

Impact of Environmental Factors on Business Growth in Oyo State

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Abstract: *The survey design was adopted in this study. The population of this study are all business firms in Ibadan South West Local Government Area of Oyo State. Ibadan South West is a Local Government Area in Oyo State, Nigeria. In this study, a total samples of 100 business firms/ enterprises owners were randomly selected from the population of enterprises in Ibadan South West. The simple random sampling method was used in this study. From the findings majority of the business owners claimed that lack of funding for businesses, negative government policies, epileptic power supply, high level of taxation and high Interest rates of bank loans are some of the main challenges associated with growth and development of SMEs. The findings of this study revealed a significant positive relationship government initiated programs and business development ($r = 0.232$, $p < .05$). The study recommends that government should make adequate financial provision available through grants, loans and various empowerment programmes.*

Keywords: *Business, Environment, Small Scale Enterprise, Business Growth*

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Introduction

The environment of enterprises, like the habitats of animals, contributes to the growth and survival of the business enterprise that operate within it. The nature and extent of the impact of the business environment on any one business enterprise depends on the internal configuration of such enterprise. Business environment is usually categorized into two components, the micro-environment (internal environment) and the macro-environment (external environment). The internal factors exist within the operational base of an organization and directly affect the different aspect of business enterprise. While the external environmental factors influencing the growth and

survival of business are outside the operational control and manipulation of the business enterprise, hence their influence is much vital.

According to Bature (2016), more than half of newly established businesses survive beyond five years mostly in the trouble region of Nigeria due to the external environmental factors, therefore the identification of those factors which empirically lead to business enterprise success/failure would assist in equipping small business owners with the necessary managerial skills to survive in today's competitive business environment as well as exploit several strategies that will improve their operational efficiencies. Business all over the world does not operate in vacuum, business enterprise operates within an environment where it takes material (raw) both human and non-human, transform them to consumable goods and services and then return them to the environment and vice versa (Muñoz & Cohen, 2018). The frequent interface of business with their operational environment has great influence on the survival and otherwise of such small scale business in Nigeria.

Statement of the Problem

In order to achieve the nation's economic diversification objectives, researchers have advocated the need to chart a new course for the nation by ensuring proper mobilization of business for economic growth and development in terms of employment generation, reduction in poverty, as well as provision of goods and services to large industries. The persistent poor infrastructural facilities, high cost of raw material, high cost of production, low capital utilization and inadequate foreign exchange to source needed raw materials abroad have resulted in absolute inefficiency and low survival rate of business enterprises across the nation. Also, the increasing and uncontrollable crime rate, religious and communal classes and high level of insecurity in Nigeria have resulted in the inability to carry out genuine business activities without fear while government policies and programmes to ameliorate the menace currently seem inadequate and counter productive. Hence, the need for this study to examine the environmental factors that affect the success and sustainability of business in Ibadan south west Local Government Area of Oyo State.

Research Questions

- i. What are the factors affecting the success of a business in Ibadan South West Local Government Area of Oyo State?
- ii. What are the challenges associated with growth and development of business in Oyo State?

Hypothesis

H₀₁: There is no significant relationship between the programmes initiated by government and growth of business in Ibadan south west Local Government Area of Oyo State, Nigeria.

Literature Review

Conceptual Review

Concept of Business: Environmental and Business Factors

Prior research establishes a comprehensive perspective of organizational sustainability that covers three dimensions: economic prosperity, environmental integrity, and social sustainability (Lans et al, 2014). . Economic prosperity refers to both financial strength and the existence of differentiation through various pathways (e.g., price, high-quality products, and services). Environmental integrity refers to environmental protection, which is necessary to safeguard the

environment and protect the needs of future generations. Finally, social sustainability alludes to the processes that ensure the social health and wellbeing of the members of an organization (Parrish & Foxon, 2016). Thus, sustainable entrepreneurship is a multi dimensional concept that encompasses economic factors (profits and product competitiveness), factors related to the preservation of the environment and surroundings, and social factors, which refer to the protection of people's health and wellbeing.

Small and Medium Scale Enterprises in Nigeria

Nigeria remains a country with very high potential but an equally high inertia to develop. The country is blessed with abundant supply of enormous human, agricultural, petroleum, gas, and large untapped solid mineral resources (Shepherd et al, 2009). Since her independence from British rule in 1960, the country has gone through decades of political instability and this has brought with it a climate of social tension and an unpredictable market for business. The successive forceful takeover of government by the use of military coup and the indigenization policy of the late 70's has put off investors who hitherto saw the country as a large and growing market. Due to the nature of these governments, there is perceived corruption, policy instability, poor infrastructural development and lack of accountability of public funds. For these reasons, the World Bank described Nigeria as a paradox. This is also true for most Sub-Saharan African countries as industrial production has declined or stagnated over the past decades. According to Hart & Milstein (2003). since its independence, the Nigerian government has been spending an immense amount of money obtained from external funding institutions for entrepreneurial and small business development programs, which have generally yielded poor results.

Unfortunately these funds hardly reach the desired business because they may be lost to bureaucratic bottle necks and end up in accounts of public office holders. Despite these setbacks, the role of small business owned by middle class Nigerians, set up by individual savings, gifts and loans and sometimes sustained by profit cannot be ignored.

Factors Affecting business, productivity and the Investment Climate in Nigeria

Some of the factors affecting the success of businesses in Nigeria are as follows:

- i. lack of quality education;
- ii. inefficient financial system;
- iii. Access to funding

Education of the workers

The exact effects of the workforce's academic attainment on poverty eradication and economic development of nations has been the subject of intense debate among scholars. Some studies have revealed a strong relationship between educational attainment and the probability of being poor. In another research carried out by Igwe et al (2017) which is based exclusively on the data obtained from Russia and Uganda, noted that education enables business owners to adapt more easily to both technical and social changes in the economy. Furthermore, the study by this author also indicated that highly educated entrepreneurs are more likely to cope with any changes that occur in the demand for labour.

Infrastructural Development

Several authors have also conducted academic studies on the exact impact of infrastructural development on economic growth (Aikaeli, 2010). The results of these studies indicate that

massive development of infrastructures can reduce poverty, boost productivity and enhance economic growth. This result provides some hints on the potential impact of massive infrastructural development in Nigeria economic sector. Unarguably, the impact will be more pronounced in Nigeria, as the country's power sector's cost recovery and operational efficiency is among the worst in the entire sub-Sahara Africa.

Access to Finance

Lack of credit facilities is another major factor that affects entrepreneurship development, SMEs productivity and Nigeria's business environment. According to Mishra et al (2014), lack of finance is the main issue that confronts African youths striving to establish and build their business. The authors defined inaccessibility of finance as a situation in which poor people were unable to obtain formal financial services due to their vulnerability. A report by the World Bank revealed that a financial constraint is more persistent agricultural and agro-allied sectors. The organization attributed this to the sector's unique nature. For instance, a survey by World Bank in India revealed that 87% of marginal farmers that participated in the research lack access to formal credit. That same report also revealed that 71% of the farmers do not have any saving accounts in a formal financial institution. In Nigeria, it has been observed that financial issues are the commonest distinctive, confronting young Nigerians that want to establish and grow their own business.

Theoretical Underpinning: Dependency Theory

Dependency theory is the notion that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the "world system". This theory was officially developed in the late 1960s following World War II, as scholars searched for the root issue in the lack of development in Latin America (Haynie, & Shepherd, 2009). The theory arose as a reaction to modernization theory, an earlier theory of development which held that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past, and that, therefore, the task of helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers, and closer integration into the world market. The dependency theory which is based on the Marxian principles, postulates that low level of development in poor countries is actually in a dialectical relationship development of developed countries.

Empirical Reviews

An empirical research conducted by Agwu & Emeti (2014) showed that only about five to ten percent of SMEs in Nigeria, survive into maturity. The main factors responsible for the demise of most Nigerian SMEs have been identified by Alabi et al (2019) as follows: inadequate capital, insufficient funding, erratic power supply, lack of infrastructural development, lack of adequate market research, lack of proper book keeping, lack of focus, failure to separate personal finances from that of business etc.

Abdul-kemi (2014) examined the impact of government policies on business growth of SMEs in South Western Nigeria. The study adopted descriptive ex-post facto type and involved

both primary and secondary data. The researcher used stratified sampling technique for determination of exact sample population to use for the study. Structured questionnaires were used as the main tools data collection. Both the descriptive and inferential analytical techniques of the SPSS packaged were used to analyze the data obtained from the respondents. The result of this research shows that there is a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. These results indicate the need for the Nigeria government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country's monetary policies and macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country. It is also important for the various levels of government in the country to embark on the massive infrastructural development.

Abosede & Onakoya (2013) carried out a study on entrepreneurship and Economic Development in Nigeria: Evidence from Enterprises Financing. The study adopted correlational research design using secondary data for a period of 22 years (1992-2013). Autoregressive Integrated Moving Average (ARIMA) model was applied in the analysis, the study found that aggregate commercial banks financing of SMEs has significant positive impact on the economic growth and development of Nigeria. The study also found that Microfinance banks' financing in the area of transportation and commerce, manufacturing and food processing and other activities have significantly impacted on economic growth and development of Nigeria during the period. The paper concludes that SMEs financing could significantly improve entrepreneurship in Nigeria and the economic development in return. The paper recommends that governments in Nigeria should make policies towards increasing the funds for financing SMEs both in the commercial and microfinance banks. The government should also encourage more financing in the agricultural and manufacturing activities of SMEs, as this could improve the productivity of the real sector.

Ikon & Chukwu (2018) carried out a study on Entrepreneurship, Economic Development and Inclusive Growth. The crux of the paper is to examine the role of entrepreneurship in encompassing economic development especially inclusive growth. Entrepreneurship is indispensable for economic development. The growing interest in the area of entrepreneurship has extended to a balanced and broad-based economic growth and development as requirements in the structural transformation of the economy. The research finds that entrepreneurship promotes economic growth. However, where start-ups credit subsidies weaken the entrepreneurial pool in terms of quality; this will adversely affect economic growth. The study recommends that government puts in place entrepreneurship - promoting policies with positive externalities thereby enhancing high economic growth and development. Entrepreneurial programmes should also incorporate participatory monitoring mechanisms in order to ensure that industrial and commercial policies continually reflect the priorities of the vulnerable and poor people.

Methodology

The study adopts survey design. This design enables the researcher to focus on population and sample of the study. The design allows the researcher to make inference about population parameters using sample statistics that is a quantitative research. The population of this study are all business firms in Ibadan South West Local Government Area of Oyo State. Ibadan

South West is a Local Government Area in Oyo State, Nigeria. In this study, a total samples of 100 business firms/ enterprises owners were randomly selected from the population of enterprises in Ibadan South West. The respondents were chosen by simple random sampling technique. The data collection instrument that was used in gathering information for this research study is a questionnaire. Data analysis was carried out after the data gathered were coded and managed using the Statistical Package for Social Sciences (SPSS). The data analyses used were Inferential and Descriptive statistics. The descriptive statistics were used because it involves simple percentages, frequencies while hypothesis was tested using Pearson Correlation .

Data Analysis, Results and Discussions

Table 1: Factors affecting the success of a business in Ibadan South West Local Government Area of Oyo State.

Statement	Strongly Disagreed	Disagreed	Not decided	Agreed	Strongly Agreed
Economic factors					
Inadequate infrastructural facilities have adverse impact on business success				42 (42.0%)	58 (58.0%)
High interest rate is a major constraint to business		42 (42.0%)		58 (58.0%)	
High inflationary trend is a threat to business growth and success		45 (45.0%)			55 (55.0%)
Excessive entry fees and charges hinders Business survival and continuity	58 (58.0%)				58 (58.0%)
High cost of raw materials is a big challenge to MSMEs survival	42 (42.0%)				58 (58.0%)
Political factors					
		80(80.0%)			20(20.0%)

Government policies adversely affect success of business			
Stringent regulatory framework impede business growth	58(58.0%)		42(42.0%)
Multiple taxation constitutes barrier to business success	12(12.0%)		88(88.0%)
High rate of crime and insecurity hinders business survival and success of business		42(42.0%)	58(58.0%)

Technological factors

Poor network system and communication is a challenge to business survival	12 (12.0%)		88 (88.0%)
The growth and survival of business is affected by inadequate access to information and technology			100 (100.0%)
Inadequate technical know-how is a barrier to the survival of business enterprises	68 (68.0%)		32(32.0%)
Inadequate modern equipments hinders MSMES survival	22(22.0%)		78(78.0%)

Source: Field work, 2021

Table 2 showed that 58(58.0%) of the respondents strongly agree while 42 (42.0%) strongly agreed that one of economic factors affecting success of business is inadequate infrastructural facilities and have adverse impact on business success. Only 58(58.0%) of the respondents strongly agree with the statement high interest rate is a major constraint to business while 42 (42.0%) disagreed. More than half, 55 (55.0%) of the respondents strongly agreed that high inflationary trend is a threat to business growth and success while 58(58.0%) strongly disagreed with the statement Excessive entry fees and charges hinders business survival and continuity. Larger portion, 58(58.0%) of the respondents strongly agreed with the statement High cost of raw materials is a big challenge to business survival. The study revealed that 80% of the respondent disagreed that

Government policies adversely affect success of business while 88% of the respondents agreed that Poor network system and communication is a challenge to business survival. The study shows that the economic, political and technological factors affect business success.

Table 2: Challenges associated with growth and development of business in Oyo State

Statement	Strongly Disagreed	Disagreed	Not decided	Agreed	Strongly Agreed
Lack of funding for businesses		15 (15.0%)			85 (85.0%)
Negative government policies	30 (30.0%)				70 (70.0%)
Epileptic power supply	42 (42.0%)				58 (58.0%)
High level of taxation		23 (23.0%)		77 (77.0%)	
High Interest rates of bank loans	22 (22.0%)			78 (78.0%)	

Table 3 showed that 85(85.0%) of the respondents strongly agree that Lack of funding for businesses is one of the challenges of business success while 70 (70.0%) strongly agreed that Negative government policies is a set back to business success .Only 58(58.0%) of the respondents believe that Epileptic power supply is a problem to success of business .

Hypothesis One There is no significant relationship between the programmes initiated by government and growth of business in Ibadan south west Local Government Area of Oyo State, Nigeria.

Table 3: Correlations of programmes initiated by government and growth of business in Ibadan south west Local Government Area of Oyo State

		Programmes initiated by Government of Oyo State	Business Success
Programmes initiated by Government of Oyo State	Pearson Correlation	1	.232*
	Sig. (2-tailed)		.020
	N	100	100
Business Success	Pearson Correlation	.232*	1
	Sig. (2-tailed)	.020	
	N	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

Hypothesis one was tested using Pearson correlation. The result of the correlation shows that there was a positive correlation between growth of business and programmes initiated by government of Oyo state ($r = 0.232$, $p < .05$). This implies that if government put in place good initiatives programmes to support firms, businesses will grow well in Oyo State. This finding supports the study of Alabi et al (2019) who reported that inadequate capital, insufficient funding, erratic power supply, lack of infrastructural development, lack of adequate market research, lack of proper book keeping, lack of focus, failure to separate personal finances from that of business etc are some of the challenges facing busing growth in Nigeria.

Conclusion and Recommendations

From the findings majority of the business owners claimed that lack of funding for businesses, negative government policies, epileptic power supply, high level of taxation and high Interest rates of bank loans are some of the main challenges associated with growth and development of SMEs. The findings of this study revealed a significant positive relationship government initiated programs and business development. The study also showed that one of the main challenges experienced by business owners is lack of funding. Any business that needs to succeed needs money and lack of money will definitely affect business growth. No business can be established or grow without adequate financial support but regrettably. Because of high risk nature common with small businesses, the banks are reluctant to give the SMEs loans for which they are not sure of recovering. Where the banks cannot refuse; they give prohibitive terms that eventually scare away the businessmen. It is therefore stressed that financial support enhances business performance, particularly business expansions and outputs.

Recommendations

The following recommendations are made for this study:

- i. The study therefore suggests that government should make adequate financial provision available through grants, loans and various empowerment programmes.
- ii. Government should focus more attention on small scale industry if the whole of Nigeria needs to be industrialized. Training of technologists such as design engineers is essential to accelerate the acquisition of design capability. This would enable the trained engineers to produce sophisticated machineries useful for large scale production and enhance the specialization of labour.
- iii. Government and various stake holders in the power sector should work to ensure that the problem of poor electricity is resolved as this will encourage more businesses and allow more investors into Oyo State and Nigeria at large.
- iv. It is highly essential that government should as matter of urgency assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competitions.

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