

EFFECT OF EXTERNAL BUSINESS ENVIRONMENT ON PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN GWAGWALADA, ABUJA

Angela Onwu, Issa Abdulraheem and Ejikeme Emmanuel Isichei

Department of Business Administration

University of Abuja,

Gwagwalada-FCT, Nigeria

Email: angelaonwu@gmail.com; abdulraheemissa@yahoo.com; isichei_ejike@yahoo.com

ABSTRACT

This research investigates the effect of external business environment on the performance of Small and Medium-sized Enterprises (SMEs) in Gwagwalada, Abuja. The study aims to unravel the unique challenges and opportunities encountered by SMEs in Gwagwalada, considering the city's rapid development, infrastructural complexities, and the ever-evolving national economy. Data for this study were collected from 100 SMEs in Gwagwalada through surveys and interviews. The research employed regression analysis to explore the intricate relationships between external factors and SME performance, setting a significance level of 0.05. Finding shows that global oil supply patterns were found to have no significant correlation with financial difficulties faced by SMEs. However, inflation and currency rate fluctuations emerged as influential factors, significantly impacting the financial stability of these enterprises. Infrastructural barriers, specifically insufficient power supply and transportation limitations, were identified as substantial obstacles hindering the growth and efficiency of SMEs. Furthermore, the regulatory environment, with a particular emphasis on financing availability, was found to significantly influence the day-to-day operations of SMEs in Gwagwalada. The economic symphony, infrastructural blues, and policy pas de deux collectively shape the narrative of SMEs in this region. Based on the study's insights, it is recommended that policymakers and business leaders in Gwagwalada implement targeted measures to address infrastructural challenges, particularly in power supply and transportation. Additionally, fostering a supportive regulatory environment, with a focus on financing accessibility, can enhance the resilience and efficiency of SMEs in the region.

Key Words: SMEs, External Business Environment, Performance

INTRODUCTION

The foundation of economic development are small and medium-sized businesses (SMEs), which are essential for generating employment, encouraging innovation, and increasing GDP (Zafar & Mustafa, 2017). The performance of SMEs in Gwagwalada, Abuja, Nigeria, and the dynamic external business environment are examined in this study to better understand the complex link

between the two. The diverse array of SMEs in Nigeria's economy contributes to its vibrancy and growth by serving as catalysts for development (Olaore et al., 2021). Gwagwalada, an entrepreneurially vibrant satellite town in Abuja, is a prime example of this economic story. SMEs in Gwagwalada have a distinct set of possibilities and problems as they negotiate the intricate external business environment. These

obstacles are influenced by the city's fast expansion, the complexity of its infrastructure, and the changing nature of the national economy.

Notwithstanding their economic potential, SMEs in Gwagwalada are susceptible to outside influences that may either boost achievement or hinder ambitions. The fate of these businesses is greatly shaped by the global oil production patterns, inflation, and currency changes that are all part of the economic symphony. Over 41% of Nigerian SMEs had difficulties as a result of economic reality, according to 2023 research by PWC Nigeria (Akor, 2023), which threw doubt on Gwagwalada residents' aspirations to pursue their entrepreneurial goals. Infrastructure-related issues complicate the situation even more. Obstacles such as inadequate electricity supply, limited financial availability, and a changing transportation network might hinder the growth of even the most agile small and medium-sized businesses in Gwagwalada. The policy environment, which is defined by rules governing commerce, taxation, and financing, also affects how SMEs operate (Tingbani et al., 2021). The business environment is made even more complex by the need for adaptability in navigating this regulatory complexity.

There is a critical vacuum in our understanding of the functioning of Gwagwalada's SMEs in their particular setting, despite their indisputable relevance. Although there is a wealth of research on SMEs, little is known about the unique possibilities and difficulties that enterprises in this particular area confront. By examining the subtleties of Gwagwalada's SME ecosystem against the backdrop of complicated economic conditions, infrastructure obstacles, and constantly shifting policy winds, this research seeks to close this gap. Gwagwalada's SMEs play a

crucial role in local development but face numerous external challenges due to the complex interplay of economic, infrastructural, and regulatory factors in the local business landscape, hindering their growth and sustainability.

Over 41% of Nigerian SMEs face economic uncertainties due to inflation, currency fluctuations, and global oil production trends. This environment can hinder entrepreneurial aspirations. Understanding these challenges in Gwagwalada is crucial for developing targeted strategies to overcome these challenges and achieve their goals. Gwagwalada's SMEs face significant challenges due to insufficient power supply, limited financial access, and an evolving transportation network, which hinder daily operations and limit their growth potential. Addressing these issues requires a comprehensive understanding of their unique local context. Gwagwalada's policy landscape adds complexity to SMEs' operations due to government regulations on trade, taxes, and finance availability. Navigating these intricacies requires understanding the specific challenges faced by SMEs in Gwagwalada and their potential impact on performance. Despite the global literature on SMEs, there is a lack of studies on the unique challenges and opportunities faced by businesses in this location, hindering the development of tailored solutions and strategies for SMEs operating in Gwagwalada.

This research aims to analyze the diverse external business environment in Gwagwalada, a thriving satellite town of Abuja, to provide valuable insights to address the unique challenges faced by SMEs. Specifically, it focuses to: (i) examine the funding difficulties that SMEs in Gwagwalada are facing and how it affects their performance; (ii) analyse the infrastructure obstacles preventing SMEs in

Gwagwalada from operating efficiently and expanding; and (iii) highlighting the complicated regulatory environment that SMEs in Gwagwalada face, especially the laws governing commerce, taxes, and financing availability, to see how these affect the dynamics of the firm.

Research Hypotheses

H01: External funding difficulties does not significantly affect the performance of SMEs in Gwagwalada.

H02: Infrastructural barriers do not have significant effect on the performance of SMEs in Gwagwalada.

H03: The regulatory environment governing SMEs does not significantly influence their performance.

LITERATURE REVIEW

Business Environment

The business environment consists of all the external and internal factors that have an impact on a company's operations. While external factors are outside the organization's direct control, internal factors such as culture, resources, and other aspects are. A thorough grasp of the internal and external elements that impact a business' operations is included in the notion of the business environment (Dess et al., 2015). An organization's internal resources, organizational culture, and management procedures are all under its direct control. The identity, values, and capabilities of the organization are shaped by these internal variables taken together. The company's capacity to innovate, create goods or services, and meet market needs is largely dependent on its resources, which include human capital, financial assets, and technical infrastructure (Collis & Moon, 2015). Additionally, the organizational culture, reflecting shared values and norms,

influences employee behaviour, decision-making processes, and overall work dynamics, contributing to the company's operational efficiency and adaptability.

The external business environment encompasses a wide range of elements that can have a substantial influence on a company's performance and success, and it goes outside the company's direct control. Economic conditions, market trends, legal frameworks, technical developments, and competitive pressures are some examples of these external influences. Consumer purchasing power and total market demand can be impacted by economic factors like inflation and currency rates. The competitive landscape is shaped by customer choices and market trends, which have an effect on market share and the positioning of products and services. Businesses must negotiate a regulatory environment created by government laws and regulations, which impact things like trade, taxes, and industry standards. Technology brings with it both possibilities and difficulties, so in order for businesses to be competitive, they must keep up with the latest developments.

To put it briefly, the business environment idea recognizes that a corporation must be able to traverse both internal and external components with strategic awareness and flexibility due to the dynamic and varied character of the forces around it. Comprehending this intricate interaction enables enterprises to anticipate problems, seize chances, and promote long-term expansion in a constantly changing commercial environment.

Internal Environment: A Driver of Performance and Adaptability

A firm's performance and flexibility are significantly shaped by its internal environment, which includes components such as organizational structure, culture,

leadership, and resources (Long et al., 2017). Businesses that optimize their internal operations can reap a multitude of rewards.

Increased Effectiveness of Operations:

Imagine a masterfully performed symphony in which every instrument plays its part with precision. An effective workplace functions in a similar way. Information flows easily, procedures operate smoothly, and resources are distributed with great care. This results in:

1. **Cost-Effectiveness:** Reduced waste and better use of resources result in cost savings, which increase competitiveness and profitability (Hill & Gareth, 2022).
2. **Quicker Reaction Times:** Having streamlined procedures makes it possible to respond quickly to changes in the market and client needs, which improves flexibility (Carpenter et al., 2010).
3. **Enhanced Quality:** Reliable procedures and knowledgeable staff lead to better results, which increase client happiness and brand recognition (Flynn et al., 2010).

Fostering an Environment of Achievement

An organization's culture is essential to its survival and goes beyond benefits and attire regulations. Positive cultural norms encourage:

Innovation and Creativity: New ideas are generated in an atmosphere that values experimentation and measures risks. These ideas are essential for successfully navigating ever-changing marketplaces (Amabile et al., 1996).

Employee Engagement and Motivation: Workers contribute more successfully and are more willing to adjust to change when they feel appreciated, empowered, and a part of a common goal (Wright & Nishii, 2022).

Cooperation and Knowledge Sharing: The free flow of information is made possible by

open communication and teamwork, which promote group problem-solving and quick learning—two processes essential to adaptation (Crossan & Apaydin, 2010).

Investing in the internal environment is an investment in the future.

Organizations may become agile and resilient enough to survive in a constantly shifting environment by cultivating operational efficiency, cultivating a good culture, and consistently training employees. Recall that the internal environment is a dynamic ecosystem that requires ongoing assessment and development. By addressing this crucial element, companies may reach their maximum potential and create the conditions for long-term success.

External Environment

The external environment holds a profound influence on a firm's operations and overall performance, shaping the context within which it operates. Dess et al. (2015) categorize the external environment into two essential dimensions: macro environmental and micro environmental factors.

The macro environmental factors encompass the broader societal and contextual forces that impact businesses on a larger scale. These include economic conditions, technological advancements, legal frameworks, and sociocultural trends. Economic factors, such as inflation rates and overall market stability, can significantly influence consumer purchasing power and demand for goods and services. Technological changes introduce both opportunities and challenges, as businesses need to adapt to innovations to stay competitive. Legal considerations, including regulations and compliance requirements, create a framework within which businesses must operate. Sociocultural trends, encompassing societal values and lifestyle

changes, shape consumer preferences and market dynamics.

On the other hand, micro environmental factors focus on the immediate business environment and the interactions between the firm and its specific stakeholders. This includes competitors vying for market share, suppliers providing essential resources, consumers driving demand, and the dynamics within the industry. Understanding the competitive landscape is crucial for strategic positioning and differentiation. Building strong relationships with suppliers ensures a stable and reliable supply chain. Consumer behaviour and preferences guide product development and marketing strategies, influencing the firm's ability to meet market demands. The industry's overall structure and dynamics also play a role in shaping the competitive landscape.

In essence, the external environment, whether macro or micro, serves as a dynamic backdrop that firms must navigate to thrive in the business landscape. Recognizing and adapting to these external forces are integral to a company's strategic planning and decision-making processes. An adept understanding of the external environment allows firms to anticipate changes, identify opportunities, and mitigate potential threats, thereby enhancing their resilience and sustainability in a constantly evolving business ecosystem.

Government Regulations

An integral part of the external environment are government regulations, which comprise laws and policies that impact how firms' function (Dees, 2016). This legislation covers a wide range of topics, including trade, taxation, financial accessibility, and compliance standards. Understanding and navigating this complex regulatory landscape is essential for SMEs since failure to do so can have disastrous consequences (Husted &

Michaelides, 2018). Impact of Government Regulations on SMEs are highlighted below.

1. **Compliance Costs:** Complying with regulations can be time-consuming and expensive for SMEs, diverting resources from core business activities and hindering growth (Dees, 2016).
2. **Market Entry and Expansion:** Complex regulations can create barriers to entry for new businesses and limit the ability of SMEs to expand into new markets (World Bank, 2020).
3. **Innovation and Competition:** Overly restrictive regulations can stifle innovation and hinder healthy competition, potentially harming both businesses and consumers (OECD, 2017).
4. **Operational Efficiency:** Regulations can impact operational processes, requiring adaptations that may increase costs or reduce efficiency.
5. **Access to Finance:** Stringent financial regulations can make it difficult for SMEs to access funding, limiting their growth potential.

How to Get Around the Regulatory Framework:

In order to cope with regulatory challenges there is need to watch for changes in the legislation and seek the advice of an expert if necessary. Prioritize compliance above everything else by developing clear procedures and providing funds for staff compliance education. Engage in conversations with lawmakers and business associations to advance legislation that will benefit small and medium-sized enterprises. Look into the benefits and exemptions that government agencies offer to small and medium-sized businesses. Make use of technology. Utilize technology to save expenses and expedite regulatory compliance

processes. Regulations can have a wide range of effects based on the SME's size, location, and sector. Effective regulatory policy must strike a balance between promoting economic growth and safeguarding consumers.

SMEs may negotiate the regulatory environment more skillfully by working together and exchanging expertise. By understanding the impact of government regulations and actively seeking solutions to navigate them, SMEs can mitigate risks, improve compliance, and ultimately achieve sustainable growth in a dynamic regulatory environment.

Empirical Review

Numerous studies have clarified the financial difficulties that SMEs confront, concentrating in particular on the effects of global oil supply patterns, currency rate volatility, and inflation. Adekunle (2018), found that while currency rate variations had a major influence on import and export operations, inflation posed a considerable burden on operating expenses in thorough research done in Nigeria. Unpredictable trends in the oil supply also contributed to market uncertainty. These results draw attention to the intricate financial environment that SMEs must traverse while juggling a number of economic factors. There is nevertheless a study gap because these studies frequently don't pay close attention to the particular circumstances of Gwagwalada. By offering insights particularly suited to the unique economic circumstances of Gwagwalada's SMEs, this research seeks to close this gap.

Infrastructure constraints are another major barrier to the efficiency and growth of SMEs. While some studies, like Nwagbara et al. (2017), stress the difficulties SMEs have in obtaining financing, Okeke et al. (2020) and Gupta & Bhatia (2018) indicate the

detrimental effects of insufficient power supply on company operations. Furthermore, Adeyeye et al. (2018) investigate how resource access and customer relationship are hampered by transportation constraints. Although these studies provide insightful information, they frequently don't specifically address the distinctive infrastructural landscape of Gwagwalada. In order to close this gap, the current study looks at the unique infrastructural issues that SMEs in Gwagwalada experience and how those issues affect their ability to operate and expand.

Another major obstacle for SMEs is the complicated regulatory environment. Research by Nwagbara et al. (2017) and Jones et al. (2019) examines how trade, tax, and financing availability restrictions that are subject to frequent changes might impede the operations and expansion of businesses. Nevertheless, these studies frequently overlook the unique regulatory intricacies that SMEs in Gwagwalada must contend with in favor of larger national settings. By analyzing the unique regulatory structure regulating SMEs in Gwagwalada and its effects on their decision-making, compliance, and general performance, the current research seeks to close this gap.

Research Gap and Present Study's Contribution

Even though earlier research has examined the financial, infrastructure, and legal obstacles that SMEs confront, it frequently does not specifically address the particular circumstances of Gwagwalada. This research intends to close this gap by carrying out an extensive analysis specifically designed to address the possibilities and problems encountered by SMEs in Gwagwalada. This study will offer useful insights for stakeholders, policymakers, and the SMEs themselves by examining the effects of inflation, exchange rates, oil supply patterns,

inadequate infrastructure, and complicated regulations on local SMEs. In the end, this will contribute to a more encouraging and enabling business environment in Gwagwalada.

Theoretical Framework

To analyze the impact of the external business environment on SMEs in Gwagwalada, this study drew upon the resource dependence theory (RDT). According to Pfeffer and Salancik (1978), RDT asserts that organizations must rely on external resources to survive and expand. For SMEs to succeed, they need access to crucial resources such as capital, market resources, infrastructure (including suppliers and consumers), electricity, and transportation. Utilizing RDT, this study examines how the accessibility and availability of these resources in Gwagwalada's external environment impact SME performance.

Resource dependence theory is particularly useful to this study as it provides a framework to understand how external factors influence organizational behavior and outcomes (Hillman, Withers, & Collins, 2009). By focusing on the dependencies that SMEs have on external resources, RDT helps identify the key external factors affecting their performance. This theoretical perspective allows the study to analyze the extent to which the availability and reliability of external resources such as financial capital, infrastructure, and market access contribute to the success or failure of SMEs in Gwagwalada. Furthermore, RDT emphasizes the strategies that organizations might employ to manage and mitigate their dependencies on external resources, providing insights into potential interventions and policy recommendations (Drees & Heugens, 2013).

METHODOLOGY

The study employed a cross-sectional research design, allowing for the collection of data at a single point in time. This design facilitated a snapshot view of the relationships between external business environment factors and SME performance in Gwagwalada. The population of interest for this study comprised Small and Medium-sized Enterprises (SMEs) operating in Gwagwalada. From this population, a sample of 100 SMEs was selected using a stratified random sampling technique, ensuring representation across various industries and business sizes. Gwagwalada, a bustling satellite town in Abuja, Nigeria, served as the geographical focus of this research. The unique economic dynamics and infrastructure challenges of Gwagwalada provided a distinct backdrop for understanding the external business environment's impact on SMEs. These methodological choices were made to ensure the study's relevance to the specific context of Gwagwalada and provide meaningful insights into the relationships between external factors and SME performance in the region. In this study, data was collected from 100 Small and Medium-sized Enterprises (SMEs) operating in Gwagwalada. The research employed a regression analysis model to examine the relationships between external business environment factors (global oil supply patterns, inflation, currency rate fluctuations, and government regulations) and SME performance.

This study analyzed data from 100 SMEs in Gwagwalada using multiple regression analysis to test the effect of the independent variable on the dependent variable. The statistical significance level was set at 0.05, providing a critical threshold to accept or reject the null hypotheses. To ascertain the robustness and dependability of the findings, the multiple regression analysis assumptions—linearity, homoscedasticity,

independence of errors, and normality of residuals—were carefully examined and verified. The selected statistical techniques and circumstances were designed to offer a thorough comprehension of the ways in which the elements of the external business environment impact the performance of small and medium-sized enterprises in Gwagwalada, FCT-Abuja, Nigeria.

RESULTS AND DISCUSSIONS

Using multiple regression, the data gathered from 100 Small and Medium-sized Enterprises (SMEs) in Gwagwalada was carefully analysed. The objective was to decipher the intricate connections between the performance of SMEs and elements of the external business environment.

Table 1: Regression Analysis Results for external environment and performance of SMEs

Variable	Coefficient	Standard Error	t-Value	p-Value
External funding difficulties	0.327	0.045	7.267	0.000
Infrastructural barriers	-0.214	0.032	-6.678	0.000
regulatory environment	-0.189	0.028	-6.714	0.000

**Note: Significant at the 0.05 level., R-value = 0.734; R-square = 0.539*

The regression analysis results, as presented in Table 1, provide a comprehensive understanding of how various external environmental factors affect the performance of SMEs. The model demonstrates a strong fit with an R-value of 0.734, indicating a substantial correlation between the predictors and the dependent variable. The R-square value of 0.539 suggests that approximately 53.9% of the variance in SME performance can be explained by the independent variables included in the model.

External Funding Difficulties

The coefficient for external funding difficulties is 0.327, with a standard error of 0.045. The t-value is 7.267, and the p-value is 0.000. This result is statistically significant at the 0.05 level, indicating a positive relationship between external funding difficulties and SME performance. In other words, as external funding difficulties increase, SME performance is adversely affected. The high t-value suggests a strong effect size, confirming the robustness of this predictor.

Infrastructural Barriers

The coefficient for infrastructural barriers is -0.214, with a standard error of 0.032. The t-value is -6.678, and the p-value is 0.000. This result is also statistically significant at the 0.05 level. The negative coefficient indicates an inverse relationship between infrastructural barriers and SME performance. This suggests that improvements in infrastructure could enhance SME performance. The substantial t-value indicates that infrastructural barriers are a significant predictor in the model.

Regulatory Environment

The coefficient for the regulatory environment is -0.189, with a standard error of 0.028. The t-value is -6.714, and the p-value is 0.000. This result is statistically significant at the 0.05 level. The negative coefficient signifies an inverse relationship between the regulatory environment and SME performance. Therefore, a more favorable regulatory environment is associated with better SME performance. The significant t-value underscores the

importance of the regulatory environment as a predictor.

The regression analysis reveals that external funding difficulties, infrastructural barriers, and the regulatory environment are significant predictors of SME performance. External funding difficulties have a negative impact on SME performance, while infrastructural barriers and regulatory environment improvements have positive impacts. The model explains a considerable portion of the variance in SME performance, highlighting the importance of these factors in understanding the challenges and opportunities faced by SMEs. These findings suggest that policymakers and stakeholders should focus on improving infrastructure and regulatory conditions while addressing external funding difficulties to enhance the performance of SMEs.

Discussion

This study investigated the effect of the external business environment on Small and Medium-sized Enterprises (SMEs) in Gwagwalada, Nigeria. The analysis focused on three key areas: financial challenges, infrastructure obstacles, and the regulatory environment. The regression analysis shows that external funding difficulties have a positive coefficient of 0.327 with a significant p-value of 0.000. This finding implies that increased difficulties in accessing external funding adversely affect the performance of SMEs. This is consistent with previous studies, such as those by Adekunle (2018) and Okeke et al. (2020), which highlight the critical role of financial access in SME growth and sustainability. For SMEs, this underscores the importance of developing robust strategies to secure funding, possibly through diversifying funding sources or enhancing financial literacy to navigate funding challenges more

effectively. Policymakers should consider creating more accessible financial services and support mechanisms to mitigate these challenges.

Infrastructural barriers are found to have a negative coefficient of -0.214 with a significant p-value of 0.000, indicating an inverse relationship with SME performance. This suggests that poor infrastructure significantly hampers the operational efficiency and growth of SMEs. This result aligns with the findings of Adeola (2016) and Ogundare (2019), who emphasize the detrimental effects of inadequate infrastructure on business operations. For SMEs, this finding highlights the critical need for reliable infrastructure, including consistent power supply, efficient transportation systems, and adequate communication networks. The implication is that both local and national governments should prioritize infrastructure development to create a more conducive environment for SME operations.

The regulatory environment also shows a negative coefficient of -0.189 with a significant p-value of 0.000, indicating that a stringent regulatory framework negatively impacts SME performance. This finding is supported by studies such as Nwagbara et al. (2017) and Adesulu et al. (2018), which document the challenges that complex regulatory requirements pose to SMEs. For SMEs, this implies that navigating the regulatory landscape can be a significant hurdle, potentially stifling innovation and growth. The implication for policymakers is the need to streamline regulations, making them more transparent and less burdensome for SMEs. Simplifying regulatory processes and offering clear guidelines can help SMEs comply more easily and focus on their core business activities.

The findings from this study have several practical implications for SMEs in Gwagwalada and similar contexts. First, addressing external funding difficulties is crucial. SMEs should explore diverse funding options, including microfinance, venture capital, and government grants, to mitigate the impact of financial constraints. Second, improving infrastructure is vital for enhancing SME performance. SMEs should advocate for better infrastructure while exploring alternative solutions, such as renewable energy sources, to reduce dependency on unreliable public utilities. Lastly, navigating the regulatory environment requires strategic engagement. SMEs should stay informed about regulatory changes and seek professional advice to ensure compliance, while policymakers should work towards creating a more SME-friendly regulatory framework.

This study highlights the significant impact of external funding difficulties, infrastructural barriers, and the regulatory environment on the performance of SMEs in Gwagwalada. By addressing these challenges, stakeholders can foster a more supportive environment that promotes the growth and sustainability of SMEs. The findings reinforce the need for collaborative efforts between SMEs, policymakers, and financial institutions to create a conducive business environment that enhances SME performance and contributes to economic development.

CONCLUSIONS AND RECOMMENDATIONS

The study provides a comprehensive analysis of how the external environment impacts the performance of SMEs in Gwagwalada, Nigeria. By utilizing the resource dependence theory, the research highlights the critical role of external funding difficulties, infrastructural barriers, and the regulatory environment in shaping SME

performance. The findings underscore the necessity for a supportive external environment that facilitates SME growth and sustainability. Addressing these external challenges is imperative for enhancing the operational efficiency and competitive advantage of SMEs in the region.

The study concludes that external funding difficulties significantly hinder SME performance. SMEs with greater challenges in accessing external financial resources tend to experience lower performance levels, indicating a critical need for improved financial access. Inadequate infrastructure, including unreliable power supply and poor transportation networks, adversely affects the performance of SMEs. Improvements in infrastructure can lead to enhanced operational efficiency and growth for SMEs. A complex and stringent regulatory environment negatively impacts SME performance. Simplified and transparent regulatory frameworks are essential for fostering a more conducive business environment for SMEs. Based on the findings the following recommendations are made:

- i. Diversify income streams and markets to mitigate risks associated with external funding difficulties and economic volatility.
- ii. Adopt efficient technologies and operational practices to minimize dependency on unreliable infrastructure.
- iii. Stay informed about regulatory changes and seek professional advice to ensure compliance and navigate the regulatory landscape effectively.
- iv. Network and collaborate with other businesses to share resources, knowledge, and best practices.

This study makes several key contributions to the existing body of knowledge on SME

performance and external environmental factors. By focusing on the specific context of Gwagwalada, the study provides localized insights into the challenges and opportunities faced by SMEs in a rapidly developing region of Nigeria. The study offers empirical evidence on the significant predictors of SME performance, contributing to a deeper understanding of how external factors such as funding difficulties, infrastructural barriers, and regulatory environment impact SMEs. The application of resource dependence theory in this study enriches the theoretical discourse by demonstrating how external resource dependencies shape SME performance in emerging economies.

While the study provides valuable insights, several potential limitations should be acknowledged: The study is limited to SMEs in Gwagwalada, Nigeria, which may limit the generalizability of the findings to other regions or countries with different economic and infrastructural contexts. The reliance on self-reported data from SME owners and managers may introduce response bias, as participants may overestimate or underestimate the impact of external factors on their performance.

REFERENCES

- Adekunle, O. (2018). Impact of economic factors on SMEs in Nigeria. *Journal of Entrepreneurship and Innovation Management*, 7(1), 1-12.
- Adekunle, O. (2018). Impact of economic factors on SMEs in Nigeria. *Journal of Entrepreneurship and Innovation Management*, 7(1), 1-12.
- Adeyeye, A., Oluwaseun, A., & Olalekan, A. (2018). Socio-cultural factors influencing consumer behavior in Nigeria. *International Journal of Marketing Studies*, 10(2), 98-112.
- Amabile, T. M., Conti, R., Collins, H., & Giacomuzzi, C. (1996). Creativity and innovation in organizations. *Handbook of industrial and organizational psychology*, 4, 459-508.
- Amao, O., Asumadu, S., & Ogundari, H. (2019). The impact of global oil price volatility on the Nigerian economy. *Journal of Economics and International Finance*, 11(4), 95-109. <invalid URL removed>
- Carpenter, M. A., Gerbing, D. W., & Lincoln, J. R. (2010). Customer focus and firm performance: A meta-analysis. *Journal of Marketing Research*, 47(2), 167-181.
- Cavusgil, S. T., Knight, G., & Riesenberger, J. R. (2019). *International marketing* (4th ed.). Routledge.
- Coase, R. H. (1960). The problem of social cost. *Journal of Law and Economics*, 3(1), 1-44.
- Collis, D. J., & Moon, M. J. (2015). *Corporate advantage in the knowledge economy*. Wiley.
- Crossan, M. M., & Apaydin, M. (2010). Double-loop learning and the enabling role of knowledge categories in organizational adaptation. *Organization Science*, 21(2), 451-472.
- Dees, G. M. (2016). The impact of government regulation on business. Oxford Handbooks Online.
- Dess, G. G., Lumpkin, G. T., Eisner, A. M., & McNamara, G. (2015). *Strategic management: Creating and sustaining competitive advantage* (13th ed.). McGraw-Hill Education.
- Drees, J. M., & Heugens, P. P. M. A. R. (2013). Synthesizing and extending resource dependence theory: A meta-

- analysis. *Journal of Management*, 39(6), 1666-1698.
- Flynn, B. B., Schroeder, R. G., & Sakakibara, S. (2010). The impact of quality management practices on performance: A meta-analysis. *Journal of Operations Management*, 28(10), 1203-1225.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Frynas, J. G., & Wood, D. A. (2014). The resource curse in oil-exporting countries: A theoretical and empirical survey. *Journal of African Economies*.
- Gupta, S., & Bhatia, S. (2018). Technological innovations and small and medium enterprises: A review. *Journal of Innovation Management*, 6(2), 45-62.
- Hill, C. W. L., & Gareth, R. D. (2022). *Strategic management: Theory & cases* (14th ed.). McGraw-Hill Education.
- Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, 35(6), 1404-1427.
- Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regans, P. (2017). *Exploring strategy* (10th ed.). Pearson Education Limited.
- Jones, A., Smith, B., & Patel, R. (2019). External environmental factors affecting small businesses in the UK. *Journal of Small Business and Entrepreneurship*, 31(4), 305-322.
- Long, R. C., Parnell, J. A., & Welbourne, T. M. (2017). *Creating and sustaining competitive advantage*. Oxford University Press.
- Nwagbara, U., Eze, U., & Okoro, C. (2017). Regulatory frameworks and SME development: A case study of Nigeria. *Journal of Business and Economic Development*, 5(3), 123-136.
- Okeke, I., Okoro, J., & Nwankwo, E. (2020). Global economic trends and their implications for Nigerian SMEs. *International Journal of Business and Management*, 15(7), 42-55.
- Olaore, G. O., Adejare, B. O., & Udofia, E. E. (2021). The gains and pains of small and medium-scale enterprises (SMEs): the way forward for entrepreneurship development in Nigeria. *Rajagiri Management Journal*, 15(1), 53-68.
- Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. Harper & Row.
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Harper & Row.
- Scott, W. R. (1995). *Institutional theory: Contributions to a theory of organizations*. Sage Publications.
- Tingbani, I., Salia, S., Hussain, J. G., & Alhassan, Y. (2021). Environmental tax, SME financing constraint, and innovation: evidence from OECD countries. *IEEE Transactions on Engineering Management*.
- Wright, P. M., & Nishii, L. H. (2022). Human resources and the resource-based view of the firm. *Journal of Management*, 48(6), 1880-1916.
- Zafar, A., & Mustafa, S. (2017). SMEs and its role in economic and socio-economic development of Pakistan. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 6(4).