

Long Term Sustainability Plan and the Performance of Small and Medium Enterprises in Abuja, Nigeria

Asor Henry Nkang
Veritas University Abuja
henryasor@yahoo.com
+2348073256838

ABSTRACT

The study investigated long term sustainability plan and the performance of small and medium enterprises in Abuja, Nigeria. The target population consisted of 613,492 registered SMEs in Abuja, (SMEDAN, 2020). The study employed a survey research design in which questionnaires were distributed to participants. Slovin's formula (1960), was used to arrive at a sample size of 399 in which 381 questionnaires were retrieved from respondents. Data was analyzed using multiple regression. Findings reveal that economic Sustainability (ES) has a statistically significant negative relationship with the performance of small and medium enterprises. Operational Sustainability Practices (OSP) has a significant positive relationship with the performance of small and medium enterprises. The study recommended that Small businesses should focus on operational sustainability by optimizing resource use, adopting energy-efficient technologies, and improving supply chain sustainability to boost long-term performance. It was also recommended that Small businesses need to evaluate their economic sustainability strategies, including better cost management, improved access to financing, and more effective business models.

Keywords: Long term sustainability, Operational Sustainability, economic sustainability, small and medium enterprises

INTRODUCTION

Long-term sustainability refers to the capacity of a business to endure and thrive over an extended period, maintaining growth while balancing economic, social, and environmental objectives (Chikwe et al., 2023). For SMEs, long-term sustainability is not just a matter of remaining profitable; it also involves creating value for stakeholders, reducing environmental footprints, and fostering a responsible social image. Nigerian SMEs, however, struggle to achieve long-term sustainability due to factors like inadequate infrastructure, financial constraints, and an unstable economic environment (Afolabi, 2023). Many businesses also face external challenges such as regulatory policies and market competition that limit their growth prospects and threaten their survival.

In the Nigerian context, long-term sustainability is particularly complex due to the volatile economic climate. Research shows that approximately 80% of Nigerian SMEs do not survive beyond their first five years of operation (Eze & Ugwu, 2024). This high failure rate is largely due to a lack of adequate support

structures and resources to help businesses navigate challenges over time. For SMEs to achieve sustainable growth, they must adopt strategies that address both short-term survival and long-term resilience. A multifaceted approach to sustainability, encompassing economic, operational, and social considerations, is essential for SMEs aiming to contribute to Nigeria's broader development goals (Osarenkhoe, 2022).

Economic sustainability is a core aspect of long-term survival for SMEs. It focuses on the financial viability and profitability of a business, enabling it to operate without compromising future profitability. Economic sustainability requires that businesses maintain a steady stream of revenue, control operational costs, and adapt to market fluctuations. In the context of Nigerian SMEs, economic sustainability is particularly challenging due to financial constraints, limited access to credit, and currency instability. For instance, the high cost of obtaining loans and the difficulty in accessing funding from traditional banks have hindered SMEs' ability to scale their operations (Okeyo & Wanjiru, 2023).

Another economic sustainability issue for Nigerian SMEs is inflation. The inflation rate in Nigeria, which has remained persistently high in recent years, drives up the cost of raw materials, labor, and other operational expenses, eroding profit margins and making it difficult for businesses to remain competitive (National Bureau of Statistics, 2023). Consequently, many SMEs are unable to sustain their operations or invest in growth and development. Studies suggest that to improve economic sustainability, Nigerian SMEs must adopt strategies such as diversifying revenue streams, implementing efficient cost management practices, and building financial resilience through savings and investments (Afolabi, 2023). With these strategies, SMEs can better withstand economic pressures and contribute more significantly to the Nigerian economy.

Operational sustainability is another critical dimension of long-term sustainability for SMEs. It focuses on ensuring that business operations are efficient, resilient, and adaptable to change. For Nigerian SMEs, operational sustainability means adopting practices that minimize waste, streamline processes, and enhance productivity. An efficient operational structure allows businesses to allocate resources optimally, reduce operational costs, and improve service delivery, which are essential for long-term success (Chikwe et al., 2023). However, many Nigerian SMEs struggle with operational sustainability due to inadequate infrastructure, limited technological capabilities, and inefficiencies in supply chain management.

The lack of reliable infrastructure, particularly electricity and transportation networks imposes significant challenges on Nigerian SMEs, resulting in higher operational costs and delays in service delivery (National Bureau of Statistics, 2023). Additionally, limited access to modern technology means that many SMEs are unable to automate or optimize their operations, making them less competitive in both local and international markets (Eze & Ugwu, 2024). Enhancing operational sustainability in Nigerian SMEs requires investment in technology, training for staff to improve operational efficiency, and partnerships that can provide access to better resources and infrastructure.

In response to these challenges, some SMEs in Nigeria are beginning to adopt technology-driven solutions, such as digital payment platforms, inventory management software, and e-commerce. These

solutions not only improve operational efficiency but also help SMEs reach a larger market, thereby enhancing their sustainability prospects. Research suggests that operational efficiency can be improved by adopting lean management practices, investing in technology, and continuously monitoring performance metrics to identify and address inefficiencies (Osarenkhoe, 2022). By focusing on operational sustainability, Nigerian SMEs can better withstand external shocks and ensure consistent growth and productivity.

The performance of small businesses is a significant indicator of their long-term sustainability. Performance, in this context, refers to the ability of SMEs to achieve profitability, growth, and competitiveness in their respective markets. However, many Nigerian SMEs struggle with poor performance due to factors such as limited access to financing, inadequate infrastructure, and a lack of skilled labor (Afolabi, 2023). For instance, inadequate access to finance restricts the ability of SMEs to invest in growth opportunities, such as expanding operations or upgrading technology, which are critical to enhancing performance and ensuring sustainability.

Poor performance among Nigerian SMEs also stems from operational inefficiencies and a challenging business environment marked by bureaucratic bottlenecks and regulatory hurdles. The cumbersome process of registering businesses, coupled with high tax rates, discourages many entrepreneurs from scaling their operations. As a result, SMEs in Nigeria face difficulties in sustaining profitability and contributing meaningfully to the economy (Eze & Ugwu, 2024). Improving SME performance in Nigeria requires creating an enabling environment, simplifying regulatory procedures, and providing financial incentives that can help these businesses thrive. Small and Medium-sized Enterprises (SMEs) are widely recognized as vital engines of economic growth, innovation, and job creation, especially in developing economies like Nigeria. According to recent data, SMEs contribute approximately 48% to Nigeria's Gross Domestic Product (GDP) and account for about 84% of total employment (National Bureau of Statistics [NBS], 2023). This significant role highlights the need for ensuring the long-term sustainability of these enterprises. However, many Nigerian SMEs face challenges that threaten their longevity, including economic instability, operational inefficiencies, and limited access to resources. As a result, sustainability has become an increasingly crucial area of focus for both practitioners and researchers. Sustainability for SMEs, especially long-term sustainability, involves various dimensions including economic, environmental, social, and operational factors, all of which impact the overall performance and survival of these businesses (Osarenkhoe, 2022; Okeyo & Wanjiru, 2023).

Despite the critical role of SMEs in Nigeria's economic development, these enterprises face significant challenges that impede their long-term sustainability. High failure rates, economic instability, and operational inefficiencies make it difficult for SMEs to survive beyond the initial years of establishment. The problem is further compounded by limited access to resources, inadequate infrastructure, and the lack of supportive policies. Thus, there is an urgent need for a comprehensive approach that addresses economic, operational, and performance-related aspects of sustainability, enabling Nigerian SMEs to achieve sustained growth and stability. This study aims to explore the factors affecting the long-term sustainability of SMEs in Nigeria, with a focus on economic sustainability, operational sustainability, and overall performance.

The study has the following research questions:

To what extent does Economic Sustainability enhance the performance of small and medium enterprises in Nigeria.

To what extent does Operational Sustainability enhance the performance of small and medium enterprises in Nigeria.

The broad objective of the study is to analyze the effect of long-term sustainability on the performance of small businesses in Nigeria. The specific objective is to:

Examine the effect of economic sustainability plan on the performance of small and medium enterprises in Nigeria.

Analyze the effect of operational sustainability on the performance of small and medium enterprises in Nigeria.

The following hypotheses were formulated for the study:

Economic sustainability plan has no significant effect on the performance of small and medium enterprises in Nigeria.

Operational sustainability has no significant effect on the performance of small and medium enterprises in Nigeria.

REVIEW OF RELATED LITERATURE

Concept of Long-term Sustainability

Long-term sustainability in the context of businesses refers to the ability of an organization to maintain growth, stability, and value creation over an extended period while addressing economic, environmental, and social considerations. According to Egbetokun et al. (2023), long-term sustainability encompasses practices that enable businesses to adapt to environmental and economic changes, ensuring that resources are used in a way that secures future viability. Chikwe et al. (2023) add that long-term sustainability is linked to a firm's capacity to innovate and implement policies that mitigate risks and promote resilience against potential market shifts. Furthermore, Osarenkhoe (2022) emphasizes that for SMEs, long-term sustainability includes establishing strategic goals that align with broader societal values, such as reducing environmental impact and creating stakeholder value. Nyandemo and Mwangi (2024) argue that achieving long-term sustainability in SMEs necessitates balancing profitability with ethical and environmental obligations, as these factors contribute to public trust and customer loyalty.

Economic Sustainability

Economic sustainability is the dimension of sustainability that focuses on an organization's ability to achieve financial health and profitability while ensuring resources are managed effectively for future

stability. According to Okeyo and Wanjiru (2023), economic sustainability in business refers to adopting practices that enable consistent profitability, efficient resource utilization, and resilience against economic fluctuations. Eze and Ugwu (2024) define economic sustainability as the capacity of a business to maintain steady financial growth while minimizing costs and optimizing operational efficiency. This dimension is crucial for Nigerian SMEs, which operate in a challenging economic environment with limited access to finance and frequent inflationary pressures. Chikwe et al. (2023) further expand on this by stating that economic sustainability requires a business to develop innovative revenue streams and control operational costs to remain competitive in the long run. Additionally, Afolabi (2023) suggests that Nigerian SMEs can achieve economic sustainability by diversifying their markets and leveraging digital technologies to enhance profitability and reduce dependency on local markets.

Operational Sustainability

Operational sustainability refers to the effectiveness and efficiency of a business's internal processes and structures that support its long-term viability. Nyandemo and Mwangi (2024) argue that operational sustainability involves creating processes that minimize waste, reduce costs, and improve productivity, contributing to the business's resilience. Egbetokun et al. (2023) suggest that for SMEs, operational sustainability includes implementing management practices that optimize resources, enhance supply chain efficiency, and foster a productive work environment. Osarenkhoe (2022) emphasizes that operational sustainability also involves investing in technology and infrastructure to enable consistent service delivery and adaptability to market changes. Similarly, Okeyo and Wanjiru (2023) highlight the importance of operational sustainability for Nigerian SMEs, noting that improved operational processes enable these businesses to address infrastructural challenges, such as unreliable power supply and transportation networks, which are critical for sustaining operations and profitability.

Performance of Small Businesses in Nigeria

The performance of small businesses is typically measured by their profitability, growth, and competitiveness within the market. In the Nigerian context, SME performance is particularly impacted by access to finance, infrastructure, and skilled labor (Afolabi, 2023). According to Osarenkhoe (2022), performance indicators for Nigerian SMEs include revenue growth, market share, and operational efficiency, which are affected by external factors like regulatory challenges and economic volatility. Eze and Ugwu (2024) define SME performance as the capacity of a business to meet its operational and financial targets, thereby contributing to its long-term sustainability. Chikwe et al. (2023) further suggest that Nigerian SMEs need to improve performance metrics by adopting efficient management practices, improving employee training, and leveraging technology. Moreover, Okeyo and Wanjiru (2023) note that achieving high performance requires a conducive environment that fosters SME growth and supports access to resources, thereby enabling businesses to compete effectively in both local and international markets.

Theoretical Framework

The Triple Bottom Line (TBL) Theory, proposed by John Elkington in 1997 was used as the underpinning theory. The theory emphasized the need for organizations to balance three core pillars: People, Planet, and Profit. These pillars represent the social, environmental, and economic aspects of sustainability, respectively. The theory suggests that organizations should not solely focus on financial performance (profit) but also consider their impact on society (people) and the environment (planet). This holistic approach is crucial for long-term sustainability and resilience. Economic sustainability, one of the key components of TBL, refers to the ability of a business to generate consistent financial profits over time while considering the long-term economic health of the organization. It emphasizes the need for businesses to adopt strategies that ensure profitability without compromising their future growth. Economic sustainability involves prudent resource management, strategic investments, cost-effective operations, and maintaining a stable revenue stream that supports continued business success. On the other hand, Operational sustainability focuses on how businesses manage their day-to-day operations in an environmentally and socially responsible way. This includes optimizing resource use, reducing waste, improving energy efficiency, and minimizing environmental impact. Operational sustainability ensures that businesses' activities contribute to overall sustainability by fostering practices that are both efficient and eco-friendly, ultimately enhancing both economic viability and social responsibility in the long run. By integrating both economic and operational sustainability, businesses can achieve TBL objectives and promote enduring success.

Empirical Review

Eze and Afolabi (2023) conducted a study to examine the impact of economic sustainability practices on the performance of SMEs in Lagos State, Nigeria. The target population included 250 SMEs registered with the Lagos State Chamber of Commerce, from which a sample size of 154 was determined using the Cochran formula. The study utilized a survey research design, distributing questionnaires to owners and managers of these SMEs. Findings indicated a positive and significant relationship between economic sustainability practices such as cost management, investment in technology, and resource optimization and the financial performance of SMEs. The study further revealed that SMEs practicing economic sustainability strategies were more resilient to economic fluctuations. Based on these findings, the researchers recommended that SME managers implement cost-effective and resource-efficient strategies to enhance economic sustainability and improve overall business performance.

Okoro and Ojo (2022) investigated the relationship between economic sustainability initiatives and operational performance among SMEs in the manufacturing sector in Abuja, Nigeria. The study surveyed a target population of 180 SMEs and determined a sample size of 126 using Slovin's formula. Utilizing a descriptive research design and quantitative analysis, the study found that implementing economic sustainability initiatives, such as minimizing waste, optimizing supply chain processes, and adopting renewable energy solutions, had a significant positive effect on the operational performance and cost efficiency of SMEs. The regression analysis showed an R-squared value of 0.68, indicating that economic sustainability initiatives explained a substantial portion of the variation in operational performance. The

study recommended that policymakers and industry stakeholders encourage SMEs to adopt sustainable practices by providing incentives and financial support to improve their economic sustainability and operational performance.

Chukwu and Adeola (2023) conducted a study on the impact of operational sustainability practices on the performance of SMEs in Enugu State, Nigeria. The target population consisted of 200 SMEs in the manufacturing and retail sectors, with a sample size of 135 determined using the Taro Yamane formula. The researchers employed a survey design, distributing structured questionnaires to SME managers and owners. The findings revealed a significant positive relationship between operational sustainability practices such as efficient resource management, waste reduction, and improved production processes and the financial and operational performance of SMEs. The calculated Chi-square (X^2) value of 84.563 greatly exceeded the tabulated value of 11.07, confirming the positive impact of operational sustainability practices. Based on these results, the study recommends that SME managers prioritize sustainability in operations by investing in resource-efficient technologies and adopting environmentally friendly practices to enhance long-term performance.

Uche and Nwankwo (2022) explored the role of operational sustainability strategies in improving the competitive performance of SMEs in Abuja, Nigeria. The study focused on a target population of 150 SMEs across various service sectors, with a final sample size of 108 derived using Cochran's formula. Using a descriptive research design, data were gathered through questionnaires distributed to SME owners and analyzed using regression analysis. Results demonstrated a strong positive correlation between operational sustainability strategies such as supply chain optimization, waste minimization, and energy conservation and improved customer satisfaction, profitability, and market competitiveness. The study reported an R-squared value of 0.72, indicating that operational sustainability strategies explained a substantial portion of the performance variance. The study recommends that SMEs adopt operational sustainability practices to maintain competitive advantage, suggesting that policy support in the form of subsidies and incentives for sustainable initiatives could further enhance SME performance.

METHODOLOGY

The study employed a survey research design in which questionnaires were distributed to participants. The target population consisted of registered SMEs in Abuja, totaling 613,492 (SMEDAN, 2020). Using Slovin's formula (1960), a sample size of 399 was determined. Questionnaires were distributed to owners and managers of small and medium enterprises across 4 metropolitan areas namely Wuse, Lugbe, Jabin and Garki in Abuja through simple random sampling. Data was analyzed using linear multiple regression with the aid of SPSS version 26.

$$n = \frac{N}{1 + Ne^2}$$

Where:

n= number of samples

N= total population

e= error tolerance (level)

A confidence level of 95 percent (given a margin of error of 0.05)

$$n = \frac{613492}{1 + (613492)(0.05^2)}$$

$$n = \frac{613492}{1 + (613492)(0.0025)}$$

$$n = \frac{613492}{1.53473} \quad n=399$$

Model Specification

The study formulated the following regression model:

$$PSME = f(LTS)$$

$$PSME = \beta_0 + \beta_1 OSP + \beta_2 ES + \mu_i \text{-----} (1)$$

Where: LTS = an indicator representing long-term sustainability (Independent Variable);

PSME= dependent variable representing performance of small and medium enterprises

β_0 = a constant and β_{1-2} = coefficients of independent variables;

OSP = a predictor representing Independent Variable (Operational Sustainability plan);

ES= a predictor representing Independent Variable (Economic Sustainability);

μ = Stochastic error term;

i = Cross sectional; and

f = Functional relationship.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

A total of 399 questionnaires were distributed to owners and managers of SMEs in Abuja, out of this distribution, 381 questionnaires were retrieved.

Table 1

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969 ^a	.940	.940	.31853

a. Predictors: (Constant), OSP, ES

The Model Summary shows that the R-squared value is 0.940, indicating that 94% of the variability in the dependent variable is explained by the independent variables (Operational Sustainability and Economic Sustainability). The Adjusted R-squared value, also 0.940, confirms that the model is well-specified and that the addition of the predictors does not lead to overfitting. Overall, both values suggest a strong model fit, with the predictors accounting for most of the variation in the dependent variable.

Table 2

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	599.889	2	299.944	2956.221	.000 ^b
	Residual	38.353	378	.101		
	Total	638.241	380			

a. Dependent Variable: PSME

b. Predictors: (Constant), OSP, ES

The ANOVA results indicate that the regression model is highly significant (p-value = 0.000), suggesting that the independent variables Operational Sustainability Practices (OSP) and Economic Sustainability (ES) have a significant impact on the dependent variable (PSME).

Table 3

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.080	.039		2.038	.042
	ES	-.035	.015	-.032	-2.343	.020
	OSP	1.030	.014	.981	72.292	.000

a. Dependent Variable: PSME

Economic Sustainability (ES) has a statistically significant negative relationship with the dependent variable, performance of small and medium enterprises (PSME), with a p-value of 0.020. This indicates that a unit increase in economic sustainability would lead to a unit decrease in the performance of small and medium enterprises. The study hereby refutes the null hypothesis which says that economic sustainability plan has no significant effect on the performance of small and medium enterprises in Nigeria. Hence, economic sustainability plan has significant effect on the performance of small and medium enterprises in Nigeria. This study is in consonance with the findings of Eze and Afolabi (2023).

Operational Sustainability Practices (OSP) has a highly significant positive relationship with PSME, with a very small p-value of 0.000, indicating a strong effect on the dependent variable. This also indicates that a unit increase in economic sustainability would lead to a unit increase in the performance of small and medium enterprises. The study hereby accept the alternate hypothesis which states that operational sustainability has significant effect on the performance of small and medium enterprises in Nigeria. This result is in tandem with the findings of Okoro and Ojo (2022) and Chukwu and Adeola (2023).

CONCLUSION AND RECOMMENDATIONS

The study explores the relationship between long term sustainability practices and the performance of small businesses in Nigeria. The analysis reveals that the two dimensions of long term sustainability have significant effect on the performance of small and medium enterprises in Abuja. Economic Sustainability (ES) shows a negative but statistically significant relationship with performance, suggesting that while it is important, economic sustainability may have unintended short-term negative effects due to factors like cost management and resource allocation. Also, operational Sustainability Practices (OSP) significantly enhance business performance, with a highly positive impact on profitability, efficiency, and success.

The recommendations are:

- i. Small businesses should focus on operational sustainability by optimizing resource use, adopting energy-efficient technologies, and improving supply chain sustainability to boost long-term performance.
- ii. Small businesses need to evaluate their economic sustainability strategies, including better cost management, improved access to financing, and more effective business models.

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