



## Effect of Macro-Environmental Factors and the Performance of Small-Scale Enterprises in South East, Nigeria

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### ABSTRACT

*The study evaluated the effect of macro-environmental factors and the performance of small scale enterprises in south east, Nigeria. The specific objectives were to: evaluate the effect of political/legal factors on the profitability of small-scale enterprises in south east, Nigeria and determine the effect of economic policies on the output of small scale enterprises in south east, Nigeria. The study had a population of three hundred and sixteen (316) of selected Small Scale Enterprises in south east of Nigeria and whole population was made use because of the small number. A survey design was adopted for the study. Instrument used for data collection was the questionnaire. A total of 316 copies of questionnaire were distributed while 307 copies were returned. Two hypotheses were tested using Z – test statistic tool. The findings indicated that Political/legal factors had effect on the profitability of small scale enterprises in south east, Nigeria. Economic policies had effect on the output of small scale enterprises in south east, Nigeria. The study concluded that Political/ legal factors and economic policies had a negative significant effect on the profitability and output of small scale enterprises in South East, Nigeria. Irrespective of kind of organization one is working, private, public or government, one need to understand the organizational environment, because it helps to view the organization from different perspective of which you might not be aware of earlier. The study recommended that among others Government should avoid inconsequential changes in policies such as tax that will affect manufacturing firms but should ensure stability of political incorporation necessary to improve business growth and development.*

**Keywords:** Macro-Environmental Factors; Performance, Small Scale Enterprises; South East

## 1. Introduction

Studying organizational environment is of ample use for those who are managing the organization, or are likely to do so. Irrespective of kind of organization one is working, private, public or government, one need to understand the organizational environment, because it helps to view the organization from different perspective of which you might not be aware of earlier. When we compare our organizational environment with other organizations, we come to know where we stand. With these, we can predict the present and forthcoming challenges and opportunities which will enable us to guide the right path for accomplishment of the desired goals (Manwani, 2012). Many large organizations are generally complex in nature and therefore much attention need to be given. Organizations need to be adaptable in the environment they operate and should be responsive to both external and internal environment. Gaining informational resources on external environment is vital for organization's existence and sustainability. The data collected should further be analyzed which become the bases to formulate strategies and implementing them. Organizational environment study thus helps in explaining how organization presently works and what could be the more efficient way of working. Understanding the improvement areas will enable organizations to get the best out of it. The external organizational environment includes all elements existing outside the boundaries of the organization that have the potential to affect the organization. The environment factor includes competitors, resources, politics/legal, sociological, technology and economic conditions that influence the organization (Vyas, 2012).

A business's stability and profitability are dependent on its ability to quickly identify and respond to changes in the external environment. Change is inevitable and having the flexibility to deal with unexpected market mutations can mean the difference between survival and extinction for an organization. External environment is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up its flow of operations. The external business environment consists of economic environment, social and cultural environment, political environment, legal environment, technological environment, natural environment, international environment, task/competitive/operating environment. Economic factors throw light on the nature and direction of the economy in which a firm operates. Consumption patterns are usually governed by the relative affluence of market segments.

Therefore, while carrying out strategic planning exercises, the firm must focus attention on economic trends in the segments that affect its industry. Low interest rates on personal savings, for example could compel individuals to equity and bond markets, leading to a boom for the capital market activity and mutual fund industry. At the national and international level, the firm must look into the general availability of credit, the level of disposable income and the propensity of people to spend (Pramila, 2020). Nevertheless, the focus of the study was to evaluate the effect of macro-environmental factors on the performance of small scale enterprises in south east, Nigeria.

### Statement of the Problem

The world over, business organizations are being operated within different environments, with their factors characterized of challenges to the existence of firms and industries in an economy. These environments are made up of micro and macro, direct and indirect action environments. The indirect action environments are technology, economy, politics of the society etcetera.

The challenges which business environment faces range from low level profit, high cost of operations, competitive forces, legal forces, economic forces and policies of the government, political agencies, cultural and social factors, lack of infrastructure, industries operating below capacity and expectations, decreased sales volume, insecurity and many more. Ordinarily industries/firms are established to prosper, increase sales volume, increase profitability, enhance growth, generate employment opportunities, and as well as generate high revenue/income to the shareholders.

Consequently, there is need to address the above situation which failure to harness could lead to decrease in sales of products, low profitability of the firm, low level of growth rate, low quality and inadequate output, low physical expansion of material and human resource working environment. From the foregoing therefore, the researcher wants to know how positively or negatively macro-environmental factors can affect the performance of small scale enterprises in south east, Nigeria.

### Objectives of the Study

The main objective of the study was to evaluate the effect of macro-environmental factors and the performance of small scale enterprises in south east, Nigeria.

The specific objectives were to:

- i. Evaluate the effect of political/legal factors on the profitability of small scale enterprises in south east, Nigeria.
- ii. Determine the effect of economic policies on the output of small scale enterprises in south east, Nigeria

### **Research Questions**

The following research questions guided the study

- i. What is the effect of political/legal factors on the profitability of small scale enterprises in south east, Nigeria?
- ii. What is the effect of economic policies on the output of small scale enterprises in south east, Nigeria?

### **Statement of the Hypotheses**

The following hypotheses guided the study.

- i. Political/legal factors have effect on the profitability of small scale enterprises in south east, Nigeria.
- ii. Economic policies have effect on the output of small scale enterprises in south east, Nigeria.

### **Significance of the Study**

Expectantly, the findings of the study would be of great interest and benefit to the following organization:

**Government:** It will assist the government to see the need to implement good fiscal policies that will promote manufacturing firms and also exhibit the environmental changes that can explain some changes in stock abundance which must be taken into account in the expectations of the management policies of exploited stocks, particularly those aimed at stock recovery of endangered species in the economy.

**Students:** It will be of benefit to the students since it will enable them acquire knowledge on the effect of environmental factors and also future researchers for further study.

**Organizations:** Irrespective of how proper their programmes are articulated have to take cognizance of their environment. It is on this perspective that the significance of this work cannot be understated;

**Entrepreneurs and industrialist:** The study will be quite beneficial to entrepreneurs and industrialist in the business world as it will afford them the opportunity to upgrade their knowledge on key areas of their contributions to the achievement of business growth.

### **Scope of the Study**

The scope was the effect of macro-environmental factors on the performance of small scale enterprises in south east, Nigeria. The variables are, political, legal environment, social and cultural practices, Government economic policies, profitability, output, number of branch expansion and sales volume.

### **Limitation of the study**

The limitations of the study were on time restraints as well as the constraint of finances. However, there were cases of secrecy of information from small scale enterprises in south east, Nigeria. Some see it as one of the government strategies to know if their business is booming in order to add to their taxes. Notwithstanding all odds, the researcher still found a way of tackling the obstacles which in turn gave way to the successfully completion of the research work.

## 2. Review of the Related Literature

### 2.1 Conceptual Framework

#### 2.1.1 Environment

Environment is dynamic, the environment is constantly changing in nature, due to many and varied influences operating, there is dynamism in the environment causing it to change in shape and character. Environment is multifaceted: What shape and character an environment assumes depends on the perception of the observer. A particular change in the environment, or a new development, may be viewed differently by different observers. This is frequently seen when the same development is welcomed as an opportunity by one company while another company perceives it as a threat. Environment has a far-reaching impact: The environment has a far-reaching impact on organization. The growth and profitability of an organization depends critically on the environment in which it exists (Campbell, 2006).

#### 2.1.2 Macro-Environment

Macro Environment can be described as the collection of those factors and conditions, which has the capability of influencing the business positively or negatively. The macro environment refers to the broader business environment as a whole. While this can include political, technological, and other factors, the most relevant ones are all economic (Thomas, 2020). A macro environment is the condition that exists in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy. The macro-environment is closely linked to the general business cycle as opposed to the performance of an individual business sector (Khartit, 2020).

#### 2.1.3 Components of Macro-Environment

The external business environment consists of economic environment, social and cultural environment, political environment, legal environment, technological environment, natural environment, international environment, task/competitive/operating environment. Economic factors throw light on the nature and direction of the economy in which a firm operates. Consumption patterns are usually governed by the relative affluence of market segments. Therefore, while carrying out strategic planning exercises, the firm must focus attention on economic trends in the segments that affect its industry (Ogini and Fasayiku, 2012).

##### 2.1.3.1 Political/Legal Factors

The political factors refer to the influence exerted by the three political institutions viz., legislature executive and the judiciary in shaping, directing, developing and controlling business activities. A stable and dynamic political environment is indispensable for business growth. The debate on the relationship between business actors and political actors builds mainly on the assumption of a coherent regulatory environment where political institutions regulate business firms and their behavior in a one-dimensional manner, that is, political organizations have legitimate power to affect business firms, but business actors have no such power (Pourmand, 2011). In the field of corporate political science, firms are assumed to develop political strategies in an attempt to gain influence over political actors and in so doing gain information, access, influence, and lower uncertainty and transaction costs (Hillman and Hitt, 1999). Rizopoulos and Sergakis (2010) study how MNCs influence political decisions and how their strategies regarding host countries are influenced by political forces in their home country. These activities are important aspects of lobbying, but do not always mean that the individual firm needs to pursue political activities independently.

Walter (2014) asserts that the implication of political environment to a business is that the risk emanating from it is a measure of likelihood that political events may complicate its pursuit of earnings through direct impacts (such as taxes or fees) or indirect impacts (such as opportunity cost forgone). As a result, political risk is similar to an expected value such that the likelihood of a political event occurring may reduce the desirability of that investment by reducing its anticipated returns. More so, there are political risks or events arising from nongovernmental actions, factors that are outside the government responsibility. There are wars, revolution, coup d'etat, terrorism, strikes, extortion, and kidnappings (Andoh, 2007). They all derived from some unstable social situation, with population frustration and intolerance. All these risks can generate violence, directed towards firms' property and employees.

There may also be the case of externally induced financial constraints and externally imposed limits on imports or exports, especially in case of embargoes or any economic sanctions against the host country.

Anis, Raida and Sabrine (2018), opined that the political connections of a firm have a significant impact on its performance. This could be explained, on the one hand, by the benefits and favours that companies can get from their political ties and, on the other hand, by investors' tendency to invest in politically connected companies to benefit from these advantages.

### **2.1.3.2 Government Economic Policies**

Economic policy is, in short, part of a state policy that deals with state and economy. In the domain of economic theory, the concept of economic policy is used to denote the two phenomena: one is as diverse activity of the state and other holders of economic and political decision making (ie, macro-economic subjects), whose purpose is to create an adequate social environment for optimal economic development, and as a scientific discipline within the system of economic science that deals with finding and analyzing relationships and patterns in relation to the functioning of the state and other macroeconomic subjects in the regulation of economic relations (Mihajlovic, 2015). Economic policy is part of a state policy that deals with the relationship between the government and the economy. Some of the areas of economic policy are: fiscal policy, policy income, monetary policy, the economic policy

Interest rates, inflation rates, unemployment rates and trends in the gross national product, governmental policies, sectoral growth rates of agriculture, industry infrastructure, etc., are other economic influences it must consider. Low interest rates are aimed at boosting up sales of consumer durables, passenger cars, electronic items, gold and jeweler etc. Any expansion of consumer expenditures should lead to increased industrial activity, stimulating demand for various other items. Economic activity generally tends to move in cycles. It is difficult to predict exactly when an upturn or downturn in economic conditions will occur. However, the knowledge that such a danger is looming over the head would help managers plan their investments either locally or globally. As the recent events have shown, the construction industry generally tends to have higher peaks and lower valleys than the overall national economy. When there is a mad scramble for scarce resources with a view to catch the upturn in demand for new homes, as it happened in recent times all over the globe, you are compelled to pay a price for the "irrational exuberance". Firms have to understand whether changes in the economy are temporary or whether they represent longer term structural changes. Structural changes are changes that significantly affect the dynamics of economic activity now and into the future. You cannot control the economy, but understanding it can help you spot threats and opportunities. (Fraser, 2019).

#### **2.1.3.2.1 Economic Policies**

An economic policy is a course of action that is intended to influence or control the behavior of the economy. Economic policies are typically implemented and administered by the government. Examples of economic policies include decisions made about government spending and taxation, about the redistribution of income from rich to poor, and about the supply of money (Cliffs, 2020). Economic policy refers to the actions that governments take in the economic field. It covers the systems for setting interest rates and government budget as well as the labor market, national ownership, and many other areas of government interventions into the economy. Policy is generally directed to achieve four major goals: stabilizing markets, promoting economic prosperity, ensuring business development, and promoting employment. Sometimes other objectives, like military spending or nationalization, are important. To achieve these goals, governments use policy tools which are under the control of the government. These generally include the interest rate and money supply, tax and government spending, tariffs, exchange rates, labor market regulations, and many other aspects of government (Lumen, 2020).

#### **2.1.4 Performance**

Performance refers to the degree to which an achievement is being or has been accomplished. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall

financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Awaysheh, Heron, Perry and Wilson, 2020).

#### **2.1.4 Components of Performance used in the Study**

##### **2.1.4.1 Profitability**

Profitability is the ability to make a profit from all the commercial operations of an entity, corporation, firm, or enterprise. It tests the effectiveness of management in the use of organizational resources in adding value to the business. Profitability can be considered to be a relative concept that can be calculated in terms of profit and its relationship with other elements that can directly impact profitability. Profitability is the income relationship with some indicator of the balance sheet that shows the relative ability to gain asset income. Even though profitability is an important aspect of the industry, this window dressing of financial transactions and the use of various accounting standards can be met with some weakness. To thrive and expand over a long period, a business should earn income. Profits are important, but not all management decisions should be profit-centered at the detriment of client, employee, supplier, or social impact issues. The benefit is the difference over sometime between sales and expenditures (usually one year). Profit is a company's overall 'production,' and if it fails to make adequate money, it will have no future. The profitability ratios are estimated to measure the company's operating performance (Runyora, 2012). Profitability assessment is the same as calculating a business's performance. During the business year, an income statement provides a summary of income and expenditures. The profitability ratio is one indicator of the profitability of a business. Profitability ratios analyze a business's financial health. Concerning revenue, total assets, and net worth, a profitability ratio looks at how profit was gained (Hunt, 2018).

##### **2.1.4.2 Output**

The value of efficiency in the workplace is recognized by every productive and effective business organisation. Being effective would help the organization increase and use the potential of the human capital it has. Many profitable enterprises, which are the basis of a successful company, have happy and safe workers. Workplace productivity/output can also translate into good customer service and communication (Andy, 2015). The secret to pleasing clients and consumers is this complete customer experience, and almost all highly profitable businesses use this to achieve customer loyalty. More often than not, it ultimately becomes efficient when a business is highly productive; and because of this, rewards are bound to be made available to the employees. That include increases in salaries, bonuses, medical benefits, etc. This will also inspire and offer workers more career opportunities as the company expands (Andy, 2015).

#### **2.2 Theoretical Review**

There are various theories which are directly linked to the study. They are as follows;

Contingency theory as propounded by Fieldler in 1967 on which the study was anchored on, Stakeholder theory (Freeman 1984).

##### **2.2.1 The Contingency Theory**

The study is predicated on the contingency theory as propounded by Fieldler in 1967 in his work a theory of leadership effectiveness. Ille (1999) asserts that contingency approach to management is of the view that the management technique that best contributes to the attainment of organizational goals might vary in different types of situations or circumstances. He went further to say that modern theories of organization and management was developed largely since the 1917's by the contribution made by Alfred, Korzybaki, Mary Parker-Follent, Chester, Barnard and Norbert Wiener etc. Contingency theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their external environments will achieve the best adaptation (Scott, Lawrence and Lorch, 1967). The more homogenous and stable the environment, the more formalized and hierarchical the form. Their view is ecological - those organizations that can best adapt to the environment will survive. The main underlying contingency are:

Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. There is no one best way of organizing. The appropriate form depends on the environment one is dealing with. Different types of organizations are needed in different types of environments.

Contingency theory is an outgrowth of systems design. Scott adds that in contingency theory "the best way to organize depends on the nature of the environment to which the organization relates". The environment has a far-reaching impact on organizations. The growth and profitability of any organization depends critically on the environment in which it exists. Any environmental change has an impact on the organization in several different ways.

### **2.2.2 Stakeholder Theory**

The traditional definition of a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984). The general idea of the Stakeholder concept is a redefinition of the organization. In general the concept is about what the organization should be and how it should be conceptualized. Friedman (2006) states that the organization itself should be thought of as grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should on the one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and the participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group.

### **2.3 Empirical Review**

#### **2.3.1 The Effect of Political/Legal Factors on the Profitability of Small Scale Enterprises in South East, Nigeria**

Matta (2016) explores the impact of political instability on firms. The context of this paper is Tunisia, a country that saw a surge in political instability events after the 2011 Jasmine revolution. Using a newly available dataset, the paper shows that political instability was a major concern for smaller and exporting firms as well as those that were operating in the tourism sector, that have suffered from acts of vandalism or arson and that were located in the Interior region of Tunisia. Most importantly, the study finds strong evidence that political instability was the most damaging constraint to firm growth in Tunisia after the Arab Spring.

Yinusa (2018) examined the determinants of firm profitability for 114 firms listed on the Nigerian Stock Exchange (NSE) from 1998 to 2012. The study used the system Generalized Method of Moments (GMM). The results show that lagged profitability exerts significant positive effect on contemporaneous firm profitability. However, short-term leverage, inflation rate, interest rate and financial risk have significant negative effects on firm profitability. The study therefore suggests, among other recommendations, that the cost of borrowing to the real sector of the economy should be reduced in order to minimize costs of production, enhance productivity and profitability while necessary macroeconomic policies should be put in place by the government to curb inflationary pressure in the economy.

Pervac, Pervac and Curak (2018) examined the influence of different factors on a firm's profitability. The researchers designed a model with three categories of profitability determinants: firm-specific, industry-specific and macroeconomic. The analysis was performed on 9359 firms operating in the Croatian manufacturing industry during the 2006–2015 period. Since the designed model was formulated in a way that encompasses the dynamic aspect of profitability, the General Method of Moments (G.M.M.) dynamic panel estimator was applied. Formulation of such a model adds to the existing literature if one takes into account that a dynamic analysis of the drivers of profitability has not been done using data from the Croatian manufacturing sector. The results of the conducted analysis revealed that a firm's age, labour cost and industry concentration, as well as G.D.P. growth and inflation, have significant influence on a firm's profitability.

Sahikh, Anwar and Abbas (2019) investigates the relationship of political stability, managerial ownership, dividends, sales, and total assets with the firm's profitability in Pakistan during 2013-2017. The study made use of 10 selected manufacturing firms in Pakistan. The method of analysis employed by the study was Ordinary Least Squares. The listed companies perform a significant function in the growth of an economy, however, on pragmatic grounds, access to capital is evidenced as a matter of grave concern for the business sector in Pakistan. Moreover, it has been observed that in order to reduce the firms' agency costs, managerial ownership is utilized. The findings depict that the variables of political stability, total assets, dividends, and sales, positively and significantly affect the firm's profitability, while, managerial ownership is significantly associated with profitability

### 2.3.2 The Effect of Economic Policies on the Output of Small Scale Enterprises in South East, Nigeria.

Owolabi (2017) examined the relationship between economic characteristics and financial performance in Nigeria. The economic characteristics were: government expenditure, inflation, interest rate and exchange rate. The sample comprised 31 manufacturing firms listed on the Nigeria Stock Exchange. The duration of the study was from 2010 to 2014. The study made use of multiple regression analysis using OL. The effect of government expenditure, inflation, interest rate and exchange rate on earnings per share and return on assets was not significant. Interest rate was significant for only return on equity, while all the variables (government expenditure, inflation, interest rate and exchange rate) were significant for Tobin's Q.

Mwangi and Wekesa (2017) examined the influence of economic factors on firm performance in Kenya. They study used a descriptive research design, and the sample comprised 74 staff working in Kenya Airways Finance Department. The economic factors were interest rate and taxation; the dependent variables of the study were efficiency and growth. The study used primary data. They used multiple regression technique in testing the hypotheses. The study found that economic factors had significant effect on performance of manufacturing firms in Kenya.

Okpe (2018) examined the effects of government policies on the manufacturing sector in Nigeria. The study used stationarity test such as the Augmented Dickey-Fuller (ADF) test and Johanson cointegration first difference test. The ADF test shows that the variables are stationary at first difference, while the Johanson co-integration test shows that the entire independent variables exhibit a long-run equilibrium relationship with the manufacturing sector fiscal side shows that recurrent expenditure, output. The result from the study showed that tax has a significant negative impact on manufacturing, while subsidy had a significant and positive manufacturing output while capital expenditure has a significant effect on the manufacturing output. From the monetary side credit to the manufacturing sector, commercial bank lending rate have a negative but cannot have effect on the manufacturing output while exchange rate and money significant effect on the manufacturing sector output supply have a positive and significant in Nigeria.

Egbuluonu and Ukwuoma (2018) studied the impact of monetary policy on the growth of the manufacturing sector in Nigeria from 1980- 2016. Secondary data were used for the study and were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin 2016 edition. Manufacturing sector's output was used as the dependent variable while Money Supply, Exchange rate and Interest rate were the independent variables. The test for stationarity of the data showed the data are integrated of mixed order thereby necessitating the Bounds test for cointegration. The bounds test confirmed the existence of a long run relationship amongst the variables. Analyses of the data was done using the Autoregressive Distributive lag model which estimated both the short run and long run forms of the model. The result showed that money supply has a positive and significant impact on manufacturing output in Nigeria in the short and long run. Exchange rate on the other hand remained negative both in the short and long run and not statistically significant. Interest rate was positive in the short and long run but not a significant determinant of manufacturing output. The research concluded that despite the existing interest rate and money supply, manufacturers still borrow funds for production but this has not related to a significant growth in manufacturing sector's output in Nigeria.

Adefeso (2018) examined the influence of government corporate tax policy on the performance of 54 randomly selected listed companies that cut across 17 categories of non-financial in Nigeria over a period of 1990-2002. Using Generalised Method of Moment (GMM) and contrary to the expectation, the study found positive relationship between corporate tax policy and the output performance of quoted manufacturing firms in Nigeria. This may be an indication that government revenue from corporate tax was judiciously expended on productive government expenditure most especially in Lagos State as virtually all the selected manufacturing firms have their main base in Lagos State.

Egbunike and Okerekeoti (2018) explored the interrelationship between macroeconomic factors, firm characteristics and financial performance of quoted manufacturing firms in Nigeria. Specifically, the study investigates the effect of interest rate, inflation rate, exchange rate and the gross domestic product (GDP) growth rate, while the firm characteristics were size, leverage and liquidity. The study used the ex post facto research design, using multiple regression analysis. The population comprised all quoted manufacturing firms on the Nigerian Stock Exchange. The sample was restricted to companies in the consumer goods sector, selected using non-probability sampling method. The study used multiple linear regression as the method of validating the hypotheses. The study



finds no significant effect for interest rate and exchange rate, but a significant effect for inflation rate and GDP growth rate on return on assets. Second, the firm characteristics showed that firm size, leverage and liquidity were significant.

Yoke and Chan (2018) examined the impact of VAT on manufacturing performance using unbalanced panel data of ASEAN countries over the period 1985 – 2014. The study made use of quantitative secondary data analysed using Ordinary Least Squares. The result shows VAT is negatively related to the manufacturing performance. Besides, this study also examines the relationship between VAT and export intensity. The finding suggests that VAT is positively and significantly associated with export intensity. The study further investigates the manufacturing performance and exports intensity between countries with VAT and countries without VAT. The result indicates manufacturing firm perform better in countries with VAT while exports intensity perform better in countries without VAT.

## 2.4 Gap in Knowledge

In summary of the findings of the review, environment factors and the performance of small scale enterprises in south east, Nigeria. From the perspective of organizations, understanding detection range and its variability is critical to the interpretation of detections from an acoustic array and its design. In the theoretical literature, the study was based on social change theory because it propounded how a traditional society becomes one in which continuing technical progress takes place. Most of previous studies were carried in Nigeria but not on government economic policies on the sales volume; political/legal, technology, cultural, social environment. None of the empirical studied on the factors. Therefore, given the fact that the review on the topics was so limited, it was believed that they were worthy of assessment and exploration in an effort to add to the existing gap in knowledge.

## 3. Methodology

The area of the study comprised of owners and managers of selected Small Scale Enterprises in south east of Nigeria. These Small Scale Enterprises of South east, Nigeria were selected based on sectors, such as agriculture, processing, manufacturing, trade and services. The study used the survey approach. The primary sources were personal interview and the administration of questionnaire. A population of three hundred and sixteen (316) was used for the study and three hundred and seven (307) owners and managers returned the questionnaire and accurately filled. The level of significance was at 5 percent margin of error. That gave 97 percent response rate. Z test statistic tool was used to test the hypotheses, determine the nature, and strength of the research variables.

## 4. Data Presentation Analyses

### 4.1 The Effect of Political/Legal Factors on the Profitability of Small Scale Enterprises in South East, Nigeria

Table 4.1.1: Responses to research question one: The effect of political/legal factors on the profitability of small scale enterprises in south east, Nigeria.

		5	4	3	2	1	ΣFX	-	SD	Decision
		SA	A	N	DA	SD		X		
1	The political instability has discouraged the promotion of small scale business	240 48 15.6	64 16 5.2	72 24 7.8	194 97 31.6	122 122 39.7	692 307 100%	2.25	.426	Disagree
2	My business has been experiencing low turnover as a result of political issues	110 22 7.1	104 26 8.5	282 94 30.6	234 117 38.1	48 48 15.6	778 307 100%	2.53	.438	Disagree
3	The instability in government affected the patronage of my business marginsxxxxxx	225 45 23.8	80 20 49.5	51 17 5.5	304 152 6.5	73 73 14.7	733 307 100%	2.38	315	Disagree

4	The owners of small business face challenges of planning due to government inconsistency which hinders the progress	130 26 55.4	144 36 11.7	132 44 14.3	340 170 8.5	31 31 10.1	777 307 100%	2.53	.395	Disagree
5	There is poor revenue generation because of legal problems in the business.	80 16 39.7	136 34 32.9	102 34 11.1	244 122 5.2	101 101 11.1	663 307 100%	2.15	.302	Disagree
<b>Total grand mean and standard deviation</b>								<b>3.766</b>	<b>1.375</b>	

Source: Field Survey, 2021

From the table 4.1.1, 219 respondents out of 307 representing 71.3 percent disagreed that the political instability has discouraged the promotion of small scale business with mean score of 2.25 and standard deviation of .426. My business has been experiencing low turnover as a result of political issues with 165 respondents representing 53.7 percent agreed with mean score of 2.53 and standard deviation of .438. The instability in government affected the patronage of my business margins with 206 respondents representing 67.1 percent agreed with mean score of 3.61 and standard deviation of 1.315. The owners of small business face challenges of planning due to government inconsistency which hinders the progress with 206 respondents representing 67.1 percent agreed with mean score of 3.94 and standard deviation of 1.395. There is poor revenue generation because of legal problems in the business with 223 respondents representing 72.6 percent agreed with a mean score of 3.85 and standard deviation of 1.302

#### 4.2 The Effect of Economic Policies on the Output of Small Scale Enterprises in South East, Nigeria

Table 4.2: Responses to effect of economic policies on the output of small scale enterprises in south east, Nigeria

		5 SA	4 A	3 N	2 DA	1 SD	ΣFX	- X	SD	Decision
6	The exchange rate has hampered on the productivity of our business	625 22 40.7	376 34 30.6	96 32 10.4	44 125 7.2	34 94 11.1	1175 307 100%	3.83	1.331	Agree
7	The high interest rate has discouraged loan to small scale business and reduced the quantity of goods produced	355 71 23.1	668 31 54.4	54 18 5.9	40 20 6.5	31 167 10.1	1148 307 100%	3.74	1.181	Agree
8	High tax payment has reduced the production of goods	845 31 55.0	176 44 14.3	111 37 12.1	52 26 8.5	31 169 10.1	1215 307 100%	3.96	1.387	Agree
9	The high rate of inflation has affected material requirement planning	565 12 36.8	596 15 48.5	54 18 5.9	30 149 4.9	12 113 3.9	1257 307 100%	4.09	.984	Agree
10	The saving rates inflation has inventory control in the business.	365 73 23.8	564 60 45.9	69 23 7.5	120 141 19.5	10 10 3.3	1128 307 100%	3.67	1.134	Agree
<b>Total grand mean and standard deviation</b>								<b>3.858</b>	<b>1.203</b>	

Source: Field Survey, 2021

From the table 4.2.1, 219 respondents out of 307 representing 71.3 percent agreed that the exchange rate has hampered on the productivity of our business with mean score of 3.83 from the respondents and standard deviation of 1.331. The high interest rate has discouraged loan to small scale business and reduced the quantity of goods produced with 238 respondents out of 307 representing 77.5 percent agree with mean score 3.74 and standard deviation of 1.181. High tax payment has reduced the production of goods with 213 respondents out of 307 representing 69.5 percent with 3.96 mean score and 1.387 standard deviation. 262 respondents out of 307 representing 85.3 percent agree with mean score 4.09 and standard deviation of .984 agree that the high rate of inflation has affected material requirement planning. 214 respondents out of 307 representing 69.7 percent agree that the saving rates inflation has inventory control in the business mean score of 3.67 and standard deviation of 1.134.

### 4.3 Test of Hypotheses

#### 4.3.1 Hypothesis One: The extent to which political/legal factors have effect on the profitability of small scale enterprises in south east, Nigeria.

Table 4.3.1.1: Z – test on political/legal factors have effect on the profitability of small scale enterprises in south east, Nigeria.

		One-Sample Kolmogorov-Smirnov Test				
		The political instability has discouraged the promotion of small scale business	My business has been experiencing low turnover as a result of political issues	The instability in government affected the patronage of my business margins	The owners of small business face challenges of planning due to government inconsistency which hinders the progress	There is poor revenue generation because of legal problems in the business.
N		307	307	307	307	307
Normal Parameters <sup>a,b</sup>	Mean	3.75	3.68	3.61	3.94	3.85
	Std. Deviation	1.426	1.438	1.315	1.395	1.302
Most Extreme Differences	Absolute	.284	.274	.349	.330	.272
	Positive	.190	.180	.146	.223	.189
	Negative	-.284	-.274	-.349	-.330	-.272
Kolmogorov-Smirnov Z		4.977	4.806	6.112	5.789	4.769
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000

a. Test distribution is Normal.

b. Calculated from data.

#### Decision Rule

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

#### Result

With Kolmogorov-Smirnon Z – value ranges from  $4.769 < 6.112$  and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of the most of the respondents that the political/legal factors has effect on the profitability of small scale enterprises in south east, Nigeria was significantly high.

#### Decision

Furthermore, comparing the calculated Z- value ranges from  $4.769 < 6.112$  against the critical Z- value of 2.18 (2-tailed test at 97percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was

accepted which states that the political/legal factors had positive effect on the profitability of small scale enterprises in south east, Nigeria.

**4.3.2 Hypothesis Two: The extent to which economic policies have effect on the output of small scale enterprises in south east Nigeria.**

Table 4.3.2.1: Z – test on the extent to which economic policies have effect on the output of small scale enterprises in south east Nigeria.

		One-Sample Kolmogorov-Smirnov Test				
		The exchange rate has hampered on the productivity of our business	The high interest rate has discouraged loan to small scale business and reduced the quantity of goods produced	High tax payment has reduced the production of goods	The high rate of inflation has affected material requirement planning	The saving rates inflation has inventory control in the business.
N		307	307	307	307	307
Normal Parameters <sup>a,b</sup>	Mean	3.83	3.74	3.96	4.09	3.67
	Std. Deviation	1.331	1.181	1.387	.984	1.134
Most Extreme Differences	Absolute Positive	.265	.363	.324	.315	.310
	Negative	.189	.181	.226	.179	.158
Kolmogorov-Smirnov Z		4.643	6.352	5.683	5.522	5.434
	Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000

- a. Test distribution is Normal.
- b. Calculated from data.

**Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

**Result**

With Kolmogorov-Smirnon Z – value ranges from  $4.643 < 6.352$  and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms the assertion of most of the respondents that the economic policies had effect on the output of small scale enterprises in south east Nigeria.

**Decision**

Furthermore, comparing the calculated Z- value ranges from  $4.643 < 6.352$  against the critical Z- value of 2.18 (2-tailed test at 97 percent level of confidence) the null hypothesis were rejected. Thus the alternative hypothesis was accepted which states the economic policies had positive effect on the output of small scale enterprises in south east Nigeria.

**4.4 Discussion of Findings**

**4.4.1 The Effect of Political/Legal Factors on the Profitability of Small Scale Enterprises in South East, Nigeria**

From the result hypothesis one, comparing the calculated Z- value ranges from  $4.769 < 6.112$  against the critical Z- value of 0.000(2-tailed test at 97percent level of confidence) which affirms that the extent political/legal factors had positive effect on the profitability of small scale enterprises in south east, Nigeria. In support of the hypothesis, literatures revealed that Profitability is the ability to make a profit from all the commercial operations of an entity, corporation, firm, or enterprise and tests the effectiveness of management in the use of organizational resources in adding value to the business. Walter (2014) asserts that the implication of political environment to a business is that

the risk emanating from it is a measure of likelihood that political events may complicate its pursuit of earnings through direct impacts (such as taxes or fees) or indirect impacts (such as opportunity cost forgone).

#### 4.6.2 The Effect of Economic Policies on the Output of Small Scale Enterprises in South East, Nigeria

From the result hypothesis two, comparing the calculated Z- value ranges from  $4.643 < 6.352$  against the critical Z- value of .000 (2-tailed test at 97 percent level of confidence) which implies that the assertion of most of the respondents that economic policies had positive effect on the output of small scale enterprises in south east Nigeria. In line with the hypothesis, Fraser, (2019) noted that the economy cannot be controlled, but understanding it can help spot threats and opportunities. The value of efficiency in the workplace is recognized by every productive and effective business organisation. To achieve these goals, governments use policy tools which are under the control of the government. Furthermore, Owolabi (2017) examined the relationship between economic characteristics and financial performance in Nigeria. The study found that the effect of government expenditure, inflation, interest rate and exchange rate on earnings per share and return on assets was not significant. Interest rate was significant for only return on equity, while all the variables

#### 5.1 Summary of Findings

- i. Political/legal factors have effect on the profitability of small scale enterprises in south east, Nigeria Z (95, n = 307) =  $4.769 < 6.112$ ,  $p > 0.05$ .
- ii. Economic policies have effect on the output of small scale enterprises in south east, Nigeria Z (95, n = 307) =  $4.643 < 6.352$ ,  $p > 0.05$ .

#### 5.2 Conclusion

The study on the effect of macro-environmental factors and the performance of small scale enterprises in south east, Nigeria concluded that Political/ legal factors and economic policies had a positive significant effect on the profitability and output of small scale enterprises in South East, Nigeria. Irrespective of kind of organization one is working, private, public or government, one need to understand the organizational environment, because it helps to view the organization from different perspective of which you might not be aware of earlier.

#### 5.2 Recommendation

The study recommended that:

- i. Government should avoid inconsequential changes in policies such as tax that will affect manufacturing firms but should ensure stability of political incorporation necessary to improve business growth and development.
- ii. Organizations should involve the use of required technology to improve the organizations productivity and output.

#### 5.4 Contribution to Knowledge

From the perspective of organizations, understanding detection range and its variability is critical to the interpretation of detections from an acoustic array and its design. In the theoretical literature, the study was based on social change theory because it propounded how a traditional society becomes one in which continuing technical progress takes place. Most of previous studies were carried in Nigeria but not on government economic policies on the sales volume; political/legal, technology, cultural, social environment. None of the empirical studied on the factors. Therefore, given the fact that the review on the topics was so limited, it was believed that they were worthy of assessment and exploration in an effort to add to the existing gap in knowledge.

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