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| Research Article

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Impact of Macroeconomic Variables on the Performance of Micro and Small Enterprises in Southeast Nigeria

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Abstract: Micro and Small Enterprises (MSEs) are fundamental to Nigeria's economic fabric, yet their performance is persistently hampered by macroeconomic instability. This study empirically investigates the impact of interest rates and central bank exchange rate policies on the performance of MSEs in Southeast Nigeria. Adopting a descriptive survey research design, data was collected from 322 owners and managers of MSEs using a structured questionnaire, and the hypotheses were tested using multiple linear regression analysis. The findings revealed that the macroeconomic variables jointly have a significant and detrimental effect on MSE performance, with the model being statistically significant $F(2, 319) = 252.511$, $p = .000$) and explaining 61.3% of the variance in performance (Adjusted $R^2 = .611$). Both central bank exchange rate policies ($\beta = .417$, $t = 8.983$, $p = .000$) and interest rates ($\beta = 368$, $t = 7.931$, $p = .000$) were found to be significant predictors of MSE performance. The study concludes that unfavourable interest and exchange rate environments are critical impediments to the viability and growth of small businesses in the region. The study thus recommends that policymakers need to formulate a more stable and supportive macroeconomic framework, including targeted credit facilities and transparent foreign exchange mechanisms, to foster resilience and enhance the contribution of the MSE sector to the national economy.

Key words: Interest Rates, Exchange Rate Policy, MSE Performance, Macroeconomic Variables, Nigeria.

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INTRODUCTION

Micro and small enterprises play a crucial role in the economic development of a country as they are often referred to as the backbone of an economy due to their significant contributions to employment generation, innovation, and overall economic growth. Micro enterprises are the smallest category of businesses, typically employing between 1 and 9 people, with an annual turnover and total assets (excluding land and buildings) not exceeding ₦5 million. These businesses are often informal, family-run, or sole proprietorships, and they usually operate on a small scale with limited access to capital, technology, and formal markets while, small enterprises are more structured and generally employ between 10 and 49 people, with an annual turnover ranging from ₦5 million to ₦100 million, and total assets within the same range, excluding land and buildings. These businesses are more likely to be registered, have formal organizational structures, and possess better access to financing, markets, and growth opportunities compared to micro enterprises (Matthew, Ufua, Osabohien, Olawande & Edafe, 2020; Wale-Oshinowo, Lebura, Ibidunni, & Jevwegaga, 2018; Okudo, Okafor & Nwankwo, 2024; Okafor, 2024).

In Southeast Nigeria, MSEs are particularly prominent, forming the backbone of the region's informal and formal sectors. These enterprises engage in a variety of economic activities such as manufacturing, retail, services, and agro-processing, thereby fostering inclusive growth and contributing to regional industrialization. The success and sustainability of MSEs are strongly influenced by the broader macroeconomic environment in which they operate (World Bank, 2022). Among the various macroeconomic variables, interest rates and exchange rate policies have been identified as particularly impactful. Interest rates determine the cost of credit, which is a major input for enterprise growth and expansion. Most MSEs in Nigeria rely on borrowed capital to finance working capital and long-term investments. Therefore, changes in interest rates, as influenced by monetary policy decisions, can significantly affect their capacity to access finance (Obi, 2015; Obumse, Unachukwu & Okafor, 2023; Okafor, 2024).

Similarly, exchange rate policy which is a key component of macroeconomic management affects the cost of imported inputs, pricing strategies, and overall market competitiveness. In an increasingly globalized economic environment, fluctuations in the exchange rate have implications for business planning, cost structures, and risk exposure (Odoh, Ugwoke & Onyeanu, 2023;). Central bank interventions to stabilize the currency, manage inflation, or adjust monetary aggregates often lead to direct and indirect effects on enterprise performance. In Nigeria, the Central Bank's exchange rate management strategies ranging from fixed to multiple exchange rate regimes have shaped the way local businesses respond to external shocks (Obi-Nwosu, 2024). While such policies aim to maintain macroeconomic stability, their practical implications for small businesses are less clearly understood. In Southeast Nigeria, where many MSEs operate with limited capital and narrow profit margins, these macroeconomic shifts can influence their operational decisions, profitability, and long-term viability (Nwangwu, 2024). Although several studies have explored the role of macroeconomic variables in enterprise performance, focused research on the specific impact of interest rate movements and exchange rate policy changes on MSEs in Southeast Nigeria remains limited. As monetary policy continues to play a central role in Nigeria's economic management, it becomes increasingly important to understand how its key instruments impact the functioning of micro and small businesses in specific regional contexts (Ifechukwu-Jacobs, Arinze, Nwangwu & Atueyi, 2025; Chukwujama, Ihim & Nwangwu, 2024).

Statement of the Problem

The performance of Micro and Small Enterprises (MSEs) in Southeast Nigeria has come under increasing pressure due to persistent macroeconomic instability, particularly the twin challenges of interest rate volatility and central bank exchange rate policies. Despite their critical role in job creation, poverty reduction, and grassroots economic development, many MSEs struggle to survive under the weight of these financial constraints (Odoh, Ugwoke, & Onyeanu, 2023;

Nwangwu, 2022). In recent years, Nigeria has witnessed a sharp depreciation of the naira, triggering a series of monetary responses from the Central Bank of Nigeria, including frequent adjustments in interest rates and currency management regimes. While these policies are often designed to stabilize inflation and maintain foreign reserves, they have unintentionally created a hostile operational environment for MSEs. High interest rates make it increasingly difficult for small enterprises to access credit, expand operations, or invest in new technology undermining their growth potential and productivity (Abdu, Umar, Mohammed & Ajannah, 2021; Nwangwu & Nwangwu, 2023). At the same time, fluctuating exchange rates have led to unpredictable input costs, especially for import-reliant MSEs that lack the pricing power to pass on these costs to consumers.

Moreover, most MSEs in Southeast Nigeria are not export-oriented and thus cannot benefit from the potential gains of a weaker currency. Instead, they face eroded profit margins, constrained cash flows, and heightened financial risk. As central bank interventions in the foreign exchange market continue to alter the value of the naira, MSEs are left vulnerable to both external shocks and internal policy swings without sufficient buffers or support mechanisms. Although existing studies have explored the general challenges facing MSEs, there is a noticeable gap in empirical research specifically assessing the impact of interest rates and central bank exchange rate policies on their performance in Southeast Nigeria. This study, therefore, seeks to fill that gap by providing data-driven insights into how these two critical macroeconomic variables affect the viability and sustainability of MSEs in the region.

Objectives of the Study

The main objective of the study is to examine the impact of selected macro-economic variables on the performance of micro and small enterprises in Southeast, Nigeria**.** Specifically, the study intends to:

1. Ascertain the impact of interest rate on the performance of micro and small enterprises in Southeast, Nigeria
2. Examine the impact of central bank exchange rate policies on the performance of micro and small enterprises in Southeast, Nigeria

REVIEW OF RELATED LITERATURE

Macroeconomic Variables

The concept of macroeconomic variables has attracted considerable attention among economists, policy analysts, and business scholars due to its crucial role in shaping national economic outcomes and business performance. Macroeconomic variables are fundamental indicators that provide insight into the overall health, stability, and direction of an economy. They are seen as factors that are crucial to the larger economy at regional or national level with effect on the larger population instead of just a few individuals (Ezu, Jeff-Anyeneh, and Ogbonnaya-Udo, 2020; Nwangwu, 2023). Osakwe, Okoye and Arinze (2024) add that they serve as key indicators for assessing the current condition of an economy and projecting future trends, while also helping to identify potential economic risks. Furthermore, as indicated by Oladipo, Ado, Alesinloye, and Yusuf (2024), they serve as tools for diagnosing economic conditions and forecasting future trends, thereby guiding economic policies and investment decisions. While the term is widely used, different scholars and institutions offer varying definitions and interpretations based on their perspectives and areas of emphasis.

Micro and Small Enterprises (MSEs) in Nigeria

Micro and Small Enterprises (MSEs) constitute a vital segment of Nigeria's economy, playing a significant role in employment generation, poverty alleviation, wealth creation, and inclusive

growth. They are integral components of Nigeria's economic landscape, representing the vast majority of businesses in both urban and rural areas. Their classification is primarily based on two key criteria: the number of employees and the value of assets, excluding land and buildings. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Policy on MSMEs, MSEs are sub-categories within the broader group of Micro, Small, and Medium Enterprises (MSMEs), and their definitions reflect their size, capacity, and economic function (SMEDAN, 2022; Nwangwu, Ozigbo, Ngige & Ugwu, 2020). Again, according to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2022; Chukwujama, Ihim & Nwangwu, 2024), MSEs account for over 90% of all businesses in Nigeria and contribute significantly to the country's Gross Domestic Product (GDP). They operate across various sectors, including agriculture, manufacturing, trade, and services, often filling critical gaps left by larger firms

Interest Rates

The concept of interest rate is multidimensional and its interpretation often varies based on the context in which it is applied. It often refers to the proportion of a loan or deposit that is paid by the borrower to the lender or by the bank to the depositor over a given time period, usually on an annual basis. It essentially signifies the cost incurred for borrowing funds and the income earned for lending or saving those funds (Uche & Nwami, 2021; Amodu, Okeke & Nwangwu, 2023). More broadly, it reflects the rate charged on the principal amount of a financial instrument or loan, indicating the compensation a lender receives for parting with liquidity and assuming risk.

Interest rates are a cornerstone of financial systems, playing a critical role in determining the flow of credit and influencing macroeconomic indicators such as inflation, consumption, and investment. According to research, they are embedded in nearly all economic transactions and remain central to economic interactions at the individual (microeconomic), national (macroeconomic), and global (mega-economic) levels. They not only affect business decisions and consumer behavior but also serve as a key instrument through which monetary policy is implemented in modern economies (Ozigbo, Ekane & Ujuju, 2025; Chukwujama, Nwangwu & Ihim, 2023).

Central Bank Exchange Rate Policies

Central bank exchange rate policies refer to the mechanisms through which a country's monetary authority manages the value of its currency in relation to others. These policies are essential tools for maintaining macroeconomic stability, managing inflation, ensuring external competitiveness, and safeguarding foreign reserves (Uche & Nwami, 2021). In Nigeria, the Central Bank of Nigeria (CBN) has employed various exchange rate regimes over the years including managed floats, multiple exchange windows, and periodic devaluations to stabilize the naira and control external pressures arising from oil dependency, capital flow volatility, and trade imbalances (World Bank, 2024). For Micro and Small Enterprises (MSEs) in Southeast Nigeria, exchange rate policies carry significant implications. Many of these businesses rely on imported raw materials, equipment, and intermediate goods for their daily operations. Consequently, a depreciation of the naira which is often as a result of central bank interventions or policy shifts, translates into higher production costs. Unlike larger firms, most MSEs in the southeast lack the capacity to hedge against currency risk or access foreign exchange at favorable rates, making them more vulnerable to exchange rate fluctuations (Omebere, Ezenekwe, Uzoechina, & Nwokoye, 2024; Nwangwu, Nwangwu & Oguno, 2025).

Theoretical Framework

The Monetary Transmission Mechanism Theory (MTMT), advanced by Mishkin (1996), explains how changes in monetary policy instruments such as interest rates and exchange rate policies are transmitted through the economy to affect output, investment, and firm performance. The theory

identifies key channels, notably the interest rate channel and the exchange rate channel, through which monetary policy decisions influence real economic activity. Through the interest rate channel, central banks influence borrowing costs by adjusting the policy rate. Higher interest rates increase the cost of credit, limiting access to financing for Micro and Small Enterprises (MSEs), which in turn constrains their ability to expand or even sustain operations. Lower interest rates, conversely, encourage investment and economic activity.

The exchange rate channel highlights how monetary policy affects the value of the national currency. In economies like Nigeria, where many MSEs are import-dependent, currency depreciation which is often as a result of central bank policy shifts, raises the cost of imported inputs, squeezing profit margins and weakening firm competitiveness. MTMT is thus appropriate for this study as it offers a structured framework to examine how interest rate movements and central bank exchange rate interventions influence the performance of MSEs in Southeast Nigeria.

METHODOLOGY

Research Design

This study adopts a **descriptive survey research design**, which is appropriate for examining the relationship between macroeconomic variables and the performance of Micro and Small Enterprises (MSEs) in Southeast Nigeria. The design enables the collection of primary data directly from business owners and managers using structured questionnaire, thus, providing insight into how interest rates and central bank exchange rate policies affect their operations, profitability, and financial decisions.

Population of the Study

The target population comprised **owners, managers, and financial officers** of **registered Micro and Small Enterprises (MSEs)** across three selected Southeast Nigeria's states namely, Abia, Anambra and Imo, spanning sectors such as manufacturing, retail, services, and agro-processing. It has been estimated that the southeast accounts for 8.7% of 39.7 million MSEs in Nigeria as reported by the World Bank (2024). This puts the total population of MSEs in the southeast at 3,453,900. Based on SMEDAN and NBS surveys and assumptions, estimated population for the selected three states is put at 2,037,801. A sample size of 400 was determined using the Taro Yamane formula

$$n = \frac{N}{1+N(e)^2}$$

Where; n = sample size

N = Population

e = level of significance at 5% or 0.05

1 = constant

$$n = \frac{2\,037801}{1+2037801\,(0.05)^2}$$

$$n = \frac{2037801}{1+\,2037801\,(0.0025)}$$

$$n = \frac{2037801}{1+5094.50}$$

$$n = \frac{2037801}{5095.50}$$

$$n = 399.92 \approx 400$$

Table1: Population of MSEs among selected States in the Southeast

Selected states in the Southeast	Population of MSEs
Abia	793,088
Imo	570,589
Anambra	674,124
Total	**2,037,801**

Source: National Bureau of Statistics, 2024

The Study further made use of Bowley's Proportion method to calculate the distribution of questionnaire using the formula below:

$$nh = \frac{n \times Nh}{N}$$

N= Sample Size

nh= Number of questionnaires to be administered.

N= Total Population of Study

Nh= Total Population in each category

Thus:

$No_1 = \frac{400 \times 793088}{2037801}$ = respondents for Abia State = 156

$No_2 = \frac{400 \times 570589}{2037801}$ = respondents for Imo State = 112

$No_3 = \frac{400 \times 674124}{2037801}$ = respondent for Anambra State = 132

Table 2: Distribution of MSEs by Population and Sample

State	Population	Sample Size
Abia	793088	156
Imo	570589	112
Anambra	674124	132
Total	**2,037,801**	**400**

Source: Author's computation

Method of Data Collection

The instrument for primary data collection was a structured questionnaire designed by the researcher through review of related literature and in relation to the purpose and research questions guiding the study. In order to ensure high percentage return of the instrument and to create researcher – respondents' friendliness with enhanced understanding of the questionnaire items by the respondents, five research assistants were trained on what to do by the researcher; and they were engaged to help in the administration of the instrument for a period of four weeks. The questionnaire was a five (5) point likert summative scale question of strongly Agree (SA) 5 points; Agree (A) 4 points; Undecided (U) 3 points; Disagree (D) 2 points; and Strongly Disagree (SD) 1 point. 322 questionnaire were successfully retrieved which was an 80.5% return rate.

Method of Data Analysis

Data collected were analyzed using descriptive statistics (frequencies, percentages, mean, and standard deviation). The demographic profiles was processed using descriptive statistics. T-test

and F-test statistics was used to test the hypotheses of the study and the overall fitness of the model. All the analyses were done using SPSS version 23 at 5% significant level

Thus, the model of this study is stated as follows:

The functional form of the model is

MSEP = f(INTR, EXRP)…..……..(1)

The mathematical form of the model is

MSEP = β_0+β_1 INTR, +β_2 EXRP.....(2)

The econometric form of the model is

MSEP = β_0+β_1 INTR, +β_2 EXRP +α_i..... (3)

Where; MSEP = Performance of Micro and Small Enterprises

INTR = Interest Rates

EXRP= Central Bank Exchange Rate Policies

β_0 = Intercept of the model

β_1 – β_2 = Parameters of the model

α_i = Stochastic error term

RESULTS AND ANALYSIS

Sociodemographic Data Analysis

Table 3: Gender Distribution of Respondents

Variables	Frequency	Percentage (%)
Male	183	56.8
Female	139	43.2
Total	322	100.0

Source: Field Survey, 2025

The analysis in Table 3 reveals the gender distribution of the respondents. The data shows that majority of the respondents, 183 (56.8%), were male, while a significant minority, 139 (43.2%), were female. This indicates a greater participation of males in the management of Micro and Small Enterprises in Southeast Nigeria.

Table 4: Age Bracket of Respondents

Variables	Frequency	Percentage (%)
Below 30 years	61	18.9
30 – 39 years	127	39.4
40 – 49 years	93	28.9
50 years and above	41	12.7
Total	322	100.0

Source: Field Survey, 2025

Table 4 presents the age distribution of the respondents. An overwhelming majority of the business owners and managers fall within the economically active age groups. Specifically, 127 respondents (39.4%) were between 30-39 years, and 93 respondents (28.9%) were between 40-49 years. This suggests that the leadership of MSEs in the region is dominated by individuals in their middle-age years.

Table 5: Primary Role of Respondents

Variables	Frequency	Percentage (%)
Owner / Director	148	46.0
Manager	113	35.1
Financial Officer	38	11.8
Operations Staff	23	7.1
Total	322	100.0

Source: Field Survey, 2025

The data in Table 5 indicates the primary roles of the respondents within their firms. A significant majority of the respondents were either Owners/Directors (148, 46.0%) or Managers (113, 35.1%), indicating that the survey captured insights primarily from key decision-makers.

Table 6: Classification of Enterprise

Variables	Frequency	Percentage (%)
Micro Enterprise (1-9 employees)	213	66.1
Small Enterprise (10-49 employees)	109	33.9
Total	322	100.0

Source: Field Survey, 2025

As shown in Table 6, an overwhelming majority of the firms, 213 (66.1%), were identified as Micro Enterprises. This distribution is consistent with the economic landscape of Nigeria, where micro-enterprises form the backbone of the economy.

Table 7: Work Experience of Respondents

Variables	Frequency	Percentage (%)
Less than 1 year	27	8.4
1–3 years	118	36.6
4–6 years	103	32.0
More than 6 years	74	23.0
Total	322	100.0

Source: Field Survey, 2025

Table 7 details the work experience of the respondents. The data shows a majority of respondents have considerable experience, with 118 (36.6%) having 1-3 years and 103 (32.0%) having 4-6 years, suggesting the data was collected from a well-experienced sample.

Analysis Based on Research Questions

Decision Rule

A mean score of 3.00 and above is "Accepted," while a score below 3.00 is "Rejected."

Table 8: Descriptive Statistics on the Impact of Interest Rates (INTR)

S/N	Items	N	Mean	Std. Deviation	Remark
1	The prevailing interest rates make it difficult for our firm to access new credit from banks.	322	4.21	0.811	Accepted
2	High borrowing costs significantly constrain our firm's ability to finance working capital.	322	4.33	0.743	Accepted
3	Our firm has postponed or cancelled investment in expansion due to high interest rates.	322	3.98	0.901	Accepted
4	Fluctuations in the monetary policy rate create significant uncertainty for our financial planning.	322	4.08	0.854	Accepted

5	The cost of servicing our existing loans has become a major financial burden for the business.	322	3.81	1.021	Accepted
Grand Mean		322	4.08	0.866	Accepted

Source: Field Survey, 2025

The analysis presented in Table 8 examines the impact of interest rates on MSEs. All five items recorded mean scores significantly above the 3.0 benchmark, leading to their acceptance. The grand mean of 4.08 (SD = 0.866) confirms that respondents generally perceive **interest rates** as a significant constraint to the performance of micro and small enterprises in Southeast Nigeria.

Table 9: Descriptive Statistics on the Impact of Central Bank Exchange Rate Policies (EXRP)

S/N	Items	N	Mean	Std. Deviation	Remark
6	The depreciation of the naira has led to a significant increase in the cost of our imported raw materials.	322	4.58	0.613	Accepted
7	It is difficult to access foreign exchange at official rates, forcing us to use more expensive alternatives.	322	4.49	0.688	Accepted
8	Unpredictable exchange rate changes make it challenging to set stable prices for our products/services.	322	4.31	0.759	Accepted
9	Central bank currency policies have created an unstable environment for our long-term business planning.	322	4.22	0.831	Accepted
10	The volatility of the exchange rate directly exposes our business to significant financial risk.	322	4.41	0.712	Accepted
Grand Mean		322	4.40	0.721	Accepted

Source: Field Survey, 2025

Table 9 provides an analysis of the impact of exchange rate policies. The grand mean of 4.40 (SD = 0.721) is exceptionally high, indicating that central bank exchange rate policies are perceived as having a severe and overwhelmingly negative effect on the operations of MSEs in the region.

Table 10: Descriptive Statistics on the Performance of Micro and Small Enterprises (MSEP)

S/N	Items	N	Mean	Std. Deviation	Remark
11	Our firm's profitability has been negatively affected by the current macroeconomic conditions.	322	4.19	0.804	Accepted
12	Our ability to grow the business and increase productivity has been significantly hindered.	322	4.01	0.899	Accepted
13	We face considerable challenges in maintaining the day-to-day operational sustainability of our firm.	322	3.78	0.953	Accepted
14	Our firm's market competitiveness has weakened in the current economic climate.	322	3.59	1.011	Accepted
15	The overall financial health and long-term viability of our business are under threat.	322	3.88	0.927	Accepted
Grand Mean		322	3.89	0.919	Accepted

Source: Field Survey, 2025

Table 10 presents the respondents' perceptions of their business performance. The grand mean of 3.89 (SD = 0.919) reinforces the conclusion that MSEs in the region are facing significant performance challenges.

Hypothesis Testing

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.613	.611	.57412

a. Predictors: (Constant), Central Bank Exchange Rate Policies, Interest Rates

Source: SPSS Output

The model summary in Table 11 shows a multiple correlation coefficient (R) of 0.783. The R Square value of 0.613 means that approximately 61.3% of the variance in the Performance of Micro and Small Enterprises can be explained by the linear combination of Interest Rates and Central Bank Exchange Rate Policies.

Table 12: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	166.418	2	83.209	252.511	.000[b]
Residual	105.109	319	.329		
Total	271.527	321			

a. Dependent Variable: Performance of Micro and Small Enterprises

b. Predictors: (Constant), Central Bank Exchange Rate Policies, Interest Rates

Source: SPSS Output

The ANOVA table (Table 12) assesses the overall significance of the regression model. The F-statistic of 252.511 is highly significant with a p-value of .000 ($p < 0.05$). This result indicates that the regression model is a good fit for the data and that the combination of Interest Rates and Exchange Rate Policies significantly predicts the Performance of Micro and Small Enterprises. Therefore, we reject the null hypothesis that there is no significant joint effect of the independent variables on the dependent variable.

Table 13: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.411	.183		2.246	.025
Interest Rates	.389	.049	.368	7.931	.000
Exchange Rate Policies	.521	.058	.417	8.983	.000

a. Dependent Variable: Performance of Micro and Small Enterprises

Source: SPSS Output

Table 13 provides the coefficients for each predictor variable. Both independent variables were found to be statistically significant predictors of MSE performance. Central Bank Exchange Rate Policies had the strongest positive and significant impact on poor performance ($\beta = .417$, $t = 8.983$, $p = .000$), followed by Interest Rates ($\beta = .368$, $t = 7.931$, $p = .000$). Since the p-values for both variables are less than 0.05, the null hypothesis that each variable has no significant effect on MSE performance is rejected.

Discussion of Findings

The regression results in Table 13 indicate that both interest rates and central bank exchange rate policies have statistically significant adverse effects on the performance of micro and small enterprises (MSEs) in Southeast Nigeria. Performance in this study was measured such that higher values represent greater operational and financial challenges; thus, the positive coefficients (β) signify that an increase in the negative impacts of these macroeconomic factors corresponds to a deterioration in MSE performance. Central Bank Exchange Rate Policies exerted the strongest detrimental influence (β = 0.417, t = 8.983, p = 0.000), indicating that exchange rate volatility, currency depreciation, and restricted access to foreign exchange substantially exacerbate operational difficulties. Interest Rates also had a significant negative economic effect (β = 0.368, t = 7.931, p = 0.000), showing that higher borrowing costs, difficulties in accessing credit, and monetary policy rate fluctuations intensify performance constraints. Given that the p-values for both predictors are below the 0.05 threshold, the null hypotheses of no significant impact are rejected. In economic terms, both high interest rates and adverse exchange rate policies significantly worsen the performance outcomes of MSEs in the southeast region. Thus, in line with economic theory and prior studies (Eke, Ifere, Eke , & Mbang, 2024; Nwachukwu, Ezu, & Amakor, 2023), these findings suggest that policy interventions aimed at **interest rate moderation** and **exchange rate stability** could significantly enhance the operational capacity, profitability, and sustainability of MSEs.

CONCLUSION AND RECOMMENDATIONS

The study found that:

1. High interest rates significantly hinder the performance of micro and small enterprises (MSEs) in Southeast Nigeria. Descriptive statistics indicate that borrowing costs, difficulties in accessing credit, and loan servicing burdens are major challenges for MSE operators. Regression results confirmed that higher interest rate pressures are associated with poorer MSE performance (β = 0.368, p = 0.001).

2. Exchange rate policies, including currency depreciation, volatility, and limited access to foreign exchange, were the most influential macroeconomic factor affecting MSE performance. Both descriptive (grand mean = 4.40) and regression analyses (β = 0.417, p = 0.001) indicate that adverse exchange rate policies exacerbate operational costs, hinder pricing stability, and negatively impact business planning.

This study establishes that adverse macroeconomic conditions, specifically high interest rates and volatile exchange rate policies, are significant determinants of poor performance among Micro and Small Enterprises in Southeast Nigeria. These external financial pressures severely constrain MSEs' profitability, growth, and overall sustainability. The findings reveal the critical need for a more supportive and predictable policy environment to enable MSEs to thrive and contribute effectively to economic development. Based on the findings of the study, the following recommendations are made:

1. The Central Bank of Nigeria (CBN) and commercial banks need to introduce concessional lending schemes or targeted interest rate reductions for MSEs. Lower borrowing costs will improve access to credit, facilitate working capital financing, and encourage business expansion.

2. Policies should aim to reduce currency volatility and improve access to foreign exchange for productive small businesses. This will help MSEs manage input costs, stabilize pricing, and plan long-term operations more effectively.

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