

ENTREPRENEURIAL EXPERTISE, SIZE OF BUSINESS AND PERFORMANCE OF SMEs IN NIGERIA

Collins Chidubem UMEGHALU*, Ignatius Okoye MACHI, Kelechi Chibueze ABAMARA, Oluwaseun Abimbola OLADIPO

Department of Economics, Nnamdi Azikiwe University, Awka, Nigeria

Corresponding Author: cc.umeghalu@unizik.edu.ng

Abstract

This study addresses the persistent challenges faced by small and medium enterprises (SMEs) in Nigeria, focusing on solutions that do not rely solely on government intervention. By employing survey and interview methods, data was collected through questionnaires distributed to a representative sample selected via multistage random sampling. The Chi-square technique was utilized in the analyses of the data of the study. The results of the analyses reveal that both the size of business and entrepreneurial expertise have significant effect on business performance. Interestingly, while the entrepreneur's mentality was found not to have effect on business performance from the result of the Chi-square analysis, insights from interviews indicate it actually has significant effect on business performance in Nigeria. The study concludes that while the size of business is a vital indicator of business performance, factors such as entrepreneurial expertise and mind-set are key determinants of business performance in Nigeria. To enhance the success of SMEs, the study advocates for support mechanisms that go beyond traditional loans, including the provision of technical expertise, the facilitation of mergers and acquisitions, equity investment in SMEs, the establishment of Trusts that can effectively scale and manage promising SMEs, and other strategies that could aid in business expansion.

Keywords: Entrepreneurship, Business expertise, Business performance, SMEs, Nigeria

INTRODUCTION

In developing countries, there is a vast number of small businesses compared to larger ones. Although thousands of new SMEs are launched every year in Nigeria, a significant percentage of them fail within their first year. Alarming, many of these small businesses struggle to grow, often remaining small long after they have managed to survive the challenges that take down so many others. Indigenous startups in Nigeria and many other poor developing nations rarely reach the coveted "unicorn" status, which means achieving valuations over \$1 billion. It is estimated that more than 90% of businesses in Nigeria operate as small or medium-sized entities, primarily within the informal sector. About half of newly established SMEs in Nigeria fail within their first year, translating to over 20,000 business closures annually. The strikingly high failure rate among these enterprises highlights unique challenges faced in the region. The observed trend stresses that the scale of businesses in poorer countries largely stems from prevailing unfavorable economic conditions (Fonseca et al., 2022; Pricewaterhousecoopers, 2024; SMEDAN, 2023).

Several factors contribute to the persistent challenges and failures of SMEs in Nigeria. Many

scholars contend that these challenges are driven by supply-side issues, which identify factors like capital availability, power supply reliability, labor quality, and access to raw materials as critical to production and business performance. Conversely, others argue that demand-side dynamics are also crucial; they suggest that increased production must align with a corresponding rise in demand to ensure sustainable growth. Key demand-side factors include domestic consumption patterns, government spending, and real income levels, which significantly influence the success of SMEs in Nigeria and similar developing regions (Dang et al., 2024; Umeghalu, Udo, & Metu, 2025; Soomro et al., 2025; Trung et al., 2021; Yahaya & Nadarajah, 2023).

Examining the factors that influence the performance of SMEs from a comprehensive viewpoint reveals that their success is not solely linked to economic conditions arising from demand and supply. Rather, it also hinges on the businesses' profitability and their susceptibility to market volatility. This suggests that good business performance, particularly for SMEs in poorer countries, largely stems from astute management rather than merely weathering the ups and downs of market forces. Moreover, possessing strong entrepreneurial skills can significantly increase a business's profitability and facilitate its growth. In fact, larger businesses often perform better, even in challenging environments like those found in poorer nations. This distinction of high entrepreneurial skill sets true entrepreneurs apart from sworn employees who are business owners. When a business is managed with a worker's mindset, it often faces unanticipated challenges. Businesses launched primarily to combat unemployment tend to remain stagnant, lacking expansion goals, which keeps them small indefinitely. The size of a business also serves as an important metric for assessing performance (Dang et al., 2024; Umeghalu, Ezenekwe, & Okoli, 2025).

This study aims to identify more effective strategies that do not rely on the government for enhancing the performance of SMEs in developing countries, addressing the high rates of failure they experience. Covering the period from 1990 to 2024, the research specifically examines how business size affects performance and explores the influence of entrepreneurial skills and mindset on business growth. This timeframe aligns with the challenging era for many firms in Nigeria, which began to struggle and close due to the implementation of the structural adjustment program (SAP) in the mid-1980s.

STYLIZED FACTS

Impediments to SME Performance in Poor Developing Countries

SMEs are crucial to the economic performance of many developing nations, playing a vital role in job creation, poverty reduction, and GDP enhancement. Despite their importance, these businesses face significant hurdles; the performance of SMEs in poor developing countries is influenced by a range of factors, both within and outside the firm. These factors can be categorized into two main types: internal and external, as well as demand-side and supply-side elements.

Internal factors that affect SME performance are those that businesses can control and change. Some key elements of this type include the entrepreneurial and managerial skills present within the firm, along with effective financial management and the adoption of technology. The entrepreneur's expertise in areas such as finance, marketing, operations, and strategic planning plays a crucial role in driving a firm's success. Unfortunately, in many developing nations, the lack of essential social infrastructure, coupled with low income levels, makes it difficult for SMEs to attract highly skilled managers with international experience. Moreover, the financial sector in these countries often experiences volatility, and there is a shortage of skilled manpower to leverage advanced technology. Hiring experienced management can help mitigate these challenges (Soomro et al., 2025; Umeghalu, Machi & Onwuka, 2025).

On the other hand, external factors are those that influence a firm's performance but stem from circumstances beyond its control. These can include access to financial resources, infrastructure deficits, regulatory frameworks, market access, competition, corruption, and political instability. Here is a closer look at some of the key external factors that affect a firm's performance. One of the key barriers for SMEs is accessing financing from traditional banks. Often, they struggle to secure loans due to a lack of collateral, limited credit history, and the perceived high risks associated with lending to smaller businesses. As a result, many SMEs are forced to rely on internal funds or informal lending channels, which frequently fall short of what is needed for meaningful growth. Moreover, when financing is available, it often comes at steep interest rates, escalating operational costs and cutting into potential profits. The underdeveloped nature of capital markets in many of these countries further constrains opportunities for alternative funding sources, such as venture capital or crowd-funding (JamiluBaita & DattijoAdhama, 2020; Umeghalu, Agupusi, & Uzodigwe, 2019).

In the competitive landscape, SMEs frequently find it challenging to hold their ground against larger, well-established companies and multinationals, which enjoy economies of scale, better resources, and greater market influence. SMEs often find themselves at a disadvantage when it comes to affecting market prices or responding adeptly to competitors' strategies, leaving them exposed to price competition and market upheavals. The ever-changing landscape of consumer preferences and the unpredictability of the economy create a challenging environment that can be daunting for SMEs to navigate.

Additionally, unreliable access to essential services like electricity, water, and internet connectivity can drastically inflate operational costs—making reliance on generators and other alternative solutions a common practice. Furthermore, poor road infrastructure and inefficient logistics systems complicate the movement of goods and access to markets, both domestically and internationally. Many SMEs also lack access to modern technology and digital tools, which hinders their capacity to innovate, effectively promote their products, and streamline their operations (Trung, 2021).

Burdensome regulations, complex licensing processes, and frequent changes in policies create a tough business landscape for SMEs, leading to higher compliance costs and uncertainty. In some developing nations, the rise in market competition can unfortunately also lead to increased corruption, putting SMEs at a disadvantage, especially those without the necessary resources or connections to thrive in such an environment. Although governments often acknowledge the critical role of SMEs in the economy, the effective execution of supportive measures—like mentorship programs and innovation hubs—tends to fall short.

Many SMEs find it difficult to attract and keep skilled employees due to limited budgets and less competitive pay compared to larger companies. Additionally, it is common for SME owners and managers to lack formal education and training in areas like business management, financial literacy, and strategic planning, which can lead to inefficiencies and poor decision-making. Without the right information or resources, many SMEs also struggle to embrace new technologies or innovative practices that might help them stay competitive.

Unfavorable market dynamics can have a profound impact on the economies of developing countries. A significant number of SMEs in these regions fail within their first few years due to ongoing challenges. Higher costs, restricted market access, and stiff competition directly affect the profitability and growth prospects of these businesses. Despite their potential, the various struggles faced by SMEs can limit their overall contributions to employment, GDP, and efforts to reduce poverty. Many businesses that manage to survive often find themselves stagnant or declining, which stops them from scaling and becoming key players in the economy.

The performance of SMEs is significantly influenced by the policies and governance of their respective countries. Government policies can dictate the stability of the financial sector, the pace of infrastructure development, and overall income levels. While larger firms might wield some influence on government decisions due to their connections, many SMEs often find themselves with only two options: to exit the market or shut down when faced with adverse government policies (Essel, Adams, Amankwah, 2019).

From the perspective of supply and demand, several supply-side factors can hinder efforts aimed at enhancing the performance of SMEs. These factors, which generally boost the production volume of specific goods, include access to capital, skilled labor, and relevant social infrastructure directly linked to the creation of products and services, ultimately leading to price reductions. Real income, domestic consumption and government expenditure are some of the demand-side factors that their manipulation can alter the performance of SMEs (Umeghalu, Udo, & Metu, 2025).

Nigerian Unicorns: Exploring Their Ownership Dynamics and Performance

While Nigeria is home to a multitude of SMEs, it boasts of a limited number of locally established unicorns. These standout companies are typically characterized by substantial turnover and

impressive market capitalization. To gain insights into the mindset of the founders steering these homegrown unicorns, we can highlight a couple of the top 20 companies in Nigeria based on market value, examining the profiles of their founders and contrasting them with the average SME owner in the nation.

One notable example is the Dangote Group, one of Africa's largest conglomerates, led by the continent's richest individual, Aliko Dangote. At its core, Dangote Cement operates across over ten African countries, expanding its influence in various sectors, including sugar, flour, and salt. Dangote Cement, which originated as Obajana Cement Plc. in 1992 and got rebranded in 2010, is a publicly traded multinational cement manufacturer with its headquarters in Lagos. As part of the Dangote Group founded by Aliko Dangote, it operates in ten countries with a production capability of 52 million tonnes annually. The company reported revenues of ₦3,581.3 billion in 2024, achieving a growth rate of 69.1% over the nine months ending September 2024; by June 26, 2025, its market capitalization stood at ₦7.30 trillion (African Business, 2022).

Aliko Dangote himself is the driving force behind both Dangote Cement Plc. and the Dangote Refinery, alongside other ventures. This Nigerian businessman and industrialist is widely recognized for his significant contributions to Africa's economy. Born on April 10, 1957, in Kano, Nigeria, Dangote comes from a distinguished Muslim family in Northern Nigeria with a rich legacy in business, tracing back to his great-grandfather, Alhassan Dantata, who was one of West Africa's wealthiest traders in the early 20th century (Forbes, 2024).

The BUA Group is a key player in Nigeria's cement manufacturing and agro-industry sectors, particularly with its operations through BUA Cement and BUA Foods, which specializes in sugar refining and distribution throughout Africa. BUA Cement stands out as a publicly traded company in Nigeria, ranking among the largest cement producers in the country, with a market valuation of ₦2.83 trillion, making it the 7th most valuable entity on the Nigerian stock exchange. As the second-largest producer of cement in Nigeria, BUA Cement boasts an impressive combined capacity of 11 million metric tons per annum across its various operational sites. In the first quarter of 2025, the company recorded a pre-tax profit of ₦99.741 billion, showcasing remarkable year-over-year growth of 368.58%; revenue also experienced a significant increase within the same period, jumping by 80.49 percent to ₦290.821 billion (Firmworld, 2024).

At the helm of BUA Group is Abdul Samad Rabi, the founder and chairman. A prominent Nigerian businessman and philanthropist, Rabi has an estimated net worth of \$7.6 billion. His business reach extends across multiple sectors, including cement, sugar, and real estate. His entrepreneurial journey commenced early when he took charge of the family business at just 24, stepping in after his father's detention. In 1988, Rabi founded BUA International Limited, paving the way for the conglomerate it is today.

Rabiu's remarkable achievements have garnered him various accolades, such as CNBC's West Africa Industrialist of the Year and the Commander of the Order of the Federal Republic (CFR). His business expertise is deeply rooted in his family legacy and his practical experience in managing the family enterprise. He completed his primary and secondary education in Kano and went on to study Economics at Capital University in Columbus, Ohio, USA, where he earned his degree (Forbes, 2024).

Zenith Bank has established itself as a leading financial institution in Nigeria, recognized as one of Africa's largest commercial banks. The bank provides a comprehensive range of services, including personal, corporate, and digital banking, alongside card services, loans, and investment options. For the fiscal year 2024, Zenith Bank's gross earnings surged by 86 percent, reaching N3.97 trillion, fueled by a remarkable 138 percent rise in interest income and an expanding loan portfolio. The total assets of the bank grew by 47 percent to N30 trillion in 2024, thanks to strong liquidity and proficient balance sheet management. In 2023, profit after tax jumped by 202% to 676.9 billion, with N827 billion recorded in the third quarter of 2024 (Firmworld, 2024).

Jim Ovia is the visionary founder of Zenith Bank. He earned his first degree from Southern University in Baton Rouge, Louisiana, in 1997, after completing his primary and secondary education in what is now Delta State, Nigeria. Ovia also holds an MBA from the University of Louisiana at Monroe and is an alumnus of Harvard Business School, where he participated in various executive programs. His career in banking began in 1993 as a clerk at Union Bank (formerly Barclays Bank), where he gained foundational knowledge of the industry. In 1990, Ovia took a bold step by establishing Zenith Bank with an initial capital of \$4 million and a single branch. He guided the bank as CEO for two decades, transitioning to the role of chairman in 2014 (Forbes, 2024).

Globacom, a prominent telecommunications company in Nigeria, has been at the forefront of the industry since its launch in 2003 by Mike Adenuga. Renowned for its extensive network coverage and innovative services, Globacom is dedicated to providing high-quality connectivity solutions. The company boasts a strong network infrastructure that extends across Nigeria, available in over 140 cities to ensure reliable telecommunication services. As of 2025, Globacom's valuation is estimated to be around \$7.4 billion. However, the company has faced significant challenges in recent times, witnessing a decline in market share and a substantial reduction in active subscribers, with its market share dropping to 11 percent and a loss of 42 million users (Firmworld, 2024).

Mike Adenuga, the founder of Globacom, comes from humble beginnings; his parents were traders. He attended Ibadan Grammar School and later graduated with a degree in Business Administration from Western Michigan University in the United States. Adenuga's career started in the 1970s, trading rice and various commodities, before he ventured into telecommunications, obtaining a GSM license in 2001. Today, Globacom stands as one of Africa's leading telecom

companies, operating not only in Nigeria but also in Benin and Ghana (Forbes, 2024).

United Bank for Africa (UBA) stands as a prominent financial services group in Nigeria, operating across 20 African nations, along with offices located in London, Paris, and New York. Established in 1948 as the British and French Bank Limited, it later merged with Standard Trust Bank in 2005. By the third quarter of 2024, the bank achieved a remarkable profit before tax of N603.483 billion and reported an unprecedented net profit of N767 billion for the entire year. As of the third quarter of 2024, its total assets reached N31.8 trillion. The bank's group chairman is Tony Elumelu. He is a distinguished Nigerian economist, banker, and philanthropist. He earned his Bachelor's degree in Economics from Ambrose Alli University located in present-day Edo State. He went on to attend the University of Lagos, where he obtained a Master of Science degree in Economics, and is also a graduate of the Advanced Management Program at Harvard Business School (African Business, 2022).

From this context, it is clear that the largest business corporations in Nigeria were not established by mere chance. Rather, they are the result of meticulously crafted ideas that were executed with precision, following the best international practices. Before these businesses even came to life, they were envisioned by their founders. They were not simply attempts to escape unemployment, poverty, or hunger, as can be seen in the backgrounds of the founders. Those who lacked the support of affluent families did not launch their businesses while struggling; instead, they worked diligently to earn the necessary expertise, networking opportunities, and resources to build their dream enterprises.

Entrepreneurial Expertise and SME Performance in Developing Countries

SMEs are crucial to the economic vitality of developing nations. They serve as a significant source of employment and income for a large segment of the population. These businesses are integral to job creation, poverty alleviation, innovation, and overall economic advancement. However, SMEs often encounter unique challenges that hinder their growth and effectiveness in these regions. Among these myriad issues, the importance of entrepreneurial skills—though often overlooked—can significantly affect their success.

Entrepreneurial expertise highlights on the resourcefulness of entrepreneurs, equipping them to navigate the diverse obstacles that affect SME performance in developing countries. With advanced entrepreneurial skills, small businesses can not only survive in tough economic climates but can also thrive, transforming challenges into profitable opportunities. Here are some ways in which entrepreneurial enterprise can enhance the performance of SMEs in developing countries (Khan et al., 2024).

With strong entrepreneurial skills, business owners can spot market opportunities, innovate new products and services, and adapt to the changing needs of their customers. This proactive mindset

not only drives sales and fosters a competitive advantage but also ensures that SMEs can endure in lower-income countries that face smaller markets and significant infrastructure deficits.

Entrepreneurial-minded SMEs tend to be optimistic about exploring new opportunities and are generally more willing to take calculated risks. In developing countries, the economic landscape is marked by high volatility, which creates and destroys opportunities in unpredictable ways. This instability often stems from erratic policy changes, weak institutions, and prevalent corruption. The spirit of entrepreneurship fosters resilience, allowing SMEs to manage economic shocks and disruptions effectively. This adaptability is essential for not just surviving but also thriving in the unpredictable environments of developing markets, driving innovation and enabling quick responses to changing market conditions, ultimately enhancing performance (Nguyen et al. 2021).

Entrepreneurs frequently tap into their networks to access critical resources such as capital, information, and support. Unfortunately, government and non-government institutions often show greater trust in larger firms, sidelining smaller enterprises. However, entrepreneurs with strong strategic thinking and visionary leadership recognize that scaling a business is just as crucial as ensuring profitability. They thus strive to guide their SMEs towards sustainable growth and robust networks by formulating clear business plans, optimizing resource allocation, and focusing on long-term goals. Effective networks can be instrumental in helping SMEs navigate the resource limitations that are common in developing economies (Khan et al., 2021).

A significant challenge for SMEs trying to hire skilled labor in these regions is affordability. The stark difference in average real incomes between developed and developing countries makes it difficult for poorer nation SMEs to attract highly skilled professionals from abroad. Although entrepreneurial education can provide workers with essential skills like financial literacy and innovative thinking, and workforce training and development can boost productivity and service quality, these potential improvements can only amount to improved performance if the entrepreneur possesses the requisite character, training, and experience.

REVIEW OF RELATED LITERATURE

Studies on SME performance fall into two categories: one examines the drivers of business performance, while the other suggests that SME success unfolds in phases corresponding to the business lifecycle. Key theories illustrating factors that influence performance include Gibrat's Law, the Theory of the Growth of the Firm, Learning Theory, Storey's Growth Determinants Model, and Davidsson's Growth Determinants Model. A common theme among these theories is the acknowledgment that both internal and external elements play a role in business growth (Mckelvie & Wiklund, 2010).

Gibrat's Law, also referred to as the law of proportionate effect, suggests that a firm's growth rate is unrelated to its initial size. This means that the likelihood of experiencing a certain percentage

change in size is consistent across firms, irrespective of their starting size. Conversely, the Theory of the Growth of the Firm posits that a company's expansion is influenced not just by external conditions, but also by its internal resources and capabilities, particularly proprietary knowledge and management skills. The learning theory it posits that businesses gain insights into their operational efficiency and adjust accordingly. In that light, the most capable organizations thrive and expand, while the less efficient ones may exit the market, collectively driving up the overall efficiency of the industry.

In Storey's growth determinants model, several key factors, including the age of the firm, the entrepreneur's motivation, and their educational background, have shown notable strength. On the other hand, Davidsson's model emphasizes that an entrepreneur's drive for growth is shaped by their self-perception, needs, and the opportunities they see around them. This motivation, in turn, plays a crucial role in determining actual firm growth (Delmar, Davidsson & Gartner, 2003).

This study categorizes the reviewed literature into two main areas: one focuses on the connection between entrepreneurial skills and SME performance, while the other emphasizes on the relationship between firm size and SME performance. A number of works attempted to determine the link between entrepreneurial enterprise and SME performance, Jamal (2000) tried to assess how entrepreneurial mindset and competence affect the success of SMEs. By employing a systematic review method, Jamal identified various components of entrepreneurial competence that enhance firm performance. The study revealed a positive and significant correlation between an entrepreneurial mindset and SME performance, highlighting the importance of seeking opportunities, creativity, innovation, risk-taking, proactiveness, and the alertness to act as the most critical components of entrepreneurial competence.

In a different context, Abdulkahi (2015) explored the challenges hindering SME performance in Nigeria using a survey method. The findings indicate that finance, infrastructure, and training pose significant obstacles to SME performance in Nigeria. Meanwhile, Ssempala et al. (2018) examined factors influencing the growth of micro, small, and medium enterprises (MSMEs) in an urban area of Uganda, utilizing a cross-sectional survey design involving 254 MSME operators. Their findings reveal that access to credit, market opportunities, and the level of managerial skills are positively correlated with the growth of SMEs in Uganda.

Nguyen et al. (2021) explored how entrepreneurial leadership, entrepreneurial orientation, and technological innovation capabilities influence the performance of SMEs. They employed the consistent PLS-SEM method to analyze valid data gathered from 182 small and medium IT enterprises based in Quang Trung Software City, Ho Chi Minh City, Vietnam. The study found that entrepreneurial leadership, mediated by creativity, dynamic capabilities, and competitive advantages within management teams, can significantly enhance the performance of IT SMEs.

Khan et al. (2021) investigated the role of entrepreneurial orientation in influencing business performance during the Covid-19 pandemic. They also looked into how entrepreneurial competencies serve as a mediator in the relationship between entrepreneurial orientation and business performance. Utilizing SPSS and AMOS for their analysis of primary data, the findings indicate a positive correlation among all constructs, both directly and through the mediating factors.

In a study conducted by Sakib et al. (2022), the focus was on the impact of entrepreneurial competencies on the performance of SMEs in Bangladesh. They utilized the PLS-SEM method to assess the causal relationships between exogenous and endogenous variables. The analyses revealed that competencies related to organizing and leading, learning, building relationships, and commitment play a significant role in enhancing SME performance.

Yahaya and Nadarajah (2023) made effort to assess the effect of strategic orientation on firm performance. Their approach involved a systematic literature review to create a comprehensive framework grounded in resource-based view and institutional theory. After reviewing 469 articles and employing a one-sample T-test to analyze hypotheses derived from the 16 most relevant papers, they established a clear link between strategic orientation and performance, identifying 13 key factors that notably influence a firm's strategic orientation and overall performance.

In another study, Ramadan et al. (2024) looked at how strategic entrepreneurial behaviors affect business performance, with business model innovation serving as a mediator and competitive intensity acting as a moderator. This research took a quantitative approach, gathering insights from 313 managers and business owners in Turkish small and medium-sized enterprises (SMEs) through a structured survey. The analysis revealed that strategic entrepreneurial behavior has a significant, positive effect on both business performance and business model innovation. Notably, business model innovation also enhances business performance, while competitive intensity can strengthen the relationship between strategic entrepreneurial behavior and business model innovation, particularly under high competition.

Soomro (2025) examined how knowledge, skills, and entrepreneurial competencies affect the performance of MSMEs in Upper Sindh, Pakistan. The data were gathered from MSME owners and managers in major cities through a survey questionnaire. Findings from this study demonstrate that entrepreneurial skills and networking significantly influence entrepreneurial competency, and that entrepreneurial skills, networking, and competency all contribute positively to MSME performance.

Works that evaluated the relationship between size of firms and performance include those of Fonseca (2022) explored whether the size of a firm really matters for new businesses, specifically examining how it influences profitability in their initial years. The study revealed that firm size,

indicated by the number of employees, positively affects the performance of newly established companies.

In a separate investigation, Dang (2024) assessed how firm size impacts business performance among small and medium-sized enterprises in Vietnam. Utilizing a Bayesian method, the research analyzed data from over 2,500 businesses operating between 2007 and 2015, aiming to assess the influence of various factors. The results demonstrated a significant positive relationship between firm size and productivity.

METHODOLOGY

Theoretical Framework

This study revolves around two key theories: the growth of the firm theory and Davidsson's growth determinants model. The growth of the firm theory posits that a firm's expansion is influenced not only by external circumstances but also by its internal resources and capabilities, especially firm-specific knowledge and managerial skills. On the other hand, Davidsson's growth determinants model suggests that an entrepreneur's desire for growth is shaped by their self-perception regarding abilities, needs, and opportunities. This motivation subsequently impacts the actual growth of the firm. Both theories minimize the traditional emphasis on external factors from the demand and supply sides in determining firm performance, highlighting instead the critical role of entrepreneurial mindset and initiatives in enhancing the performance of SMEs.

Design/ Sampling Technique

The research employed a survey design, utilizing questionnaires and interviews as the primary data collection methods. Focused on Nigeria, the study aimed to gather pertinent information from Nigerian respondents. To ensure a diverse representation and mitigate potential bias, states were randomly selected from each of the country's geopolitical zones. Nigeria comprises six geopolitical zones, with one state selected randomly from each zone, resulting in a total of six states for the study: Bauchi from the Northeast, Kaduna from the Northwest, Plateau from the North-central, Anambra from the Southeast, Lagos from the Southwest, and Edo from the South-south. Questionnaires were then administered randomly. To determine the optimal sample size, Cochran's formula was applied given the infinite population, leading to a conclusion that a sample of 384 was sufficient for the study. The data collected were analyzed using the Chi-square technique.

DATA ANALYSES, PRESENTATION AND DISCUSSION OF RESULTS

Demographic details shown in Table 1 highlight a youthful, educated, and actively engaged sample population. Nearly half of the respondents fall within the 21–40 age bracket, suggesting a predominantly young sample. This age group is likely hitting their stride in terms of career and personal development, which may influence their perspectives on work, education, and social

issues. The gender distribution leans slightly towards the males, with 59% identifying as male and 41% as female.

Table 1: Demographic Factors

No	Biographic Variable	Frequency	Percent (%)	Total (%)
1	Age			100
	20 years	77	20.0	
	21 – 40	187	48.6	
	41 – 60	113	29.5	
	60 years	7	1.9	
2	Gender			100
	Female	157	41.0	
	Male	227	59.0	
3	Educational Background			100
	Graduate	84	21.9	
	Postgraduate	106	27.6	
	Undergraduate	194	50.5	
4	Occupation			100
	Applicant	124	32.4	
	Employee	73	19.0	
	Trader	187	48.6	

Source: Field Survey, 2025

In terms of education, a significant proportion of the sample consists of undergraduates (50.5%), while those with postgraduate and graduate degrees make up a combined total of 49.5%. This level of education suggests increased exposure to economic opportunities and greater access to information. Occupationally, nearly half (48.6%) of the respondents are traders, while 32.4% are applicants, and about 19% are employees.

Table 2: States of Residence of Respondents

State	Frequency	Percent (%)
Anambra	81	21.0
Lagos	98	25.5
Plateau	64	16.7
Edo	51	13.3
Bauchi	38	10.0
Kaduna	52	13.5
Total	384	100.0

Source: Field Survey, 2025

Lagos State accounted for the largest share of respondents, representing around 25.5% of the total, followed by Anambra and Plateau states with 21% and 16.7%, respectively. Other states included in the responses are Edo, Bauchi, and Kaduna, contributing 13.3%, 10%, and 13.5% of the total, respectively. This distribution indicates a relatively balanced representation across the states in the country. Including participants from all six geopolitical zones allows for a nuanced understanding of regional variations and provides a solid basis for making impartial generalizations from the findings.

Table 3: Business Ownership Status of Respondents

Response	Frequency	Percent (%)	Cumulative Percent (%)
Yes	318	82.9	82.9
No	66	17.1	100.0
Total	384	100.0	

Source: Field Survey, 2025

Table 3 illustrates the participants' views on business ownership or intentions to start a business. A substantial 82.9% of the sample indicated that they either currently own a business or intend to start one, while only 17.1% stated they do not plan to engage in entrepreneurship. This demonstrates a strong inclination towards entrepreneurship among the sample population, potentially reflecting broader trends in self-employment interests, particularly in a landscape where traditional job opportunities may be limited.

Table 4: Reliability Statistics for Questionnaire Constructs

Construct	Cronbach's Alpha	Number of Items
Section 1 (Questionnaire 1)	0.729	10
Section 2 (Questionnaire 2)	0.782	10
Section 3 (Questionnaire 3)	0.866	10

Source: Field Survey, 2025

The reliability statistics shown in Table 4 reveal that all three sections of the questionnaire exhibit a solid level of internal consistency. Section 1 recorded a Cronbach's Alpha of 0.729, which is considered acceptable, indicating that the items in this section are relatively consistent in measuring the intended construct. Section 2 achieved a Cronbach's Alpha of 0.782, which demonstrates good reliability and implies that the items in this section are more closely interconnected. Section 3 stands out with the highest reliability score of 0.866, signaling a very strong internal consistency among its items. This impressive level of reliability signifies that the instrument used is robust and reliable for data analysis across all three sections of the questionnaire.

Table 5 explores how individuals perceive the various measures of business success and whether the size of a business is a significant factor in assessing its performance. It underscores the challenges faced by SMEs, suggesting that many obstacles could be tackled more easily were it not for their size. The data is presented as percentages based on a 5-point Likert scale, accompanied by means and standard deviations for each statement.

In response to the statement, "A business can be considered successful if it has a greater volume of sales, even with low profit margins," 50.5% of participants strongly agreed, while an additional 37.1% also agreed. The high mean score of 4.14, combined with a relatively low standard deviation of 0.91, reflects a widespread agreement that sales volume is a crucial indicator of business success, arguably more so than profit margins.

Table 5: Perception of Business Success and Size of Business

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	SD
A business is considered successful when it generates a higher volume of sales, even if profits are modest.	1.9	6.7	3.8	50.5	37.1	4.14	0.91
The effectiveness of a business can also be gauged by its ability to capture a larger share of the market, despite limited profitability.	2.9	10.5	10.5	52.4	23.8	3.84	1.00
An increase in turnover can often be just as advantageous, if not more so, than a rise in profits.	2.9	7.6	13.3	45.7	30.5	3.93	1.00
Forming partnerships that enhance a company's scale can significantly improve overall performance.	0.0	0.0	8.7	39.8	51.5	4.43	0.65
Smaller enterprises tend to be more vulnerable to market fluctuations compared to their larger counterparts.	1.0	10.7	9.7	37.9	40.8	4.07	1.01
Smaller enterprises often lack the resources to build necessary infrastructure in less developed regions.	0.0	1.9	8.6	41.0	48.6	4.36	0.72
Smaller businesses typically have less access to funding, making it challenging to compete.	0.0	1.0	7.6	40.0	51.4	4.42	0.68
Smaller businesses struggle to offer competitive salaries to attract highly skilled workers.	0.0	3.9	4.9	32.0	59.2	4.47	0.76
Smaller businesses often lack the essential tools to stand up against both local and international competitors.	0.0	3.8	1.9	41.0	53.3	4.44	0.72
Unlike larger corporations, many small businesses operate within the informal sector of the economy.	0.0	1.9	4.8	46.7	46.7	4.38	0.67

Source: Field Survey, 2025

Note: SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree; SD (last column) = Standard Deviation

The second question, which examined the relationship between market share and profitability, showed overall agreement, with 52.4% agreeing and 23.8% strongly agreeing. However, the notable proportions of neutral (10.5%) and disagreeing (13.4% combined) responses suggest a divide in opinion. The mean score of 3.84 and a standard deviation of 1.00 indicate a moderate level of consensus, though responses were more varied compared to the first question.

Participants also expressed that increased turnover is as important as profit growth, as indicated by a mean of 3.93 and a standard deviation of 1.00. This aligns with the perspective that business growth extends beyond just net profit to include operational size and revenue generation.

There is a strong consensus regarding the notion that partnerships enhance performance, with over 91% of respondents either agreeing or strongly agreeing. The mean score of 4.43 and a low standard deviation of 0.65 signify a high degree of uniformity in this belief. This suggests that most participants view scaling and collaborative efforts as beneficial for improving business performance.

Based on the insights gathered from the survey, a noteworthy majority—78.7% of respondents—expressed agreement or strong agreement on the vulnerability of small businesses to economic fluctuations. The average response score of 4.07, coupled with a standard deviation of 1.01, suggests that while there is consensus on this issue, there is still some variation among opinions. This reinforces the general awareness of the precarious situation small businesses face in unpredictable economic climates.

Moreover, concerns about insufficient resources and infrastructure were widely acknowledged. A staggering 89.6% noted that SMEs struggle to develop necessary infrastructure, and 91.4% highlighted the financial limitations that small businesses typically encounter. With average scores of 4.36 and 4.42 and standard deviations of 0.72 and 0.68, it's clear that the challenges of financial and structural limitations resonate strongly with respondents.

Even more specifically, the issue of attracting skilled labor due to uncompetitive wages proved to be a significant concern, with 91.2% agreeing with this notion. The high average score of 4.47 for this response marks it as the most pressing worry among all aspects surveyed, illustrating the challenges small businesses face in retaining talent due to their limited compensation potential.

Additionally, the perception that small enterprises lack the essential tools to effectively compete with larger corporations and international entities was also prevalent, with 94.3% of respondents in agreement and an average score of 4.44. This highlights a shared belief that small businesses are often outmatched in the competitive landscape.

Lastly, 93.4% of respondents agreed that small enterprises often operate outside the formal sector, which in turn limits their access to financial and legal resources provided by government and non-governmental organizations. The average score of 4.38, combined with a low standard deviation of 0.67, underscores the strength of this conviction among respondents.

Table 6: Impact of Entrepreneurial and Managerial Skills on Small Business Growth

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	SD
With strong entrepreneurial skills, small businesses can thrive even amidst inadequate infrastructure.	0.0	3.8	11.4	60.0	24.8	4.06	0.72
A skilled manager can enhance sales, even in challenging demand conditions	0.0	3.8	11.4	57.1	27.6	4.09	0.74
Exceptional management abilities can draw in investors, which can facilitate business expansion.	0.0	1.0	8.6	46.7	43.8	4.33	0.67
When equipped with solid entrepreneurial knowledge, small businesses can compete effectively against larger firms.	1.0	13.3	19.0	38.1	28.6	3.80	1.03
With the right management skills, small businesses could evolve into significant multinational entities.	0.0	1.9	11.4	48.6	38.1	4.23	0.72
Small businesses can remain profitable and produce goods that meet international standards, despite facing tough market conditions.	4.8	7.6	15.2	50.5	21.9	3.77	1.03
Strong business management can enable smaller enterprises to access global markets successfully.	0.0	5.7	10.5	45.7	38.1	4.16	0.83
Raising lumpy capital does not guarantee the profitability of a business if insightful management skills are lacking.	0.0	1.9	7.6	35.2	55.2	4.44	0.72
Even in a favorable market with high demand, small businesses without experienced leadership may struggle to grow.	0.0	1.0	3.8	45.7	49.5	4.44	0.62
Access to vital infrastructure would not suffice if those businesses are not managed by knowledgeable entrepreneurs	0.0	3.8	16.2	46.7	33.3	4.10	0.80

Source: Field Survey, 2025

Based on the analysis presented in Table 6, it can be concluded that the respondents unanimously recognized the significance of strong managerial and entrepreneurial skills for the success of

SMEs. The mean scores for all statements ranged from 3.77 to 4.44, indicating a generally positive attitude, with most responses clustering at the higher end of the Likert scale. The standard deviations were notably low, all under 1.0, which means responses were quite consistent without much variation.

The strongest agreement was found in responses concerning the impact of lacking capital or favorable market conditions alongside poor management, with both statements achieving the highest mean score of 4.44. Over 90% of the respondents either agreed or strongly agreed, and the standard errors were recorded at 0.72 and 0.62, respectively. This reinforces the notion that effective leadership is more crucial than mere resources when it comes to driving profitability and growth.

Additionally, there was broad agreement about the role of adept management in attracting investment, which scored a mean of 4.33 with a low standard deviation of 0.67, indicating that respondents widely acknowledged management competency as a vital growth factor. High levels of agreement were also evident regarding access to global markets, aspirations to become global companies, and the ability to thrive despite infrastructural limitations, with average scores all exceeding 4.0.

These findings highlight a shared belief among participants that capable managers can navigate existing challenges. However, more mixed feelings emerged when discussing competition with larger firms and maintaining profitability during difficult periods, with these statements scoring the lowest at 3.80 and 3.77, featuring wider standard deviations of 1.03. This suggests a degree of caution or skepticism about the ability of entrepreneurial talent to counteract such significant structural obstacles.

Table 7: Entrepreneurial Motivation and Business Management Preferences

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	SD
If you were in a stable job, you might not venture into small business ownership.	12.4	40.0	15.2	23.8	8.6	3.76	1.20
Starting a small business is often driven by the absence of a well-paying job.	7.6	25.7	15.2	36.2	15.2	3.26	1.22
Preference for maximizing profits with lower sales over higher sales with lower profit.	3.8	13.3	15.2	41.9	25.7	3.72	1.11
Preference to run a small business independently over shared ownership in a larger firm.	1.9	19.0	25.7	33.3	20.0	3.50	1.08
Belief that no one can manage your business better than you.	2.9	15.2	17.1	37.1	27.6	3.71	1.12
Valuing a small, high-profit business over a larger one with lower returns.	1.0	7.6	14.3	40.0	37.1	4.05	0.95
Formal education or training is not essential for business success.	4.8	20.0	10.5	43.8	21.0	3.56	1.17
Belief that local products can't compete with foreign goods in price and quality.	9.5	25.7	16.2	32.4	16.2	3.20	1.26
Only family members can effectively manage the business.	26.7	48.6	11.4	12.4	1.0	2.12	0.98
Reinvesting in property is wiser than expanding the business.	9.5	41.9	24.8	16.2	7.6	2.70	1.09

Source: Field Survey, 2025

The data presented in Table 7 showcases a variety of opinions among respondents regarding their motivations as entrepreneurs and their aspirations in managing small businesses. The results

highlight a mix of agreements and disagreements on certain statements. For instance, the perception that job security might prevent individuals from starting a small business received a mean score of 2.76, coupled with a high standard deviation of 1.20, indicating a moderate level of disagreement. In fact, 52.4% of respondents disagreed with this notion, with 40.0% expressing disagreement and 12.4% strongly opposing it. This suggests that a significant number of individuals remain keen on pursuing small business endeavors, even in the presence of job security.

On a more positive note, there was greater alignment regarding the idea that entrepreneurship often stems from the struggle to find well-paying jobs. The mean score of 3.26 reflects this sentiment, as 51.4% of respondents agreed with the statement (36.2% agreeing and 15.2% strongly agreeing). However, the wide range of responses and a standard deviation of 1.22 indicate that this perspective is not universally accepted. A stronger consensus emerged around profit-maximizing business practices. Respondents favored prioritizing sales volume over profit maximization, with a mean score of 3.72 and a stellar agreement level of 67.6% (41.9% agreeing and 25.7% strongly agreeing). The relatively low standard deviation of 1.11 signifies consistent support for profit-oriented decision-making.

When it comes to business independence, most respondents expressed a clear preference for operating a business independently rather than through co-ownership, reflecting in a mean score of 3.50 and agreement from 53.3% of them. The moderate response range ($SD = 1.08$) suggests that while independence is favored, a notable portion still appreciates the value of partnerships. Confidence in personal management abilities also stood out among respondents. A mean score of 3.71 indicates that 64.7% believe no one could manage their business better than they could, and the consistent responses ($SD = 1.12$) further emphasize the robust self-assurance among small business owners.

Lastly, there was a strong tendency towards favoring small, high-margin businesses over larger, low-margin counterparts. This preference was illustrated by the highest mean score of 4.05, with a remarkable 77.1% agreement. The low standard deviation of 0.95 reinforces that this viewpoint is widely held. When the question of whether formal education is essential for success in business was posed, the responses varied. A notable 64.8% of participants either agreed or strongly agreed, while 24.8% held a contrary view. The average response score was 3.56, with a standard deviation of 1.17, indicating a slightly positive perspective favoring SME operators in the formal sector.

On the topic of local products competing with imported goods, the average score dipped to 3.20, showing the highest standard deviation at 1.26, which suggests a significant disparity in opinions. While 48.6% of individuals expressed agreement or strong agreement, a substantial 35.2% disagreed, highlighting the divided sentiment regarding the competitiveness of locally made items. Regarding the willingness of entrepreneurs to relinquish the managerial positions to partners in a

bid to expand their businesses, there was a strong disapproval among respondents. With a mean score of 2.12 and a whopping 75.3% disagreement, participants largely rejected the notion that only family members are capable of effectively managing a business. This particular question garnered the lowest mean and standard deviation at 0.98, signifying widespread and consistent opposition to the idea.

Finally, the suggestion of channeling business profits into real estate investment rather than expanding the business itself received lukewarm endorsement. The average score of 2.70 accompanied by 51.4% of respondents disagreeing reflects a preference for business growth over diversifying into other assets. The moderate standard deviation of 1.09 indicates that while there was a predominant view, there were still some differing opinions on the matter.

Test of Hypotheses

Hypothesis 1

H₀: Size of business does not affect business performance in Nigeria

H₁: Size of business affects business performance in Nigeria

Table 8: Test of Hypothesis 1

	Observed N	Expected N	Residual
Positive Response	347	52.5	42.5
Negative Response	37	52.5	-42.5
Total	384		

Source: Field Survey, 2025

Statistics	
	Hypothesis 1
Chi-Square	68.6810 ^a
Df	1
Asymp. Sig.	.000

Source: Researchers' Computation (2025)

The results from the Chi-square test indicate a notable connection between business size and SME performance in Nigeria. With a Chi-square value of 68.810 and a p-value of .000, these results are statistically significant, prompting us to reject the null hypothesis. This suggests that business size indeed influences business performance, as evidenced by the substantial difference between observed and expected frequencies.

Hypothesis 2

H₀: Entrepreneurial expertise does not affect business performance in Nigeria

H₁: Entrepreneurial expertise affects business performance in Nigeria

Table 9: Test of Hypothesis 2

	Observed N	Expected N	Residual
Positive Response	344	52.5	41.5
Negative Response	40	52.5	-41.5
Total	384		

Source: Field Survey, 2025

Test Statistics	
Hypothesis 2	
Chi-Square	65.610 ^a
df	1
Asymp. Sig.	.000

Source: Researchers' computation (2025)

Similarly, the Chi-square test results ($\chi^2 = 65.610$, $p = 0.000$) reveal a significant relationship between entrepreneurial expertise and business performance in Nigeria. Given that the p-value is below 0.05, we reject the null hypothesis, confirming that entrepreneurial expertise significantly affects business performance in Nigeria.

Hypothesis 3

H₀: Mentality of business owner does not affect business performance in Nigeria

H₁: Mentality of business owner affects business performance in Nigeria

Table 10: Test of Hypothesis 3

	Observed N	Expected N	Residual
Positive Response	61	52.5	8.5
Negative Response	44	52.5	-8.5
Total	105		

Source: Field Survey, 2025

Test Statistics	
Hypothesis 3	
Chi-Square	2.752 ^a
Df	1
Asymp. Sig.	.097

Source: Researchers' computation (2025)

The chi-square test results ($\chi^2 = 2.752$, $p = 0.097$) indicate that there is no statistically significant relationship between entrepreneur mentality and business performance in Nigeria. Since the p-value exceeds the 0.05 threshold, we cannot reject the null hypothesis. This suggests that the mentality of business owners does not have a significant effect on the business performance in Nigeria.

Nevertheless, insights gathered from interviews offer a different perspective. Entrepreneurs often appear hesitant to embrace partnership opportunities or to consider external opinions aimed at expanding their businesses—especially if such moves might jeopardize their control. This

reluctance tends to be more pronounced when their businesses are thriving. It was ensured that most respondents in the interview session either had successful ventures or were made to project that image during the interviews. When asked about their willingness to engage in partnerships, the majority expressed a clear disinterest. Only a few entertained the idea, however, with the condition that it comes with specific expertise that could ensure the growth of their business while allowing them to maintain control.

CONCLUSION

This study emerged from the realization that previous policy recommendations targeting demand and supply factors impacting SME performance have failed to yield the expected improvements. It aims to address the frequent failures of SMEs in Nigeria by highlighting entrepreneurial enterprise and the mindset of entrepreneurs as vital elements influencing performance, particularly through the lens of firm size as a performance indicator. By utilizing survey and interview methodologies, data were gathered through questionnaires distributed to a representative sample selected via a multistage random sampling approach. Employing the Chi-square technique, the results of the analyses revealed that size of business and entrepreneurial expertise have significant effects on business performance. Conversely, the mentality of the entrepreneur did not show a significant effect on business size. However, insights from the interviews indicate that an entrepreneur's mindset does significantly affect business performance in Nigeria. The study concludes that while business size serves as a reliable measure of SME performance, both the expertise and mentality of entrepreneurs play a critical role in determining business size and the overall success of SMEs. It recommends broader support mechanisms for SMEs, extending beyond just financial assistance, to include providing technical expertise, facilitating mergers and acquisitions, investing equity in SMEs, establishing Trusts that can effectively scale and manage promising SMEs, and other initiatives that could foster business growth.

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