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Sustainable Business Practices and SMEs Performance: Evidence from a Sub-Saharan African Context

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ABSTRACT

Sustainability business practices are widely acknowledged as critical for addressing urgent global challenges such as environmental degradation, climate change, and socio-economic inequalities. However, SMEs are often found to exhibit lower corporate sustainability performance compared to large firms due to their reluctance or inability to engage in sustainability measures such as cleaner production and socially responsible practices. Drawing on natural resource-based view theory and stakeholder theory, this research investigates sustainable business practices and performance of SMEs in Anambra State. Specifically, the study examines how environmental, social, and economic sustainability practices and stakeholder engagement influence the non-financial performance of SMEs in Anambra. A survey design approach was used to collect data from 357 SMEs in Anambra State. Five hypotheses were stated and tested using multiple regression analysis. The Findings revealed that Environmental, social, and economic sustainability practices had a significant positive effect on the non-financial performance of SMEs. Stakeholder engagement also had a significant positive effect on non-financial performance. The joint effect of environmental, social, and economic sustainability practices with stakeholder engagement was statistically significant. The study recommends that SME business owners should strategically integrate environmental practices into this existing framework, recognizing them not as a cost but as a driver of efficiency and leveraging stakeholder engagement to foster genuine motivation for sustainability. While policymakers should create targeted incentives that address the specific lag in environmental sustainability..

Keywords: *sustainable business practices, environmental sustainability, economic sustainability, social sustainability, stakeholder engagement, SMEs, Nigeria*

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1. INTRODUCTION

Sustainability has become a central concern in contemporary business practice and academic discourse, driven by escalating environmental degradation, climate change, resource depletion, and widening social inequalities. These challenges have intensified expectations for firms to operate responsibly and contribute to sustainable development (Blaique et al., 2024; Benameu et al., 2024; Oduro & Haylemariam, 2025). The Brundtland Commission defines sustainability as meeting present needs without compromising the ability of future generations to meet their own needs (Brundtland, 1987). In business contexts, sustainability reflects firms' capacity to balance economic viability, environmental protection, social well-being, and long-term value creation.

Sustainability business practices are inherently multidimensional, encompassing environmental, social, and economic dimensions (Oduro et al., 2022), as well as stakeholder engagement (Ernst et al., 2023). Environmental sustainability practices involve adopting eco-friendly processes such as waste reduction, recycling, energy conservation, pollution control, and regulatory compliance across the production and distribution chain (Jabbour et al., 2015). Social sustainability, on the other hand, represents the human dimension of business operations. It encompasses issues such as employee health and safety, fair labour practices, access to education and training, community development, social equity, and overall well-being (Mani et al., 2020; Digalwar et al., 2020). Economic sustainability focuses on firms' ability to remain profitable while ensuring product quality, customer satisfaction, efficient supply chain management, and long-term competitiveness (Yusoff & Adamu, 2016). Effective stakeholder engagement facilitates access to knowledge, expertise, and legitimacy, supporting sustainability adoption and improving economic and social outcomes (Ahmadov et al., 2024). Conversely, failure to respond to stakeholder pressures may harm relationships and negatively affect firm performance.

Small and medium-sized enterprises (SMEs) are central to this sustainability discourse. Globally, SMEs represent the majority of firms, accounting for approximately 90–99% of all businesses, contributing between 50% and 60% of value added, and employing over 60% of the global workforce (Bartolacci et al., 2020). In Sub-Saharan Africa, and particularly in Nigeria, SMEs form the backbone of the economy, contributing significantly to GDP, employment generation, innovation, and poverty reduction. The sector accounts for over 90% of businesses, contributes approximately 48% of GDP, and generates about 84% of private-sector employment in Nigeria (AFSIC, 2026). Despite their economic significance, SMEs face persistent challenges including limited access to finance, inadequate infrastructure, high operating costs, and regulatory constraints, which often hinder their capacity to invest in sustainability initiatives (Bartolacci et al., 2020).

Furthermore, SMEs are often found to exhibit lower corporate sustainability performance compared to large firms due to their reluctance or inability to engage in sustainability measures such as cleaner production and socially responsible practices (Revell & Blackburn, 2007; Williamson et al., 2006). This reluctance stems from a lack of technical expertise, low awareness of sustainability benefits, and time constraints (Journeault et al., 2021). However, this presents a significant challenge to the global sustainability agenda, given the economic importance of SMEs and their substantial cumulative contribution to environmental pollution and social misconduct (Ernst et al., 2022). As a result, SMEs often underperform in sustainability outcomes compared to larger firms, despite their cumulative environmental footprint and social impacts.

Moreover, current research on sustainability and SME performance in Africa is limited in scope, often focusing on individual sustainability dimensions or specific countries (Emilson et al., 2025), rather than offering an integrated analysis across economic, environmental, and social practices and their effects on firm performance. There is a clear gap in context-specific evidence examining how sustainability business practices influence SME performance in Anambra State, Nigeria. Therefore, the central problem addressed in this study is the lack of comprehensive empirical understanding of how sustainability business practices, especially the often-neglected social dimension, influence SME performance in Anambra State. Addressing this gap is essential for informing policy, guiding SME strategy, and advancing a more holistic sustainability agenda in developing economies. This study seeks to examine the influence of sustainable business practices on the non-financial performance of small and medium-sized enterprises (SMEs) in Anambra State. In specific terms, the

study investigates the effect of environmental, social, and economic sustainability practices, as well as stakeholder engagement practices, on the non-financial performance of SMEs in Anambra State.

The study contributes to the growing body of sustainability literature by offering an integrated analysis of environmental, social, and stakeholder engagement practices and their effects on SME performance. Unlike much of the existing research that focuses on large firms or developed economies, this study addresses contextual gaps by examining SMEs operating in resource-constrained and institutionally weak environments. In doing so, it extends stakeholder theory and the natural resource-based view by demonstrating how sustainability practices can serve as strategic resources that enhance SME competitiveness and resilience.

2. LITERATURE REVIEW

2.1. SME Performance

SME performance is a multidimensional concept that reflects the extent to which a firm achieves its financial, market, and operational objectives over a given period. Management scholars have long conceptualized performance as the outcomes generated by individuals or groups in executing assigned tasks based on specified criteria and benchmarks (Armstrong & Baron, 2005; Robbins & Judge, 2017; Bratton & Gold, 2017). Extending this to the firm level, business performance captures an organization's ability to meet strategic objectives such as revenue growth, profitability, market expansion, and value creation.

Prior literature suggests that SME performance is best understood through both financial and non-financial dimensions. Financial performance focuses on objective, accounting- and market-based indicators such as revenue growth, profitability, return on investment (ROI), return on assets (ROA), return on equity (ROE), cash flow, productivity, and market share (Hofman, 2017; Soto-Acosta et al., 2016). These indicators provide insight into a firm's economic health and its capacity to generate returns from deployed resources.

However, financial indicators alone may not fully capture SME performance, particularly in contexts where firms do not publicly disclose detailed financial information. As a result, non-financial performance measures are widely used in SME research. These include customer satisfaction and loyalty, corporate reputation and image, employee motivation and satisfaction, innovation capability, internal process efficiency, and organizational growth (Rettab et al., 2009; Omri, Courrent, & Nemeh, 2024). Richard et al. (2009) further classify firm performance into three perspectives: financial outcomes, customer-related outcomes, and internal process efficiency, including quality and innovation. However, this study's non-financial performance refers to the aspects of an organization's performance that are not directly related to financial metrics, such as: customer satisfaction: Measuring how well an organization meets customer needs and expectations. Employee engagement: Assessing employee motivation, commitment, and productivity. Environmental impact: Evaluating an organization's effects on the environment. Social responsibility: Measuring an organization's contributions to society and the well-being of its stakeholders

2.1 Business Sustainability Practices

Business sustainability is commonly conceptualized through three interrelated dimensions: economic, environmental, and social (Lynch & Ferasso, 2023; Hong & Hardy, 2022). It is defined as the ability of firms to meet the needs of current stakeholders—employees, customers, shareholders, communities, and pressure groups—without compromising the capacity to satisfy the needs of future stakeholders (Morris et al., 2023; Campos et al., 2023). While corporate sustainability encompasses all three dimensions, this study focuses on social and environmental sustainability due to the limited availability of quantitative studies on the economic dimension.

Grounded in institutional theory, sustainable initiatives enable SMEs to differentiate their offerings while minimizing cost-based competition (Martin et al., 2010). Empirical evidence suggests that social and environmental sustainability positively influence SMEs' performance, particularly non-financial outcomes such as operational efficiency, employee satisfaction, and stakeholder reputation, more than financial performance (Denicolai et al., 2021; López et al., 2022;

Oduro & Haylemariam, 2025; Akomea et al., 2023). Therefore, sustainability practices serve as a strategic mechanism for enhancing SMEs' competitiveness and long-term viability. Business sustainability practices consist of economic, social and environmental dimensions (Oduro et al., 202); while stakeholder engagement has also been explored as a precursor to sustainability practice (Ernst et al., 2023).

2.1.1 Environmental Sustainability Practices

Environmental sustainability in business focuses on preserving and protecting natural ecosystems while minimizing negative impacts from corporate activities. It encompasses practices such as waste recycling, pollution prevention, energy conservation, and resource efficiency (Hang et al., 2023; Chen et al., 2006). According to Dyllick and Hockerts (2002, p. 23), environmentally sustainable enterprises "utilize only natural resources at a rate lower than natural reproduction or alternative creation, avoid emissions that exceed the environment's assimilative capacity, and refrain from activities that degrade ecosystem services." Common measures include energy consumption, use of hazardous materials, CO_2 emissions, waste treatment, and environmental audits (Kwarto et al., 2024; Maroufkhani et al., 2020; Afum et al., 2021; Jain & Jain, 2020).

Empirical evidence demonstrates the importance of environmental sustainability for SMEs. Emilson et al. (2025) found that biodiversity management and sustainable waste practices significantly enhanced financial performance in Ghanaian SMEs. Omri, Courrent, & Nemeh (2024) reported that ecodesign practices improve both financial and non-financial business outcomes, especially when combined with radical innovation. Kumar et al. (2022) further showed that adopting circular economy principles results in superior environmental performance through efficient energy use and waste reduction. Therefore, we hypothesize as follows:

H1: Environmental sustainability practices have a positive and significant effect on the non-financial performance of SMEs in Anambra State.

2.1.2. Social Sustainability Practices

Social sustainability in business concerns the protection and enhancement of human and social capital, aiming to minimize exclusion based on gender, ethnicity, disability, age, or other social factors (Nascimento et al., 2023). It embodies the humanitarian dimension of corporate sustainability, emphasizing equitable access to opportunities, education, health, and overall societal well-being (Vila & Moya, 2023; Yong et al., 2020). Key measures include employee safety and health, work conditions, human rights protection, social inclusion, organizational reputation, and community engagement.

Stakeholder theory underscores that firms have an ethical and strategic responsibility to address employee, consumer, and community interests while fostering social welfare (Ndzana et al., 2021). Empirical studies provide strong evidence of the benefits of social sustainability for SMEs. Mani et al. (2020) reported that social sustainability practices positively enhance supply chain performance, while Eweje (2020) demonstrated that embedding such initiatives significantly reduces negative social impacts. Chege and Wang (2020) found that social sustainability positively influences SMEs' financial competitiveness, and Oduro et al. (2022) showed that social-oriented CSR—covering employee training, workforce development, and community engagement—improves both financial and non-financial firm performance. Furthermore, Do, Do, & Nguyen (2024) highlighted that social sustainability, as a valuable resource under the natural-resource-based view (n-RBV), fosters innovation and entrepreneurial orientation.

Practically, social sustainability strategies involve promoting employee well-being, ensuring diversity and inclusion, and fostering community participation while actively engaging stakeholders in decision-making. Collectively, these practices not only advance ethical and social goals but also strengthen SMEs' competitiveness, innovation, and long-term performance (Khan et al., 2024; Walker et al., 2021). Therefore, we hypothesize as follows:

H2: Social sustainability practices have a positive and significant effect on the non-financial performance of SMEs in Anambra State.

2.1.3 Economic Sustainability Practices

Economic sustainability practices refer to business strategies and operational activities that enable firms to achieve long-term financial viability while maintaining efficiency, competitiveness, and resilience in dynamic market environments. Within SMEs, economic sustainability focuses on prudent resource allocation, cost efficiency, innovation, quality improvement, and revenue stability, ensuring that current business performance does not compromise future growth prospects (Dyllick & Hockerts, 2002; Bartolacci et al., 2020).

From a theoretical perspective, the resource-based view (RBV) suggests that economically sustainable practices such as process efficiency, innovation capability, and financial discipline constitute valuable and inimitable resources that can enhance firm performance (Barney, 1991). Similarly, stakeholder theory argues that economically sustainable firms are better positioned to meet stakeholder expectations related to product quality, pricing, reliability, and long-term value creation, thereby strengthening firm–stakeholder relationships and performance outcomes (Freeman, 1984).

Empirical evidence supports the positive link between economic sustainability practices and SME performance. Estébanez and Martín (2025) found that firms with well-developed sustainability practices exhibit superior financial outcomes, including higher return on assets (ROA) and return on equity (ROE). Likewise, Oduro et al. (2022), in a meta-analysis of SMEs, demonstrated that economic-oriented CSR significantly improves both financial and non-financial performance. In developing-economy contexts, Do et al. (2024) showed that economic sustainability practices, when combined with entrepreneurial orientation, enhance innovation outcomes and firm performance among SMEs. Therefore, we hypothesize as follows:

H3: Economic sustainability practices have a positive and significant effect on the non-financial performance of SMEs in Anambra State.

2.1.4 Stakeholder Engagement Practices

Stakeholder engagement is a critical mechanism through which SMEs operationalize sustainability practices and enhance firm performance. However, SMEs often perceive regulatory stakeholder pressures as complex, unfair, and demotivating, leading to symbolic compliance rather than proactive corporate sustainability (CS) engagement (Fassin, 2008; Mallett et al., 2019; Ernst et al., 2023). Such coercive pressures may reduce SMEs' autonomy and innovation in sustainability initiatives, resulting in minimum-standard adherence rather than value creation (Graafland & Bovenberg, 2020).

In contrast, empirical studies show that SMEs are highly responsive to proximate stakeholders—particularly employees and local communities—due to strong social embeddedness and trust-based relationships (Lähdesmäki et al., 2019; Courrent & Gundolf, 2009). Ernst et al. (2023) found that employee and community pressures reduce controlled CS motivation and significantly improve overall sustainability performance. Employees, as the closest stakeholder group, closely monitor CS activities and influence improvements in working conditions, productivity, and job satisfaction (Helmig et al., 2016; El Akremi et al., 2018).

Community stakeholders also exert strong influence, especially regarding environmental conduct, as ecological misconduct directly affects local welfare (Shnayder et al., 2016). Empirical evidence further confirms that active stakeholder engagement enhances sustainability performance, reputation, innovation, and operational efficiency (Salvioni & Almici, 2020; Wildan et al., 2024). Additionally, engaged stakeholders act as sustainability advocates, generating positive word-of-mouth and market visibility at low cost (Wildan et al., 2024). Therefore, we hypothesize as follows:

H4: Stakeholder engagement has a positive and significant effect on the non-financial performance of SMEs in Anambra State.

3. Theoretical Background and Hypotheses

3.1 Natural Resource-Based View (NRBV)

The theoretical foundation of this study is anchored in the Resource-Based View (RBV) and its extension, the Natural Resource-Based View (NRBV). Building on RBV, Hart (1995) introduced the Natural Resource-Based View, arguing that firms can achieve competitive advantage by effectively responding to environmental challenges. The NRBV emphasizes that environmentally sustainable practices are not merely compliance activities but strategic capabilities that enhance long-term performance. Hart (1995) identified pollution prevention, product stewardship, and sustainable development as key strategic pathways through which firms can align environmental responsibility with competitive advantage. These capabilities facilitate efficiency gains, innovation, and improved stakeholder relationships, ultimately enhancing economic performance (Roxas et al., 2017). NRBV is highly relevant to this study, as it provides a robust framework for explaining how sustainability business practices—particularly environmental and social practices—can serve as strategic resources for SMEs in Sub-Saharan Africa. Given the region's environmental challenges, regulatory pressures, and stakeholder expectations, SMEs that adopt sustainability practices can transform environmental and social constraints into opportunities for innovation, efficiency, and enhanced performance. Thus, the NRBV offers a strong theoretical lens for understanding the relationship between sustainability business practices and SME performance in this study.

3.2 Stakeholder Theory

Stakeholder theory offers a useful framework for understanding how sustainability practices influence SME performance. The theory views the firm as an organizational entity through which diverse stakeholders pursue multiple and sometimes conflicting objectives (Donaldson & Preston, 1995). Unlike shareholder-centric perspectives, stakeholder theory emphasizes that firms must actively manage relationships with various stakeholder groups—such as customers, employees, suppliers, investors, regulators, and communities—to achieve long-term success.

Prior literature suggests that stakeholders act as valuable sources of information, resources, and capabilities that enhance innovation and operational efficiency. For example, regulators help firms understand and comply with environmental standards (Berchicci & King, 2007), customers provide market insights into sustainability-related product requirements (Morgan & Anokhin, 2020; Laforet, 2008), and suppliers contribute expertise and collaborate in sustainable innovation initiatives (Ardito et al., 2021; Yeniyurt et al., 2014). Building on this, Sodhi (2015), as cited in Mani et al. (2020), integrates stakeholder theory with the resource-based view to propose a stakeholder resource-based perspective, arguing that stakeholder relationships themselves constitute strategic resources.

3. METHODOLOGY

3.1. Design and Sample

This study adopted a descriptive survey research design. The population are SMEs engaged in retail, manufacturing, services, and agro-allied businesses. According to data from the Anambra State Ministry of Commerce and Industry, The population is approximately 1,200 registered SMEs. This population was appropriate because SME owners and managers are directly involved in decision-making concerning sustainable practices and business performance. Following Gay (2023) recommendation, 30% of the population was selected. Out of the estimated 1,200 SMEs in Awka South, a sample size of 360 respondents (30%) was selected. The study adopted a stratified random sampling technique to ensure adequate representation across different business sectors. The population was stratified into manufacturing, service, and retail sectors. Within each stratum, simple random sampling was used to select respondents to avoid bias and enhance representativeness.

3.2 Measures

The study employed structured questionnaires.. The questionnaire was designed to collect information on the types and extent of sustainable business practices adopted, perceptions about their impact, and performance outcomes. It contained both closed-ended and Likert-scale questions for easy coding and analysis.

3.3 Ethical Considerations

Ethical standards were strictly observed. Respondents were informed of the study's purpose, and participation was voluntary. Anonymity and confidentiality were guaranteed. Data collected were used strictly for academic purposes. Ethical clearance was obtained from the relevant institutional review body, and permission was sought from SME associations before administering instruments.

4. FINDINGS AND DISCUSSION

Data from the questionnaires were analyzed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics such as frequencies, percentages, means, and standard deviations were used to summarize data, while inferential statistics such as regression analysis were employed to determine the relationship between sustainable business practices and SME performance. A total of 360 copies of the questionnaire were distributed, and 357 were completed and returned, giving a response rate of 99.2%.

4.1 Respondents Profile

The bio-data of the respondents are presented below. The variables covered include gender, age, educational qualification, position in the organization, number of years in operation, sector, size of business, and annual turnover.

Table 4.1 Respondents profile

Gender	Frequency (N=357)	Percentage (%)
Female	143	40.1
Male	214	59.9
Age Group		
18–25	41	11.5
26–35	202	56.6
36–45	88	24.6
46–55	21	5.9
56 and above	5	1.4
Age Group		
18–25	41	11.5
26–35	202	56.6
36–45	88	24.6
46–55	21	5.9
56 and above	5	1.4
Age Group		
18–25	41	11.5

26–35	202	56.6
36–45	88	24.6
46–55	21	5.9
56 and above	5	1.4
Years in Operation		
Less than 1 year	38	10.6
1–5 years	187	52.4
6–10 years	97	27.2
Above 10 years	35	9.8
Sector		
Manufacturing	92	25.8
Services	178	49.9
Retail	74	20.7
Others	13	3.6
Number of Employees		
1–9	207	58.0
10–49	121	33.9
50–199	29	8.1
Annual Turnover		
Less than ₦1 million	86	24.1
₦1–5 million	169	47.3
₦6–10 million	74	20.7
Above ₦10 million	28	7.8
Total	357	100.0

Source: Field Survey, 2025

Table 4.1 presents the demographic profile of the respondents and key characteristics of their businesses (N = 357). In terms of gender distribution, male respondents constituted the majority with 214 participants (59.9%), while females accounted for 143 respondents (40.1%). This indicates a male-dominated representation among the business owners or managers surveyed. Regarding age distribution, the respondents were largely young to middle-aged. The dominant age group was 26–35 years, comprising 202 respondents (56.6%), followed by those aged 36–45 years with 88 respondents (24.6%). Younger respondents aged 18–25 years accounted for 11.5%, while older age groups, 46–55 years (5.9%) and 56 years and above (1.4%), were minimally represented. This suggests that entrepreneurial activities in the sample are primarily driven by individuals in their economically active years. With respect to years in operation, more than half of the businesses (52.4%) had been operating for 1–5 years, indicating that most firms are relatively young. Businesses that

had operated for 6–10 years accounted for 27.2%, while 10.6% had been in operation for less than one year. Only 9.8% of firms had existed for more than 10 years, highlighting a limited presence of long-established enterprises.

In terms of sectoral distribution, the services sector dominated the sample with 178 firms (49.9%), followed by manufacturing (25.8%) and retail (20.7%). Other sectors constituted a marginal 3.6%. This reflects the service-oriented nature of the sampled businesses. Firm size, measured by number of employees, shows that the majority of businesses are micro-enterprises. Firms employing 1–9 workers accounted for 58.0%, while those with 10–49 employees represented 33.9%. Only 8.1% employed between 50 and 199 workers, indicating a low prevalence of medium-sized firms. Finally, annual turnover data reveal that most businesses operate at a relatively low revenue scale. Nearly half of the firms (47.3%) recorded annual turnover between ₦1–5 million, while 24.1% earned less than ₦1 million. Firms with turnover above ₦10 million constituted only 7.8%, suggesting limited financial capacity among the majority of the sampled enterprises.

4.2 Hypothesis Testing

This section presents the results of hypothesis testing to determine whether sustainable business practices (environmental, social, economic, and stakeholder engagement) significantly influence the non-financial performance of SMEs in Anambra State. Five hypotheses were tested using multiple regression analysis at a 0.05 level of significance.

Table 4.2 Hypotheses Result

Predictor	B	Std. Error	Beta	t	p-value
Environmental Sustainability	0.221	0.049	0.198	4.49	<.001
Social Sustainability	0.317	0.045	0.278	7.04	<.001
Economic Sustainability	0.366	0.047	0.315	7.79	<.001
Stakeholder Engagement	0.304	0.046	0.263	6.61	<.001
Intercept	1.026	0.187		5.48	<.001

The model explained 74% of the variance in non-financial performance ($R^2 = 0.74$, Adjusted $R^2 = 0.738$, $F(4,352) = 252.3$, $p < .001$). All predictors were statistically significant, with economic sustainability having the largest unique contribution ($\beta = 0.366$, $p < .001$), followed by social sustainability, stakeholder engagement, and environmental sustainability. All null hypotheses were rejected at the 0.05 significance level. The analysis reveals that each sustainability dimension contributes significantly to non-financial performance.

The result showed that environmental sustainability has a positive and significant effect on the non-financial performance of SMEs in Anambra State, Nigeria ($\beta = 0.22$, $t = 4.49$, $p < .01$), therefore, supporting H1. Similarly, Hypothesis 2 predicted a positive and significant effect of social sustainability on SMEs non-financial performance. The regression result showed that social sustainability had a strong, positive, and significant effect on the non-financial performance of SMEs in Anambra State, Nigeria ($\beta = 0.32$, $t = 7.04$, $p < .01$), confirming H2. Furthermore, in the third hypothesis, we predicted a positive and significant effect of economic sustainability on non-financial performance. The result revealed that economic sustainability has a positive and significant effect on the non-financial performance of SMEs in Anambra State ($\beta = 0.37$, $t = 7.79$, $p < .01$), validating H3. Finally, the result showed that stakeholder engagement had a positive and significant effect on non-financial performance ($\beta = 0.30$, $t = 6.61$, $p < .01$),, supporting H4.

4.3 Discussion

This study examined the effect of sustainability business practices on SME performance, focusing on environmental sustainability, social sustainability, economic sustainability, and stakeholder engagement. The regression results indicate that all four predictors have positive and statistically significant effects on SME performance, providing strong empirical support for the study's objectives and aligning with prior theoretical and empirical literature.

Environmental sustainability practices show a significant positive relationship with SME performance ($\beta = 0.198$, $p < .001$). This finding suggests that SMEs that invest in pollution prevention, efficient resource use, waste reduction, and energy-saving initiatives tend to achieve better performance outcomes. This result is consistent with the Natural Resource-Based View (NRBV), which posits that environmentally responsible practices can become strategic resources that enhance competitiveness and long-term performance (Hart, 1995). Empirically, this supports earlier studies that found environmental sustainability to improve cost efficiency, innovation, and firm reputation, particularly in resource-constrained SMEs (Baah et al., 2021). For SMEs in Sub-Saharan Africa, where energy costs and environmental risks are high, these practices appear to translate into tangible performance gains.

Social sustainability emerged as a strong predictor of SME performance ($\beta = 0.278$, $p < .001$). This indicates that practices related to employee welfare, health and safety, inclusion, community engagement, and human capital development significantly enhance SME outcomes. This finding reinforces stakeholder theory, which argues that firms that address the needs of employees and communities build trust, legitimacy, and relational capital that improve performance (Donaldson & Preston, 1995). The result aligns with empirical studies showing that socially responsible SMEs experience improved financial and non-financial performance, including competitiveness, employee motivation, and reputation (Chege & Wang, 2020; Mani et al., 2020). It also supports evidence from developing economies that embedding social sustainability reduces negative social impacts while strengthening firm resilience (Eweje, 2020).

Economic sustainability recorded the strongest effect on SME performance ($\beta = 0.315$, $p < .001$). This suggests that practices focused on long-term profitability, cost efficiency, innovation, and prudent financial management are central to SME success. The dominance of economic sustainability is not unexpected, as SMEs often operate under severe financial constraints and prioritize survival and growth. This finding is consistent with prior empirical work showing that economically sustainable practices—such as efficiency-driven operations, reinvestment strategies, and value creation—directly enhance both financial and overall firm performance (Alsayegh et al., 2020; Oduro et al., 2022). Importantly, the result indicates that sustainability in SMEs is not purely altruistic but closely tied to economic logic.

Stakeholder engagement also has a significant positive influence on SME performance ($\beta = 0.263$, $p < .001$). This confirms that actively engaging customers, suppliers, employees, regulators, and local communities contributes meaningfully to firm outcomes. This finding supports the instrumental perspective of stakeholder theory, which argues that effective stakeholder management improves performance by facilitating access to information, innovation opportunities, and market legitimacy (Mani et al., 2020; Thomas et al., 2022). Empirical evidence suggests that stakeholder engagement enhances innovation capability, supply chain performance, and customer satisfaction, all of which are critical for SME competitiveness.

Overall, the findings demonstrate that sustainability business practices jointly and individually enhance SME performance. The results corroborate prior empirical studies while extending the literature by providing evidence from a Sub-Saharan African context, where such studies remain limited. The strong significance across all predictors suggests that sustainability should be viewed as a strategic imperative rather than a peripheral activity for SMEs. Integrating environmental, social, and economic sustainability with active stakeholder engagement enables SMEs to achieve superior financial and non-financial performance, supporting both NRBV and stakeholder theory as relevant lenses for explaining SME performance outcomes.

5. CONCLUSION

This thesis investigated sustainable business practices in Anambra State, Nigeria, revealing a landscape of strong but uneven adoption. Firms show significant commitment, with the highest priority given to Collective Sustainability and Economic dimensions, reflecting pragmatic and communal values. These findings align with global research confirming the performance benefits of sustainability but highlight a key divergence: Nigerian firms have not yet integrated environmental practices as core strategic drivers, unlike trends seen in studies from Europe and Asia. This positions Nigeria as a critical case study in the phased adoption of sustainability within emerging economies. The study provides an empirical baseline for Nigeria and contributes a contextual model showing how immediate economic and social pressures can shape sustainability priorities. It calls for a strategic rebalancing. For lasting competitiveness and resilience,

Nigerian businesses and policymakers must actively bridge the environmental gap, transforming sustainability from a selective practice into a fully integrated strategy**.**

This study provides empirical evidence on the adoption levels of sustainable business practices among Nigerian firms, revealing a strong prioritization of economic and collective sustainability dimensions, with environmental practices being relatively less emphasized. Based on these findings and aligned with insights from the global literature, the following actionable recommendations are proposed for key stakeholders to advance sustainability in the Nigerian business ecosystem:

First, business owners should move beyond a siloed approach. The strong scores in social, economic, and stakeholder dimensions suggest a foundation upon which to build. Firms should strategically integrate environmental practices into this existing framework, recognizing them not as a cost but as a driver of efficiency. Second, the high mean score for stakeholder constructs indicates its recognized importance. This engagement should be deepened and systematized. Following examples from Italy and Estonia (Matarazzo et al., 2025; Ahmadov et al., 2024), Nigerian firms should move beyond dialogue to active co-creation of sustainable value with employees, local communities, customers, and suppliers. Particular focus should be on leveraging "proximate" stakeholder pressure (Ernst et al., 2022) to foster genuine motivation for sustainability.

Third, policymakers should create targeted incentives that address the specific lag in environmental sustainability. This could include tax breaks for green technology adoption, grants for environmental audits, and simplified certification processes for SMEs implementing ISO 14001 or similar standards. Finally, the government should act as a facilitator, creating platforms for knowledge exchange between academia, industry associations, NGOs, and businesses, as seen in other contexts (Salvador et al., 2023). This can help disseminate best practices in biodiversity management, waste management, and energy efficiency, which have proven links to financial performance (Emilson et al., 2025).

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7. CONFLICT OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

8. AUTHOR CONTRIBUTION STATEMENT

Author 1 contributed to the conceptualization, research design, and writing of the original draft.
Author 2 was responsible for data collection, analysis, and validation of the results.
Author 3 provided supervision, critical review, and editing of the final manuscript.
All authors have read and approved the final version of the manuscript.

9. ETHICS STATEMENT

This research was conducted in accordance with the ethical standards of the Declaration of Helsinki. Ethical approval was obtained from the [**Institutional Ethics Committee/Review Board**] under reference number [**Approval Number, if applicable**]. All participants were informed about the purpose of the study and provided written informed consent prior to participation. Participants' privacy and confidentiality were strictly maintained, and data collected were used solely for academic purposes.

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