

# **INFLUENCE OF BUSINESS ENVIRONMENTAL FACTORS ON MICRO, SMALL AND MEDIUM ENTERPRISE SURVIVAL IN ONDO CITY METROPOLIS, NIGERIA**

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## **Abstract**

*This study empirically examines the influence of business environmental factors on micro, small and medium enterprise survival in Ondo City Metropolis, Nigeria. To achieve this, this study reviews literature on current debates on business environment; overview of micro, small and medium enterprise, concept of business survival and several empirical studies. A descriptive survey was adopted as the foci of research design along with the use of simple random sampling. The population of this study comprises of all MSMEs in Ondo City Metropolis, while a sample of four hundred was systematically selected from the study population. Therefore, a structured questionnaire was administered to elicit information from respondents. Out of 400 copies of questionnaire administered, 321 were duly returned and were used for statistical analysis. Multiple regression was employed in testing the hypotheses and the findings indicated a significant relationship between business environmental factors and MSMEs survival at  $P < 0.05$ . This study however recommended adequate provision of infrastructural facilities for MSMEs survival in Nigeria; as well as strengthening of regulatory framework. This study concluded that organizations who fail to recognize and respond swiftly to the dictates of emerging trends and challenges in their environment are teetering on the brink of extinction.*

*Keywords: Business environment, Environmental factors, MSMEs Survival, Ondo City, Nigeria*

## INTRODUCTION

The Nigeria business environment has been changing rapidly than ever before. Consequently, managers and entrepreneurs must reposition their organizations in order to ensure viable change outcome. Nigeria is a country located in the Sub-Sahara Africa with a growing population of over 170 million but wrestling to find it rightful place among committee of nations due to policy summersault, misplaced priority, poor governance, corruption and bad leadership. However, Nigeria remains one of the preferred business destinations for investors across the world due to its large array of human and material resources (Ananaba & Chukwuka, 2016).

Meanwhile, stakeholders across sectors at different fora both, within and outside Sub-Sahara region have launched aggressive campaign on the need to diversify Nigeria's economy from oil and gas to other important sectors for self-reliance. This tremendous campaign, has, in fact, yielded positive result with the 2018 World Bank ease of doing business ranking on Sub-Saharan Africa which shows that Nigeria has moved up by 24 points to assume top 10 improved countries in doing business worldwide as against being 169<sup>th</sup> position in 2017 (World Bank, 2018). In order to consolidate on the above feat and further achieve the nation's economic diversification objectives, researchers have advocated the need to chart a new course for the nation by ensuring proper mobilization of MSMEs for economic growth and development in terms of employment generation, reduction in poverty, as well as provision of goods and services to large industries (Elumelu, 2017; Oloruntuyi & Ogunyemi, 2016, Iorun, 2014; Ogbuanu, Kabuoh & Okwu, 2014; Aluko, 2013).

The persistent poor infrastructural facilities, high cost of raw material, high cost of production, low capital utilization and inadequate foreign exchange to source needed raw materials abroad have resulted in absolute inefficiency and low survival rate of micro, small and medium enterprises across the nation (Ayedun & Awoyemi, 2014; Adeoye, 2013; Tajudeen & Francis, 2013; Adeoye & Elegunde, 2012). Also, the increasing and uncontrollable crime rate, religious and communal classes and high level of insecurity in Nigeria have resulted in the inability to carry out genuine business activities without fear while government policies and programmes to ameliorate the menace currently seem inadequate and counterproductive. Hence, the need for this study so as to address some of the above gaps which unarguably calls for rousing attention.

The main thrust of this paper is to investigate the influence of business environmental factors on micro, small and medium enterprise survival in Ondo City Metropolis, Nigeria. Specifically, this study covers the economic, political, socio-cultural, and technological variants of external business environment. In addition to the abstract and introduction, this paper is

structured as follows: literature review, methodology, data analysis, discussion of findings, conclusion and recommendations respectively.

## LITERATURE REVIEW

### Current debates on business environment

It has been observed in management literatures that we live in a business world where the dictate of our environment affects organizational survival and growth (Obisi and Gbadamosi, 2016). This statement could be supported with an assertion that businesses all over the world and specifically in Nigeria have contributed immensely to the changes in the country's development through employment generation, wealth creation, reduction in poverty level and provision of technical innovation for better services (Satope & Akanbi, 2014; Adeoye & Elegunde, 2012). Business environment is the sum of all variables within and outside an organization relevant to its growth, survival and prosperity. That is, an aggregate of complex and interacting forces outside the confines of business organizations but relevant to its day-to-day operations (Obasan, 2014; Ayedun & Awoyemi, 2014). Obasan (2014) contends that business environment is best understood based on the level of change in an organization, whether stable, dynamic or turbulent. A stable environment is consistent over a period of time; dynamic environment changes at a predictable rate while the turbulent environment changes at an unpredictable rate.

Also, business environment is best understood based on the extent of controllable and uncontrollable environment. The controllable environment requires managers to deploy their managerial skills and experiences in the control of forces within the confines of business organization while the uncontrollable environment are the forces that is beyond the control of business organization irrespective of the quality of managerial skills and experiences. However, the uncontrollable environment may be strategically and proactively managed to achieve predetermined organizational goals and objectives. Equally, business environment may be categorized into task and macro environment. The task environment has direct impact on the operation of organizations since it comprises of persons with long-existing relationship that have great influence on organization's decisions; and the variables with respect to task environment includes competitors, government, suppliers, financial institutions, investors, wholesalers and trade unions. The macro environment on the other hand is the general environment that has unique and profound effects on the fortune of business organization irrespective of the industry where it operates. These variables include political, economic, social-cultural, technological, legal, natural and international environment (Obisi & Gbadamosi, 2016; Agbonifoh &

Inegbenebor, 2012; Stoner, Freeman & Gilbert, 2008; Awe, 2006, Fajana, 2006). However, relatively few of these will be examined below.

### **Economic factor**

Economic factor is so important in the life of an organization and the larger society since it measures the level of national growth and development. Recently, the Nigerian economy was announced to have gained a significant growth and officially out of recession. The news greeted so many stakeholders with ecstasy and was subsequently celebrated with positive comments across all divides, most especially amongst trade unions, investors and captain of industries. This purported celebration signifies the importance of economic variable to individual, organization and the society at large. In fact, a country's economic data will help to determine the level of her viability in the ease of doing business along with extents to which investors can patronize because economic growth exude whether the country has the requisite capacity to attract local or foreign investors. Some of the components of economic variable that affects the survival of micro, small and medium enterprise in Nigeria and specifically in Ondo City Metropolis include fiscal, monetary and trade policies, state of infrastructures, capacity utilization rate, the foreign exchange rate and many more (Ayedun & Awoyemi, 2014; Utuk, Utuk & Baghebo, 2014; Adeoye, 2013; Inegbenebor & Agbonifoh, 2012).

### **Political factor**

Political factor also plays important role in determining business survival in Nigeria and the variables include government policies, political stability, power change, security, taxation, privatization and deregulation. All the above-mentioned variables will have profound effects on micro, small and medium enterprises in either positive or negative direction. For instance, political stability will give room for peace and security of lives and properties; reduce societal tension and as well helps to build a supportive and stable political institutions devoid of incessant agitation, war and conflict of interest (Obisi & Gbadamosi, 2016; Ibrahim & Muritala, 2015; Mark & Nwaiwu, 2015). In contrary, political instability will create tension and unfavorable business climate. For example, the Boko Haram insurgence in the northeast geopolitical zone has led to unfavorable business climate in the region since the emergence of the group in 2002 as a result of incessant bombing and multiple attacks (Uthman, Sule & Singh, 2015). Similar, the numerous demonstrations of the recently proscribed Indigenous People of Biafra (IPOB) in southeast region in agitating for secession was an evidence of political instability in Nigeria. In addition, the role of militants in Niger-Delta and the nefarious activities of Fulani herdsmen have created tension across the nation while resulting in unfavourable business climates. To this end,

it is logical to postulate that building peaceful and enabling business environment is a strategic way forward to the survival of micro, small and medium enterprise in Nigeria.

### **Technological factor**

Technological factor is another important variable that play dominant role on the survival of MSMEs in Nigeria due to its role as the engine room of development of any nation. Technology determines what to produce, how and the various techniques of production (Lawal, 2000). In an attempt to improve the level of the country's technology, the current federal government of Nigeria lunched national campaign on the need for the youths to patronize science, engineering and technical education so as to help the citizen acquire technical skill and training that will ensure the country's self-reliance and reduce unemployment among the teeming youths. If this proposed idea is supported with strong political will along with actionable plans both in the short and on the long-run, the survival rate of micro, small and medium enterprise in Nigeria will improve significantly.

### **Socio-cultural factor**

Socio-cultural environment deals with the way of life of our people in terms of the norms, belief, custom, attitude and religion that are exhibited in the society (Abdullahi & Zainol, 2016). There is no doubt that the socio-cultural values of the society toward micro, small and medium enterprise will determine their survival rate. For instance, the sale of alcohol drinks is unfashionable in some Northern states of Nigeria due to their cultural and religion background while such venture is indeed fashionable in the southern region. By implication, the lifespan of industries operating alcohol plants in Northern community may be easily short-lived compared to the southern counterparts. Therefore, any entrepreneurs who wish to operate successfully in any given society must understand the dictate of their socio-cultural forces and refrain from actions that are inimical to the values and norms of the people.

### **Concept of micro, small and medium enterprise**

Micro, small and medium enterprise abounds all over the world with different countries having their own regulatory standards. In Nigeria, MSMEs span through all states and in varying degrees across different sectors such as manufacturing, direct services, wholesaling, retailing, education, trading, information and communication, artisan and so on (Essien, 2014). There are different definitions of micro, small and medium enterprise all over the world and such definitions are relative based on the country in question. For instance, in Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Central Bank of Nigeria (CBN)

and other agencies attempted to define and categorized micro, small and medium enterprise based on assets, number of employee, annual turnover and relative size (Ogbuanu, Kabuoh & Okwu, 2014; Evbuomwan, Ikpi, Okoruwa & Akinyosoye, 2013; SMEDAN, 2007). Emphatically, the National Council of Industry (NCI) defined micro, small and medium enterprise in the following manners. With respect of micro scale business, it comprises of labour force not more than ten workers, or total cost of not more than N 1.5 million, including working capital but excluding cost of land.

The small scale enterprise comprises of 11-100 employees or a total cost of not more than N 50 million working capital but excluding cost of land while a medium scale industry have labour size between 101-300 workers or a total cost of over N 50 million but not more than N 200 million, including working capital but excluding cost of land. Similarly, SMEDAN defined micro enterprise as having between 1-9 employees with a capital base from N 1 to N 5million excluding cost of land. The small scale are those that employ between 10-49 employees with capital base from N 5 million to N 50 million while the medium scale are those that employs from 50-199 employees with a capital base from N 50 million to N 500 million.(Ebitu, Basil & Ufot, 2016; Utuk, Utuk & Baghebo, 2014; Aluko, 2013).

Based on the above views, micro, small and medium enterprise constitutes the largest bulk of businesses in Nigeria with unprecedented and significant contributions to the nation's economy through provision of employment to the teeming unemployed youths, reduction in poverty rate, reduction in crime rate and other social vices, creating better standard of living, contributing to the nation's Gross Domestic Product (GDP) and provision of raw material for the Nigerian big industries (Essien, 2014; Abiola, 2011). Despite the enormous benefits of micro, small and medium enterprise as itemized and similarly identified in related literatures, there are greater numbers of problems that bedevil MSMEs survival in Nigeria which are as follows.

First, there exists lack of financial facilities that often limit young unemployed graduate to commence a micro, small and medium enterprise (Adejuyigbe & Dahunsi, 2010). The fact is that Nigeria is a country where poverty has risen above board and raising capital to start a business without government assistance is like searching for ocean in a desert. Second, inadequate funding which is similar to the first problem also hampers on the survival of micro, small and medium enterprise. In this perspective, those who already raised start-up capital through their little savings are further confronted with low access to loan that could enhance their growth and survival as most financial institution placed stringent condition on business owners and operator to access fund. Third, inadequate infrastructural facilities have also been perceived by majority of researchers under this heading as the bane of business survival and economic development in Nigeria. Meanwhile, studies have shown that availability of adequate infrastructural facilities

such as good road network, constant electricity, usable portable water, standard information and communication technology are indeed a prerequisite to survival of micro, small and medium enterprise in Nigeria (Ogechuku, Oboreh, Umukoro & Uche, 2013).

Meanwhile, it is quite unfortunate that none of Nigeria's government since return to democratic governance in 1999 has taken genuine steps to improve the infrastructural facilities in the country but rather prefer to siphon and mismanage the nation's common wealth in the name of privatization and deregulation. Four, high tax regime or multiple taxation is another bane to micro, small and medium enterprise in Nigeria. This challenge is due to the inordinate role of tax consultants and local government tax agents who try as much as possible to generate excess profit without considering the net effect on MSMEs. Five, poor accounting system can also be considered a major constraint of micro, small and medium enterprise which occurs as a result of inadequate knowledge of standard accounting procedure that often gives room for mismanagement and eventual collapse of businesses. In short, most business owners and operators of micro, small and medium enterprises fail to realize the strategic role of accounting information in gaining access to funding from financial institutions. Six, lack of managerial skills or technical know-how. This occurs due to the fact that most of the owners or operators of MSMEs are illiterates with either little or no education where the deficiency often created barriers to their survival rate. Lastly, micro, small and medium enterprises are often confronted with unstable government policies hence encumbering the MSMEs survival in Nigeria (Ebitu, Basil & Ufot, 2016; Osunde, 2016; Agwu & Emeti, 2014; Ogechuku, Oboreh, Umukoro & Uche, 2013).

### **Conceptualizing Business Survival**

In any society, the goals and objectives of organizations abound and such objectives sometimes ranges from, profit making and maximization, maximization of shareholders wealth, growth, expansion and ensuring continuity in the face of environmental challenges (Awe, 2006). Whatever the goal, it is important that organizations ensure going concern as an assumption that the business will continue to operate indefinitely and consequently devoid of expected liquidation or significantly reduce the scale of its operations in a foreseeable future. Therefore, business survival has to do with the ability of an organization to continuously operate in any given environment irrespective of the limitations imposed or challenges confronted (Obadan, 2014). Business survival is an unwritten law of every organization which suggests that organization should recognize survival as an absolute prerequisite for serving any interest whatsoever and further postulate a rethink for any organization that fail to identify survival as primary objective (Gross 1968 cited in Onwuka, Ekwulugo, Dibua & Ezeanyim, 2017).

Furthermore, it has equally been observed in literature that the focus of going-concern or business survival deals with ability to structure and restructure organizations so as to keep in touch with certain elements such as culture, technology, uncertainty, changes, competitive market, leadership style, profitability, productivity and sales turnover (Adeoye, 2012 cited in Odumbakun, Alao, Dairo & Oba-Abimbola, 2017; Oginni & Adesanya, 2013). Hence, business survival is *sin qua no* to organizational growth and development as well as organizational success.

### **Related empirical studies**

Several researchers have explored either directly or indirectly the influence of business environmental factors on the survival of micro, small and medium enterprise in Nigeria and some of their findings are documented below. For instance, Obasan (2014) examined the impact of business environment on the survival of small scale businesses in Nigeria and found a significant relationship between business environment and the survival of small scale businesses. The study therefore concluded that inflationary trend, competition, inadequate infrastructural facilities and poor government policies, changing consumer behavior are the major bane of small scale business survival in Nigeria. Meanwhile, the major deficiency identified in this study is the methodological gap wherein the study fails to explain in detail the adequacy of the study sample size due to inadequate information about the study actual population. Similarly, Oginni and Adesanya (2013) investigated business environmental factors and its implication on the survival of business organization mostly in the manufacturing company of Lagos metropolis among 550 respondents using random and purpose sampling and found that one of the greatest challenges of organizational survival most especially in the manufacturing industry is infrastructural facilities but identified electricity as the most important factor in the survival and growth of business organization from which its poor supply has constantly led to the relocation of manufacturing industries to neighboring countries. In general, the study found a significant relationship between business environmental factors and the survival and growth of business organizations. The major deficiency of the study is the inability to provide a strong justification for the combine use of random and purposeful sampling techniques because the adoption of non-probability sampling approach in a descriptive survey has come under criticism in recent times. Adeoye and Elegunde (2012) investigated a study on the impact of external business environment on organizational performance in the food and beverage industry in Nigeria and found that macro environmental forces such as political, economic, socio-cultural and technological environment have a great and significant impact on organizational performance. The study further concluded that organizational effectiveness,



efficiency, increase sales can only be guaranteed through proper and continuous scanning of macro environmental forces and provision of enabling environment for the smooth running of businesses in Nigeria.

Essien (2014) study on Nigerian business environment and growth constraints of micro and small scale manufacturing industries in Akwa Ibom State Nigeria considered infrastructural facilities, high interest rate on loan, absence of monetary units in bank along with absence of credit facilities as the bane of MSMEs but revealed further that infrastructural facilities is a dominant factor among equal that hinders the growth of MSMEs in Nigeria. This study was in tandem with Obasan (2014), Oginni and Adesanya (2013), Adeoye and Elegunde (2012). Furthermore, Agwu and Emeti (2014) conducted a study on the issues, challenges and prospect of small and medium enterprise in Portharcourt, Rivers State Nigeria and found that the major problem confronting small and medium enterprises are poor funding, inadequate social infrastructure, multiple taxation and lack of managerial skills but suggested that government could put an end to the problem of infrastructure decay by engaging public private partnership to boost the standard of infrastructural facilities. Also, the study further concluded that government can ensure survival of SMEs by providing tax incentives to relieve tax burden on business operators while recommending provision of long-term loan by the government so as to encourage many young graduate to establish small and medium enterprise as a strategy of reducing unemployment in Nigeria.

Eze and Okpala (2015) took a study on the quantitative analysis of the impact of small and medium scale enterprise in Nigerian economy since 1993-2011 with the use of multiple regression method and found poor government policies in the area of tariff and incentives, bribery and corruption, inability to access credit facilities as the bane of small and medium enterprise in Nigeria. Ayedun and Awoyemi (2014) stated that the survival of micro, small and medium enterprises is contingent on enabling and conducive business environment that is properly regulated by government through provision of stable power supply and abolishing multiple taxation currently perceived as barrier to the survival of micro, small and medium enterprise in Nigeria. The study therefore found a positive correlation between environment and survival strategy of cyber café in Nigeria. Mark and Nwaiwu (2015) obtained data on twenty-seven multinational companies in Nigeria on the impact of political environment on business performance and found that there is a significant relationship between the country's political environment and business performance due to political instability and violence which has created a very volatile business atmosphere and makes the environment unbearable for businesses while it recommended government avoidance of frequent changes in policies and programmes that impinge on building a virile environment for business survival.

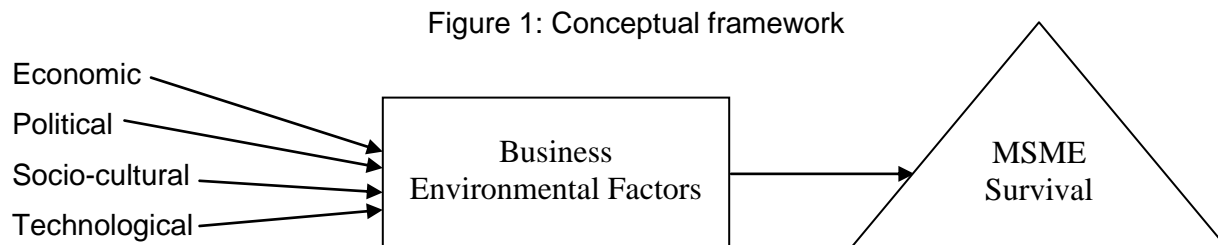
For Gado (2015) the successful performance of business organizations lies on provision of adequate infrastructural facilities such as water, road, electricity, transport and communication due to its direct bearing on day-to-day performance of business organization and further asserts that organizational survival is predicated on government ability to stimulate economic growth through efficient management of foreign exchange, inflation and interest rate to encourage the ease of doing business. In a very recent study conducted by Odumbakun et al. (2017) examines the role of political marketing environment on business survival and growth among manufacturing companies in Nigeria and found that constant and sincere payment of taxes along with total compliance with government regulatory framework by organizations is the only way to spur government to provide infrastructural facilities and other developmental programmes useful in creating enabling environment for businesses to survive. Zacheus and Omoseni (2014) investigated the impact of small and medium scale enterprises on economic development by adopting a survey method and data analysis were done through chi-square while the study revealed that a positive and significant relationship exists between SMEs and poverty reduction in one hand, employment generation and improvement in standard of living of people in Ekiti State on the other hand.

From the above review, the nuance between the previous studies and the current study emanates from the fact that the current study uncovers in modern and robust perspective the nexus between external business environmental factors and the survival of MSMEs in Nigeria, and equally employ useful and modern statistical technique suitable for twenty-first century research writing in order to prevent spurious research result.

### **Theoretical framework**

In a broader sense, theories are needed as aids to understanding events and problems on how and the why of an empirical world (Inegbenebor, 2012). Relevant to this study is the system approach which has its origin attached to Austrian Biologist, Ludwing Von Bertalanffy (1956). The system postulates the need for organization to interact and operates in an open system rather than a close system. Therefore, a system is seen as an organized whole comprising of several subsystems for effective functioning (Chikere & Nwoka, 2015; Tafamel & Adekunle, 2016). It can also be construed an interdependent part which together forms a unitary whole to carry out a task. From the foregoing, System approach enable managers to perceive organization as a subset of the general society where the activity of one segment affect in varying degree the activity of other while a good system shows some reasonable qualities such as dynamism, adaptation, supportive and interaction. System dynamism will give room for free interactions and as well overlap with other system to exchange information with the

environment. Meanwhile, a good system is self-regulating, bounded in time and space and ensures adequate process of transmitting input to an output without any impediments (Stoner, Freeman & Gilbert, 2008). Emphatically, the application and utility of system approach to this study is predicated on the understanding that no business organization can operate in isolation but rather interact with other elements in the environment to achieve desired goals and objectives because organizations usually obtained human and material resources (man, money, machine, material) from the environment, transformed them into finished good and invariably sent back to the environment for human consumption and economic development. Therefore, for micro, small and medium enterprise to operate successfully in any given economy, cognizance must be given to the elements of economic, political, socio-cultural and technological factors that have been considered to have profound effect on their immediate and future survival.



## METHODOLOGY

This study investigates the influence of business environmental factors on micro, small and medium enterprise survival in Ondo City Metropolis, Nigeria. This study adopts descriptive survey as the foci of research design. Descriptive survey typically helps to define variable and phenomenon as they exist in the field or as the researcher observe their behaviour (Osaze & Izedonmi, 2008). For this study, the target population consists of all micro, small and medium enterprise in Ondo City Metropolis but the exact population of MSMEs in the City could not be ascertain due its extremely large nature, paucity of data and other issues that bothers on ethical consideration and confidentiality of government reserved information. However, the researchers' decided to draw a sample of four hundred (400) respondents which is a reasonable and suitable sample size for a large population. This is considered adequate since literature has shown that a 1 million population and above has a rough estimated sample size of 384 at 95% confidence level (Saunders, Lewis & Thornhill, 2009: 219). The respondents comprised of computer centers operators, cyber café operators, printing and publishing shops, photography, barbing, shoe making, hair dress making, tailoring, welding and fabrication, food vendors and restaurants,

Education, Agro-allied industries and so on. Most of these businesses were spread across Adeyemi College of Education Campus, University of Medical Science Campus, Yaba Area as the commercial hub of Ondo City Metropolis. Probability sampling method was adopted for this study with the use of simple random sampling techniques. This was considered appropriate since random sampling gives every member of the population equal chance of being selected. The questionnaire used for this study was adapted from the work of Obasan (2014); Essien (2014) Ifekwem and Adedamola (2016). The study questionnaire was structured on a five point scale ranging from 1-5 (1=strongly disagree, 2=disagree, 3=not sure, 4=agree and 5=strongly agree); there are two sections: the first section contain questions that are used to elicit information on the socio-demographic characteristics of the respondents while second part seeks to exhume respondents views on external environmental factors with regards to MSMEs survival in Ondo City Metropolis. The questionnaire was personally distributed to the owners or operators of MSMEs in the study areas for two weeks in April, 2018 while data collected were purely analyzed through descriptive and inferential statistics. The hypothesis states that business environmental factors does not have significant relationship with micro small and medium enterprise survival in Ondo City metropolis. Based on this hypothesis, multiple regression was employed to analyze the influence of independent variable (economic, political, socio-cultural and technological) on the dependent variable (MSMEs survival) using the Statistical Package for Social Sciences Version 23. The regression model for this study was given as:

$$MSMES = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon.$$

(Where, MSMES = Micro, Small and Medium Enterprise Survival; X1 = Economic; X2=Political; X3 = Socio-cultural; X4 = Technological;  $\alpha$  is constant and  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$ , and  $\beta_5$  are coefficient to estimate, and  $\varepsilon$  is the error term)

## ANALYSIS AND FINDINGS

### Response rate

Out of four hundred copies of questionnaire administered, three hundred and twenty-one were duly returned and used for statistical analysis, showing 80.25% response rate.

### Socio-demographic characteristics of the respondents

Table 1 presents the gender representation of the respondents where 136(42.4%) of the respondents were male and 185(57.6%) were female. This shows that the percentage of female respondents were higher as compared to their male counterparts. Also, from the age distribution of the respondents, 57(17.8%) and 162(50.5%) of the total respondents were those between 20-

30 years and 31-40 years respectively, while those between 41- 50 years and 51 years above were 78(24.3%) and 24(7.5%) respectively. This shows that we have capable men and women who are agile enough to face the day-to-day rigour involve in MSMEs businesses. Likewise, It shows that 61(19.0%) are single, 254(79.1%) are married while 6(1.9%) are divorce. This shows that we have matured and emotionally stable group of respondents.

In the same vein, 99(30.8%) and 119(37.1%) of the total respondents possessed SSCE and below and OND/NCE/DIPLOMA respectively, while 87(27.1%) and 16(0.6%) of the total respondents possesses HND/BSC degree and Postgraduate degree respectively. This shows we have people who are educated enough to fill questionnaire and as well provide us with relevant information. Also, the table shows that 227(70.7%) and 76(23.7%) of the total respondents claimed they have been in business for 10 years below and 10-20 years respectively, while those who are 20 years above were 18(5.6%) respectively. Also, 100(31.2%) claimed their company is registered while 221(66.8) confessed they are yet to register their companies. Also, 274(85.4%) are business owners while 47(14.6%) are operators standing in for their principal. Finally, the table shows that 6(1.9%) and 61(19.0%) of the total respondents claimed they belonged to education and artisan, 21(6.5%) belong to food vendors and restaurants, while 67(20.9) and 166(51.7) belonged to information and communication as well as trading and others respectively.

Table 1: Socio-demographic characteristics of the respondent

Socio-demographic characteristics	Categories	Frequency	Percentage
Gender	Male	136	42.4
	Female	185	57.6
	Total	321	100
Age (Years)	20-30	57	17.8
	31-40	162	50.5
	41-50	78	24.3
	51 and above	24	7.5
	Total	321	100
Marital Status	Single	61	19.0
	Married	254	79.1
	Divorce	6	1.9
	Total	321	100
Educational Qualification	SSCE and below	99	30.8
	OND/NCE	119	37.1

	HND/BSC	87	27.1
	Postgraduate	16	5.0
	Total	321	100
Existence (Years)	Less than 10	227	70.7
	10-20	76	23.7
	20 and above	18	5.6
	Total	321	100
Registration	Yes	100	31.2
	No	221	68.8
	Total	321	100
Status in Organization	Owner	274	85.4
	Operator	47	14.6
	Total	321	100
Industry	Education	6	1.9
	Artisan	61	19.0
	Food vendor and Restaurant	21	6.5
	Information and Communication	67	20.9
	Trading and others	166	51.7
	Total	321	100

### Description of research variables

**Economic factor:** Table 2 presents the result on analysis of respondent opinion on economic factor and MSMEs survival. From the table, 33(10.3%) respondents strongly disagreed that inadequate infrastructural facilities will have adverse impact on MSMEs survival while 6(1.9%) disagreed and 15(4.7%) simply not sure but 89(27.7%) agreed while 178(55.5%) strongly agreed. The table also indicate 27(8.4%) respondents strongly disagreed that High interest rate is a major constraint to MSMEs survival while 24(7.5%) disagreed and 12(3.7%) not sure, but 137(42.7%) agreed and 121(37.7%) strongly agreed. Similarly, 16(5.0%) of the respondent strongly disagreed that high inflationary trend is a threat to MSMEs growth and survival while 20(6.2%) disagreed and 31(9.7%) not sure, but 174(54.2%) agreed while 80(24.9%) strongly agreed. Similarly, 40(12.5%) of the respondents strongly disagreed that excessive entry fees and charges hinders MSMEs survival and continuity while 11(3.4%) disagreed and 18(5.6%) not sure, but 169(52.6%) agreed and 83(25.9%) strongly agreed. Likewise, 26(8.1%) respondents strongly disagreed that High cost of raw materials is a big challenge to MSMEs survival while 26(8.1%) disagreed and 6(1.9%) Not sure, but 153(47.7%) agreed and 110(34.3%) strongly agreed.

Table 2: Respondents Opinion on Economic Factor

S/N	Statement	SD	D	NS	A	SA	Mean	Std. Deviation
1	Inadequate infrastructural facilities have adverse impact on MSMEs survival	33 (10.3)	6 (1.9)	15 (4.7)	89 (27.7)	178 (55.5)	4.16	1.257
2	High interest rate is a major constraint to MSMEs survival	27 (8.4)	24 (7.5)	12 (3.7)	137 (42.7)	121 (37.7)	3.94	1.213
3	High inflationary trend is a threat to MSMEs growth and survival	16 (5.0)	20 (6.2)	31 (9.7)	174 (54.2)	80 (24.9)	3.88	1.016
4	Excessive entry fees and charges hinders MSMEs survival and continuity	40 (12.5)	11 (3.4)	18 (5.6)	169 (52.6)	83 (25.9)	3.76	1.233
5	High cost of raw materials is a big challenge to MSMEs survival	26 (8.1)	26 (8.1)	6 (1.9)	153 (47.7)	110 (34.3)	3.92	1.188

**Note:** figures not bracket indicate the frequency and the bracket figures indicate the percentage

**Political factor:** Table 3 presents the result on analysis of respondent opinion on political/legal factor and MSMEs survival. From the table, 7(2.2%) respondents strongly disagreed that government policies adversely affect the survival of MSMEs while 11(3.4%) disagreed and 30(9.3%) simply not sure but 96(29.9%) agreed while 177(55.1%) strongly agreed. The table also indicate that 24(7.5%) respondents strongly disagreed that Stringent regulatory framework impede MSMEs growth while 8(2.5%) disagreed and 17(5.3%) not sure, but 152(47.4%) agreed and 120(37.4%) strongly agreed. Similarly, 18(5.6%) of the respondent strongly disagreed that Multiple taxation constitutes barrier to MSMEs survival while 31(9.7%) disagreed and 19(5.9%) not sure, but 172(53.6%) agreed and 81(25.2%) strongly agreed. Similarly, 6(1.9%) of the respondents strongly disagreed that High rate of crime and insecurity hinders MSMEs survival while 9(2.8%) disagreed and 22(6.9%) not sure, but 187(58.3%) agreed and 97(30.2%) strongly agreed.

Table 3: Respondents Opinion on Political factor

S/N	Statement	SD	D	NS	A	SA	Mean	Std. Deviation
1	Government policies adversely affect the survival of MSMEs	7 (2.2)	11 (3.4)	30 (9.3)	96 (29.9)	177 (55.1)	4.32	0.936
2	Stringent regulatory framework impede MSMEs growth	24 (7.5)	8 (2.5)	17 (5.3)	152 (47.4)	120 (37.4)	4.05	1.096

S/N	Statement	SD	D	NS	A	SA	Mean	Std. Deviation
3	Multiple taxation constitutes barrier to MSMEs survival	18 (5.6)	31 (9.7)	19 (5.9)	172 (53.6)	81 (25.2)	3.83	1.085
4	High rate of crime and insecurity hinders MSMEs survival	6 (1.9)	9 (2.8)	22 (6.9)	187 (58.3)	97 (30.2)	4.12	0.799

**Note:** figures not bracket indicate the frequency and the bracket figures indicate the percentage

**Socio-cultural:** Table 4 presents the result on analysis of respondent opinion on socio-cultural factor and MSMEs survival. From the table, 38(11.8%) respondents strongly disagreed that religion belief has adverse effect on MSMEs survival while 51(15.9%) disagreed and 27(8.4%) simply not sure but 129(40.2%) agreed and 76(23.7%) strongly agreed. The table also indicate that 17(5.3%) respondents strongly disagreed that change in consumer behavior influence MSMEs survival while 29(9.0%) disagreed and 10(3.1%) not sure, but 151(47.0%) agreed and 114(35.5%) strongly agreed. Similarly, 38(11.8%) of the respondents strongly disagreed that Customers belief and norms hinders MSMEs continuity while 74(23.1%) disagreed and 64(19.9%) not sure, but 89(27.7%) agreed and 56(17.4%) strongly agreed. Similarly, 21(6.5%) of the respondents strongly disagreed that Corruption and other social vices leads to MSMEs survival while 9(2.8%) disagreed and 8(2.5%) not sure, but 137(42.7%) agreed and 146(45.5%) strongly agreed.

Table 4: Respondents Opinion on Socio-cultural Factor

S/N	Statement	SD	D	NS	A	SA	Mean	Std. Deviation
1	Religion belief has adverse effect on MSMEs survival	38 (11.8)	51 (15.9)	27 (8.4)	129 (40.2)	76 (23.7)	3.48	1.325
2	Change in consumer behavior influence MSMEs survival	17 (5.3)	29 (9.0)	10 (3.1)	151 (47.0)	114 (35.5)	3.98	1.108
3	Customers belief and norms hinders MSMEs continuity	38 (11.8)	74 (23.1)	64 (19.9)	89 (27.7)	56 (17.1)	3.16	1.288
4	Corruption and other social vices leads to MSMEs failure	21 (6.5)	9 (2.8)	8 (2.5)	137 (42.7)	146 (45.5)	4.18	1.074

**Note:** figures not bracket indicate the frequency and the bracket figures indicate the percentage

**Technological factor:** Table 5 presents the result on analysis of respondents opinion on technological factor and MSMEs survival. From the table, 20(6.2%) respondents strongly disagreed that poor network system and communication is a challenge to MSMEs survival while



63(19.6%) disagreed and 22(6.9%) simply not sure but 136(42.4%) agreed and 80(24.9%) strongly agreed. The table also indicate that 17(5.3%) respondents strongly disagreed that the growth and survival of MSMEs is affected by inadequate access to information and technology while 15(4.7%) disagreed and 29(9.0%) not sure, but 144(44.9%) agreed and 116(36.1%) strongly agreed. Similarly, 57(17.8%) of the respondent strongly disagreed that Inadequate technical know-how is a barrier to the survival of MSMEs while 73(22.7%) disagreed and 55(17.1%) not sure, but 85(26.5%) agreed and 51(15.9%) strongly agreed. Similarly, 7(2.2%) of the respondents strongly disagreed that inadequate modern equipments hinders MSMEs survival while 26(8.1%) disagreed and 2(0.6%) not sure, but 143(44.5%) agreed and 143(44.5%) strongly agreed.

Table 5: Respondents Opinion on Technological Factor

S/N	Statement	SD	D	NS	A	SA	Mean	Std. Deviation
1	Poor network system and communication is a challenge to MSMEs survival	20 (6.2)	63 (19.6)	22 (6.9)	136 (42.2)	80 (24.9)	3.60	1.229
2	The growth and survival of MSMEs is affected by inadequate access to information and technology	17 (5.3)	15 (4.7)	29 (9.0)	144 (44.9)	116 (36.1)	4.02	1.058
3	Inadequate technical know-how is a barrier to the survival of MSMEs	57 (17.8)	73 (22.7)	55 (17.1)	85 (26.5)	51 (15.9)	3.00	1.358
4	Inadequate modern equipments hinders MSMEs survival	7 (2.2)	26 (8.1)	2 (0.6)	143 (44.5)	143 (44.5)	4.21	.964

**Note:** figures not bracket indicate the frequency and the bracket figures indicate the percentage

**MSMEs survival:** Table 6 presents the result on analysis of respondent opinion on MSMEs survival. From the table, 18(5.6%) respondents strongly disagreed that this business has recorded high profitability in recent times due to survival strategy implemented while 8(2.5%) disagreed and 31(9.7%) simply not sure but 87(27.1%) agreed (%) strongly agreed. The table also indicate that 39(12.1%) respondents strongly disagreed that MSMEs owners have been consistent is sustaining their businesses overtimes while 10(3.1%) disagreed and 21(6.5%) not sure, but 132(41.1%) agreed and 119(37.1%) strongly agreed. Similarly, 22(6.9%) of the respondents strongly disagreed that the survival strategy adopted in this business is consistent with goal and objectives while 33(10.3%) disagreed and 15(4.7%) not sure, but 171(53.3%) agreed and 80(24.9%) strongly agreed. Similarly, 22(6.9%) of the respondents strongly disagreed that MSMEs survival strategy adopted have motivated personnel to lend their support

while 16(5.0%) disagreed and 30(9.3%) not sure, but 168(52.3%) agreed and 85(26.5%) strongly agreed. Likewise, majority of the respondents 42(13.1%) strongly disagreed that Survival strategy adopted in this business gives room for increase sales turnover while 26(8.1%) disagreed and 17(5.3%) not sure, but 137(42.7%) agreed and 99(30.8%) strongly agreed.

Table 6: Respondents Opinion on MSMEs Survival

S/N	Statement	SD	D	NS	A	SA	Mean	Std. deviation
1	This business has recorded high profitability in recent times due to survival strategy implemented	18 (5.6)	8 (2.5)	31 (9.7)	87 (27.1)	177 (55.1)	4.24	1.095
2	MSMEs owners have been consistent is sustaining their businesses overtime	39 (12.1)	10 (3.1)	21 (6.5)	132 (41.1)	119 (37.1)	3.88	1.282
3	The survival strategy adopted in this business is consistent with goal and objectives	22 (6.9)	33 (10.3)	15 (4.7)	171 (53.3)	80 (24.9)	3.79	1.133
4	MSMEs survival strategy adopted have motivated personnel to lend their support	22 (6.9)	16 (5.0)	30 (9.3)	168 (52.3)	85 (26.5)	3.87	1.077
5	Survival strategy adopted has led to increase in sales turnover	42 (13.1)	26 (8.1)	17 (5.3)	137 (42.7)	99 (30.8)	3.70	1.334

**Note:** figures not bracket indicate the frequency and the bracket figures indicate the percentage

### Regression Analysis Result

Table 7: Regression analysis results

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	0.336	0.109		3.091	0.002
Economic factor	0.883	0.023	0.924	37.757	0.000
Political/Legal factor	0.105	0.036	0.075	2.881	0.004
Socio-cultural factor	0.098	0.043	0.070	2.274	0.024
Technological factor	-0.189	0.044	-0.132	-4.275	0.000

a. Dependent Variable: MSMEs Survival

R-Squared = 0.912 ; F-statistics = 821.463; Prob (F-statistics) = 0.000; Durbin-Watson Stat = 1.520

As seen from the regression result, when the explanatory (independent) variables: economic, political, socio-cultural, technological were regressed on MSMEs survival, coefficient of determination R-squared value of 0.912 is noticed. This means that the independent variables (economic, political, socio-cultural, and technological) explain 91.2% of the systematic variation in the dependent variable (MSMEs survival). The result reveals that economic, political/legal, socio-cultural and technological factors are statistically significant at  $P < 0.05$  while the sign of the coefficients of the variables are all positive except for technological factor. By implication, there is a statistical significant relationship between the independent variables and the dependent variable. Durbin-Watson Statistic of 1.520 shows the absence of serial correlation in the model. Summarily, the result shows that economic, political, socio-cultural and technological factors are all significant components of business environment to explain MSMEs survival.

## DISCUSSION OF FINDINGS

First and foremost, this study reveals that there is a positive and significant relationship between economic factor and survival of MSMEs in Nigeria. The implication of this is that inadequate infrastructure, high inflationary trends, excessive entry fees and charges, high cost of raw materials are indeed have great influence on MSMEs survival in Nigeria. This is simply because most MSMEs and businesses in Ondo City and the nation generally depend largely on electricity, portable water, good and motorable roads for their day-to-day activities which in-turn guarantees their survival and growth. Therefore, government must ensure that electricity, good road, portable water are provided to ensure MSMEs survival in Nigeria. Also, government must ensure urgent control of rising inflationary trend so as to encourage owners and operators to access raw materials at ease. Equally, government must ensure availability of foreign exchange for those MSMEs who depend on foreign raw materials for their day-to-day production. By implication, MSMEs survival or going-concern will be guaranteed. Confirming this standpoint are the studies of Obasan (2014); Agwu and Emeti (2014); Oginni and Adesanya (2013); Essien (2014); Adeoye and Elegunde (2012). Second, this study reveals positive and significant relationship between political/legal factor and survival of MSMEs as confirmation of adverse effect of perceived government's poor regulatory framework, multiple taxation and high rate of crime and insecurity that bedeviled the entire business environment. This study is in-line with the studies of researchers like Odunbakin *et al.* 2017; Mark & Nwawu, 2015 which found positive relationship between political factor and survival of MSMEs in Nigeria. Similarly, this study shows a positive and insignificant relationship between socio-cultural factor and the survival of MSMEs in Nigeria. That is, the issue of religion barrier, customers' belief and norms, corruption and other social vices do impede greatly on the survival rate of MSMEs in Nigeria. By

implication, Nigerian people still value their culture in carrying out their day-to-day business activities. This finding equally confirms the standpoint of Eze and Okpala (2015); Adeoye and Elegunde (2012) who concluded that socio-cultural factor has dominant role to play on business survival. Lastly, this study found a negative but significant relationship between technological factor and the survival of MSMEs. By implication, MSMEs owners and operator have been confronted with inadequate access to modern technology and equipments, poor business network and communication and as well as inadequate access to information system. This result is in tandem with the study of Gado (2015) and Ayedun and Awoyemi (2014) who equally found a significant relationship between technological factor and the survival of business organizations.

## **CONCLUSION**

This study empirically examines the influence of business environmental factors on micro, small and medium enterprise survival in Ondo City Metropolis, Nigeria. The result of this study reveals in its totality that economic, political/legal, socio-cultural and technological environment have significant relationship with MSMEs survival. To this end, a very, very clear evidence has been established through this study that external business environmental factors is a significant predictor of micro, small and medium enterprise survival specifically in Ondo City Metropolis and Nigeria in general. Meanwhile, its germane to draw attention to the fact that Nigeria as a nation was ranked low in World Bank 2017 ease of doing business report and the then report simply corroborated the general notion and position of captain of industries and economic analyst that the environment was unfavorable to business activities but the very recent 2018 doing business report put Nigeria in a better light due to the reinvigorated effort by the nation's administrators and policy makers in creating a conducive business climates through extant business reforms such as strengthening access to credit facilities, protecting investors, improving online portals to search for companies name, upgrading facilities in the nation's airport and seaport to facilitate import-export and greatly reduce the tension of Nigeria being perceived as excruciating investment hell for prospective entrepreneurs and investors. To therefore consolidate on this, further effort must be intensify by government to provide conducive atmosphere for MSMEs so as to guarantee immediate and future survival.

## **RECOMMENDATIONS**

This study empirically examines the influence of business environmental factors on micro, small and medium enterprise survival in Ondo City Metropolis, Nigeria. In view of the conclusion of this study, the following recommendations were stated: First, on the side of entrepreneur and

investors, there is need for constant and regular environmental scanning in terms of proper analysis of strengths, weaknesses, opportunities and threats so as to continually determine the healthy or unhealthy position of their businesses. Second, on the side of the government, there is need for efficient provision of infrastructural facilities most importantly, electricity, motorable roads, portable water for efficient MSMEs operation. Lastly, government should do more in the area of strengthening their regulatory framework to guarantee immediate and future MSMEs survival in Nigeria.

## FURTHER STUDIES

Future researchers are hereby called upon to conduct a research to measure the influence of business environmental factors on micro, small and medium enterprise survival in other cities in Nigeria to affirm the veracity of our findings and the survival of MSMEs in the Country.

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