International Journal of Women in Technical Education and Employment
ISSN: 2811-1567. Volume 4 – Issue 1. July 2023
https://fpiwitedjournal.federalpolyilaro.edu.ng

Government Involvements and Small and Medium Enterprise Growth in Nigeria

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ARTICLE HISTORY

Received: June 8, 2023
Revised: July 17, 2023
Accepted: July 18, 2023

Abstract

The study examined the impact of government involvement on the development of SMEs. Specifically, the study examined (Tax relief, Loan Facilities, and Government Micro-policies) on the impact of government involvement on the development of SMEs. The study adopted a survey research design through the use of a questionnaire approach, 200 questionnaires were distributed to small and medium enterprises in Yewa South Local Government which 175 were retrieved. The method of data analysis adopted is the frequency percentage analysis in which multiple linear regression analysis was used to test the hypothesis stated for the study. From the findings, the study concluded that there is no significant effect between government involvement and the development of small and medium enterprises. Explicitly, analyzed the independent variables and the researcher concluded from the result that tax relief does not have a significant effect on the development of small and medium enterprises in Nigeria. Loan Facilities do not have a significant impact on the development of small and medium enterprises in Nigeria. Government micro-policies do not have a relationship with the development of small and medium enterprises. In accordance with the findings the study recommended that to ensure the development of small and medium enterprises in Nigeria is optimally maximized through government involvement. Government should create and develop entrepreneurship centers that will be partially funded by the government which will serve the purpose of providing assistance to entrepreneurs and owners of small and medium-scale enterprises in Nigeria.

Keywords: Government Involvement, Tax Relief, Loan Facilities, Government Micro Policy, Small and Medium Enterprises

Citation
Maliki, O.T. (2023). Government Involvements and Small and Medium Enterprise Growth in Nigeria. *International Journal of Women in Technical Education and Employment,* 4(1), 130 –137.

Introduction

The development of Small and Medium Businesses (SMEs) in Nigeria is greatly influenced by the involvement of the government. According to the literature assessment, the creation of SME's has a considerable positive impact on Nigeria's economic growth (Okundaye et al., 2019). Government support is also necessary for the growth of SMEs since it aids in addressing issues like a difficult business environment and inadequate infrastructure (Taiwo & Oyedokun, 2022). Yet, Nigeria's legal system has weaknesses that prevent SMEs, such as legal violations and restricted access to financing (Ishieka, 2023). Government policies have an impact on the performance of SMEs as well, and suggestions have been made to improve the industry (Olowofela, 2022). The impact of SMEs on Nigeria's economy may also be observed in its productive output, sales turnover, and GDP growth rate (Olayemi & Folajimi, 2021). The creation of jobs is positively correlated with government support for SMEs

(Hossain et al., 2020). In general, government support and involvement are essential for the development and success of SMEs in Nigeria.

To encourage the expansion and development of SMEs in Nigeria, it is crucial to comprehend the precise effects of governmental policies including tax breaks, loan programs, and micropolicies (Okundaye et al., 2019). By analyzing the connection between the development of SMEs in Nigeria and government intervention in these sectors, this study seeks to add to the body of literature (Okundaye et al., 2019).

This study aims to investigate how government loan programs, tax exemptions, and micropolicies impact the development of SMEs in Nigeria. One of the main objectives of the research is to analyze the relationship between loan availability and SME growth and to assess the effectiveness of government micropolicies in promoting SME development. The relationship between government micropolicies and SME development, the effect of tax relief on SME development, and the significance of access to capital are some of the study themes that will be addressed. funding options for expanding SMB. In Nigeria, government micropolicies encourage SME development, access to credit facilities has a significant impact on SME expansion, and tax relief benefits SME development, according to the research hypothesis. This study will aid in our understanding of how Nigerian government policies assist the growth and development of SMEs by addressing the objectives, questions, and hypotheses listed above.

By focusing on the relationship between government engagement in the form of tax relief, lending facilities, and micro-policies, and the development of SMEs in Nigeria, this study will fill a vacuum in the body of knowledge (Okundaye et al., 2019). The most efficient way to encourage the expansion of SMEs in Nigeria can be found by policymakers and stakeholders by understanding the precise effects of certain government programs (Okundaye et al., 2019).

Small and medium-sized businesses (SMEs) are essential to the economy because they foster innovation, job growth, and economic development (Ye & Kulathunga, 2019). SMEs are defined differently in different nations, with factors including the number of employees and annual income being used to categorize them (Ye & Kulathunga, 2019). For instance, the World Bank categorizes businesses as SMEs if they employ less than 250 people and generate less than $50 million in annual revenue (Ye & Kulathunga, 2019).

According to research, SMEs contribute to economic expansion and job creation (Abubakar et al., 2019). According to studies, the bulk of new jobs in many developed countries are created by SMEs (Abubakar et al., 2019). SMEs also play a significant role in driving innovation and productivity (Abubakar et al., 2019). Yet, SMEs confront obstacles such restricted access to financing, a lack of managerial expertise, and issues entering new markets (Abubakar et al., 2019).

Government initiatives to address these issues may be successful in fostering the expansion and development of SMEs (Pedauga et al., 2021). For instance, it has been determined that financial literacy is a crucial source of information for Businesses when making financial decisions (Ye & Kulathunga, 2019). The sustainability of SMEs is also influenced by financial risk tolerance and access to financing (Ye & Kulathunga, 2019).

The import of intermediate goods has not been found to have a major impact on new processes and product innovations in manufacturing SMEs in Sub-Saharan least developed countries (LDCs) in the context of internationalization (Abubakar et al., 2019). Depending on the source of the imports, the effect of imports on innovation may differ, with imports from developed economies having a bigger impact (Abubakar et al., 2019).

The COVID-19 outbreak has had a tremendous impact on businesses, particularly in terms of macroeconomic lockdowns (Pedauga et al., 2021). The pandemic has affected businesses in Spain, posing economic and financial challenges (Pedauga et al., 2021). It is essential to comprehend the specific effects of the pandemic on SMEs in order to create plans that will successfully aid in their recovery and sustainability.

In conclusion, SMEs are essential for economic development, technological advancement, and job creation. Businesses have difficulties like restricted access to money and markets, but measures from the government can help with these issues. For SMEs to succeed, risk-taking attitudes, financial literacy, and access to capital are necessary. Depending on where they are imported from, imports can have a variety of effects on innovation. The devastating effects of the COVID-19 outbreak on SMEs have brought attention to the need for support and recovery programs..

Tax reduction or removal for specific people or corporations is referred to as "tax relief." For small and medium-sized firms, tax relief in the form of lower tax rates, tax exemptions, or tax credits may be useful (SMEs). Loan programs for SMEs are primarily designed to give these businesses access to financing that may be utilized for expansion, growth, and investment.

Offering satisfactory credit facilities to small- or medium-sized businesses (SMBs) could be the key toward their steady expansion as well as increased competitiveness in the market space. As revealed in a study by Olufemi & Olanrewaju (2018), SMEs are likely to increase investment significantly once they have access to lending opportunities which consequently leads toward faster business expansion rate coupled with stronger market competition overall for such firms. It emphasizes how important proper financing availability is when it comes to helping SMB's grow into successful ventures; additional research conducted in 2019 further confirms how SBMs can potentially prosper through obtaining commercial loans from various lenders.

However, according to other research, the effect of lending facilities on the expansion of SMEs may be insignificant. A 2015 study by Olaniyan, for instance, discovered that while loan facilities can give SMEs access to money, they might not be enough to promote growth and development.

Yet, a number of studies have revealed that barriers to loan facilities for SMEs include a lack of collateral and a poor credit history, which could be a hurdle for SMEs (Osindero, 2011).

Hence, lending facilities can help SMEs grow, but their effectiveness may be constrained by things like a lack of collateral and a bad credit history. According to the literature, additional study is necessary to fully comprehend the precise influence of lending facilities on the development of SMEs across a variety of industries and nations.

Small-scale government policy

The government enacts special laws and regulations known as government micro-policies to encourage the growth of small and medium-sized businesses (SMEs). It is possible to alter these rules, put in place training and education programs, and add subsidies. The main goal of government micro policies is to encourage SMEs' development and growth by creating a supportive environment.

According to a study, governmental micro policies can have a favourable impact on SMEs' growth. For instance, Olaniyan's (2015) research found that regulatory change can improve the business environment and increase investment in SMEs. Like this, Adegbite & Adekunle's 2019 study found that measures for training and education may aid the expansion of SMEs in Nigeria. development. According to Olufemi & Olanrewaju (2018), the implementation and enforcement of government micro policies may encounter hindrances such as corruption and a lack of coordination among governmental institutions. While government micro policies have the potential to foster the growth of SMEs, they may face limitations due to issues like corruption and insufficient collaboration between government agencies.

According to the idea of government participation in the economy, policies and programs can substantially impact the development and expansion of SMEs (Lele & Rao, 1991). Economic development theory emphasizes the value of small and medium-sized businesses as sources of employment and economic growth. This idea contends that government initiatives to boost SME growth, such as tax incentives and credit programs, can foster the expansion and improvement of small businesses (Audretsch, 1995). These theories thus give a framework for comprehending the relationship between government engagement and the growth of SMEs in Nigeria and assist in the establishment of the research questions and hypotheses for the study.

Methodology

The study used a survey-based research design. This design is perfect for the study because it can gather information from a lot of respondents and is appropriate for both descriptive and inferential statistics.The study's data were gathered through the use of questionnaires. The purpose of the questionnaire was to obtain data about SMEs, government initiatives and programs, and the opinions of SME managers and owners on how these factors affect their companies. In the Nigerian Yewa South Local Government, 200 questionnaires were given out to small and medium-sized businesses, and 175 of them were collected.

Using statistical methods including frequency percentage analysis, multiple linear regression analysis, and correlation analysis, the acquired data were examined.

Small and medium-sized businesses in Nigeria's Yewa South Local Government made up the study's sample. 175 of the 200 questionnaires that were distributed as a sample were found. Purposive sampling was used to choose the sample.

Statistics will be used to evaluate the data in order to test the study's hypotheses and come to conclusions.

Results

Table 1: Linear regression

dev	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
tax	**-.072**	**.091**	**-0.79**	**.431**	**-.252**	**.108**	
loan	**.116**	**.082**	**1.42**	**.158**	**-.045**	**.277**	
micro	**.098**	**.099**	**1.00**	**.32**	**-.096**	**.293**	
Constant	2.709	.349	7.75	0	2.019	3.398	***

Table 2: Correlation between the development of small and medium-sized businesses

Mean dependent var	3.159	SD dependent var	0.431
R-squared	0.019	Number of obs	175
F-test	1.106	Prob > F	0.348
Akaike crit. (AIC)	205.367	Bayesian crit. (BIC)	218.026

**** p<.01, ** p<.05, * p<.1*

Source: *Extracted from Stata Version 12.1*

The Table 1 displays the properties of the linear regression, such as the model summary, the analysis of variance, and the regression coefficient.

The model summary from the Table 2 depicts the joint relationship of the explanatory variables on the explained variable; it shows that there is no correlation between the development of small and medium-sized businesses and government involvement (tax relief, loan facilities, and government micro-policy). The coefficient of determination is 0.019, indicating that government micro-policy, loan opportunities, and tax relief together contribute 1.9% to the growth of small and medium-sized businesses. However, other factors that can affect the growth of small and medium-sized businesses but were not taken into consideration by the model chosen for this study account for the remaining 98.1%.

The analysis of variance from the table shows the adequacy of the model fitted. The significant value was estimated at 0.348 with an F-value of 1.106 indicating that the model is statistically inadequate and that the test is insignificant according to the information obtained. Hence, shows that there is an insignificant relationship between government involvement and the development of small and medium enterprises at a 5% significant level since the P-value (0.348) > 0.05 chosen significance. This implies that the null hypothesis is to be accepted for the main objective of the study at a 95% confidence interval. In conclusion, this implies that the main objective of the study is insignificant. Therefore, there is sufficient evidence to conclude that there is no significant effect of government involvement on the development of small and medium enterprises in Nigeria.

The coefficient of the model specification was obtained. The model can explicitly be written as

$$DEV = 2.709 - 0.072\,(TAX) + 0.116\,(LOAN) + 0.098\,(MICRO) \quad \ldots(1)$$

Model 4.1 shows that the development of small and medium enterprises is estimated at 2.709 in the absence of government involvement which is the regression constant (β_0). The study revealed that loan facilities and government micro-policy both contributed positively to the development of small and medium enterprises. Loan facilities were found to contribute a 0.116 increase the in development of small and medium enterprises per unit increase while government micro-policy was found to contribute a 0.098 increase in government involvement. However, tax relief was found to have a negative impact on government involvement which was found to be statistically insignificant at a 95% significant level.

Discussion

The findings of this study cast doubt on the widely held notion that government support, including tax breaks, loan opportunities, and micro-policies, is an important factor in the growth of SMEs in Nigeria. The results imply that other variables, like market circumstances, infrastructure, and access to financing, may have a more significant impact on SME growth.

It is critical to recognize this study's constraints. It's possible that the conclusions, which are based on a particular case study in Yewa South, Ogun State, cannot be applied to other parts of Nigeria. Furthermore, the study concentrated on a small number of independent variables; future studies may examine additional variables that may affect the growth of SME's.

Conclusion

Based on the case study of Yewa South, Ogun State, this study concluded that there was no substantial link between government engagement (tax relief, credit facilities, and government micro-policies) and the growth of SMEs in Nigeria. These results demonstrate the need for additional study and a thorough comprehension of the elements that contribute to SME growth.

Recommendations

Many ideas and policy recommendations have been put out based on the study's findings in order to improve the growth of small and medium-sized businesses (SMEs) in Nigeria with the help of the government. First and foremost, it is advised that the government establish different types of tax relief, like tax holidays and free trade zones, to aid SMEs and promote their expansion. Small and medium-sized businesses would pay less taxes as a result, which would improve the climate for their growth. Additionally, the government should work with financial institutions to make sure that lending facilities are simple for SMEs to acquire. This would give Entrepreneurs the money they need to grow their companies and support the expansion of the economy. Last but not least, it is critical for the government to set up efficient monitoring and evaluation systems to guarantee that the programs' intended beneficiaries—true entrepreneurs—are the ones who profit from them. In the context of Nigeria, where corruption is pervasive, this is especially crucial. The government can create an atmosphere where SMEs can prosper and make a substantial contribution to the economic growth of the nation by putting these ideas into practice.

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