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EFFECT OF INTERNAL BUSINESS ENVIRONMENT ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SME'S) IN ADAMAWA STATE

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ABSTRACT

The study looks at the impact of the internal business environment (as evaluated by financial competence, marketing competency, and management competency) on the success of SMEs in Adamawa State, Nigeria. The total population of the study was 1,776 people (Adamawa State Chamber of Commerce and Industry, Adamawa State, 2019), with a sample size of 239 people chosen using Yamane's (1967) method and convenience sampling strategy. Data collected using questionnaire was analyzedvia descriptive statistics, as well as correlation analysis and multiple regression technique. According to the study, financial aptitude, marketing ability, and managerial ability all have a positive and significant impact on the development of SMEs in Adamawa State. As a result, the study advises SMEs (entrepreneurs) and corporate leaders to re-vitalize their companies' financial capacity through smart financial planning.

Keywords: Internal Business Environment; Small and Medium Enterprises (SME's); Performance.

INTRODUCTION

The business operating environment all over the world is complex and dynamic due to many interconnected factors including globalization and advancement in technology. Meanwhile, every business organization is seen as a system that is available to everyone. This suggests that people interact with their environment, affecting and being influenced by events and patterns in the operating environment. Changes in the operating environment in Nigeria have harmed small and medium-sized businesses; this could be due to their inability to compete with large firms and imported products from countries with lower production costs, particularly those from Asia; they also have less government protection and are exposed to a lack of social capital, all of which puts pressure on SMEs in Nigeria's productivity (Jonah, Aginah& Martins, 2018). The plight of SMEs in Nigeria appears to be worsening as government economic policies are changed without consideration for their impact on industrial development, the political landscape has proven to be unstable, and a lack of policy direction and investment in technological development and socio-cultural affairs has created a knowledge gap in the economy, hampered SMEs' productivity. No business organization can succeed without the help of supportive institutions, variables, and

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factors, according to Oginni (2010), implying that a business organization exists and operates in a complex interplay of activities and networks of relationships between and among human resources, material resources, and other systems.

The most significant component in setting a company's direction and differentiating itself from competitors is the internal environment (Aldrich, 1979 cited in Simon, Joshua &Mildren, 2014). This macro environment has a variety of qualities that a corporation can use to respond to the constantly changing external environment effectively. The internal environment of a corporation, in contrast to the external environment, is mostly controlled by management. Tangible business resources, people, management, competencies, production, marketing, and strategic decisions are all traditional components of any firm's effective and efficient functioning (Kibera, 1996 cited in Simon, Joshua &Mildren, 2014).

The commercial operating environment is complex and dynamic all over the world. The business sector is defined as both demanding and dynamic due to the many interconnected factors. Every company is seen as a system that is available to everyone. This indicates that people interact with their environment, affecting and being influenced by events and patterns. Changes in the operating environment have harmed small and medium-sized businesses in Nigeria; this could be due to their inability to compete with large firms and imported products from countries with lower production costs, particularly those from Asia; they also have less government protection and are exposed to a lack of social capital, all of which puts pressure on SMEs in Nigeria's productivity (Jonah, Aginah& Martins, 2018). The plight of SMEs in Nigeria appears to be worsening as government economic policies are changed without consideration for their impact on industrial development, the political landscape has proven to be unstable, and a lack of policy direction and investment in technological development and socio-cultural affairs has created a knowledge gap in the economy, hampered SMEs' productivity. No business organization can succeed without the help of supportive institutions, variables, and factors, according to Oginni (2010), implying that a business organization exists and operates in a complex interplay of activities and networks of relationships between and among human resources, material resources, and other systems.

To address the aforementioned challenges, the federal government implemented policies and programs such as the Small and Medium Equity Investment Scheme (2001), National Micro Finance Policy (2005, revised 2011), National Policy on MEMEs (2007), Small and Medium Credit Guarantee Scheme (2010), and National Enterprise Development Programme, among others (2013). Despite a range of government interventions, SMEs continue to suffer with poor performance and outright failure, despite the fact that the majority of government programs have concentrated on financial lending. As a result of globalisation and the opening up of markets to global competition, local SMEs face a tremendous challenge. Because of their small size and high operational costs, many of these enterprises find it difficult to compete against major local corporations and the influx of low-cost imported products from China and other nations (which primarily incorporates other issues). Globalisation heightens corporate competition and highlights the need of becoming an entrepreneur. Financial interventions may be ineffectual if the firms that benefit are incapable or ill-equipped

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to compete successfully, highlighting a key fault in government interventions in the SMEs sector. In order to increase their performance as global competition rises and home economic conditions worsen, SMEs must have a strong entrepreneurial mindset (and chances of survival). This is the driving force for this study.

The available literature, on the other hand, gives mixed results when it comes to the impact of internal business environment features on small and medium firm success. Some studies show that businesses that embrace a strong business environment outperform those that don't (e.g., Hult et al., 2004), while others don't (e.g., Hult et al., 2004). (e.g., Hult et al., 2004). Environmental factors influence performance in a variety of ways, according to some research, with the stage of a company's evolution serving as a moderator (e.g. Lumpkin &Dess, 2001; Hughes & Morgan 2007). (See, for example, Rauch et al., 2009). More research into the relationship between the business climate and firm success is needed, based on the mixed results. Furthermore, because the environment has an impact on entrepreneurial orientation characteristics, the importance of these dimensions to SMEs' success in the Adamawa State business environment must be evaluated. This is especially true when the researcher has no prior knowledge of the topic.

Based on the foregoing, the study's goal is to determine the impact of the internal business environment on the performance of SMEs in Adamawa State, Nigeria. This study's findings should help SMEs make strategic decisions that will improve their overall performance and competitiveness. It also aims to shed light on government policy initiatives aimed at increasing the performance and efficacy of small and medium-sized businesses as economic growth engines. The study addresses the following questions:

i. To what extent does financial capability impacted on Service Quality of SMEs in Adamawa State?

ii. What is the impact of marketing capability on Service Quality of SMEs in Adamawa State?

iii. To what extent does managerial competence impacted onService Quality of SMEs in Adamawa State?

The general objective of this study is to investigate the effect of internal business environment on the performance of small and medium enterprises (SMEs) in Adamawa State, Nigeria. To achieve this objective, the study is guided by the following specific objectives:

i. To evaluate the impact of financial capability on Service Quality of SMEs in Adamawa State .

ii. To examine the impact of marketing capability on Service Quality of SMEs in Adamawa State.

iii. To examine the impact of managerial competence on Service Quality of SMEs in Adamawa State.

The following hypotheses have been postulated for this study.

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$H_0$1: There is no significant impact of financial capability on the Service Quality of SMEs in Adamawa State.

$H_0$2: There is no significant impact of marketing capability on Service Quality of SMEs in Adamawa State.

$H_0$3: There is no significant impact of managerial competence on Service Quality of SMEs in Adamawa State.

LITERATURE REVIEW

Concept of Internal Environment

Managers work on the company's culture, technology production, organizational structure, and physical infrastructure in the internal environment (Purwanti& Fattah, 2011). The variables that function within a corporation's internal environment are described as having characteristics that can be managed by management (Margaretta, 2012). According to Hubeis and Najib (2014), the internal environment refers to the environmental organizations that exist in a normal firm and have immediate consequences. It's a collection of resources, talents, and skills that will be used to develop a market position based on the company's own assumptions. As a result, the internal environment analysis includes a study of the company's resources, expertise, and competency (Rita &Miswar, 2018). A small business's success or failure is not solely determined by the external business environment. It also depends on the internal critical and strategic components of the organization, such as financial, marketing, and management capabilities

Financial Capability

Financial capability is the set of attitudes, knowledge, skills, and self-efficacy required to make and implement money management decisions that are best suited to one's individual circumstances, all while operating in an enabling environment that includes, but is not limited to, appropriate financial services (Morgan, et al., 2017). Financial capability implies that financial education and inclusion are merely means to an end. The goal is to improve one's financial situation. Providing consumers with new information about money management and financial services isn't enough. People should get financial education in a way that encourages them to improve their habits. Access to formal and semi-formal financial systems is also insufficient, if not downright dangerous. What is required is the building of an enabling environment that assists poor and excluded people in making sound financial decisions and taking the appropriate actions (Martina, et al., 2015).

Financial competency is defined as "a loosely connected set of strategic financial objectives, criteria, and standards that drive such planning," according to Svatoova (2017). According to Bender and Ward (2012), financial strategy consists of two parts: efficiently producing funds needed by the corporation and regulating how those funds are used within the organization, including the decision to distribute or reinvest any additional returns. In order to achieve successful financial management in all areas,

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the major purpose of implementing a financial strategy in a company is to find a balance between controlling mechanisms, high business performance, and lower financial alternative costs (Jess, et al., 2015). They went on to say that financial strategy is a type of functional strategy that incorporates a company's whole business plan, is created through time, and is strongly linked to investment activities. Financial capacity, according to Murtala and Mohammed Noor (2016) and Svatoova (2017), is concerned with financial management, raising capital for the firm, and reinvesting profits.

Marketing Skills

The ability of a firm to promote her products and services is one of the most important factors of the survival and success of the organisation. According to Van Scheers, a lack of marketing abilities hurts small business success (2012). Pandya (2012) contrasts the marketing constraints of a small business to other constrained resources including financial and human resources.

Marketing expertise Marketing capabilities are defined in general marketing literature as a company's capacity to use available resources to execute marketing operations in ways that result in desired marketing outcomes (Morgan, et al., 2012). In developing a durable competitive advantage and improved firm performance, marketing competencies are unique and non-replaceable (Morgan, et al., 2017). Marketing skills have also been shown to boost international business success by increasing the quantity and longevity of recognized positioning advantages (Tan & Sousa 2015).

Managerial Capacities

Several studies have identified the senior management team's managerial abilities as critical to small business success. Management capacities, according to Olawale and Garwe (2010), are sets of knowledge, skills, and competences that can help small businesses become more efficient. Management abilities, according to Singh, Garg, and Deshmukh, are essential for SMEs to survive and prosper (2008). According to Aylin, Garango, Cocca, and Bitichi (2013), management skills are a critical component of SMEs' growth, and a lack of management skills is a barrier to growth and one of the causes of failure. According to Pasanen, the growth patterns of small businesses are linked to their managerial abilities (2007). One of the most important difficulties that SMEs face, according to Bhide (1996), is a lack of core competence and a well-trained senior management team.

Managerial skills, according to Horng et al. (2011), are a specialized subset of competencies that demonstrate the intent to achieve specified goals. According to Hogg (2009), management competences aid in the display of abilities and talents, resulting in efficient performance in a certain occupational domain. Managerial competency models are built around the managerial competencies required for average and exceptional results. Observed behavior is used to evaluate these performance-based talents (Chong 2011).

According to Krajcovicova et al., managerial abilities are becoming more relevant in a variety of businesses (2016). Businesses want to keep pushing their employees to reach new heights of performance. The distinction between mediocre and great

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managers can be made using competencies. Having excellent or above-average individuals is perhaps a firm's greatest strength, which can be achieved by weeding out typical personnel and providing them with ongoing education and personality development. Putting a competency approach into practice, despite the plethora of theoretical knowledge and concepts, is a difficult task. At first appearance, it appears to be a shift in strategy aimed at boosting overall performance. As a result of these realities, each employee's behavior is required to alter (Krajcovicova, et al., 2016).

Small and Medium Enterprises (SMEs)

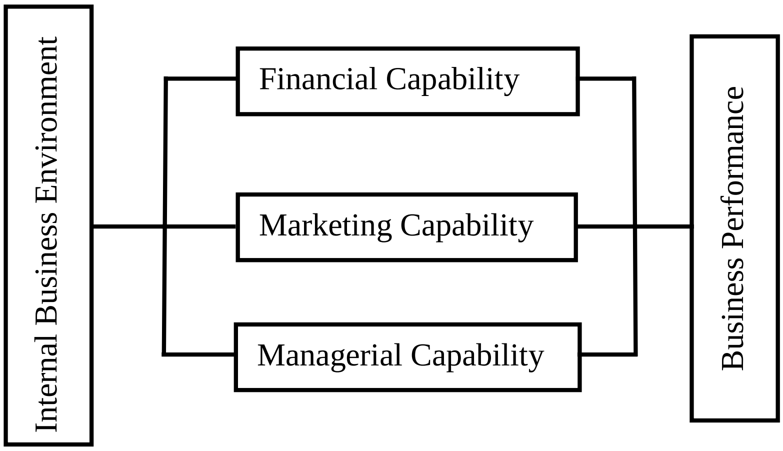
Small and Medium Enterprises (SMEs) are widely acknowledged as the key engine of economic development (SMEDAN, 2013). This sector play a pivotal role to the economic growth and development of any nation. It has been studied that the small and medium enterprises are germane to growth and development of any economy. A central issue dominating policy debates around the world and Africa has been to induce economic growth through the growth of SMEs. SMEs contribution to the Nigerian economy is essential for the accomplishment of the broader development objectives such as poverty relief, spreading of employment opportunities and increasing indigenous ownership of resources in the economy (Chidoko, Makuyana, Matungamire & Bemani, 2011). This has made the government to make efforts at encouraging the growth of small and medium scale enterprises in Nigeria. Various policies, programs and plans have been initiated for the benefits of the small and medium scale enterprises. Small and Medium Scale Enterprises (SMEs) contribute about half of Nigerian GDP and accounts for over 25 percent of employment in the country (SMEDAN, 2013) Small and Medium Enterprises contributes about 48% to Nigeria Gross Domestic Product in nominal terms (SMEDAN, 2013). This typifies the importance of small and medium scale enterprises to the economy of Nigeria. This sector is responsible for most of the advances in new products and process and provides most of the employment opportunities, as a central indicator of the overall operation of an economic system (Enterprise Baseline Survey, 2012).

SMEs Performance

Despite the fact that SMEs exist, their performance has been a source of concern, according to Baloyi (2010), since the country's SMEs continue to deteriorate (not all SMEs are experiencing growth). According to studies, 90% of new businesses fail before their third anniversary due to a lack of suitable environmental conditions (Douglas, Micah & Tom, 2014). Furthermore, some SMEs have made it to the point of survival despite low performance, which could be attributed to inadequate management (Bidzakin, 2009). The poor performance of SMEs in Nigeria is due to a number of causes. Inadequate small business financing, a difficult economy, a lack of small business insurance, and so on. As a result, a company's market share, product volume, consumer demand, loyalty, and investment can all be measured using performance. The year 2011 has come to an end (Obiwuru, Okwu, Akpa, and Nwankwere). Wang (2010) defined performance as product success, results-oriented accomplishments, and organizational accomplishments as a result of this. If the business climate is favorable, a corporation will be able to realize its goals.

Iskandar, Ahmad, and Martua (2014) describe organizational performance as one of the characteristics that may be measured by the level of production. This relates to a person's ability to produce items that meet the standards over a set period of time in terms of quality, quantity, comprehension, or originality. According to Armstrong (2009), performance is defined as the measuring of an organization's output, product quality, productivity, cost management, safety and health, employee relationships, and development. Understanding the elements that affect the performance of SMEs is a major priority for companies (Rosli, 2011). Anastasia (2008), on the other hand, defined organizational performance measurement as product effectiveness, efficiency, satisfaction, and innovation. According to Apolot (2012), the company's performance was measured in terms of sales growth, customer satisfaction, and profitability.

Conceptual Framework



Empirical Review

Internal factors affecting the performance of retiree-owned firms in Kakamega Municipality were investigated by Simon, Joshua, and Mildren (2014). The study's main goal was to figure out what internal elements influence the success of retirees' business endeavours. Between 2007 and 2011, retirees from the finance and communication sectors of the main public enterprises in Kakamega municipality made up the study's population. A stratified sample strategy was used to choose 52 retirees from a total population of 130 for the study. Using both primary and secondary data, a descriptive study of retirees was undertaken. The data was evaluated and presented in the form of tables and frequency distributions using descriptive statistics. Financial stability, physical and mental strength, entrepreneurial skills, and family base are among the major factors affecting the performance of retirees' businesses, according to this study, which accounted for significant failure of retirees' businesses in the finance and communication sectors of the larger public corporations in Kakamega municipality. Many retirees were also discovered to be weak in the necessary human

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relations skills to motivate and retain internal customers, as well as to consistently satisfy customers. According to the report, business retirees should try to attend trainings and seminars to strengthen their business and financial management abilities. Furthermore, prior to retirement, employees with at least five years till retirement should receive financial and business management training, according to the report. A comparable study focused on external factors affecting firm success, as well as retirees in the private sector, was recommended by the researchers.

Khadijat, Mohammad, and Suhana (2017) looked at the elements that affect firm success in Malaysia, with an emphasis on small enterprises under the Federal Land Development Authority (FELDA) scheme. A questionnaire was used to obtain cross-sectional data from 199 small enterprises participating in the (FELDA) project. The partial least squares method was used to examine the data. According to the empirical data, only entrepreneurial skill and technology use are linked to small business success. However, according to this study, there is minimal empirical evidence linking marketing expertise, financial resources, information exchange, and business success. Because this study was limited to small firms under the FELDA system, it yielded useful results by showing discrepancies in important success criteria linked to the multiple factors that drive small business formation. The findings of this research could help industry practitioners create comprehensive business plans and effective institutional policies to help small enterprises compete globally under the FELDA system.

Financial planning in small enterprises does not require experience, according to Mengel and Wouters (2015). As a result, managers with the necessary training and expertise may establish and implement basic financial planning for small enterprises to boost productivity. According to Wen-Long et al. (2014), small business processes training helped managers develop problem-solving abilities and identify growth opportunities. Entrepreneurs with management abilities and experience who hire managers with specific knowledge, according to Staniewski, are more successful in business (2016). Similarly, O'Neill, Sohal, and Teng (2016) discovered that small organizations with strong management qualities beat those without it by a significant margin. As a result, it's clear that hiring managers with a strong educational background, professional qualifications, skills, and prior small business management experience will assist small business owners stay in business for more than five years.

In a qualitative study, Karanja et al. (2013) suggested that after a small firm is founded, the owner's personal characteristics and managerial style determine how essential functional areas of the organization are managed. According to a study, the demographics of small business owners and managers, which include education, experience, and training, are predictors of small business performance, albeit experience outweighs the other two criteria in determining small business success (Genty, Idris, Wahat, &Kadir, 2015). Education and training for owners and managers may not be the most essential component in determining a small business's success in Nigeria (Genty et al., 2015). A variety of elements, including experience, can influence a small business's success (Staniewski, 2016). As a result, unskilled owners and managers risk jeopardizing the success of a small business. Ridwan and Ina (2015) investigated how a company's performance is influenced by its environment.

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According to the findings, a company's financial resources are its internal source of strengths, while its management is its internal source of issues.

In Abuja, Dangana, Ishaka, Bello, Muhammad, and Dangana (2017) look at how environmental factors affect SMEs' performance. The paper's target population is two thousand six hundred and ninety (2690) registered SMEs working in Abuja's metropolitan area. The Yamane formula was used to determine a sample size of 97 responders with a 10% precision level. Random and stratified sampling techniques were used to determine the study's sample size. The data was analyzed using descriptive and inferential statistics. The level of education of SMEs' owners or managers, marketing and other promotional spending, and the usage of technology, according to the research, all have a favorable impact on their performance. The current tax system, operationalization, and inflation all aid SMEs in their operations. In Abuja, a lack of power has a substantial negative impact on the performance of SMEs. According to the survey, SMEs' owners and managers should aim to have a thorough awareness of the business environment and select competent and quality employees in order to run and manage their firms properly. The report recommends that the government continue to provide more tax benefits to the SMEs sector in order to boost employment levels in the economy.

Theoretical Framework

The resource-based view (RBV) hypothesis was used to evaluate the impact of internal business environmental components on the performance of small and medium firms in Adamawa State. According to the theory, the key to improving a company's performance is to look at its internal aspects (Barney, 2001). The existence of an organization's resources, which are appreciated, valuable, and difficult to copy and substitute by competitors, explains performance discrepancies (Barney, 2001). It's a good idea to establish a resource before going on to the small company resource requirements. A company's resources are its tangible and intangible assets (Galbreath, 2005). Financial resources, physical resources (plant, equipment, machine, etc.), people resources, and technological resources are tangible assets, whereas knowledge, skills, reputation, and capabilities are intangible assets. Businesses typically strive to gain and maintain permanent or semi-permanent control of resources that will offer them a competitive advantage over their rivals. Because they may have differing degrees of control over various sorts of resources, businesses will be diverse in terms of the products or services they supply.

Human resources, management policies, and skills are among the organizational assets that organizations utilize to develop and implement strategies or new innovations. The firm will profit from highly trained human resources and good alignment between the capabilities represented in the firm and those required by the firm's strategic needs (Crook, Todd, Combs, Woehr, &Ketchen, 2011). As a result, a company's internal growth and success are the most important sources of growth and success. To put it another way, companies with greater resources and capabilities will establish the foundation for acquiring and maintaining a competitive edge.

The RBV hypothesis is especially important in the context of small businesses because it implies that a company's long-term existence is dependent on its distinctive services. The organization's main talents are fostered over time to create this identity. Small businesses are sometimes impeded by a scarcity of resources, causing them to operate under significant financial and personnel constraints (Phillipson, Bennett, Lowe, &Raley 2004; Zucchella&Siano, 2014). Furthermore, a shortage of resources can cause small businesses to focus on short-term rather than long-term goals, limiting their ability to develop and capitalize on environmental opportunities. As a result, the RBV technique is helpful since it allows the success of a small business to be quantified in terms of internal resources and skills.

Methodology

Because the research goals necessitated the use of primary data, this study used a survey research design. That is, the design is ideal since it highlights crucial facts, demographic data, and research instrument responses. According to Mugenda & Mugenda (2003), survey research design has the advantage of being a cost-effective method of collecting data from a large number of sources or populations. It also helps the researcher to gather input from the target population in order to figure out what they think (Saunders, et al., 2015).

Participants in the study included small and medium-sized enterprises (SMEs) that operate in Adamawa State and are registered with the Nigerian Small and Medium Enterprises Development Agency. As of December 2019, there were 1,776 SMEs registered with the Adamawa State Chamber of Commerce and Industry in Adamawa State, Adamawa (Adamawa State Chamber of Commerce & Industry, Adamawa State, 2019). Because the majority of registered SMEs are located inside Adamawa State and are easily accessible to the researcher, the study region included SMEs operating in Adamawa State. Smith (1984) sample technique was used to estimate a sample size out of the study population. The Smith (1984) formula is given by:

$$n = \frac{N}{3 + Ne^2}$$

Where;

N	=	population size
3	=	is constant
e	=	is Margin of error (5%)

Substituting into the sample formula we have:

n = 238.7

n = 239

Proportional allocation formula was applied to each stratum to ensure even-spread as captured in Table 3.1 below.

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Table 1: Proportionate Distribution of Sample amongst the Selected SMEs in Adamawa State

S/N	Senatorial Districts	Population Size for each Division	Total Study Population	Sample Size	Proportionate Sample Size	Sample Percentage (%)
1	Adamawa North	366	1,776	239	49	20.5%
2	Adamawa Central	375			60	25%
3	Adamawa South	1035			130	54.5%
Total		**1776**			**239**	**100%**

Source: Field Survey, 2020

Therefore, in order to arrive at a statistically valid conclusion, the researcher administered at least 239questionnaires to the SMEs selected in the study areas.

For the purpose of carrying out data analysis, the inferential analysis carried out using the multiple regression analysis to assess the effect of the independent variable (internal business environment) on the dependent variable (performance of SMEs) in order to generate estimates such as mean and standard deviations. The rationale for the adoption of multiple regression analysis is that, it is suitable when you have multiple independent variable with a single dependent variable. The analysis for this study was done using the Statistical Package for Social Sciences (SPSS).

Data Analysis

Table 2: Descriptive Statistics for Independent and Dependent Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FC	230	1.00	5.00	3.6904	.84554	-.522	.160	-.088	.320
MC	230	1.00	5.00	3.6461	.66985	-.494	.160	.086	.320
MGC	230	1.00	5.00	3.4765	.56666	.107	.160	.057	.320
PERF	230	1.00	5.00	3.5678	.55241	.004	.160	.161	.320
Valid N (listwise)	230								

Source: Field survey, 2020 via SPSS Version 22

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The descriptive statistics table above shows that the average scored for financial capability (FC), marketing capability (MC), managerial competence (MGC), and performance of SME's (PERF) 3.6904, 3.6461, 3.4765 and 3.5678 respectively of internal business environment toward SMEs performance. The minimum reach is 1.00 and the maximum reach 5.00 in all the respective cases. The skewness and kurtosis values from the table for all respective cases show that data were normally distributed.

Table 3: Correlations Matrix of Independent Variables

		FC	MC	MGC
FC	Pearson Correlation	1	.503**	.059
	Sig. (2-tailed)		.000	.372
	N	230	230	230
MC	Pearson Correlation	.503**	1	.314**
	Sig. (2-tailed)	.000		.000
	N	230	230	230
MGC	Pearson Correlation	.059	.314**	1
	Sig. (2-tailed)	.372	.000	
	N	230	230	230

Source: Field Survey, 2020 via SPSS Version 22

The correlation between financial capability (FC) and marketing capability (MC) indicated a good and positive relationship with Pearson correlation value of 0.503 (50%) with its correspondent Sig. value of 0.000 which is significant at 1% level of significance. This means that correlation between financial capability (FC) and marketing capability (MC) is good, positive and significant at 1% level of significance.

The correlation between financial capability (FC) and managerial competence (MGC) indicated a very weak but positive relationship with Pearson correlation value of 0.059 (6%) with its correspondent Sig. value of 0.372 which is more than 1% level of significance. This means that correlation between financial capability (FC) and managerial competence (MGC) is very weak, although positive but significant at 1% level of significance

The correlation between marketing capability (MC) and managerial competence (MGC) indicated a weak but positive relationship with Pearson correlation value of 0.314 (31%) with its correspondent Sig. value of 0.000 which is significant at 1% level of significance. This means that correlation between marketing capability (MC) and managerial competence (MGC) is weak, although positive and significant at 1% level of significance.

The correlation of the variables is positive and significant since the probability (Sig.) values of 0.000 for all the variables are less than 0.05 significance level, it is therefore revealed that there is a positive significant relationship between the variables. This implies that all the variables move in the same direction. Except managerial competence (MGC) that has weak and insignificance correlation with financial capability (FC) and therefore move in inverse direction with financial capability (FC). But move in the same direction with marketing capability.

Table 4: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.679[a]	.461	.447	.41082	1.897

a. Predictors: (Constant), MC, MGC, FC

b. Dependent Variable: PERF

Hypotheses Testing

These results also address null hypotheses of the study which stated that there is no significant impact of financial capability, marketing capability and managerial competence on the performance of SMEs in Adamawa state, Nigeria. Therefore, the research findings has provide a basis for the rejection of these hypotheses and thus evidence has been established that, financial capability, marketing capability and managerial competence have significant effect on the performance of SMEs in Adamawa state, Nigeria at five percent (5%) significant level.

The Variance Inflation Factor (VIF) values of 4.232, 1.590 and 1.151 from the table indicate that the explanatory variables are not highly correlated. These therefore, show absence of multicollinearity among the independent variables since multicollinearity exists only when the VIF Value is greater than 10.

CONCLUSION AND RECOMMENDATIONS

The internal business environment has a positive significant impact on the performance of small and medium firms (SMEs) in Adamawa State, Nigeria, based on result of data collected and the result of the analysis. This is based on the discovery that all internal business environment proxies were found to have a positive significant impact on small and medium-sized firms' performance (SMEs). According to the study, financial competency, marketing capability, and management competence all have a positive and significant impact on SMEs' performance in Adamawa State. That is, SMEs' financial capacity determines overall business enterprise performance, the expansion of business market shares within and outside of a business's location greatly improves SMEs' performance, and the competence of SMEs managers or management has a significant impact on improving business enterprise performance.

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Based on the findings of this inquiry and the study's conclusions, the following suggestions are made:

1. In order to re-establish their enterprises' financial competence, SMEs operators (entrepreneurs) and corporate managers in Adamawa State should always implement strong financial strategies.

2. In Adamawa State, SMEs operators (entrepreneurs) and corporate managers should always adopt a strong marketing plan since it will enable them to meet the needs and wants of the targeted consumers.

3. Small and Medium Enterprises (SMEs) operators (entrepreneurs) and corporate managers in Adamawa State should always ensure that the right people are employed to run the company.

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