

Environmental Factors: A Panacea for Survival and Growth of Small and Medium Scale Businesses in Nigeria.

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ABSTRACT: *This study examined impact of the environmental factors on the performance of small and medium scale businesses (SMEs) in Nigeria with special emphasis on three selected Construction Company (PaChuks, Setraco and Triple C Manufacturing Company) all situated at Awka metropolis of Anambra State. The study aimed to find out the extent to which environmental factors affect organizational growth, the relationship between various Federal Government macroeconomic policy variables and performance of SMEs and how they can be effectively managed. The underlying SME theory in this study is Network Approach model. The study adopted the descriptive survey research design, making use of one hundred respondents randomly selected from the three selected SMEs. However, a sample size of eighty respondents was determined using the Taro Yamane formula. The Questionnaire was used as primary source of data collection for this research work. The findings of this study reveal that SMEs are faced with several challenges which are; difficulty in obtaining capital, inadequate competent personnel, shortage of raw materials etc. the researcher recommends that Government strengthens SMIEIS, BOI and other financing windows, lower interest rates and other cost of funds, expand Industrial Development Centres and enhance sources of finance available to the industries.*

KEYWORDS: *Environmental factors, Business performance, Government policy, Small and Medium Enterprises.*

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I. INTRODUCTION

Business enterprise cannot operate successfully in isolation without dependence on supportive institutions, variables and factors (Oginni, 2010) i.e business organisation exists and operates within an environment where there is complex interplay in terms of activities as well as networks of relationship between and among human resources, material resources and other systems. In the views of Aborade (2005) all business decisions are found to be contingent upon a good analysis of the environment which is often the bane of all the constraints as this environment creates the opportunities, threats and problems for the business organisation. Evolving from this is the belief that business organization is an integral part of its environment on the ground that they are mutually interdependent and exclusive where the environment plays the role of providing the resources and opportunities to organization for its existence, and the business organization in turn, offers its goods and services to the people living in the environment for survival and enlightenment (Ajala 2005). This is also in line with the views of Adi (2006) that the most important sole influence on organizational policy and strategy at any point in its development is the environment, both within and outside the organization. Akanji (2003) was of the opinion that the more complex, turbulent and dynamic an environment becomes, the greater the impact on human attitudes, business, organizational structure, market and process as well as facilities, therefore there is need for all organizations to direct their attention to the environment when formulating their strategic management policies in order to facilitate their survival, growth and profit motives.

Environmental factors have different dynamic features such as global competition, information technology, quality service revolution and corporate social responsibility which are compelling managers to rethink and reshape their approach to their various operational responsibilities. Due to this paradigm shift, new firms are emerging that are more responsive to both their internal and external environments (Luthans, 2011). The internal factors which exist within the operational base of an organization and can directly affect the different aspect of business include organizational structure, organization's culture, organization's policies, employees records, firms mission, resistance to change, poor quality staff, lapses in internal control, bad resource/financial management, operational weaknesses, high staff turnover and over-leveraging. The external factors are government regulation, market condition, weather conditions, culture, economic recession, political turmoil, low cost competitors, changes in customer behavior, environmental/ health issues, technological

changes, natural disasters, change in input supply, changes in macro economic variables and terrorist attacks. Hence, all businesses should be aware of the various changes in the environment in order to survive in the long run. Similarly, every business settings often bring in new way of thinking about the environmental factors and new ways of acting (Belohlav, 2012). Fundamentally, dealing with this multitude of challenges requires a firm that can easily adapt to change. This makes the small and medium scale enterprises (SMEs) the driving force in economic growth and job creation in both developed and developing countries due to their ability to experiment new approach at minimum cost and create a standardized product/services that can meet the needs of a large target market (Sunter, 2013). Hence, there is need to identify those factors which leads to entrepreneurial success/failure as well as assist in equipping small business owners with the necessary managerial skills to survive in today's competitive environment as well as exploit several strategies that will improve their operational efficiencies.

Environmental factors according to Kokemuller (2015) refer to external influences on a business that it has limited control over but that it must consider as part of strategic planning. These environmental factors addressed by companies are grouped into four categories; social, legal, political and economic. Social environmental factors include societal movements, changes in public values and people's attitudes in the marketplace toward working for a business. If you operate a small restaurant, you must recognize societal trends toward healthy lifestyles and cleanliness on food consumption habits. By so doing, you either promote alternative values to fit your current offering or to adjust your operation to compensate for the trend. Political factors for SMEs relate to interaction with local governments and agencies. You should maintain a good working relationship with the Chairman and council members in a city or town in which you operate. This increases your ability to influence laws and codes that affect your business. Access to local funding and tax subsidies is a political issue as well. The legal environment is similar to the political landscape because changes in laws or city ordinances may affect your business directly. If your target market is teens, for instance, a new curfew that requires people under 18 to be home by 11 p.m. may affect your hours of operation. In general, shifts in the nature of the local economy can help or hinder a business. If you sell lower-priced goods, buying activity may pick up when economic conditions are weak and unemployment is high. On the contrary, luxury goods and services businesses thrive more when the economy is good and people have stable employment. Changes in loan interest rates and banking regulations are also economic factors that affect small businesses (Kokemuller, 2015)

1.1 Problem Statement

In Nigeria today, small and medium scale businesses operate under various conditions and constraints, which hinders the achievement of organizational goals. There are, high cost and shortage of materials, shortage of funds, inability to recruit competent staff. The individual firm due to its size neither has control over input factor costs or the prices at which it sells its output with the result that inefficient and high cost firms are forced out of business. This makes cost saving devices essential for economic survival. Previously, owners of the businesses concerned themselves with returns, or employees with salaries and wages only; their interests are now also focused on the efficient operation of the business and utilization of invested resources (Ihua, 2009). It has been stated that small and medium scale businesses now constitute about 95% by numbers of the organized manufacturing establishments in the country. Thus, in spite of the various efforts and incentives of Government to improve industrial output and productivity, the performance of the sub-sector, vis-à-vis other sectors, do not meet the expectation of policy-makers, industrialists and analysts (Ayaagari, 2012). On one hand, officials of the Federal Government Administration have often said that if SMEs have responded positively and appropriately to the various interventions, incentives schemes and support systems put in place by Governments, the scale of industrial output and capacity utilization and the performance of the sub-sector should have been higher than the current position. However, a section of the organized private sector contends that the various policies, incentives and strategies so far put in place for the industrial sector, have either not been implemented or have been inconsistent or inappropriate, to address the problems of the SMEs sub-sector, or to stimulate growth and enhance performance of the SMEs (Ekpeyong and Nyang, 2012).

The Nigerian business environment in the last one decade has witnessed unsatisfactory progress cumulating into retarded growth rate, high rate of unemployment, low industrial output, coupled with poor demand in terms of services and tangible products. Energy crisis continued unabated forcing majority of the organisations to depend wholly on generator as a constant source of generating electricity, supply of petroleum product is epileptic in addition to frequent changes in pump price resulting into increase in the general price level of all products without any exception due to cobweb effect; most of the organisations are ravaged with strikes from time to time. The relationship between industrial representatives and government institutions and representatives keep nose-diving virtually on all matters, criminal activities increasing at alarming and uncontrollable rate, exercising excessive control through plethora of rules and regulations with stringent conditions, tax policies without adequate provision of infrastructural facilities to ameliorate business operations.

In the face of all these challenges, how effectively can a business organisation respond to its basic operational functions of survival, growth and profit maximisation, hence the need to examine the environmental factors in business environment of manufacturing organisations with implications on the survival and growth of business organisations in the Lagos metropolitan area of Nigeria.

1.2 Objectives of the Study

The broad objective of the study is to analyze the impact of environmental factors on the performance of small and medium scale businesses (SMEs) in Nigeria.

The specific objectives are to:

1. Determine the degree to which environmental factors affect organizational growth and survival of SMEs
2. Examine the level of relationship between Federal Government macroeconomic policies on business conditions and performances of SMEs
3. Examine the challenges facing SMEs and how they can be managed effectively

1.2.1 Research Questions

Following research questions were posed to guide the study.

1. To what extent do environmental factors affect growth and survival of small and medium scale businesses?
2. To what extent do Federal Government macroeconomic policies impact the performance of small and medium scale businesses?
3. What are the challenges facing small and medium scale businesses and how they can be effectively managed?

1.2.2 Research Hypothesis

To answer the research question posed for the study the following hypothesis were formulated in a null form

Ho₁: Environmental factors do not affect growth and survival of small and medium scale businesses

Ho₂: Federal Government macroeconomic policies do not have impact on the performance of small and medium scale businesses

Ho₃: There are no challenges facing small and medium scale businesses and how they can be managed effectively.

1.3 REVIEW OF RELATED LITERATURE

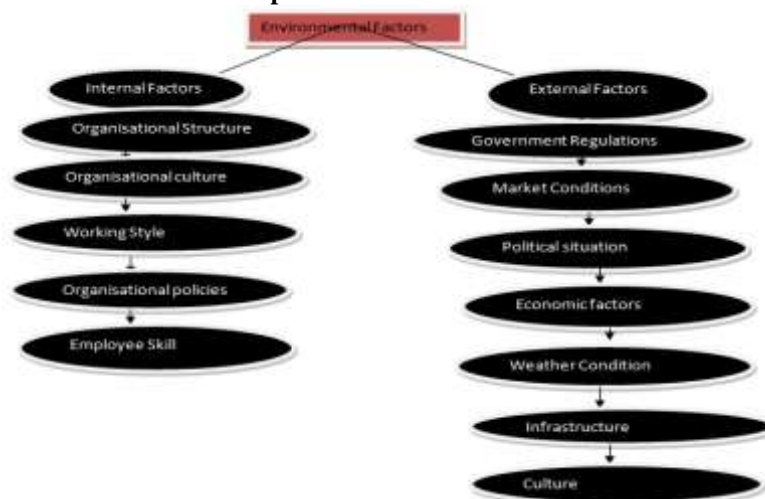
Introduction

In this section of the literature review, the study attempt to discuss on the conceptual framework, theoretical framework and empirical review.

Conceptual Framework

Environmental factors: Environmental factors according to Kokemuller (2015) refer to external and internal influences on a business that it has limited control over but that it must consider as part of strategic planning.

Table1: Components of Environmental Factors



Source: Authors diagram 2018

The internal business environment includes factors within the organization that impact the approach and success of your operations. The critical success factor of any business is managing the strengths of your internal operations and recognizing potential opportunities and threats outside of your operations. The strength of your employees is another crucial internal business factor. Motivated, hard-working and talented workers generally produce better results than unmotivated less-talented employees. Business processes and relationships within and between departments and employees also significantly impact business effectiveness and efficiency. In a high-performing workplace, employees not only have talent, but they work in synergy and collaborate on ideas and resolutions.

External factors

The most critical external business factor is competition. Whether you operate in a concentrated industry with a few major competitors or a large industry with many competitors, you need to know the competition. Many companies do competitive analysis to compare their offers and prices to that of their competitors. When developing business philosophies and products, it is vital to use your strength in quality production, customer service or operational efficiency to build competitive advantages that benefit your customers. Other common external factors fall into several categories, including socio-economic, legal or ethical, political and technological. Socio-economic factors relate to the values, attitudes and concerns of your target customers and their economic abilities to afford your products. The legal, ethical and political environments generally relate to your need to abide by business laws and to meet the ethical or social responsibility standards of your customers and communities. In some industries, technological evolution drives the need for companies to adapt and constantly research for improvements.

1.3.1 Factors that affects enterprise performance

Funding: Funds is one of the essential parts in managing SMEs. The effective and efficient utilization of fund bring into manifestation of other determinant factors. According to Ogunjuiba, Ohuche and Adenuga (2014); finance contributes to the tune of 25% SMEs success among the determinant factors. Uduak (2009) in Banabo and Koroye (2011) shed more light on these by revealing that through lending activities, financial inject funds into the economy which if it is effectively utilized will improve the standard of living, enhance enterprises performance and invariably add value to the bottom line of the economic development.

Education: Education can be in two forms- formal or informal. The knowledge of both can be blended together to give customer satisfaction in the firm. The effectiveness of introduction of management education by Richardson (1940) cited in Wanger, (2010) a programme in real estate management taught at Oxford University in the UK in the mid 13,00s and in the USA has become an eye opener for many universities academics and other institutions world-wide to adopt same. Government must intensify efforts to ensure the introduction of entrepreneurship as a compulsory course at all level of the educational system as well as putting every necessary things in place for effective functioning of Technical and vocational schools in the state where pupil can be trained with various skills.

Infrastructure: infrastructure such as: power, good road network, steady water supply, effective communication system and market are referred to as flavour on performance of SME. The absent of the aforementioned facilities in the life of SMEs act as a catalyst for low performance which invariably can result to winding up if necessary step is not taken on time. The problem of erratic power supply alone has caused havoc in performance of SME such as: reduction in quality of product, decline in production, inflation, low labor turnover, and unemployment to mention but a few.

Government Policies: Government creates rules and sometimes changes the rules which can affect the way enterprises operate. The government policy formulation system is capable of promoting innovation and new enterprises start-up. As part of government policy to boost the performance of SME, policy must be established to strengthen the financial support mechanisms of the Enterprises from the financial institution.

Raw Materials: This is the input that the firm works with to produce output. The absent or the low supply of these raw materials increase cost of production. Manufacturers Association of Nigeria cited in (Ibrahim, 2011) in its assessment observed that inadequate supplies of raw materials cause stagnation, low quality of products, and poor performance among others. This shows that adequate supplies of raw materials ensure the good performance of the Enterprises.

Entrepreneur Competencies: Awe (2012) viewed an entrepreneur as a person who organizes and manages a commercial undertaking with the ultimate purpose of profit making as a return on investment. Entrepreneur can

be described as an innovating man, path-breaker and a pacesetter of economic and industrial growth. Their capabilities in terms of systematic ways of handling the available resources with the right knowledge of what it takes to make Enterprises to perform indicate his competency. Therefore, entrepreneur from SMES perspective can be described as a person breaking away from the traditional base of his economic activity and catching on to a relatively new line of enterprises, service or manufacturing. Hence, the hallmark of an entrepreneur has been the ability to identify, exploit and make a success of opportunities.

Technology: Technology takes an inevitable part as regards to enterprises performance in the stiff competitive environment. Technology changes in dynamic manner with the potentiality of impacting negatively on the firm's competitive position. Looking from SME performance, it can be reasonably gathered that the emergence of technology and its uses such as digital camera in lieu of pinhole camera, computer instead of manual typewriter and other presence of new modern technology have changed the face of enterprises activities. However, Oghojafor (2010) shows that technology possesses both opportunities and hazards, hence, there is need for proper and careful monitoring of the environment to pick out the various technology that will best enhance individual SME performance and firm who failed to accentuate these will gradually lose out and invariably can lead to its extinction. The finding shows that performance of enterprises can be improved by using new technology; it saves cost and ensures enterprises success. This is consistent to the literature in Jasra, et al (2010).

1.3.2 Theoretical Framework

This study anchored on one theory of SMEs which is Network approach model. Johansson & Mattson (1988) introduced 'The Network model' that highlights the importance of relationships with suppliers, customers and market that can stimulate or help SMEs performance. Networking is seen as a source of market information and knowledge that will bridge the gap between the involved parties' customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors. Development of technology especially in information and communication sector will help SMEs achieve a faster performance through the experience and resources of network partners (Mitgwe, 2006). The establishment of financial, technological and commercial relations with the other actors of the network makes it possible for the firms to extend their connections and to gradually widen their activities apart from their own territory. These relations involve the firm in deliberated but not planned international relations Johansson & Mattson (1988). For small and medium size firms, the network approach is seen as a feasible route towards effective performance as their membership to the network will help firms position themselves in a foreign country.

1.3.3 Empirical Review

Aziz and Yasin (2010) conducted research to assess how Market Orientation (MO) and External Environment (EE) will influence performance among SMEs in the Agro-Food Sector in Malaysia. MO involves customer competitor orientation, inter-functional coordination, and information while EE include market technology turbulence and competitive intensity are all the factors that influenced business performance. Questionnaire was issued to the managers of the selected food and beverage manufacturers' directory, which serves as the sources of data used for the study, and regression analysis was used to test the hypotheses of the study. On the MO, the result indicates that customer-competition orientation and information dissemination were positively related to business performance while inter-functional coordination is not related significantly to business performance. In the same line, the result of external technology turbulence and competitive intensity does not moderate the relationship between MO and business performance.

Similarly, Philip (2011) carried out research in order to investigate the factors affecting Business Success of Small and Medium Enterprises (SMEs) in Bangladesh. The researcher makes use of product and services, external environment, management and know-how, resources and finance, a way of doing business and cooperation, and SMEs characteristics as the factors that affect the business success of SMEs. Questionnaire was used to collect data, and it was analyzed by through SPSS software that gives relevant analysis in terms of reliability analysis, frequency analysis, regression analysis, one-way ANOVA and T- test. The result of the study shows that the most variable that affect business success of SMEs were management know-how, products and services, the way of doing business, and external environment, and there has significant relationship with business success of SMEs. But resources and finance and SMEs characteristics do not have a significant relationship with the business success of SMEs.

Shehu et al. (2013) carried out a study to investigate the Mediating Effect between Some Determinants of SMEs Performance in Nigeria. The research uses Owner/manager knowledge, competitive intensity, complexity of marketing, technical competence, firm size, and advisory services as the factors that influence or affects SMEs performance in Nigeria. The study make use of structure questionnaire survey that consist a sample of two hundred and seventy-eight manufacturing SMEs operating or functioning in Kano State, Nigeria,

and a total of one hundred and ninety-eight questionnaire were filled correctly and return which represent 71% of the response rate, and also a Structural Equation Modeling (SEM) was used to test the hypotheses under study. The result of the study indicates that there is a positive and strong relationship between advisory services, complexity of marketing decision, owner/ manager knowledge and SMEs performance, and also the result shows that there is no positive relationship between firm size, technical competence services, and SMEs performance. The study result also shows that advisory services mediate the relationship between owner-manager knowledge and the complexity of marketing decision.

Anga (2014) investigate the Determinants of Small and Medium Size Enterprises (SMEs) in Nigeria. Survey questionnaire was used to collect data from two hundred and thirty sample of SMEs under study, and the data collected was analyzed by SPSS and also logistic regression analysis was employed to measure the determinants of SMEs whereby internal and external factors which involve risk taking, communication/business skills, ability to make decision, management skills, finance, government policies, corruption, marketing information communication technology, and infrastructure all influence performance of SMEs. The result shows that risk-taking, communication/business skills, ability to make a decision has no significant effect on the performance of SMEs. Finance, government policy, market of the product shows an adverse impact on the performance of SMEs. While corruption, information communication technology (ICT) shows a positive relationship with the performance of SMEs, and the last result indicate that infrastructure affect the performance of SMEs in Nigeria.

1.4 RESEARCH METHODOLOGY

Research Design

This study is a descriptive survey research design. According to Osuala (1990) in a survey research, the study uses a sample drawn from the population to have an insight to the problem under investigation and uses the research findings to make generalization.

1.4.1 Population of the Study

Dibua (2009) contend that population is used to designate the complete set of items that are of interest in any investigation. Population consists of all items of interest in a research study. One hundred (100) staff from three (3) construction firms in Awka metropolis constituted the population which was randomly selected from the total population.

The breakdown of the population for this study is provided below:

Table 2

No.	Name of Manufacturing Firm	Population
1	PaChuks	40
2	Setraco	30
3	Triple C	30
Total		100

Source: Author's Compilation, 2018

1.4.2 Sample Size Determination

A sample is a part of a population observed for the purpose of making scientific statement about the population (Dibua, 2009). This study settled for a sample size using Taro Yamane formula. According to Taro Yamane (1964), to determine a sample from a population, the following formula is used:

$$n = \frac{N}{1+N(e)^2}$$

Where;

n = Sample size

N = Population size

e = Error limit

1 = Constant

Therefore; to determine the sample size of a population;

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{100}{1+100(0.05)^2}$$

$$n = \frac{100}{1+100(0.0025)}$$

$$n = \frac{100}{1+0.25}$$

$$n = \frac{100}{1.25}$$

$$n = 80$$

Therefore, our sample size is 80

1.4.3 Sources of Data

The sources of data in this study include primary and secondary sources. **Primary Sources** include all those who were orally interviewed and those who completed the questionnaires while **secondary Sources** include textbooks, journals newspapers, magazines, periodicals, seminars and workshop papers.

1.4.4 Method of Data Collection

Questionnaire was distributed personally by the researcher to selected manufacturing firms at Awka and the staff of the selected firms was guided in completing the questionnaire. The study also interviewed some other small and medium scale businesses not included in the questionnaire administration. At the end of the data collection exercises all questionnaires retrieved showing a hundred percent (100%) questionnaire return rate.

1.4.5 Validity and Reliability

Validity in research is concerned with the ability of a research instrument to measure what is designed to measure, while reliability is concerned with the consistency in the results given by the same instrument. Validity has three aspects namely: Content validity, criteria validity and construct validity. For the purpose of this research, content validity has been selected by the study which has been elaborated by determining the degree sample, selecting some people to read through the questions and give objective criticism used to pilot the test. However, to ensure the reliability of this research and its consistency, the researcher adopted the test – retest reliability method which according to Martyn Shuttle Worth (2009) is one of the simplest ways of testing the stability and reliability of instrument overtime. The questionnaire was given out to few of the respondents to fill out, after two weeks the same questionnaire was issued to them again to know whether their response will be the same thing they did earlier. By doing so, the study was able to gather that the instruments was reliable.

1.4.6 Method of Data Analysis

The purpose of this is to reduce a mass of data into a more compact form that shows general trends and relationship that are viewable. The data collected from the questionnaires were analyzed using the following analysis:

- a. The chi-square (χ^2) test of independence
- b. Analysis by percentages.

1.5 PRESENTATION AND ANALYSIS OF DATA

Presentation of Data

This section deals with the presentation and analysis of data collected during the course of the study. The response from the questionnaire was analyzed based on percentages and are subjected to a statistical tool to enable the hypothesis to be tested. This section consists of presenting and analyses of data that relates specifically to hypothesis testing based on the response from staff of the three selected manufacturing firms for this study.

SECTION A

Table 3: Socio-demographic data of the respondents

Age	Respondents	Percentage
18-25	12	15.0
26-35	25	31.25
36-45	35	43.75
46 & Above	8	10.0
Total	80	100
Sex		
Male	45	56.25
Female	35	43.75
Total	80	100
Marital Status		
Single	28	35.0
Married	43	53.75
Divorced	6	7.50
Widow/Widower	3	3.75
Total	80	100
Qualification		
SSce/OND	5	6.25
BSc/HND	25	31.25

MSC/PhD	30	37.5
Others	20	25.0
Total	80	100

Source: Author's computation 2018

Table 3 shows that the majority of the respondents (43.75%) are between the ages of 36-45 years old, (31.25%) of the respondents are between 26-35 years, (15.0%) are between 18-25 years and (10.0%) are 46 years and above. 53.75% of respondents are married, 35.0% of respondents are single, 7.50% of respondents are divorced and 3.75% of respondents are either widows or widowers. The table also shows that 37.5% respondents have post-graduate qualifications, 31.25% have university and polytechnics graduate qualifications, 25.0% of respondents have professional qualifications like ICAN, CIBN, etc. and only 6.25% of respondents are secondary school graduates and OND holders.

1.5.1 Analysis of Research questions

Question 1: To what extent do environmental factors affect growth and survival of small and medium scale businesses?

Table 4: Responses of the respondents on research question 1

Category	Respondents	Percentage
Small extent	22	27
Minimal extent	26	33
Large extent	28	35
No idea	4	5
Total	80	100

Source: Field Survey, 2018

Table 4 showed that 35% of the respondents agree that environmental factors affect growth and survival of SMEs to a large extent, 33% says it affects to a minimal extent, 27% says it affects to a small extent and while 5% of the respondents say they have no idea.

Question 2: To what extent do Federal Government macroeconomic policies impact the performance of small and medium scale businesses?

Table 5: Response from the respondents on research question 2

Category	Respondents	Percentage
Small extent	24	30
Minimal extent	20	25
Large extent	36	45
No idea	-	-
Total	80	100

Source: Field Survey, 2018

Table 5 shows that 45% of the respondents are in support that federal government macroeconomic policies have an impact on the performance of SMEs to a large extent, 30% agrees it has an impact to a small extent while 25% says it has a minimal extent

1.5.2 Test of Hypothesis

The hypothesis to be tested is stated earlier in the chapter one using chi-square (X^2) as a statistical tool. A table of observed frequency is constituted first to enable the computation of the expected frequency.

H_0 : Environmental factors do not affect growth and survival of small and medium scale businesses

Test was carried out at 5% (0.05) level of significance for testing the hypothesis. Reject H_0 if chi-square (X^2) calculated is greater than chi-square (X^2) tabulated, otherwise fail to reject (i.e. accept) test statistics

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where;

X^2 = Chi-Square

O = Observed Frequency

E = Expected Frequency

Observed Frequency Table

Table 6: Observed Frequency table

Category	Respondents	Percentage
Small extent	22	27
Minimal extent	26	33
Large extent	28	35
No idea	4	5
Total	80	100

The expected values of the observed table above are calculated; $\sum f = \frac{R \times C}{N}$

Where;

f = Frequency

R = Row

C = Column

N = Total Number

Small extent: $\frac{27 \times 80}{100} = 22$

Minimal extent: $\frac{33 \times 80}{100} = 26$

Large extent: $\frac{35 \times 80}{100} = 28$

No idea: $\frac{5 \times 80}{100} = 4$

Table 7 Expected Frequency Table

Category	Respondents
Small extent	22
Minimal extent	26
Large extent	28
No idea	4
Total	80

Source: Compiled from Expected Value of Observed Table

Table 8 Chi-Square Computation for Hypothesis

Category	O	E	O - E	$(O - E)^2$	$\frac{(O - E)^2}{E}$
Small extent	22	27	-5	25	0.93
Minimal extent	26	33	-7	49	1.48
Large extent	28	35	-7	49	1.40
No idea	4	5	-1	1	0.20
Total	80	100			4.01

The formula for degree of freedom is $y = (R-1) (C-1)$

Where R = the number of row

C = the number of column

Thus; in the case R = 8

C = 2

Therefore, $y = (R-1) (C-1)$

= (8-1) (2-1)

= (7) (1)

Y = 7

The chi-square (X^2) calculated is 4.01

The critical value of chi-square (X^2) from the table at 3 degree of freedom on 0.05 level of significance is 15.5. In conclusion, the chi-square (X^2) calculated (4.01) is less than chi-square (X^2) tabulated (7.81) i.e. $X^2 < X^2_t$, we accept the null hypothesis and safely deduced that “environmental factors do not affect the growth and survival of small and medium scale businesses” with reference to area of study.

1.6 SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This research work analyzed the impact of environmental factors on the performance of small and medium scale business in Awka metropolis of Anambra state, Nigeria. Three (3) manufacturing firms in the urban city of Awka was targeted for this study and served with questionnaire. Further analysis revealed that these firms are well distributed and engaged in other types of manufacturing activities. Based on the collation, presentation and analysis of data collected from the survey and various interviews conducted with the staffs of

the three selected manufacturing firms for this study, and the contribution of other scholars in the relevant areas, the following positions and summary is drawn and hereby presented.

1. The level of industrial and economic development of this country has given rise to general patterns, shape, structure, characteristics, and problems which largely are distinct to the small and medium sized industries.
2. This survey study confirms the findings of other researches that small and medium scale businesses are faced with difficulty in obtaining finance and capital; inadequate competent personnel with requisite managerial skills; inadequate market and market services; little specialization in management; shortage of raw materials; inadequate infrastructure; inability to control costs/rising cost of input; problems of policies, incentives, operating environment and dumping of foreign products.
3. The problems identified above are largely exogenous to the firms and differ from one manufacturing sub-sector to another. Some of these problems are peculiar to specific firms. This means that some ways of managing resources, avoiding waste and reducing costs, are inevitable. Some problems, however, particularly the lack of competent and adequate personnel, affect the application of sound management techniques in businesses, and are known to inhibit the adoption by these industries of appropriate cost control techniques.
4. The manufacturing firms studied use various techniques to control costs of operation. Traditional accounting models of budgetary control and standard costing are fairly popular. Firms are, however, quick to point out that, beside these they use ways like personal observation by management, constant maintenance of assets, employee motivations and personal supervision to help them control costs. The non-use of any of the modern control models by any of the industries is attributed to lack of competent personnel.
5. The study confirms that the existence of responsibility centers mostly at top management and foreman levels, with lesser emphasis on department or work manager level. However, even in areas where responsibility centers are established, top management usually undertakes decisions on any expenditure for all the organization's segments thus taking away responsibility for costs from segment managers. With this arrangement, one of the ways of measuring the effectiveness of the manager is removed.
6. The survey result from the 3 manufacturing firms in Awka, Anambra State indicates that 50% are satisfied with current policies and incentives for the SMEs and that they are adequate to propel growth and development of the sector. 50% of the firms, on the other hand, submitted that the present policies and incentives are insufficient to propel growth and development of their firms or the SME sub sector. Each of the two parties gave reasons for its positions. Evidence from the SME surveyed suggests that during the period under review, the SME are satisfied with their access to credit facilities especially from commercial and other lending agencies.

II. CONCLUSION

In conclusion, it is imperative to realize that performance goals and targets, set in production and low costs for the SME can only be achieved when SMEs are provided with good SMEfriendly policies, conducive operating environment, improvements in infrastructure, peace and security; and have the right type of personnel, that have cooperative attitudes and spirit, good team work, high morals, high motivation, high performance goals, have the desire to achieve the company's goals and objectives and are served with good communication. Government's concrete and sincere efforts and commitments towards the SME are evidenced by the government's establishment of and the renewed mandates given to the Bank of Industry (BOI), NERFUND, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and the facilitation of the Bankers' Committee of the Small and Medium Industries equity Investment Scheme (SMIEIS). The primary objective of the Small and Medium Industries Equity Investment Scheme (SMIEIS) is to complement the efforts of financial institutions like the Bank of Industry (BOI), the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) in providing medium to long-term loan able funds to enterprises in Nigeria.

RECOMMENDATIONS

The constraints and problems identified in the study greatly affected the industries and partly explain the reasons behind the not-so-good performance recorded by SME during the period of the study. The following actions are therefore suggested to be taken by Government and other stakeholders to improve the performances of SME in Anambra State and Nigeria in general.

- i. Since Government policy measures influence the environment under which these industries operate, deliberate policy is needed on the part of Government to create climate that is conducive and favorable to the growth, development and profitable operation of small and medium sized industries. Accordingly, it is recommended that Government strengthens SMIEIS, BOI and other financing windows and lower interest rates and other cost of funds and also consider the expansion, in scope and operation, of the Industrial Development Centers, and enhance other sources of finance available to the industries. The SME could also establish a fund to finance their working capital and medium term loans and make the best use of hire purchase options rather than outright purchase. There is also the need to give adequate publicity to schemes that are intended to benefit the SME.

- ii. Improvements in infrastructures such as constant supply of electricity, water and transportation systems are quite necessary. This will reduce initial and operating costs to the industries. Thus, unless the situation of power and alternative energy supplies are addressed, the manufacturers, small, medium and large, will continue to experience severe constraints in operation and their products will ever remain less qualitative and uncompetitive. Also, Government has to take quick actions to improve the security and road network conditions because these infrastructures are also central to business operations.
- iii. Small and Medium Enterprises Equity Investment Scheme (SMEEIS) should provide a broad mix of facilities including loans and working capital funding. The scheme should address the current reluctance of banks to support Small and Medium Enterprises.
- iv. Bank of Industry should be strengthened and more funding windows should be opened for the SMEs, and Government should encourage linkages, through incentives, between SMEs and large businesses especially in the area of local content development.
- v. For the small and medium scale businesses to improve their performance, some improvements in the use of appropriate cost control technique are quite necessary. The cost control techniques are not fully developed due to the problems associated with personnel. In order to enhance the adoption of appropriate techniques and profitability, small and medium sized businesses should employ personnel with adequate professional knowledge and experience. Where government controls these industries, it should allow the SMEs to recruit their own staff rather than merely posting staff from the ministries to manage the firms.

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