



Faculty of Economics and Business

**Internal and External Determinants of SMEs' Sustainability
Performance in Akwa Ibom and Lagos State, Nigeria**

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Internal and External Determinants of SMEs' Sustainability Performance in Akwa Ibom
and Lagos State, Nigeria

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A thesis submitted


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DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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ABSTRACT

Globally, SMEs' internal (founder entrepreneurial leadership attributes, founder's entrepreneurial human capital and founder entrepreneurial social capital) and external (government specific financial resources, government specific non-financial resources, government specific policies and public infrastructure) determinants serve as indicators of SMEs' sustainability performance. Unfortunately, internal and external determinant variables are deeply negative in the context of SMEs' sustainability performance in the Nigerian SME sector and as such, most Nigerian SMEs firms barely survive, let alone actualize sustainable performance in the present-day competitive business environment. Therefore, this study examines internal and external constructs and SMEs' sustainability performance in Akwa Ibom State and Lagos State, Nigeria. The study's philosophy focuses on quantitative philosophical methods. Questionnaires were distributed and tested through a pilot study to confirm the reliability and validity of the variables. A total of 650 questionnaires were distributed for self-completion, and 600 were completed and returned. Both SPSS and SmartPLS were used for descriptive statistics, path regression, and hypotheses testing. The study outcome posits that founder entrepreneurial leadership attributes have a strong correlation with internal and external social and environmental sustainability performance, as well as a negative relationship with economic sustainability performance. Entrepreneurial human capital showed a significant positive correlation with economic sustainability, internal and external social sustainability, and environmental sustainability performance. The founder's entrepreneurial social capital showed a strong interconnection with economic sustainability performance. Internal and external social sustainability performance has an insignificant connection to environmental sustainability performance. Government-specific financial resources were positively correlated with

economic sustainability performance, internal and external social sustainability performance, and environmental sustainability. Government-specific non-financial resources showed positive correlations with economic sustainability performance and internal and external social sustainability performance, whereas there was an insignificant connection with environmental sustainability performance. Government-specific policies showed a negative relationship with economic and environmental sustainability performance and were positively related to internal and external social sustainability performance. Finally, public infrastructure showed a negative correlation with economic sustainability performance and was positively related to internal and external social sustainability and environmental sustainability performance. This study's contribution to existing knowledge on both theory and managerial implications is described, along with limitations, implications, and research directions for future studies.

Keywords: Entrepreneurial Leadership Attribute, Human Capital, Social Capital, Government Financial Resources, Non-Financial Resources

Faktor Dalaman dan Luaran Kelestarian Prestasi PKS di Negeri Akwa Ibom dan Negeri Lagos, Nigeria

ABSTRAK

Pada peringkat global, faktor dalaman (sifat kepimpinan keusahawanan pengasas, modal insan keusahawanan pengasas dan modal sosial keusahawanan pengasas) dan faktor luaran (sumber kewangan khusus kerajaan, sumber bukan kewangan khusus kerajaan, dasar khusus kerajaan dan infrastruktur awam) PKS berfungsi sebagai penanda kelestarian prestasi PKS. Malangnya, pembolehubah faktor dalaman dan luaran tersebut adalah sangat negatif dalam konteks kelestarian prestasi PKS dalam sektor PKS di Nigeria dan demikian, kebanyakan firma PKS di Nigeria hampir tidak dapat bertahan, apatah lagi merealisasikan prestasi lestari dalam persekitaran perniagaan yang kompetitif masa kini. Oleh itu, kajian ini mengkaji konstruk dalaman dan luaran serta kelestarian prestasi PKS di Negeri Akwa Ibom dan Negeri Lagos, Nigeria. Falsafah kajian ini memberi tumpuan terhadap objektiviti kuantitatif. Soal selidik telah digunapakai dan diuji melalui kajian rintis untuk mengesahkan kebolehpercayaan dan kesahihan pembolehubah. Sebanyak 650 soal selidik telah diedarkan untuk dilengkapkan sendiri oleh responden, dan 600 soal selidik telah dilengkapkan dan dikembalikan. Kedua-dua SPSS dan SmartPLS digunakan untuk menghasilkan statistik deskriptif, regresi laluan, dan ujian hipotesis. Hasil kajian menyatakan bahawa sifat kepimpinan keusahawanan pengasas mempunyai korelasi yang kuat dengan kelestarian prestasi sosial dalaman dan luaran dan persekitaran, serta hubungan negatif dengan kelestarian prestasi ekonomi. Modal insan keusahawanan menunjukkan korelasi positif yang signifikan dengan kestabilan ekonomi, kemampanan sosial dalaman dan luaran, serta kelestarian prestasi persekitaran. Modal sosial keusahawanan pengasas pula menunjukkan hubungan yang kukuh dengan

kelestarian prestasi ekonomi. Kelestarian prestasi sosial dalaman dan luaran mempunyai hubungan yang tidak penting dengan kelestarian prestasi persekitaran. Sumber kewangan khusus kerajaan dikaitkan secara positif dengan kelestarian prestasi ekonomi, kelestarian prestasi sosial dalaman dan luaran serta kelestarian persekitaran. Sumber bukan kewangan khusus kerajaan menunjukkan korelasi positif dengan kelestarian prestasi ekonomi dan kelestarian prestasi sosial dalaman dan luaran, manakala terdapat hubungan yang tidak ketara dengan kelestarian prestasi persekitaran. Dasar khusus kerajaan menunjukkan hubungan negatif dengan kelestarian prestasi ekonomi dan persekitaran serta mempunyai kaitan positif dengan kelestarian prestasi sosial dalaman dan luaran. Akhir sekali, infrastruktur awam menunjukkan korelasi negatif dengan kelestarian prestasi ekonomi dan berkait secara positif dengan kelestarian sosial dalaman dan luaran serta kelestarian prestasi persekitaran. Sumbangan kajian ini kepada pengetahuan sedia ada mengenai kedua-dua teori dan implikasi pengurusan telah diterangkan, bersama-sama dengan batasannya, implikasi dan hala tuju penyelidikan untuk kajian masa depan.

Kata kunci: *Sifat kepimpinan keusahawanan, Modal insan, Modal sosial, sumber kewangan Kerajaan, sumber bukan kewangan*

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted Bank of Industry
BOI	Bank of Industry Central Bank of Nigeria
CDP	Credit delivery program
CAP	Capability Acquisition program
CEO	Chief Executive Officer
CNSEM	Covariance-Based Structural Equation Modeling
CBN	Central Bank of Nigeria
CR	Composite Reliability
CFA	Confirmatory factor Analysis
CMV	Common Method Variance
ELA	Entrepreneurial Leadership Attribute
EHC	Entrepreneurial Human Capital
ESC	Entrepreneurial Social Capital
ES	Economies Sustainability
ESS	External Social Sustainability
EGSEE	Economic Governance Social Ethic and Environment
ERSP	Economic Recovery Strategy Paper
EL	Entrepreneurial Leadership
FSP	Family support Program
FEAP	Family Economic Advancement Program
GDP	Gross Domestic Product
GSP	Government specific policy
GSNFS	Government Specific Non Financial Support

GSFR	Government Specific Financial Resource
GSNFR	Government Specific Non Financial Resources
HCT	Human Capital Theory
HTMT	Heterotrait Monotrait Ratio
ICT	Information Community Technology
ISS	Internal Social Sustainability
ICSR	Internal corporate Social Responsibility
MFB	Micro Finance Banks
MAP	Mandatory Attachment Program
MSMEs	Micro small and medium enterprise
MSMES	Medium and small manufacturing enterprise
MFBS	Microfinance Banks
NEAIB	National Export and Import Bank
NEEDS	National Economic Empowerment Development Strategy
NERFUND	National Economic Reconstruction Fund
NPEP	National Poverty Eradication Program
NDE	National Directorate of Employment
NFC	Nigerian Film Corporation
NISEP	Nigerian Institute for Social and Economic Research
NBS	National Bureau of Statistics
NIDB	National Industrial Development Bank
NEXIM	National Export and Import Bank
NPEP	National Poverty Eradication Program
NACRDB	Nigerian Agricultural and Rural Development Bank
OFN	Operation Feed the nation

PhD	Philosophy Doctor
PLS-SEM	Partial Least Structural Equation Modelling
PLS	Partial Least Square
PPP	Public - Private Partnerships
PBN	Peoples Bank of Nigeria
RBV	Resource-Based view Theory
RD	Research and Development
SCT	Social Capital Theory
SMEEIS	Small and medium Enterprise Equity Scheme
SMEs	Small and medium Enterprise
SMEDAN	Small and medium Enterprise Development Agency of Nigeria
SMECGS	Small and medium enterprise credit Guarantee scheme
SMIB	Small Medium Industrial Bank
SPSS	Statistical Package for social Sciences
VIF	Variance Inflation Factor
YES	Youth Employment Scheme
NYSC	National Youth Service Corps

CHAPTER 1

INTRODUCTION

1.1 Introduction

This research investigates the internal (founder's entrepreneurial leadership attributes, human and social capital) and external (government-specific financial resources, government specific non-financial resource, of SMES performance, and government specific policy, and infrastructure) determinants and its (economic, internal and external social and environment) sustainability performance in Akwa Ibom State, South-South Geopolitical Zone and Lagos State, South-West Geopolitical Zone, Nigeria. Generally, SMEs' sustainability refers to the ability to keep a business or venture ongoing (Nwika et al., 2018; Aligaesha et al., 2019; Sarbah & Quaye, 2021).

SME sustainability iterates the future objectives of an organization. SME sustainability is accomplished via the equilibrium performance of economic, social, and environmental elements (Yusoff et al., 2018; Ntele & Zardini, 2018; Oláh et al., 2018). However, economic elements are designated through profitability, liquidity, solvency, aptitude expression of market variations, and competition. Social elements evaluate the role of SMEs in grassroots lives, offer quality products to customers, show concerns about the wellbeing of employees, and are interested in labour matters. The environmental elements in a business' sustainability goals prevent an organization from minimizing the environmental effect of its business activities. Economic advancement, social complexity, and environmental conditions snowball into business rivalry pressure, in which customers demand quality products, effective operations, and commercialization in an immediate environment, and the negative effect of commercial activities is intensified until

environmental degradation occurs (Yusoff et al., 2018; Ntele & Zardini, 2018; Oláh et al., 2018; Horvathova & Mokrisova, 2020).

SME sustainability performance is of utmost importance for a nation such as Nigeria because it supports various economic activities by reducing unemployment, creating job opportunities, and increasing the standard of living. This particular research defines SMEs' sustainability as the ability of SMEs to maintain entrepreneurial performance over time in a manner that is environmentally, economically, and socially viable. In addition, there is evidence that the variables used in this research have been previously examined by earlier studies (Ogunmuyiwa & Okunleye, 2019; Mpi, 2019; Amuda, 2020; Ngutsav & Ijirshar, 2020). However, this was performed in different contexts and not as proposed in this study.

A sound and vigorous SME subdivision is a sine qua non for comprehensive and socially sustainable development, and one of the pertinent features of a booming and increasing or budding economy is a growing and flourishing SME sector (Mujahid & Noman, 2019; Kawira, 2021). SMEs are considered a forerunner and moderator of change and a fulcrum of economic facilitators in industrialized countries as the world is advancing. The study added that advancing features, such as the degree of capital distribution and requirements, management magnitude and configuration, and scarce market accessibility, brand SMEs as less acquiescent to the unsatisfying impacts of growth systems which focus on large, capital-intensive, and highly import-dependent industrial plants and unsuccessful public enterprises (Peprah & Adekoya, 2020).