

## Effect of Diversification on Microenterprises' Development in Ikwuano LGA, Abia State

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### Abstract

*This paper aimed at examining effect of diversification on microenterprises' development in Ikwuano LGA, Abia State. The specific objectives include determining: The socioeconomic characteristics of the small scale entrepreneurs in the study area, the criteria for measuring entrepreneurship excellence of micro-diversification in the study area, the factors affecting micro-entrepreneurs in micro-diversification in the study area. Simple Random sample technique was used to select one hundred and twenty (120) respondents. The data was collected using a questionnaire and subjected to analytical techniques such as 5-point likert scale, Product moment correlation coefficient, analysis of variance, using Special Package for Social Sciences (SPSS v.21). The result revealed that stock expansion, increase in income, increase customers' loyalty, increase risk management, extension of enterprise, financial stability and increase number of employees were the major criteria for entrepreneurship excellence through micro-diversification in the study area as they all have their mean value  $X > 3.00$ . It is revealed that financial inadequacy, regional security, lack of orientation on micro-diversification, Political influence was the only factor that affects the micro-entrepreneurs positively among all other factors with negative influences. The analysis revealed that there is a positive and significant relationship between micro-diversification and entrepreneurial excellence. That is, as the entrepreneurs embraced micro-diversification, they record positive changes in the microenterprises, hence, entrepreneurial excellence. The result showed that entrepreneurship excellence has a degree of freedom (df) 7.112 and  $F_{cal} 14.345 > F_{tab} 3.27$  at a significant level of  $0.000 < 0.05$ . The implication of this analysis is that the  $F_{cal} 14.345$  is greater than the  $F_{tab} 3.27$ , and therefore, based on the decision rule, the null hypothesis is rejected in favour of the alternate hypothesis that there is significant effect of micro-diversification on entrepreneurship excellence in the study area. The study recommended that Government should look into the area of insecurity in the region of the study area, so as to guarantee free trading. Inflation and devaluation should be redressed so as to cut down the cost of trading. Also, financial institution should also reduce their interest rate on loan, so that individual entrepreneurs can easily have access to external source of finance in the course of embracing micro-diversification.*

**Keywords:** Micro, Diversification, Entrepreneurship, Microenterprise.

## **1.0 INTRODUCTION**

### **1.1 Background of the Study**

Despite the concentration on large firms, the importance of small and microenterprises to Nigerian economy cannot be overlooked. As such, the performance of these enterprises is a concern to government and other key stakeholders who would like to witness the growth of small and micro firms sector. , a critical objective of every business is to experience sustainable improvement in its market reach and revenue generated. Thus, this gives rise to the need for strategies that ensure growth takes place (Patel, 2023). The concept of strategy reflects how the business intends to win against its competitors (Braun, Latham, & Cannatelli, 2019). Similarly, companies aim at maximizing growth opportunities by adopting strategies such as market penetration, market development, product development as well as product diversification (Lopez, Pizzo, Gupta, Kennedy, & Funk, 2021). The country's constant failure of small and medium-sized businesses, as well as the history of poor performance of existing ones, is cause for concern (Okafor & Daferighe, 2019). Dabor and Oserogho (2019) in their work asserted that the challenges facing SMEs in Nigeria include high production costs, low employee productivity, inability to build competitive advantage through producing quality products and services, intermittent power supply, indiscriminate tax levies, low accessibility to loans from financial institutions and inability to keep proper financial records. All of these affect the performance of these SMEs. According to SMEDAN (2022), SMEs in Nigeria do not have the same performance level when compared to others in developing economies such as Peru, Indonesia. Inferring from Dabor and Oserogbo (2019), this underperformance can be traced to lack of innovative product development which arises from some the challenges previously mentioned. Baptista et al. (2010) emphasized the importance of diversifying as a strategy that enhances the performance and survival of small and micro enterprises majorly by enhancing the scale of operation relevant for efficient utilizing of resources and reduction of costs. One of the strategies businesses adopt to enhance their returns and/or reduce costs is diversification (Chen & Ho, 2004; Rogers, 2001). Teo (2002) observed that when opportunity for success is limited in a firm's product offerings and market, diversification into an area with opportunity is inevitable. Thus, generally, firms diversify to minimize risks as well as attain organizational goals through increased returns on investment (Li & Jin, 2006). Diversification as a business strategy has been applied by business people both knowingly and unknowingly over the years. The benefits or lack thereof are measurable in terms of factors such as profitability (Ibrahim and Kaka, 2007), market share (customer base) and productivity (Rogers, 2001). Several studies have been conducted to indicate how diversification correlates with the profitability or value of firms. Li and Jin (2006) and Chen and Ho (2004) stated that the effects of diversification in business can either be seen in terms of enhancing firm benefits or reducing firm costs. Ibrahim and Kaka (2007), opined that the performance of moderately diversified firms and that of focused firms was similar when financial ratios-return on equity (ROE) and return on capital employed (ROCE) were used to measure performance. However, the performance of focused firms and moderately diversified firms exceeded that of highly diversified firms when performance was measured using the same ratios. Contrastingly, when return on total assets (ROTA) and profit margin (PM) were used, focused firms performed better than moderately diversified and highly diversified firms, which is the basic measurement tool for this study. This paper shall focus on the Concentric and the conglomerate diversification strategies as explained in Kotler and Keller (2006) who divided diversification into three, such as: (1) Concentric diversification where new but related products and/or services are added to the existing ones; (2) Conglomerate diversification where new but unrelated products and/or services are added to the existing core business; and

horizontal diversification, which involves adding new or unrelated products for present market segment (customers). Horizontal diversification is therefore a form of forward integration. However, this paper looked at diversification from four angles such as: Product diversification, Market diversification, Technology diversification and Process diversification.

### **1.2 Statement of the Problem**

The persistent increase in the number of university graduates annually with respect to the inability of the government to provide a suitable job had led many responsible youths into the establishment and management of micro and small scale enterprises around the nation, especially the study area, Abia state, Nigeria. However, the returns on their investment had been based on the level and nature of their enterprise, which led to this research to investigate if there could be correlation between micro-diversification and entrepreneurship excellence, which will be useful to all young and infant entrepreneurs in Nigeria using Abia state a study.

### **1.3 Objectives of the Study**

The major focus of this study is to determine the effect of diversification on microenterprises' development in Ikwuano LGA, Abia State. This paper looked into determining:

1. The effect of product diversification on microenterprises performance in the study area.
2. The effect of market diversification on the of microenterprises in the study area
3. The factors that influence diversification of microenterprises in the study area.

### **1.4 Research Hypotheses**

The following null ( $H_0$ ) hypotheses were tested for the justification of the study

$H_{01}$ : There is no significant effect of product diversification on microenterprises sales growth in the study area.

$H_{02}$ : Technology diversification has no significant impact on the competitiveness of microenterprises in the study area

## **2.0 Review of Related Literature**

### **2.1 Concept of Diversification**

The major role of this diversification strategy is to enhance productivity, profitability and enterprise's growth. However, it is argued that diversification is useful when a firm cannot meet its current financial expectations (Santalo and Beccera, 2008). Just as it is in a large investment, where investors spread their investment into different portfolio, either relatively or irrelatively; micro-diversification takes a narrow path of expanding micro-portfolio from the scratch. Diversification had been a significant way of enlarging and expanding investment in the business arena. Ansoff (1957) defined diversification as a strategy that gives a business competitive advantage through the creation of new product lines or expansion of market share, which Eukeria and Favourate (2014) posit, are aimed at enhancing the competitiveness of an enterprise. As such, this argument corrects Collis and Montgomery's (2008) that firms can diversify for reasons other than attaining competitiveness. Several diversification strategies abound but most researchers classify them into two-related and unrelated In related diversification, the firm ventures into new but related business to the core business while in unrelated diversification, the new business is different from the core business (Li & Wong, 2003; Thompson, Gamble, and Strickland, 2006; Klein and Lien, 2009). Ansoff, in Uzoh, (2021) prefer to classify them based on 'what is being diversified' in that there is (a) product diversification where the firm ventures into the creation of

new or modified products to suit a given market and (b) market diversification where the firm targets a newer market segment from the one currently being targeted. Kotler and Keller (2006) divide diversification into three such as: concentric diversification, where new but related products and/or services are added to the existing ones. This can conceptually be regarded as related-product diversification, for instance, a fashion designer may decide to introduce the sales of sewing materials into the existing tailoring business. Conglomerate where new but unrelated products and/or services are added to the existing core business. It is conceptually regarded as unrelated-product diversification, for example, a micro-entrepreneur who is into body and foot wears may decide to introduce a POS business into the existing one; and horizontal diversification, which involves adding new or unrelated products for present market segment (customers). Here, new market is created entirely. For instance, a building material seller, who decides to open a betting station, has created a new service for new customers entirely. Horizontal diversification is therefore a form of forward integration. Thompson *et al.* (2006) look at diversification as a group of individual businesses through which a firm is able to operate in different businesses or markets or both-whether unrelated or related. This means that using diversification strategy, firms are able to operate in other new/similar or different markets. This is why diversification strategy is considered a corporate growth strategy (Eukeria and Favourate, 2014). Whether related/unrelated, or otherwise classified, studies show that when implemented well, diversification leads to enhanced performance. Li and Wong (2003) elaborated that the relationship of diversification and performance is determined by the extent of diversification and the measures of performance used. Uzoh, (2021) also concur that the extent and type of diversification significantly determines the success of a diversification strategy.

## **2.2 Concept of Product Diversification**

Product and service innovation refers to the process of developing and improving existing products or services, or creating entirely new products or services, with the goal of meeting market needs, distinguishing oneself from competitors, and enhancing value for consumers (Shin, Kim, Jung, and Kim 2022). Product innovation encompasses changes in product design, features, quality, or technology, while service innovation focuses on how services are delivered to customers, such as improving service processes, using digital technology, or providing additional services (Zhang 2022; Wanof, 2023). Product and service innovation can also include changes in fundamental business models, such as new approaches in marketing, distribution, or pricing. The primary objective of product and service innovation is to create better value for customers, enhance a company's competitiveness, and respond to market or technological changes that can impact business sustainability (Farida and Setiawan 2022; Barera 2023).

## **Market Diversification**

Market penetration as a growth strategy entail increasing the market share of a company's brand by increasing its consumption and competitiveness as well as improving the business's marketing efforts. (Hoang Tien, 2020). Meanwhile, firms can utilize market development strategies to introduce their products into new markets. On the other hand, products can be diversified to suit the new market as well (Stirbu, 2023). Consequently, SMEs and other large-scale businesses can develop new product concepts to address customer needs and align with modern trends (Adler, Mandelbaum, Nguyen, & Schwerer, 2023). The performance of a firm can be measured by ascertaining their level of competition, size of market share, the degree to which stakeholders are

satisfied, service quality, productivity growth, profitability, as well as other financial metrics (Tang, Park, Agarwal, & Liu, 2020).

### **Technology Diversification**

Technological innovation combined with growth strategies enables firms to maximize available commercial opportunities. Moreso, this involves implementing new technology or modern techniques into the business's activities to facilitate growth, productivity and commendable performance. Salau, Osibanjo, Adeniji, Oludayo, Falola, Igbinoba, & Ogueyungbo, (2018). Likewise, technologically innovative practices can be executed across variables such as product innovation and process innovation which modify existing products and business operations. Thus, companies can provide unique solutions using sophisticated techniques (Porumboiu, 2021). Moreover, sustainable development goal 9 seeks to foster innovation, build infrastructure and advance sustainable industrialization. Hence, businesses are advised to develop a high-quality performance that contributes to economic growth and improved wellness of humans. This is made possible by research and development activities which raise the technological standards and capabilities of businesses across the globe (United Nations, 2020).

### **Process Diversification**

Moreso, the satisfaction of customers is associated with their judgement of the goods and services offered and the level at which pleasure was derived. This ultimately influences customer loyalty to the brand and goodwill (Otto, Szymanski, & Varadarajan, 2020). Equally, service quality refers to a customer's perspective of the degree to which a firm's services are superior or inferior. Also, service quality contributes to the level of long-term relationships and customer retention, a business possesses. Additionally, an improvement in profitability reflects an increase in revenue generation and profit (Alshamsi., Alshurideh, Kurdi, & Salloum, 2021).

### **Entrepreneurship**

Entrepreneurship is a legal and moral activity engaged by individual or group of individuals to identify and exploit economic opportunities through creativity, risk-taking and innovation with the aim of creating value for mankind (Onyebu and Oluwafemi, 2019). Entrepreneurial spirit is the force behind idea exploration and implementation for venture management and value creation. It is the key for survival in humanity directly or indirectly as innovativeness, creativity, pro-activeness and risk-taking are the basic elements of human endeavour for success. Sandra, (2011) posited that the word innovativeness relates to the type of products and services a company has introduced to the market. She further added that for some theorists, innovativeness is intrinsically linked to entrepreneurship in that entrepreneurs create new combination of resources by the very fact of their entry into the market. The role of entrepreneurship in job creation, economic growth and societal development cannot therefore be overemphasized, since the current global economic realities of the inability of governments to provide employment for its people continue to bring entrepreneurship to the fore. In addition, the global trend of countries tending towards capitalism makes entrepreneurship an important issue of discussion in the world, because at the heart of capitalism is 'the private enterprise', which stresses entrepreneurship and ownership of private properties. Entrepreneurship is a driving force for modern economies and societal development through both economic growth and the generation of employment and the promotion of innovation (Bosma *et al* 2010, 2009) in (Onyebu et al, 2018).



### **2.3 Concept Microenterprise**

The Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) defines a micro enterprise as a business with less than 10 people with an annual turnover of less than ₦5,000,000.00. Micro enterprises account for up to 80-90 percent of all enterprises in most countries” (IFAD 2010). In some region, where one of the main challenges is the growing number of youth related to limited capacity of job markets to absorb these young people, supporting micro-enterprises is an important entry point to create decent employment opportunities for sustainable and inclusive economic growth. Also, micro-enterprises have the potential to generate further employment in rural areas where unemployment often forces young people to migrate the agriculture, livestock and fisheries sector to offer economic potential. However, globally, micro enterprises are defined as those that meet two of the following three criteria and do not fail to do so for at least 10 years:

- Fewer than 10 employees
- Balance sheets total below Eur. 2million equivalently to
- Turnover below Eur. 2 million equivalently

According Business dictionary, micro enterprises are the smallest businesses in a country which operates with the least capital and number of employees. Usually operates within a small geographic area to provide services or goods for their community. The new definition of micro enterprises strengthens the efficiency of community programs and policies designed for this business. Micro enterprises have contributed immensely to economic growth, social stability and equity; hence poverty alleviation (European Union) in (Oluwafemi, 2016).

### **2.4 Theoretical Background**

The theories used in this paper were the theory of the growth and the theory of modern portfolio.

#### **2.4.1 The Theory of the Growth of the Firm**

In the late 1950, Penrose discovered that there can be no optimum or most profitable size of the firm. She established that a firm’s operational activities are only a by-product of the process of its growth hence coining the theory of Growth of the Firm (Penrose, 1995). According to the theory, there is no limit to firm’s growth. This means that diversification, as a strategy of firm growth, is limitless (Dosi, Nelson, and Winter, 2000). The internal resources of a firm influence its productivity. This theory is connected to the performance of a business enterprise as will be addressed in this research. The internal factors that are inherent in the business such as gender, age group and business related activities all come into play to determine the level of productivity in the enterprise.

#### **2.4.2 The Modern Portfolio Theory**

This theory holds that diversification of products may increase returns at given risk levels, or alternatively may provide the same returns at reduced risk. Applications of this theory use volatility of returns implied by market price fluctuations as the composite of risks (Athanasakos, 2009). Diversification may be used in a business enterprise to minimize risk at some level of imputed return. The concept is to maximize the realized rate of return within the risk constraints that one is prepared to take. In the earlier years of the past century, it was comfortably assumed that risk could not be measured. However, according to Kor, and Mahoney (2004) risk can be quantified and measured through profitability distribution. A certain school of thought thus arose, with the assumption that risk could be mitigated through diversification.

### 3.0 Research Methodology

Simple descriptive design was used for clarified justification of the study. Sample Random sample technique was used to select one hundred and twenty (120) respondents, whose responses were subjected to SPSS analytical tool. The population of the study from which the sample size is drawn covers the total numbers of microenterprises owners in the study area. And this is two thousand one hundred and ten (2,110) captured microenterprises. The sample total for this study was drawn to one hundred and twenty (120) respondents, which were randomly selected from six communities from Ikwuano LGA. After which Twenty (20) microenterprise's operators were selected from each community. The data was collected using a well structured, valid and reliable questionnaire. The data collected were subjected to analytical techniques such as 5-point likert scale, Product moment correlation coefficient, analysis of variance, using Special Package for Social Sciences (SPSS v.21) analytical tool.

### 3.0 Data Presentation and Discussion

#### 3.1 effect of product diversification on the sales growth of microenterprises in the study area.

The effect of product diversification on the sales growth of microenterprises in the study area is presented in the table bellow with the interpretation of the variables and results in the table.

**Table 1 effect of product diversification on the sales growth of microenterprises in the study area**

| Responses | X <sub>1</sub> | X <sub>2</sub> | X <sub>3</sub> | X <sub>4</sub> | X <sub>5</sub> | X <sub>6</sub> | X <sub>7</sub> |
|-----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| SD        | 4(3.3)         | 0(0)           | 12(10.0)       | 24(20.0)       | 3(2.5)         | 6(5.0)         | 18(15.0)       |
| D         | 12(10.0)       | 0(0)           | 15(12.5)       | 35(29.2)       | 2(1.7)         | 15(12.5)       | 35(29.2)       |
| N         | 41(34.2)       | 58(48.3)       | 20(16.7)       | 6(5.0)         | 30(25.0)       | 20(16.7)       | 6(5.0)         |
| A         | 34(28.3)       | 40(33.3)       | 42(35.0)       | 18(15.0)       | 58(48.3)       | 48(40.0)       | 24(20.0)       |
| SA        | 29(24.2)       | 22(18.3)       | 31(25.8)       | 37(30.8)       | 27(22.5)       | 31(25.8)       | 37(30.8)       |
| Total     | 120(100)       | 120(100)       | 120(100)       | 120(100)       | 120(100)       | 120(100)       | 120(100)       |
| Mean      | 3.6000         | 3.7000         | 3.5417         | 3.0750         | 3.7052         | 3.2411         | 3.1720         |
| Sd        | 1.06432        | 0.76257        | 1.27613        | 1.57801        | 0.66257        | 1.27311        | 1.37201        |

Source: Field Survey, 2025. Decision rule: Accept  $X \geq 3.0$  and Reject  $X < 3.0$

Note:

X<sub>1</sub>= stock expansion

X<sub>2</sub>= increase in income

X<sub>3</sub>=increase customers' loyalty

X<sub>4</sub>=increase risk management

X<sub>5</sub>= extension of enterprise

X<sub>6</sub>= financial stability

X<sub>7</sub>= increase number of employees

The analysis in table above showed the effect of product diversification on the sales growth of microenterprises in the study area. The result revealed that stock expansion has a mean  $X=3.6000$  and  $\sigma=1.06432$ ; increase in income has a mean value  $X=3.7000$  with a  $\sigma=0.76257$ ; increase customers' loyalty has a mean value  $X=3.5417$  and  $\sigma=1.27613$ , increase risk management has a mean value of  $X=3.0750$  and a  $\sigma=1.57801$ , extension of enterprise has a mean value  $X= 3.7052$

with  $\partial = 0.66257$ , financial stability has a mean  $X = 3.2411$  with  $\partial = 1.27311$  and increase number of employees has a mean  $X = 3.1720$  with  $\partial = 1.37201$ . The implication of the result is that all the elements in the table are the major areas of effect of product diversification on the sales growth of microenterprises in the study area as they all have their mean value  $X > 3.00$ .

### The effect of market diversification on the of microenterprises in the study area

The effect of market diversification on microenterprises in the study area is presented in the table 2 below.

**Table 2. The effect of market diversification on the of microenterprises in the study area**

|   |     |                    |  |                 |
|---|-----|--------------------|--|-----------------|
| Reduces single marked dependency        | 120 | 379 <sup>**</sup>  | 3.16                                   | 5 <sup>th</sup> |
| Increases revenue                       | 120 | 406 <sup>*</sup>   | 3.38                                   | 2 <sup>nd</sup> |
| Business expansion                      | 120 | 448 <sup>***</sup> | 3.73                                   | 1 <sup>st</sup> |
| Financial risk management               | 120 | 367                | 3.06                                   | 7 <sup>th</sup> |
| Improves competitive advantages         | 120 | 380 <sup>**</sup>  | 3.17                                   | 4 <sup>th</sup> |
| Creates access to new market technology | 120 | 374 <sup>**</sup>  | 3.12                                   | 6 <sup>th</sup> |
| <b>Grand Response Mean (GRM)</b>        |     |                    | <b>(20/6) 3.27<math>\geq</math>3.0</b> |                 |

Field Survey, 2025

\*, \*\* and\*\*\* indicates significance at 10%, 5% and 1% respectively.

Table 2 showed effect of market diversification on microenterprises in the study area. It is revealed in the result that Reduces single marked dependency was significant at 5% level of significance. This simply means that a change to embrace market diversification decision resulted to 5% reduction level of single market dependency. In other words, market diversification gives opportunity for microenterprises' operators to dive and enter into several markets. This would not only expand business size but also increase potential market size. It is also shown in the result that Increases revenue was significant at 10% level of significance and accepted as an area of effect of market diversification on microenterprises. Based on the result, it is posited that diversifying the market could increase the revenue level of the microenterprises. This could be so due to the fact that as many goods as sold from different market line, the tendency to maximize income became significant and positively related to the microenterprises' growth. Business expansion was significant at 1% and accepted as an area of effect of market diversification on microenterprises. By implication, the microenterprises began to expand as the operators decided to diversify the market to several lines. This is so because, as several market lines are incorporated into one organization, the need for expansion sets in, which would definitely increase market sales and therefore, growth of the enterprise. Also, Improves competitive advantage was significant at 10% and as a positive effect of market diversification on microenterprises. The implication of this is that more of competition sets in an entrepreneur began to market divers of competitive products or to segment market. This would therefore sensitize the competitive entrepreneurs to diverse and strategize to fit in to the competitive market. Lastly, Creates access to new market technology was significant at 5% level of significance and accepted as an area of effect of market diversification on microenterprises. This implies that as individual entrepreneurs began to diversify market trail and line, the tendency to learn new innovation became broaden. New market technologies such as internet marketing or affiliate marketing became an option to gain large potential customers and focus on targeted market.



### 3. The factors that influence diversification of microenterprises in the study area.

**Table 3 The factors that influence diversification of microenterprises in the study area.**

| Variables                            | Unstandardized    | Std.<br>Error | Standardized      | t        | Sig. |
|--------------------------------------|-------------------|---------------|-------------------|----------|------|
|                                      | Coefficients<br>B |               | Coefficients<br>B |          |      |
| (Constant)                           | -.007             | .397          |                   | -.016**  | .087 |
| Finance inadequacy                   | -.083             | .105          | .135              | -.788**  | .062 |
| Poor marketing Planning              | .150              | .067          | .378              | -2.232** | .092 |
| Lack of diversification orientation. | -.043             | .052          | -.137             | -.818**  | .078 |
| Fear of uncertainty                  | -.155             | .055          | .441              | -2.810   | .419 |
| Political influence                  | -.085             | .042          | .321              | 1.545**  | .061 |
| Inflation and devaluation            | -.093             | .058          | .217              | -3.431** | .071 |
| High rate on borrowing               | -.114             | .035          | .231              | -2.213** | .052 |
| R <sup>2</sup>                       | .610              |               |                   |          |      |
| R <sup>-2</sup>                      | .562              |               |                   |          |      |
| F-Stat                               | 3.939             |               |                   |          |      |
| Prob.                                | 0.0642**          |               |                   |          |      |

Source: Field Survey, 2025

Table 2 showed the factors influencing the diversification of microenterprises in the study area. The multiple regression analysis revealed that R<sup>-2</sup> was 0.562 while the F-ratio was 3.939 greater than F-table value 2.37 at a Prob= 0.0642 greater than 0.05 level of significance. The R<sup>-2</sup> explains 56.2% of the explanatory components of the independent variables. It is revealed that financial inadequacy was significant at 0.062 > 0.05 and negatively affected microentrepreneurs in achieving diversification. It means that inadequate finance reduces diversification. Also, Poor marketing Planning was significant at 0.092>0.05 and negatively affected diversification. It means that the more the entrepreneurs' marketing plan became poor, the lesser the diversification exercise among the entrepreneurs. Moreover, lack of orientation on diversification was significant at 0.078>0.05 and negatively affected the entrepreneurs. This means that lack of entrepreneurial orientation on diversification reduces the entrepreneurs' motivation to diversify. Political influence was significant at 0.061>0.05, but positively affected entrepreneurs diversification activity. The change in government and political power affect the effectiveness of microentrepreneurs positively. This could be as a result of the state government's effort in promoting entrepreneurship in the state. Inflation and devaluation were significant at 0.071>0.05 and negatively affected microentrepreneurs. This could be as a result of consistent hike in the prices of goods and exchange of the US Dollar to the Nigeria Naira. Lastly, High interest rate on borrowing was significant and negatively affected microentrepreneurs. This implies that as the interest rate on loan is high, the rate of diversification reduced, which left the entrepreneurs with the only option of single market line.

### 3.4 Test of Hypothesis One

H<sub>01</sub>: There is no significant effect of product diversification on microenterprises sales

**Table 3. There is no significant effect of product diversification on microenterprises sales**

| Model      | Sum of Squares | Df  | Mean Square | Fcal  | Ftab | Sig. | Decision Rule                                    |
|------------|----------------|-----|-------------|-------|------|------|--|
| Regression | 23.342         | 4   | 11.432      | 4.325 | 2.46 | .062 | If $F_{cal} > F_{tab}$ , Reject null hypothesis. |
| Residual   | 10.345         | 115 | .432        |       |      |      |  |
| Total      | 33.687         | 119 |             |       |      |      |  |

Source: Field Survey, 2025

Table 3 showed an ANOVA result showing, whether there is significant product diversification on microenterprises sales. The result revealed that at degree of freedom (df) 4.55 and  $p=0.062$ , the F calculated value was 4.325 greater than F table value 2.46. This implies that the  $F_{cal} > F_{tab}$ , which led to the rejection of the null hypothesis in favour of the alternate hypothesis. The study therefore concluded that there is significant impact product diversification on microenterprises sales.

### 3.5 Test of Hypothesis Two

H0<sub>2</sub>: Technology diversification has no significant impact on the competitiveness of microenterprises in the study area

**Table 5. ANOVA result showing the impact Technology diversification on the competitiveness of microenterprises in the study area**

| Variables                        |                | Sum of Squares | df  | Mean Square | F      | Sig. |
|----------------------------------|----------------|----------------|-----|-------------|--------|------|
| Microenterprise' Competitiveness | Between Groups | 10.480         | 7   | 10.480      | 14.345 | .000 |
|                                  | Within Groups  | 38.720         | 112 | 00.731      |        |      |
|                                  | Total          | 49.200         | 119 |             |        |      |

Source: Field Survey, 2025

Table 5 showed the Analysis of variance result showing the Technology diversification on competitiveness of microenterprises. The result showed that competitiveness of microenterprises has a degree of freedom (df) 7.112 and  $F_{cal} 14.345 > F_{tab} 3.27$  at a significant level of  $0.000 < 0.05$ . The implication of this analysis is that the  $F_{cal} 14.345$  is greater than the  $F_{tab} 3.27$ , and therefore, based on the decision rule, the null hypothesis is rejected in favour of the alternate hypothesis that there is significant effect of Technology diversification on competitiveness of microenterprises in the study area.

### Discussion of Findings

The analysis in table 1 showed the effect of product diversification on the sales growth of microenterprises in the study area. The result revealed that stock expansion has a mean  $X=3.6000$  and  $\sigma=1.06432$ . This means that a change in the decision for product diversification resulted in a mean change of about 3.6 stock expansions, which signifies increase and positive change. The reason for this could be due to the fact that as diverse products are been introduced to a particular enterprise, it would increase the quantity of stock in store. The result also showed that increase in income has a mean value  $X=3.7000$  with a  $\sigma=0.76257$ . By implication, a change in product diversification led to about a mean change of 3.7, signifying a positive change. This could be positive simply because, as market size increase through stock expansion, the tendency to increase

the income level became broad. The result also revealed that increase customers' loyalty has a mean value  $X=3.5417$  and  $\partial=1.27613$ . What the result implies is that a change in the decision to diversify products brought about direct mean change of about 3.5; which is positively accepted. The reason for the positive effect and increase could be traced to the fact that as the customers began to get what product they needed from the enterprise, they began to increase their patronage and hence, became loyal to the enterprise. This is in conjunction to Otto, Szymanski, & Varadarajan, (2020) that the satisfaction of customers is associated with their judgment of the goods and services offered and the level at which pleasure was derived. This ultimately influences customer loyalty to the brand and goodwill. The result also showed that increase risk management has a mean value of  $X=3.0750$  and a  $\partial=1.57801$ . This simply means that a change in product diversification led to about 3.1 upward slope in the risk management. In other words, as decision to diversify product increased, the risk management level of the microenterprises also increased. This showed a positive movement, which could be traced to the fact that even product diversification itself is a risk; therefore, the need to take and manage more risks became significant. It is also shown in the result that extension of enterprise has a mean value  $X= 3.7052$  with  $\partial= 0.66257$ . This implies that a change in product diversification decision resulted in about 3.7 mean improvement in the extension of enterprises. This could be possible because, as stock is expanded, the need to establish strategic product positioning became paramount. The result showed that financial stability has a mean  $X= 3.2411$  with  $\partial= 1.27311$ . This means that as product diversification increased, the enterprises became financially stable, which could be either giving or open access to credit facility or micro loan, or increase the enterprise's retained-earnings and equity. Lastly, increase number of employees has a mean  $X= 3.1720$  with  $\partial= 1.37201$ . This means that an increase in the product diversification resulted to an upward slope of about 3.2 mean value of employees' increment. This became significant because as the entrepreneurs diversified and extended their enterprises, the need for employees arose. This result is in conjunction with the findings of Vogl, (2018) that decision to diversify product resulted to customer-centric decision-making, market-trend orientation, resource orientation, and complementary products and services. This is also in line with (Stirbu, 2023) that products can be diversified to suit the new market as well market development strategies to introduce their products into new markets. The implications for positive social change include the potential to give small business owners a decision-making framework to achieve sustainability and growth, which would contribute to healthy economic conditions through consumerism, higher employment rates, and a reduction in poverty.

Table 2 showed effect of market diversification on microenterprises in the study area. It is revealed in the result that Reduces single market dependency was significant at 5% level of significance. This simply means that a change to embrace market diversification decision resulted to 5% reduction level of single market dependency. In other words, market diversification gives opportunity for microenterprises' operators to dive and enter into several markets. This would not only expand business size but also increase potential market size. It is also shown in the result that Increases revenue was significant at 10% level of significance and accepted as an area of effect of market diversification on microenterprises. Based on the result, it is posited that diversifying the market could increase the revenue level of the microenterprises. This could be so due to the fact that as many goods as sold from different market line, the tendency to maximize income became significant and positively related to the microenterprises' growth. This conforms to the opinion of Patel, (2023) that a critical objective of every business is to experience sustainable improvement in its market reach and revenue generated. Thus, this gives rise to the need for strategies that ensure growth takes place. The result also showed that Business expansion was significant at 1% and

accepted as an area of effect of market diversification on microenterprises. By implication, the microenterprises began to expand as the operators decided to diversify the market to several lines. This is so because, as several market lines are incorporated into one organization, the need for expansion sets in, which would definitely increase market sales and therefore, growth of the enterprise. This is in collaboration with Hoang Tien, (2020) that market penetration as a growth strategy entail increasing the market share of a company's brand by increasing its consumption and competitiveness as well as improving the business's marketing efforts. Also, Improves competitive advantage was significant at 10% and as a positive effect of market diversification on microenterprises. The implication of this is that more of competition sets in, as an entrepreneur began to diversify market, or to segment market. This would therefore sensitize the competitive entrepreneurs to diverse and strategize to fit in to the competitive market. This is in line with Braun, Latham, & Cannatelli, (2019) that the concept of strategy reflects how the business intends to win against its competitors. Lastly, Creates access to new market technology was significant at 5% level of significance and accepted as an area of effect of market diversification on microenterprises. This implies that as individual entrepreneurs began to diversify market trail and line, the tendency to learn new innovation became broaden. New market technologies such as internet marketing or affiliate marketing became an option to gain large potential customers and focus on targeted market.

Table 3 showed the factors influencing the diversification of microenterprises in the study area. The multiple regression analysis revealed that  $R^2$  was 0.562 while the F-ratio was 3.939 greater than F-table value 2.37 at a Prob= 0.0642 greater than 0.05 level of significance. The  $R^2$  explains 56.2% of the explanatory components of the independent variables. It is revealed that financial inadequacy was significant at  $0.062 > 0.05$  and negatively affected microentrepreneurs in achieving diversification. It means that inadequate finance reduces diversification. Also, Poor marketing Planning was significant at  $0.092 > 0.05$  and negatively affected diversification. It means that the more the entrepreneurs' marketing plan became poor, the lesser the diversification exercise among the entrepreneurs. Moreover, lack of orientation on diversification was significant at  $0.078 > 0.05$  and negatively affected the entrepreneurs. This means that lack of entrepreneurial orientation on diversification reduces the entrepreneurs' motivation to diversify. Political influence was significant at  $0.061 > 0.05$ , but positively affected entrepreneurs diversification activity. The change in government and political power affect the effectiveness of microentrepreneurs positively. This could be as a result of the state government's effort in promoting entrepreneurship in the state. Inflation and devaluation were significant at  $0.071 > 0.05$  and negatively affected microentrepreneurs. This could be as a result of consistent hike in the prices of goods and exchange of the US Dollar to the Nigeria Naira. Lastly, High interest rate on borrowing was significant and negatively affected microentrepreneurs. This implies that as the interest rate on loan is high, the rate of diversification reduced, which left the entrepreneurs with the only option of single market line.

Table 4 showed an ANOVA result showing, whether there is significant product diversification on microenterprises sales. The result revealed that at degree of freedom (df) 4.55 and  $p=0.062$ , the F calculated value was 4.325 greater than F table value 2.46. This implies that the  $F_{cal} > F_{tab}$ , which led to the rejection of the null hypothesis in favour of the alternate hypothesis. The study therefore concluded that there is significant impact product diversification on microenterprises sales. This is in line with the opinion of Ahmad & Dewa, (2023) that to achieve growth and sustainability of micro, small and medium enterprises, innovation in products and services is key. MSMEs must continuously understand customer needs and collaborate with partners such as research institutes

and universities to enrich their innovative ideas. Investment in research and development (R&D) is essential to stimulate innovation, while advanced technologies such as artificial intelligence and the Internet of Things can be used to create more efficient products and services. Establishing a creative team focused on innovation, along with employee training, will strengthen innovation capabilities to enhance sales volume.

Table 5 showed the Analysis of variance result showing the Technology diversification on competitiveness of microenterprises. The result showed that competitiveness of microenterprises has a degree of freedom (df) 7.112 and  $F_{cal} 14.345 > F_{tab} 3.27$  at a significant level of  $0.000 < 0.05$ . The implication of this analysis is that the  $F_{cal} 14.345$  is greater than the  $F_{tab} 3.27$ , and therefore, based on the decision rule, the null hypothesis is rejected in favour of the alternate hypothesis that there is significant effect of Technology diversification on competitiveness of microenterprises in the study area. This is in line with the opinion of Salau, Osibanjo, Adeniji, Oludayo, Falola, Igbinoba, & Ogueyungbo, (2018) that technological innovation combined with growth strategies enables firms to maximize available commercial opportunities. Moreso, this involves implementing new technology or modern techniques into the business's activities to facilitate growth, productivity and commendable performance. Likewise, technologically innovative practices can be executed across variables such as product innovation and process innovation which modify existing products and business operations. Thus, companies can provide unique solutions using sophisticated techniques (Porumboiu, 2021).

### Conclusion

The objective of every business is to experience sustainable improvement in its market reach and revenue generated. Thus, this gives rise to the need for strategies that ensure growth takes place (Patel, 2023). The concept of strategy reflects how the business intends to win against its competitors (Braun, Latham, and Cannatelli, 2019). Diversification as a business strategy has been applied by business people both knowingly and unknowingly over the years. However, the level of contribution of these parameters to the effective operations of SMEs in South-West Nigeria is yet to be ascertained (Donbesuur, Owusu-Yirenkyi, and Chu, 2020). Growth strategy is critical to the performance of small and medium enterprises in an economy (Oladotun *et al.*, 2023). Diversification is considered as one effective tool in expanding the business. However, different finding discovered in Small and Medium Enterprises where diversification is not the main priority even though it will help their growth (Batchtiar 2020). While others opined that companies aim at maximizing growth opportunities by adopting strategies such as market penetration, market development, product development as well as product diversification (Lopez, Pizzo, Gupta, Kennedy, & Funk, 2021). This study concluded that there is a correlative relationship with positive effect that exists between diversification and Microenterprises in the study area. Therefore, microenterprises could experience development through diversification and stay ahead of competitors with an appreciable increase in customer base that will culminate into improved profitability with appreciating a return on investment if the due process for product development is followed and policies around product development are regularly reviewed in line with the business trends in the immediate and global business environment.

### Recommendation

Based on the captured factors affecting microenterprises in the study area, the study therefore, recommended that:



Government should look into the area of insecurity in the region of the study area, so as to guarantee free trading. Inflation and devaluation should be redressed so as to cut down the cost of trading.

Also, financial institutions should also reduce their interest rate on loan, so that individual entrepreneurs can easily have access to external source of finance in the course of embracing micro-diversification.

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