



EFFECT OF BUSINESS ENVIRONMENT ON PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN NORTH EAST NIGERIA

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Abstract

The main objective of this study is to examine the effect of business environment on the performance of Small and Medium Enterprises in North East. Survey research design was adopted. The population of the study was 2176 registered Small and medium Enterprises of three States in North East Nigeria and sample size of 327 was determined using Kerjcie and Morgan 1970 sample size determination. The instrument used for data collections was structured questionnaire. The study collected data from SMEs in Adamawa, Gombe, and Borno State with a total of 357 copies of questionnaires distributed to the respondents and 270 were properly filled and returned. The data collated were analysed using inferential statistics Percentages, frequency, table, mean and standard deviation were used for descriptive aspects of the data. Multiple regression analysis and hypotheses testing were conducted to determine the effect of business environment on the performance of Small and Medium Enterprises in North East. Findings show that technological, environmental and legal factors, have significant and positive effect on the SMEs performance in the North East Nigeria. Therefore, it was concluded that business environment accounts for the variation in SMEs performance. Thus, it was recommended that SMEs owners should adopt sustainability strategies in studding and dealing with business environment in order to increase the benefits of environmental factors in their business operation

Keywords: Business Environment, Performance, SMEs and North East Nigeria

Introduction

Small and medium scale enterprises (SMEs) have played and continue to play significant roles in the growth, development and industrialization of many economies in the world. SMEs are key players in the global economy and the wider eco-system of firms. Enabling them to adopt and thrive in a more open environment and participate more actively in the digital transformation is essential for boosting economic growth and delivering a more inclusive globalization (Organisation for Economic Co-operation and Development, 2019). SMEs constitute an important part in economic development of many African countries and



contribute considerably to continental economic development by creating new jobs, providing investment opportunities and forming the economic capital and potential required for sustainable economic growth (Ruchkina & Mentel, 2019). Therefore, in developing economy like Nigeria, SMEs are widely acknowledged as the key engine of economic development. In view of this realization, a central issue dominating policy debates around the Africa and Nigeria has been to induce economic growth through the growth of SMEs. (Gillespie 2022). This sector is responsible for most of the advances in new products and process and provides most of the employment opportunities, as a central indicator of the overall operation of an economic system (Enterprise Baseline Survey, 2022). There are various definitions as to what constitutes SMEs. Small and Medium Development Agency of Nigeria (SMEDAN 2023) definition adopts a classification based on dual standards, employment and assets (excluding land and buildings). Small Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty-nine employees. In his contribution Agu (2019) defined SMEs as a business which is owned, led by one or a few persons, with direct owner(s) influence in decision making, and having a relatively small share of the market and relatively low capital requirement.

Scholars defines performance differently, Baloyi (2020) refer Performance is the ability of an organization to achieve objectives such as high profit, quality product; large market share, good financial outcomes and survival at pre-determined time using relevant strategy for action. Thus, performance can also be employed to consider how an organization is performing in terms of market share, volume of products, customer's demand, loyalty and investment. Business enterprise performance according to Oghojafor et al. (2021) is how a manager effectively and efficiently utilizes the organisation's resources so as to achieve the organizational goals and satisfy the stakeholders. Furthermore, enterprise performance means how the growth potential exhibited by the SMEs contributed substantially to job creation, thereby improving the economic status of the business enterprise as opine by (Adesanya, 2019). Performance does not take place in a vacuum but, within certain environment which has challenges and opportunities (Walter et al. 2018).

Business environment refers to the sum total of factors or variables that may influence the present and future survival of an organization (Dauda & Ismaila, 2023). The business environment plays a very important role by shaping the ability of the organization to maintain successful relationship with its clients. It is the environment that is likely to determine to a great extent the success of business. Consequently, successful firms recognize the importance of constantly scrutinizing and adapting to the changes in the business environment. Every business organization has to interact and transact with its environment, this therefore, means that the business environment has a direct relation with the organizations (Alkali & Isa, 2022).

Therefore, business environment comprises of internal and external environmental influences the performance of business enterprises. Business environment according to Alkali & Isa



(2019) involve all factors or variables, both inside and outside the business organization. For businesses enterprises to achieve their objectives and goals, they have to understand and work in support of both the internal and external environment. This is because external environment of an enterprise was first recognized by open systems theorists who detected that an organization operate not in self-controlled lonely units but in constant and unavoidable interaction with the large system within which they operate. This surrounding system theorists acknowledged as the external environment, captioning that affect a business enterprise from outside as challenge such as, consumer behaviour, supplier behaviour, macroeconomics, government policy and global dynamics (Alkali & Isa, 2019; Pearce & Robinson, 2021). On the other hand internal environment referred to as controllable factors or variables that managers has control over them such as financial, marketing, employees, managerial capacity, materials and others, these factors are also referred to as micro environment (Gillespie 2022)

Nigerian business environment is examined to be unfriendly with reference to uncertainties in political regimes, lack of technological advancement, poor demographic structure, uncertainty economic situation, problems of sociocultural factors, geopolitical conflicts, insurgency, unfriendly legal framework, poor financial environment, unfriendly competitive environment, and lack of managerial competency (Udechukwu 2023).

In view of this, owners of SMEs cannot afford to manage business environment casually, especially in this era of constantly changing in the business environment. Therefore, despite their potential for economic growth and development. SMEs in the North East region are facing numerous challenges which include, limited access to finance and credit, inadequate infrastructure, limited access to market and competition, limited to technology and innovation, problem of distribution, lack managerial competencies, unfriendly competitive environment, insecurity, corruption and bureaucratic process and violence and unfavorable government policies and regulations. These challenges have significantly influenced the business environment and affected the performance of small and medium scale enterprises, which resulted in poor performance, stagnation and even business failure, which hindering the region's economic development and growth (Udechukwu, 2023).

Although previous studies have examined the effect of business environment on SMEs performance in Nigeria, few have focused specifically on the North East geopolitical zone region facing unique socio-political and infrastructural challenges. Moreover, with recent shifts in economic policies, security issues, and digital trends, there is a compelling need to revisit this topic using a different methodological framework and a broader set of environmental variables and time frame. This study seeks to bridge these gaps and contribute fresh empirical insights that can inform policy and practice.

The North East part of the country include Adamawa, Taraba, Gombe, Bauchi, Yobe and Borno State being one of the most bettered or neglected area due to increases violent crises, insurgency, kidnapping, lack of infrastructural facilities and other factors, in order to overcome these challenges there is need to stimulate the business sector through the use of enterprise

business environment management model that mitigate impending business environment factors in business sector.

Nigerian government over the years has implemented various initiatives to support SMEs. Such as the Small and Medium Equity Investment Scheme and National Enterprise Development Programme, among others (2023). Despite these range of government interventions SMEs continue to suffer with poor performance and outright failure in their business operations (Lumpkin & Dess, 2022). A gain this background this study aims to investigate the effect of business environment on the SMEs performance in North East Nigeria,

There are many studies on SMEs in North East Nigeria, but there is a dearth of literature on studies relating to SMEs performance with business environment particularly in the three (3) States of the Region of Nigeria. Most of the empirical studies reviewed/conducted in the North East Region of Nigeria are mainly related to the problems of SMEs, but the question to which extent that, business environmental factors affect efficiency, customer's satisfaction and innovation performance in the Region has not been thoroughly investigated and evaluated.

Therefore, the problem this study seeks to address is the lack of up-to-date information, specific contextual evidence on how the multidimensional business environment affects the performance of SMEs in North East Nigeria. Without such knowledge, interventions by policymakers, investors, and development partners may remain ineffective or poorly targeted. This study aims to bridge this gap by examining how political, economic, sociocultural, technological, environmental, and legal factors affect the performance of SMEs in the region. With thesis titled "examined effects of business environment on the performance of small and medium scale Enterprises (SMEs) in the North East region of Nigeria". The study critically evaluated Business environment using political factors, economic factors, socio-cultural factors, technological factors, Environment factors and Legal factors as independent variable on the SMEs performance as dependent variable.

The broad objective of this research is to examine the effect of business environment on the performance of small and medium scale enterprises with particular reference to SMEs in North East Nigeria. Other specific objectives are to: -

- i evaluate the effect of technological factors on the performance of SMEs in North East Nigeria.
- ii analyse the effect of environmental factors on the performance of SMEs in North East Nigeria
- iii examine the effect of legal factors on the performance of SMEs in North East Nigeria

In order to achieve the objectives of the study, the following research hypotheses are formulated in order to test the research question of the study:

H₀₁: Technological factors have no significant effect on the performance of SMEs in North East Nigeria.

H₀₂: There is no significant effect of environment factors on the performance of SMEs in North East Nigeria.

H03: Legal Factors does not have significant effect on the performance of SMEs in North East Nigeria.

Literature Review

Conceptual frame Work

Independent Variables

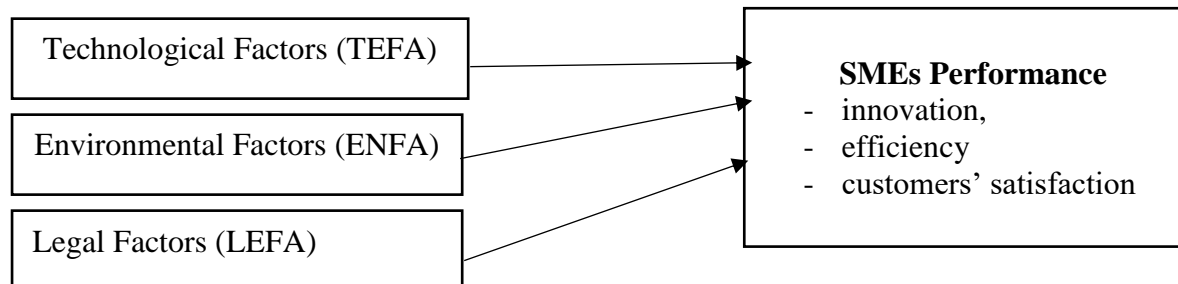


Figure 1: Porter, M. E model (1980) and Research Adopted (2024)

Technological Environmental Factors

Technological forces refer to the rate of scientific change and fastest growth of technology that have potential wide-ranging effects on society Gamble (2019) cited in (Litavniece & Znotii, 2018). In Nigeria, small scale entrepreneurs find it difficult to gaining access to new technologies which limits innovation and SMEs competitiveness. Technological factors have rendered some SMEs not competitive and not able to meet the needs of customers. However, entrepreneurs need to recognize the need for technological change, and the need to go with the flow, to have competitive advantage. Decisions to improve change or implement new technological processes must be made in order to meet customer wants and needs. Information Technology has been identified as a major player in innovation and competitiveness of SMEs but according to European Union (EU), a full potential of IT will be harnessed if labour force is equipped with right skills and having access to high-tech infrastructure. However, in the case of Nigeria, some SMEs lack physical telecommunication infrastructure and high-speed internet to compete globally (Dauda & Ismaila, 2023).

Environmental Factors

Environmental factors these are natural environment which includes geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, top a graphical factors etc. Business is greatly influence by the nature of natural environment. For example, sugar factories are set up only at those places where sugarcane can be grown. It is always considered better to establish manufacturing unit near the sources of input. Also, government's policies maintain ecological balance, conservation responsibility on the business sector (Shaikh, 2020).

Legal Environmental Factors

Legal Environment: According to Adeoye (2021), legal environment consists of the laws regulations and procedures of a country which SMEs are anticipated to comply with in the course of their operations. These laws may facilitate successful business conduct as well as constitute handicaps to successful performance. Furthermore, in carrying out their business

operations, Agro-business, enterprises are required by low to pay taxes, value added tax, capital gain tax, education tax, import duties, excise duties among others in the area.

Empirical Review

This study empirically review difference studies on effect of business environmental on SMEs performance considering variables such as, technological factor, environmental factors and legal Factors

Technological Environment and SMEs Performance

Mai and Phuong (2023) examined impact of external environment, technology and innovation capacities, and leadership development on organizational performance in food industry a qualitative study of food enterprises in Ho Chi Minh City, Vietnam. The study investigates the current issues for conducting technology transfer and innovation processes at food processing enterprises in Ho Chi Minh City, Vietnam. The study conducts an extensive qualitative study which comprised of 8 in-depth interviews with Executive managers and Research & Development managers; the study identifies seven main themes that emerged from the data concerning the specific contents for food processing enterprises. The correspondents of the study described how the relative issues of externals; capacities, leadership in their organizations contribute to technology transfer and innovation effectiveness, and in turn lead to sustainable performance. In addition, respondents of the study also noted challenges associated with implementing technology transfer projects. Based on prior studies and these challenges, the study proposes a conceptual model of innovation process and technology transfer in food processing enterprises as influenced three main factors - external environment, technology transfer and innovation capacities, and leadership. Changes in any of these three factors can potentially influence both technology transfer and innovation effectiveness and overall organizational performance. Neglecting the entire SMEs in this study is a major shortcoming of the study.

Environmental Factors and SMEs Performance

Tambari et al. (2018) carried out a study on implications of environmental factors on the productivity of selected small and medium scale enterprises in Port Harcourt, Rivers State, Nigeria. The study used a descriptive survey approach and relied on a five-point likert scale questionnaire as its major source of data collection. The study covered a population of 150 employees of three SMEs selected from the three senatorial zones of Rivers-state and a sample of 124 respondents was drawn using purposive sampling technique. The data gathered were analyzed using multiple regressions with the aid of the Statistical Package for Social Sciences (SPSS 20.0). Results obtained from the analysis showed that environmental factors affect the productivity of SMEs. The study recommended that SMEs should strategically engage in constant monitoring and conducting of environmental scanning and they should learn to align their operational strategies with present market and environmental realities. The two studies are related though they differ in terms of scope. The study was carried out in Port Harcourt,



Rivers State, Nigeria while the present study is carried out in Makurdi metropolis, Benue State, Nigeria.

Legal Environment and SMEs Performance

Adeoye and Elegunde (2022) examined impacts of external business environment on organisational performance in the food and beverage industry in Osun state Nigeria. The minor objective of the paper is to investigate the influence of economic and political environment on organizational performance. A questionnaire was developed to collect information from the respondents with 150 sample sizes. Data collected were analysed using multiple regression analysis. The findings of the study reflect that external business environment has an impact on organizational performance. Hence, the external business environment of Nigerian organisation impinges upon the operations of a business other than the availability of capital and the ability of the manager or businessman himself. The study also revealed that all things being equal, controlling of the external business environment can be done to some extent. This entails and calls for constant monitoring and conducting environmental scanning always. However, the study has some limitations. First, the sample used was rather small. Second, the generalization of the results was rather limited because the sample covers only the food and beverage industry in Nigeria.

Theoretical Framework

This study adopted contingency theory to underpin this research titled 'effect of business environment on the performance of SME's in north east Nigeria. Therefore, Theory is explained as follows:

Contingency Theory

This study is anchored on the contingency theory propounded by Fiedler in 1960s. The contingency theory claims that there is no best way to for business enterprises to perform, Situations will create different environmental requirement for owners/managers of an enterprise. The solution to a managerial situation is depending on the environmental factors that influence on the situation. Fiedler claims that if performance is to be improved, we must cope not only with the environment but also with the situational factors which influence performance. Performance can be improved either by the environment's fit to the situation or the situation's fit to the environment.

Fiedler (1964) believed there was a direct correlation to the traits of a leader and the effectiveness of a leader. The main ideas underlying contingency theory is that organisations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. The appropriate form depends on the kind of task or environment one is dealing with. Different types or species of organisations are needed in different types of environments. The best way to organize depends on the nature of the environment to which the organization must relate.

Finally, contingency theory recognizes good structures in business environment and also provides a robust framework for exploring how SMEs in diverse and often volatile business



environments adjust their strategies and operations to optimize performance. Its emphasis on environmental alignment and strategic adaptability makes it the most appropriate theoretical underpinning for a study on the effect of business environment on SMEs performance. Against this background this study adopted the theory while studying the effect of business environment (economic factor, technological factor, socio-cultural factor, political factors, legal factors and environmental factors) on SMEs performance. Environment stand as the independent variables of the study while SMEs performance as the dependent variable.

Methodology

This study used descriptive survey research design. A descriptive survey design is considered appropriate for this study as it enables the researcher to collect data from a large sample in order to describe the existing conditions and relationships among variables (Creswell, 2018; & Saunders et al., 2019). The study population comprises of 2176 Small and medium scale enterprises that have registered with SMEDAN in three (3) states of North East Nigeria as at 2024. The study focused on SMEs of Adamawa State, Gombe State and Borno State.

Table 1.1: Population Distribution of the Study

State	Small	Medium	Population	Percentage (%)
ADAMAWA	450	284	734	33.7
GOMBE	600	304	904	41.5
BORNO	384	150	538	24.8
Total	1434	738	2176	100.0

Source: National Bureau of Statistic (NBS) (2024)

In this study the sample size comprised 327 SMEs three (3) States in North East Nigeria, which (Adamawa State, Gombe State and Borno State) as the respondents which are obtained using Krejcie & Morgan (1970) table for sample size determination. See appendix II for the table sample size determination. And stratify random sampling technique was applied in order to have representation in the various levels of SMEs across the selected areas in the North East Nigeria.

Table 1.2: Sample Size Distribution of the Study

State	Small	Medium	Sample Size	Percentage (%)
ADAMAWA	67	43	110	33.7
GOMBE	90	46	136	41.5
BORNO	58	23	81	24.8
Total	215	112	327	100.0

Source: Krejcie & Morgan (1970) table and Bowley's Proportional Allocation Formula

The data were gathered from primary and secondary sources. The primary sources was through the issuance of an adapted structured questionnaire: questionnaire was used to collecting data from sampled of SMEs in three (3) States (Adamawa State, Gombe State and Borno State) of North East Nigeria. While the secondary sources are text books, internet Journals, Magazines

and other publications. The questionnaire making use of a 4-point Likert-scale questionnaire with anchors ranging from 1=Strongly Disagree 2=Disagree 3=Agreed 4= Strongly Agreed. However the questionnaires adapted, for each of the study variable and sources was giving in the designed table below:

Model specification

Mathematically, the nexus between business environment and performance of SMEs can be represented as follows:

SMEs Performance = f (TEFA, ENFA, and LEFA).

Econometrically, the relationship between the exogenous and endogenous variables are stated as thus:

$$\text{SMEs Performance} = \alpha + \beta_1 \text{TEFA}_i + \beta_2 \text{ENFA}_i + \beta_3 \text{LEFA}_i + \mu.$$

Where:

SMPE = SMEs Performance

TEFA = Technological factors

ENFA = Environmental Factors

LEFA = Legal Factors

α = Constant or intercept of the regression equation

$\beta_1 + \beta_2 + \beta_3$ = Regression co-efficient of independent variables

μ = Stochastic or error term.

Source: Researcher's Computation, 2025.

Results and Discussion

Response Rate of the Study

The following tables summarize the distribution of questionnaires, retrieval rates, as well as the classification of the responses.

Table 1.3: Summary of Response Rates

Questionnaire Metric	Frequency	Percentage (%)
Questionnaires Distributed	327	100.0
Questionnaires Retrieved	290	90.0
Questionnaires Not Retrieved	37	10.0
Questionnaires Invalid	20	8.4
Questionnaires Valid	270	81.6

Source: Field Survey 2025

Table 4.6 provides a summary of response rates for the questionnaires. A total of 327 questionnaires were distributed, which represents 100.0%. Out of these, 290 were retrieved, accounting for 90.0% of the total, while 37 were not retrieved, comprising 10.0%. Among the retrieved questionnaires, 20 were found to be invalid, making up 8.4% of the total. Meanwhile, 270 questionnaires were valid, representing 81.6% of the total distributed. This summary showcases an overall high response rate, with a notable proportion of valid responses.

Demographic Characteristics of Respondents

The information in terms of the respondents' demographic characteristics obtained encompassed the descriptive statistics. It encompasses the respondents' gender, age group, level of education, type and length of relationship with the organisation.

Table 1.4 Demographic Characteristics of Respondents

variable		Freq	%	Cum. %
Gender	Male	201	72.9	72.9
	Female	69	27.1	100
Age	18 – 30	27	10.0	10.0
	31 – 40	63	25.0	35.0
	41 – 50	85	36.0	71.0
	51 – 60	55	15.0	86.0
	61 and above	40	14.0	100.0
Educational Qualification	Secondary	58	24.0	24.0
	Diploma	90	41.0	55.0
	HND/Degree	70	26.0	81.0
	Master Degree	40	15.0	96.0
	PhD Degree	12	4.0	100.0
Years of Experiences	1 – 6	61	25.0	30.0
	7– 10	109	43.0	63.0
	11 – 15	45	15.0	78.0
	16 – 20	35	16.0	93.0
	20 years and above	20	7.0	100
Position in the Firm	Owner	110	34.2	34.2
	Manager	145	62.3	96.5
	Employee	10	3.5	100.0
Line of Business	Manufacturing/production	108	32.0	32.0
	Commercial/trading	122	53.0	85.0
	Services Organization	40	15.0	100.0
State/Location of Business	Adamawa	95	35.0	35.0
	Gombe	112	48.0	83.0
	Borno	63	17.0	100.0

Source: Field Survey (2025)

Table 4.7 presents the demographic characteristic of the respondents. Based on the result on the table regarding Gender Distribution, 201 respondents representing 72.9% of the respondents were males while 69 representing 27.1% of the respondents were female. By this result, it is clear that male respondents constitute majority of the study sample size.



Regarding Age Distribution, it was found that 27 (10.0%) of the respondents were aged 18 - 30years, 63 (25.0%) fell within the age bracket of 31-40 years, 85 (36.0%) aged 41 - 50years while those of aged 51-60 years are 55 (15.0%) while & 60 years and above were 40 respondents representing 14%. By this result, it is clear showed that majority of the respondents were folks of aged between 31 and 50years combined to make up 203 respondents which represent 77.4% of the respondents. What this means is that SMEs are predominantly operated by youths/middle-aged folks. That is, based on this report, SMEs provides employment for about 76% of young people in North East Nigeria.

Therefore, demographic table showing, the distribution of respondents in terms of Educational Background show that 58 respondents representing 24.0% had Secondary Education, 90 responders representing 41% had diploma, 70 representing 26% had degree/HND, 40 representing 15% while the remaining 12 representing 4.0% had PhD. Hence, considering the distribution of the respondents along educational background, the results from the table show that those with tertiary education (i.e., NCE/ND, HND/ BSc Degree and PhD) constitute the majority of the respondents when compared with those who had primary or secondary education thus, providing the respondents with good knowledge to understand clearly the contents of the questionnaire and as such be able to fill it properly.

Demographic information regarding year of experiences it was found that 61 (25.0%) of the respondents were had experience 1 - 6years, 109 (43.0%) are within 7-10, while 11-15 years, 45 (15.0%) also 16 - 20years (15%) while those of 16-20 years' experience are 35 (16.0%) while & 20 years and above were 20 respondents representing 7%. By this result, it is clear showed that majority of the respondents were folks of experience between 7 and 20years combined to make up 179 respondents which represent 74% of the respondents. What this means is that SMEs operators are predominantly operated within a period of 7-20 in the above-mentioned States in the North East. That is, based on this report, SMEs provides employment for about 74% of business opportunities of people in North East Nigeria.

Also from the table 4.7 it showing the respondents regarding position in firm, 125 respondents representing 44.9% of the respondents were owners while 145 representing 65.1% of the respondents were manager and none of employee had answered the distributed questionnaires. By this result, it is clear that manager's respondents constitute majority of the study sample size in the North East Nigeria. Furthermore, regarding respondents' distribution in terms of SMEs Category, 108 respondents representing 32.0% are into in manufacturing Sector, 122 which represents 53.0% of the respondents are into commercial Sector. While, 40 being 15.0% of the respondents are into Service Sector.

Finally, concerning the location of SME Operating, 95 respondents being 35.0% ate from Adamawa State, 112 which represents 48.0% of the respondents had from Gombe State while the remaining 63 being 17.0% of the respondents are from Borno State. With the above information, it is clear that majority of participants in this study are from Gombe State follow by Adamawa State and Borno being the last in the State.

Regression Analysis (Model Fit)

Table 1.5: Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.601 ^a	.461	.453	1.945

a. Predictors: (Constant), Technological Factors, Environmental Factors, Legal Factors

b. Dependent Variable: performance of SMEs

Source: STATA (2025)

Table 4.14 presents the Model Summary. Firstly, the model summary indicates R (i.e., correlation) between the independent variable, Business Environment (business environment) and the dependent variable, Performance of SMEs (SMPEs). The Correlation (R) value of .601 means that there is a strong positive relationship between the independent variable Business Environment (measured by TEFA, ENFA and LEFA) and the dependent variable Performance of SMEs (SMPEs), implying that as the independent variables (business environment) as a bloc increases so also will the dependent variable (SMPEs) increases. In the same vein as the independent variable (business environment) decreases so also will the dependent variable (SMPEs) decreases.

The Model Summary also provides R Square value which indicates how much variance in the dependent variable (Performance of SMEs) is explained by the independent variable (Business Environment as measured by TEFA, ENFA and LEFA) included in the model. In this case, the R Square Value is .461, expressed in percentage, implies that the dimensions of Business Environment included in the research model as a block explains 46.1% of the variance in Performance of SMEs (SMPEs) in the region. While the adjusted R-squared value of .453, confirms the model's robustness, taking into account the number of predictors. The overall model is statistically significant. This outcome implies that the dimensions of Business Environment (measured by TEFA, ENFA and LEFA) explain 56.1% of the variance in Performance of SMEs (SMPEs). However, the remaining 53.9% variance in the Performance of SMEs (SMPEs) is accounted for by other variables not included in the model. Additionally, the study findings further show that the model applied is statistically fit.

Therefore, these findings provide valuable insights into the relationships between the variables and can inform future research and decision-making. The results of this study have important implications for SMEs seeking to improve their performance. By understanding the factors that contribute to SMPE, SMEs can develop targeted strategies to enhance their performance. For example, SMEs may focus on developing their technological capabilities, improving their social media presence, or investing in economic development initiatives. Additionally, policymakers and stakeholders can use these findings to inform their decisions and develop policies that support the growth and development of SMEs.

Table 1.6: Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1(Constant)	3.112	1.078		2.887	.004
TEFA	.378	.050	.390	5.589	.002
ENFA	.231	.060	.201	6.122	.001
LEFA	.117	.052	.117	7.248	.003

a. Dependent Variable: performance of SMEs

Source: STATA (2025)

Table 4.16 presents the multiple regression coefficients for each individual independent variable included in the study model. Thus, based on the output the assessed the unique (amount of) contribution made by each dimension of business environments i.e., Technical Environment (measured by TEFA), environment factors (measured by ENFA), and legal environment (measured by LEFA) to the variation in the SMEs performance. Additionally, the study considered present the variable in the order of their magnitude or level of contribution relative to other variables included in the study.

Therefore, from the table, the regression analysis revealed that Technological Environment Factors (measured by TEFA) exhibited significant positive effect on the performance of SMEs, with a standardized beta coefficient of $\beta = 0.390$. TEFA ranks first as it has the largest beta value (0.390) when compare with other variables (ENFA and LEFA) included in the study. Furthermore, this implies that for every one-unit increase in TEFA, there is an associated 0.390 unit increase in SME performance, assuming all other variables remain constant. This highlights the critical role that technological advancements and access to modern tools play in enhancing the efficiency and productivity of small and medium enterprises.

Similarly, Environmental Factors (ENFA) recorded a positive impact on SME performance, with $\beta = 0.201$. This suggests that conducive environmental conditions, including climate and sustainability practices, contribute to a 0.201 unit increase in SME performance. Businesses that operate in environmentally favorable settings or integrate eco-friendly practices tend to experience improved outcomes.

Finally, Legal Environment Factors (LEFA) demonstrated the weakest positive relationship with SME performance, having a beta value of $\beta = 0.117$. Although the effect is modest, it still signifies that clarity in legal frameworks, enforcement of business rights, and accessible legal support systems can contribute to a 0.117 unit increase in SME performance. Overall, all the independent variables (TEFA, ENFA, and LEFA) have a positive relationship with the performance of SMEs, with TEFA having the strongest impact and LEFA having the weakest impact.

Table 1.7: Summary of Hypotheses Test

Hypotheses	p-value	Sig	Decision
Ho4: Technological factors have no significant effect on the performance of SMEs in North East Nigeria.	.002	.05	Rejected
Ho5: There is no significant effect of environment factors on the performance of SMEs in North East Nigeria.	.001	.05	Rejected
Ho6: Legal Factors does not have significant effect on the performance of SMEs in North East Nigeria.	.003	.05	Rejected

Conclusions and Recommendations

Conclusions

This research was a response to the desire to provide empirical evidence on business environment and performance of small and medium enterprises. It is instructive to note that in drawing the conclusion, previous researcher's effort was referred to as foundation and for connection as well as support the findings of the study. The evidence generated by this study support the conclusion that, political factors, economic factors, sociocultural factors, technological factors, environmental factors and legal factors has insignificant positive effect on performance of small and medium enterprises in three (3) States of the North East.

Recommendations

Based on the finding the following recommendation are made:

- SMEs owners should provide digital training and capacity building for SMEs managers/employees, increase access to affordable ICT tools and platforms and SMEs should continue to monitor and adopt relevant technologies that could have future impacts on their performance.
- SMEs should adopt eco-friendly practices through subsidies and awareness programs, enforce environmental regulations fairly, and encourage recycling, waste management, and green production models in order to perform effectively and efficiently in achieving organizational objectives.
- Lastly, SMEs should ensure the enforceability of contracts and protect intellectual property rights, Reform outdated commercial laws and improve access to legal services for SMEs. This will make the business to be able to perform efficiently and achieve its set objectives.



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