

**EFFECTS OF MACRO BUSINESS ENVIRONMENT ON ENTREPRENEURIAL PERFORMANCE: A STUDY OF SMEs IN SOUTH -EAST NIGERIA.**

by

**Agbajeogu, Evelyn Nwamaka (Ph.D)**  
**Department of Business Administration**  
**Madonna University Nigeria**

**Abokigbo, Calistus Chika (Ph.D)**  
**Department of Business Administration**  
**Madonna University, Nigeria**

**Abstract**

This study evaluated the effects of some macro business environmental components on the performance of small and medium (SME) enterprises in Nigeria's southeast geopolitical zone. It focuses on inflation and three indices of entrepreneurial performance, namely productivity, profitability and asset growth, to determine whether inflation affects small and medium scale firms in South East Nigeria. Three objectives were established to lead the research. Three research questions and three hypotheses were derived from the three aims of the study. The questionnaire instrument was the primary source of data for the study. A sample of 400 small and medium-scale businesses in South East Nigeria were chosen. The generated data was presented and analysed descriptively using simple frequencies, percentages and means. Two of the three hypotheses were rejected using the regression analysis technique. The correlation coefficient analysis for non-parametric data at the 5% level of significance revealed the degree of correlation between the variables. As a result, the study indicated that political insecurity impacts the entrepreneurial performance of small and medium-scale businesses in South East Nigeria. The study thus suggested, among others, that business owners should acknowledge that the success or failure of their enterprises depend on the external business environment and as a result, update their knowledge, understanding and skills to keep up with the changes that are expected to occur in their industry. In addition, government should minimize frequent changes in their policies and guarantee the stability of democratic institutions and political integration.

**Keywords: Inflation, Productivity, Profitability, Assets, SMEs.**

**Introduction**

The environment has a significant impact on entrepreneurship performance. According to Agbajeogu (2017), business can only run successfully and efficiently in a healthy

environment. Entrepreneurs need help to make strategic plans and budgets during an inflationary environment. In Nigeria, one of the primary factors identified as limiting performance by entrepreneurs and managers

is inflation, which requires immediate policy response. Other issues such as political instability and social unrest, contribute to the country's economic downturn, impacting the investment climate and entrepreneurship performance.

However, entrepreneurs in Nigeria face risks such as multiple taxation, currency devaluation, inflation, repatriation, expropriation, confiscation, anti-foreign-goods campaigns, mandatory labour benefit legislation, kidnapping, terrorism, and civil wars (Griffen, 2005). Government actions such as regulatory, legal framework, and political changes may reduce business income and impede international investment (Mark & Nwaiwu, 2015). High prices and a lack of technology also stifle business activity, particularly in the South East of Nigeria. A particular emphasis was also placed on talent development, entrepreneurship, finance and energy prices. Inflation, political instability and social discontent are among the main difficulties hamper economic advancement and the development of the Nigerian economy. Nigeria's high inflation rate prevents the majority of its industry from competing on a global scale. Because costs change frequently, high inflation produces uncertainty and confusion, affecting the investment cost.

The impact of inflation on an organisation differs depending on the situation given the facts above. A business may thrive in an atmosphere that is unfriendly to another business' ability to survive. As a result, this research aims to analyse how inflation affects the productivity, profitability and asset growth of entrepreneurial firms in Nigeria, focusing on small and medium enterprises in South East Nigeria.

### **Statement of the Problem**

Without a doubt, entrepreneurship is a significant contributor to economic development and nation-building. According to Macpherson and Holf (2007), it is vital to investigate the barriers to entrepreneurial achievement. Following independence, the Nigerian economic climate underwent significant changes due to the discovery of crude oil in the 1950s near Afam and Oloibri towns near Port Harcourt. As a result, the Nigerian economy could not generate economic vigour, resulting in the country becoming a mono-economy because other sectors of the economy were neglected due to the oil boom (Onwuchekwa, 2000). As a result, the Nigerian economy faces hurdles in generating economic dynamism and productivity development outside of the oil and commodities sectors. In Nigeria, entrepreneurs face investment climate issues such as inflation. A stable economic climate and the adoption of suitable finance and exchange rate policies are essential for promoting the flow of foreign investment and advantages to the host country, according to Gaddbrough (1985), referenced in Lanyi (1987) and Gadzama (1995).

In this study, inflation, on the other hand, refers to the general increase in the price of commodities during a specific period. Inflation is a tendency to raise commodity prices without increasing their actual value (Juma, 2014). Because of the volatile price of goods and services, entrepreneurs find it challenging to function optimally. Hence, the motivation for this study. Based on the preceding data, there is a significant empirical study vacuum in the literature about the influence of inflation on entrepreneurial performance in South East Nigeria. As a result, the current study's problem is to identify and analyse how inflation affects the productivity, profitability

and asset growth of chosen entrepreneurial enterprises in South East Nigeria.

### **Objectives of the Study**

1. To examine the effect of inflation on the profitability of small and medium (SME) firms in South East of Nigeria
2. To assess the effect of inflation on asset growth of small and medium (SME) firms in South East of Nigeria
3. To investigate the effect of technology on the productivity of small and medium (SME) firms in South East of Nigeria

### **Research Questions**

1. What is the extent of the effects of inflation on the profitability of the small and medium (SME) firms in South East Nigeria?
2. To what extent has inflation affected the asset growth of the small and medium (SME) firms in South East Nigeria?
3. To what degree has technology affected the productivity of the small and medium (SME) firms in South East Nigeria?

### **Research Hypotheses**

- H<sub>0.1</sub>:** There is no significant relationship between inflation and small and medium (SME) productivity in South East, Nigeria.
- H<sub>0.2</sub>:** There is no significant relationship between inflation and profitability of the small and medium (SME) firms in South East Nigeria.
- H<sub>0.3</sub>:** There is no significant relationship between inflation and asset growth of Southeast Nigeria's small and medium (SME) firms.

### **Inflation**

Inflation is called inflation, when the prices of products and services rise over time (Kimani & Mutuku, 2013). Inflation cannot be assessed by a rise in the price of a single commodity or service in Nigeria or even multiple products or services. In contrast, inflation is an increase in the general level of costs for products and services in the economy. It is expressed as a percentage rise each year. As inflation grows, each currency an investor owns buys a decreasing proportion of a good or service. Platt (2001), defined inflation as an economic situation with a constant rise in the prices of goods and services. As a result, inflation might be defined as a continual rise in prices as measured by either a consumer price index (CPI) or a price index.

According to Kimani and Mutuku (2013), inflation happens when product and service costs rise over time. In Nigeria, inflation cannot be quantified by a rise in the price of a single product or service, let alone many. In contrast, inflation is defined as an increase in the overall price level of the economy's goods and services. It is expressed as a percentage rise each year. As inflation grows, each currency an investor owns buys a smaller share of a good or service. As defined by Platt (2001), inflation is an economic situation in which the prices of goods and services are constantly rising. As a result, inflation can be defined as a steady rise in prices.

Inflation has a wide range of economic effects, both positive and dire. The negative impacts, however, are most pronounced and include a reduction in the actual worth of money and other monetary variables over time (Blanchard, 2000). As a result, uncertainty about future inflation rates may discourage investment and savings. If inflation rates rise rapidly, there may be a

shortage of homes as realtors begin to hoard in anticipation of future price increases (Kimani & Mutuku, 2013).

It is vital to comprehend the consequences of inflation. Kimani and Mutuku (2013) claim that inflation happens when the cost of goods and services rises over time. In Nigeria, inflation cannot be measured by an increase in the price of a single commodity or service, much alone a number. In contrast, inflation is defined as an increase in the economy's overall price level of goods and services. Each year, it is expressed as a percentage increase. Each currency possessed by an investor buys a lesser part of a good or service when inflation rises. According to Platt (2001), inflation is an economic situation in which the prices of goods and services constantly rise.

Therefore, a consistent increase in prices can be described as inflation. Because inflation harms the value of money, it creates uncertainty about the value of borrowers', lenders', purchasers', and sellers' gains and losses. According to Douglas (1988), the increased uncertainty caused by inflation discourages savings and investments because it significantly impacts reported profits due to the substantial increase in currency depreciation. The value of a corporation now may be less tomorrow due to inflation, and decisions made today regarding their financial status may be misleading in the future due to inflationary impacts.

There is a large body of scholarship on inflation's real effects and costs. One body of literature has concentrated on effects that operate via the opportunity cost of retaining non-interest-bearing money. Raising the opportunity cost can reduce output by reducing capital accumulation and labour supply (Stockman, 1981; Cooley & Hansen,

1989; Gomme, 1993) or by changing the intensity of search (Rocheteau & Wright, 2005; Lagos & Rocheteau, 2005). However, given the tiny size of non-interest-bearing money in people's portfolios, it is difficult to argue that such effects are empirically significant. As a result, Chari et al. (1995), find that inflation has a minimal impact on the steady-state growth rate of production in a range of endogenous growth models where the opportunity cost of retaining money is the only channel through which inflation is allowed to matter.

Another school of thought holds that non-indexation of private accounting procedures distorts savings decisions and capital allocation during periods of high inflation and that inflation diverts talent away from actual productive activity and into socially less productive economic activity designed to manage or profit from changes in the value of money (Leijonhufvud, 1977; Howitt, 1990; Summers, 1991). It is exceedingly difficult to calculate these potential inflation costs and predict how they will affect the trajectory of actual output. Feldstein (1999), on the other hand, argues that lowering inflation from 2% to 0% would increase output by 4 to 6% due to the non-indexation of capital income taxation.

Again, trend inflation affects output primarily through its effect on the equilibrium degree of price dispersion in New Keynesian dynamic stochastic general equilibrium models. This is especially true in Calvo's (1983), pricing model versions. The increase in price dispersion caused by inflation can also have significant impacts by increasing the time purchasers pay to search (Benabou, 1992; Head & Kumar, 2005). According to Obiwuru et al. (2011), economic growth, interest, tax, currency and inflation impact enterprises' operations and

determination. As a result, this study contends that a substantial relationship exists between inflation and entrepreneurship's productivity, profitability and asset growth in South East Nigeria.

**Methodology**

For this study, a survey research design was adopted. The questionnaire was the primary tool for gathering data from senior and junior staff of small and medium companies (SMEs) in Nigeria's South East. The researcher concentrated on chosen small and medium (SME) businesses in South East Nigeria mentioned in the SMEDAN & National Bureau of Statistics (2013), collaborative study sheet. The study focused on the five states that comprise the Southeast geopolitical zone: Abia, Anambra, Ebonyi, Enugu, and Imo State.

The Southeastern geographical zone of Nigeria is home to a total of seven thousand sixty-one (7061) small and medium (SME) businesses, according to SMEDAN & National Bureau of Statistics (2013). Manufacturing, mining and quarrying, accommodation and food services, agriculture, wholesale/retail trade, construction, transport and storage, financial intermediation, real estate, renting, business activities, information and communication, education, administrative and support activities, health and social works, arts, entertainment and recreation and other services abound in this state. The seventy thousand and sixty-one (7061) SME firms are distributed as shown in table 1 below:

**Table 1: Distribution of Small and Medium Scale Enterprises and its employment rate in the South East Geopolitical Zone of Nigeria for the year 2013**

S/No.	State	Small	Medium	Total	Male Employed	Female Employed	Total Employment
1	Abia	1769	40	1809	28851	11062	39913
2	Anambra	1620	117	1737	20570	9781	30351
3	Ebonyi	1206	4	1210	24223	6000	30223
4	Enugu	812	99	911	12687	15603	28290
5	Imo	1259	135	1394	14924	26315	41239
	Total	6666	395	7061	101255	68761	170016

**Source: SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings (2013)**

Therefore, the researcher has chosen 7061 SME businesses from South East Geopolitical Zone in Nigeria to participate in the survey. The following population for this analysis is the total number of employees employed by these organisations, as reported by SMEDAN & NBS (2013). The total number of employees is 170016 (million, seven hundred and sixteen). The current study's population comprises one million, seven hundred and sixteen (170016)

employees spread throughout sixteen (16) SME sectors in Nigeria's South East geopolitical zone.

Most of this study population comprises senior and junior workers in administrative, operations, marketing and accounting units. The sample size for the study is calculated using two methods: published tables by Glenn in 1992, as mentioned by Singh and Masuku, 2014 (See table 2 below) and a

simplified formula developed by Taro Yamane in 1967, as cited by Alugbuo, Umeaka, and Eriama (2012). Table 2:

Published tables by Glenn in 1992 by Singh & Masuku (2014).

**Table 2: Sample Size for ±5% and ±10% Precision Levels where Confidence Level is 95% and P = 0.5.**

**Source: Singh & Masuku, 2014**

Glenn's published tables for estimating sample size reported that a sample size (n) of 400 should be used for a study with a

= **399.06** (i.e.,  $\cong$  400 respondents to be studied)

Size of Population	Sample size (n)	
	±5%	For precision (e) ±10%
000	222	83
1,000	200	91
2,000	333	95
3,000	353	97
4,000	364	98
5,000	370	98
7,000	378	99
9,000	383	99
10,000	385	99
15,000	390	99
20,000	392	100
25,000	394	100
50,000	397	100
100,000	398	100
>100,000	400	100

population above 100,000, under a 5% precision level where the confidence level is 95% and P=0.5 (see Table 2).

Using the Taro Yamane formula, given as:

$$N = \frac{N}{1 + N(e^2)}$$

Where

- n = Sample Size
- N = population size, and
- e = maximum allowance

for sampling error, in our case, 5% or 0.05.

To make the appropriate substitutions, we have:

$$\text{Sample size (n)} = \frac{170016}{1 + 170016 \times (0.05^2)}$$

The Taro Yamane simplified formula, which coincides with Glenn's publishable table, was used to determine a sample size of 399, which is roughly equivalent to 400. As a result, 400 respondents made up the sample for the current study. The number of respondents in the sample from the five (5) selected states is decided by a proportional allocation based on the sample size proportion. Purposive sampling was used to identify SME organisations that participated in the study since the researchers wanted to analyse SME enterprises with at least 50 employees that were easily accessible.

Purposive sampling, a non-probability sampling technique and an area or cluster sample, a probability sampling strategy, were both used in this study. When the population to be sampled is large and spread out over a large geographical area, area or cluster sampling is used (Akuezilo, 2002). Purposive sampling is when the researcher handpicks samples typical of what the researcher seeks and represents the sample. The technique is the most generally used type of non-probability sample and it is frequently advised when a study focuses on a specific population (Osuala 2001: McNabb, 2008) and when the investigator deems the participant's unique background as fitting

with the study's goals (Patton, 2000). Here, the sample's representativeness is only assumed (Akuezilo, 2002). A proportion table was used to identify the number of subjects to draw from the target population.

To compute the sample size proportion, we use the formula:

$$k = \frac{w_i}{N} \times n$$

Where:

k = sample size proportion,

$w_i$

= no. of respondents for an individual firm

N = population size

n = sample size

**Table 3: Sample Size Proportion Distribution for the Study**

S/No.	State	Total Employment	Sample Proportion	Size Sample Size
1	Abia	39913	93.90	94
2	Anambra	30351	71.41	71
3	Ebonyi	30223	71.11	71
4	Enugu	28290	66.56	67
5	Imo	41239	97.02	97
	Total	170016	400	400

Table 3 shows the proportional allocation of the sample size for the study, which will be randomly selected from the study population, while the firms to be studied shall be chosen purposively. Also, members of the population have an equal chance of being selected. The researcher adopted this method because of its simplicity to avoid biased judgment.

The data and information required for this study were collected from primary and secondary sources. Secondary data in this study were obtained from documented records, company newsletters, the internet, books, processed information from

publications and previous research covering the subject under study. This study investigated the effect of political instability on entrepreneurial performance. This research, therefore, relied on the questionnaire covering the effect of political instability on entrepreneurial performance via productivity, profitability and asset growth of small and medium enterprises in South East, Nigeria. The Likert 5-point scale of questions 1 – 5 was adopted for the study. 1 = Very Low Extent, 2 = Low Extent, 3 = Moderate Extent, 4 = High Extent, 5 = Very High Extent). Respondent were asked to rate their options in line with their opinions on the notion presented.

Copies of the questionnaire were personally hand-delivered to the appropriate respondents. Most employees can be distracted by work-related obligations, so phone calls were conducted to increase the response rate. Experts in the field were employed to review the questions and properly align them with the objective. Also, the researcher used the test re-test method to establish external reliability.

The Statistical Package for Social Science (SPSS) version 19 was used to calculate the reliability index for internal reliability. Cronbach's alpha test confirmed internal reliability. The reliability would have been proved if the Cronbach's Alpha ratio was above 0.60. A test run was carried out for the researcher to determine the instrument's level of reliability. The data obtained from the pilot survey were subjected to the reliability test using the Cronbach alpha technique.

The data generated through the questionnaire instrument were adequately sorted out. The essence of sorting is to find out the questionnaire that must be adequately filled either by double ticking or by leaving up to 70% of the total number of unanswered questions. Again, the questionnaires were coded correctly to avoid double coding of a particular questionnaire. The sorted data were fed into the spreadsheet for processing, and data was analysed using SPSS version 19, then results were obtained.

The data were analysed descriptively and inferentially; the descriptive analysis involved frequencies, means, charts and standard deviation. The correlation analysis was used for inferential analysis to give inferential meaning to the generated data.

### **Data Analysis**

#### **Response Rate**

The study targeted 400 personnel working in small and medium enterprises in Nigeria's South Eastern States. The respondents distributed 400 copies of the questionnaire, and the 400 were filled adequately for the study, giving a response rate of 100%. The data were analysed using the Statistical Package for Social Sciences (SPSS) version 19, and the analysis is given below. The data analysis used descriptive and inferential statistics concerning the research questions and hypotheses raised earlier.

#### **Re-stating the Research Questions 1, 2 and 3:**

- 1.To what degree has inflation affected the productivity of the small and medium (SME) firms in South East, Nigeria?
- 2.What is the extent of the effects of inflation on the profitability of the small and medium (SME) firms in South East Nigeria?
- 3.To what extent has inflation affected the asset growth of the small and medium (SME) firms in South East Nigeria?



### Findings from Research Questions 1, 2 and 3

**Table 3: Correlation Analysis Result of Inflation Impact on Performance**

		Correlations			
		Inflation Impact	Productivity	Profitability	Asset Growth
Inflation Impact	Pearson Correlation	1	.274	.120	.150
	Sig. (2-tailed)		.000	.017	.003
	N	400	400	400	400
Productivity	Pearson Correlation	.274	1	.278	-.199
	Sig. (2-tailed)	.000		.000	.000
	N	400	400	400	400
Profitability	Pearson Correlation	.120	.278	1	-.195
	Sig. (2-tailed)	.017	.000		.000
	N	400	400	400	400
Asset Growth	Pearson Correlation	.150	-.199	-.195	1
	Sig. (2-tailed)	.003	.000	.000	
	N	400	400	400	400

Table 3 reports the correlation analysis result for inflation on performance. Inflation has about 27.4% level of effect on the productivity of the small and medium (SME) firm in South East, Nigeria as it accounts for a correlation coefficient of 0.274. Inflation has shown about 12% level on profitability of the small and medium (SME) firm in South East, Nigeria as the correlation coefficient accounts for 0.120. The result has further shown that inflation made about 15% impact

on asset growth of the small and medium (SME) firm in South East, Nigeria as the result account a correlation coefficient for a 0.150. The result has shown that inflation has a positive contribution on productivity, profitability and asset growth, though the result show that it has a weak influence on the performance indices even though the same result produced significant level of 0.000 and 0.017 respectively.

**Table 4: The Mean Responses by the respondents on inflation affecting the performance of the small and medium (SME) firms in South East of Nigeria**

	<i>Inflation Impact</i>	5	4	3	2	1	Mean	Decision
1	<i>Inflation undermines profit.</i>	190	180	24	2	4	4.38	High Extent
2	<i>Inflation causes underinvestment.</i>	127	181	24	39	29	3.85	High Extent
3	<i>Inflation distorts resources allocation.</i>	178	176	40	2	4	4.31	High Extent
4	<i>Inflation depresses asset growth.</i>	127	181	24	39	29	3.85	High Extent
5	<i>Inflation affects working capital.</i>	170	230	0	0	0	4.58	High Extent
6	<i>Inflation affects both policies on input and output.</i>	139	216	36	4	5	4.2	High Extent

7	<i>Inflation leads to changes in employment and wages.</i>	157	188	18	30	7	4.15	<i>High Extent</i>
8	<i>Inflation affects fixed income earners.</i>	181	165	36	12	6	4.26	<i>High Extent</i>
9	<i>Inflation affects productivity of South East small and medium (SME) manufacturing industry</i>	188	187	25	0	0	4.41	<i>High Extent</i>
10	<i>Inflation affects profitability of South East small and medium (SME) industry</i>	47	167	78	56	47	4.53	<i>High Extent</i>
				<b>Grand Mean</b>			<b>4.224</b>	<b>High Extent</b>

**Note: 1 = Very Low Extent, 2 = Low Extent, 3 = Moderate Extent, 4 = High Extent, 5 = Very High Extent.**

Table 4 above presents the mean and standard deviation of responses by the respondents on inflation affecting the performance of the small and medium (SME) firms in South East of Nigeria. There are ten-item statements covering responses on inflation and its effect on the performance of the small and medium (SME) firms in the East of Nigeria. The result reports that a total number of 400 respondents participated in the survey. The results were scaled in 5 points including "1 = Very Low Extent, 2 = Low Extent, 3 = Moderate Extent, 4 = High Extent, 5 = Very High Extent". The result reports that inflation affects the performance of the small and medium (SME) firms in South East of Nigeria to a high extent, as it accounts for a mean of 4.22. The result has also indicated that the respondents have reported to a great extent to item statements such as inflation undermines profit (with an  $\bar{x}$  of 4.38), inflation causes

underinvestment (with an  $\bar{x}$  of 3.85), inflation distorts resources allocation (with an  $\bar{x}$  of 4.31), inflation depresses asset growth (with an  $\bar{x}$  of 4.31), inflation affects working capital (with an  $\bar{x}$  of 4.58), inflation affects both policies on input and output (with an  $\bar{x}$  of 4.2), inflation leads to changes in employment and wages (with an  $\bar{x}$  of 4.15), inflation affects fixed income earners (with an  $\bar{x}$  of 4.26), inflation affects the productivity of South East small and medium (SME) industry (with a  $\bar{x}$  of 4.41) and inflation affects the profitability of South East' small and medium (SME) industry (with an  $\bar{x}$  of 4.25).

**Hypothesis 1:** There is no significant relationship between inflation and small and medium (SME) productivity in South East Nigeria.

**Table 5: Model Summary Result between inflation and productivity of the Small and medium (SME) firm in Southeast Nigeria**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.274 <sup>a</sup>	.075	.073	1.314	.075	32.207	1	398	.000

a. Predictors: (Constant), Inflation Impact

The result in Table 5 presents the model summary result between inflation and productivity of the small and medium (SME) firms in South East Nigeria. The result discloses a correlation coefficient of 0.274, R<sup>2</sup> of 0.075 and a p-value of 0.000. The result shows a p – value ≤ 0.05 level of significance; therefore, rejecting the null hypothesis and accepting the alternative, stating a significant relationship between inflation and productivity of the small and medium (SME) in South East Nigeria. The

result has also presented a regression model of inflation and productivity:

$$\text{Where regression model} = \alpha + \beta(x_1) \quad \text{--- (1)}$$

productivity = -1.056 - 1.181(inflation)  
The result disclosed in the model shows that for SME firms in South East Nigeria, the higher the productivity as inflation increases.

**Hypothesis 2:** There is no significant relationship between inflation and profitability of the small and medium (SME) firms in South East, Nigeria.

**Table 6: Model Summary Result between Inflation and Profitability of the Small and Medium (SME) Firms in South East Nigeria**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.120 <sup>a</sup>	.014	.012	1.384	.014	5.790	1	398	.017

a. Predictors: (Constant), Inflation Impact

Table 6 presents the model summary result between inflation and productivity of the small and medium (SME) firms in South East Nigeria. The result discloses the regression analysis output from SPSS version 19, reporting a p-value of 0.017, R<sup>2</sup> of 0.014 and correlation coefficient (r) of 0.120. The result shows a p-value less ≤ than 0.05 level of significance; therefore, rejecting the null hypothesis and accepting the alternative stating that there is a significant relationship between inflation and profitability of the

small and medium (SME) firms in South East, Nigeria.

The result has also presented a regression model of inflation and profitability:

$$\text{Where regression model} = \alpha + \beta (x_1) \quad \text{--- (1)}$$

Profitability = 0.851 + 0.519 (inflation)  
The result disclosed in the model shows that for SME firms in South East Nigeria, as inflation increases, the higher the profitability.

**Hypothesis 3:** There is no significant relationship between inflation and asset

growth of the small and medium (SME) firms in South East Nigeria.

**Table 7: Model Summary Result between Inflation and Asset Growth of the Small and Medium (SME) Firm in South East Nigeria**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.150 <sup>a</sup>	.023	.020	.617	.023	9.162	1	398	.003

a. Predictors: (Constant), Inflation Impact

Table 7 presents the model summary result between inflation and asset growth of the small and medium (SME) firms in South East Nigeria. The result discloses the regression analysis output from SPSS version 19, reporting a p-value of 0.003, a regression analysis result of 0.023 and a correlation coefficient of 0.150. The result shows a p – value  $\leq 0.05$  level of significance; therefore,

rejecting the null hypothesis and accepting the alternative, stating a significant relationship between inflation and asset growth of the small and medium (SME) firms in South East Nigeria.

The result has also presented a regression model of inflation and asset growth:

$$\text{Where regression model} = \alpha + \beta (x_1) \quad \text{--- (1)}$$

$$\text{Asset Growth} = 3.183 + 0.291(\text{Inflation})$$

### Summary and Conclusion

The result disclosed in the model shows that for SME firms in South East Nigeria, as inflation increases, the higher the asset growth.

1. The null hypothesis for the 1<sup>st</sup> hypothesis tested was rejected, therefore accepting the alternative stating that there is a significant relationship between inflation and productivity of the small and medium (SME) in South East Nigeria. It has also been reported that the study could only explain the 27.4% effect of which inflation has on the productivity of the small and medium (SME) firms in South East Nigeria. The result also reported that inflation has a positive and a weak/low impact on productivity.
2. The second null hypothesis for the study was rejected, therefore accepting the alternative and concluding that there is a significant

relationship between inflation and profitability of the small and medium (SME) firms in South East Nigeria. It has also been deduced from the study that only about 12% of inflation is recorded as influencing the profitability of the small and medium (SME) firms in South East, Nigeria. The result also reported that inflation has a positive and a weak/low impact on profitability.

3. The 3<sup>rd</sup> hypothesis was tested, and the result led to the rejection of the null hypothesis, therefore accepting the alternative stating that there is a significant relationship between inflation and asset growth of the small and medium (SME) firms in Southeast East Nigeria. It has also been shown from the study that only about 15% of inflation was recorded as influencing the asset growth of the small and medium (SME) firms in South East, Nigeria. The result also

4. reported that inflation has a positive and a weak/low impact on asset growth.

### Recommendations

1. The government should also curb corruption and rent-seeking. Corruption and rent-seeking compounds business costs, thereby scaring investors. This study revealed that endemic corruption, predatory government and weak legal system hinder entrepreneurial performance.
2. The government should provide a sound investment climate. Enterprises need to have access to basic infrastructure such as electricity. An efficient infrastructure connects markets and expands investment opportunities. It is unveiled in this study that insufficient and ineffectual infrastructural amenities affect entrepreneurial performance.
3. The government should genuinely recognise the essence of entrepreneurship to economic growth and development. The study revealed that enabling an environment for investment determines the opportunities and incentives for firms to invest productively, create jobs and expand.

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