The impact of government policies on business growth of SMEs in South Western Nigeria

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Abstract – This academic study evaluates the impact of government policies on business growth of small and medium enterprises that operates in six states that made up the South-west geopolitical zone of Nigeria. The study adopted descriptive ex-post facto type and involved both primary and secondary data. The researcher used stratified sampling technique for determination of exact sample population to use for the study. Structured questionnaires were used as the main tools data collection. Both the descriptive and inferential analytical techniques of the SPSS packaged were used to analyze the data obtained from the respondents. The result of this research shows that there is a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. These results indicate the need for the Nigeria government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country’s monetary policies and macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country. It is also important for the various levels of government in the country to embark on the massive infrastructural development.

Keywords: SME,policies,Business,government,growth,southwest,nigeria

Introduction

Background to the Study

In today’s modern world, Small and Medium scale Enterprises (SMEs) is one of the most authentic drivers of sustainable development, especially in the emerging economies. Historical evidence of SMEs as tool of economic development can be observed in the 19th century Europe, when the continent’s economy is absolutely under the control of cottage industries, most which were actually SMEs (Onwukwe, 2002). The status quo only changed during the industrial revolution and consequent introduction of mass production. But the mass production model was undermined by the twin oil shocks of the 1970s, which prompted an unanticipated reappraisal of the important roles of SMEs in the global economy (Onwukwe, 2002). Most empirical studies conducted over the years revealed that SMEs are crucial for the socio-economic growth and development of every country. For instance, Oboh (2003) observes that the development of SMEs was instrumental to the economic boom of the American nation between the 1970s and 1980s. Similarly, the Indian’s Gross Domestic Product (GDP) witnessed consistent growth and economic transformation in the 20th and 21st century and this development was attributed to the success of the country’s SMEs programme (Oboh, 2003; APEC, 2002).

Currently, there are many issues confronting the Nigerian economy and these include abject poverty and unemployment. According to Onwukwe and Ifeanacho (2011), these issues are partly caused by the country’s failure to ensure proper implementation of sustainable development programmes. Obviously, the lack of recognition for such sustainable development programmes, especially those that are capable of enhancing SMEs’ growth, is responsible for the current economic state of our country. The situation is further compounded by the government’s attitude of indifference and apathy, which contributes directly to the current dire situation of the country’s economy. According to Onwukwe (2002), the progressive decline in the average Nigerian’s per-capita income has forced more than 50% of the country’s population to find themselves below poverty line. It is sad to note that despite the 100% increase in Global wealth; almost 50% of the global population still lives on $2 per day (Onwukwe and Ifeanacho, 2011). Of course, Nigeria like most other developing countries falls under this category. Consequently, Nigeria failed to achieve the first target of the Millenium Development Goals (MDGs), which is to ensure a 50% reduction of poverty by 2015.

As pointed out by Onwukwe and Ifeanacho (2011), the fight for poverty alleviation in Nigeria and other African’s country is grossly inadequate. According to the authors, despite its abundant natural resources, Nigeria remains in...
the list of the poorest countries of the world. The 2004 annual report published by the Central Bank of Nigeria revealed a declining performance of the country’s economy. Over the years, the country’s domestic economy witness excessive monetary expansion, which has resulted to high demand pressure on foreign exchange. The next result of this trend is a consistent depreciation of the country’s official currency in all segments of the market. The economy is largely characterized by persistent structural bottleneck, which has in turn frustrated every attempt on quick economic recovery. The country’s economic woe is further compounded by high number of unemployed university graduates. Actually, the country’s depressed economy is largely responsible for such high level of unemployment and poverty in the country. Unfortunately, both poverty and unemployment are major issues that militate against the country’s quest to attain sustainable development, global stability, environmental security and a real global market.

Unarguably, economic growth is essential for poverty alleviation. However, in order to obtain the best possible result, it is very imperative for such growth to be highly inclusive and available to majority of the people. One of the most notable ways of accomplishing such objective is by enhancing the sustainability and performance of SMEs and local entrepreneurs. In developing countries, Nigeria inclusive, SMEs form the foundation of economic activity. Thus, they are instrumental in triggering economic growth of any country. Nigerian governments have always recognized the importance of SMEs for economic growth of the country. This explains why new approach to the development of SME began to emerge in the country starting from the mid 1960s.

There are specific factors that have triggered increased interest in the development of SMEs. Ekpenyong and Nyong (1992) identified one of such factors as rising concern over low employment elasticity of modern large-scale production. The authors observe that in Nigeria, modern large scale production has failed to accommodate a considerable percentage of the Nigeria growing labour force. Even the introduction of optimal policies has not been able to reverse this trend. The second factor was the widespread recognition of the fact that economic growths were not being fairly distributed. The unequal distribution of such economic growth has always been blamed on the use of large scale, capital-intensive techniques. Additionally, Onwukwe and Ifeanacho (2011) note that the country’s import substitution industrialization strategies have had little impact on sustainable development, as the bigger and multinational corporations are not compatible with the relative factor of endowments for developing countries like Nigeria. The third factor, which has also been supported by empirical studies, is the fact that unemployment is not solely responsible for the poverty as many poor individuals are already employed in various small-scale low productivity activities. Thus, increasing productivity of those that are involved in small-scale production has been identified as one of the effective strategies for achieving poverty alleviation (Ekpenyong & Nyong, 1992).

In most parts of the world, exceptional initiatives for the promotion of SMEs have been formulated and consequently implemented. Onwukwe and Ifeanacho (2011) observe that these initiatives, which are applicable in both developed and developing countries, are primarily designed for the reduction of youth unemployment. Many of such initiatives strive to accomplish this important objective through the introduction of relevant training, education and other complementary measures. Additional objectives of such initiatives include promotion of self employment; transformation and development of the rural areas; the need to minimize the national dependence on foreign enterprise and imported goods; the need to diversify the economy; the need to proffer help to the minorities and subsequently establish an enterprise culture (Rao, Wright and Mukherjeo, 1990).

The Nigerian government has exhibited great interest in the facilitation of the development of SMEs, which it has always been recognized as being essential in the quest to minimize poverty and unemployment in the country. Consequently, the country has established a number of specialized financial institutions, whose primary objective is to take charge of policy instruments and micro credit, necessary for enhancing the development of small scale enterprises. Examples of such financial institutions include: National Economic and Reconstruction Fund (NERFUND), Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB), National Economic and Reconstruction Fund (NERFUND), and the Microfinance Institutions (MFIs). Furthermore, the government also introduced some policy oriented institutions that are tasked with the provision of technical and financial support for SMEs. Some of these include: Small and Medium Enterprise Equity Investment Scheme (SMEEIS), National Association of Small Scale Industries (NASSI), Entrepreneurship Development Policy (EDP) and Small and Medium Enterprise Development Agency (SMEDA).

Thus, throughout its existence as a sovereign country, Nigeria has formulated a number of policies and frameworks for the facilitation of the performance and subsequent growth of SMEs. Unfortunately, these policies
and frameworks appear to have been largely implemented poorly. Without sound policy formulation and implementation, Nigeria will find it extremely difficult to compete at international level and consequently attain the enviable level of leading global economies. This is probably one of the major reasons, why SMEs in the country have failed to have any substantial positive impacts on the sustainable development of the country. Consequently, this academic study will strive to evaluate the impact of government policies on business growth of SMEs in South Western Nigeria.

**Statement of Problem**

As hinted in the previous section, SMEs are crucial for the sustainable and equitable development and growth of the economy. About 90 percent of businesses that operate in the world today fall under the category of SMEs (Onwuakwe and Ifeanyi, 2011). But the failure of Nigerian’s industrial development process over the last few years has made it largely impossible to obtain a strong and efficient SME’s sub-sector. Thus even though an overwhelming percentage of the country’s business are SMEs, the sub-sector is known to make just small contribution to the country's overall GDP.

Udechukwu (2003) observe that the initial progress made by Nigeria’s pioneer industrialists was almost wiped out, following the gross devaluation that was executed under the Structural Adjustment Programme (SAP). But the truth remains that Nigeria has huge potentials for SMEs. In addition to its abundant natural resources, the country also has large population and a very productive farmland. But the failure of the country to maximize its huge potential means that its problem as a country still remains on the increase. The exponential rise of the country’s population as well as its already high and rising unemployment and poverty levels are in clear contrast to its level of infrastructural, technological and communication development. In factor, the poor level of infrastructural development in the country has been blamed largely blamed on the government.

In addition to the high incidents of corruption, the various governmental policies have not been particularly effective in bringing out the best in terms of development. This is further compounded by socio-political instability, economic instability and high turnover, all of which have had considerable negative effects on the primary institutions that are responsible for policy monitoring and implementation. Unfortunately, such failures have also lead to low productivity as well as distortion of the macroeconomic structure, and are therefore a major hindrance to the development of SMEs in the country. The implications of such failures are quite so dire for the growth of the private sector, industrialization of the country and sustainability of economic growth. Thus this study will evaluate the impact of government policies on business growth of SMEs in South Western Nigeria.

**Research objectives and hypothesis**

As already stated, the primary objective of this academic study is to evaluate the impact of government policies on business growth of SMEs in South Western Nigeria. The dependent variable for this study is the small scale enterprises growth (SSEs), while the government policy is the independent variable. In order to achieve the stated objective of this academic study, the following research questions were generated;

i. What are the major government policies that affect business most favourably?
ii. What are the major government policies that affect business most unfavourably?
iii. What are the top priority areas of assistance that businesses need most?

The research hypothesis is deduced from the research question as follows:

\[ H_0: \] There is no significant relationship between government policy and business growth of Small Scale Enterprises (SSEs) in South Western Nigeria.

**Literature review**

**Nigerian Business Environment and Its Support**

The term *enterprise* refers to any social activity whose primary goal is to offer services or produce goods within the framework of a community or society. The exact type of business that takes place in a given society is largely determined by the attitudes, needs and beliefs of members of such community. In real life scenario, the society makes demand on the business and vice versa. The term business environment refers to the interrelationship that exists between the community and the business establishments that operate within the community. Nevertheless, it is imperative to note that the support and specific business environment varies from one geographical location to another. So while some business environments may be hostile, others can be very favourable for the growth of
The conceptual meaning of the term *business environment* is quite complex. Thus, business environment ought to be dynamic, so that it can be compatible with the independent actions of all organizations and institutions as well as individuals that have both direct and indirect effects on business operations (Olson 1987). Furthermore, Olson (1987) identified the various stakeholders that are involved directly or indirectly in the country’s business environment as follows:

- The Individuals, which include customers that are in need of the services or goods offer by a business organizations; employees that provides the necessary entrepreneurial skills required for the provision of services and production of the goods.
- The business establishments, which are primarily responsible for supply of services and input necessary for production, distributions and subsequent retailing of the goods and services. Most time, these stakeholders also act as competitors in the market.
- The state, which includes regulators of the economy, employers, producers and consumers of services and goods etc.

In his study, Aluko (1983) identified two broad categories of business environment. These are internal business environment and external business environment. According to him, the internal business environment comprises of technologies and tools that are used by organization for normal business operations. Examples of components of the internal environment include control procedures, administrative procedures, production system, products, service, marketing procedures and the market itself. On the other hand, Aluko (1983) listed some components of external business as follows: government regulatory system, ethical system, technological system, social system, economic system, legal system, political system, customers and competitors in the same business environment. But most importantly, Aluko (1983) pointed out that the business is strongly related to its environment. In other words, the two are somewhat interdependent.

As a developing country, Nigerian business environment is constantly changing. Such change, whether negative or positive, can either offer more opportunities or generate more threats for the existing businesses. This partly explains why the decision taken by many business organizations are greatly influenced by various elements of external and internal business environment. It also explains the interdependence between business and its environment. Ajayi and Adebisi (2006) observed that this interdependence is essential for adequate understanding of how business functions as well as how policies are being formulated. Base on the above assertion, Isimoya (2005) affirms that the business operations involved two basic institutions namely: the market environment and the company. In this case, the company is mainly responsible for dispatching services, goods and information (communication) to the market. In return, the market generates feedback and sales (money) for the company. In his study, Obikoya (1995) pointed out that the existence of other elements, which are very much capable of influencing the company and market. According to him, such elements are the primary determinants of the exact services which the company has to offer in the market, and ultimately attain success. He identified competitive environment, which consists of intermediaries and industry, as the first of such element. For example, the company’s level of success in its normal business operation is primarily determined by the materials, capital, efficiency of suppliers/distributors and competitiveness for labour in the industry. Obikoya (1995) also pointed out that the second levels of environmental elements are found mainly in the micro-environments. In this context, macro-environments simply refer to independent institutions that can enhance the operations of a business organization. Typical examples include market intermediaries, insurance firms, financial institutions, members of the public. The last and most general level of environmental forces identified by Obikoya (1995) is the macroenvironment.

The various elements of the business environment can have considerable effect on the firm’s performances, conduct and structure. In fact, it is practically impossible for any business to operate effectively without them. This is one of the major reasons why it is very essential for every business to establish operational structures that will enable them adapt to any changes in the market. The success of any business organization depends largely on the extent, to which it is fine-tuned to its environment. The term *innovative* is generally used to describe any firm that take advantage of the opportunities that comes with change, and overcome any threats that come with such change. Thus, a business can only be prosperous, if it is innovative and adaptive. This is illustrated by Amuda (2006), as he strived to revealed the inter-dependence between the company and its environment, and went further to explain the open system concept.
The effects of Government Policy on performance of business organizations

In every country, the existing governmental policies have the potential to affect the operation as well as performance of every business. Such impacts can be explained from the technical point of view. Base on this perspective, the specific governmental policies that can have direct or indirect effects on businesses include taxation, subsidies, interest rates and exchange rates. The government taxation policy has been widely recognized as one factor that can affect the performance of every business. For instance, the imposition of high taxes on specific imported products will ultimately encourage local businesses to produce more of such goods. But if the taxation on raw materials required for local production is high, then the local entrepreneurs may be discouraged to commence or continue production. Any increase on corporation tax will have the same impact as rising production cost. In order to cover such costs, business owners may be forced to increase the price of their finished products. Other taxes that can have the same effects include: value added tax (VAT) and environmental taxes. Even though VATs are specifically for the final consumers, the business may incur considerable costs when administering the VAT system.

The government’s financial policy and banks’ interest rates can also have considerable effects on economy as well as the business environment (Okojie, 2013). For instance, if the bank’s lending rate is high, then businesses will be discouraged to borrow from the financial institution. Unfortunately, such trend will result to a considerable fall in the rate of investments, as companies will not have enough money for more investments. It is important to note that the government is primarily responsible for the creation of frameworks and rules that guide business operations in the country. Such rules are not always constant, and may change from time to time, thereby forcing entrepreneurs to change how they operate their businesses. Thus, government policy can have huge effects on the operations as well as performance of business establishments.

In every country, the government’s contribution to the nation’s economy remains the most essential aspect of its economic policy. After the Second World War, several governments of the world became increasingly involved in the economy, through the establishment of state run industries. Many of these industries exist in form of public corporations. But the 1999 saw an era of massive privatization, as many private investors took over the government owned corporations. Nigeria is not left out in this trend. However, these private acquisitions make the business environment to become even more competitive (Okojie, 2013).

The interest rate is another prominent aspect of economic policy that depends largely on the government’s specifications (Ocampo and Vos, 2008). In Nigeria, this responsibility is overseen by the Monetary Policy Committee, which has monthly meeting with the primary objective of determining the exact level of interest to adopt in the country’s economy. Unarguably, whatever decision they take will be felt instantly by entrepreneurs that operate in the country. For example, any increment of interest rates will result to a complementary rise in the costs of doing business. It can also have considerable negative impacts on the consumers’ purchasing power, thereby triggering massive fall in the volume of business sales.

The government’s spending policy is another factor that can have significant impact on business operations (Wallace, 2000). Generally, increased governmental spending on a specific sector will ultimately trigger more business activities in such sector, as enterprises that supply inputs in such sector will experience a substantial increase in their income. Furthermore, the provision of subsidies for some business activity can also trigger more economic activity in a given sector. Typical examples include introduction of tax holiday, provision of petroleum subsidy, removal of excise duties etc.

A number of authors have conducted empirical studies on the impact of inflation (government’s monetary policy) on business performance. In one of such studies, Spyros (2001) carried out an investigation on the exact effects of government’s monetary policy on volume of profits generated in Greece stocks. The study, which involved the use of VAR model, revealed no considerable relationship between inflation and returns on stock. In another similar study, Floros (2004) carried out a study aimed at establishing how returns on assets are influenced by inflation. Like in the previous case, the author observed no significant relationship between the two variables of study. These studies suggest that the government’s monetary policies may not actual have significant impact on the business performance.

A number of studies have also been conducted on fiscal policy. In one of such researches, Unegbu and Irefin (2011) investigated the effects of value added tax (VAT) on economic and human developments. The study, which is based on relevant data between 2001 and 2009, was carried out strictly in Adamawa state, Nigeria. The
result indicated that up to 91.2% of the variations in the expenditure pattern of the state was attributable to VAT allocations. In another study, Symons, Howlett, and Alcantara (2011) investigated the effect of VAT compliance on business system. The authors used the 2008 tax information from 183 economies for this study. The findings identified three indicators that could be used as measures of compliance as follows collection rate, compliance burden and cost of taxes. According to the results of this study, companies tend to comply more with VAT than corporate income tax. The research also revealed that the discrepancies in the exact amount generated by each country from VAT depend largely on specific administration approach employed by each of the country. The impacts of VAT on Nigerian economy were also studied by Umeora (2013). In this case, the results showed that VAT correlate positively with the Nigerian economy, but have negative effects on businesses that operate in Nigeria.

Some empirical studies have also provided some hints on how a country’s monetary policy can influence business operations in any given country. For instance, Chawla (2011) carried out a study on the effects of exchange rate fluctuation on business competitiveness. The findings revealed that the adoption of single currency in Europe can result to loss of currency devaluation leverage in some EU member countries, which may eventually give Chinese’s companies the opportunity to acquire Western firms. Of course, this can only happened if the Chinese government revalue its currency to effectively minimize its current account surplus. In another study, Kamil (2012) used information on the currency composition of firm’s liabilities and assets to investigate the impact of exchange rate regimes on foreign currency borrowing decisions and the associated currency mismatches of firms’ balance sheets in six Latin-American countries. The results indicated that a change from fixed to floating exchange rate regimes helps to minimize vulnerability to exchange rate shocks as well as percentage of share of debt incurred in foreign currency. Using Vector Error Correction Mechanism (VECM), Umoru and Oseme (2013) explored the J-curve effect in Nigeria between 1970 and 2011. The results obtained by the authors showed that the J-curve hypothesis has not been in existent in Nigeria. What this implies is that the short-run deterioration of the country’s trade balance shouldn’t be blamed on its fluctuating exchange rate, despite the indication of cyclical feedback between the real exchange rate depreciation of the local currency, and the trade balance. The result of another study by Usman and Adejare (2014) on the impact of monetary policy on industrial growth in the country between 1970 and 2010, showed that both the deposit and rediscount rate have significant positive effects on industrial output. However, the results revealed that Treasury Bill impact negatively on industrial output.

Factors Affecting entrepreneurship, SMEs productivity and the Investment Climate in Nigeria
The results of several academic studies have indicated that the development and growth of any business organization depends largely on the business environment. For instance, a research by Herrera and Kouamé (2017) revealed that an adverse business environment can limit the development of a business, which also increases the operational costs of such business at the same time. But the authors observed that a good business environment enhances the growth of a business establishment. Nigeria like every other developing country is still being confronted by some institutional barriers, which are also impacting negatively on the country’s business environment. Igwe, Newbery, White and Nihar (2017) identified some of these barriers as:

i. lack of quality education;
i. inefficient financial system;
iii. customs, traditions and religion;
iv. poor infrastructural development and;
v. inefficient legal system, political instability and corruption.

However, the various factors that affect entrepreneurship, SMEs productivity and the investment climate in Nigeria can be grouped into four categories namely: education of the labour force, access to infrastructure, access to finance and age/size of the business organization. These factors are the primary determinant of productivity and investment in the country.

Education of the Labour Force
The exact effects of the workforce’s academic attainment on poverty eradication and economic development of nations has been the subject of intense debate among scholars. Some studies have revealed a strong relationship between educational attainment and the probability of being poor (Oxaal, 1997; Appleton, 1997). In another research which is based exclusively on the data obtained from Russia and Uganda, Aikaeli (2010) noted that education enables business owners to adapt more easily to both technical and social changes in the economy.
Furthermore, the study by this author also indicated that highly educated entrepreneurs are more likely to cope with any changes that occur in the demand for labour. This postulation is also supported by the World Bank (2008), which identified education as the most important foundation for individuals that want to migrate, gain higher employment or pursue opportunities in new businesses. Unfortunately, the quality of education in Nigeria is generally poor. The situation is further compounded by low level of school enrolment in some parts of the country, especially in northern part of the country (UNICEF, 2005). In addition to the poor levels of school completion rates, the country also has issues of skills mismatch.

**Infrastructural Development**

Several authors have also conducted academic studies on the exact impact of infrastructural development on economic growth (Ayogu, 2007; Dorosh Wang, You, and Schmidt 2010; Dorward, Shengen and Kydd 2004; Estache Foster, and Woden, 2002; Estache & Vaglisaindi, 2007; Khande & Koolwall 2010; Krishna & Shariff, 2011). The results of these studies indicate that massive development of infrastructures can reduce poverty, boost productivity and enhance economic growth. For instance, an empirical study by Onyeiwu and Liu (2011) revealed that a 1% increase in the number of Bangladeshi household that have access to paved roads and electricity, will ultimately result to 33% and 0.8% increase in total per capita income respectively. This result provides some hints on the potential impact of massive infrastructural development in Nigeria economic sector. Unarguably, the impact will be more pronounced in Nigeria, as the country’s power sector’s cost recovery and operational efficiency is among the worst in the entire sub-Sahara Africa. According to a 2011 World Bank report, the current power output in the country is just 50% of the Nigeria’s power needs with the social cost up to 3.7% of the GDP. Furthermore, Nigeria’s transport sector is in very bad shape, as years of mismanagement and lack of maintenance means that country’s road network is in a very dilapidated state (World Bank, 2011). Even the aviation sector is not left out as it has notoriously poor safety record. The growth of SMEs in Nigeria like most other African countries is severely constrained by inadequate transport infrastructure (Bryceson, Mbara and Maunder 2003). This shortfall prompted Igwe (2016) to point out that the massive development of public infrastructure is a great way to enhance competitiveness, profitability as well as productivity of SMEs. Consequently, he concluded his study by advising Nigerian government to build more electricity facilities, hospitals, schools, roads etc.

**Access to Finance**

Lack of credit facilities is another major factor that affects entrepreneurship development, SMEs productivity and Nigeria’s business environment. According to Mishra, Igwe and Lean (2014), lack of finance is the main issue that confronts African youths striving to establish and build their business. The authors defined inaccessibility of finance as a situation in which poor people were unable to obtain formal financial services due to their vulnerability. A 2008 report by the World Bank revealed that a financial constraint is more persistent agricultural and agro-allied sectors. The organization attributed this to the sector’s unique nature. For instance, a survey by World Bank (2008) in India revealed that 87% of marginal farmers that participated in the research lack access to formal credit. That same report also revealed that 71% of the farmers do not have any saving accounts in a formal financial institution. In Nigeria, it has been observed that financial issues are the commonest distinctive, confronting young Nigerians that want to establish and grow their own business. An academic research by Igwe, Newbury and Icha-Ituma (2018) indicated that financial service landscape of Nigeria is generally characterized by the absence of safe, affordable and reliable financial services. Less privileged and poor Nigerians have been unable to access formal financial services from the Central Bank of Nigeria and the traditional banking system. This is due to the loan requirements, which are beyond the scope and ability of an average Nigerian citizen. Consequently, many prospective entrepreneur and ordinary Nigerians are left with no other option than to patronize the informal credit lenders, most of whom charge an extremely high interest rate. Igwe et al (2016) observe that the situation is further compounded by the fact that these informal credit lenders typically offer just short-term loans.

**The size and age of the business enterprise**

According to Coad (2014), post-entry growth is primary factor that determines the performance of newly established businesses. This postulation has also been confirmed by several studies, which identified the age of a business organization as a major determinant of its growth (Coad and Rao, 2008; Haltiwanger, Jarmin., and Miranda, 2013). The study by Haltiwanger et al. (2013) specifically revealed that newly established businesses tend to grow faster than older firms. But the characteristic features of new firms are to be fully understood (McKelvie and Wiklund, 2010). Furthermore, there is inadequate information on how the growth of business organization is influenced by the age of the firm (Coad, 2014). Using the Learning-by-doing models, Chang et al., 2002 in their
study investigated the impact of firm’s age on their performance. The results indicates that older business organization tend to have more growth persistence than the younger ones due to the fact that older businesses benefit more from business experiences. However, a study by Coad (2014) indicated that older firms are more susceptible to liability of senescence and liability of obsolescence. What this implies is that older businesses find it difficult to adapt to dynamic business conditions. Thus, Coad (2014) advocates lower growth persistence for older firms.

There have also been some studies that are specifically aimed at determining whether size can have any influence on the growth of a business organization (Coad 2014; Parker, Storey and van Witteloostuijn, 2010). The exact results obtained from such studies vary. While some studies revealed a positive correlation between the two variables (Dunne and Hughes, 1994), other showed negative correlation (Goddard Wilson, and Blandon, 2002; Coad and Hölzl, 2009). The academic study by Coad and Hölzl (2009) revealed that the growth pattern of micro firms differs considerably from that of small, medium-sized and larger firms. The findings also revealed that small firms correlate negatively with the yearly growth rates, while the bigger firms correlate positively with the yearly growth rates. This result suggests that the greater growth episodes of bigger firms extend over a longer time horizon.

According to Igwe, Newbery and Icha-Ituma (2018), majority of the African small and medium enterprises operates in the informal sector. The authors also observed that an overwhelming majority of these businesses are owned and operated by family or one-person with just few paid workers. In some case, there may even be unpaid family members. Using data obtained from La Porta and Shleifer (2014) provided the major differences between formal and informal businesses as follows:

- Formal firms are much larger than informal businesses.
- The formal firms can have an average workforce of 126 workers, while the informal firms may have just four.
- Formal firms tend to be more productive that informal companies, whose productivity is typically calculated as value-added per employee.
- Productivity between formal and informal firms of the same differs considerable. However, it is important to note that in the formal sector, productivity tend to increase with size.

Sonobe, Akoten, and Otsuka (2009) observe that small and informal enterprises do not generally like evolving into larger firms. The authors attributed this fact to those excessive regulations that guide operations of formal and larger businesses. Unfortunately, this reluctance of informal firms to evolve into larger corporation is one of the major factors that restrict the growth of such category of businesses. Base on the specification for the assessment of the size of a given economy, ILO (2006) estimated that the informal sector is responsible for 30% of Gross Domestic Product (GDP) in South Africa, but up to 60% of GDP in Nigeria, Tanzania and Zimbabwe. In another similar study, Oyelaran-Oyeyinka (2007) observed that 96% of Nigerian businesses fall within the category of SMEs, but contribute just 1% to the nation GDP. This statistic is markedly different from what is obtainable in United States and Europe, where SMEs accounts for 53% and 65% of businesses in the regions respectively. Despite this, SMEs consist up to 50% of GDP in these geographical locations. Even in the Asian countries, the situation is much better than what is available in Nigeria, as SMEs in these countries account for 40% of the GDP (Oyelaran-Oyeyinka, 2007). Beck, Demirgüç-Kunt and Maksimovic (2005) revealed that financial inclusion can triggers investment. According to the authors, this objective is typically accomplished by minimizing those liquidity constraints that affects industrial structure, competition and size of firm.

Even though Nigeria has high concentration of SMEs, the sector is plagued by several issues, which are having considerable negative effects on their productivity and survival. As a result of these problems, majority of SMEs in Nigeria ceased to exist after the first five years of existence. An empirical research conducted by Aremu and Adeyemi (2011) showed that only about five to ten percent of SMEs in Nigeria, survive into maturity. The main factors responsible for the demise of most Nigerian SMEs have been identified by Agwu and Emefi (2014) as follows: inadequate capital, insufficient funding, erratic power supply, lack of infrastructural development, lack of adequate market research, lack of proper book keeping, lack of focus, failure to separate personal finances from that of business etc.

**Theoretical Framework**

The theoretical framework of this study is based primarily on Practical theory and dependency theory. Practical theories are discursive approaches to entrepreneurial learning, which are typically derived from the actual
experience and story of entrepreneurs. Practical theory is “tacit, intuitive, implicit and situated resource of practice”. Unlike other abstract, explicit and generalized theories, practical theories are very easy to prove and verified” (Rae, 2003). Base on these postulations, Rae (2003) defined practical theory as a living body of learning that originated from the tacit and intuitive resource of practice, but used in combination of combined thinking and acting in personal praxis. But for Olugbenga (2012), practical theory are mere analytic tools that enable people to observe and understand the relationship between several aspect of their lives, and consequently take account of their respective actions. Some practical theories are offshoot of social constructionism, which is framework that allows entrepreneurs to establish relationship between general abstract principles and “what we do” concept. The fact that majority of SMES are entrepreneurship based, makes this theory highly relevant for this academic study. Furthermore, Rae (2003) notes that practice based theory influence important features like problem solving skills, decision-making skill, routing of managing relationship with others and dealing with recurrent situations. Coincidentally, these characteristics are inherent traits of very successful entrepreneurs.

The second theory that is used in this academic study is the dependency theory. This theory originated as a refutation to the Western Filter Model of development - a school of thought which argues that the backwardness of Africa is as a result of its traditional pattern of life and activity. The dependency theory which is based on the Marxian principles, postulates that low level of development in poor countries is actually in a dialectical relationship development of developed countries. The dependency theory blamed imperialism as the major factor responsible for the underdevelopment of African nations. Of course, this postulation is clearly in line with the current situation confronting Africa, which it illustrates as the macrocosm, while that of Nigeria is microcosm. Despite critics opinion that the African problems should be attributed to bad and corrupt leadership, the theory maintained the political and economic dependence of African nations on the developed world, remains the main factor that promote underdevelopment in the region. Thus, to solve the issues confronting Nigeria and other Africa countries, it is very important to minimize these regions’ dependence on developed countries. According to Olugbenga (2012) this economic independence should be the most main target of Africa. He says; “what needs to be created is an integrated African economy oriented not to the needs of the west, but to the needs of Africa as defined politically by the African people. Anything short of that will prove incompatible with our aspirations for political and cultural autonomy.” This should also reflect in Nigeria economy, where the private sector needs to be absolutely free from the government’s control. However, it is still important for the government to retain its intervention in the areas of policies and funding.

Methodology
The study adopted descriptive ex-post facto type. This design is appropriate because the researcher does not have control over the concomitant variables as their manipulation had already occurred.

For this study a stratified method has been employed so as to enable the researcher to provide answers to the research questions raised and the stated objectives. A stratified technique allows the researcher to divide the South Western population into homogeneous separate state called strata. After, the population has been divided into strata then the sampling was done. This gave equal chances to the respondents of been included in the survey. The advantages inherent in this method are stated as follows. Firstly, it reduces sampling errors and biasness. Secondly, the measurement becomes more manageable and most suitable for research of this nature. Literature have shown that different types of research methods have been widely used in business research are experiment, survey, case study, action process, grounded theory, ethnographic, archives, ipso facto, and observation according to Otokiti (2005). What inform the choice of the method to be adopted depends largely on the research questions and the objective of the study.

The population of this study was based on the entire SSEs operating in the South Western Nigeria using a multistage method at the first stage that used microfinance banks. The study adopted SMEDAN report on SSEs, 2012 to draw a purposive sample from the population comprising a total of seven thousand, six hundred and ninety (7690) participants from table 1.1 Therefore, a convenience sampling method was used to justify a true representation of the population across the South Western states comprising five hundred and sixty participants (560) for the study. This is because the study divided the population into a group in form of a strata before questionnaire were administered.

This study combined secondary and primary data. The primary data were those that were sourced through the administered questionnaire. The researcher utilized the questionnaire to obtain necessary information needed on microfinance and small business survival, growth and performance. The secondary data were obtained from the
Microfinance Bank records through clients’ membership cards. The psychometric property was tested for a week before the real administration to certify that the scales are fit and does not have ambiguous items. The questionnaire was divided into two sections. Questionnaire was used as primary source of data the research instrument for the study. This questionnaire was expected to reveal the instruments subject matter. For the secondary data, selected relevant work such as dissertations, conferences and seminar papers as well as online resources, periodicals and series of journals/textbooks were used. The instrument was divided into two major sections which include section.

SECTION A: Demographic information of the students such as age, business age, marital status and gender etc. This section was developed by the researcher.

SECTION B: Government Policy Scale (GPS): The scale was well structured and approved by my supervisor.

The questions had a five (8) point Likert format. It has 2 items, a typical example of the items is: “What are the major government policy that affects your business most favourably?” or “What are the major government policy that affects your business most unfavourably?” among others. It has a reliability coefficient of 0.72 using Cronbach-alpha method after pilot tested.

The variables used were coined from the objective of the study from the micro financing which is regarded as the independent variables (government policies) while SSEs growth is the dependent variable. Intuitively, the amount of funds, government policies might influences the rate and level of growth and survival of the SSEs in South Western Nigeria.

The data generated for the study were analyzed using both descriptive and inferential analytical techniques, using Statistical Package for Social Sciences (SPSS version 22). Additionally, tables and Bar-Chart graph were used in the descriptive analysis study while Pearson Product Moment Correlation Coefficient (PPMC) analysis were used to test the stated hypotheses at 0.05 level of significant.

Findings
Table 1: Frequency Distribution of Questionnaires Returned from South Western States:

<table>
<thead>
<tr>
<th>S/no</th>
<th>State</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ekiti</td>
<td>80</td>
<td>15.4</td>
</tr>
<tr>
<td>2</td>
<td>Lagos</td>
<td>100</td>
<td>19.2</td>
</tr>
<tr>
<td>3</td>
<td>Ogun</td>
<td>80</td>
<td>15.4</td>
</tr>
<tr>
<td>4</td>
<td>Ondo</td>
<td>80</td>
<td>15.4</td>
</tr>
<tr>
<td>5</td>
<td>Osun</td>
<td>80</td>
<td>15.4</td>
</tr>
<tr>
<td>6</td>
<td>Oyo</td>
<td>100</td>
<td>19.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>520</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

Table 2: Frequency Distribution of Respondents By Business Age

<table>
<thead>
<tr>
<th>Age of Business</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>223</td>
<td>42.9</td>
</tr>
<tr>
<td>6-10 years</td>
<td>157</td>
<td>30.2</td>
</tr>
<tr>
<td>11-20 years</td>
<td>80</td>
<td>15.4</td>
</tr>
<tr>
<td>21-30 years</td>
<td>38</td>
<td>7.3</td>
</tr>
<tr>
<td>31-50 years</td>
<td>16</td>
<td>3.1</td>
</tr>
<tr>
<td>50 years and above</td>
<td>6</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>520</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3: Frequency Distribution of Respondents who obtained Loans

<table>
<thead>
<tr>
<th>Loan from any micro credit institutions</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>389</td>
<td>74.8</td>
</tr>
<tr>
<td>No</td>
<td>131</td>
<td>25.2</td>
</tr>
<tr>
<td>Total</td>
<td>520</td>
<td>100</td>
</tr>
</tbody>
</table>
Testing of Hypotheses:
This section reports the results of the null hypotheses tested in this study in order to draw salient inferences and conclusions.

H0: There is no significant relationship between government policy and business growth of Small Scale Enterprises (SSEs) in South Western Nigeria.

Table 4 reveals that there is a significant relationship between government policy and business growth of Small Scale Enterprises (SSEs) in South Western Nigeria. The r-value (518) = 0.230, p<0.05). Hence the null hypothesis is rejected. The table further reveals that government policy had positive influence on business growth of Small Scale Enterprises (SSEs) in South Western Nigeria. This implies an increase in government policy (infrastructure, electricity and low interest rate of loan etc) will increase the tendency for business growth of small scale enterprises (SSEs). Coefficient of determination (r²=0.0529) reveals that government policy had a moderate effect on business growth, that is it accounts for 53% variance in business growth of Small Scale Enterprises (SSEs) in South Western Nigeria.

Table 4 The relationship between government policy and business growth of (SSEs) in South Western Nigeria.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std-Dev</th>
<th>df</th>
<th>r-value</th>
<th>P</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Policy</td>
<td>520</td>
<td>57.15</td>
<td>16.491</td>
<td>518</td>
<td>.230**</td>
<td>&lt;0.05</td>
<td>Ho rejected</td>
</tr>
<tr>
<td>Business growth of SSEs</td>
<td>520</td>
<td>66.033</td>
<td>17.2525</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

Discussion of Findings
The hypothesis states that there is no significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. The result of this research shows that there is a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. This finding is quite similar to what have been observed in other studies. For instance, Kinyua (2014) in his study of factors that affect the performance of SMEs in Nakuru town discovered that infrastructural development, management skills, finance, macro-environment factors are the major determinant of SMEs’ ability to perform optimally. In another similar study, Olugbenga (2012) investigate the effects of financial supports, technological and infrastructural development on the performance of Nigerian-based SMEs. The results like in the previous case showed that the performances of SMEs are positively influenced by technological development and financial support. However, the author observed that infrastructural support impact negatively on SMEs’ performance. This prompted the authors to argue that finance, technology and infrastructures can have considerable effects on the overall performance of SMEs. Similar results were also obtained by Agarwal (1998), who in his investigation of the relationship between technological activity and firm survival discovered technology can either enhance or prevent the survival of any business organization. Thus, just as confirmed by the result of this academic research, growth and survival of an SMEs is determined to a considerable extent by the various polices implemented by the government.

Conclusion
The primary objective of this academic study is to evaluate the impact of government policies on business growth of SMEs in South Western Nigeria. The results confirmed the findings of most previous studies, as the findings indicates that business growth of SMEs correlate significantly with the government’s policy. Specifically, the findings indicate that government policy had positive influence on business growth of SMEs that operate in South Western Nigeria. This implies any increase on development of infrastructures and decreases on interest rate of loan, will help to trigger growth of SMEs. Furthermore, the coefficient of determination reveals that government policy had a moderate effect on business growth and is also responsible for 53% variance in business growth of SMEs. These results indicate the need for the Nigeria government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country’s monetary policies and macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country. It is also important for the various levels of government in the country to embark on the massive infrastructural development. Through these ways, Nigerian economy growth can be facilitated.
Recommendations
The results of this academic study show that government policies are having considerable impact on the growth of SMEs. It is recommendable for Nigerian government to enact and implement laws, regulations and policies that will link institutional development to entrepreneurial growth and survival. Furthermore, The Nigerian government should also create a business environment that is highly conducive to owners of SMEs. Such approach will help to boost their rate of survival. Thirdly, the various s levels of government in the country should embark on the massive infrastructural development. Such projects should concentrate on power generation, power distribution, security and good transport network. All these strategies will help to enhance the economic development of Nigeria.

References
67. World Economic Outlook (2000) Published by International Monetary Fund (IMF) May: 19