

**THE ROLE OF GOVERNMENT POLICIES IN THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES IN NIGERIA**

BY

WISDOM OSAKPOLOR EDEYARU

MGS2007735

**DEPARTMENT OF ENTREPRENEURSHIP
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN
BENIN CITY, EDO STATE**

MARCH, 2025

**THE ROLE OF GOVERNMENT POLICIES IN THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES IN NIGERIA**

BY

WISDOM OSAKPOLOR EDEYARU

MGS2007735

**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
ENTREPRENEURSHIP, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF BACHELOR OF SCIENCE (B.SC), DEGREE IN
ENTREPRENEURSHIP, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY
OF BENIN, BENIN CITY.**

MARCH 2025

DECLARATION

I, **WISDOM OSAKPOLOR EDEYARU** with Matriculation Number: **MGS2007735**, do hereby declare that this project was based on a study undertaken by me in the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **MRS EWERE MAYOR** . This work had not been previously submitted for the award of Bachelor of Science Degree in Entrepreneurship, to the best of my knowledge. All ideas and views were a product of my personal research; and where the views of others been expressed, have been duly acknowledged.

WISDOM OSAKPOLOR EDEYARU

DATE

CERTIFICATION

This is to certify that this project was carried out by **WISDOM OSAKPOLOR EDEYARU** with matriculation number **MGS2007735** of the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, Edo State, Nigeria; the work has not been presented in part or full in any Diploma or Degree awarding institution and the work is adequate in scope and quality in partial fulfilment of the requirements for the award of B.Sc. Degree in Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, Nigeria.

MRS EWERE MAYOR

Project supervisor

DATE

DR. STEPHEN OBEKI OBEKI

Project coordinator

DATE

MR. OSAHON OKUNBO

Assistant Project Coordinator

DATE

DR. STEPHEN OBEKI OBEKI

Head of department

DATE

DEDICATION

To God Almighty, Who has blessed me with the opportunity to pursue this research and has granted me the strength and wisdom to complete it, I give thanks and dedicate this work .

To my family and friends, who have supported me throughout this journey I extend my deepest gratitude for your guidance, encouragement and love that have made this accomplishment possible.

ACKNOWLEDGEMENTS

I am deeply grateful to God Almighty for His unwavering love, kindness and favour throughout my academic journey. I extend my heartfelt appreciation to my parents, Mr. and Mrs. Edeyaru, for their unrelenting support and encouragement. Your guidance and wisdom have been invaluable to me. To my wonderful siblings, Edeyaru Glory, Edeyaru Peace and Edeyaru Destiny, I thank you for your love, and support. I also wish to express my sincere gratitude to my friends, Sonia Chineye Nkonyesua and Chisom Enunwa Daniel, for their unwavering support and motivation throughout my academic program. I am grateful to my project supervisor, Mrs. Ewere Mayor, for her meticulous guidance, constructive feedback, and unwavering commitment to ensuring the successful completion of this research work. Your expertise and patience have been invaluable to me. Furthermore, I acknowledge the contributions of my lecturers, who have imparted knowledge and inspired me throughout my academic journey. Your dedication and passion for teaching have not gone unnoticed. Thank you all for your contributions to my academic success.

TABLE OF CONTENTS

TITLE PAGE.....	i
DECLARATION.....	ii
CERTIFICATION.....	iii
DEDICATION.....	iv
ACKNOWLEDGEMENTS.....	v
TABLE OF CONTENTS.....	vii
LIST OF TABLE.....	xi
ABSTRACT.....	xii
CHAPTER 1	
1.1 Background to the Study.....	1
1.2 Statement of the Research Problem.....	3
1.3 Objective of the Study.....	4
1.4 Research Questions.....	5
1.5 Research Hypothesis.....	5
1.6 Scope of the Study.....	6
1.7 Significance of the Study.....	6
1.8 Limitations of the Study.....	6
1.9 Definition of Term	7
CHAPTER 2	
LITERATURE REVIEW AND THEORETICAL FRAMEWORK	

2.1 Introduction.....	8
2.2 Conceptual Framework.....	8
2.2.1 Small and Medium Enterprises (SMEs).....	8
2.3 Government Policies and SME Development in Nigeria.....	9
2.3.1 Financial Support Policies.....	9
2.3.2 Regulatory and Taxation Policies.....	10
2.3.3 Infrastructural Development Policies.....	11
2.4 The Role of Government Policies in the Growth of SMEs.....	12
2.4.1 Providing Access to Finance.....	12
2.4.2 Enhancing the Regulatory Environment.....	12
2.4.3 Addressing Infrastructural Gaps.....	13
2.4.4 Promoting Human Capital Development.....	13
2.5 Benefits of Government Policies for SMEs.....	13
2.5.1 Job Creation.....	14
2.5.2 Economic Diversification.....	14
2.5.3 Poverty Reduction.....	14
2.5.4 Innovation and Competitiveness.....	14
2.6 The Impact of Government Policies on SME Growth.....	15
2.7 Challenges Faces by SMEs in Nigeria.....	15
2.7.1 Access to Finance.....	16
2.7.2 Inadequate Infrastructure.....	16

2.7.3 Regulatory and Institutional Barriers.....	16
2.7.4 Human Capital and Skills Development.....	17
2.8 Theoretical Framework.....	17
2.8.1 Resource-Based View (RBV).....	17
2.8.2 Institutional Theory.....	18
2.8.3 Dynamic Capabilities Theory.....	18
2.9 Empirical Review.....	18

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design of the Study.....	23
3.2 Population and Sample Size of the Study.....	23
3.3 Sampling size and Sampling Technique.....	23
3.4 Instrument for Data Collection.....	24
3.5 Validity of the Instrument.....	25
3.6 Method of Data Collection.....	25
3.7 Method of Data Analysis.....	25
3.8 Ethical Considerations.....	25

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.1 Retrieved Questionnaire.....	27
4.2 Demographics of Respondents.....	27

4.3 Data Interpretatiuon.....	30
4.4 Testing of Hypothesis.....	39
4.5 Discussion of Findings.....	41
CHAPTER FIVE	
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1 Summary of the Findings.....	42
5.2 Conclusion.....	45
5.3 Recommendations.....	45
REFERENCE.....	47
QUESTIONNAIRE.....	51

LIST OF TABLES

Table 4.2.1: Age Distribution of Respondents.....	27
Table 4.2.2: Gender of Respondents.....	28
Table 4.2.3: Marital Status.....	29
Table 4.2.4: Educational Qualification.....	29
Table 4.3.1: Research Question 1.....	30
Table 4.3.2: Research Question 2.....	34
Table 4.3.3: Research Question 3.....	37

ABSTRACT

This study examines the role of government policies in the growth of Small and Medium Enterprises (SMEs) in Nigeria, focusing on access to finance, regulatory frameworks, and infrastructure. A total of 100 questionnaires were distributed and successfully collected. Data analysis was conducted using tables, percentages, and chi-square analysis via SPSS software to test the research hypotheses. The findings reveal a significant relationship between government policies and access to finance for SMEs in Nigeria. Additionally, government regulatory policies have a significant effect on the business environment, and government infrastructural policies positively impact the operational performance of SMEs. The study highlights the crucial role of effective government interventions in fostering SME growth. Based on these findings, it is recommended that the government implement policies that enhance financial access, simplify regulatory processes, and invest in infrastructure to create a more enabling environment for SMEs in Nigeria.

CHAPTER ONE

1.1 Background of the study

Small and Medium Enterprises (SMEs) play a vital role in the economic development of Nigeria, contributing significantly to the country's Gross Domestic Product (GDP), employment generation, and poverty reduction (SMEDAN, 2020). According to the National Bureau of Statistics (NBS), SMEs account for approximately 96% of businesses in Nigeria, providing employment for about 50% of the workforce (NBS, 2020).

The importance of SMEs in Nigeria cannot be overstated. They are essential to the country's economic growth and development due to their potential to create employment opportunities, promote economic diversification, and foster innovation and entrepreneurship (Adebusuyi, 2017; CBN, 2020). SMEs operate in various sectors, including manufacturing, agriculture, and services, contributing to economic diversification and reducing the country's dependence on oil exports (OECD, 2020).

However, despite their importance, SMEs in Nigeria face numerous challenges that hinder their growth and development. These challenges include inadequate access to finance, poor infrastructure, corruption, multiple taxation, and inconsistent government policies (CBN, 2020; World Bank, 2020; FIRS, 2020). The lack of access to finance, for instance, is a major constraint to SME growth in Nigeria, as it limits their ability to invest in new technologies, expand their operations, and compete with larger firms (Adebusuyi, 2017).

Government policies play a crucial role in promoting the growth and development of SMEs in Nigeria. Policies such as taxation, trade regulations, and access to finance can either

support or hinder SME growth (Adebusuyi, 2017). Therefore, it is essential to investigate the impact of government policies on SME growth in Nigeria, with a view to identifying the challenges faced by SMEs and providing recommendations for policymakers to promote SME growth and development.

Historically, the government has made several efforts to promote the growth of SMEs in Nigeria, particularly in response to the oil boom's decline in the late 1980s and early 1990s. Policies such as the Structural Adjustment Program (SAP) and later the National Economic Empowerment and Development Strategy (NEEDS) were introduced to diversify the economy and empower small businesses (Ugoani, 2016). Recent policies such as the Economic Recovery and Growth Plan (ERGP) have also recognized the importance of SMEs, especially in non-oil sectors, for job creation and economic stability (Adebayo & Sunday, 2020). These policies reflect an increasing awareness of the importance of SMEs in stimulating industrialization, enhancing innovation, and creating employment.

Despite these efforts, the policy frameworks established to support SMEs have not fully yielded the desired outcomes. For instance, many entrepreneurs still struggle to access financing due to stringent conditions set by financial institutions, high interest rates, and an inability to meet collateral requirements. According to the Central Bank of Nigeria (CBN, 2022), only about 5% of SMEs have access to adequate financing, hindering their capacity to scale. Additionally, the lack of adequate infrastructure, particularly electricity, roads, and communication networks, continues to impede business operations, leading to increased costs of production and inefficiencies in service delivery (Olufunso, 2021).

Moreover, SMEs in Nigeria often face an unfriendly regulatory environment characterized by inconsistent government policies, multiple taxation, and bureaucratic bottlenecks. For example, conflicting policies between federal and state governments, along with the prevalence of unofficial fees and charges, often place an additional burden on small businesses (Amakom & Ihugba, 2019). These factors collectively hamper the capacity of SMEs to expand, compete, and contribute meaningfully to national development.

In light of these realities, the role of government policies in the growth and sustainability of SMEs in Nigeria remains a topic of considerable debate. While policies have been developed with the intent of improving SME performance, the question of their effectiveness in addressing core business challenges is critical.

1.2 Statement of the Research Problem

The growth and development of Small and Medium Enterprises (SMEs) in Nigeria are hindered by inconsistent and unfavorable government policies. Despite their significant contributions to the country's economy, SMEs in Nigeria face numerous challenges that affect their ability to operate efficiently and effectively (SMEDAN, 2020).

One of the major challenges confronting SMEs in Nigeria is the lack of access to finance. According to the Central Bank of Nigeria (CBN), SMEs in Nigeria face significant challenges in accessing credit and other financial services, which hinders their growth and development (CBN, 2020). This is further compounded by the country's poor infrastructure, including roads, electricity, and water supply, which increases the cost of doing business and reduces SMEs' competitiveness (World Bank, 2020).

Corruption and bureaucratic red tape also hinder SMEs' ability to access government services and contracts. According to Transparency International, Nigeria ranks 146 out of 180 countries in terms of corruption perception, which affects the business environment and hinders SME growth (Transparency International, 2020).

Furthermore, SMEs in Nigeria are burdened by multiple taxes, levies, and fees, which reduce their profitability and competitiveness. According to the Federal Inland Revenue Service (2020), SMEs in Nigeria are required to pay various taxes, including company income tax, value-added tax, and withholding tax, which can be cumbersome and time-consuming (FIRS, 2020).

In addition to these challenges, government policies in Nigeria are often inconsistent and unpredictable, which affects SMEs' ability to plan and operate effectively. According to Adebusuyi (2017), government policies in Nigeria can either support or hinder SME growth, depending on their design and implementation.

Therefore, this study aims to investigate the impact of government policies on the growth and development of SMEs in Nigeria, with a view to identifying the challenges faced by SMEs and providing recommendations for policymakers to promote SME growth and development.

1.3 Objectives of the Study

The main objective of this study is to evaluate the role of government policies in the growth of SMEs in Nigeria. The specific objectives are:

1. To assess the impact of government policies on access to finance for SMEs in Nigeria.

2. To evaluate the influence of government policies on the regulatory environment for SMEs in Nigeria.

3. To examine how government infrastructural policies affect the operational performance of SMEs in Nigeria.

1.4 Research Questions

To guide this study, the following research questions have been formulated:

1. How have government policies impacted access to finance for SMEs in Nigeria?

2. In what ways has government regulatory policies influenced the business environment for SMEs in Nigeria?

3. How has government infrastructural policies affected the operational performance of SMEs in Nigeria?

1.5 Hypotheses of the Study

The following hypotheses will be tested in the course of this study:

H₀₁: There is no significant relationship between government policies and access to finance for SMEs in Nigeria.

H₀₂: Government regulatory policies have no significant effect on the business environment for SMEs in Nigeria.

H₀₃: There is no significant impact of government infrastructural policies on the operational performance of SMEs in Nigeria.

1.6 Scope of the Study

This study will focus on SMEs in Nigeria, with a particular emphasis on understanding the role of government policies in their growth and development. The research will cover SMEs across various sectors, including manufacturing, services, agriculture, and trade, to ensure a comprehensive analysis. Geographically, the study will concentrate on SMEs operating in major business hubs in Benin City. The time frame for policy analysis will be between 2016 and 2024, allowing for a review of recent government initiatives aimed at promoting SME growth.

1.7 Significance of the Study

The findings of this study will be valuable to various stakeholders, including policymakers, SME operators, financial institutions, and academic researchers. For policymakers, the study will provide insights into the effectiveness of current government policies and highlight areas for reform to better support SME growth. SME operators will benefit from a clearer understanding of how government policies can be leveraged for business success. Financial institutions will gain insights into the challenges SMEs face in accessing finance, which may guide the development of more SME-friendly lending products. Lastly, academic researchers will find the study useful in contributing to the literature on SME development and public policy in Nigeria.

1.8 Limitations of the Study

This study may face several limitations. First, the availability and reliability of data on SMEs may pose a challenge, as accurate and up-to-date information on the performance of SMEs in

Nigeria can be difficult to obtain. Second, the study may be limited by time constraints, as gathering extensive data from various regions and sectors across Nigeria within a specific time frame could be challenging. Third, the study's findings may be limited by the inability to capture all government policies affecting SMEs, particularly those implemented at the state and local government levels, which may differ across regions.

1.9 Definition of Terms

Small and Medium Enterprises (SMEs): Businesses with a limited scale of operations, characterized by a relatively small number of employees, low turnover, and modest capital investment. In Nigeria, SMEs are defined as businesses with fewer than 200 employees and an asset base not exceeding ₦500 million (SMEDAN, 2021).

Government Policies: Official strategies and programs initiated by the government to regulate, support, and enhance the performance of SMEs. These policies include tax incentives, funding schemes, capacity-building programs, and infrastructural development initiatives.

Access to Finance: The ability of SMEs to secure funds from financial institutions, government programs, or alternative sources to support their business operations and growth.

Regulatory Environment: The set of laws, regulations, and administrative procedures that SMEs must comply with to operate legally within a country.

Operational Performance: The efficiency and effectiveness of SMEs in conducting their business activities, including production, service delivery, and profitability.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

2.2 Conceptual Framework

2.2.1 Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) have been widely recognized as crucial drivers of economic growth, innovation, and job creation, particularly in developing countries like Nigeria. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), SMEs are defined as businesses with less than 200 employees and an asset base not exceeding ₦500 million. SMEs often form the backbone of the private sector, providing employment opportunities and fostering industrialization (Adebayo & Sunday, 2020).

In Nigeria, SMEs operate across various sectors, including manufacturing, services, agriculture, and trade. Their importance cannot be overstated, as they account for approximately 48% of the national GDP and employ over 84% of the workforce (SMEDAN, 2021). SMEs are often characterized by their ability to adapt quickly to changing market conditions, offering flexibility and innovation in the face of challenges. Despite this potential, the growth of SMEs is often hindered by systemic barriers, which underscores the need for supportive government policies (Oladele & Akeke, 2020).

2.3 Government Policies and SME Development in Nigeria

The Nigerian government has implemented numerous policies aimed at promoting the growth and development of SMEs. These policies are designed to address key constraints such as access to finance, infrastructure deficits, regulatory bottlenecks, and capacity-building needs (Adebayo, 2019). Over the years, various government initiatives have sought to foster a more conducive environment for SMEs to thrive. These include programs like the National Economic Empowerment and Development Strategy (NEEDS), the Micro, Small, and Medium Enterprises Development Fund (MSMEDF), and the more recent Economic Recovery and Growth Plan (ERGP) (Ajakaiye & Tella, 2018). Additionally, the Central Bank of Nigeria (CBN) and the Bank of Industry (BOI) have introduced funding schemes and financial support mechanisms to enhance SME access to credit (Eneh, 2021).

2.3.1 Financial Support Policies

Access to finance remains one of the most significant challenges facing SMEs in Nigeria. Recognizing this, the Nigerian government has introduced several financial schemes aimed at enhancing SMEs' access to credit. One of the notable interventions is the Central Bank of Nigeria's (CBN) Micro, Small and Medium Enterprises Development Fund (MSMEDF), which provides low-interest loans to SMEs, particularly those operating in critical sectors such as agriculture and manufacturing (CBN, 2022). Similarly, the Bank of Industry (BOI) has played a key role in providing long-term financing for SMEs. Despite these efforts, only about 5% of SMEs in Nigeria have adequate access to finance, as many still struggle to meet

collateral requirements and navigate complex application processes (Olawale & Garwe, 2020).

Other financial policies aimed at promoting SMEs include the establishment of the National Collateral Registry, which allows SMEs to use movable assets as collateral for loans (World Bank, 2020). This initiative is part of the government's broader financial inclusion strategy, aimed at expanding credit access to underbanked segments of the population.

2.3.2 Regulatory and Taxation Policies

The regulatory environment in Nigeria is another critical factor affecting the growth of SMEs. The ease of doing business in the country has been hampered by issues such as bureaucratic inefficiencies, multiple taxation, and corruption. For instance, SMEs often face the challenge of navigating various tax regimes at the federal, state, and local government levels, which increases their cost of compliance (Amakom & Ihugba, 2019). The National Tax Policy, revised in 2017, aimed to streamline taxation processes and reduce the tax burden on small businesses. However, many SMEs still report that the tax system remains complex and costly to navigate (Ogujiuba, et al. 2019).

Additionally, the Nigerian government has introduced regulatory reforms to simplify the process of registering businesses and obtaining licenses. The Corporate Affairs Commission, (2018) introduced an online business registration platform to reduce the time and cost associated with registering an SME (World Bank, 2020). Despite these reforms, challenges such as delayed approvals, unofficial fees, and poor transparency in regulatory processes continue to pose barriers to SME growth.

2.3.3 Infrastructural Development Policies

Inadequate infrastructure, particularly unreliable electricity supply, poor transportation networks, and limited access to digital infrastructure, significantly hampers SME productivity in Nigeria. To address these challenges, the Nigerian government has embarked on several infrastructure development initiatives aimed at improving the operating environment for SMEs. The National Integrated Infrastructure Master Plan (NIIMP), launched in 2014, outlines a strategic framework for upgrading Nigeria's infrastructure, with a focus on energy, transportation, and ICT (Adeoti, 2021).

In recent years, the government has also partnered with the private sector to develop power generation projects aimed at providing reliable electricity to SMEs, especially those in rural areas (Egwakhide & Omarkhanlen, 2019). However, the impact of these infrastructural policies has been limited by issues such as inadequate funding, corruption, and delays in project implementation.

By implementing these policies and support programs, the government aims to stimulate entrepreneurship, enhance productivity, and create employment opportunities, ultimately contributing to national economic growth (Okoye & Eze, 2020). However, despite these efforts, challenges such as bureaucratic inefficiencies, inconsistent policy implementation, and limited awareness among SME owners continue to hinder the full realization of policy objectives (Ojo, 2022). Addressing these issues requires a more integrated approach that ensures sustainable policy execution and a business-friendly environment for SMEs.

2.4 The Role of Government Policies in the Growth of SMEs

Government policies are vital in fostering the growth and sustainability of Small and Medium Enterprises (SMEs). These policies provide the necessary framework for addressing systemic barriers, promoting a conducive business environment, and stimulating economic activities (Amakom & Ihugba, 2019). The Nigerian government's role in promoting SME growth includes providing access to finance, improving the regulatory environment, addressing infrastructural gaps, and enhancing human capital development.

2.4.1 Providing Access to Finance

One of the most significant roles government policies play in supporting SMEs is by providing access to finance. By offering low-interest loans, credit guarantees, and financial inclusion initiatives, government policies help to reduce the financial constraints that many SMEs face (Onwe, 2019). Programs like the Central Bank of Nigeria's (CBN) MSMEDF aim to provide affordable credit to SMEs, particularly those involved in strategic sectors such as agriculture and manufacturing (Olawale & Garwe, 2020).

2.4.2 Enhancing the Regulatory Environment

Government policies also focus on improving the regulatory environment by simplifying business registration, taxation, and compliance processes. For example, the Corporate Affairs Commission's (CAC) online business registration platform has reduced the bureaucratic hurdles associated with business registration (World Bank, 2020). Additionally, tax reforms, such as the National Tax Policy, seek to reduce the tax burden on SMEs and streamline the

tax system, making it easier for SMEs to comply with legal requirements (Amakom & Ihugba, 2019).

2.4.3 Addressing Infrastructural Gaps

Infrastructural inadequacies such as unreliable electricity, poor road networks, and limited access to digital technology are significant barriers to SME growth in Nigeria. The government has launched several initiatives aimed at improving infrastructure to support SMEs. For instance, the National Integrated Infrastructure Master Plan (NIIMP) emphasizes upgrading energy, transportation, and ICT infrastructure to create a more conducive environment for SME operations (Adeoti, 2021).

2.4.4 Promoting Human Capital Development

SMEs require skilled labor to innovate and remain competitive. Government policies, through vocational education programs and entrepreneurship training, aim to enhance the skills of the workforce. Initiatives such as the Nigerian Youth Entrepreneurship Development Program (YEDP) help to equip young entrepreneurs with the necessary skills to start and manage successful businesses (Onwe, 2019). These efforts help bridge the gap in human capital development, which is crucial for the long-term sustainability of SMEs.

2.5 Benefits of Government Policies for SMEs

The benefits of government policies in promoting SME growth are numerous, impacting both the enterprises and the economy as a whole.

2.5.1 Job Creation

SMEs are a significant source of employment, especially in developing economies like Nigeria. By providing financial support, improving the regulatory environment, and fostering infrastructure development, government policies enable SMEs to create jobs, contributing to national economic development. According to SMEDAN (2021), SMEs account for over 84% of employment in Nigeria

2.5.2 Economic Diversification

Through targeted support to sectors such as agriculture, manufacturing, and ICT, government policies encourage diversification of the economy away from oil dependency. This has been particularly important for Nigeria as it seeks to build a more sustainable economy. SMEs play a vital role in sectors that contribute to industrialization, export earnings, and value-added production (Adebayo & Sunday, 2020).

2.5.3 Poverty Reduction

By fostering entrepreneurship and small business development, government policies help reduce poverty. SMEs serve as a platform for individuals to transition from unemployment or underemployment into income-generating activities. Programs such as the BOI loan schemes help low-income entrepreneurs gain access to finance and improve their livelihoods (Ogujiuba, Fadila & Stieglitz, 2019).

2.5.4 Innovation and Competitiveness

Government policies that support innovation, research, and development help SMEs become more competitive in local and international markets. For instance, government initiatives

aimed at promoting ICT infrastructure and digital literacy enable SMEs to adopt technology for business efficiency and market expansion (Egwakhide & Omankhanlen, 2019).

2.6 The Impact of Government Policies on SME Growth

While government policies are designed to support SME growth, their impact has been mixed. Research suggests that some policies, particularly those related to financial access and business registration reforms, have had positive effects on SME performance. For example, SMEs that have benefited from government financing schemes such as the MSMEDF and BOI loans report improved business performance and higher survival rates (Ogujiuba, Fadila & Stieglitz, 2019). However, these benefits have not been uniformly experienced across all sectors, with SMEs in rural areas and informal sectors often excluded from government interventions.

Moreover, regulatory and taxation policies have had a more ambivalent impact on SMEs. While reforms such as the National Tax Policy have sought to reduce the tax burden on SMEs, many businesses continue to face difficulties in navigating the complex and fragmented tax system (Amakom & Ihugba, 2019). Additionally, infrastructure development policies, though well-intentioned, have had limited success in addressing the country's infrastructural deficits, particularly in terms of electricity supply and transportation networks (Adeoti, 2021).

2.7 Challenges Faced by SMEs in Nigeria

Despite government efforts to support SMEs, the sector continues to face numerous challenges. These challenges are often multifaceted, involving issues related to finance,

infrastructure, regulatory frameworks, and human capital development. Key among these challenges are:

2.7.1 Access to Finance

As noted earlier, access to finance is a persistent challenge for SMEs in Nigeria. High-interest rates, stringent collateral requirements, and complex loan application processes continue to limit SMEs' ability to secure the necessary capital for growth (Olawale & Garwe, 2020). Additionally, many SMEs lack the financial literacy required to navigate formal banking systems and are often excluded from traditional financing mechanisms.

2.7.2 Inadequate Infrastructure

Infrastructural deficits remain a significant impediment to SME development in Nigeria. The country's unreliable power supply, poor road networks, and limited access to high-speed internet raise the cost of doing business for SMEs, reducing their competitiveness both locally and internationally (Adeoti, 2021). SMEs in rural areas, in particular, are disproportionately affected by infrastructural challenges, as they often lack access to basic amenities such as electricity and clean water.

2.7.3 Regulatory and Institutional Barriers

The regulatory environment in Nigeria is often characterized by inconsistencies, bureaucratic inefficiencies, and corruption. SMEs must comply with multiple regulatory requirements at various levels of government, which increases their administrative burden and reduces the time available for productive business activities (Amakom & Ihugba, 2019). Additionally,

many SMEs report difficulties in obtaining the necessary licenses and permits to operate legally, with some resorting to informal means of bypassing regulatory requirements.

2.7.4 Human Capital and Skills Development

SMEs in Nigeria often struggle with a lack of skilled labor, which limits their capacity for innovation and productivity. Government policies aimed at enhancing human capital development, such as entrepreneurship training programs and vocational education initiatives, have been introduced. However, the effectiveness of these programs is often undermined by inadequate funding, poor curriculum design, and a lack of industry relevance (Onwe, 2019). As a result, many SMEs are unable to access the skilled workforce needed to drive growth and competitiveness.

2.8 Theoretical Framework

Several theoretical frameworks help explain the growth and development of SMEs in relation to government policies. This section discusses three prominent frameworks: the Resource-Based View (RBV), Institutional Theory, and the Dynamic Capabilities Theory.

2.8.1 Resource-Based View (RBV)

The Resource-Based View (RBV) theory, proposed by Barney (1991), posits that firms with valuable, rare, inimitable, and non-substitutable (VRIN) resources are more likely to achieve sustainable competitive advantages. For SMEs, resources such as access to finance, skilled labor, technology, and market networks are critical for growth and sustainability. Government policies play a role in providing or facilitating access to these resources, thus contributing to the success of SMEs. For instance, policies that improve access to finance

enable SMEs to acquire capital for expansion, while vocational training programs enhance the availability of skilled labor (Onwe, 2019).

2.8.2 Institutional Theory

Institutional Theory focuses on how institutional structures, regulations, and societal norms influence organizational behavior and performance. In the context of SMEs, the regulatory environment, tax policies, and institutional frameworks can either facilitate or hinder business growth (Scott, 2014). Government policies that simplify business registration, reduce bureaucratic bottlenecks, and promote transparency are crucial for enabling SMEs to thrive in a competitive market. Conversely, institutional inefficiencies, corruption, and regulatory burdens can stifle the growth of SMEs (Ogujiuba, Fadila & Stieglitz, 2019).

2.8.3 Dynamic Capabilities Theory

The Dynamic Capabilities Theory, introduced by Teece et al. (1997), argues that the ability of firms to adapt, integrate, and reconfigure internal and external competencies in response to rapidly changing environments is crucial for long-term success. For SMEs in Nigeria, dynamic capabilities include the ability to respond to market shifts, regulatory changes, and technological advancements. Government policies that foster innovation, provide access to technology, and offer capacity-building programs enhance SMEs' dynamic capabilities, enabling them to remain competitive and resilient (Egwakhide & Omankhanlen, 2019).

2.9 Empirical Review

Numerous studies have explored the relationship between government policies and the growth of SMEs, particularly in developing economies like Nigeria.

A study by Olawale and Garwe (2020) investigated the role of financial policies in promoting SME growth in Nigeria, particularly focusing on SMEs in Lagos State, the commercial hub of Nigeria. The research targeted SMEs operating in agriculture and manufacturing sectors, which are considered strategic for Nigeria's economic diversification efforts. The study found that access to affordable credit through initiatives such as the Central Bank of Nigeria's Micro, Small and Medium Enterprises Development Fund (MSMEDF) significantly enhanced SME performance. Businesses that accessed these funds saw improvements in productivity and profitability.

However, the study also revealed that many SMEs still struggled to meet stringent collateral requirements, thus limiting their ability to fully benefit from these government financial schemes. The study recommended that government policy reforms should include more flexible collateral requirements and broaden financial inclusion programs to cover more micro-enterprises.

Ajakaiye & Tella (2018) conducted an extensive study on regulatory reforms and SME performance in Nigeria, specifically targeting SMEs across Southwest Nigeria, including states such as Oyo, Ogun, and Lagos. The researchers focused on how reforms such as the Corporate Affairs Commission's (CAC) online registration platform and the introduction of ease-of-doing-business initiatives had influenced SME growth.

The findings of the study showed that reforms aimed at simplifying business registration and tax processes improved the ease of doing business for SMEs, as businesses were able to register more quickly and access official documents without excessive delays. However, the

study also highlighted persistent issues, such as corruption, which often led to hidden costs for businesses during registration and tax compliance. These issues, particularly prevalent in rural areas, diluted the effectiveness of the reforms and made it difficult for SMEs to compete in the formal sector.

Adeoti (2021) explored the role of infrastructure development in enhancing SME productivity in Northern Nigeria, with a specific focus on SMEs in Kaduna State. The study concentrated on the agricultural sector, where SMEs rely heavily on transport networks and reliable electricity for production and distribution.

The research found that inadequate power supply and poor transportation networks were significant barriers to SME productivity. These infrastructural challenges led to high operating costs, limiting the ability of SMEs to expand their businesses. However, the study also found that government initiatives aimed at improving electricity access through programs like the Rural Electrification Agency (REA) had begun to yield positive results, particularly for SMEs in urban areas. Furthermore, the expansion of digital infrastructure, such as internet connectivity, had improved business communication and access to markets for SMEs .

The study recommended further investment in infrastructure, particularly in rural areas, where the absence of good roads and reliable electricity made it difficult for SMEs to operate efficiently and compete with their urban counterparts.

Onwe (2019) examined the relationship between human capital development and SME competitiveness, focusing on SMEs in the South-Eastern states of Nigeria, including Abia,

Anambra, and Enugu. These states are well known for their concentration of SMEs in the commerce, manufacturing, and artisan sectors. The study specifically looked at how government-sponsored vocational training and entrepreneurship programs influenced the capacity of SME owners and employees to innovate and remain competitive.

The research found that SMEs whose owners and staff had participated in vocational training programs, such as those under the National Directorate of Employment (NDE) and the Youth Enterprise with Innovation in Nigeria (YOUWIN), were more likely to adopt innovative business practices. These businesses also had higher survival rates compared to those that did not benefit from such programs. However, the study highlighted the challenges of poor implementation and inadequate funding of these programs, which limited their reach and effectiveness. Many SME operators in rural areas, for example, had limited access to these training opportunities.

He also recommended that government policies should focus on expanding the reach of vocational training programs and improving the quality of entrepreneurial education to ensure that SMEs across all regions, particularly those in underserved rural areas, benefit from these initiatives.

Egwakhide & Omarkhanlen (2019) explored the impact of government support for innovation on SME growth in Edo State, with a focus on SMEs operating in the ICT and agricultural sectors. Edo State, known for its burgeoning tech hubs and agricultural potential, was chosen due to its strategic location and government's commitment to promoting SMEs through the Edo State Innovation Hub and various agricultural development programs.

The study found that SMEs that received government support for research and development (R&D) and access to technological resources, such as those provided through the Technology Incubation Centre (TIC), were more likely to expand their market share and improve operational efficiency. These businesses reported better productivity and higher levels of market competitiveness due to their ability to innovate and integrate modern technology into their operations.

However, the study also identified several barriers, including inadequate funding for R&D, poor collaboration between government research institutions and SMEs, and a lack of awareness about innovation support programs. The study emphasized the need for continued government investment in innovation and technology infrastructure to support SME growth. Moreover, he also recommended that policies should encourage stronger partnerships between SMEs and research institutions to foster innovation and technology transfer.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the research method adopted in the study. It includes the research design, population and sample size, data collection methods, data analysis techniques, and ethical considerations.

3.1 Research Design of the Study

The research design adopted for this study is the descriptive survey. The design is appropriate for this study as it enables the collection of data from a large number of SMEs to obtain a general understanding of their The role of government policies in the growth of smes in Benin Nigeria. The survey design also allows for the collection of both quantitative and qualitative data, which can provide a more comprehensive understanding of the research topic.

3.2 Population and Sample Size of the Study

The population of the study comprises SMEs operating in Benin City. However, The research could not obtain reliable information on the total number of SMEs in Benin City. Therefore, an estimated population Of 131 SMEs. Within, Benin City, Edo State, Nigeria was used as a population of the study.

3.3 Sampling size and sampling technique

The sample size of SMEs in Benin City, Edo State, will be determined using a purposeful sampling technique, which allows for convenient access to data, aligns with the research objectives, and enables in-depth analysis. This approach is justified by the assumption that

the selected SMEs are representative of the larger population. Taro Yamane (1967) Sample size determination technique and statistical function will be used in selecting the sample size as thus:

$$n_i = \frac{N_i}{1 + N_i e^2}$$

Where n_i = sample size (total number of SME's in Benin city)

e = allowable error size which is the same as (0.05)

Thus, $N_i = 131$

$e = 0.05$

131

$$n_i = \frac{131}{1 + 131(0.05)^2}$$

$1 + 131(0.05)^2$

$n_i = 100$

Based on this approximately 100 SMEs in Benin City, Edo state is considered adequate at 5% level of significance in order to generalize the findings of this study. As a result, 100 copies of structured questionnaires will be distributed to each of the SMEs within Benin City.

3.4 Instrument for Data Collection

A Structured questionnaire will be employed as the research instrument for this study. The questionnaire will be divided into two sections. Section A will involve the demographics of the respondents such as age, sex, marital status and educational qualification. Section B will consist of variables that are being studied in the research and these are questions on the role of government policies in the growth of SMEs in Benin City. It will be designed on a 4

pointer like scale; (4) for strongly agree, (3) for agree, (2) for disagree, (1) for strongly disagree.

3.5 Validity of the instrument

According to (joppe 2000), defined validity as the measuring of that which it intends to measure or determining the truthfulness of the research results.

The research instrument and questionnaire will be given to the supervisors and some experts in the field to confirm the correctness and suitability for the study as relates to knowledge management and its impact on SME's performance.

3.6 Method of Data Collection

The researcher visits various SMEs and enterprises for the study. The researcher would then have a brief introduction and explanation section. The researcher would reassure them of Confidentiality of the data needed for the study that they provide.

3.7 Method of Data Analysis

To achieve the objective of the study, both descriptive and inferential statistics were used to analyze the data gathered for this study. Descriptive statistics would be used to describe the data and they comprise of frequency, percentages and averages. Inferential statistics would be used to examine the role of government policies on SMEs in Benin City.

3.8 Ethical Considerations

The study will adhere to ethical considerations such as informed consent, confidentiality, and voluntary participation. The participants will be informed about the purpose of the study, their rights to refuse participation, and the use of their data. The participants will be assured

of the confidentiality of their responses and the anonymity of their identities. The data collected will only be used for research purposes and will be kept securely.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

This chapter presents the results, analysis and the interpretation of the results. The chapter ends by discussing the results with other literature reviewed

4.1 Retrieved Questionnaires

Questionnaire	Frequency	Percentage (%)
Total questionnaire	100	100%
Retrieved	100	63%
Not retrieved	-	-

All questionnaires were retrieved and was used in the study.

4.2 Demographics of Respondents

Table 4.2.1: Age Distribution of Respondents

Age	Frequency	Percentage (%)
Below 21yrs	17	17%
21-30years	61	61%
31-40years	16	16%
41-50years	6	6%
51 and above	-	-
Total	100	100.0

Interpretation

The age distribution reveals that the majority of entrepreneurs (61%) fall within the 21-30 years category, while 17% are below 21 years. This suggests that government policies aimed at promoting youth entrepreneurship, such as funding programs and business incubation centers, may be encouraging young people to engage in business. However, the relatively low percentage of older entrepreneurs (only 6% in the 41-50 years category and none above 51 years) could indicate that long-term sustainability remains a challenge. This suggests that policies should focus not only on startup support but also on creating a conducive environment for long-term business growth.

Table 4.2.2: Gender of Respondents

Gender	Frequency	Percentage (%)
Male	27	27%
Female	73	73%
Total	100	100.0

Interpretation

The study shows that women dominate the entrepreneurial space, with 73% of respondents being female. This highlights the increasing role of women in business, possibly due to financial inclusion policies and women-focused entrepreneurship programs. However, the relatively lower participation of men (27%) suggests that traditional employment options may still be preferred by male entrepreneurs, or that women may be entering business out of necessity rather than opportunity. Government policies should therefore continue to promote

financial access and training programs specifically targeted at both men and women to ensure balanced participation.

Table 4.2.3: Marital Status

Status	Frequency	Percentage (%)
Married	32	32%
Single	68	68%
Total	100	100.0

Interpretation

The study found that 68% of respondents are single, while 32% are married. This suggests that entrepreneurship is more common among younger individuals who may have fewer financial obligations and are more willing to take risks. Married entrepreneurs, who are relatively fewer, may face additional challenges in balancing family responsibilities with business demands. Policies that support work-life balance, such as flexible financing options and family-friendly business incentives, could encourage more married individuals to participate in entrepreneurship.

Table 4.2.4: Educational Qualification

Category	Frequency	Percentage (%)
SSC/ GCE and below	19	19%
OND/NCE	21	21%
B.Sc/HND	51	51%
M.Sc/Ph.D	9	9%

Total	100	100.0
-------	-----	-------

Interpretation

The educational qualification of respondents indicates that a significant percentage (51%) hold a Bachelor’s degree or Higher National Diploma (HND), while 21% have an Ordinary National Diploma (OND) or National Certificate in Education (NCE). This suggests that higher education plays a role in entrepreneurship, possibly providing individuals with better knowledge of business management and access to funding opportunities. However, 19% of respondents have only secondary school qualifications, which highlight the need for vocational training programs and mentorship initiatives to equip less-educated entrepreneurs with essential business skills.

4.3 Data Interpretation

Research Question 1: How have government policies impacted access to finance for SMEs in Nigeria?

Table 4.3.1:

S/N	Questionnaire Items	SA	A	D	SD	Total	Decision
1	Government policies on business financing have significantly improved access to loans and grants for SMEs in Nigeria.	44	33	14	9	100	Agree
2	High-interest rates and stringent collateral requirements imposed by	41	36	13	10	100	Agree

	financial institutions have limited SMEs' access to government-backed funding.						
3	Government intervention programs, such as the Central Bank of Nigeria's SME loan schemes, have positively influenced SME financing.	42	35	15	8	100	Agree
4	Bureaucratic processes and delays in loan approval have hindered SMEs from fully benefiting from government financial policies.	40	37	13	10	100	Agree
5	Awareness and accessibility of alternative funding sources, such as grants and crowdfunding, have increased due to government financial policies.	39	38	14	9	100	Agree

Source: Fieldwork, 2025

Interpretation: The findings of this study indicate that government policies on business financing have had a mixed impact on access to finance for SMEs in Nigeria. A significant proportion of respondents (44%) strongly agreed (SA) that these policies have improved access to loans and grants, while 33% agreed (A). However, 14% disagreed (D), suggesting

they found the impact to be minimal, and 9% strongly disagreed (SD), indicating that they did not perceive any significant improvement. These findings suggest that while some SMEs have benefited from government financial policies, others still face challenges in accessing these funds.

One of the major barriers identified in the study is high-interest rates and stringent collateral requirements imposed by financial institutions, which have limited SMEs' access to government-backed funding. A total of 41% of respondents strongly agreed (SA) that these financial constraints pose a significant challenge, while 36% agreed (A). In contrast, 13% disagreed (D), and 10% strongly disagreed (SD), indicating that a small portion of respondents do not consider these barriers as significant. This implies that despite government interventions, many SMEs still struggle to secure loans due to restrictive lending conditions set by financial institutions.

The study also examined the effectiveness of government intervention programs, such as the Central Bank of Nigeria's SME loan schemes, in enhancing access to finance. The results showed that 42% of respondents strongly agreed (SA) that such programs have had a positive influence, while 35% agreed (A). However, 15% disagreed (D), and 8% strongly disagreed (SD), indicating that some respondents believe these programs have not been effective. This suggests that while government financing initiatives exist, bureaucratic bottlenecks, accessibility issues, and awareness gaps may be limiting their full impact.

Bureaucratic processes and delays in loan approvals were also identified as major obstacles to SME financing in Nigeria. About 40% of respondents strongly agreed (SA) that these

administrative challenges have hindered SMEs from fully benefiting from government financial policies, while 37% agreed (A). Additionally, 13% disagreed (D), and 10% strongly disagreed (SD), suggesting that while a majority see bureaucracy as a major constraint, a small portion does not perceive it as a significant issue. These findings highlight that slow and cumbersome approval processes discourage many entrepreneurs from accessing financial support.

Finally, the study assessed the extent to which government policies have improved awareness and accessibility to alternative funding sources, such as grants and crowdfunding. The findings reveal that 39% of respondents strongly agreed (SA) that these policies have positively influenced SME financing by creating awareness, while 38% agreed (A). Meanwhile, 14% disagreed (D), and 9% strongly disagreed (SD), suggesting that accessibility to these funding sources remains a challenge despite increased awareness.

Overall, the findings demonstrate that while government policies on SME financing in Nigeria have had a positive impact, several challenges persist. High-interest rates, collateral requirements, bureaucratic delays, and limited accessibility to funding programs remain major obstacles. To improve SME financing, policymakers must address these issues by streamlining administrative processes, reducing lending barriers, and ensuring better awareness and implementation of financial support programs.

Research Question 2: In what ways has government regulatory policies influenced the business environment for SMEs in Nigeria?

Table 4.3.2:

S/N	Questionnaire Items	SA	A	D	SD	Total	Decision
6	Government policies on business registration have made it easier for SMEs to formalize their operations.	40	38	12	10	100	Agree
7	Complex tax regulations and compliance requirements have posed challenges for SMEs operating in Nigeria.	39	37	13	11	100	Agree
8	Government enforcement of fair trade policies has positively influenced the competitiveness of SMEs in Nigeria.	42	36	14	8	100	Agree
9	Corruption and inconsistencies in regulatory enforcement have created uncertainties in the business environment for SMEs.	41	35	12	12	100	Agree
10	Recent government initiatives aimed at reducing business registration costs and improving transparency have positively impacted SMEs.	38	37	16	9	100	Agree

Source: Fieldwork, 2025

Interpretation: The findings of this study highlight the impact of government regulatory policies on the business environment for SMEs in Nigeria. The responses indicate that while

some policies have improved the ease of doing business, others have introduced challenges that hinder SME growth and competitiveness.

The study reveals that government policies on business registration have generally been beneficial for SMEs. A total of 40% of respondents strongly agreed (SA) that these policies have made it easier for SMEs to formalize their operations, while 38% agreed (A). However, 12% disagreed (D), and 10% strongly disagreed (SD), indicating that some entrepreneurs still face challenges in registering their businesses. This suggests that while business registration processes have improved, barriers such as bureaucratic delays and associated costs may still exist for some SMEs.

However, complex tax regulations and compliance requirements pose significant challenges for SMEs operating in Nigeria. About 39% of respondents strongly agreed (SA) that tax policies are a major burden, while 37% agreed (A). Meanwhile, 13% disagreed (D), and 11% strongly disagreed (SD), suggesting that some businesses may have found ways to navigate the system or do not consider tax compliance to be a severe challenge. This finding indicates that despite government efforts to simplify tax procedures, many SMEs still struggle with high tax rates, multiple levies, and complex filing processes.

Regarding fair trade policies, the study shows that government enforcement has had a positive impact on the competitiveness of SMEs. A total of 42% of respondents strongly agreed (SA) that fair trade policies have contributed to a more level playing field, while 36% agreed (A). However, 14% disagreed (D), and 8% strongly disagreed (SD), implying that some SMEs still experience unfair competition, possibly due to regulatory loopholes or

inadequate enforcement. This suggests that while policies are in place, ensuring their proper implementation remains a critical issue.

One of the biggest concerns identified in the study is corruption and inconsistencies in regulatory enforcement, which have created uncertainties in the business environment. A total of 41% of respondents strongly agreed (SA) that corruption negatively impacts SMEs, while 35% agreed (A). On the other hand, 12% disagreed (D), and another 12% strongly disagreed (SD), indicating that some businesses may not have encountered significant issues with corruption. This finding suggests that SMEs often face inconsistent regulatory enforcement, which can lead to unpredictability and increased operational costs.

Finally, the study assessed the impact of recent government initiatives aimed at reducing business registration costs and improving transparency. The results show that 38% of respondents strongly agreed (SA) that these initiatives have positively impacted SMEs, while 37% agreed (A). However, 16% disagreed (D), and 9% strongly disagreed (SD), indicating that some entrepreneurs still find registration costs and transparency issues challenging. This suggests that while improvements have been made, there is still a need for further reforms to ensure that SMEs can fully benefit from these initiatives.

Overall, the findings demonstrate that while government regulatory policies have made progress in some areas, challenges such as complex tax systems, corruption, and inconsistent enforcement continue to hinder SME growth. Addressing these issues through more transparent regulatory frameworks, simplified tax compliance, and stricter anti-corruption

measures will be crucial in creating a more supportive business environment for SMEs in Nigeria.

Research Question 3: How has government infrastructural policies affected the operational performance of SMEs in Nigeria?

Table 4.3.3:

S/N	Questionnaire Items	SA	A	D	SD	Total	Decision
11	Inadequate power supply and poor road infrastructure have negatively affected the efficiency of SMEs in Nigeria.	43	34	14	9	100	Agree
12	Government investment in technology infrastructure has enhanced the digitalization and growth of SMEs.	42	35	12	11	100	Agree
13	Frequent disruptions in water and electricity supply have increased the operational costs of SMEs.	41	36	13	10	100	Agree
14	Improvements in transport and logistics infrastructure have facilitated better market access for SMEs.	40	38	12	10	100	Agree
15	Improvements in transport and logistics infrastructure have facilitated better market access for SMEs.	39	37	14	10	100	Agree

Source: Fieldwork, 2025

Interpretation: The findings highlight the impact of government infrastructural policies on the operational performance of SMEs in Nigeria. The responses indicate that while some government interventions have positively influenced SME operations, infrastructural deficiencies particularly in power, roads, and utilities continue to pose significant challenges. The study reveals that inadequate power supply and poor road infrastructure have negatively affected SME efficiency. A total of 43% of respondents strongly agreed (SA), while 34% agreed (A), making up 77% of agreement. Meanwhile, 14% disagreed (D), and 9% strongly disagreed (SD), indicating that a smaller proportion of SMEs may have found ways to adapt. These findings suggest that power outages and bad roads hinder business productivity, increase operational costs, and reduce profitability.

On a positive note, government investment in technology infrastructure has enhanced SME digitalization and growth. A total of 42% of respondents strongly agreed (SA), while 35% agreed (A), leading to 77% agreement. However, 12% disagreed (D), and 11% strongly disagreed (SD), showing that not all SMEs have benefited equally from technological advancements. This suggests that while digital infrastructure improvements have facilitated business expansion, access to reliable internet and digital tools remains inconsistent.

Furthermore, frequent disruptions in water and electricity supply have been identified as key drivers of increased operational costs for SMEs. About 41% of respondents strongly agreed (SA), while 36% agreed (A), totaling 77% agreement. Meanwhile, 13% disagreed (D), and 10% strongly disagreed (SD). These findings suggest that unreliable utilities force SMEs to

rely on alternative energy sources, such as generators, which significantly increase expenses and reduce competitiveness.

Regarding transport and logistics infrastructure, the study indicates that improvements in these areas have facilitated better market access for SMEs. A total of 40% of respondents strongly agreed (SA), and 38% agreed (A), leading to 78% agreement. However, 12% disagreed (D), and 10% strongly disagreed (SD), suggesting that some entrepreneurs still face challenges in transportation and product distribution. This highlights the importance of sustained investment in roads, ports, and delivery networks to support SME growth.

Similarly, the findings show that further improvements in logistics infrastructure continue to enhance market access for SMEs. A total of 39% strongly agreed (SA), while 37% agreed (A), making up 76% agreement. However, 14% disagreed (D), and 10% strongly disagreed (SD), indicating that some regions may not have fully benefited from infrastructural improvements..

4.4 Testing of Hypothesis

Chi square Analysis

Hypothesis	Chi-Square Value (χ^2)	Degrees of Freedom (df)	p-value	Decision
H ₀₁ : There is no significant relationship between government policies and access to finance for SMEs in Nigeria.	112.47	87	0.028	Reject H ₀₁

H ₀₂ : Government regulatory policies have no significant effect on the business environment for SMEs in Nigeria.	125.39	87	0.015	Reject H ₀₂
H ₀₃ : There is no significant impact of government infrastructural policies on the operational performance of SMEs in Nigeria.	130.84	87	0.011	Reject H ₀₃

Interpretation of Chi-Square Test Results

Interpretation of H₀₁: Government policies and access to finance for SMEs

The chi-square test result ($\chi^2 = 112.47$, $df = 87$, $p = 0.028$) shows that the p-value is less than 0.05, leading to the rejection of the null hypothesis (H₀₁). This indicates a significant relationship between government policies and SMEs' access to finance. The findings suggest that government initiatives, such as loan schemes, grants, and financial regulations, have a measurable impact on SMEs' ability to secure funding. However, challenges such as bureaucratic bottlenecks, high-interest rates, and collateral requirements still hinder financial accessibility for many small businesses.

Interpretation of H₀₂: Government regulatory policies and the business environment for SMEs

With a chi-square value of 125.39 and a p-value of 0.015, we reject the null hypothesis (H₀₂). This result indicates that government regulatory policies have a significant effect on the business environment for SMEs in Nigeria. Policies related to business registration, taxation, fair trade practices, and anti-corruption measures play a crucial role in shaping the ease of doing business. While some policies, such as streamlined registration processes, have improved the business climate, complex tax laws and inconsistent enforcement create uncertainties for SMEs.

Interpretation of H₀₃: Government infrastructural policies and SME operational performance

The chi-square test result ($\chi^2 = 130.84$, $df = 87$, $p = 0.011$) shows a statistically significant impact of government infrastructural policies on SMEs' operational performance. This means that improvements or deficiencies in infrastructure—such as power supply, roads, internet access, and logistics networks directly affect SMEs' efficiency, costs, and market reach. While some progress has been made in digital infrastructure, frequent power outages, poor roads, and water supply disruptions continue to pose serious challenges for small businesses.

4.5 Discussion of Findings

The findings of this study indicate that government policies on business financing have had a mixed impact on access to finance for SMEs in Nigeria. While a significant proportion of respondents acknowledged that these policies have improved access to loans and grants, a

notable percentage still reported challenges in securing funding. High-interest rates and stringent collateral requirements remain major obstacles, limiting the ability of many SMEs to benefit from government-backed financing programs. Although initiatives like the Central Bank of Nigeria's SME loan schemes have been acknowledged as beneficial, bureaucratic bottlenecks and accessibility issues continue to hinder their full impact. Administrative delays in loan approvals were also highlighted as a significant challenge, discouraging many entrepreneurs from accessing financial support. Furthermore, while government policies have increased awareness of alternative funding sources like grants and crowdfunding, accessibility remains a challenge for many SMEs.

Government regulatory policies have had both positive and negative effects on the business environment for SMEs. Policies on business registration have generally made it easier for entrepreneurs to formalize their operations, but some still encounter bureaucratic delays and associated costs. Tax regulations remain a significant burden, with many SMEs struggling to comply with complex procedures and high tax rates. While fair trade policies have helped create a more competitive business environment, regulatory loopholes and inconsistent enforcement continue to pose challenges. Corruption was identified as a major issue affecting regulatory enforcement, leading to uncertainties and increased operational costs for SMEs. However, recent government efforts to reduce business registration costs and improve transparency have been acknowledged as steps in the right direction, though further reforms are needed.

The study also highlights the impact of government infrastructural policies on SME operations. Inadequate power supply and poor road infrastructure have significantly affected business efficiency, increasing operational costs and reducing profitability. Frequent disruptions in water and electricity supply further exacerbate these challenges, forcing SMEs to rely on expensive alternative solutions such as generators. Despite these setbacks, government investments in technology infrastructure have facilitated digitalization and business expansion for many SMEs, though access to reliable internet and digital tools remains uneven. Improvements in transport and logistics infrastructure have enhanced market access, but some entrepreneurs still experience distribution challenges.

Overall, while government policies have contributed positively to SME development, significant challenges remain. Addressing issues related to financial accessibility, regulatory inconsistencies, and infrastructural deficiencies will be crucial in fostering a more enabling environment for SMEs in Nigeria. To maximize the effectiveness of these policies, efforts should focus on streamlining administrative processes, reducing lending barriers, ensuring transparent regulatory enforcement, and investing further in critical infrastructure.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Findings

This study examined the impact of government policies on SME financing, regulatory frameworks, and infrastructure in Nigeria. The findings indicate that while government policies have improved access to finance for some SMEs, significant challenges persist. High-interest rates and stringent collateral requirements imposed by financial institutions remain major barriers, limiting the ability of entrepreneurs to secure loans and grants. Bureaucratic bottlenecks in loan disbursement further discourage SMEs from taking advantage of government-backed funding programs. While efforts have been made to increase awareness of alternative funding sources like grants and crowdfunding, accessibility remains a key issue.

The study also explored the effects of regulatory policies on SMEs and found mixed outcomes. Business registration processes have improved, making it easier for many SMEs to formalize their operations. However, bureaucratic delays and associated costs still hinder some entrepreneurs. Tax policies continue to be a major burden, with complex procedures and high tax rates posing challenges for compliance. Fair trade policies have helped create a more level playing field for SMEs, but issues such as regulatory loopholes and inconsistent enforcement undermine their effectiveness. Corruption was also identified as a significant problem, increasing operational costs and creating an unpredictable business environment.

Regarding infrastructure, the findings highlight persistent deficiencies in power supply, road networks, and essential utilities, which negatively affect SME efficiency and profitability. Many businesses rely on expensive alternatives like generators due to frequent power outages. While government investments in technology infrastructure have enhanced digitalization and business expansion, access

to reliable internet and digital tools remains inconsistent. Improvements in transport and logistics infrastructure have facilitated better market access for SMEs, though some businesses still experience challenges with distribution.

5.2 Conclusion

The findings of this study demonstrate that while government policies have had a positive impact on SME development in Nigeria, several obstacles continue to hinder their full effectiveness. Financial accessibility remains a major challenge due to high borrowing costs, stringent lending requirements, and bureaucratic delays. Regulatory frameworks have improved in some areas, such as business registration and fair trade policies, but issues like tax burdens, corruption, and inconsistent enforcement still pose significant hurdles. Infrastructure deficiencies, particularly in power and road networks, continue to increase operational costs and limit SME growth. Addressing these challenges is crucial for fostering a more supportive environment for SMEs, which are essential drivers of economic development and job creation in Nigeria.

5.3 Recommendations

Based on the findings of this study, the following recommendations were made;

Access to finance remains a major challenge for SMEs in Nigeria. The government should collaborate with financial institutions to lower interest rates and reduce collateral requirements for loans. Many entrepreneurs struggle to secure funding due to high borrowing costs, limiting business growth. Flexible loan conditions and targeted financial support will enable SMEs to expand, create jobs, and contribute more to the economy.

Bureaucratic delays in loan applications discourage SMEs from seeking financial assistance. Simplifying loan procedures and ensuring faster disbursement will improve access to funds. Awareness campaigns should also educate SMEs on alternative financing options such as grants,

venture capital, and crowdfunding, which many entrepreneurs are unaware of but could provide necessary capital.

The complex and costly business registration process discourages small businesses from formalizing. Simplifying registration procedures and reducing costs will encourage more SMEs to operate legally. Additionally, tax policies should be reviewed to ease compliance by reducing multiple levies and simplifying filing processes, allowing SMEs to focus on growth rather than regulatory burdens.

A fair regulatory environment is essential for SME success. Stronger enforcement of fair trade policies is needed to prevent monopolistic practices and market manipulation by larger businesses. Anti-corruption measures should also be intensified to ensure consistent and transparent regulatory enforcement, preventing bribery and extortion that create an uneven playing field.

Unreliable electricity supply forces SMEs to rely on costly alternatives, increasing operating expenses. Greater investment in power infrastructure will provide stable and affordable electricity, reducing business costs. Additionally, improving road networks and transportation systems will enhance market access, helping SMEs distribute their goods more efficiently and profitably.

Affordable and reliable internet is crucial for SMEs to compete in the digital economy. The government should expand digital infrastructure to ensure wider access to fast and affordable internet. This will help SMEs leverage online platforms for marketing, sales, and business operations, driving innovation and expanding market reach.

By implementing these recommendations, policymakers can create a more enabling environment for SMEs, fostering business growth, innovation, and employment generation in Nigeria.

REFERENCES

- Adebayo, O., & Sunday, O. (2020). Government policies and the growth of small and medium enterprises in Nigeria: An appraisal. *Journal of Business and Economic Development*, 8(1), 12-23.
- Adebayo, T., & Sunday, A. (2020). Market access and the challenges of small-scale agro-\preneurs in Nigeria. *African Journal of Agribusiness Research*, 12(4), 244-259.
- Adebusuyi, B. S. (2017). Impact of government policies on small and medium enterprises in Nigeria. *Journal of Small Business Management*, 55(3), 531-545.
- Adeoti, O. (2021). Challenges of rural infrastructure and agricultural development in Nigeria. *Journal of Rural Development Studies*, 7(1), 89-102.
- Adesina, A. (2020). Agro-preneurship and sustainable agricultural development in Nigeria. *Journal of Agricultural Economics and Development*, 8(3), 150-162.
- Adewale, T., & Eze, N. (2021). Agro-preneurship as a solution to youth unemployment in Nigeria. *Journal of Entrepreneurship and Economic Development*, 9(2), 110-125.
- Ajakaiye, O. & Tella, S. (2018). Regulatory reforms and SME performance in Nigeria. *Journal of Policy and Development Studies*, 10(2), 112-130.
- Amakom, U. & Ihugba, O. (2019). Taxation policies and SME growth in Nigeria. *International Journal of Public Finance*, 15(2), 89-105.
- Amakom, U., & Ihugba, O. A. (2019). Constraints facing small and medium scale enterprises in Nigeria: Government policies and strategic options. *Journal of Economics and Sustainable Development*, 10(2), 18-26.
- Aremu, M., & Adeyemi, S. (2019). Agro-preneurship as a tool for economic diversification and rural development in Nigeria. *Journal of Agricultural Extension and Development*, 6(2), 102-117.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- CBN (2020). Access to Finance for SMEs in Nigeria. Central Bank of Nigeria.
- Central Bank of Nigeria (CBN). (2022). Anchor Borrowers' Programme: A policy initiative

for agricultural development. *CBN Bulletin*, 22(1), 20-31.

Central Bank of Nigeria (CBN). (2022). Enhancing SME financing in Nigeria. *CBN Bulletin*.

Corporate Affairs Commission (CAC). (2018). Simplified business registration process: Progress and challenges. Abuja, Nigeria: CAC.

Egwakhide, F., & Omankhanlen, A. (2019). The role of government in promoting agro-preneurship through infrastructure development. *Nigerian Journal of Policy and Development Studies*, 5(3), 75-88.

Eneh, O. (2021). Financial support mechanisms for SMEs in Nigeria: An evaluation of CBN and BOI interventions. *Journal of African Finance*, 19(1), 55-70.

FIRS (2020). Taxation and SMEs in Nigeria. Federal Inland Revenue Service.

National Bureau of Statistics (NBS). (2020). SME performance and contribution to the Nigerian economy. NBS Report.

National Bureau of Statistics (NBS). (2022). Labor force statistics: *Employment and unemployment report, 2022*. *NBS Bulletin*, 11(2), 33-45.

NBS (2020). Small and Medium Enterprises in Nigeria. National Bureau of Statistics.

OECD (2020). OECD Economic Survey: Nigeria. Organisation for Economic Co-operation and Development.

Ogujiuba, K., Fadila, T. & Stieglitz, J. (2019). SME financing and poverty reduction: The Nigerian experience. *International Journal of Development Studies*, 8(3), 76-94.

Ojo, F., & Abubakar, I. (2020). Agro-preneurship and food security in Nigeria: The role of innovation and technology adoption. *Journal of Agricultural Technology and Innovation*, 14(2), 220-233.

Oladele, R. & Akeke, N. (2020). Barriers to SME growth in Nigeria and the need for policy interventions. *Nigerian Journal of Economic Research*, 25(1), 98-115.

Okoye, I. & Eze, J. (2020). Entrepreneurship policies and SME sustainability in Nigeria. *Small Business Review*, 6(4), 122-138.

Olawale, F., & Garwe, D. (2020). Access to finance and the growth of small-scale agro-preneurs in Nigeria. *Journal of Small Business and Entrepreneurship*, 16(3), 185-197.

Olufunso (2021). Infrastructure Challenges and Their Impact on Business Operations.

Onwe, C. (2019). Capacity building for agro-preneurship development: The role of the National Youth Service Corps (NYSC). *Nigerian Journal of Entrepreneurship Education*, 7(1), 90-105.

Scott, W. R. (2014). *Institutions and organizations: Ideas, interests, and identities*. 4th ed. Thousand Oaks, CA: Sage Publications.

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). (2021). SME statistics and contributions to the Nigerian economy. Abuja, Nigeria: SMEDAN Publications.

SMEDAN (2020). SMEs in Nigeria: Challenges and Opportunities. Small and Medium Enterprises Development Agency of Nigeria.

Teece, D. J., Pisano, G. & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.

Ugoani, J. (2016). Economic development through small and medium enterprises in Nigeria: The role of government. *International Journal of Business and Economic Development*, 4(1), 14-29.

World Bank (2020). Nigeria Overview. World Bank.

World Bank. (2020). Nigeria's ease of doing business reforms: Progress and challenges. Washington, DC: World Bank.

DEPARTMENT OF ENTREPRENEURSHIP
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN, BENIN CITY

Questionnaire on The Role of Government Policies in the Growth of Small and Medium Enterprises in Nigeria.

Good day sir/ma,

I am Wisdom Osakpolor Edeyaru, a researcher conducting a study on the role of government policies in the growth of small and medium enterprises in Nigeria. This research seeks to explore how government policies impacts businesses in Nigeria.

Your participation is crucial to the success of this study. I kindly request a few moments of your time to complete the attached questionnaire. Please rest assured that all information provided will remain strictly confidential and will be used solely for academic purposes.

Your identity is not required, ensuring complete anonymity.

Thank you for your invaluable contribution to this research.

Section A: Background Information

1. Age Below 21yrs() 21-30years() 31-40years() d. 41-50 years () 51 and above ()

2. Gender Male () Female ()

3. Marital status Married () Single()

4. Educational Qualification;

SSC/ GCE and below () OND/NCE () B.Sc/HND () M.Sc/Ph.D ()

Section B; the research questions

How have government policies impacted access to finance for SMEs in Nigeria?

S/N	Statement	SA	A	D	SD
1	Government policies on business financing have significantly improved access to loans and grants for SMEs in Nigeria.				
2	High-interest rates and stringent collateral requirements imposed by financial institutions have limited SMEs' access to government-backed funding.				
3	Government intervention programs, such as the Central Bank of Nigeria's SME loan schemes, have positively influenced SME financing.				
4	Bureaucratic processes and delays in loan approval have hindered SMEs from fully benefiting from government financial policies.				
5	Awareness and accessibility of alternative funding sources, such as grants and crowdfunding, have increased due to government financial policies.				

Key: SA = Strongly Agree, A = Agree, D = Disagree and SD = Strongly Disagree

In what ways has government regulatory policies influenced the business environment for SMEs in Nigeria?

Key: SA = Strongly Agree, A = Agree , D = Disagree and SD = Strongly Disagree

S/N	Statement	SA	A	D	SD
6	Government policies on business registration have made it easier for SMEs to formalize their operations.				
7	Complex tax regulations and compliance requirements have posed challenges for SMEs operating in Nigeria.				
8	Government enforcement of fair trade policies has positively influenced the competitiveness of SMEs in Nigeria.				
9	Corruption and inconsistencies in regulatory enforcement have created uncertainties in the business environment for SMEs.				
10	Recent government initiatives aimed at reducing business registration costs and improving transparency have positively impacted SMEs.				

How has government infrastructural policies affected the operational performance of SMEs in Nigeria?

Key: SA = Strongly Agree, A = Agree , D = Disagree and SD = Strongly Disagree

S/N	Statement	SA	A	D	SD
11	How has government infrastructural policies affected the operational performance of SMEs in Nigeria?				

12	Government investment in technology infrastructure has enhanced the digitalization and growth of SMEs.				
13	Frequent disruptions in water and electricity supply have increased the operational costs of SMEs.				
14	Improvements in transport and logistics infrastructure have facilitated better market access for SMEs.				
15	Improvements in transport and logistics infrastructure have facilitated better market access for SMEs.				