



Economic business environment and survival of manufacturing firms in Nigeria

Ele Augustine, Etuk Idorenyin Udo

Department of Business Management, Faculty of Management Sciences, University of Calabar, Calabar, Nigeria

Abstract

This research paper principally focused on the correlation between economic business environment and survival of manufacturing firms in Nigeria. The study adopted qualitative or theoretical-based approach. Based on the reviewed of related literatures, the study revealed that high unemployment rate, high interest rate, high exchange rate as well as high inflation rate have a negative and significant relationships with the survival of manufacturing firms in Nigeria. The government should at all times evaluate and assess the level of unemployment rates in the country, and encouraging manufacturing firms to create more jobs for the teeming population of graduates by offering grants and practical and achievable loan facilities through central bank of Nigeria (CBN) and bank of industry (BOI) to manufacturing firms in the country. The government should also help to reduce and monitor the rapid acceleration of interest rates of commercial banks through the appropriate financial authorities in order to sustain and maintain the survival of manufacturing firms and scan the external economic environment to determine the strength/ weaknesses in the country.

Keywords: economic environment, survival, manufacturing firms and Nigeria

Introduction

The economic environment is one of the key or major components of the Nigerian business environment. It examines the ways particular society allocates its scarce resources to satisfy the needs and wants of its populace, and how the country applies its practical and industrial arts tools to operations to get things done more quickly, more easily and more efficiently in the production of goods and services (Etuk, 2009) ^[15]. He further stated that countries adopted different types of economic systems, but the efficiency or productivity of any economic system depends to a large extent on the way that system combines its economic resources itself, monetary and fiscal policies decisions, and processes for the transformation of resources into outputs, taxation and investment policies, the tariff system, competitive forces as well as labour union activities. Each of this influences Nigerian business environment in the survival of manufacturing sector to a notable degree. The economic environment refer to as the totality of economic indicators/measures/ factors, such as unemployment rate, income per capita, inflation, interest rates, productivity, gross domestic growth (GDP), as well as exchange rate that impact on the activities of manufacturing firms in Nigeria (Shane, 2014 in Nwekpa & Chukwuma, 2015) ^[35, 27]. It consists of those economic factors that directly or indirectly affect the operations of manufacturing firms in Nigeria, it includes inflation rate, exchange rate, interest rate, unemployment etc. (Nwekpa & Chukwuma, 2015) ^[27]. The economic environment of business operations measures the value and strength and weakness of every small scale businesses around the world, as it plays an essential role in formulating business policy in an effort to alleviate the economy (Nwekpa & Chukwuma, 2015) ^[27].

The economic external environment provides manufacturing firms with inputs that are transformed into outputs through internal processes and then the outputs are given back to the outside environment for proper interactions as well as interrelationships between them. This is because

manufacturing firms cannot single-handedly have full control over all occurrences in the environment. The economic environment is a source of constraints, contingencies, problems as well as opportunities that affect the terms on which organizations transact business (Njoroge, Ongeti, Kinuu & Kasomi, 2016) ^[25]. Economic factors consist of the overall economic climate, trade rates, inflation rate, labour unemployment rate, interest rates, the rate of economic development, income per capita, gross domestic product and trade deficit or surplus (Litavniec & Znotiņa, 2015) ^[21]. They further stated that economic factors help manufacturing firms to make a strategic decision and it is important for entrepreneurs of small and medium scale enterprises in manufacturing firms as well as pharmaceutical industry to understand monetary elements and its indicators to utilize the information to help marketing decision-making and planning process, most especially when there is a variation in interest rates. Therefore, it is likely that SMEs will be involved in considering increases in costs of production. The economic environment of a business is the pattern of all external and internal conditions and influences that affect its survival, growth and development in the economy (Ndife, 2014) ^[24].

Every business organization whether profit-oriented or non-profit-oriented is affected by the economic environment in various dimensions or ways such as income per capita, gross domestic product (GDP), the unemployment rate in the economy, exchange rate of the local currency in relation to the pound sterling or the American dollar, inflation as well as interest rate in the economy (Isimoya, 2012) ^[19]. These economic factors or indicators necessarily control the actions of manufacturing firms, they are more or less accepted as given by organizations in the sense that they are beyond the immediate and direct control of these manufacturing organizations through the actions of their managers (Etuk, 2009) ^[15]. This is because, the economic forces of any country generally affect the activities as well as operations of an organization through its measures or

indicators. And modern business managers operate in a dynamic and ever-changing economic environment that has been rapid and unpredictable. Economic variables as well as factors have been complex both in form and impact on business practices of manufacturing firms in Nigeria (Aluko, Gbadamosi, Odugbesan & Osuagwu, 2014)^[10]. The economic environment of business is ever-changing and ever-evolving such that the only permanent thing concerning the survival of the manufacturing firms is a change in its indicators or measures that have affected the growth and development in the business environment (Udu & Okafor, 2012)^[36].

Business survival is the ability of manufacturing firms to continuously be in operations in spite of the various challenges confronting the business transactions and production processes (Abang & Akpan, 2018)^[1]. The survival and performance of Nigeria manufacturing firms are predicated on factors such as low sales, high cost of production, low capital utilization, lack of foreign exchange to source needed input and materials, high-interest rate, inflation, poor power supply, and low quality of goods and services among others, which have to impede effect in the economy (Akpoviroro, Owututu & Akanmu, 2018)^[7].

Manufacturing firms today are regularly integrating new technologies to gain a competitive advantage over others in terms of productivity and service delivery (Okechkwu & Okoronkwo, 2018). They further stated that with the aid of new technologies, there are significant changes in the processes of manufacturing, production, marketing as well as human development and it is useful in accurate decision making, time and money savings in the economic system etc. Akpoviroro, Owututu and Akanmu (2018)^[7] stressed that most of the essential economic factors which affect survival and performance of many businesses are inflation, interest rates, exchange rate as well as unemployment. They further explained that when there is a high rate of unemployment, the company becomes selective in the recruitment of personnel and this can result in low production of products, which eventually makes the company lose its customer's demand and patronage.

Statement of the problem

The Nigerian business environment is characterized by complexities and dynamism. The Nigerian business environment has been affected by the tremendous and increasing changes of the economic forces that surround the operations as well as the activities of the business organizations. The need for studying and understanding the business environment became very imperative bearing in mind that no business organization exists or operates in a vacuum and effective management of manufacturing firms in complex and dynamic society such as Nigeria, requires the assessment of corporate strengths and weaknesses of the organization and the opportunities and threats posed by the economic environmental indicators. For survival and growth to be effective, manufacturing firms must adapt to these changes of the economic indicators such as high level of the unemployment rate, high exchange rate, high-interest rate, poor gross domestic product (GDP), as well as poor capital based utilization. These economic forces or indicators have impeded on the survival, growth and development of manufacturing firms' performance in the Nigerian business environment.

However, the survival and success of every business organization depend fully on its economic environmental factors. With this, managers in business enterprises need to be worried about the trends in the economic conditions in their decision making. Economic environmental problems in Nigeria pose a significant threat to society and its population that also affected the survival of manufacturing firms. There are many aspects or areas related to this problem that requires increased attention. The situation seems quite depressing, and there is a need for active measures to be put in place. Each of the problem mentioned above is very serious and need to be resolved promptly. The business environment has suffered and affected by the negative effect of economic indicators such as high level of the unemployment rate, high level of the exchange rate, high level of inflation and poor capital based utilization as well as poor gross domestic product in the system over a given period of time. This includes all aspects that affect the economic growth and survival of manufacturing firms' activities within the country. Manufacturing firms or business enterprises, being economic institutions, are directly influenced by many of these economic forces/factors such as high level of unemployment, high level of exchange rate, high level of interest rate, high level of inflation, poor capital based utilization, the rate of growth of the economy, the level of investment, the level of government and consumer spending, etc. These economic factors have affected the survival and operations of manufacturing firms both on the revenue side and the cost side. Based on this, the economic problems of unemployment, poor per capita income, high exchange rate, high-interest rate, and high inflation rate, poor gross domestic product as well as poor infrastructural factors have not been satisfactorily resolved and evaluated by the management of manufacturing firms as well as other business organizations in the society. Therefore, this study seeks to examine the relationship between the economic business environment and the survival of manufacturing firms in Nigeria.

Objectives of the study

The general objective of this study was to examine the relationship economic business environment and survival of manufacturing firms in Nigeria. The following specific objectives were formulated to guide this study:

1. To examine the extent to which a high unemployment rate significantly relates to the survival of manufacturing firms in Nigeria.
2. To assess the extent to which a high level of exchange rate significantly relates to the survival of manufacturing firms in Nigeria.
3. To determine the extent to which a high level of interest rate significantly relates to the survival of manufacturing firms in Nigeria.
4. To evaluate the extent to which a high inflation rate significantly relates to the survival of manufacturing firms in Nigeria.

Literature review

1. Theoretical framework

The theoretical framework of this study was anchored on contingency theory of management. The contingency theory was propounded by Edward Fiedler in 1964. The contingency theory can also be considered as the situational

theory, and it is an extension of the system theory. The contingency theory is an effort aimed at determining through research, which managerial practices and techniques are more appropriate in a particular organizational situation. The assumption of the theory was that different situations required different managerial responses. The contingency approach provides a more explicit understanding of the relationship between various organizational variables in the economic business environment. The theory argues that there is no one prescribed managerial action or organizational design that would be more appropriate or fit for all situations but, it is based on the unique context of the manufacturing firms and their environment (Inyang, 2008; Zigan, 2012; Omoluabi, 2016) [18, 39, 31]. This implies that all measures are contingent on the circumstances or situations. The contingency theory emphasizes organization as a research-based system that requires different measures to satisfy and balance internal needs and adaptation to the environmental circumstances. It prescribes that managers of the manufacturing firms need to look at new and improved methods of solving and managing organizational situations based on the peculiar nature of the enterprise in the economic business environment.. This is because, the effectiveness of a given management pattern or practice is contingent upon multitudinous factors and their interrelationship in a particular situation. This implies that the application of various management tools and techniques must be appropriate to the specific situation since each situation presents to the manager its own problems.

The value of this theory in this research work is that it will help managers of manufacturing firms to understand the relationships between the various indicators of economic environment and the survival of manufacturing firms in the system, based on the changes in the economic structures and conditions in Nigeria. This is because, structured organizations with many layers of management functions that are best suitable when external environmental conditions are relatively stable. And unstable environments dictate a more flexible and streamlined firms that can best adapt quickly to change. The theory is also important because, it is a change-friendly, able to explain organizational dynamism. It provides information about relevant economic changes taking place in the external business environment. This information will also aid manufacturing firms to maintain the dynamic equilibrium based on the tradition of the systems theory. Similarly, it is a practical way of studying as well as analyzing manufacturing firms that are emphasizing situational appropriateness. The theory also describes the relationship between two or more variables such as unemployment rate and business survival, exchange rate and business survival, interest rate and business survival, inflation rate and business survival as well as capital-based utilization and business survival of manufacturing firms in Nigeria.

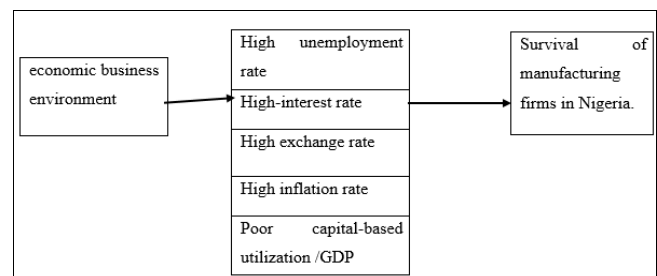
2. The concept of economic environment and business survival of manufacturing firms.

The economic environment is viewed as uncontrollable factors, whereby manufacturing firms expecting effective and efficient success and survival need to develop a strategy of coping with the external business environment (Gado, 2015) [17]. The economic business environment is an essential factor in determining the level of available resources and the ease with which manufacturing firms can

carry out its operations and production processes for business survival of manufacturing firms to be maintained and sustained continuously in the economy. This is because, poor macroeconomic policies lead to high-interest rates, fluctuating currencies, inflation, unemployment, poor capital-based utilization, poor GDP and a host of conditions that make it difficult for performance success and survival effectiveness in the country (Njuguna-Kinyu, Munyokki & Kibera, 2014) [26]. The economic environment focuses on the broad or general set of economic factors and conditions facing manufacturing firms in the country, which consist of information concerning unemployment rate, exchange rate, interest rate, inflation, poor capital-based utilization, poor GDP, economic recession, economic growth rate, rate of investment etc.

Adagba and Shakpande (2017) [2] in their study revealed that external economic factors such as multiple tax system, policy summersault, non-passage of the freedom of information (FOI) bill into law, high cost of capital, high interest rate, and inflation rates, terrorism, culture, religion, volatile exchange rates, the susceptibility of the economy to external shocks, infrastructure decay, dismal power supply, etc., escalated or increased cost of doing business in Nigeria, and this has posed serious threats to the survival and performance of manufacturing firms. The economic conditions reflect the broad economic health of the country and the area where manufacturing firms operate.

Gado (2015) [17] conducted a study on the impact of the Nigerian business environment on company performance using 20 most capitalized companies in Nigeria. The study adopted the Ordinary Least Square of regression and simple multiple Pearson’s correlation techniques. The study revealed that government expenditure and inflation have a positive impact while the exchange rate and interest rate have a negative impact but on the whole there was a positive and significant impact on organizational performance. The study recommended that the government should pay more attention to capital expenditure on vital sectors like infrastructures and education while maintaining fiscal stability. The private sector should partner with the government in infrastructural investment instead of each company providing its own infrastructures. This diagram below, shows the flows of economic environment indicators or measures as it affect or dwindling on the survival of manufacturing firms in Nigeria.



Source: Formulated by the researcher to guide this study (2020)

3. Business environment and business survival

The business environment is concerned with the general meaning of external factors that surround and potentially affect or influence the activities as well as the operations and behaviour of a particular business organization (Etuk, 2009) [15]. Eboh and Agu (2007) [13] in Etuk (2009) [15] business environment maybe refer to the enabling

conditions for private enterprise and business competitiveness in an economy. It is specifically referred to as the aggregate of external factors and internal factors/forces that operate to influence and/or affect the activities of specific business organizations in the society. The business environment can also be defined as external conditions, forces, factors as well as institutions that are beyond the control of the business, that affect the functioning and operations of a business enterprise, which consist of customers, competitors, suppliers, distributors, industry trends, substitutes, regulations government activities, the economy, demographics, social and cultural factors, innovations and technological developments (Akpoviro, Owututu & Akanmu, 2018)^[7]. The business environment is the system in which the business interface and interact with for its day-to-day operations, by obtaining its inputs and giving out its products/outputs (Abang & Akpan, 2018)^[11]. The business environment represents all the forces, factors and institutions that are beyond the control of the business and affect the functioning of an enterprise (Obasan, 2014)^[29]. Ridwan and Ina (2015)^[33] examine the influence of the business environment on the organization performance in Indonesia. The study revealed that the business environment has a significant effect on organizational performance. It can also be defined as the total surroundings, which have a direct or indirect bearing on the functioning and operations of the business. It can also be seen as a set of external factors such as economic and technological factors, socio-cultural factors, political and legal factors, behavioural factors, physical factors etc., which are uncontrollable in nature and affect the business decisions of the manufacturing firms in the country.

4. Business survival of manufacturing firms

Business survival is the capacity or ability of a firm to continuously be in operation in spite of the various challenges that confronted the organizations. Business survival is termed as the operation of a business organization ongoing concern sometimes refers to as manage to stay in business (Oginni & Adesanya, 2013)^[30]. Alarmoti (2016)^[9] opined that there is an impact of external environmental analysis in choosing of external competitive strategies in services organizations. With the rapid globalization of the Nigerian economy, manufacturing firms are faced with tremendous changing of the economic and competitive environment. They are competing in developing as well as creating the economic conditions that will enable them to be competitive in both the domestic and international markets (Salaheldin, 2009). Thus, the survival and success of every business depend on adapting itself to the rapid changes of the economic environment indicators/measures within which its functions (Adeoye, 2012; Obasan, 2014; Jankovic, Mihajlovic & Cverkovic, 2016; Ajayi, 2016)^[3, 29, 20, 5]. In order to survive, manufacturing firms need to always keep a close tab or look at the various economic activities that determine and ensures continuity of the system in the society.

5. Unemployment rate and business survival of manufacturing firms

This is a vital economic indicator of the health of the country's economy. Unemployment is a situation whereby part of the number of total population, who are ready and willing and able to work and available for work at the

prevailing salary structure, but there is no available job for them to do. It is regarded as a serious problem faced by most developed and developing countries and resulting in socio-economic problems in Nigeria (Khrais & Al-Wadi, 2016; Akutson, Abaka & Dalhatu, 2018)^[8]. They further stated that this rising rate of unemployment in Nigeria is known by many Nigerians with its stinging manifestation on an average Nigerian. Nigeria's unemployment rate hits 33.5% by January 2020. A higher level of unemployment rate means the low aggregate of purchasing power and hence lower sales for all businesses most especially manufacturing firms in the economy (Omorokpe & Nomuoa, 2010)^[32]. The issues of unemployment and poverty, poor infrastructural facilities, corruption and other social problems are critical impediments that plague the Nigerian nation economy most especially the manufacturing sector (Akpan, Effiong & Ele, 2012)^[6]. The Youth unemployment rate is one of the greatest challenges facing Nigeria today and has conserved a rising trend over the years (Agbodike, Igbokwe-Ibeto & Umeifekem, 2015)^[4]. They further revealed that there is a positive relationship between youth unemployment and labour productivity in Nigeria. It was also revealed that in the short-run, unemployment significantly and positively affects economic growth in Nigeria for the period under study and in the third period (Akutson, Abaka & Dalhatu, 2018)^[8]. To curtail the high rate of unemployment, the survival, as well as the success of manufacturing firms that will aid to improve economic growth and development, have to be seen as the major element that can address this danger. The economic growth and development of every country are the means through which unemployment rate can be reduced, inflation can be reduced and stabilized, and the innovation of manufacturing firms operations and performance need to be promoted as a solution for poverty eradication as well as poverty reduction in the society.

6. Exchange rate and business survival of manufacturing firms

The exchange rate is the rate at which the naira is converted to the US dollar and other foreign currencies. Nwekpa and Chukwuma (2015)^[27] emphasized the need for the federal government and the Central Bank of Nigeria (CBN), to come up with strong policies that will maintain and sustain a fixed exchange rate. They further stated that it is absolutely imperative because low fixed exchange rate help to foster economic stability and enhances manufacturing firms and other businesses performance in Nigeria. Foreign exchange rates affect the costs of exporting goods and the supply and the price of imported goods in an economy (Akpoviro, Owututu & Akanmu, 2018)^[7]. The relationship between the interest rate and exchange rate can be viewed through the demand and supply of foreign exchange rates in the foreign exchange market (Yakubu *et al*, 2016)^[38]. Omorokpe and Nomuoa (2010)^[32] defined the exchange rate as the price of domestic currency for a unit of foreign currency. For those manufacturing firms that import most if not all of their equipment, machines, spare parts as well as raw materials, the prevailing exchange rate determines their cost of operations as well as profit margins and the survival of the business. Similarly, both the Federal government and Central bank of Nigeria (CBN) have the obligation to manage the exchange rate for the Nigerian currency effectively and efficiently in order to maintain external

stability and cure inflation in the system (Antai, 2017) ^[11]. Presently in Nigeria, the exchange rate has risen to #389.22 minimum to one US dollar, while #390.01/#400 to one US dollar as maximum due to COVID 19 pandemic across the globe.

7. Interest rate and business survival of manufacturing firms

An interest rate is a policy tool used by CBN to determine the supply and cost of money in an economy (Yakubu, Ogunleye, Barka & Ahmadu, 2016) ^[38]. The interest rate facilitates the flows of funds from lenders to borrowers. It is the cost of borrowing that shows what a borrower pays to the lender for the use of money. It aids the flow of credit in the economy and help financial entities such as corporate organizations, banks, mutual funds and insurance companies carrying out their intermediate roles. The higher the interest rate, the lower the profit margins (CBN, 2016; Mushtaq & Siddiqui, 2016). The strategic monetary influence for business is the interest rate and higher interest rates increase business costs and act as a break on spending in the economy (Emeka & Eyuche, 2014) ^[14]. Interest rates affect a firm's cost of capital and therefore the extent to which a business grows and expands also depends on the variation in it (Akpoviro, Owututu & Akanmu, 2018) ^[7]. Mwangi and Wekesa (2017) opined that economic factors such as taxation and interest rate have a significant influence on organizational performance. Interest rate is the amount charged on borrowed money, usually expressed as a percentage of the principal by a lender to a borrower for the use of money. Interest rate impact on capital flows for manufacturers to invest more money in the economy (Yakubu *et al*, 2016) ^[38]. It serves as a vehicle for financial intermediation in the system. It influences the savings and investment decisions of economic agents. It also guides the flow of funds from savers to borrowers. Any variation or a change in interest rate always affects consumers' spending and the level of savings of households, production and investment decisions of manufacturing firms. The interest rate serves as a channel for monetary policy transmission mechanism to control the flows of money in an economy.

8. Inflation and business survival of manufacturing firms

Inflation reflects a reduction in the purchasing power of individuals as well as small scale businesses per unit of money on the economy (Nwekpa & Chukwuma, 2015) ^[27]. Inflation is another factor that affects the interest rate, which in turn influence the behaviour of manufacturing firms in Nigeria. The higher the expected inflation rate, the higher the interest rate is likely to be because of the need to maintain real interest rate positive to encourage further savings will be difficult. If expected inflation falls, other things being equal, the interest rate will also fall (CBN, 2016; Mushtaq & Siddiqui, 2016; Yakubu *et al*, 2016) ^[38, 12]. The rising prices and expectations of accelerating or growing inflation due to current occurrences and economic conditions will tend to increase interest rates, whereas low levels of inflation and improvement in the expected inflation will usually lead to lower levels of interest rate that have a positive influence on the survival of manufacturing firms in Nigeria. The federal government so far attempted to deal with structural adjustment programme (SAP) to induced inflation in the system through the use of the classical

remedy, the old-time religion of restricting aggregate demand by fighting monetary policy as demonstrated in the amendments to the 1989 monetary policy and the 1990 budget (Antai, 2017) ^[11]. Obasan (2014) ^[29] opined that the factors that affect the survival of small scale businesses are the inflationary trend, infrastructural facilities, accessibility and government policy that serve as barriers to business growth and development.

Empirical review

Nwekpa and Chukwuma (2015) ^[27] conducted a study on the implications of economic factors on small scale business performance in Nigeria. The study adopted a quantitative research design. Secondary data were collected from the Central Bank of Nigeria Statistical Bulletin and Federal Office of Statistics for the period of 1970-2013. Data collected were estimated using regression models through (SPSS) of which Ordinary Least Square (OLS) formed the basis for estimation. The study revealed that high inflation rate, exchange rate, government tax revenue, external finances as well as interest rate as economic indicators or factors have a significant effect on the performance of small scale businesses in Nigeria. The study recommended that the federal government should come up with stringent policies and regulations that would maintain a fixed exchange rate, interest rate, and low inflation that create enabling environment that could enhance the activities of small scale businesses in Nigeria. The government should also through the relevant agencies look into the key sectors of the economy and creates a sustained framework that would stabilize the economy in order to enhance the performance of small scale businesses in Nigeria. The study concluded that the economic environmental factors have a significant effect on the small scale business performance in Nigeria.

Udu (2015) ^[37] conducted a study on environmental factors and business operations in Nigeria. The study adopted an estimated model using ordinary least squares (OLS) regression and evaluated using appropriate statistical and econometrics tests of significance such as t-test, F-test, multiple coefficient of determination test and the Durbin Watson test of autocorrelation. The variables considered in the work were the gross domestic product, inflation, interest rate, unemployment rate, and exchange rate and business operations. Data were collected from a secondary source of data. The study revealed that a one per cent rise in inflation rate reduces the output of business operations by NGN0.000463bn or NGN463, 000, but as interest rates increase, the contribution of business operations to the overall output of goods and services improves and so does the unemployment rate. The study recommended that the government should have a rethink on its tacit financial support to business organizations if the current trend of the uncompetitive economic environment must be reversed. It was concluded that the economy grows at a declining rate and does not encourage middle economic status. The dynamism of environmental factors has negatively affected business operations in Nigeria between 1981-2013, because of the largely poor economic policy formulation as well as implementation in the system

Emeka and Eyuche (2014) ^[14] had a study on environmental factors and organizational performance in Nigeria using Juhel Company Ltd. Emene, Enugu in Enugu Metropolis was set out to accomplish the following objectives: To find

out the relationship between the employees and their work environment, to assess the extent of employee performance on productivity, and to find out the extent environmental factor has enhanced to performance. The study adopted a survey research design method. The study had a population size of 1,152, out of which a sample size of 297 was selected using Taro Yamane formula at 5% error and 95% level of confidence. The instrument for data collection was a structured questionnaire. The total number of 275 copies of questionnaire were returned. Data were analyzed using tables and percentages. The study adopted Pearson's correlation coefficients and z-test statistical tools to test the hypotheses. The study revealed that there was an unsafe and unhealthy workplace environment, poor motivation, lack of innovation, high cultural interference and allow organizational interpretation process. The study recommended that organizations should use SWOT analysis to analyze the environment to enable them to fit in and keep going in the system.

Essien (2014) ^[16] carried out a study on the Nigerian business environment and growth constraints of micro and small scale manufacturing industries in Akwa Ibom State, Nigeria. The study adopted a descriptive survey design. The study population comprised of 382 operators of manufacturing micro and small scale businesses in Akwa Ibom State and a sample of 234 operators of manufacturing micro and small scale businesses were selected through stratified random sampling. A structured questionnaire was used in data collection. This instrument was duly validated and tested for reliability. Of the 234 copies of the questionnaire administered, 225 useable copies were retrieved. Frequencies and simple percentages, as well as factor analysis, were used to analyze data. Data analysis was facilitated with the use of the Statistical Package for Social Sciences (SPSS version 20.0). The study showed that the dimensionality of the MSMI's constraints can be explained by 7 factors, which include the problem of infrastructure particularly-power (factor 1), strict rules on credit (factor2), high-interest rates on loan (factor3), multiple taxations (factor 4), absence of tax holiday (factor 5), trade liberalization (factor 6), and poor patronage of made in Nigeria goods (factor 7). It was identified that problem of infrastructure (power), inaccessibility of credit, high-interest rate on loans, multiple taxations respectively were major constraints that affected the growth of micro and small scale manufacturing businesses in the area. It was recommended that to stabilize power, the Akwa Ibom State government should geared efforts toward generating electricity through Ibom IPP; the use of immovable assets as the criterion to access business funding by banks should be reviewed; tax regimes should be harmonized. Also, ensuring product quality by SON, and promoting awareness of made in Nigeria products through trade fairs and exhibitions by MAN and NACCIMA will address trade liberalization and poor patronage factors.

Oginni and Adesanya (2013) ^[30] carried out a study on the implication of the business environmental factors on the survival and growth of business organizations in the manufacturing sector with reference to the Lagos metropolis of Nigeria. Secondary and primary sources of data were employed. An open-ended questionnaire with 5 points Likert was used for the study. 550 respondents chosen from the existing manufacturing organizations and the inhabitants in the three senatorial districts (West, East and Central) that

made up Lagos Metropolis through random, purposive and convenience sampling techniques. Data obtained from the respondents were analyzed by a simple percentage and presented by table distribution as well as using descriptive, correlation and analysis of variance at 0.05 level of significance to ascertain the relationship and factor impact. The study found that most of the factors identified as the environmental factors in the environment of the business organizations of the manufacturing sector have a significant effect on the survival and growth of business organizations in the manufacturing sector. Electricity, government policies and fraudulent practices were found as factors critical with severe impact on the survival and growth of business organizations in the manufacturing sector among other factors which were adduced as the underlying rationale behind the exodus of manufacturing organizations to the neighbouring countries. It was recommended that the present arrangement (policy) of centralizing electricity which has made the federal government enjoy monopoly should be jettisoned in order to make way for devolution and alternative to power generation aside from the use of a generator which has made operation cost to keep increasing. That management of these manufacturing organizations should constantly scan the environment in order to understand the major trends of events and make proactive decisions that would neither jeopardize nor mortgaged the future of the organizations.

Abang and Akpan (2018) ^[1] conducted a study on the empirical review of the business environment and the survival of small and medium scale enterprises in Nigeria. The study adopted a qualitative research design. The study revealed that the business environment has a great influence on the growth and survival of small scale businesses in Nigeria. The study also found that micro-environmental factors are under the control of the business operators while the macro-factors are not within the control of the operator and some environmental factors usually referred to task factors are more influential than the general environmental factors. It was recommended that small business operators must learn to identify and differentiate the various levels of business environment affecting their business survival and the strategy to adapt and cope with these different levels of environmental factors in order to enhance the survival and growth of the business. It was concluded that small business operators must develop and adopt scientific and rational business management strategies that will aid and increase their understanding of the specific business environmental factor that have a direct influence on the growth and survival of business organizations.

Akpoviroro, Owututu and Akanmu (2018) ^[7] conducted a study to examine the impact of the external business environment on the organizational performance of frozen fish companies in Nigeria. The survey research design was adopted in the study. A structured questionnaire was developed to collect information from the respondents based on a sample of 3 companies with 120 sample sizes through a stratified random sampling technique. Data collected were analyzed using multiple regression analysis. The study revealed that the external business environment of political, economic, and technological and socio-cultural etc have an impact on organizational performance. The study recommended that organizations should understand the implications of organizational performance of their business activities in order to identify opportunities and threats to

their business and the organization as well. And that management must understand government policies or regulations because this has an impact on organizational performance. And concluded that the external business environment has an impact on organizational performance. Ndife (2014)^[24] had a study on the business environment and survival of the tourism industry in Awka, Anambra State, Nigeria. The study adopted a survey research design. The primary source of data was used for this research. A structured questionnaire and the oral interview were used. A sample of 57 respondents was selected from some small tourism businesses in Awka. A convenience sampling method was used to obtain the hotels used while simple random sampling was employed in selecting the sample units from each of the three selected hotels. The population of the study was 70. The Chi-Square test of independence and descriptive statistics were used to analyze the responses at a 5% level of significance. It was found that political and economic environments have a significant impact on business performance while the socio-cultural environment does not have a significant relationship. It was recommended that the government should help entrepreneurs to start new tourism business and protect them to continue the business, the government can stimulate private business development and employment growth by fostering an enabling economic environment in the system.

The methodology of the study

The methodology of this research work was drawn on a theoretical-based approach by sourcing out information from journals, text books, internet materials, and other related sources of information. This is also supported by experience and observation of the researcher on economic business environment and survival of manufacturing firms in Nigeria.

Discussion of findings

The study revealed that a high unemployment rate has a significant relationship with the survival of manufacturing firms in Nigeria. This is supported with the finding of Oginni and Adesanya (2013)^[30] which found that most of the factors identified as the environmental factors such as unemployment rate, high-interest rate and high inflation rate in the environment of the business organizations have a significant effect on the survival and growth of manufacturing firms in Nigeria. They further asserted that electricity, government policies and fraudulent practices were also found as factors critical with severe impact on the survival and growth of business organizations in the manufacturing sector among other factors which were adduced as the underlying rationale behind the exodus of manufacturing organizations to the neighbouring countries. Akpan, Effiong and Ele (2012) asserted that unemployment rate and poverty, poor infrastructural facilities, corruption and other social problems are critical impediments that plague the Nigerian nation's economy most especially the manufacturing sector. Abang and Akpan (2018)^[1] also found in their study that the business environment has a great influence on the growth and survival of small scale businesses in Nigeria. They concluded that small business operators must develop and adopt scientific and rational business management strategies that will aid and increase their understanding of the specific business environmental factors that have a direct influence on the growth and survival of business organizations.

The study also revealed that a high level of exchange rate has a negative significant relationship with the survival of manufacturing firms in Nigeria. The finding is in line with the result of Nwekpa and Chukwuma (2015)^[27] which revealed that high exchange rate, government tax revenue, external finances as economic indicators of factors have a significant effect on the performance of small scale businesses in Nigeria. Akpoviroro, Owututu and Akanmu (2018)^[7] in their study also revealed that external business environment such as political, economic, and technological and socio-cultural etc. has a significant impact on organizational performance. Ndife (2014)^[24] also found that political and economic environments have a significant impact on business performance while the socio-cultural environment does not have a significant relationship with business performance in Akwa Ibom State, Nigeria.

The study also found that a high level of interest rate has a negative significant relationship with the survival of manufacturing firms in Nigeria. This is supported by the assertion of Nwekpa and Chukwuma (2015)^[27] which revealed that high-interest rate, government tax revenue, and external finances have a significant effect on the performance of small scale businesses in Nigeria. But a decrease in interest rates leads to effective contribution of business operations to the overall output of goods and services to improve and thus does reduce the level of unemployment rate (Udu, 2015)^[37]. He concluded that the dynamism of environmental factors has negatively affected business operations in Nigeria between 1981-2013, because of the largely poor economic policy formulation as well as implementation in the system, since the economy grows at a declining rate and does not encourage middle economic status in the country. Essien (2014)^[16] also asserted that high interest rates on loans, multiple taxations, inaccessibility of credit respectively were the major constraints that affected the growth of micro and small scale manufacturing businesses in Akwa Ibom State. Yakubu *et al* (2016)^[38] also found that there is a significant relationship between the interest rate and exchange rate with organizational performance through the demand and supply of foreign exchange rates in the society. Mwangi and Wekesa also (2017) asserted that economic factors such as taxation and interest rate have a significant influence on organizational performance.

The study also discovered that inflation significantly relates to the survival of manufacturing firms in Nigeria. In the study of Nwekpa and Chukwuma (2015)^[27] revealed that high inflation rate, exchange rate, government tax revenue, external finances as well as interest rate as economic indicators of factors have a significant effect on the performance of small scale businesses in Nigeria. And concluded that the economic environmental factors have a significant effect on the small scale business performance in Nigeria. Udu (2015)^[37] in his study also revealed that a one percent rise in the inflation rate reduces the output of business operations from NGN0.000463bn to NGN463, 000. Adagba and Shakpande (2017)^[2] in their study also revealed that external economic factors such as inflation rates multiple tax system, policy summersault, non-passage of the freedom of information (FOI) bill into law, high cost of capital, high interest, terrorism, culture, religion, volatile exchange rates, the susceptibility of the economy to external shocks, infrastructure decay, dismal power supply, etc., escalated or increased cost of doing business in Nigeria,

which has posed serious threats to the survival and performance of manufacturing firms. Gado (2015) ^[17] also discovered that government expenditure and inflation have a positive impact while exchange rate and interest rate have a negative impact but on the whole, there was a positive and significant impact on organizational performance.

Implications of the study

This study will aid the management of manufacturing firms to understand the ever changes of all the economic conditions and indicators towards the continuous survival, growth and development of the manufacturing firms. The study will also encourage management as well as the government to evaluate and determine the SWOT analysis of the economic environment. This research work will aid management to negotiate and bargain with commercial banks for a reduction in interest rates before demanding for loan facilities in order to expand the scope of the manufacturing firms, which will in turn help to create more jobs' opportunities in Nigeria.

Conclusion

The fact has been established in this study that economic business environment measures or indicators such as high unemployment rate, high exchange rate, high-interest rate, high level of inflation, poor gross domestic product, poor income per capital, as well as poor capital-based utilization if properly scan and analyze will enhance the sustainability and maintenance of the survival of manufacturing firms in Nigeria. This is because, the economic environment is the key element of the Nigerian business environment, which consists of all the economic conditions, climate and forces that operate to influence the functioning and operations of the manufacturing firms in the system. And if manufacturing firms do not employ or adopt good environmental scanning as well as analysis strategies in evaluating and assessing the rapid changes of all the economic indicators, performance and survival of manufacturing firms or production organizations will continue to decline. Apparently, the economic business environment with its measures or indicators such as unemployment, interest rate, exchange rate, inflation has a negative and significant relationship with the survival of manufacturing firms in Nigeria. The economic environment is one of the key component of the Nigerian business environment, in which all other external and internal factors of the environment are based. The economic environment indicators strengthen the effective and efficient performance and survival of manufacturing firms in Nigeria.

Recommendations

Based on the findings of this research work, the followings recommendations were made:

1. The government should at all times evaluate and assess the level of unemployment rates in the country, and encouraging manufacturing firms to create more jobs for the teeming population of graduates by offering grants and practical and achievable loan facilities through the Central Bank of Nigeria (CBN) and bank of industry (BOI) to the manufacturing firms in the country.
2. The government should help to reduce and monitor the rapid acceleration of interest rates of commercial banks through the appropriate financial authorities in order to

sustain the survival of manufacturing firms in the country.

3. The government should also try to put effective regulation and maintenance of a stable exchange rate with the US dollar and other foreign currencies, in order to allow efficient importation of raw materials, machines, and equipment for effective production processes of manufacturing firms in the system.
4. The management should always scan the economic environment indicators or measures in order to determine the strength and weaknesses, opportunities and threats before seeking for loan facilities from the commercial banks to know the actual interest rates of the financial institutions as established by the CBN.
5. The management as well as the government should at all times evaluate and assess inflationary trends through the monetary policy and performance of the manufacturing sector in order to ascertain the level of productivity and survival of production firms in the country.

References

1. Abang SE, Akpan JE. Empirical review business environment and the survival of small and medium scale enterprises in Nigeria. *Dutse Journal of Economics and Development Studies (DUJEDS)*,2018:6(2):21-28.
2. Adagba DT, Shakpande C. Effect of environmental factors on business performance. *Nigerian Journal of Management Sciences*,2017:6(1):16-23.
3. Adeoye MO. Impact of business environment on entrepreneurship performance in Nigeria. *Computer Information System Development Information and Allied Research*,2012:4(4):59-66.
4. Agbodike CF, Igbokwe-Ibeto CJ, Umeifekem U. Youth unemployment and labour productivity in Nigeria: The nexus. *Journal of Research and Development (R&D)*,2015:2(8):15-28.
5. Ajayi A. Impact of external business environment on organizational performance of small and medium scale enterprises in Osun State, Nigeria. *Scholedge International Journal of Business Policy & Governance*,2016:3(10):155-166.
6. Akpan EI, Effiong SA, Ele AA. Entrepreneurship education: An intervention strategy for economic development in Nigeria. *Business and Entrepreneurship Journal Uk*,2012:1(1):101-110.
7. Akpoviroro KS, Owututu SO, Akanmu PM. Impact of external business environment on organizational performance. *International Journal of Advance Research and Innovative Ideas*,2018:4(3):499-505.
8. Akutson S, Abaka MJ, Dalhatu AY. The impact of unemployment on economic growth in Nigeria: An application of autoregressive distributed lag (ARDL) bound testing. *Journal of Business Management and Marketing*,2018:1(2):37-47.
9. Alarmoti A. The impact of external environmental analysis in the choosing of appropriate competitive strategies on the application of the four-star hotels in the capital Amman Jordan. *International Journal of Informational, Business and Management*,2016:11(2):278-299.
10. Aluko M, Gbadamosi G, Odugbesan O, Osuagwu L. *Business policy & strategy (3rd Ed.)*. Ikeja: Learn Africa Plc, 2014.

11. Antai AS. *Macroeconomics: Concepts, policies and applications*. Calabar: Excel Publishers, 2017.
12. CBN. Interest rate. Research Department of Education in economics series,2016:3:1-20.
13. Eboh RC, Agu C. Business environment and competitiveness across the Nigerian States. National Synthesis Report,2007:1(1):21-30.
14. Emeka N, Eyuche AH. Environmental factors and organizational performance: A study of Juhel Company Enugu. *World Engineering & Applied Sciences Journal*,2014:5(2):75-84.
15. Etuk EJ. *The Nigerian business environment (2nd Ed.)*. Calabar: University of Calabar Press, 2009.
16. Essien BS. The Nigerian business environment and growth constraints of small scale manufacturing industries. *American International Journal of Social Science*,2014:3(6):67-76.
17. Gado ND. The impact of the Nigerian business environment on company performance: A case of most 20 capitalized companies in Nigeria. *International Journal of Business and Management Review*,2015:3(4):36-48.
18. Inyang BJ. *Organizational behaviour: A managerial perspective (2nd Rev. Ed.)*. Calabar: Merb Publishers, 2008.
19. Isimoya AO. *Nigerian business environment: An introduction*. Palmgrove-Lagos: Concept Publications Limited, 2012.
20. Jankovic M, Mihajlovic M, Cvertkovic T. Influence of external factors on business of companies in Serbia. *Original Scientific Article*,2016:62(4):31-38.
21. Litavniece L, Znotiņa D. External business environment problems and opportunities. *Latgale National Economy Research*,2015:1(7):107-119.
22. Mushtaq S, Siddiqui DA. Effect of interest rate on economic performance: Evidence from Islamic and non-Islamic economies. *Financial Innovation*,2016:2(9):1-14.
23. Mwangi EN, Wekesa S. Influence of economic factors on organizational performance of airlines: A case study of Kenya Airways Limited. *IORS Journal of Humanities and Social Sciences*,2017:22(5):08-14.
24. Ndife CF. Business environment and survival of the tourism industry. *IOSR Journal of Business and Management*,2014:16(10):78-83.
25. Njoroge JK, Ongeti WJ, Kinuu D, Kasomi FM. Does the external environment influence organizational performance? The case of Kenyan state corporations. *Journal of Management and Organizational Studies*,2016:3(3):41-51.
26. Njuguna-Kinyua J, Munyoki J, Kibera F. Influence of external organizational environment on the performance of community-based HIV and AIDS organizations in Nairobi Country, Kenya. *European Scientific Journal*,2014:10(28):405-426.
27. Nwekpa KC, Chukwuma E. Implications of economic factors on small scale business performance in Nigeria. *International Journal of Research in Business Management*,2015:3(10):23-30.
28. Okechukwu EU, Okoronkwo BO. Evaluation of technological environment on organizational performance among selected medium scale enterprises in Enugu State. *International Journal of Academic Research in Economics and Management Sciences*,2018:7(3):267-280.
29. Obasan KA. The impact of business environment on the survival of small scale businesses in Nigeria. *International Journal of Management Research*,2014:4(3):165-170.
30. Oginni BO, Adesanya AS. Business environmental factors: Implications on the survival and growth of business organizations in the manufacturing sector of Lagos metropolis. *Journal of Business Management Research*,2013:2(3):146-155.
31. Omoluabi ET. Contingency approach in Nigeria management system. *Information and Knowledge Management*,2016:6(7):1-7.
32. Omorokpe RO, Nomuajo JO. Introduction to business: Institutions and regulatory emphasis. Benin City: March Publishers, 2010.
33. Ridwan I, Ina P. Influence of business environment on the organization performance. *International Journal of Scientific and Technology Research*,2015:4(4):283-293.
34. Salaheldim SI. Critical success factors for TQM implementation and their impact on performance of SMEs. *International Journal of Productivity and Performance Management*,2009:58(3):215-237.
35. Shane M. Africa's aborted industrialization: Modernization strategies impede organic industrial growth. Delhi: Araz Publication, 2014.
36. Udu AA, Okafor LC. *Essential of business management (3rd Ed.)*. Enugu: Rhyce Kerex Publishers, 2012.
37. Udu AA. Environmental factors and business operations in Nigeria. *International Journal of Business and Social Sciences*,2015:6(11):144-154.
38. Yakubu J, Ogunleye TS, Barka AS, Ahmadu AR. Interest rate. CBN Research Department-Education in Economics Series,2016:3:1-20.
39. Zigan K. A contingency approach to the study of strategic resources. *Journal of General Management*,2012:38(2):79-99.