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INFLUENCE OF EXTERNAL ENVIRONMENT ON THE PERFORMANCE OF SERVICE-BASED MICRO, SMALL AND MEDIUM SCALE ENTERPRISES (MSMES) IN MAKURDI METROPOLIS

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Abstract

This study investigates the influence of external environmental factors on the performance of Service-based Micro, Small and Medium Enterprises (MSMEs) in Makurdi Metropolis, Nigeria. The research focuses on three primary external factors: the economic environment, regulatory environment, and socio-cultural environment, and their influence on MSME performance, which is measured by profitability, market share, customer satisfaction, and business sustainability. The theory backing this study is the institutional theory propounded by DiMaggio and Powell (1983). A total of 176 completed questionnaires were returned and analysed using descriptive statistics and regression analysis. The findings revealed that the economic environment had a significant influence on MSME performance, with indices such as inflation, exchange rates, and interest rates influencing operational costs and profitability negatively. The regulatory environment was also found to have a significant influence, highlighting the importance of supportive government policies. Additionally, socio-cultural factors, including consumer behaviour and cultural values, were identified as critical influencers of business success. Based on these findings, the study concludes and recommends that policymakers focus on improving the economy, the regulatory framework, and supporting MSMEs in understanding socio-cultural dynamics. This research contributes to the existing literature by providing a context-specific analysis of external environmental influences on MSMEs and offering practical recommendations for improving MSME performance in developing economies.

Keywords: External Environment, MSME performance, Economic, Regulatory, Socio-Cultural Environment.

Introduction

Micro, Small and Medium Enterprises (MSMEs) have become increasingly significant in fostering economic development by generating employment, stimulating innovation, and increasing gross domestic product (GDP). Moreover, their productivity is highly influenced by the external environment, such as economic, political, social, and technological factors. An MSME's success and growth potential mainly depend on the firm's ability to adapt to these forces as they define the operational environment and dictate business continuity. These external environmental factors are conditions that are beyond the control of the MSMEs, but significantly influence their day-to-day operations and profitability.

The external environment plays a pivotal role in business growth as it shapes market trends, customer buying behaviours, interest levels, and resource availability (Essien, 2014). Economic indices such as exchange rates, inflation, and interest rates contribute to fluctuations in business stability. High inflation and variable interest rates tend to raise operational costs and reduce overall profitability.

Government policies and regulations are closely linked to MSME growth. Supportive policies, such as tax incentives and grants, promote entrepreneurship, while excessive bureaucracy and high taxes pose significant barriers. Additionally, while advanced technologies can greatly improve the efficiency of MSMEs, enhance customer interaction, and extend market reach, these technologies remain inaccessible to many MSMEs. Likewise, political stability, security, and business confidence play a critical role in shaping investment decisions. Together, these external conditions form the competitive and dynamic environment in which MSMEs must navigate to survive and thrive.

MSME performance is assessed using financial metrics such as revenue growth, return on investment, and profitability, alongside customer satisfaction and market expansion. The external environment has a direct influence on these factors. The performance of MSMEs is predominantly influenced by the external environment. Economic growth, favorable government policy, advancement in technology, and a healthy business environment are crucial for MSME development. On the other hand, factors such as economic recession, political turmoil, and security concerns do present significant business challenges and financial opportunities constraints.

The study on “Influence of External Environment on the Performance of MSMEs in Makurdi Metropolis” is significant to various stakeholders, including the researcher, MSMEs, the government and future researchers. To the researcher, empirical evidence on how external environmental factors influence MSME performance will be gained thus added knowledge will be acquired. To the MSMEs in Makurdi, gainful insight as to the influence of external environmental factors to their business performance will be obtained. The findings will help business owners develop strategic responses to mitigate challenges and maximise opportunities in the business environment. To the Government, this study will assist policymakers and regulatory agencies understanding of the challenges MSME face due to economic, regulatory and socio-cultural factors. This knowledge can inform policy formulation along a more favorable business environment for MSMEs.

Statement of the problem

Micro, Small and Medium Enterprises (MSMEs) are a critical component of both the developed and developing economies of the world, Nigeria inclusive. They are responsible for driving economic growth, development and innovation. In Nigeria, MSMEs contributes to the Gross Domestic Product (GDP) and is considered a key driver in the economy for contributing economic diversification, entrepreneurship, poverty reduction just to mention a few.

The performance of these MSMEs is however often subjected to different external environmental forces or factors such as economic conditions, regulatory frameworks, technological changes, political climate, and socio-cultural as well as competitive dynamics.

In spite of the well documented place of the value of MSMEs and their contributions to nation building, there remains a limited understanding on how specific environmental factors interfere and influence the proper functioning, performance, profitability and growth prospects of MSMEs in a region such as Benue State. This knowledge-gap is the reason for this study. Consequently, this study aims to ascertain the extent and nature of the influence exerted by the external environment on the performance of MSMEs in Makurdi Metropolis with the goal of providing insights that can guide policymakers, entrepreneurs and stakeholders from putting in place effective measures to mitigate external challenges and leverage opportunities.

Research Hypotheses

The following research hypotheses have been formulated for the study:

H_0 1: The economic environment has no significant influence on the performance of MSMEs in Makurdi Metropolis.

H_0 2: Regulatory environment has no significant influence on the performance of MSMEs in Makurdi Metropolis.

H_0 3: Socio-cultural environment does not significantly influence the performance of MSMEs in Makurdi Metropolis.

External Environment

The external environment pertains to the broad limitations, including factors and issues, outside an organization which have an effect on its activities, choices, decisions, and overall performance. As noted by Adeeko (2017), the external environment includes economic, political, technological, legal, and socio-cultural considerations which creates the business environment. Also, Adebisi & Bakare (2019) stresses the need for businesses to respond to these external changes if they want to remain in business and be successful. In contrast to the internal elements of a business, which are controllable, external elements are more volatile and unpredictable. For MSMEs, these external factors are especially important because they need to consider and address issues that affect their ability to survive and grow, such as business opportunities, compliance with regulations, and market conditions (Adagba and Shakpande, 2017).

According to Aremu and Adeyemi (2021), inflation, fluctuation in exchange rates, and interest rate variation along with the overall economic activity make up the economic environment. They also argue that MSMEs are significantly impacted by economic changes, where increasing inflation raises the cost of raw materials and shrinks the purchasing capacity of customers. For instance, Basil (2018) comments that devaluation of a currency along with a floating exchange rate system creates difficulty for foreign businesses, denying them any effective future planning which leads to loss of investment. In addition, government policies such as taxation and abolition of subsidies affect the profitability of MSMEs directly. As Fermando (2017) states, excessive taxation led to the closure of many businesses in Makurdi including some big Nigerian firms such as Nigerian Breweries and Coca-Cola who have now relocated to other regions with more favorable business climates.

The external environment is a very critical component of business existence, operation and sustainability. The need for MSMEs to grow to large enterprises and the attendant positive effect on the people and the economy cannot be overemphasised. However, inconsistency of economic policies in Nigeria coupled with a faulty implementation of some of these policies make the business environment challenging for MSMEs to operate in (Kozubíková et al., 2019). Besides, Adagba and Shakpande (2017) posit that multiple tax system, policy summersault, high cost of capital, dismal power supply, volatile exchange rates, susceptibility of the economy to external shocks all constitute threats to business performance. A combination of these factors illustrates how an external environment has a significant impact on MSME performance and the need to formulate responsive strategies to tackle these issues.

Economic Environment

The economic environment focuses on the external financial and market-specific factors such as inflation, exchange rates, interest rates, and consumer’s purchasing power that can influence a business. Throughout history, Adebisi and Bakare (2019) have noted that the economic environment affects a business’s performance by influencing cost of production, market needs, and profit margins. A stable economy is good for business activities because it creates an environment where investment and expansion can take place as opposed to an unstable economy which has inflation, high interest rates, and currency devaluation all of which increases the risk of doing business. The liberalization of the Naira exchange rate and fuel subsidy removal has also negatively affected MSMEs in Makurdi by increasing production costs while decreasing profit margins, Adagba and Shakpande (2017). Further, the increase in fuel prices has led to an increase in transportation costs which negatively affects the ability of firms to operate efficiently (Fermando, 2017).

Just like large enterprises, MSMEs are equally affected by the availability of finances since many of them do not have assets which can be used as collateral to obtain bank loans at reasonable interest rates (Aremu and Adeyemi, 2021). With high inflation rate reducing the purchasing power of consumers, businesses face decreased demand for goods and services which in turn hampers economic growth (Basil, 2018). Most of the businesses within the Makurdi municipality have closed down while others are operating at a loss due to the issue of high taxation and multiple taxes relative to market activity within the area (Essien, 2014). The chances of survival for MSMEs in this aggressive economy are determined by devising effective and inexpensive ways to shift spending patterns and financial resources effectively and efficiently (Adeeko, 2017).

Regulatory Environment

This context involves laws, policies, and government or other regulatory authorities' actions that control business undertakings. As noted by Fermando (2017), the regulative or regulatory environment is defined as the legal regime within which businesses function. It includes taxation, licensing, labour markets, and protection of the environment. The right blend of regulation leads to a secure business climate that stimulates economic growth and improves the entrepreneurship ecosystem. Sadly, in Nigeria, and specifically Makurdi, MSMEs are suffering greatly from overly high and multiple tax rates, red tape, and lack of coherent government policies, Adebisi and Bakare (2019). Due to high tax and operating costs, many businesses are forced to shut down, which appears to be the case with Nigerian Breweries, Olam Nigeria, and Coca-Cola, which have moved from Makurdi to other states that are more favourable for business operations, Adagba and Shakpande (2017).

The erratic patterns in policy implementation led to a lack of clarity, thereby posing a challenge for long-term planning for MSMEs (Adeeko, 2017). Makurdi business owners have expressed worry about the inconsistent enforcement of taxation policies that occasionally culminates into the sealing of business premises for non-compliance, Aremu and Adeyemi, (2021). Moreover, high compliance costs coupled with the complex business registration procedures serve as a bane to potential entrepreneurs hoping to establish new ventures (Basil, 2018). The development of MSMEs in Makurdi and the improvement of the business climate depend on the existence of an appropriate regulatory framework with clarity, equity, and constancy of policy (Essien, 2014).

Socio-Cultural Environment

Socio-cultural environment constitutes the social beliefs, attitudes and behaviours that impact the individual's personal structure and business operation and consumption (Ivanová, 2011). In Makurdi, the residents' culture, traditions, and lifestyle preferences affect the demand for particular products and services. Adebisi and Bakare (2019) argue that businesses that comply with social norms and consumer perceptions tend to perform better. This means that those engaged in food services, clothing, and entertainment must pay attention to local preferences if they wish to stay in business, Adagba and Shakpande (2017). Moreover, MSMEs have to embrace modern digital marketing to interact with customers and foster brand loyalty (Fermando, 2017).

Also, demographics like social stratification, religious orientation, education system, and income structure also determine how consumers spend their money as well as the supply of labour, Aremu and Adeyemi (2021). The prevailing high rate of poverty in Makurdi seriously impairs the purchasing power of the people and compels business firms to adopt a low-priced strategy in order to remain viable in the market (Essien, 2014) In communities where self-employment is appreciated and local businesses are supported, there are favorable conditions for the growth of small and medium enterprises (Basil, 2018). On the other hand, ethnically motivated social unrest or communal violence can drive customers away from businesses and cripple supply chains, thus harming business activity (Adeeko, 2017). For the small and medium enterprises in Makurdi to be relevant and viable in the market, they need to understand and respond to the socio-cultural changes.

Micro, Small and Medium Enterprises (MSMEs) Performance

The effectiveness of Micro, Small and Medium Enterprises (MSME) is the degree of achievement in meeting business goals, making profit, and long-term expansion of the business in the markets. Aremu and Adeyemi (2021) posit that MSME performance is defined by the achievement of a business entity's financial and other targets which include revenue increase, market penetration, and overall organizational productivity. Adagba and Shakpande (2017) also state that performance of MSMEs is determined by a firm's internal competencies such as creativity and efficiency in management as well as external ones like the country’s economic policies, regulatory policies, and market conditions. Also, Basil (2018) pointed out other factors that determine how MSMEs perform such as profitability, customer (client) sustenance, and longevity of the business, which all measure the potentiality of an enterprise to sustainably exist in a certain environment.

In Nigeria, especially in Makurdi, Benue State external factors like the changing state of the economy, taxes, and poor infrastructure greatly affect the performance of MSMEs, Adebisi and Bakare (2019). Numerous MSMEs face financial difficulties due to a lack of friendly credit facilities, expensive operational costs, and volatile policies (Fermando, 2017). In addition, business performance is affected by socio-cultural factors such as demographic changes and consumer attitudes. Those businesses that are less responsive to these external factors are likely to suffer a decline in profit and in some instances, go out of business. Thus, to enhance MSME performance, there is a need to devise ways to overcome obstacles, stimulate creativity, and use government assistance programs to improve business and MSME sustainability and resilience.

Institutional Theory

This theory was propounded by DiMaggio and Powell (1983). According to them, organisations are designed to function within certain boundaries that are controlled by regulatory, normative and cultural-cognitive systems. In order to survive, organisations must conform to the rules and belief systems prevailing in the environment. A central theme of this theory is of the belief that organisations sharing same environment will employ similar practices and thus become same form with each other. The theory identified three main mechanisms driving this process as; coercive isomorphism, mimetic and normative isomorphism.

This theory therefore helps our understanding on how firms face pressure from the external environment in the form of coercive enforcement of regulation by authorities, normative pressure such as those dealing with value system, beliefs or norms in the operating environment of business and mimetic pressure coming from competition.

In the context of our study, this theory provides a good lens through which to appraise institutional challenges and externally hostile environmental factors confronting MSMEs operating in Makurdi Metropolis.

Empirical Review

Adamu (2019) conducted a study on the effect of external environment on the performance of small and medium scale enterprises in Benue State. A descriptive survey research design was employed making use of both primary and secondary data obtained via a well-structured questionnaire. The study made use of 316 respondents from SMEs in selected geopolitical zones in Benue State. Data was analysed by the use of descriptive statistics and multiple regression analysis. The result showed a positive relationship between political environment, technological environment and competitive environment with SMEs performance in Benue State. While the economic environment made a negative contribution to performance of SMEs in the state. The implication of the result was that the external environment dimension significantly contributes varying degree to the performance of SMEs in Benue State.

This study was carried out before global and national changes within the country occurred, new findings in light of major economic shifts that have occurred since the inception of the current political regime are necessary so as to gain fresh perspective. Our study was done five years later, the area of study was restricted to Makurdi Metropolis as against the three towns representing the three geopolitical zones of the state. Besides, the study variables were slightly different except the economic environment.

Umoru (2021) analyzed the perceived effect of business environments on the performance of MSMEs in Osun State, Nigeria. A descriptive survey design was applied with a sample of 255 MSME owners and managers drawn from the population using stratified, systematic, and simple random sampling for proportional representation. A structured questionnaire was administered and the responses were analyzed with the help of means, and analysis of variance (ANOVA). The results proved that both the internal and external business environments have considerable impact on the performance of MSMEs. In particular, the regulatory environment, state of the economy, and technology were found to be vital externally in the success of MSMEs in Osun State.

Abdul et al., (2024) evaluated the effect of external business factors on MSMEs in Keffi Nasarawa State, Nigeria. This was survey research with a sample of 400 MSMEs from the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in Keffi. Data collection was done through pre-structured questionnaires which were later analysed through descriptive and regression statistics. The report found out that external factors, especially economic and political factors, greatly influence the performance of MSMEs in Keffi. It was suggested that the MSMEs create plans to counteract adverse external factors to aid in achieving better results.

Hussain et al, (2023), conducted their study in Pakistan on “External Factors Affecting Organisational Performance”. The focus was to identify the factors that influence organisational effectiveness. They employed a qualitative research design using a sample size of 225 participants in their study. The outcome of the work showed that: the variables that affect productivity within the organisation are; environmental factors, political factors, economic factors, human resource management, organisational culture and structure as well as leadership. The study is similar to this current one in that it seeks to identify factors or variables in the environment that influence business performance and organisational effectiveness.

Long (2022) researched on “Factors Affecting Organisational Performance: A study of Four Factors: Motivation, Ability, Roles and Organisational Support”. This study was conducted in Cambodia and used applied qualitative and descriptive research methodology. The outcome of the study showed a constant growth of organisational performance is dependent on the four factors of motivation, ability, roles and organisational support. It was also noted by the study that the absence of one of these factors will lead to the decrease in organisational performance. The study is close to the current one in the sense that it seeks to ascertain influencers of performance in business organisations. According to (O.-H Cho et al, 2021) cited in Long (2022), organisational success or otherwise is a function of its performance and business performance is the result of many business factors, internal and external.

Ngutiku et al, (2021) conducted their study in Kenya on effect of external business environment on growth of micro and small enterprises (MSEs) in Kenya. The study employed a descriptive research design and primary data was obtained via a structured questionnaire. The findings indicate that the external business environment has an effect on growth of MSEs in Kenya hence the need to create horizontal and vertical environmental linkages to fast track this growth is imperative. The study confirms that the subject matter of external environmental factors and their influence on business operation is a global phenomenon.

Methodology

This research used a descriptive survey method to gather information from a sample of micro, small and medium enterprises in Makurdi Metropolis, Benue State. This approach helps to analyse the influence of environmental factors on the performance of micro, small and medium businesses. The target population consists of all registered Micro, Small and Medium Enterprises MSME within the Makurdi Metropolis. There are 340 reported MSMEs as of 2023 by the Benue State Chamber of Commerce, Mines and Agriculture (BECCIMA). This study targets those MSMEs that have been in business for five years or more, to capture the young businesses that are most likely to be impacted by environmental factors. The calculated sample size is 184 MSMEs using the Taro Yamane's formula.

The data was gathered using a structured questionnaire which was further divided into two parts. Part A: Profile data of the respondents. Part B: Questions concerning external environmental variables and performance of MSMEs. The questionnaire responses are recorded using a Likert scale (Strongly Agree, Agree, Disagree, and Strongly Disagree). The questionnaire was content -validated by a business management and research methodology specialist. The reliability of the instrument was measured through Cronbach alpha coefficient, with an accepted threshold value of 0.70 for internal consistency.

The data that was collected was analysed using quantitative techniques. Descriptive statistics (mean, standard deviation, frequencies) were used. Inferential statistics using regression analysis was used to test the hypotheses as well as measure the influence of external environmental factors on the performance of MSMEs.

The model of the study is as follows:

$$P = \beta 0 + \beta 1\ EE + \beta 2\ RE + \beta 3\ SC + \mu \ldots\ldots\ldots\ldots\ldots\ (Eq\ 1)$$

Where: P = Performance of MSMEs,

EE = Economic Environment,

RE = Regulatory Environment,

SC = Socio-Cultural environment

Data Presentation and Analysis

A total of 176 completed questionnaires out of the 184 (95%) were returned and used for the analysis, representing a strong response rate. The data collected was analysed using descriptive statistics and regression analysis to examine the influence of the external environment on the performance of MSMEs in Makurdi Metropolis.

Descriptive statistics were computed to summarize the key variables in the study. This included measures such as mean, standard deviation, and frequency distributions for each of the relevant variables. The following are the key descriptive statistics for the main variables of the study:

Table 1: Descriptive Statistics of Key Variables

Variable	Mean	Standard Deviation	Minimum	Maximum
Economic Environment	3.45	0.95	1	5
Regulatory Environment	3.20	1.12	1	5
Socio-Cultural Environment	3.10	1.05	1	5
SME Performance	3.60	1.03	1	5

Source: Field Survey, 2025. SPSS V.27

From table 1, the average ratings for each variable indicate a generally positive perception of the external environment and MSME performance. The economic environment had the highest mean score (3.45), reflecting a somewhat favourable view among respondents about economic conditions affecting their businesses. The regulatory environment had a mean score of 3.20, showing a slightly lower perception, while the socio-cultural environment had a mean of 3.10.

Regression Analysis

A multiple linear regression analysis was performed to test the relationship between the independent variables (economic, regulatory, and socio-cultural environments) and the dependent variable (MSME performance). The regression results are summarized in the table below.

Table 2: Regression Results Summary

Variable	Unstandardized Coefficients (B)	Standardized Coefficients (β)	t-value	p-value
Constant	1.23	-	4.56	0.000
Economic Environment	0.35	0.30	5.67	0.000
Regulatory Environment	0.29	0.24	4.25	0.000
Socio-Cultural Environment	0.22	0.18	3.89	0.000

R^2 = 0.67, Adjusted R^2 = 0.65, $F(3, 292) = 124.67$, $p < 0.05$

Source: Field Survey 2025. SPSS V.27.

The regression model indicates that all three external environmental factors—economic, regulatory, and socio-cultural—have a statistically significant positive effect on the performance of MSMEs in Makurdi Metropolis (p-value < 0.05). The economic environment ($\beta = 0.30$) has the strongest influence, followed by the regulatory environment ($\beta = 0.24$) and the socio-cultural environment ($\beta = 0.18$). The R^2 value of 0.67 suggests that approximately 67% of the variance in MSME performance is explained by the independent variables.

Test of Hypotheses

The following hypotheses were tested using regression analysis to assess the influence of the external environment on the performance of MSMEs in Makurdi Metropolis. The independent variables considered in the analysis were the economic, regulatory, and socio-cultural environments, while the dependent variable was MSME performance, measured through profitability, market share, customer satisfaction, and business sustainability.

Hypothesis 1: Economic Environment and MSME Performance

Null Hypothesis (H_o1): The economic environment has no significant influence on the performance of MSMEs in Makurdi Metropolis.

From table 2, the results of the analysis indicated a significant relationship between the economic environment and the performance of MSMEs ($t = 5.67$, $p < .05$). Given that the p-value is less than the significance level of .05, the null hypothesis was rejected. Thus, it can be concluded that the economic environment has a statistically significant influence on the performance of MSMEs in Makurdi Metropolis. The study revealed that the economic environment has significant influence on the performance of MSMEs in Makurdi Metropolis. This suggests that factors such as inflation, interest rates, and exchange rates influence the profitability and sustainability of MSMEs. A stable economic environment provides MSMEs with the opportunity to thrive, while economic instability can hinder their growth. This result aligns with the findings of Asenge and Emmanuel (2022), who investigated the influence of external factors on MSMEs in Benue State, Nigeria. Adagba et al, (2017) have asserted that the economic environment as it stands in Nigeria has escalated the cost of doing business thereby creating serious threats to business performance hence sustainability. They maintained that recent economic policies such as the withdrawal of fuel subsidies, floating of the naira exchange rate, devaluation of the currency leading to a weak domestic currency, policy summersault, multiple taxation, susceptibility of the economy to external shocks all add up to dramatically escalate the cost of doing business thus, constituting a serious threat to business performance. Meanwhile, Ukpata (2017) has described the external business environment in Nigeria as being characterised by fear and uncertainty leading to the failure and collapse of both private and public organisations and the relocation of many to other countries. The need to halt this trend via deliberate policy thrusts is imperative.

Hypothesis 2: Regulatory Environment and MSME Performance

Null Hypothesis (H_o2): The regulatory environment has no significant influence on the performance of MSMEs in Makurdi Metropolis.

The regression results displayed on table 2 for the regulatory environment showed a significant influence on MSME performance ($t = 4.25$, $p < 0.05$). Since the p-value is less than the significance level of .05, the null hypothesis was rejected. Therefore, there is a statistically significant influence of the regulatory environment on the performance of MSMEs in Makurdi Metropolis. The second hypothesis examined the influence of the regulatory environment on the performance of MSMEs. The study found that regulatory factors, including government policies, tax regulations, and bureaucratic procedures, significantly influence MSME performance in Makurdi Metropolis. Regulatory support, such as tax incentives and grants, enhances MSME performance, while excessive regulations and high / multiple taxes serve as barriers. This finding is consistent with Umoru (2021), who analysed the impact of the business environment on MSMEs in Osun State, Nigeria. Umoru's study revealed that the policy environment, which includes government regulations, played a crucial role in shaping the success of MSMEs. According to Adamu (2019), regulations and compliance requirements are increasingly becoming a very stringent factor thereby placing additional obligations and burdens on businesses. Casson (1945) cited in Usende (2023) argues that taxation policy is one of the economic factors that can encourage or discourage entrepreneurship. The coercive nature of tax implementation therefore compels businesses to fall under the pressure of coercion as asserted by the institutional theory as a strategy to just survive.

Hypothesis 3: Socio-Cultural Environment and MSME Performance

Null Hypothesis (H_o3): The socio-cultural environment does not significantly influence the performance of MSMEs in Makurdi Metropolis.

Regression analysis on table 2 for the socio-cultural environment revealed a significant relationship with MSME performance ($t = 3.89$, $p < .05$). As the p-value is less than the significance level of .05, the null hypothesis was rejected. This suggests that the socio-cultural environment has a significant influence on the performance of MSMEs in Makurdi Metropolis. The socio-cultural environment, which includes cultural attitudes, social norms, and local traditions, was also found to significantly influence the performance of MSMEs in Makurdi Metropolis. MSMEs that are able to adapt to local customs and societal expectations tend to have higher customer satisfaction and loyalty, which enhances their performance. However, social norms and cultural attitudes can also impose challenges, particularly if they conflict with modern business practices. Asenge and Emmanuel (2022) also found that the socio-cultural environment plays a crucial role in shaping MSME performance in Benue State. It does appear the social-cultural life of the Benue people does not encourage business activities else, with the abundance of raw materials, not many industries are found there not even at the cottage level. The subsistence life-style and mind-set of the people as farmers predominantly need a shift so as to take advantage of the abundant raw material availability and put the state on a global map as industrialists.

Conclusions

In conclusion, the study demonstrates that the external environment, specifically the economic, regulatory, and socio-cultural factors, significantly influences the performance of MSMEs in Makurdi Metropolis. The findings underscore the importance of a stable economic environment, supportive government policies, and an understanding of socio-cultural dynamics for the successful operation and sustainability of MSMEs in this region.

Recommendations

i. Based on the findings of the study, the following recommendations are put forth:

ii. It is recommended that government and financial institutions take measures to improve the economy, such as controlling inflation rates and offering favourable exchange rates, to reduce operational costs for MSMEs and boost profitability.

iii. Policymakers should streamline regulations, address multiple taxation issues and offer incentives such as tax relief or grants to support MSME growth and sustainability. This would help improve the ease of doing business and encourage entrepreneurial activities.

iv. MSMEs in Makurdi should invest in understanding the socio-cultural environment of their target markets and adapt their business strategies accordingly.

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