

# Environmental Factors and Sustainability of Micro, Small, and Medium Scale Enterprises in Lagos Mainland Local Government Area, Lagos State, Nigeria

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**Abstract**

The main objective of the study is to investigate the effect of environmental factors on the sustainability of micro, small and medium scale enterprises (MSMEs) in Lagos Mainland Local Government Area, Lagos State, Nigeria. Survey research design was used for the study. Data was collected through the use of questionnaire. Convenience sampling technique was used to survey 780 MSMEs in Lagos Mainland Local Government. Descriptive statistics was used to analyze the respondents' biodata while multiple regression analysis was used to test the hypotheses formulated. The study found that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no combined significant effect on each of the dependent variables (employment creation, revenue generation, and workers' loyalty) in MSMEs in Lagos Mainland Local Government Area. The study concluded that policies initiated and implemented by the Nigerian government to ensure that businesses operate smoothly, efforts made by the government to provide infrastructural facilities needed for businesses to carry out their activities effectively, and global pandemic outbreak that take place in countries across the world may or may not lead to creation of employment, assist MSMEs in generating revenue, and influence workers to remain loyal in their workplace. The study recommended that owners/managers of micro, small, and medium scale enterprises in Lagos Mainland Local Government Area should initiate and implement other actions that will boost employment creation, assist them in generating sufficient sales needed to run their business very well, and influence the loyalty of their workers since government policies, infrastructural facilities, and global pandemic outbreak have no combined significant effect on each of the dependent variables (employment creation, revenue generation, and workers' loyalty).

**Key words:** Environmental Factors,  
Government Policies, Infrastructural Facilities,  
Employment Creation, Revenue Generation

## Introduction

All over the world, small and medium-sized enterprises (SMEs) have been given due recognition, especially in the developed nations, for playing very important roles towards fostering accelerated economic growth, development and stability of several economies. They make up the largest proportion of businesses all over the world and play tremendous roles in employment generation, provision of goods and services, improving standard of living, as well as immensely contributing to the gross domestic products (GDPs) of many countries (OECD, 2000).

SMEs constitute essential ingredients in the lubrication and development of any economy. SMEs play a major role in economic growth in the OECD area, providing the source for most new jobs. Over 95% of OECD enterprises are SMEs, which account for 60%-70% of employment in most countries (OECD, 2005). As larger firms downsize and outsource more functions, the weight of SMEs in the economy is increasing. In addition, productivity growth and consequently economic growth is strongly influenced by the competition inherent in the birth and death, entry and exit of smaller firms (Taiwo, Falohun, & Agwu, 2016). This process involves high job turnover rates and churning in labour markets which is an important part of the competitive process and structural change. Less than one-half of small start-ups survive for more than five years, and only a fraction develop into the core group of high performance firms which drive industrial innovation and performance (Taiwo et al., 2016).

Business enterprises cannot operate successfully alone without dependence on supportive institutions, variables and factors (Oginni, 2010) that is, a business

organization exists and operates in a complex interplay of activities and networks of relationships among human resources, material resources, and other systems (Muogbo & Enemuo-Uzoezie, 2019). In the views of Aborade (2005), all business decisions are found to be contingent upon a good analysis of the environment which is often the bane of all the constraints as this environment creates the opportunities, threats and problems for the business organization. This has led to the belief that a business organization is an integral part of its environment, on the basis that they are mutually interdependent and exclusive, with the environment providing resources and opportunities for the organization's survival, and the business organization, in turn, providing goods and services to the people living in the environment for survival and enlightenment (Ajala, 2005).

Access to financial services, use of financial services, and the caliber of service delivery are essential for guaranteeing the long-term viability of SMEs (Akeju, 2022). Sustainability makes sure that the environment is properly protected for the society's benefit both now and in the future, meeting the needs of both the present and the next generation. A company should base its socially responsible goals on the sustainable development goals (SDGs). Corporate sustainability is a legitimate field of research because it impacts various aspects of business, society, and the environment, as highlighted by Zauro, Saad, Ahmi, and Mohd Hussin (2020).

Understanding how the concept of sustainability has been applied by many businesses in many countries and markets will help micro, small, and medium-sized businesses in Nigeria to secure the sustainability of their workplace. The four

pillars of Nigeria's success include individual traits, management elements, business support, and financial availability as emphasized by Afolabi (2020). As stressed by Afolabi (2020), SMEs who receive sufficient funding on time are more likely to make it past their first five years in business. A small firm may succeed or fail depending on the founder's age, experience, and financial needs (Uwah, Udoayang, & Uklala, 2022). According to Uwah et al. (2022), small and medium-sized enterprises (SMEs) account for the great majority of businesses globally and are essential to achieving sustainable growth and development because they, among other things, provide employment, raise incomes, and supply goods and services that are needed.

In the last one decade, the Nigerian business environment has witnessed unsatisfactory progress cumulating into retarded growth rate, high rate of unemployment, low industrial output coupled with poor demand in terms of services and tangible products. Despite the fact that small and medium enterprises contribute to economic development and job creation in Nigeria, so many SMEs find it very difficult to sustain their businesses beyond 5 years (Ifekwem & Adedamola, 2016). The small medium enterprise development agency of Nigeria (SMEDAN) reports failure rates for SMEs as 80% within the first 5 years of inception (Agwu, 2014). This is because so many owners/managers of SMEs face the problems of sustaining their businesses beyond 5 years. This in turn has led to a high rate of business failure in Nigeria. Internal and external factors within and outside the business that act as constraints to the sustainability and survival of SMEs in Nigeria include high cost and shortage of materials, inadequate funding, inability to

recruit competent staff, lack of financial discipline on the part of the owners of the business, wrong choice of business, wrong location of business, poor maintenance culture, inability to access new technology, inability of the government to create an enabling environment needed for business owners in Nigeria to do their business with ease, global economic recession, global pandemic outbreak that take place across countries worldwide, high rate of importation of foreign goods into the country, wide spread corruption and harassment of SMEs by some government agencies over unauthorized levies and charges, exorbitant interest rates charged by banks and other financial institutions on loans granted to SMEs, poor power supply, poor road networks, and low demand for goods and services due to decrease in customer purchasing power are some of the factors that serve as constraints to the survival and sustainability of SMEs in Nigeria. Poor supply provided by the government increases the cost of doing business among SMEs in the country. High rate of importation of foreign goods into the country distracts Nigerian citizens from purchasing the goods and services produced by SMEs in the country (Alabi, Awe, & Musa, 2015; Jayeola, Ihinmoyan, & Kazeem, 2018; Ojuye & Egber, 2018; Asikhia & Naidoo, 2020; and Enesi & Ibrahim, 2021).

Many SME owners lack the knowledge of sustainability strategies needed to improve the performance of their businesses (Meflinda, Mahyarni, Indrayani, & Wulandari, 2018). Small and medium enterprise owners also do not realize and consider the different organizational stakeholders and how they affect their organization's sustainability (Mile, 2017). Reasons why the growth and sustainability of SMEs in Nigeria deteriorates include

poor environmental scanning, insufficient infrastructural facilities provided by the government, high rate of employee turnover, low level of workers' motivation to improve the success of the business, lack of customer loyalty and continuous patronage, and low community support (Reina, Roger, Peterson, Byron, & Hom, 2018).

Several studies such as Adagba and Shakpande (2017), Agu, Isichei, and Olabosinde (2018), Akinlemi (2018), Akinson (2018), Jayeola, Ihinmoyan, and Kazeem (2018), Alabi, David, and Aderinto (2019), Hekwem (2019), Ibrahim and Mustapha (2019), Muogbo and Enemu-Uzoezie (2019), Agbim (2020), Aifuwa, Musa, and Aifuwa (2020), Ameji, Taija, and Amade (2020), Hassan, Akor, Bamiduro, and Rauf (2020), Bularafa and Adamu (2021), Fagbohunka and Oladehinde (2021), Igwela (2021), Ngalo (2021), Musabayana, Mutambara, and Ngwenya (2022), Obianuju (2022), Adegbite, Omisore, and Sanusi (2023), Agbenyegah and Amankwaa (2023), Ogunmuyiwa and Adetayo (2023), Usende (2023), Haleem and Ditsa (2024), etc. have been conducted on environmental factors affecting businesses. However, there is paucity of research on environmental factors and sustainability of micro, small, and medium scale enterprises in Lagos Mainland Local Government Area of Lagos State, Nigeria. This study filled this gap in knowledge by investigating the effect of environmental factors on the sustainability of micro, small and medium scale enterprises in Lagos Mainland Local Government Area, Lagos State. The study also filled the gap in knowledge by examining the combined effect of the independent variables on each of the dependent variable as there exists dearth of research that examined the combined effect of the independent

variables on the dependent variable in the literature.

The main objective of the study is to investigate the effect of environmental factors on the sustainability of micro, small and medium scale enterprises in Lagos Mainland Local Government Area, Lagos State. The specific objectives are to: i. examine the effect of environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) on employment creation in micro, small and medium scale enterprises, ii. evaluate the effect of environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) on revenue generation in micro, small and medium scale enterprises, and iii. ascertain the effect of environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) on workers' loyalty in micro, small and medium scale enterprises in Lagos Mainland Local Government Area. In order to achieve the main and specific objectives highlighted above, the research hypotheses were tested:

**H<sub>01</sub>:** Environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on employment creation in micro, small and medium scale enterprises in Lagos Mainland Local Government Area.

**H<sub>02</sub>:** Environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on revenue generation in micro, small and medium scale enterprises.

**H<sub>03</sub>:** Environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on workers' loyalty in micro, small and medium scale enterprises in Lagos Mainland Local Government Area.

## Review of Related Literature

### Conceptual Review

Concepts reviewed in this study include environmental factors, government policies, infrastructural facilities, global pandemic outbreak, firm sustainability, employment creation, revenue generation, and workers' loyalty.

Business environment is described as the combination of both internal and external factors of the business outfit influencing the continued and successful organisational existence (Sharmilee & Muhammad, 2016). The environment and its components undoubtedly have effects on the performance of micro, small, and medium scale enterprises. Internal environmental factors consists of variables that are easily controllable by the business (Kolstad & Wiig, 2015). These variables include finance, managerial competencies and skills, technological capabilities, raw materials, and marketing. On the other hand, external environmental factors encompass factors that the firms can neither control nor manipulate (Obasan, 2014). External environment broadly consists of economic, sociocultural, political, technological and legal/public policy environment. Specifically they include competition, infrastructure, government policies and political factors. The internal and external environmental factors need to be holistically identified, analysed and tackled effectively and efficiently for good business performance (Jayeola et al., 2018).

As stated by Ngalo (2021), government policies refers to rules and regulations that enable the startup and viability of entrepreneurial activities. The government policy consists of extraneous factors that are beyond the control and cannot be manipulated by the business enterprise management. The business enterprise is obliged to be cognizant of its operating

environment in order to heighten its performance. Furthermore, the government policies and business enterprises are in a mutually interdependent interaction. This is because an enterprise exists in the world of threats, resources, limits, and opportunities. The creation of effective government policies for SMEs growth is a crucial element of most countries' strategies and is important for the expansion, performance, and growth of SMEs (Ifekwem, 2019).

Infrastructural facilities are all the facilities that make it possible for businesses within a society or nation to function effectively. Such resources include water, electricity, good roads, good transportation services, and good telecommunication services. These facilities are present in a region and move people, goods, commodities, waste energy, and information, thereby creating a livable environment.

A pandemic outbreak occurs when a disease spreads to a large number of people within a short period of time. It might stay in one spot or spread out across a larger region. From the study of Aifuwa, Musa, and Aifuwa (2020), the Covid-19 pandemic in Nigeria has resulted in business leaders and owners having to swiftly mobilize and make short term decision. A decision such as the reduction in production output and or even shutting down operation temporarily could have long term implications that may not be foresighted. This, thus, would have an impact on private business financial performance, as a result of the lockdown policy or order by the President of the Federal Republic of Nigeria.

Businesses have adopted sustainable practices for effective waste management. Sustainable practices techniques embraced are total quality management, recycling, bio-treatment, incinerations, neutralization

and secure sanitary landfill (Taiwo, 2009). Total quality management like continuous improvement and the zero-defect call are apt solutions and guides to effective waste management. This method guarantees waste eradication, high quality and increased profitability hence is a sustainable practice for companies. Bottling companies, for example use technological facilities with high efficiencies that are automated to reduce process waste generation (Iheanachor, 2021). Lagos, as Nigeria's industrial and densely populated city has numerous dumpsites. With a long value chain that is highly valuable ranging from the scavenger to the middlemen who sell or are representatives of companies, recycling is a sustainable method of managing waste and reducing its impact on the environment. Waste recycling saves raw materials, costs less, generates cash, creates jobs, and sustainable living (Edet & Maduabuchi, 2019).

Umar (2011) define employment creation as the process of creating new jobs for unemployed people, the process of creating jobs for yourself, and the process of creating more paid jobs (Umar, 2011). Job Creation is the net new job that is created without displacing any other economic activity (Cray, Nguyen, Pranka, Schildt, Sheu, & Whitcomb, 2011). The country director of International Labour Organization (ILO) in Nigeria stated that MSMEs contribute 48% of national gross domestic product (GDP), account for 96% of businesses, and 84% of employment. This sector contributes significantly to alleviating poverty and increasing job creation," he said (Ezigbo, 2023). Etuk, Etuk, and Michael (2014) argued that SMEs are regarded as the bedrock of industrialization. Because a number of them possess extensive knowledge of resources, as well as demand and supply trends, they constitute the chief suppliers of

inputs to larger firms. They also generate sufficient revenue needed to fund their businesses because they serve as the main customers to the larger firms and as well provide all sorts of products ranging from food, clothing, recreation, entertainment, healthcare, education, and so forth. As noted by Ogonu and Okejim (2018), small scale businesses generate income/revenue to three distinct bodies of the economy. They generate income in the form of salary/wages to the employees, profits to the entrepreneur and tax and other statutory levies to the government. This helps to boost the country's national income. In this way small business ventures generate revenues and strengthen the Nigeria economy.

Al-Ma'ani (2013) define workers' loyalty as the sense of commitment of the employees towards staying with the organization, and often this is enhanced by good support by the organization for its employees, allowing them to participate and positively interact, not only in the manner of implementing procedures or carrying out the work, but to contribute to the development of goals, planning and policy-making for the organization. A loyal employee is such that is willing to work in that organization, thinking or believing that to work in the organization is the best option for him. For this purpose, the employee tries his best for the success of the organization to ensure that it survives (Adedeji & Ugwuamadu, 2018).

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) define a micro enterprise as any enterprise employing between one to nine people and having a capital base from ₦1 (\$0.00065) to ₦5 million (\$3,255) excluding the cost of land. It define a small enterprise as any company that employs between 10 and 49 workers and has a

capital base from ₦5 million (\$3,255) to ₦50 million (\$32,550). It define a medium enterprise as any enterprise that employs from 50 to 199 workers and has a capital base from ₦50 million (\$32,550) to ₦500 million (\$325,500) (Ebitu, Glory, and Alfred, 2016).

The COVID-19 epidemic has significantly impacted global economies and cultures, posing unprecedented challenges to businesses of all scales. MSMEs, who are vital contributors to the global economy, were severely impacted. MSMEs provide a substantial contribution to employment, innovation, and economic growth (Bhat & Meher, 2020). Nevertheless, their intrinsic weaknesses, such as low financial resources, restricted market access, and less advanced operational infrastructures, have made them especially vulnerable to the impacts caused by the pandemic. As the world moves towards a period after the pandemic, it is crucial to prioritize the development of resilience in MSMEs to guarantee their long-term viability and ability to endure future disturbances. Resilience refers to the capacity of enterprises to effectively endure, adjust to, and bounce back from unfavorable circumstances. For MSMEs, resilience entails not only surviving but also flourishing in a swiftly evolving context (Abhaya, Suresh, Asit, & Pragyan, 2025).

The provision of government support is crucial in promoting the expansion and long-term viability of MSMEs. All over the world, a range of measures, strategies, and schemes are put into action to offer monetary support, education, and relaxation of regulations for MSMEs. Governments frequently provide grants, subsidies, and loans with low interest rates to help MSMEs have access to cash. This allows them to invest in technology, grow their operations, and engage in innovation (Gupta & Barua, 2017). In general, a favorable regulatory framework and

specific government assistance enable MSMEs to prosper, make a significant impact on economic growth, and generate job opportunities.

In addition to government help, development agencies have also taken action. The World Bank Group is providing assistance to over 100 developing nations through its emergency operations. The help provided by the organization has a significant impact on MSMEs in two areas namely, assisting in the expansion of social protection, and aiding enterprises and maintaining employment. The bank is offering financial assistance to countries with the aim of enhancing their existing social protection programs. This encompasses money for direct financial assistance to low-income families, one-time financial compensation for unemployment, financial support for social benefits, and grants to MSMEs. Google has unveiled a \$200 million investment fund aimed at assisting non-governmental organizations (NGOs) as well as financial institutions worldwide in providing small enterprises with financial resources to help them navigate through this crisis. Furthermore, the company has provided SMEs, which have maintained active accounts during the past; with Google Ads credits amounting to USD \$340 million. Unilever has made a global announcement that it will provide €500million (\$541,389,205) in cash flow assistance to the most susceptible SME suppliers. These programs are vital in promoting the growth and sustainability of MSMEs, which are critical catalysts for economic development and job creation (Abhaya et al., 2025).

Over ₦300 billion (\$195,298,514) was disbursed by the Central Bank of Nigeria (CBN) to operators in the Small and Medium Enterprises space, together with the healthcare, agriculture, and

manufacturing sectors, among others to cushion the effects of the coronavirus pandemic on their businesses.

International Finance Corporation (IFC), a member of the World Bank Group, announced a \$50 million loan to Nigeria's First City Monument Bank (FCMB) Limited, to assist the bank expand lending to small and medium enterprises (SMEs), enabling them sustain business activities disrupted by the COVID-19 pandemic. Also, the Bank of Industry (BOI) has raised a €1billion (\$1,082,205,000) medium-term syndicated facility from the international capital market to support micro, small, medium and large enterprises across key sectors of the Nigerian economy. The pursuit of post-COVID economic recovery plan for MSMEs will not only help these businesses in to recover from the downsides of COVID but also place them on a path of long-term sustainable growth ([https://lsetf.ng/sites/default/files/Impact\\_of\\_Covid19\\_on\\_MSMEs\\_in\\_Lagos\\_GIZ\\_LSETF\\_Report\\_October\\_2021\\_Final.pdf](https://lsetf.ng/sites/default/files/Impact_of_Covid19_on_MSMEs_in_Lagos_GIZ_LSETF_Report_October_2021_Final.pdf)).

## Theoretical Review

Contingency theory was reviewed in this study. Also, this study was anchored on contingency theory.

Contingency theory was propounded by Fred Fiedler. According to contingency theory, there are numerous effective and efficient ways to accomplish a particular goal given the same initial conditions, rather than a single perfect management strategy that functions flawlessly in every situation. A management strategy or practice that appears to be effective in one context might not work in another (Woodward, 1965; Uwauwa & Ordu, 2016). In this sense, managers and leaders are expected to recognize the unique characteristics of the scenario they find themselves in and then devise a plan that would work best (Mark & Erude, 2023).

Contingency theory aimed to explain how organizations function under specific conditions and situations that vary, with a focus on the multidimensional nature of organizations. The ultimate goal of the contingency view is to provide organizational structures and managerial strategies that are best suited for a given circumstance (Mark & Erude, 2023). Effiong and Ejabu (2020) emphasized that managers' actions in the real world are dependent on or determined by a particular set of conditions.

Contingency theory acknowledges that people and organizations are different, and that what works for one may not work for another. In summary, it implies that every aspect of the issue needs to be taken into account while studying an organizational challenge. According to them, the optimal approach to solving any issue is to consider all relevant aspects of the problem and direct that approach toward them (Sofer, 1972; Shu'ara & Amin, 2022).

This study is anchored on contingency theory. This because an organization's success in its industry/market highly depend on different environmental situations that surrounds it at different period of time and its ability to cope with and manage these situations. Organizations that easily get use to and manage any situation within its environment always will continue to record huge success than its rival in the market.

## Empirical Review

Ogunmuyiwa and Adetayo (2023) examined the effect of environmental factors on SMEs' performance in Ogun State, Nigeria. Survey research design was used for the study. Sample size comprised of 218 SMEs in Ijebu-Ode and Ago-Iwoye, Ogun State. Questionnaire was used to collect primary data for the study. Multiple regression analysis was used to test the



research hypotheses. Findings of the study affirmed that employees, shareholders, government support, and competitive pressure have individual significant effect on SMEs' performance in Ogun State. Also, the study revealed that employees, shareholders, government support, and competitive pressure have combined significant effect on SMEs' performance. Usende (2023) examined the effect of external environmental factors on the performance of small and medium scale enterprises in Makurdi Metropolis, Benue State, Nigeria. Survey research design was used for the study. Sample size comprised of 300 SMEs in Makurdi. Primary data was collected through the use of questionnaire. Simple regression analysis was used to test the research hypotheses. Results of the study indicated that economic factors, political factors, and technological factors have individual significant effect on the performance of SMEs. Socio-cultural factors have no significant effect on the performance of SMEs.

Haleem and Ditsa (2024) examined the influence of external environmental factors on the implementation of human resource information system in metropolitan, municipal, and district assemblies (MMDAs) in the Upper West Region of Ghana. Purposive sampling technique was used for the study. Sample size comprised of 187 line managers in 11 MMDAs. The study centered on a questionnaire-based opinion survey. Spearman bivariate correlation was used to test the research hypotheses. The study showed that government policies, external support, and competitive pressure have no individual significant influence on the acceptance of human resource information system. Also, government policies, external support, and competitive pressure have no individual significant influence on the effectiveness of human resource information system in

MMDAs in the Upper West Region of Ghana.

Obianuju (2022) investigated the impact of the internal and external environmental factors on the performance of micro and small scale enterprises in East Gojjam Zone, Ethiopia. Sample size comprised of 362 micro and small scale enterprises in selected woredas and town administrations. Questionnaire was used to collect primary data for the study. Descriptive statistics was used to analyze the respondents' bio-data and responses on each item of the research instrument. Regression analysis was used to test the research hypotheses. Findings from descriptive statistics confirmed that inadequate power supply, inadequate water supply, unavailability of dry waste and sewerage system, unavailability of business development service, unavailability of suitable market place, collateral requirements to get loan, shortage of working capital and unavailability of own working premise pose serious problems resulting in low performance of micro and small sized enterprises. Findings from regression analysis ascertained that infrastructural facilities, finance technology, and entrepreneurial commitment have significant effect on the performance of micro and small scale enterprises East Gojjam Zone, Ethiopia. However, infrastructural facilities and finance have positive significant effect on the performance of micro and small scale enterprises.

Adegbite, Omisore, and Sanusi (2023) evaluated the impact of socio-cultural environmental factors on business performance using International Breweries Plc., Ilesha, Osun State, Nigeria as a case study. Stratified sampling technique was used for the study. Questionnaire was used to collect primary data. Sample size comprised of 40 workers made up of top management, middle management, lower

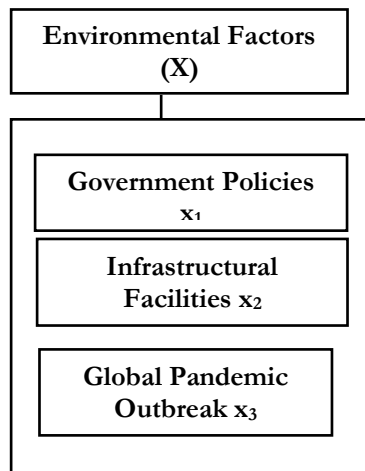
management, and junior staff of the company. Regression analysis was used to test the hypotheses. The study found that socio-cultural factors such as gender, religion, family composition, language/ethnicity, age distribution, designation, and educational/professional qualification have significant effect on business performance.

Agbenyegah and Amankwaa (2023) investigated the level of SMEs' financial sustainability and the environmental factors that influence SMEs' financial sustainability in Sekondi-Takoradi, Ghana. Using Bartlett, Kotrlík, and Higgin (2001)'s table for sample size determination, 250 SME owners (who employ between 1 to 30 workers) out of about 10,205 SMEs were sampled as respondents for the study. Close-ended instrument was then used to gather information from the respondents. Multiple regression analysis was used to test

the research hypotheses. The study discovered that most SMEs in Sekondi-Takoradi have high to moderate financial sustainability. Not only are they able to generate profit and increased sales, they are able to meet their debt, cut cost, meet daily business expenditures and are assured of the longevity of their business. Internal factors such as management skills and experience, owners' available funds, owners' financial literacy, product uniqueness, years of business operation, retained profit, and family members' commitment have positive significant influence on SMEs financial sustainability. External factors such as taxes, payment for an operating permit, use of technology, and market competition have negative significant influence on the financial sustainability of SMEs in Sekondi-Takoradi.

### Conceptual Model

#### Independent Variable



#### Dependent Variable

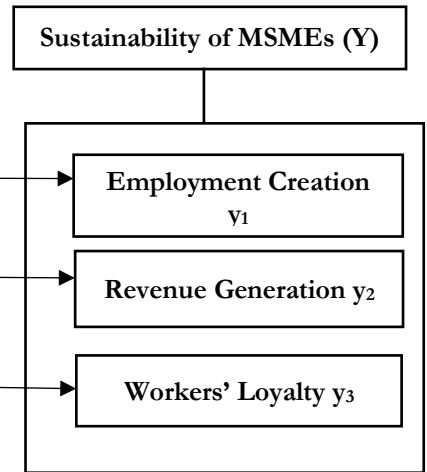


Figure 1: Environmental Factors and Sustainability of MSMEs  
Source: Researchers' Conceptual Model (2024).

The research conceptual model showed how the researchers investigated the combined effect of all the independent

variables (government policies, infrastructural facilities, and global pandemic outbreak) on each of the

dependent variable (employment creation, revenue generation, and workers' loyalty) in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area, Lagos State, Nigeria.

## Methodology

Survey research design was adopted for this study. This study employed a survey research design because it is the most popular and least expensive research design in the field of social and management sciences. Survey research design is a unique method of collecting data from a large number of research participants. Survey research design consists of several advantages, including a high sample size and hence greater statistical power, the ability to collect vast volumes of data, and the availability of validated models. Survey research design is frequently used in social and psychological research because they are very useful for describing and exploring human behavior (Singleton & Straits, 2009). According to the 2021 MSMEs survey by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are 39 million MSMEs in Nigeria (Nnodim, 2022). Also, according to the survey of National Bureau of Statistics (NBS) in 2020 on the number of MSMEs in Nigeria, there are 39,654,385 MSMEs in the country. Micro enterprises make up 96.9% while SMEs make up of 3.1% of this population (<https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-report-2024.pdf>). This survey was done generally on the number of MSMEs in Nigeria without specific survey on the number of MSMEs in different towns and local governments. Since, these are general surveys on the number of MSMEs in Nigeria and not in specific states, cities, and towns in Nigeria, this study carried out its research among 780 MSMEs in Lagos Mainland Local Government using convenience sampling

technique. Convenience sampling technique was used because it allows a researcher to administer his research instrument to respondents that are readily available and willing to participate in his

research study (Latham, 2007).

The research instrument used for this study was a structured questionnaire. The study adopted the questionnaire of Akinlemi (2018) on infrastructural facilities, Igwela (2021) on global pandemic outbreaks, and Allen and Meyer (1990) on workers' loyalty. The study constructed its research instrument on government policies, employment creation, and revenue generation.

The research instrument comprised of 34 items. Internal consistency method of reliability was used to test the reliability of the research instrument. Cronbach alpha was used to test the internal consistency of the research instrument. The questionnaire comprised of two major sections: Section A (demographic profile of the respondent) and Section B (Research construct items). The questionnaire comprised of major construct items.

However, modified Likert's interval rating scale with options ranging from strongly agree, agree, partially agree, partially disagree, disagree, and strongly disagree were used as the response patterns on the construct items. The pilot study was carried out by administering copies of the questionnaire to Ten (10) percent of the respondents who filled them and returned back to the researchers. Thereafter, the reliability of the research instrument was tested using Cronbach Alpha co-efficient. Descriptive statistics using simple percentages and frequency distribution tables was used to analyze the respondents' bio-data (gender, age, marital status, and educational qualifications) and responses on each item of the research instrument

while multiple regression analysis was used to test the hypothesis formulated. These methods of data analysis were used with the aid of the Statistical Package for the Social Sciences (SPSS) version 23.

**Table 1:** Cronbach Alpha Value of the Research Instrument

Variable	Number of Items	Cronbach Alpha Value
Employment Creation	5	0.73
Revenue Generation	5	0.75
Workers' Loyalty	4	0.79
Government Policies	7	0.82
Infrastructural Facilities	6	0.71
Global Pandemic Outbreak	7	0.86
<b>Total</b>	<b>34</b>	

Source: Researchers' Computation (2024).

Table 1 showed the Cronbach Alpha value for each item of the research instrument tested which ranged between 0.73 and 0.86. This showed that the research instrument tested is reliable.

## Data Analysis, Results and Discussion

Copies of questionnaire were administered to 780 owners/managers of micro, small,

and medium scale enterprises in Lagos Mainland Local Government Area. Out of which only 620 copies were filled and returned back. 620 (79%) of the respondents filled and returned the questionnaire back. Thus, the percentage of the copies of questionnaire returned is high enough for the generalization of the outcome of this research work.

According to the demographics of the respondents, 260 (42%) are male and 360 (58%) are female. The marital status of the respondents revealed that 397 (64%) are single and 223 (36%) are married. According to the age distribution of respondents, 174 (28%) are between the ages of 21 and 30years, 199 (32%) are between the ages of 31 and 40years, 161 (26%) are between the ages of 41 and 50years, and 86 (14%) are between the ages of 51years and above. According to the respondents' educational qualifications, 136 (22%) possess the Senior School Certificate Examination (SSCE), 316 (51%) possess a Bachelor's degree, 143 (23%) possess a Master's degree, and 25 (4%) possess a doctorate degree. In terms of size of business, 167 (27%) of business firms are micro scale enterprises, 292 (47%) are small scale enterprises, and 161 (26%) are medium scale enterprises. Finally, in terms of length of service, 304 (49%) have spent 1-5years, 167 (27%) have spent 6-10years while 149 (24%) have spent 11years and above in their workplace.

**Table 2:** Multiple Regression Analysis Results on Environmental Factors and Employment Creation in Micro, Small, and Medium Scale Enterprises in Lagos Mainland Local Government Area.

Variables	Employment Creation
Constant	$\beta = 12.712$ $t = 6.946$ $p = 0.000$
Government Policies	$\beta = 0.245$ $t = 2.182$ $p = 0.032$
Infrastructural Facilities	$\beta = -0.262$ $t = -0.235$ $p = 0.022$
Global Pandemic Outbreak	$\beta = 0.039$ $t = 0.378$ $p = 0.706$
R-Squared	0.284
Adj. R-Squared	0.222
F-Statistic	12.482
Prob (F-statistic)	0.066

Source: Researchers' Computation (2024).

Results of the study in table 2 indicated that government policies ( $\beta = 0.245$ ,  $t = 2.182$ ,  $p < 0.05$ ) had significant effect on employment creation, infrastructural facilities ( $\beta = -0.262$ ,  $t = -0.235$ ,  $p < 0.05$ ) had negative significant effect on employment creation, and global pandemic outbreak ( $\beta = 0.039$ ,  $t = 0.378$ ,  $p > 0.05$ ) had no significant effect on employment creation in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area. The adjusted R square of 0.222 showed that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) explained only 22.2% of the variation in employment creation. This implies that only 22.2% of the changes in employment creation could be attributed to environmental factors in micro, small, and

medium scale enterprises. The results revealed that the overall model was statistically insignificant as represented by  $F = 12.482$  with p-value ( $0.066 > 0.05$ ).

The regression model showed that holding environmental factors to a constant zero, employment creation would be 12.712 which implies that without environmental factors, employment creation in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area was 12.712. Based on these findings, the null hypothesis ( $H_{01}$ ) which states that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on employment creation in micro, small and medium scale enterprises in Lagos Mainland Local Government Area is hereby accepted.

Table 3: Multiple Regression Analysis Results on Environmental Factors and Revenue Generation in Micro, Small, and Medium Scale Enterprises in Lagos Mainland Local Government Area.

Variables	Revenue Generation
Constant	$\beta = 15.156$ $t = 7.046$ $p = 0.000$
Government Policies	$\beta = 0.232$ $t = 2.059$ $p = 0.042$
Infrastructural Facilities	$\beta = -0.075$ $t = -0.665$ $p = 0.508$
Global Pandemic Outbreak	$\beta = 0.158$ $t = 1.539$ $p = 0.127$
R-Squared	0.558
Adj. R-Squared	0.490
F-Statistic	22.233
Prob (F-statistic)	0.090

Source: Researchers' Computation (2024).

Results of the study in table 3 showed that government policies ( $\beta = 0.232$ ,  $t = 2.059$ ,  $p < 0.05$ ) had significant effect on revenue generation, infrastructural facilities ( $\beta = -0.075$ ,  $t = -0.665$ ,  $p > 0.05$ ) had negative insignificant effect on revenue generation, and global pandemic outbreak ( $\beta = 0.158$ ,  $t = 1.539$ ,  $p > 0.05$ ) had no significant effect on revenue generation in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area. The adjusted R square of 0.490 showed that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) explained only 49% of the variation in revenue generation. This implies that only 49% of the changes in revenue generation could be attributed to environmental factors in micro, small, and medium scale enterprises. The results

confirmed that the overall model was statistically insignificant as represented by  $F = 22.233$  with  $p$ -value ( $0.090$ )  $> 0.05$ .

The regression model showed that holding environmental factors to a constant zero, revenue generation would be 15.156 which implies that without environmental factors, revenue generation in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area was 15.156. Based on these findings, the null hypothesis ( $H_{02}$ ) which states that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on revenue generation in micro, small and medium scale enterprises in Lagos Mainland Local Government Area is hereby accepted.

**Table 4:** Multiple Regression Analysis Results on Environmental Factors and Workers' Loyalty in Micro, Small, and Medium Scale Enterprises in Lagos Mainland Local Government Area.

Variables	Workers' Loyalty
Constant	$\beta = 8.779$ $t = 4.047$ $p = 0.000$
Government Policies	$\beta = 0.241$ $t = 2.122$ $p = 0.037$
Infrastructural Facilities	$\beta = 0.003$ $t = 0.026$ $p = 0.980$
Global Pandemic Outbreak	$\beta = 0.037$ $t = 0.361$ $p = 0.719$
R-Squared	0.736
Adj. R-Squared	0.607
F-Statistic	29.385
Prob (F-statistic)	0.141

Source: Researchers' Computation (2024).

Findings of the study in table 4 revealed that government policies ( $\beta = 0.241$ ,  $t = 2.122$ ,  $p < 0.05$ ) had significant effect on workers' loyalty, infrastructural facilities ( $\beta = 0.003$ ,  $t = 0.026$ ,  $p > 0.05$ ) had no significant effect on workers' loyalty, and global pandemic outbreak ( $\beta = 0.037$ ,  $t = 0.361$ ,  $p > 0.05$ ) had no significant effect on workers' loyalty in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area. The adjusted R square of 0.607 showed that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) explained only 60.7% of the variation in workers' loyalty. This implies that only 60.7% of the changes in workers' loyalty could be attributed to environmental factors in micro, small, and medium scale enterprises. The results affirmed that the overall model was statistically insignificant as represented by  $F = 29.385$  with  $p$ -value ( $0.141$ )  $> 0.05$ .

The regression model showed that holding environmental factors to a constant zero, workers' loyalty would be 8.779 which implies that without environmental factors, workers' loyalty in micro, small, and medium scale enterprises in Lagos Mainland Local Government Area was 8.779. Based on these findings, the null hypothesis (H03) which states that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on workers' loyalty in micro, small and medium scale enterprises in Lagos Mainland Local Government Area is hereby accepted.

The study found that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on employment creation in micro, small and medium scale enterprises in Lagos Mainland Local

Government Area. Results of the study does not align with the study of Usende (2023) which affirmed that external environmental factors had significant effect on SMEs' performance in Makurdi Metropolis, Benue State. Results of the study agree with the study of Haleem and Ditsa (2024) which discovered that external environmental factors had no significant influence on the effectiveness of human resource information system in MMDAs in the Upper West Region of Ghana.

The study confirmed that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on revenue generation in micro, small and medium scale enterprises in Lagos Mainland Local Government Area. Findings of the study disagree with the study of Obianuju (2022) which revealed that internal and external environmental factors have significant effect on the performance of micro and small-scale enterprises East Gojjam Zone, Ethiopia. Also, findings of the study contradict the study of Ogunmuyiwa and Adetayo (2023) which indicated that environmental factors have significant effect on SMEs' performance in Ogun State, Nigeria. Lastly, the study ascertained that environmental factors (government policies, infrastructural facilities, and global pandemic outbreak) have no significant effect on workers' loyalty in micro, small and medium scale enterprises in Lagos Mainland Local Government Area. Findings of the study contradict the study of Adegbite, Omisore, and Sanusi (2023) which found that environmental factors have significant effect on business performance. Findings of the study also disagree with the study of Agbenyegah and Amankwaa (2023) which showed that internal and external environmental factors

have significant influence on the financial sustainability of SMEs in Sekondi-Takoradi, Ghana.

## Conclusion and Recommendations

Based on the findings of the study, the study concluded that policies initiated and implemented by the Nigerian government to ensure that businesses operate smoothly, efforts made by the government to provide infrastructural facilities needed for businesses to carry out their activities effectively, and global pandemic outbreak that take place in countries across the world may or may not lead to creation of employment, assist MSMEs in generating revenue, and influence workers to remain loyal in their workplace. This is because there may be other factors that can result in creation of employment opportunities among MSMEs, boost their sales/revenue, and influence workers to prolong their stay in their place of work.

Since government policies, infrastructural facilities, and global pandemic outbreak have no combined significant effect on each of the dependent variables (employment creation, revenue generation, and workers' loyalty), the study recommended that owners/managers of micro, small, and medium scale enterprises in Lagos Mainland Local Government Area should initiate and implement other actions that will boost employment creation, assist them in generating sufficient sales needed to run their business very well, and influence the loyalty of their workers. Owners/managers of MSMEs, government, and employers' association should put into consideration, initiate, and implement other factors that can lead to the creation of jobs, increase their revenue base, and motivate workers to stay in their



workplace for a long period of time. These stakeholders should take further steps that will continually promote employment

creation, increased revenue, and workers' loyalty in these organizations.

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