, methodological approach to be adopted will be analyzed while the last section will analyze the findings and ultimately conclude on the study.

LITERATURE REVIEW

Conceptual Issues

Business Environment

Several studies have been put forward to understand the meaning of business environment and there are different definitions put forward by various authors. According to Sabour and Ghassemi (2014), business environment refers to the external factors that can impact the operations and performance of a business. These factors include economic, social, political, technological, and legal aspects. On the other hand, Njoroge et al. (2016), argue that business environment also encompasses the internal factors such as organizational culture, leadership style, and employee attitudes. According to Liman et al. (2021), business environment is the external influences on the organization's decision-making and performance." It comprises both the macro environment, which includes factors outside the firm's direct control (e.g., economic conditions, legal regulations, social trends), and the microenvironment, which involves the immediate factors that affect the firm (e.g., customers, suppliers, competitors). This view highlights the importance of understanding and adapting to the business environment in order to achieve organizational success. Organizational culture, leadership style, and employee attitudes are influenced by both the macro and micro environment, as they are shaped by the external factors that surround the organization. In their book "Management: Challenges for Tomorrow's Leaders," Lewis, Goodman and

Fandt (2003) define the business environment as "all the factors in both the internal and external contexts that influence the way in which work is done." This definition also highlights the importance of internal factors within the organization, such as its culture, structure, and resources, in addition to external factors. Asikhia and Naidoo (2021), looked at the marketing aspect of business environment comprising of actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers." This definition emphasizes the role of marketing management in understanding and responding to the external forces that can impact a firm's customer relationships and market performance. Donner and Vries (2021), argued that business environment need to focus on a set of political, economic, social, technological, environmental, and legal (PESTEL) forces that are largely outside the control and influence of a business, and that can potentially have both a positive and a negative impact on the business. This definition incorporates the PESTEL framework, highlighting the key external forces affecting business operations. Despite the variations in definitions, it is widely accepted that the business environment plays a crucial role in shaping the success or failure of small and medium-sized enterprises (SMEs).

The environment in which SMEs in Nigeria found themselves has been marked by a combination of challenges and opportunities. On one hand, the country's large population and growing middle class present a potentially lucrative market for SMEs to tap into. Additionally, Nigeria's natural resources and strategic location in Africa make it an attractive destination for foreign investment. However, there are also numerous obstacles that SMEs in Nigeria must navigate, including a lack of infrastructure, corruption, and political instability. These factors significantly impact the ability of SMEs to thrive and grow in the Nigerian business environment. A study conducted by Adeola (2016), confirmed that SMEs in Nigeria an unfavorable business environment ranging from the challenges in terms of accessing reliable electricity, transportation networks, and communication infrastructure. Inadequate infrastructure hinders SMEs' daily operations and market expansion, with power outages, poor transportation networks, and limited internet and telecommunication services affecting supply chain efficiency.

The Nigerian economy pose numerous challenges for SMEs, including infrastructure issues, high taxes, cumbersome regulations, and limited access to finance which is a symbol of economic environmental challenges. These factors create a complex and uncertain business environment, making it difficult for small businesses to thrive and grow. To address these challenges, the government of Nigeria introduced the Finance Act of 2019 which offers tax incentives and exemptions for SMEs, aiming to reduce tax burdens and promote growth. One key provision is an increase in VAT registration threshold, from ₦5 million to ₦25 million in annual turnover (Augusto&Co, 2021). This exemption allows small businesses with an annual turnover below ₦25 million to avoid administrative and financial burdens associated with VAT compliance. The act introduces a simplified tax regime for SMEs, allowing them to pay a flat 1% annual turnover tax instead of the usual corporate income tax (Augusto&Co, 2021). This makes tax payments more manageable and encourages participation in the formal economy. Additionally, the act establishes tax incentives and grants for SMEs engaged in research, development, innovation, and job creation, aiming to stimulate growth and attract investment in new technologies and industries.

The political environment in which SMEs in Nigeria present themselves is also /important to consider. Nigeria has a multi-party-political system, with the two major parties being the All-Progressives Congress (APC) and the People's Democratic Party (PDP). The political landscape is often characterized by intense competition and power struggles

between these two parties, which can have both positive and negative implications for SMEs (Yan & Chang, 2018). On one hand, government's focus on economic growth and development can create a conducive environment for SMEs to thrive. On the other hand, political instability and policy uncertainty often pose challenges and hinder the growth of small businesses (Yan & Chang, 2018). Political instability in Nigeria led to economic uncertainties, which negatively affect SMEs. According to the World Bank, Nigeria's Gross Domestic Product (GDP) growth rate declined to -4% in 2020 due to the COVID-19 pandemic (World Bank, 2022) and other domestic challenges, including political instability. This economic downturn directly impacted small and medium-sized enterprises, causing a contraction in their operations and revenues. Also, political instability in Nigeria often makes the policies set down by the past administrators remain doemant as new political administration takes over. This lack of continuity and consistency in governance has further hindered the growth and development of businesses in the country. As a result, many small and medium-sized enterprises have struggled to adapt to changing economic conditions and have faced numerous obstacles in their efforts to sustain and expand their operations.

Performance of SMEs

Measuring business performance is essential for identifying areas of improvement and making informed decisions. According to Mugizi and Abba (2018), performance is the extent to which an organization accomplishes its stated objectives and goals." This definition highlights the importance of achieving predetermined targets and outcomes as a measure of organizational success. Performance in this context is often evaluated using key performance indicators (KPIs) and metrics that indicate how efficiently and effectively the organization is functioning. On the other hand, Roberts et al. (2015), argues that performance should be viewed as a multidimensional construct. They emphasize that financial metrics alone cannot capture the entirety of an organization's performance. Instead, a comprehensive approach should consider various aspects, such as customer satisfaction, employee engagement, innovation, and environmental sustainability.

From the perspective of human resource management, performance is frequently associated with individual employees' accomplishments and contributions to the organization. According to Kheng (2022), "Performance is the contribution an individual makes to the organization they work for." This definition underscores the idea that an employee's performance is a crucial determinant of organizational success and productivity. However, Yan and Chang (2018), argue that performance cannot be solely attributed to individual efforts, but it should also consider the influence of the work environment and team dynamics. They suggest that a person's performance is influenced by factors such as leadership, team cohesion, and the organizational culture.

However, within the context of SMEs in Nigeria, it may be difficult to assess their performance as many of them are not registered and do not keep track of their routine activities. Yet, assessing the performance in SMEs is crucial for their growth and sustainability. Without a clear understanding of their performance, it becomes challenging to identify areas for improvement, allocate resources effectively, and make informed business decisions. Agboli and Ukaegbu (2006), argued that the performance of SMEs can be measured using various indicators such as profitability, sales growth, productivity, and market share. These indicators provide valuable insights into the overall health and success of an SME. However, in the Nigerian context, gathering such data can be a daunting task due to the lack of formal registration and record-keeping practices among many SMEs. This poses a significant challenge for policymakers,

researchers, and investors who rely on accurate performance data to make informed decisions. Without a standardized and reliable system for measuring SME performance, it becomes difficult to assess their contribution to the economy and develop targeted interventions to support their growth.

As pointed out by Africa (2021), a significant proportion of SMEs in Nigeria do not keep proper financial records, including profit and loss statements. This lack of financial transparency makes it difficult for investors, lenders, and other stakeholders to evaluate SMEs' creditworthiness and potential for growth. Benchmarking is also a critical aspect of assessing SME performance, as it allows businesses to compare their performance against industry standards and identify areas for improvement Fallon (2021). However, without accurate and up-to-date financial records, SMEs in Nigeria may struggle to effectively benchmark themselves against their peers. This often hinders their ability to identify weaknesses, set realistic targets, and make informed business decisions.

Theoretical Framework

The research work is hinged on institutional theory propounded by John Meyer and Brian Rowan in the 1970s. The institutional theory suggests that organizations are influenced by the broader social and cultural contexts in which they operate (Zilber, 2011). It posits that organizations seek legitimacy by conforming to institutional norms and values. According to Zilber (2011), institutional theory also emphasizes the role of external pressures and the importance of isomorphism, which refers to the tendency of organizations to become similar to each other in order to gain legitimacy. This theory provides a solid foundation for understanding how organizations navigate the complexities of their environments and make decisions that align with societal expectations. According to Hasanov and Zuidema (2018), organizations are shaped with three forms of isomorphisms which are coercive, mimetic and normative isomorphisms. Coercive isomorphism occurs when organizations are compelled to adopt certain practices or structures due to external pressures from regulatory agencies, professional associations, or other powerful stakeholders (Hasanov & Zuidema, 2018). These pressures can impose sanctions or penalties for non-compliance, and organizations often conform to the expectations and requirements set by these entities. SMEs in Nigeria face this pressure from regulatory bodies, such as SMEDAN or tax officials, who enforce compliance with various regulations and standards (Agboli & Ukaegbu, 2006). Failure to comply can result in fines, suspension of operations, or even business license revocation. As a result, SMEs in Nigeria are compelled to conform to these expectations and requirements to avoid severe consequences.

Mimetic isomorphism within the context of Nigerian SMEs can be viewed /as a strategy for survival and success. Mimetic isomorphism refers to the process by which organizations imitate the practices and behaviors of other successful organizations in order to gain legitimacy and improve their chances of survival in a competitive environment (Barreto & Baden-Fuller, 2006). In the case of Nigerian SMEs, mimetic isomorphism manifests in their adoption of certain business practices, organizational structures, and even cultural norms that are perceived to be successful and legitimate. This can include copying the strategies and operations of larger, more established companies, as well as imitating the behavior and practices of successful entrepreneurs and business leaders.

Normative isomorphism, on the other hand, refers to the pressure that Nigerian SMEs face to conform to societal and industry norms (Hasanov & Zuidema, 2018). This can

include adhering to legal and regulatory requirements, following industry standards and best practices, and conforming to societal expectations of how businesses should operate. Normative isomorphism is driven by the belief that conformity will lead to acceptance and legitimacy, and it can play a significant role in shaping the behavior and decision-making of Nigerian SMEs (Nawaz & Guribie, 2022). Both mimetic and normative isomorphism can have both positive and negative effects on Nigerian SMEs, and understanding these dynamics is crucial for SMEs to navigate the complexities of their business environment.

Empirical Review

Various studies have been conducted to examine the impact of business environment on the performance of SMEs. For instance, Agboli and Ukaegbu (2006) conducted a study on the impact of business environment in southeast Nigeria, using two separate but complementary studies and found out that the business environment in southeast Nigeria is stressful, and so has the capacity to limit entrepreneurial activity. This stressful business environment, which is a nationwide phenomenon, poses obstacles to Nigeria's industrial development. Also, Adeola (2016), conducted a study on external business environment and organizational performance of Micro, Small and Medium Scale Enterprises in Nigeria and found that external business environment has influence on MSMEs operators in Nigeria using economic, political, legal, socio-cultural environment, demographic, natural, technological, global and financial environment. Adeola's study highlights the various dimensions of the external business environment that affect MSMEs, including economic factors such as inflation and exchange rates, political factors such as government policies and stability, legal factors such as regulations and laws, socio-cultural factors such as consumer preferences and attitudes, demographic factors such as population size and composition, natural factors such as climate and availability of resources, technological factors such as innovation and digitalization, global factors such as international trade.

Similarly, Liman, Burah and Jibir (2021) also conducted a study to find out whether external business environment affects SMEs' performance in Yobe state, Nigeria and found out that the results showed that the technical environment had a beneficial impact on SMEs' effectiveness, but not significantly enough to be 5% significant. However, the economic and socio-cultural environments had a positive impact on SMEs' performance. The study also revealed that external factors such as government policies, market competition, and access to finance played a crucial role in determining the success of SMEs in Yobe state. These findings highlight the complex interplay between the external business environment and the performance of small and medium-sized enterprises. Moreover, they underscore the need for policymakers and stakeholders to focus on creating a conducive environment that supports the growth and development of SMEs in the region.

Additionally, a study was carried out by Appiah et al. (2018) to investigate the effect of the external business environment on SMEs' desire to make investments in the Ghanaian oil and gas sector. Using univariate linear regression analysis, the study examined the primary data from 245 Ghanaian SMEs between the years of 2015 and 2016. According to the study, SMEs were far more probable to make investments in Ghana's oil and gas sector if they had primed access to financing, dependable electrical supply, the requisite technological competence, no contest from international corporations, and had adequate knowledge about the opportunities. Additionally, they discovered that the perceived level of corruption, good governance, and staff training for employment creation had no

discernible impact on SMEs' willingness to invest. Even if /these factors were present, SMEs still faced challenges in entering the oil and gas sector. The study found that the lack of government support and limited access to market information were significant barriers for SMEs. Without proper guidance and assistance, many SMEs were unable to navigate the complex industry and seize the opportunities available. Furthermore, the study revealed that the high entry costs and stringent regulations also deterred SMEs from investing in Ghana's oil and gas sector. This is further supported by the view of Okeyo (2014) who evaluated the impact of Kenya's SMEs firms' performance on the activity, complexities, and generosity of the business setting. According to the survey, the total performance of organizations was impacted by the business environment. Dynamism, intricacy, and generosity in particular each had an immediate effect on selected SMEs. Additionally, it was discovered that the entire impact on efficiency was higher compared to the effects of dynamic and complexities but lower than that of munificence. The research investigation also discovered that there are different ways in which the company context affects performance, with the latter being beneficially impacted by it than the former. The findings suggest that SMEs in will probably do better in setting that are dynamic, complicated, and generous.

Also, Ozigbo (2014) investigates the impact of a few socioeconomic factors on the growth of entrepreneurs in the Nigerian economy. To gather the information required to analyze the link, the study used a questionnaire approach. The results show a correlation between entrepreneurial performance and the chosen socioeconomic characteristics that is positive. This finding confirms that if entrepreneurs in Nigeria possess certain socioeconomic factors, they are more likely to experience growth and success in their ventures. This study adds to the growing body of research highlighting the importance of understanding the specific context and conditions in which SMEs operate. By identifying the factors that contribute to entrepreneurial performance, policymakers and stakeholders can develop targeted interventions and support systems to foster the growth of SMEs in Nigeria.

From these studies it is evident that no studies have focused on economic, political, social and technological environment of SMEs collectively although Liman, Burah and Jibir (2021) has focused on only three which creates an existing gap in literature. Also, no studies has been conducted in Lagos state Nigeria being the economic hub of the country. Therefore, conducting a comprehensive study that examines the holistic environment in which SMEs operate in Lagos state is crucial for gaining a deeper understanding of the challenges and opportunities they face. This research aims to fill this gap by exploring the economic, political, social, and technological factors that impact the performance of SMEs in Lagos state, Nigeria.

METHODOLOGY

Methodology refers to the systematic approach and procedures used in conducting a research study (Jansen & Warren, 2020). For this study, research design, population, sample size, method of data collection, and method of data analysis were discussed. The research design useful for this study is the cross-sectional survey research design. This design was adopted because it allows for the collection of data from a large sample size at a single point in time. Also survey research design is useful when quantitative data is to be used. The population of study constitutes the SMEs entrepreneurs in Ikeja, Surulere, Ikorodu, Oshodi and Lagos Island totaling 11,663 (SMEDAN, 2019). Thus, Krejcie and Morgan sample size determination technique was used to select three hundred and seventy (370) sample size through simple random sampling technique. Primary method

of data collection will be used to obtain the necessary data needed for this study through the use of structured questionnaire. However, for the analysis multiple regression analysis were used to test the study hypotheses in order to determine whether business environment have any effect on performance while the background of the respondents will only be presented in a simple percentage format. The data collected will be analyzed using SPSS 23 to identify any significant correlations or associations between the variables.

Data Analysis

This section presents the result obtained from the distributed questionnaire in order to draw inferences on business environment and organizational performance. A total of 370 copies of questionnaires were distributed, however only 344 were fully answered and returned representing approximately 93% return rate. Below is the descriptive statistics relating to the socio-demographic data of the business owners in Lagos State, Nigeria.

Table 1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	178	51.6	51.6	51.6
	Female	166	48.4	48.4	100.0
	Total	344	100.0	100.0	

Source: Author's Computation 2023

It is shown in table 1 above that 51.6% of the respondents which are 178 in number are male and 48.4% of the respondents which are 166 in number are female. This shows that there was a relatively equal distribution of male and female respondents in the study confirming no biasness in the distributed questionnaire.

Table 2: Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	113	32.9	32.9	62.9
	Married	175	51.0	51.0	83.9
	Others	56	16.1	16.1	100.0
	Total	344	100.0	100.0	

Source: Researcher's Computation 2023

From the result in table 2 above, 32.9% which are 113 of the respondents are single, while 51.0% which are 175 of the respondents are married and 16.1% which are 56 of the respondents are others representing either divorced, widow or widower. This is especially true as SMEs in Lagos State, Nigeria are typically family-owned businesses, where the majority of owners and managers are married individuals. The high percentage of married respondents reflects the cultural norms and values in the region, where marriage is often seen as a sign of stability and responsibility. Additionally, the relatively low percentage of single respondents indicate that individuals who are married or in committed relationships are more likely to have the financial resources and support system necessary to start and sustain a small business.

Table 3: Academic Qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE/ND/ND	161	46.9	46.9	46.9
	BSc/HND	147	42.6	42.6	89.5
	others	36	10.5	10.5	100.0
	Total	344	100.0	100.0	

Source: Researcher's Computation 2023

According to the results in table 3 above, 147 of the business owners, or 42.6% of all respondents, are BSc/HND holders, while 161 respondents, or 46.9% of all respondents, have lower qualifications like SSCE, ND, or HND. While 36 of them, or 10.5% of the total responders, have additional credential. This confirms that the high level of graduate in this finding shows that majority of the respondents are learned and educated individuals with the knowledge and skills required to start and sustain a small business. This could be beneficial as they would have a better understanding of business concepts, marketing strategies, and financial management. Additionally, their higher qualifications may also give them an advantage when it comes to accessing resources and support systems, such as loans, grants, or mentorship programs, which can greatly contribute to the success of their small businesses.

Test of Hypotheses

This section seeks to test the hypotheses of this study. The decision criteria is that where a p value (sig) has a value lower than the pre-test of 5%, the null hypotheses will be rejected, but if otherwise the null hypothesis will be accepted. The result of the hypotheses are stated in table 5 below:

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	P-Value
		B	Std. Error	Beta		
1	(Constant)	.253	.028		9.113	.034
	Economic Environment	-.952	.007	.995	140.49	.000
	Political Environment	-1.458	.758	.246	78.759	.026
	Social Environment	3.209	.561	.536	95.861	.002
	Technological Environment	.564	.256	.645	76.752	.049
R= 0.546, R ² = 0.675, Adjusted R ² = 0.627						

a. Dependent Variable: Performance

Hypothesis One (Ho1): Economic environment has no significant effect on performance of SMEs in Lagos state

Economic environment is seen to have a negative effect on performance of SMEs in Nigeria with a coefficient of -0.952. This shows that as the economic environment worsens, the performance of SMEs in Nigeria tends to decrease. Additionally, the significant value has $0.000 < 0.05$ confirming that the negative effect between the variables is statistically significant and confirming the rejection of the null hypothesis.

Hypothesis Two (Ho2): Political environment has no significant effect on performance of SMEs in

Lagos state.

From the coefficient in table 4 it is that the political environment of Nigeria poses a threat to the performance of SMEs in Nigeria. This confirmed from the coefficient of -1.458 indicating a negative effect of the political environment on performance of SMEs. The sig value of .026<0.05 suggests the rejection of the null hypothesis and we can confirm that political environment has a significant effect on performance of SMEs in Nigeria.

Hypothesis Three (Ho3): Social environment has no significant effect on performance of SMEs in Lagos state.

The result also showed that social environment has a positive and significant effect on performance of SMEs in Nigeria. This is confirmed from the coefficient of 3.209 and p-value of .002 indicating that we can reject the null hypothesis and conclude that the social environment does have a positive significant effect on the performance of SMEs in Lagos state.

Hypothesis Four (4): Social environment has no significant effect on performance of SMEs in Lagos state.

The last hypothesis also confirms that technological environment in which SMEs found themselves have a positive and significant effect on performance of SMEs in Nigeria. With a coefficient of .564 and p-value of .049 indicating that we can reject the null hypothesis and conclude that the technological environment does have a positive and significant effect on the performance of SMEs in Nigeria.

DISCUSSION OF FINDINGS

In all four parameters used to measure business environment, all the parameters are statistically significant in explaining SMEs performance. This shows that the business environment, including the political, economic, social, and technological factors, plays a crucial role in determining the performance of SMEs in Nigeria. The study reveals that a favorable technological environment and social, including access to advanced technology and digital infrastructure, can significantly improve the performance of small and medium-sized enterprises (SMEs). The social environment having a positive impact on SMEs performance also includes factors such as the availability of a skilled workforce, supportive government policies, and a stable economic climate. Additionally, a positive social environment fosters collaboration and networking opportunities for SMEs, allowing them to benefit from knowledge sharing and collective resources. Policymakers and stakeholders should prioritize investments in improving technological infrastructure and supporting SMEs in adopting and leveraging technology in their operations. The results emphasize the importance of considering the broader business environment when formulating policies and strategies for promoting SME growth and development in Nigeria. Yusuf (2017) conducted a study on the influence of entrepreneurship education, technology, and globalization on SMEs' performance in Nigeria and found that adoption and use of technology devices and platforms, as well as globalization, enhance productivity and profitability. This supports the notion that technological advancements can significantly improve the success of small and medium-sized enterprises. Additionally, Durowoju (2017) study on the impact of technological change on SMEs' performance in Lagos State also found that technological change has a positive and significant impact on SMEs' performance, accounting for 56.6% of the success recorded. However, political and economic factors having a negative impact on the performance of SMEs in Nigeria shows that there are still challenges that need to be addressed in order to fully capitalize on the benefits of globalization and technology. () supported the finding that political instability, corruption, and inconsistent government policies create barriers

for SMEs in Nigeria, making it difficult for them to thrive and grow. These factors increase operational costs, create uncertainty, and hinder access to resources and markets. Furthermore, economic issues such as high inflation rates, limited access to finance, and inadequate infrastructure also contribute to the challenges faced by SMEs in Nigeria. These factors not only affect the day-to-day operations of these businesses but also hinder their ability to compete globally and take advantage of technological advancements. This results the findings of Agboli and Ukaegbu (2006), Asikhia and Naidoo (2021), Molina et al. (2019) all supported this result vonfirming that countries with poor political and economic /conditions tend to have higher barriers for SMEs to thrive. In Nigeria, the combination of these factors creates a challenging environment for small and medium-sized enterprises to navigate. The high inflation rates make it difficult for businesses to plan and budget effectively, as the cost of goods and services can fluctuate rapidly. Limited access to finance further exacerbates the problem, as SMEs struggle to secure the necessary capital to invest in their operations and expand their businesses.

CONCLUSION AND RECOMMENDATIONS

Based on the study findings, the study concluded that business environment has a significant impact on performance of SMEs in Nigeria. This show that the challenges faced by SMEs in Nigeria are not solely due to internal factors, but are also influenced by external factors such as the business environment. To address these challenges and improve the performance of SMEs, several recommendations can be made. Firstly, the government should implement policies and measures to stabilize inflation rates and ensure price stability. This can be done through effective monetary policies and fiscal discipline. By creating a more predictable and stable business environment, SMEs will be better able to plan and budget effectively. Secondly, efforts should be made to improve access to finance for SMEs. This can be done through the establishment of special financing programs or funds specifically designed for SMEs. These programs can offer lower interest rates, longer repayment terms, and more flexible lending criteria, making it easier for SMEs to obtain the necessary capital to grow and expand their businesses. Technologically, SMEs need to adopt and embrace digital transformation. This includes investing in and utilizing technologies such as cloud computing, data analytics, and e-commerce platforms. By doing so, SMEs can streamline their operations, improve efficiency, and reach a wider customer base. Additionally, SMEs can maintain their competitiveness in the rapidly changing business environment of today by investing in technology. Consequently, it is advised that there be a change in strategy to support SME development by establishing an enabling policy environment that fosters SME competitiveness and lowers transaction costs for smaller businesses. It is crucial to remember that removing administrative and regulatory obstacles is anticipated to motivate businesses operating in the informal economy to formalize their structures, which is a requirement for growing their operations.

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