EFFECT OF INNOVATIVENESS AND PROACTIVENESS ON THE PERFORMANCE OF MICRO-ENTERPRISES IN NASARAWA STATE

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Abstract

Innovativeness and proactiveness are widely acknowledged as key drivers of business success, yet their influence on micro-enterprise performance in emerging markets such as Nasarawa State remains underexplored. This study examines the effect of these entrepreneurial orientations on the performance of micro-enterprises in Nasarawa State, Nigeria. Anchored on the Dynamic Capabilities Theory, the study adopted a survey research design. Primary data was collected from a representative sample of 403 micro-enterprise owners and managers through structured copies of questionnaire out of the target population of 7,905 registered micro-enterprises in Nasarawa State. *In which a combination of purposive and convenience sampling techniques was employed. The data collected was analysed using PLS-SEM. The results indicate that innovativeness significantly enhances micro-enterprise performance by driving product and process improvements, while proactiveness contributes positively by strengthening market responsiveness and competitive positioning. Based on these findings, the study recommends that micro-enterprise owners, policymakers and development agencies in Nasarawa State should prioritize the development of innovative capabilities and proactive strategies to promote improved performance and long-term sustainability of firms.*

Keywords: *Innovativeness, Micro-enterprises, Sustainability, Performance, Proactiveness*

Introduction

The micro-enterprise sector plays a pivotal role in Nigeria's economy, contributing significantly to employment generation, innovation and overall economic growth. As a major driver of the country's Gross Domestic Product (GDP), this sector is central to Nigeria's pursuit of sustainable development. In Nasarawa State, micro-enterprises have gained increasing prominence due to their potential to create jobs, reduce poverty and promote economic empowerment. With growing government support and targeted initiatives aimed at strengthening small business development, the sector is well positioned for expansion, making it a compelling focus for both researchers and policymakers. In today's rapidly evolving business environment, the performance of micro-enterprises has become a critical concern, particularly for those striving for

long-term success and competitiveness. Given the resource limitations and intense market competition that characterize this sector, performance encompasses more than just financial outcomes. It includes innovation, customer satisfaction and organizational adaptability. To sustain superior performance, micro-enterprises must embrace strategic management practices, particularly by fostering innovativeness and proactiveness (Soesetio et al., 2024). Despite their potential, many micro-enterprises in Nasarawa State encounter substantial challenges that constrain their performance and threaten their sustainability (Isa et al., 2024). These include limited access to resources, weak innovation capabilities and poor market responsiveness. Such factors undermine competitiveness and expose firms to volatility and reputational risks. In a dynamic business landscape, the ability to adapt to shifting customer preferences and market trends is essential. However, many micro-enterprises struggle to develop the strategic competencies required to remain agile and competitive.

These difficulties are often compounded by inadequate access to finance, insufficient market intelligence and high operational risks. Many businesses grapple with irregular cash flows, limited customer networks and poor information systems, which hinder strategic decision-making and responsiveness. As a result, operating costs rise while competitiveness and resilience decline, particularly in the face of economic instability or market disruptions.

Innovativeness, in this context, refers to a firm's ability to generate and apply new ideas, products, or processes that enhance competitiveness and responsiveness. For micro-enterprises in Nasarawa State, this involves developing creative solutions, improving offerings and leveraging emerging technologies to drive growth. A strong innovation orientation helps firms differentiate themselves, respond effectively to changing market demands and strengthen their long-term sustainability.

Proactiveness, on the other hand, reflects a forward-looking strategic posture focused on anticipating and acting upon future opportunities or challenges. For micro-enterprises, this means identifying market trends early, initiating change and seizing opportunities ahead of competitors. Such a proactive approach enables firms to mitigate risks, remain adaptable and pursue sustained growth in an unpredictable environment.

The influence of innovativeness and proactiveness on micro-enterprise performance lies in their capacity to support adaptability and competitiveness. Together, these orientations enhance financial outcomes, customer satisfaction and market responsiveness by enabling firms to identify opportunities, reduce inefficiencies and create value in dynamic settings (Bajwa et al., 2024). The competitive and uncertain nature of Nasarawa State's micro-enterprise sector continues to challenge firms seeking consistent performance (Yakubu et al., 2024). Without a foundation of innovative and proactive strategies, many micro-enterprises risk stagnation in market relevance, customer engagement and financial viability.

Although the importance of innovativeness and proactiveness is well recognized in the literature, empirical research examining their effect on the performance of micro-enterprises within the specific socio-economic context of Nasarawa State remains limited. Most existing studies focus on larger firms or SMEs in other regions, overlooking the distinctive challenges faced by micro-enterprises in this locality. Furthermore, the individual and combined effects of these

entrepreneurial orientations on both financial and non-financial performance indicators remain underexplored in emerging markets.

To address this gap, the present study aims to empirically investigate the effect of innovativeness and proactiveness on the performance of micro-enterprises in Nasarawa State, Nigeria. By focusing on this specific context, the study seeks to generate evidence-based insights on how these orientations influence business outcomes. The findings are expected to inform entrepreneurs, policymakers and development agencies on effective strategies to foster innovation, enhance responsiveness and support sustainable growth within the micro-enterprise sector. To guide the investigation and in line with the objectives of the study, the following research hypotheses are posed in null format:

H_o1: Innovativeness has no significant effect on the performance of micro-enterprises in Nasarawa State.

H_o2: Proactiveness has no significant effect on the performance of micro-enterprises in Nasarawa State.

Literature Review

Performance of Micro-enterprises

The performance of micro-enterprises refers to the extent to which these businesses operate effectively and efficiently in achieving their defined objectives, including profitability, growth, long-term sustainability, and positive social impact within their communities and beyond. Entrepreneurial performance refers to the extent to which an enterprise transforms its entrepreneurial activities into measurable outcomes such as profitability, growth, innovation, competitive advantage and sustainability. Scholars emphasize various dimensions of performance, including financial indicators like return on assets and sales growth (Tudose et al., 2022), as well as non-financial metrics such as market share, innovation output and stakeholder value (Omran et al., 2021). This multifaceted view underscores that entrepreneurial success is not only about financial returns but also about market relevance, adaptability and value creation.

Beyond quantitative measures, entrepreneurial performance encompasses strategic capabilities such as innovation, opportunity exploitation and sustained competitive advantage. Brege and Kindström (2021) and Khan et al. (2024) stress that proactive opportunity identification and market responsiveness are crucial indicators. Nosike et al. (2024) adds that long-term survival in the face of uncertainty is a core performance metric, while Chen (2024) and Gborogbosi and Onuoha (2024) frame entrepreneurial performance as a dynamic, holistic outcome driven by strategic renewal, resource reconfiguration and continuous improvement. Collectively, these perspectives highlight that entrepreneurial performance is a multidimensional construct rooted in financial, strategic, operational and innovation-based achievements.

Innovativeness

Innovativeness reflects an organization's tendency to pursue creativity, experimentation and novel ideas that drive the development of new products, services, or processes. It plays a central role in enabling firms to maintain a competitive edge, particularly in dynamic and rapidly changing

markets. As noted by Capatina (2024), innovative firms consistently introduce new product-market solutions, often positioning themselves as industry leaders through proactive adaptation to technological and market shifts. Similarly, Zhang et al. (2025) emphasized innovativeness as an orientation marked by openness to experimentation and exploration of new opportunities.

Innovativeness extends beyond invention to encompass the practical implementation of creative ideas that generate value, as highlighted by Caro-Gonzalez (2023). Innovativeness was viewed as a firm's ability to convert ideas into meaningful outcomes that enhance organizational performance. A key enabler of this capability is organizational culture. Furthermore, a culture that rewards creativity, risk-taking and experimentation is essential for fostering innovation. Essentially, innovativeness thrives where firms create supportive environments that encourage employees to challenge norms and pursue transformative solutions.

Proactiveness

Proactiveness is another dimension of entrepreneurial orientation. It reflects the ability of a firm to anticipate and act on future opportunities ahead of competitors. It involves a forward-looking approach where firms shape market trends rather than simply reacting to them. Lumpkin and Dess (1996) define proactiveness as a tendency to exploit emerging opportunities early, enabling innovative product launches, timely market entry and strategic positioning. Covin and Slevin (1989) also emphasize its role in influencing industry dynamics through an entrepreneurial mindset. Proactive firms often gain first-mover advantages, securing customer loyalty and competitive edge, as noted by Xie et al. (2021).

Beyond competitive positioning, proactiveness also reflects a firm's strategic foresight. It involves identifying potential disruptions, forecasting trends and planning for future challenges, which strengthens long-term resilience and adaptability (Brege & Kindström, 2020; Bourmistrov & Åmo, 2022). Scholars like Onyango et al. (2025) and Yandi et al. (2024) further highlight proactiveness as both a behavioural and strategic trait that drives firms to actively seek new opportunities and capitalize on them ahead of others. Essentially, proactiveness enhances innovation, agility and performance in dynamic business environments

Innovativeness and Performance

Ali et al. (2020) investigated the combined effects of entrepreneurial orientation, market orientation and total quality management on SME performance in Saudi Arabia. Using data from 393 SME owners and analysed through PLS-SEM, the study found that innovativeness and proactiveness significantly and positively influence performance. However, concerns were noted due to the lack of clarity in sample size determination.

Dameshifa et al. (2023) examined how entrepreneurial and market orientation affect business performance in Indonesian SMEs, with innovation as a potential mediator. Using data from 219 SME owners and analysed through SEM with AMOS 24, the study found that both orientations, particularly innovativeness, have a significant positive impact on business performance.

Calabar et al. (2021) examined the relationship between innovation and competitiveness in a feminine flour mill, using survey data from 85 randomly selected employees. Pearson correlation analysis revealed a positive but modest significant relationship. However, the choice to sample

from a small population was unclear and the study's value could have been enhanced by involving senior decision-makers.

Gomes et al. (2022) explored how entrepreneurial orientation, organizational learning capability and service innovation affect performance in architecture and urbanism firms in Brazil. Using data from 159 organizations and analysed with PLS-PM, the study found that entrepreneurial orientation strongly influenced both service innovation and performance. Organizational learning capability enhanced innovation and performance, mediating the link between innovation and performance while highlighting the value of a learning-driven, proactive culture.

Proactiveness and Performance

Dameshifa et al. (2023) examined the effects of entrepreneurial and market orientation on business performance among Indonesian SMEs, with innovation as a mediator. Using a descriptive quantitative, causal approach and data from 219 SME owners collected via purposive sampling, the study employed SEM with AMOS 24 for analysis. Results showed that both entrepreneurial orientation (including proactiveness) and market orientation significantly and positively influence business performance, offering valuable insights into SME growth and economic contribution.

Li et al. (2020) analysed how proactiveness and competitive aggressiveness influence SMEs' online performance using panel data from 149 firms on Alibaba between October and December 2010. With 10,348 observations and SEM analysis, the study found that both proactiveness and competitive aggressiveness significantly enhance online performance in B2B e-commerce settings.

Kiyabo and Isaga (2020) examined the impact of entrepreneurial orientation on SME performance in Tanzania, focusing on the mediating role of competitive advantage. Using survey data from welding SMEs across urban centers and analysed through SEM with AMOS, the study found that proactiveness significantly mediates the relationship between entrepreneurial orientation and firm growth. Bootstrapped samples reinforced the reliability of these findings.

Murtianingsih (2021) examined the link between entrepreneurial orientation and competitiveness among Batik SMEs in East Java, Indonesia. Using survey data from 119 SME owners or managers and analysed through multiple regression, the study found that proactiveness significantly and positively influences SME competitiveness.

Dynamic Capabilities Theory

The theoretical foundation of this study is grounded in the Dynamic Capabilities Theory, initially proposed by Teece et al. in 1997 and further expanded in later research. The theory asserts that the long-term success and performance of an organization depend on its ability to sense emerging opportunities and threats, seize them effectively and transform its internal resources and processes in response to a constantly evolving external environment.

In the context of this study, dynamic capabilities are reflected in the strategic attributes of innovativeness and proactiveness. These capabilities enable firms to respond to shifting customer preferences, technological advancements and market competition. The theory highlights the

significance of organizational agility, strategic flexibility and continuous learning as essential components for maintaining sustained performance and competitiveness.

For micro-enterprises, this implies actively cultivating innovativeness to create or enhance products, services and operational processes, while also fostering proactiveness to anticipate market trends and respond promptly to both opportunities and challenges. Dynamic Capabilities Theory offers a comprehensive perspective for examining how these orientations influence organizational performance. Through the development and effective deployment of innovativeness and proactiveness, micro-enterprises can strengthen their financial outcomes, improve customer satisfaction and enhance their overall competitiveness in a dynamic business landscape.

Methodology

This study adopted a survey research design, which is appropriate for investigating the relationships among affordability of finance, timeliness of finance, adequacy of finance, and the performance of micro-enterprises. The target population comprised 7,905 registered micro-enterprises in Nasarawa State, as recorded in the 2021 survey conducted by the National Bureau of Statistics (NBS) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The Taro Yamane sample determination formula was used to calculate a sample size of 380.1. This figure was increased to 457 to account for potential non-responses, in line with the recommendation provided by Israel (2013).

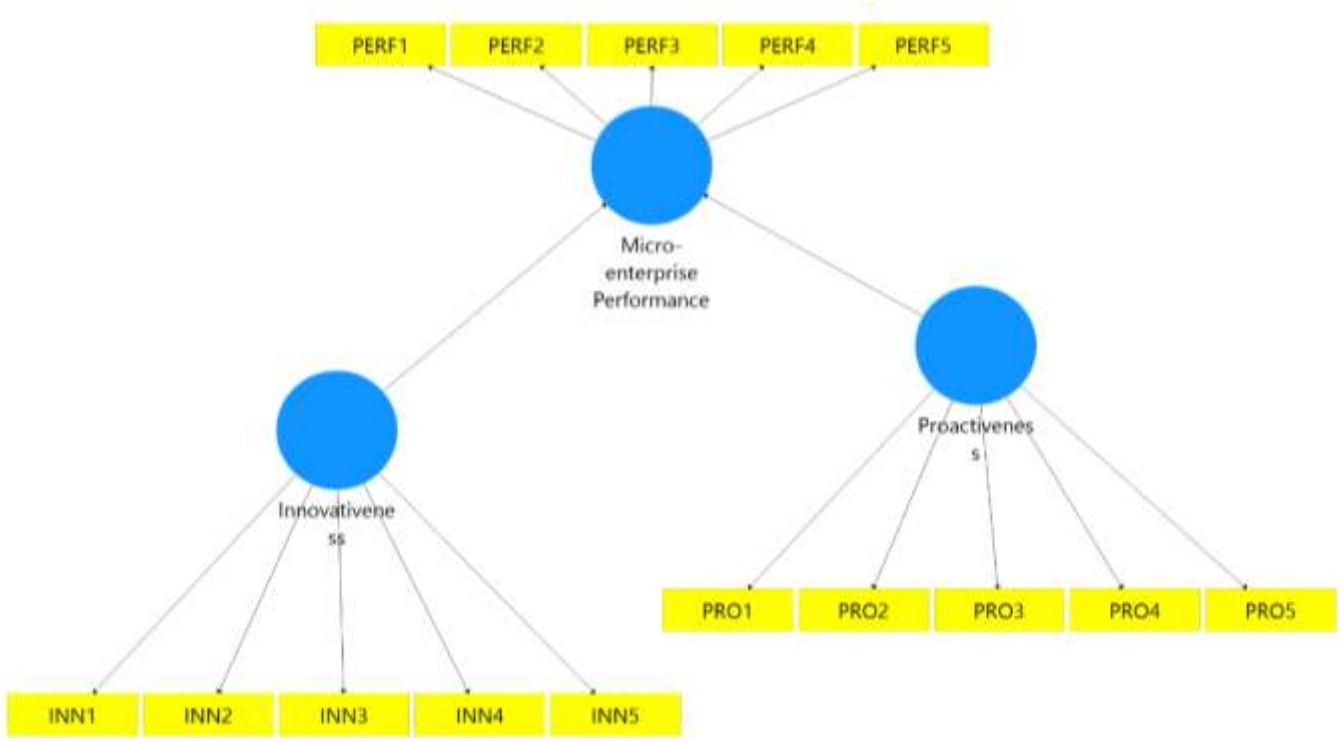
A combination of purposive and convenience sampling techniques was used. Initially, the study purposively focused on the three most economically vibrant local government areas in Nasarawa State. Following this, questionnaires were distributed using a convenience sampling approach, assisted by three (3) trained research assistants.

Primary data were utilized, as they were considered most suitable for examining the influence of affordability of finance, timeliness of finance, and adequacy of finance on micro-enterprise performance within the study context. Data were collected using a structured questionnaire specifically designed to measure the four constructs. The questionnaire items were adapted from previously validated scales used in earlier studies, including Orobia et al. (2020) for affordability and adequacy of finance, Gatari et al. (2022) for timeliness of finance, and Sebikari (2019) for micro-enterprise performance. Responses were captured using a five-point Likert scale that ranged from 1, representing Strongly Disagree, to 5, representing Strongly Agree. This scale allowed for effective quantification of respondent attitudes and perceptions regarding each construct.

The analysis of the data collected was done using Partial Least Squares Structural Equation Modeling, with the aid of SmartPLS version 3.0

Figure 1

Structural Model for Innovativeness and Proactiveness on Micro-enterprise Performance



Note. SmartPLS Output.

Table 1

Measurement of Variables Tables

Variables	Designator	Variable Measurements	Sources
Performance (DV)	PERF1	Our micro-enterprise consistently achieves financial growth and stability.	Lumpkin & Dess (1996); Wiklund & Shepherd (2005)
	PERF2	We prioritize customer satisfaction and loyalty in our business operations.	
	PERF3	Internal processes are efficient and effective in meeting customer needs.	
	PERF4	Our micro-enterprise has experienced significant growth in sales and market share.	
	PERF5	Employee productivity and morale are high in our organization.	
Innovativeness (IV1)	INN1	Our micro-enterprise introduces new products or services regularly.	Lumpkin & Dess (1996)
	INN2	We innovate and improve our business processes continuously.	
	INN3	Market innovation is a key driver of our business strategy.	
	INN4	Our organization invests heavily in research and development.	
	INN5	Innovation is encouraged and rewarded in our organization.	
Proactiveness (IV2)	PRO1	Our micro-enterprise anticipates and responds to market changes proactively.	Bateman & Crant (1993)
	PRO2	We take initiative to stay ahead of competitors.	
	PRO3	Risk-taking is an essential part of our business strategy.	
	PRO4	Our organization is always looking for new business opportunities.	
	PRO5	We are quick to adapt to changes in the market.	

Note. Researcher's Compilation

Results and Discussion

Of the 457 copies of questionnaire administered to owner managers of micro-enterprises in the state, valid responses were obtained from 403, which formed the basis for analysis. The data collected was analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM) through SmartPLS software.

Table 2 presents descriptive statistics that show the mean responses to each question from all respondents, including the median, minimum, maximum, standard deviation, kurtosis and skewness of the responses. In this case, the median is the most appropriate measure of central tendency to indicate the presence of outliers. While the minimum and maximum values do not indicate any outliers, it is important to note that the median is generally the best measure of average for ordinal data.

Table 2

Descriptive Statistics

Variables	Mean	Median	Min	Max	STDEV	Kurtosis	Skewness
INN1	4.754	5.000	1.000	5.000	0.631	10.921	-3.132
INN2	4.529	5.000	1.000	5.000	0.702	6.070	-2.027
INN3	4.561	5.000	1.000	5.000	0.774	8.161	-2.575
INN4	4.449	5.000	1.000	5.000	0.836	5.800	-2.178
INN5	4.615	5.000	1.000	5.000	0.734	8.610	-2.648
PRO1	4.677	5.000	1.000	5.000	0.785	10.463	-3.138
PRO2	4.504	5.000	1.000	5.000	0.804	6.920	-2.367
PRO3	4.576	5.000	1.000	5.000	0.756	7.850	-2.505
PRO4	4.529	5.000	1.000	5.000	0.726	6.360	-2.130
PRO5	4.524	5.000	1.000	5.000	0.766	7.103	-2.340
PERF1	4.762	5.000	1.000	5.000	0.600	13.017	-3.306
PERF2	4.628	5.000	2.000	5.000	0.602	3.958	-1.802
PERF3	4.603	5.000	1.000	5.000	0.684	7.836	-2.385
PERF4	4.605	5.000	1.000	5.000	0.683	7.894	-2.398
PERF5	4.640	5.000	1.000	5.000	0.677	7.578	-2.492

Note. SmartPLS Output.

From Table 2, the descriptive statistics indicate that respondents generally rated Innovativeness, Proactiveness and Performance highly. Mean scores range from 4.449 to 4.762, with all medians at 5.000, showing strong agreement across all items. Minimum values

are 1.000 and maximum values are 5.000, indicating full scale usage. Standard deviations range from 0.600 to 0.836, suggesting moderate variability around the mean.

All items are negatively skewed, with skewness values between -1.802 and -3.306, meaning responses are concentrated at the higher end of the scale. Kurtosis values, ranging from 3.958 to 13.017, indicate leptokurtic distributions, with responses sharply peaked and heavy-tailed. The results show consistently high ratings, non-normal distributions and strong internal agreement across items.

Table 3

Indicator Loadings

	Innovativeness	**Micro-enterprise Performance**	**Proactiveness**
INN1	0.843		
INN2	0.743		
INN3	0.839		
INN4	0.828		
INN5	0.832		
PERF1		0.857	
PERF2		0.774	
PERF3		0.842	
PERF4		0.802	
PERF5		0.812	
PRO1			0.901
PRO2			0.868
PRO3			0.862
PRO4			0.814
PRO5			0.734

Note. SmartPLS Output.

The indicator loadings show that all measurement items load strongly on their respective constructs, with values well above the acceptable threshold of 0.70. This indicates good indicator reliability and suggests that the items are valid representations of their associated latent variables namely Innovativeness, Proactiveness, and Micro-enterprise Performance. Specifically, the loadings for innovativeness range from 0.743 to 0.843, for proactiveness from 0.734 to 0.901 and for performance from 0.774 to 0.857, confirming that each construct is measured consistently and reliably. As a result, all indicators were retained.

The results of the construct reliability and validity assessment indicate that all the constructs, namely Innovativeness, Micro-enterprise Performance and Proactiveness, exhibit strong internal consistency. This is evidenced by Cronbach's Alpha and rho_A values, which range from 0.876 to 0.892 and from 0.884 to 0.897 respectively. These values exceed the commonly accepted threshold of 0.70, demonstrating that the items within each construct are highly correlated and consistently measure the intended concept. The composite reliability values for all constructs are also high, with Innovativeness and Micro-enterprise Performance each recording a value of 0.91 and Proactiveness slightly higher at 0.921. These results confirm the overall reliability of the measurement model. Furthermore, the Average Variance Extracted values for Innovativeness and Micro-enterprise Performance are both 0.669, while Proactiveness records a slightly higher value of 0.702. All values exceed the minimum benchmark of 0.50, thereby establishing adequate convergent validity, which means that each construct explains a substantial proportion of the variance in its observed indicators.

To further validate discriminant validity, the Heterotrait-Monotrait ratio was examined. The values between Innovativeness and Micro-enterprise Performance at 0.879, between Innovativeness and Proactiveness at 0.925 and between Micro-enterprise Performance and Proactiveness at 0.896 all fall within acceptable thresholds. Although the value between Innovativeness and Proactiveness slightly exceeds the recommended upper limit of 0.90, it remains within a tolerable range in social science research and does not pose a significant concern for discriminant validity.

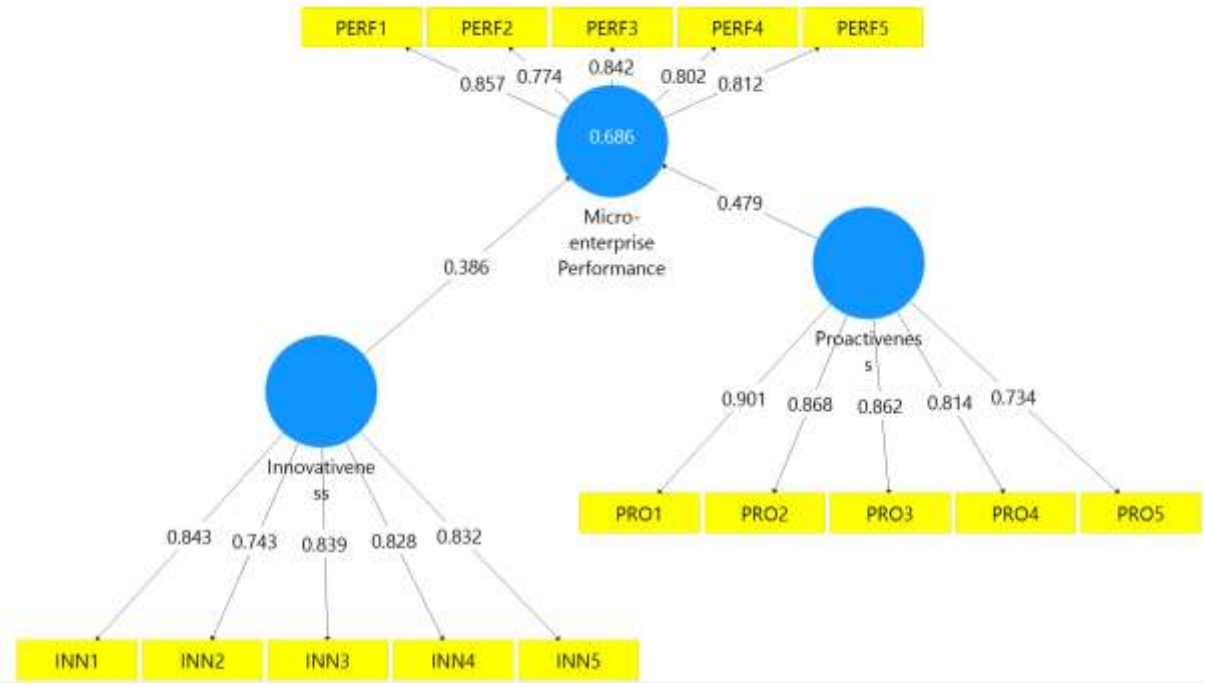
As such, it safe to say the measurement model demonstrates strong reliability and validity. The constructs are measured with internal consistency, capture sufficient variance in their respective indicators and maintain clear empirical distinctiveness from one another. This provides a sound foundation for subsequent structural analysis.

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which was considered include the path coefficient, t-values, p-values and coefficient of determination (R^2). The bootstrapping procedure was conducted using a resample of 5000.

Figure 2

Estimated Path Model



Note. SmartPLS Output.

According to Hair et al. (2019), an R-square (R^2) value represents the proportion of variance in the dependent variable that is explained by the independent variables in a structural model. In this case, an R^2 value of 0.686 indicates a substantial level of explanatory power, meaning that 68.6% of the variance in the performance of micro-enterprises is accounted for by innovativeness and proactiveness.

Thus, based on this guideline, the R^2 value of 0.686 implies that the model has strong predictive accuracy. It suggests that innovativeness and proactiveness are critical drivers of performance in micro-enterprises in Nasarawa State.

The remaining 31.4% of the variation is unexplained by the model and may be attributed to other factors not captured in this study. According to Hair et al. (2019), this residual variation is normal and expected in most empirical studies, highlighting the possibility for future research to investigate other variables that may influence performance.

Table 4

Path Coefficients

	β	Mean	STDev	t	p	H_O Decision
Innovativeness -> Performance	0.386	0.385	0.067	5.738	0.000	Reject
Proactiveness -> Performance	0.479	0.478	0.070	6.883	0.000	Reject

Note. SmartPLS Output.

The path coefficients presented in Table 4 provide insight into the strength and significance of the relationships between the independent variables (Innovativeness and Proactiveness) and the dependent variable (Micro-enterprise Performance). The results show that both Innovativeness and Proactiveness have positive and statistically significant effects on performance.

Specifically, the path coefficient from Innovativeness to Performance is 0.386, with a standard error of 0.067. The t-value for this path is 5.738 and the associated p-value is 0.000. Since the p-value is less than 0.05, the relationship is considered statistically significant. Therefore, the null hypothesis stating that Innovativeness does not significantly affect performance is rejected. This indicates that higher levels of innovativeness in micro-enterprises are associated with improved performance outcomes.

Similarly, the path coefficient from Proactiveness to Performance is 0.479, with a standard error of 0.070. The t-value is 6.883 and the p-value is also 0.000. This again indicates a statistically significant relationship, leading to the rejection of the null hypothesis. The results imply that proactiveness has a strong and positive effect on micro-enterprise performance.

Both innovativeness and proactiveness have a significant effect on micro-enterprise performance, with proactiveness having a slightly stronger effect. These findings suggest that micro-enterprises in Nasarawa State can improve their performance by prioritizing innovativeness and proactiveness in their business strategies.

Conclusion and Recommendations

This study examined the effect of innovativeness and proactiveness on the performance of micro-enterprises in Nasarawa State, Nigeria. The findings revealed that both innovativeness and proactiveness significantly and positively influence performance outcomes. Proactiveness was found to have a slightly stronger effect, reflecting its critical role in anticipating market changes, seizing opportunities and driving growth.

The study confirms that performance in micro-enterprises is fundamentally shaped by the ability to innovate and respond proactively to changing market conditions. Firms that invest in innovativeness are better positioned to develop new products, services, or processes that meet evolving customer needs and stay ahead of competitors. Similarly, proactive firms are more likely to anticipate and respond to market opportunities, reduce risks and drive growth.

In light of these findings, owners and managers of micro-enterprises should prioritize innovativeness by investing in research and development, encouraging a culture of creativity and experimentation and leveraging technology to drive innovation. This includes establishing innovation hubs, providing training and resources for employees and collaborating with other businesses or organizations to stay ahead of the competition.

Micro-enterprises should also cultivate proactiveness by anticipating market changes, seizing opportunities and taking calculated risks. This involves conducting market research, monitoring competitors and developing strategic plans to respond to changing market conditions. By being proactive, micro-enterprises can stay ahead of the competition, drive growth and improve performance.

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