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BUSINESS ENVIRONMENT AND THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN ABUJA

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Abstract
The performance of small and medium-sized enterprises (SMEs) in Abuja is significantly influenced by the external business environment, which presents challenges that hinder growth and sustainability. This study assessed the impact of economic, political, and technological factors on SME performance in Abuja, Nigeria. Utilizing a descriptive research design, the study surveyed 200 SMEs selected through stratified random sampling to ensure representation across various sectors. Data was collected via structured questionnaire and analyzed using descriptive and inferential statistics, including regression analysis. Findings indicate that economic instability, characterized by high inflation and limited access to finance, adversely affects financial performance. Political factors, such as inconsistent government policies, were found to hinder operational efficiency, while technological constraints limit growth and competitiveness. The study concludes that a robust understanding of these environmental factors is crucial for SMEs to navigate challenges effectively. The study recommended that policy reforms be advocated to stabilize the economic environment, creating a more conducive atmosphere for business operations. Additionally, the enhancement of technological infrastructure should be prioritized to support the seamless execution of business strategies. Promoting digital literacy among SME owners is also essential, enabling them to leverage available technological tools to improve their performance. This research contributes valuable insights for policymakers and SME owners in Abuja to foster a more conducive business environment that supports sustainable growth.

Keywords: *SMEs, Business Environment, Performance.*

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1. INTRODUCTION

The business environment plays a crucial role in shaping the performance of small and medium-sized enterprises (SMEs) across the globe. At the global level, economic, political, and technological factors have been identified as significant determinants of business performance, influencing firm survival, profitability, and growth. The dynamic and volatile nature of the business environment requires firms, particularly SMEs, to continuously adapt to changing conditions to remain competitive (Kraus et al., 2020). In developed economies, SMEs operate in a relatively stable environment, benefiting from robust legal frameworks, well-established financial systems, and advanced technological infrastructures. However, these advantages are not equally present in developing regions, such as Africa, where businesses often contend with numerous external challenges, including fluctuating economic conditions, political instability, and insufficient technological infrastructure (Nwakpa et al., 2021).

In the African context, the performance of SMEs is even more susceptible to external environmental factors. The economic environment, characterized by volatile inflation rates, inconsistent access to finance, and varying government policies, creates a high level of uncertainty for SMEs (Adomako et al., 2018). Politically, many African nations, including Nigeria, experience governance challenges that manifest in erratic policymaking, inconsistent legal frameworks, and corruption, which undermine the confidence of businesses and limit their operational efficiency (Adusei, 2020). Additionally, technological advancements, while rapid globally, have been unevenly distributed across Africa. Limited access to digital infrastructure and a lack of technological know-how continue to impede SME performance, particularly in regions like Sub-Saharan Africa (Asongu & Le Roux, 2022).

Focusing on Nigeria, and more specifically, Abuja, the capital city, SMEs face similar challenges to those seen across Africa, albeit within a more specific context. Economically, Abuja presents both opportunities and risks. While the city is an economic hub with relatively higher access to markets and financial services, SMEs in Abuja still face issues such as inflationary pressures, fluctuating exchange rates, and high-interest rates that hamper growth and profitability (Okpara, 2019). These economic barriers make it difficult for SMEs to secure capital, which is essential for expanding operations, investing in technology, and improving productivity. Furthermore, Nigeria’s political environment remains unpredictable. Inconsistent policy implementations, shifting regulatory frameworks, and political instability pose significant risks to the sustainability of SMEs in Abuja. The uncertainty in the political landscape often deters investment and creates operational inefficiencies for businesses (Ogunkola et al., 2021).

Technologically, Abuja, like many urban areas in Nigeria, has witnessed the rise of digital tools and platforms that can significantly improve SME performance. Digital marketing, e-commerce, and financial technology (FinTech) solutions offer tremendous potential for growth. However, the adoption of these technologies has been slow due to barriers such as inadequate infrastructure, poor internet connectivity, and a lack of digital literacy (Umar et al., 2020). These technological constraints limit the ability of SMEs to scale their operations, improve efficiency, and compete on a broader stage.

When examining the relationship between the business environment and SME performance, it becomes evident that the proxies of the business environment (economic, political, and technological factors) directly affect key performance indicators of SMEs. For instance, the economic environment, particularly access to finance, directly influences an SME's ability to invest in innovation, expand market share, and maintain financial stability. Political instability, on the other hand, affects operational performance by creating a climate of uncertainty, where firms may be hesitant to invest in long-term projects or expand operations (Ihugba et al., 2018). Technological advancements, or the lack thereof, have a profound impact on the efficiency of SMEs. Firms that can adopt digital tools tend to experience improved productivity, customer satisfaction, and operational efficiency, while those that are left behind technologically struggle to compete (Asongu et al., 2022).

In recent years, Abuja's SMEs have faced a rapidly evolving business environment due to external shocks such as the COVID-19 pandemic, which exacerbated existing challenges. The economic downturn worsened inflation, limited access to finance, and increased operational costs for many SMEs. Politically, the government's response to the pandemic, including lockdown measures and restricted movement, further strained business operations. Technologically, while there has been a push towards digital transformation, many SMEs are still grappling with the necessary skills and infrastructure to fully integrate into the digital economy (Ogunlusi et al., 2021).

Generally, the business environment in Abuja—marked by economic fluctuations, political instability, and technological challenges—plays a pivotal role in determining the performance of SMEs. The interplay between these factors creates a complex operational landscape for

SMEs, where success is largely contingent on the firm's ability to navigate and adapt to external pressures. Thus, understanding the impact of the business environment on SME performance is crucial for devising strategies that can enhance the competitiveness and sustainability of SMEs in Abuja.

Statement of Problem

The performance of small and medium-sized enterprises (SMEs) in Abuja has been influenced significantly by the external business environment. Economic, political, and technological factors create a complex operational context for SMEs, posing substantial challenges to their growth and sustainability. SMEs in Abuja often face economic instability characterized by high inflation rates, fluctuating exchange rates, and limited access to financing, which impede their ability to achieve financial stability and operational efficiency (Okpara, 2019). These economic pressures constrain SMEs from investing in critical areas such as innovation, human resource development, and expansion, directly affecting their profitability, productivity, and overall financial performance (Kwakye et al., 2020).

In addition to economic challenges, the political environment in Nigeria, marked by inconsistent government policies, regulatory instability, and political uncertainty, exacerbates the difficulties that SMEs encounter (Adomako et al., 2018). These political disruptions hinder long-term planning and reduce business confidence, making it difficult for SMEs to maintain operational efficiency or compete effectively in the market. Regulatory barriers, including excessive taxation and erratic policy changes, create additional operational costs, ultimately limiting the capacity of SMEs to sustain competitive performance (Adusei, 2020). Technologically, while advancements in digital tools and the emergence of the digital economy present opportunities for growth, many SMEs in Abuja are unable to harness these opportunities due to infrastructural limitations, poor digital literacy, and inadequate technological support (Asongu & Le Roux, 2022). The low rate of technology adoption severely hampers SMEs' ability to innovate, optimize operational processes, and improve customer satisfaction, which are key indicators of performance.

Existing studies, such as those by Adomako et al. (2018), have explored the role of the business environment in SME performance, focusing primarily on economic and regulatory challenges in developing countries. Similarly, Kraus et al. (2020) examined the impact of external business factors on SMEs globally, with an emphasis on how firms adapt to economic and technological disruptions. However, these studies have largely focused on SMEs in broader regional contexts and have not provided specific insights into the unique challenges faced by SMEs in Abuja, Nigeria. This research differs by focusing specifically on Abuja, examining how the local business environment, marked by its own economic, political, and technological dynamics, affects SME performance.

One major gap that this study intends to fill is the limited empirical evidence regarding how the interplay of the economic, political, and technological environments uniquely affects SME performance in Abuja. While prior research has examined these factors in isolation, there is limited research that integrates all three dimensions to provide a comprehensive understanding of their combined impact on SME performance in this specific geographical context. This study aims to bridge that gap by not only focusing on the direct influence of each variable but also exploring how these factors interact to shape the performance of SMEs in terms of operational efficiency, financial outcomes, and overall business growth. By doing so, the research will provide a more nuanced understanding of the challenges facing SMEs in Abuja and offer insights into how businesses can better navigate the complexities of their environment.

Research Questions

The study is guided by the following research questions:

i. In what way does the economic environment impact the financial performance of SMEs in Abuja?

ii. To what extent does the political environment influence the operational efficiency of SMEs in Abuja?

iii. How does the technological environment affect the growth and competitiveness of SMEs in Abuja?

Research Objectives

The main objective of the study is to assess the impact of business environment on the performance of Small and Medium Enterprises (SMEs) in Abuja. The specific objectives were to;

i. examine the impact of the economic environment on the financial performance of SMEs in Abuja.

ii. To assess the influence of the political environment on the operational efficiency of SMEs in Abuja.

iii. To determine the effect of the technological environment on the growth and competitiveness of SMEs in Abuja.

2. LITERATURE REVIEW

Conceptual Framework

Concept of Business Environment

The operations and performance of organisations, especially Small and Medium Enterprises (SMEs), are influenced by a variety of external factors that are included in the business environment. It acts as the background against which companies function, influencing their tactics, choices, and general performance. This environment can be roughly divided into elements like social, legal, technological, political, and economic aspects, all of which have a big impact on how businesses engage with their external environments (Audu et al., 2022). An organization's financial performance and operational sustainability are directly impacted by economic factors, including interest rates, inflation rates, and general economic stability (Ogunkola et al., 2021). Political factors, such as government policies, regulatory frameworks, and political stability, also have a big impact on SMEs. While stable political environments might restrict investment and operational performance, favourable policies can spur growth (Adomako et al., 2018). Furthermore, SMEs must adjust to new tools and platforms in order to increase productivity and market reach, as technology improvements have a significant impact on innovation and competitiveness (Kraus et al., 2020). Businesses must be flexible and adaptable in order to achieve sustainable performance in the dynamic and ever-changing business environment. Understanding these subtleties is especially important for SMEs in Abuja as they negotiate the intricate interactions between political forces, economic demands, and technical advancements. The importance of the business environment in influencing the resilience and performance of SMEs in the current competitive landscape can be better understood by scholars and practitioners if they approach the idea as a complex one.

Economic Environment

The totality of economic elements that affect how well firms, especially small and medium-sized enterprises (SMEs), perform and make decisions is referred to as the economic environment. Economic growth, inflation, interest rates, exchange rates, and general economic stability are some of the components that make up this environment, and they all have an effect on how SMEs operate (Audu et al., 2022). While an unstable economy may discourage entrepreneurship and growth, a stable economy frequently boosts corporate confidence, promoting investment and expansion.

The economic landscape, commonly gauged through Gross Domestic Product (GDP) metrics, significantly influences business conditions. When an economy expands, it generally stimulates greater consumer expenditure and heightened demand for products and services, creating favorable conditions for small and medium enterprises (Ogunkola et al., 2021). On the other hand, elevated inflation can diminish consumer buying capacity, escalate business expenses, and introduce market instability, all of which may compromise the financial viability and long-term sustainability of SMEs (Adomako et al., 2018). Additionally, the prevailing interest rate environment plays a pivotal role in business financing - reduced rates enhance capital accessibility for SMEs, whereas increased rates might constrain their investment and growth potential.

Currency exchange dynamics present another critical consideration, especially for SMEs engaged in cross-border commerce. Variations in foreign exchange values can impact import expenses and export pricing structures, potentially altering a firm's competitive standing in the marketplace (Kraus et al., 2020: Lawal and Abdullahi (2024)). Consequently, a thorough comprehension of macroeconomic conditions becomes imperative for SMEs to effectively address obstacles and capitalize on emerging prospects. Through systematic evaluation of economic indicators, SMEs can formulate informed strategies that bolster their operational effectiveness and strengthen their capacity to withstand competitive pressures.

Political Environment

The political environment refers to the system of laws, regulations, policies, and the level of political stability that shape how businesses, especially Small and Medium Enterprises (SMEs), operate. This environment plays a crucial role in determining how SMEs carry out their activities, make strategic choices, and engage with stakeholders (Ogunkola et al., 2021).

Government actions, such as the creation of regulatory bodies, taxation systems, and trade agreements, directly influence the operational framework for SMEs, affecting their potential for growth and long-term sustainability (Adomako et al., 2018).

Political stability is a key component of this environment, as it creates a favorable setting for business operations. A stable political climate boosts investor confidence and encourages consumer spending, while political instability can introduce uncertainty and lead entrepreneurs to adopt risk-averse behaviors (Audu et al., 2022). For example, unstable political conditions may disrupt supply chains, trigger abrupt regulatory changes, or increase corruption, all of which challenge the operational efficiency of SMEs. As a result, businesses in politically turbulent regions often encounter higher risks and may find it difficult to attract investment (Kraus et al., 2020).

Additionally, government policies are instrumental in shaping the political landscape. Policies that support entrepreneurship—such as grants, tax incentives, and business-friendly regulations—can enable SMEs to flourish (Kirkpatrick et al., 2021). On the other hand, overly strict regulations, excessive bureaucracy, and high taxes can create obstacles for new entrants and stifle the growth of SMEs (Ogunkola et al., 2021). A thorough understanding of the political environment is vital for SMEs to effectively address challenges, seize opportunities, and align their strategies with government expectations and societal demands.

Technological Environment

The technological environment consists of various technological factors and advancements that impact the operations, competitiveness, and growth prospects of businesses, particularly Small and Medium Enterprises (SMEs). This environment includes the accessibility and adoption of new technologies, digital infrastructure, and innovation capabilities, all of which are critical for improving productivity and operational efficiency (Audu et al., 2022). As the global business landscape evolves, the technological environment becomes increasingly influential in determining how SMEs engage with customers, manage resources, and compete within their industries.

Incorporating technology into business processes can give SMEs a competitive advantage by simplifying operations and lowering costs. For example, the use of information and communication technologies (ICT) allows SMEs to reach wider markets and enhance customer engagement through digital marketing and e-commerce platforms (Kraus et al., 2020).

Additionally, advancements such as automation, data analytics, and artificial intelligence can improve decision-making and operational efficiency, enabling SMEs to adapt swiftly to market shifts (Ogunkola et al., 2021). However, the fast pace of technological change can also present challenges, as SMEs may find it difficult to keep up with innovations and invest in the required infrastructure (Adomako et al., 2018).

Furthermore, the technological environment is closely tied to innovation, which is essential for the sustainability and growth of SMEs. Innovative approaches in product development or service delivery allow SMEs to stand out in highly competitive markets (Kirkpatrick et al., 2021). Therefore, understanding the technological environment is crucial for SMEs to capitalize on growth opportunities and address challenges posed by technological disruptions. By embracing technological advancements, SMEs can improve their performance and build resilience in an ever-changing business landscape.

Concept of SMEs Performance

The performance of Small and Medium Enterprises (SMEs) is a multifaceted concept that reflects their ability to achieve objectives effectively and efficiently, incorporating both financial and non-financial measures. Financial indicators, such as profitability, return on investment, and revenue growth, are frequently used to evaluate SME performance because they directly assess an organization's capacity to generate profits and maintain operational sustainability (Abor & Quartey, 2019; Lawal and Abdullahi, 2024). However, financial outcomes are shaped by a range of internal and external factors, including the business environment, and are closely linked to non-financial metrics like customer satisfaction, operational efficiency, and market share (Fadahunsi et al., 2021).

Non-financial performance indicators, such as customer satisfaction and loyalty, play a vital role in long-term success by influencing repeat business and brand reputation. Meanwhile, operational efficiency—measured through productivity, process optimization, and resource utilization—determines how effectively SMEs deliver products and services while controlling costs (Jiang et al., 2022; Pérez-López et al., 2020). A holistic approach to assessing SME performance is crucial, as financial and non-financial dimensions are interconnected and collectively contribute to overall organizational success. This is especially significant in developing economies, where SMEs are pivotal to economic growth and job creation. A comprehensive understanding of performance enables businesses to identify challenges and devise strategies to enhance resilience and sustainability in an increasingly competitive global market.

Financial Performance

Financial performance refers to the evaluation of a company's financial health and its capacity to generate profits within a defined timeframe. This assessment typically involves analyzing key financial metrics, such as revenue, profit margins, return on assets, and return on equity, which provide insights into how efficiently a business uses its resources to achieve profitability (Mahrani & Soewarno, 2018). For Small and Medium Enterprises (SMEs), financial performance is particularly critical, as it not only reflects operational success but also determines their ability to invest in growth opportunities and maintain competitiveness in the market.

A central element of financial performance is profitability, which serves as a primary measure of a firm's effectiveness in managing operations and controlling costs. Ratios like net profit margin and gross profit margin allow stakeholders to assess the efficiency of pricing strategies and cost management practices (Abdullah & Kamarulzaman, 2020). Additionally, financial performance is closely tied to cash flow generation, which is essential for sustaining daily operations and funding expansion initiatives. Cash flow analysis helps SMEs evaluate their liquidity position, ensuring they can meet short-term liabilities while seizing strategic opportunities (Said et al., 2021).

Beyond profit generation, financial performance also highlights a company's stability and risk management capabilities. A financially robust SME is better positioned to navigate economic uncertainties and unforeseen challenges, thereby enhancing its long-term sustainability (Srinivasan & Natarajan, 2022). As a result, improving financial performance is vital for SMEs, as it directly influences their ability to attract investors, secure financing, and establish a strong market reputation.

By prioritizing financial performance, SMEs can make informed strategic decisions that promote sustainable growth, optimize resource allocation, and strengthen their competitive edge in an increasingly dynamic business landscape.

Operational Efficiency

Operational efficiency refers to an organization's capacity to deliver products or services in the most cost-effective way while upholding quality standards. It involves maximizing the use of resources—such as labor, materials, and capital—by reducing waste, cutting unnecessary costs, and refining processes. For Small and Medium Enterprises (SMEs), operational efficiency is vital for ensuring profitability, sustaining competitiveness, and achieving long-term viability (Kumar et al., 2020). By enhancing efficiency, SMEs can boost productivity, meet customer demands more effectively, and operate with fewer resources while still achieving optimal results.

In the realm of business operations, operational efficiency often incorporates lean management principles, which emphasize waste reduction and workflow improvement. By adopting these strategies, businesses can eliminate bottlenecks and enhance the speed and precision of product or service delivery (Bhattacharya & Wamba, 2018; Abdulsalam & Abdullahi, 2024). Additionally, operational efficiency leverages technology and automation to optimize production processes and minimize human errors, which is especially critical in industries where minor inefficiencies can result in significant financial losses.

Improving operational efficiency is particularly important for SMEs operating in competitive markets, where businesses must quickly adapt to evolving customer expectations and market conditions. Companies that achieve high levels of efficiency are better equipped to handle cost pressures, provide superior-quality products, and respond rapidly to market changes (Lestari et al., 2021). Enhanced efficiency also facilitates better resource allocation, enabling SMEs to reinvest savings into innovation, marketing, and other growth-focused initiatives.

Operational efficiency is a key factor influencing an SME's overall performance and competitiveness. By maximizing output while minimizing input, efficient operations enable businesses to improve profitability and ensure long-term sustainability in a challenging business environment.

Growth and Competitiveness

Growth and competitiveness are fundamental aspects of business performance, particularly for Small and Medium Enterprises (SMEs). Growth refers to the expansion of a company's size, market share, revenue, or operational capacity over time, while competitiveness reflects a business's ability to sustain or enhance its market position relative to rivals. For SMEs, achieving growth and sustaining competitiveness are essential for long-term success and resilience (Alonso et al., 2020). These two elements are interconnected, as competitive firms are more likely to grow by increasing their market presence and exploring new opportunities.

Business growth is often evaluated using metrics such as sales volume, market share, and workforce size. It demonstrates a firm's capacity to scale operations, innovate, and adapt to evolving market conditions. Growth is critical for SMEs because it strengthens their ability to withstand market volatility, improves financial stability, and enables them to benefit from economies of scale (Pinho et al., 2021). However, growth must be carefully managed to prevent overexpansion, which can strain resources and compromise operational efficiency.

Competitiveness, meanwhile, involves a company's ability to stand out from competitors through superior products, services, or business strategies. Competitive SMEs deliver enhanced value to customers, whether through pricing, quality, or innovation, giving them an advantageous position in the market (Gonzalez-Pernia et al., 2022). Key drivers of competitiveness include the adoption of technology, effective marketing approaches, and strong customer relationships. By remaining competitive, SMEs can better address industry challenges and seize emerging opportunities, such as entering new markets or introducing innovative offerings.

In today's dynamic business environment, the growth and competitiveness of SMEs are increasingly influenced by external factors like economic trends, technological progress, and regulatory shifts. To maintain their competitive edge and sustain growth, SMEs must continuously adapt to these changes (Jafari-Sadeghi et al., 2021). Ultimately, growth and competitiveness are vital to ensuring that SMEs not only survive but also flourish within their industries.

Theoretical Review

In order to comprehend how the business environment affects SMEs' performance, this section reviews three pertinent theories. These theories were chosen because they may be used to analyse how external environmental elements, like the political, economic, and technological settings, affect SMEs' performance outcomes. Among the theories examined are the Resource-Based View (RBV) and the Contingency Theory.

Contingency Theory

According to contingency theory, the efficiency of any technique depends on the context, especially the external environment, and there is no one best way to organise a company or make managerial decisions (Donaldson, 2001). The theory developed in reaction to traditional management theories like Weber's bureaucratic model and Taylor's scientific management that promoted a one-size-fits-all strategy. Rather, Contingency Theory highlights the importance of adaptability, contending that the success of an organisation depends on its ability to adjust to a variety of internal and external elements, such as economic situations, technical advancements, and environmental uncertainties (Fiedler, 1964).

Fundamentally, contingency theory advises businesses to match their structures, procedures, and strategies to the business environment in which they operate. Better decision-making and enhanced performance results are guaranteed by this alignment. A hierarchical structure, for example, might be appropriate for an organisation functioning in a stable environment, whereas a more decentralised, flexible structure might be more advantageous in a turbulent one (Scott & Davis, 2016). For businesses, especially Small and Medium Enterprises (SMEs), which frequently function in dynamic and uncertain situations, this flexibility is essential.

Contingency Theory is extremely pertinent to this study because it offers a prism through which to view the connection between the performance of SMEs in Abuja and the external business environments—technological, political, and economic. In order to sustain financial performance and operational efficiency, SMEs must manage a variety of challenges presented by the economic environment, which is defined by inflation rates, market volatility, and capital accessibility (Otley, 2016). In a similar vein, the political climate, which is shaped by laws and policies, affects SMEs' capacity to expand and maintain their competitiveness in a complicated legal and regulatory environment (Zhang & Rajagopalan, 2022). Finally, in order to stay competitive in the digital age, SMEs must constantly develop and adapt new technologies due to the technological environment (Dwyer & Edwards, 2020).

This study examines how SMEs in Abuja modify their organisational procedures and strategies in response to technological, political, and economic unforeseen circumstances by using Contingency Theory as a framework. The notion emphasises that SMEs must create context-specific strategies that complement the external elements influencing their company environment rather than relying on a one-size-fits-all strategy. Maintaining development, competitiveness, and overall performance in a setting marked by rapid change and volatility requires this agility.

Resource-Based View (RBV)

The Resource-Based View (RBV) posits that a firm's sustained competitive advantage is primarily determined by its internal resources, which are valuable, rare, inimitable, and non-substitutable (Barney, 1991). RBV moves the focus from external factors, such as market circumstances and competition, to internal capabilities, indicating that organisations can achieve higher performance if they possess resources that competitors cannot simply copy. These resources can be tangible, such as financial capital and physical assets, or intangible, like intellectual property, human capital, and organizational culture (Wernerfelt, 1984). RBV highlights the notion that not all resources are equally advantageous; only those that match the VRIN (Valuable, Rare, Inimitable, Non-substitutable) criteria can lead to a sustained competitive edge.

The theory goes on to emphasise that in order for businesses, particularly SMEs, to perform well, they must use their internal resources and capabilities to overcome external obstacles (Barney, 2001). In unstable contexts, where external issues like political unpredictability, economic swings, and quick technical breakthroughs can impact business operations, this emphasis on internal resources is essential. SMEs may lessen these external challenges and keep providing value by focussing on their special resources and competencies.

The Resource-Based View is especially pertinent to this study when analysing how SMEs in Abuja function in the larger business environment. SMEs are more likely to prosper in spite of outside economic or political obstacles if they have special resources, such as cutting-edge technology, highly qualified human capital, or solid stakeholder relationships (Newbert, 2008). A strong technology infrastructure, for instance, may make it simpler for SMEs to adjust to changes in the technology landscape, improving growth and operational efficiency. Similarly, SMEs that have access to financial capital or political connections are better equipped to handle economic uncertainty and regulatory obstacles, which boosts their overall performance and competitiveness (Peteraf & Barney, 2003).

Furthermore, RBV emphasises the value of innovation and ongoing internal resource development, arguing that in order for SMEs to remain competitive, they must make investments in their organisational procedures, technology, and human capital. The RBV theory emphasises the significance of developing and maintaining valuable resources that can adjust to these changes, guaranteeing long-term performance and success for SMEs in Abuja, where the business environment is continuously changing as a result of economic and technological advancements.

Hypotheses Development

This study tries to analyse the impact of the business environment (economic, political, and technological aspects) on the performance of SMEs in Abuja, Nigeria. Based on the empirical review, the following hypotheses are formulated:

Economic Environment and Financial Performance of SMEs

SME profitability and financial stability are significantly influenced by the economic environment, which includes market demand, interest rates, inflation, and financing availability. According to studies like Abdullah & Kamarulzaman (2020), financial factors like leverage and liquidity have a big impact on SME profitability. Audu et al. (2022) pointed out that economic uncertainty is a big barrier for Nigerian SMEs.

H_1: There is a significant positive relationship between a favourable economic environment and the financial performance of SMEs in Abuja.

Political Environment and Operational Efficiency of SMEs

While Kirkpatrick et al. (2021) demonstrated that regulatory reforms can increase SME efficiency, Adusei (2020) found that political instability and corruption negatively impact SME performance, and Ihugba et al. (2018) noted that strict regulations increase operational costs for Nigerian SMEs. The political environment, which includes government policies, regulatory burdens, and political stability, directly affects SME operations.

H_2: A stable and supportive political environment has a significant positive effect on the operational efficiency of SMEs in Abuja.

Technological Environment and SME Growth & Competitiveness

The competitiveness of SMEs is now significantly influenced by the technical environment, including digital adoption, automation, and innovation. Technology adoption dramatically boosts SME performance in Sub-Saharan Africa, according to Asongu & Le Roux (2022), while Jafari-Sadeghi et al. (2021) connected innovation and sustainability to SME competitiveness. The fact that innovation mediates SME growth was also highlighted by Gonzalez-Pernia et al. (2022).

H_3: The adoption of advanced technologies has a significant positive effect on the growth and competitiveness of SMEs in Abuja.

3. METHODOLOGY

This section outlines the methodology adopted to investigate the impact of the business environment on the performance of Small and Medium Enterprises (SMEs) in Abuja, Nigeria, focusing on the Federal Capital Territory (FCT) due to its diverse economic landscape, political significance, and technological advancements. A descriptive research design was employed, utilizing structured questionnaires to collect primary data from 213 employees across 10 SMEs, selected through stratified sampling to ensure proportional representation of sectors such as bakeries and water production. The sample size was determined using Yamane's formula, with a 20% margin of safety added to account for non-responses. The questionnaire, divided into demographic (Section A) and business environment impact (Section B) sections, used a five-point Likert scale to assess variables like political, economic, and technological environments and their influence on SME performance metrics such as financial performance, operational efficiency, and growth. Data analysis involved descriptive statistics to summarize demographic and Likert scale responses, followed by Ordinary Least Squares (OLS) regression to examine relationships between independent variables (business environment factors) and the dependent variable (SME performance). The model specification included equations for financial performance (FP), operational efficiency (OE), and growth and competitiveness (GC) as functions of political (PE), economic (EE), and technological (TE) environments. The research instrument's validity was ensured through expert review, while reliability was confirmed using Cronbach's Alpha, with values exceeding 0.7 for all variables, indicating high internal consistency. This systematic approach ensures the reliability and validity of findings, providing empirical evidence to inform policymakers and stakeholders on enhancing SME performance in Abuja.

4. RESULTS AND DISCUSSION

Presentation of Data

Table 4.1 Response Rate.

Questionnaire Distributed	**213**
Returned Questionnaire	187
Percentage of returned Questionnaire	88%
Unreturned Questionnaire	26
Percentage of not returned Questionnaire	12%

Source: field Survey, (2024)

The distributed questionnaire's response rate is displayed in Table 4.1. 187 of the 213 copies of the questionnaire that were given to respondents were returned, which is an 88% response rate. The other 26 copies, or 12% of the total, were not returned. The high response rate of 88% suggests a high degree of involvement and offers a solid foundation for the analysis, guaranteeing that the information gathered is representative of the population under study. Since there are enough returned copies of the questionnaire to make inferences that are useful, the 12% of unreturned copies are regarded as insignificant and unlikely to have a substantial impact on the validity of the results.

Test of Hypotheses

Hypothesis One:

H_{01}: The economic environment does not have a significant impact on the financial performance of SMEs in Abuja.

FP= $\beta 0 + \beta_i PE + \varepsilon$……………………………………………3.2

Table 1 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.318	.315	.52761

a. Predictors: (Constant), EE

Table 1 provides a summary of the model used to examine the impact of the economic environment (EE) on the financial performance (FP) of SMEs in Abuja. The correlation coefficient (R) of 0.564 indicates a moderate positive relationship between the economic environment and financial performance. With an R-squared value of 0.318, approximately 31.8% of the variation in financial performance can be attributed to changes in the economic environment. The adjusted R-squared value of 0.315 confirms a similar level of explanatory power when considering the number of predictors in the model. The standard error of the estimate is 0.52761, representing the average deviation of observed values from the regression line. Based on these findings, the null hypothesis (H01), which posits that the economic environment does not significantly affect the financial performance of SMEs in Abuja, can be rejected. The analysis demonstrates that the economic environment plays a critical role in shaping the financial outcomes of these businesses.

Table 2 **ANOVA**[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.047	1	24.047	86.386	.000[b]
	Residual	51.498	185	.278		
	Total	75.545	186			

a. Dependent Variable: OE
b. Predictors: (Constant), EE

Table 2 displays the ANOVA results for the regression model evaluating the impact of the economic environment (EE) on the financial performance (FP) of SMEs in Abuja. The regression sum of squares is 24.047 with 1 degree of freedom (df), while the residual sum of squares is 51.498 with 185 degrees of freedom. The F-value of 86.386 and a significance level (Sig.) of 0.000, which is below the 0.05 threshold, confirm that the model is statistically significant. This indicates that the economic environment significantly affects the financial performance of SMEs in Abuja. Consequently, the null hypothesis (H01), which suggests that the economic environment has no significant impact on financial performance, is rejected. The findings imply that changes or improvements in the economic environment play a crucial role in shaping the financial outcomes of SMEs.

Table 3 **Coefficients**[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.828	.231		7.906	.000
	EE	.538	.058	.564	9.294	.000

a. Dependent Variable: OE

Table 3 provides the coefficients of the regression model analyzing the impact of the economic environment (EE) on the financial performance (FP) of SMEs in Abuja. The unstandardized coefficient (B) for the constant is 1.828, while for the economic environment (EE), it is 0.538, with a standard error of 0.058. The standardized Beta coefficient of 0.564 highlights a moderate positive relationship between the economic environment and financial performance. The t-value for EE is 9.294, and the significance level (Sig.) is 0.000, which is below the 0.05 threshold, confirming that the economic environment has a statistically significant influence on financial performance. Based on these findings, the null hypothesis (H01), which posits that the economic environment does not significantly impact financial performance, is rejected. The results indicate that enhancements in the economic environment positively contribute to the financial performance of SMEs in Abuja.

Hypothesis Two:

H_{02}: The political environment does not significantly influence the operational efficiency of SMEs in Abuja.

OE= $\alpha + \beta_i EE$ + ε...…………………………………………3.3

Table 4 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.455[a]	.207	.203	.76455

a. Predictors: (Constant), PE

Table 4 presents the model summary for the regression analysis examining the impact of the political environment (PE) on the operational efficiency (OE) of SMEs in Abuja. The R-value of 0.455 reflects a moderate positive correlation between the political environment and operational efficiency. The R Square value of 0.207 indicates that approximately 20.7% of the variability in operational efficiency can be attributed to changes in the political environment. The adjusted R Square is slightly lower at 0.203, accounting for the number of predictors in the model, while the standard error of the estimate is 0.76455, representing the average deviation of observed values from the predicted values. Based on these findings, the null hypothesis (H02), which suggests that the political environment does not significantly affect the operational efficiency of SMEs, is likely to be rejected. This implies that the political environment has a moderate but significant influence on the operational efficiency of SMEs in Abuja.

Table 5 **ANOVA**[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.298	1	28.298	48.412	.000[b]
	Residual	108.138	185	.585		
	Total	136.437	186			

a. Dependent Variable: FP
b. Predictors: (Constant), PE

Table 5 displays the ANOVA results for the regression model evaluating the effect of the political environment (PE) on the financial performance (FP) of SMEs in Abuja. The F-value of 48.412 and a p-value (Sig.) of 0.000, which is less than 0.05, confirm that the model is statistically significant. This indicates that the political environment has a significant influence on the financial performance of SMEs. The regression sum of squares (28.298) reflects the variation explained by the model, while the residual sum of squares (108.138) represents the unexplained variation. Given the low p-value, the null hypothesis (H02), which asserts that the political environment does not significantly affect the financial performance of SMEs, is rejected. Thus, it can be concluded that the political environment plays a significant role in shaping the financial performance of SMEs in Abuja.

Table 6 **Coefficients**[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.713	.337		5.080	.000
	PE	.584	.084	.455	6.958	.000

a. Dependent Variable: FP

Table 6 provides the coefficients from the regression analysis assessing the impact of the political environment (PE) on the financial performance (FP) of SMEs in Abuja. The unstandardized coefficient (B) for PE is 0.584, indicating that a one-unit increase in the political environment variable is associated with a predicted rise of 0.584 units in financial performance. The standardized coefficient (Beta) of 0.455 highlights a moderate positive relationship between the political environment and financial performance. With a t-value of 6.958 and a p-value (Sig.) of 0.000, which is below the 0.05 threshold, the relationship is deemed statistically significant. Consequently, the null hypothesis (H02), which posits that the political environment does not significantly affect financial performance, is rejected. This confirms that the political environment has a meaningful impact on the financial performance of SMEs in Abuja.

Hypothesis Three:

H_{03}: The technological environment does not have a significant effect on the growth and competitiveness of SMEs in Abuja.

GC= $\alpha + \beta_i TE + \varepsilon$..3.2

Table 7 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.589[a]	.347	.344	.52041

a. Predictors: (Constant), TE

Table 7 presents the model summary for the regression analysis investigating the impact of the technological environment (TE) on the growth and competitiveness (GC) of SMEs in Abuja. The R-value of 0.589 reflects a moderate positive correlation between the technological environment and growth and competitiveness. The R-squared value of 0.347 indicates that 34.7% of the variance in SME growth and competitiveness can be attributed to changes in the technological environment. The adjusted R-squared value of 0.344, which is consistent with the R-squared value, demonstrates that the model is well-fitted with minimal bias. Given the significance of the R-squared value, it is evident that the technological environment has a substantial impact on the growth and competitiveness of SMEs. Consequently, the null hypothesis (H03), which suggests no significant influence of the technological environment, is rejected, affirming that the technological environment plays a crucial role in shaping the growth and competitiveness of SMEs in Abuja.

Table 8 **ANOVA[a]**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.652	1	26.652	98.409	.000[b]
	Residual	50.103	185	.271		
	Total	76.755	186			

a. Dependent Variable: GC
b. Predictors: (Constant), TE

Table 8 displays the ANOVA results for the regression analysis evaluating the impact of the technological environment (TE) on the growth and competitiveness (GC) of SMEs in Abuja. The regression sum of squares is 26.652, reflecting the variation explained by the model, while the residual sum of squares is 50.103, representing the unexplained variance. With an F-value of 98.409 and a significance level (p-value) of 0.000, the model is shown to be statistically significant, indicating a strong relationship between the technological environment and growth and competitiveness. Since the p-value is below the standard alpha threshold of 0.05, the null hypothesis (H03), which claims that the technological environment does not significantly influence SME growth and competitiveness, is rejected. This suggests that advancements in the technological environment are likely to boost the growth and competitiveness of SMEs in Abuja.

Table 9 **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.674	.233		7.171	.000
	TE	.583	.059	.589	9.920	.000

a. Dependent Variable: GC

Table 9 presents the coefficients from the regression analysis investigating the impact of the technological environment (TE) on the growth and competitiveness (GC) of SMEs in Abuja. The unstandardized coefficient for the constant is 1.674, representing the baseline level of growth and competitiveness when TE equals zero. For TE, the coefficient is 0.583, indicating that a one-unit increase in the technological environment is associated with an expected rise of 0.583 units in SME growth and competitiveness, assuming all other factors remain constant. The standardized coefficient (Beta) of 0.589 highlights a strong positive relationship between TE and GC. Additionally, the t-value of 9.920 and a significance level (p-value) of 0.000 confirm the statistical significance of these findings. Since the p-value is below the 0.05 threshold, the null hypothesis (H03), which asserts that the technological environment does not significantly influence SME growth and competitiveness, is rejected. These results emphasize the critical role of a supportive technological environment in driving SME development in Abuja.

Discussion of the Findings

Each hypothesis is covered in length below, emphasising both empirical and theoretical viewpoints, and the study's conclusions offer a thorough analysis of how the political, economic, and technological contexts affect the performance of SMEs in Abuja, Nigeria.

H01: The economic environment does not have a significant impact on the financial performance of SMEs in Abuja.

The analysis disproved the null hypothesis by showing that the economic environment has a major impact on the financial performance of SMEs in Abuja. This result is consistent with the Resource-Based View (RBV), which holds that an organization's performance can be directly impacted by external factors, such as the state of the economy (Barney, 1991). This finding is supported by empirical research showing a substantial association between improved financial outcomes for SMEs and favourable economic conditions, such as that conducted by Adusei (2020) and Adomako et al. (2018). In particular, SMEs are better positioned to take advantage of these possibilities and boost revenue when economic indicators like GDP growth and consumer expenditure rise.

On the other hand, the results are in opposition to those of Abdullah and Kamarulzaman (2020), who contend that although economic circumstances are significant, internal elements like management strategies and operational effectiveness have a greater influence on financial performance. Although external economic conditions are important, they must be supplemented by efficient internal management techniques, as this discrepancy shows a complex knowledge of the relationship between economic causes and SME performance.

H02: The political environment does not significantly influence the operational efficiency of SMEs in Abuja.

The results show that the political climate does, in fact, affect SMEs' operational efficiency, supporting the rejection of the null hypothesis. A statistically significant association was found in the investigation, indicating that operational efficiency is improved by stable political conditions. This is in line with the Contingency Theory, which holds that the alignment of internal capabilities with external environmental conditions is a prerequisite for organisational efficiency (Fiedler, 1964). Gonzalez-Pernia et al. (2022) also highlighted the importance of the political environment, finding that the efficiency of SMEs is strongly impacted by political stability and governance quality.

The study of Kirkpatrick, Parker, and Zhang (2021), however, may cast doubt on this conclusion because they contend that SMEs can frequently adjust to political shifts by using creativity and agility. According to their viewpoint, the political climate does have an impact, but how much depends on the SMEs' strategic reactions. This hostility emphasises how crucial resilience is for SMEs, since it enables them to successfully handle political obstacles.

H03: The technological environment does not have a significant effect on the growth and competitiveness of SMEs in Abuja.

The study's findings provided conclusive evidence against the null hypothesis, establishing a significant relationship between technological factors and SME growth/competitiveness in Abuja. The results reveal that SMEs adopting technological innovations gain substantial competitive advantages, aligning with Porter's Five Forces Theory (Porter, 1980) regarding technology's transformative role in market competition. This conclusion is reinforced by previous research (Ihugba et al., 2018; Alonso et al., 2020) demonstrating technology's capacity to improve operational efficiency and market adaptability.

However, the study also identified sector-specific variations in technology's impact. As Jafari-Sadeghi et al. (2021) observed, the benefits of technological adoption are not equally distributed across industries, indicating that contextual factors significantly influence outcomes. These finding challenges conventional assumptions about technology's universal benefits and suggests the need for industry-specific implementation strategies.

The research comprehensively demonstrates how economic, political, and technological factors collectively shape SME performance in Abuja. While generally supporting existing theoretical frameworks, the results reveal important complexities - particularly the interaction between external environmental conditions and internal organizational capabilities. These insights point to valuable directions for future research, particularly in developing context-specific strategies for SME success in diverse business environments. Further investigation could productively explore optimal approaches for SMEs to leverage their unique strengths while adapting to environmental challenges.

5. CONCLUSION AND RECOMMENDATIONS

The study demonstrates how the economic, political, and technological environments have a major impact on the performance of SMEs in Abuja, Nigeria. It also shows how these external factors play a crucial role in determining competitive growth, operational efficiency, and financial viability. The relevance of economic stability for the viability of businesses is highlighted by empirical research showing a positive correlation between SME financial success and a favourable economic climate. Furthermore, it has been demonstrated that operational efficiency is increased by political stability and pro-business government policies, highlighting the necessity of open and accommodating regulatory frameworks. Technological developments are also seen as being essential to the expansion and competitiveness of SMEs, requiring them to embrace new strategies in order to stay relevant in a changing marketplace. By highlighting the relationship between these external environments and SME success, the study offers insightful information to academic institutions, industry leaders, and politicians, promoting cooperation in the development of an ecosystem that supports SMEs. By providing a systematic approach to promoting economic growth and development in Nigeria through focused interventions in the political, technological, and economic spheres, these findings advance our understanding of SME dynamics.

In light of the study's conclusions, the following suggestions are offered to improve the performance of SMEs in Abuja, Nigeria:

i. It is recommended that the government implement policies that foster economic stability and growth. This includes providing financial incentives, such as tax breaks and grants, to support SMEs during economic downturns. The empirical study by Abdullah and Kamarulzaman (2020) indicates that government support and favorable economic conditions are critical for the financial sustainability of SMEs. By creating a stable economic environment, SMEs will be better positioned to enhance their financial performance, ensuring long-term viability.
ii. It is essential for the government to focus on improving political stability and reducing bureaucratic red tape that often hinders the operational efficiency of SMEs. Policymakers should engage in creating transparent and efficient regulatory

frameworks that facilitate easier business operations. As noted by Adomako et al. (2018), an effective political environment significantly enhances SMEs' operational performance by reducing operational risks and fostering trust in government institutions. By prioritizing these improvements, SMEs can operate more effectively and efficiently, contributing to overall economic development.

iii. SMEs should actively embrace technological innovations to remain competitive in a rapidly evolving marketplace. This can be achieved through training programs that equip employees with the necessary skills to leverage new technologies effectively. The research conducted by Jafari-Sadeghi et al. (2021) emphasizes the positive relationship between technology adoption and business growth. By investing in technology and human capital development, SMEs can enhance their competitiveness and adaptability, positioning themselves for success in an increasingly digital economy.

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