

ASSESSING THE EFFECT OF GOVERNMENT POLICIES ON THE GROWTH OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN ABAKALIKI METROPOLIS, EBONYI STATE.

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Abstract

The study assessed the effect of government policies on the growth of small and medium enterprises in Abakaliki metropolis. The specific objectives were to: examine the effect of government taxes and infrastructural support policies on the growth of small and medium scale enterprises in Abakaliki metropolis. The study was anchored on Resource Based and Developmental State theories because they both better explained the focus on which the study was carried out. The research adopted descriptive survey design and used questionnaires as the data gathering instrument. The population of the study comprised of SMEs operating in the agro-based enterprises, catering services, and bakery businesses which was 454,868, with a sample size of 400 respondents used for the study. The result of the reliability test using Cronbach's Alpha were 0.928 for tax policies and 0.986 for infrastructural support policies. Data analysis was carried out using Pearson Product Moment correlation coefficient via SPSS 30.0, and the entire tests were conducted at 0.05 level of significance. The results revealed that government policies have a significant effect on the survival, sustainability, development, profitability and general growth of SMEs in Abakaliki metropolis. Also, that government taxes and infrastructural support policies increase SMEs cost of operations, reduce productivity level, and lead to delay in supply and service delivery. Therefore, the study recommended that the government should reduce the burden of multiple taxes on SMEs, costly compliance measures, bureaucratic bottlenecks, discourage arbitrary enforcements, enable SMEs operators enjoy tax holidays, among other things.

Keywords: Government policies, SMEs and SME growth.

Introduction

All over the world the socio-economic roles of Small and Medium Enterprises (SMEs) are recognized both in developed and developing economies. They have capacity for guaranteeing family support, rural economic development, employment provision, contributing to gross domestic product (GDP), poverty alleviation as well as catalyzing entrepreneurial innovation, can never be over emphasized especially in Nigeria (Ayyagari, Demirguc-Kunt &

Maksimovic, 2014). Indeed, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and the National Bureau of Statistics (NBS) in 2021 hold that SMEs accounted for 96% of businesses and 48% of National Gross Domestic Product (GDP). In Nigeria as in many other countries of the world, SMEs can be defined in different ways. However, authentic definitions in the case of Nigeria are given by relevant authorities such as the Small and Medium Enterprises Development Agency

of Nigeria (SMEDAN), the Central Bank of Nigeria (CBN), and the National policy on Micro, Small and Medium Enterprises (MSMEs).

Government policies in Nigeria can significantly affect the growth and development of Small and Medium Enterprises (SMEs). These policies, encompassing monetary, fiscal, infrastructural and trade strategies, can either facilitate or hinder SMEs growth depending on their formulation and implementation. Well formulated and effectively implemented government policies serve as veritable foundation for the healthy growth, development and sustainability of SMEs, but where such policies suffer the double tragedy of inconsistencies and poor execution, as is almost always the case in Nigeria, SME development is stunted and entrepreneurial innovation and initiative frustrated and stifled (Kergroach, 2021). Kergroach went on to aver that inconsistent policy execution hampers the growth and development of SMEs significantly.

In Ebonyi State, SMEs have witnessed a good number of areas in which government has shown interest in promoting entrepreneurship especially regarding agriculture and agribusinesses which includes agricultural value-chain development, youth entrepreneurship development, and industrialization. However, many SMEs in the State suffer a myriad of challenges suggesting obvious disconnect between the lofty policy intentions and practical effects on the entrepreneurs. Thus, in real measurable terms, the effectiveness of the efforts has been questionable as SMEs in the state appear enmeshed in infrastructural deficiency, low access to credit, policy inconsistencies, regulatory burdens, double taxation and lack of blue prints and direction (Ele, Etim, Uguru, Orji & Igba, 2024 & Ele, 2023).

Among the various factors that affect the growth, development and sustainability of SMEs in Nigeria, government policies play a very critical part. Government policies in most cases due to inconsistency in implementation, bureaucracy, arbitrary enforcement and high cost of compliance among other factors adversely affect

the growth and smooth running of SMEs. Governments at different levels in Nigeria, realizing how central SMEs are to the overall development of the country's economy, have come up with a number of policies that affect the operations of SMEs. These policies have been operationally dimensioned into tax policies, regulatory policies, infrastructural policies, financial support policies, and training and development policies. This Seminar is, however, concentrating on taxation and infrastructural policies, based on an unpublished MSc dissertation by this researcher on "effect of government policies on the growth of SMEs in Abakaliki metropolis, Ebonyi State" (Onuoha, 2025).

Accordingly, government policies targeting SMEs in Abakaliki Metropolis, Ebonyi State have multifaceted effects. Tax incentives along with improved infrastructure should encourage business growth, attract investment, and boost overall economic activity in the state. However, in reality, what abound are inconsistent implementation, overregulation and corruption, all of which tend to undermine the effectiveness of these policies and potentially leading to increased operational costs and reduced creativity and flexibility for the SMEs. This research work will concentrate on how the above proxies of government policies affect the growth of SMEs in Abakaliki Metropolis.

Statement of the Problem

In Nigeria, as in other developing and developed countries, there is general awareness of the critical position of SMEs in the country's socio-economic development as source of income for families, provider of employment opportunity, contributor to gross domestic product (GDP) and catalyst to entrepreneurial innovation. That is why they have initiated and directed different policies, programmes and interventions towards enhancing their growth over the years. However, notwithstanding the policies put in place by government to support their growth, SMEs have been suffering from factors such as policy inconsistencies, poor implementation, corruption, lack of continuity and sustainability as well as inappropriate and inadequate

stakeholder engagement, among other possible factors which have continued to stall progress in the growth of SMEs both in Nigeria as a whole and Ebonyi State in particular. In order to confront the factors working against the attainment of the lofty objectives of SME-related government policies, it is imperative to empirically investigate the effect of government policies on the growth of SMEs in Abakaliki Metropolis, Ebonyi State. This will lead to the recommendation of mitigating factors to the negative effects and enhancement of positive effect of government policies towards optimum growth of SMEs in the Metropolis.

Objectives of the Study

The general objective of this study is to investigate the effectiveness of government policies in achieving the growth of small and medium enterprises in Abakaliki metropolis, Ebonyi State, while the specific objectives are:

1. To examine the effect of government tax policies on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.
2. To investigate the effect of government infrastructural policies on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Research Questions

The following research questions were developed to guide the study:

1. What are the effects of government tax policies on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State?
2. To what extent does government infrastructural policies affect the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State?

Research hypotheses

The following hypotheses will be tested in the study:

- H₀₁:** Government tax policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.
- H₀₂:** Government infrastructural policies have

no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Scope of the Study

This study focused on SMEs operating in Abakaliki Metropolis, Ebonyi State, covering agro-based enterprises, catering services operators, and bakeries operating within Abakaliki Metropolis. The key government policies/interventions to be captured cover policies related to taxation and infrastructure. SME growth will be measured using profitability, employment generation, business expansion, training and development as well as innovation. The views and activities of operators in both the formal and informal SME sub-sectors as well as relevant support agencies will equally be taken into account in the study.

Literature Review

This section discusses conceptual review, empirical review and theoretical review.

Conceptual Review

Under this subheading, the researcher provides a logical structure that connects the key variables in the study by outlining the relationship between government policies and the growth of small and medium enterprises (SMEs). It explores the two policy instruments, namely, taxation and infrastructural support and their impact on small and medium scale enterprises growth.

Government Policies

Government policies refer to laws, regulations, actions, directives, and programmes formulated by the government to regulate and promote specific economic activities. Fapohunda (2022) and Andersen (2006) defined government policies to be structured interventions designed to reduce barriers such as limited access to capital, inadequate infrastructure, and complex regulatory requirements, all of which hinder SME growth or purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern.. These policies aim to create a favorable business environment, thereby ensuring that SMEs thrive and contribute significantly to the economy. All

over the globe, the impact of government policies on businesses is recognized. The World Bank in its 2020 Doing Business Report, for example, examined in details how government regulations and policies affect business environments globally. In the same World Bank report, Nigeria-specific policies affecting SMEs are usually highlighted in their country profiles. That 2020 report from the World Bank confirmed that while Nigeria made notable progress in four (4) critical areas, namely, construction permitting, power access, property registration and trade facilitation, persistent tax-related challenges and regulatory fragmentations continued to hamper SMEs from growing sustainably.

According to the same report, the government has, on paper, done a lot to support the growth of businesses generally and SMEs in particular in Nigeria, for example, through the Presidential Enabling Business Environment Council (PEBEC) which has pushed over 140 reforms since 2016, efforts have been directed at simplifying company registration, introducing small claims courts, modernizing land administration and upgrading digital platforms for taxes and permits. However, whereas the tax reforms for example, are yielding such clear pay-offs as higher revenues in absolute terms,

improved digital compliance and resultant fairer tax system to that extent plus relative institutional capacity, the negative effects of the downside lack of public trust, huge informal sector acting outside the tax net and lack of transparent in the system all impact negatively on the performance and growth of SMEs.

This study concentrates on two specific government policies, namely: taxation and infrastructure. The task of the work is to examine how the negative effects and failure of government policies in the two identified policy areas hamper the growth of SMEs in terms of profitability, employment generation, business expansion and innovation in Ebonyi State. A closer examination of the dimensions of each of the policies under study will help illustrate how they affect the growth of SMEs.

Taxation:

Taxation is an important government policy which affects the growth of SMEs in many ways. While taxes service public service and provide infrastructure, excessive, complex or otherwise poorly administered taxes become a burden for SMEs. The table below shows in summary the ways different types of taxes may affect the growth of SMEs:

Table 1: Summary of Different Types of Tax Affecting the Growth of SMEs

Type of tax	Description	Key growth dimensions to be affected	Likely Specific Effects on SMEs
Company income tax (CIT)	Taxed on business profit (currently charged at 20% of profit for SMEs)	Financial growth formalization	-A reduction on net profit -Perceived high cost may discourage business registration -Reduces fund available for reinvestment
Value Added Tax (VAT)	7.5% charged on goods/services	-Market expansion -Customer base -Financial growth	-Limits customer demand -Increase in prices -Reduces competitiveness
Personal Income Tax/PAYE	Employee salary deductions	-Employment growth -Operational capacity	-Increases wage cost -Discourages employment -Encourages informal labour
Business Premises Levy	State Tax on Physical Business Premises	Operational growth survival	Increases operational cost especially for Micro businesses
Multiple taxation	Overlapping taxes from Federal, State and Local Government Areas. Even in some cases the same government impose the same tax from different dimensions/agencies.	Financial growth, formalization, survival rate.	Confusion, Frustration, Harassment, Loss of confidence in the tax system and Discouragement of compliance.
Withholding Tax (WHT)	Deductions on payments for services and contracts	Financial growth Cash flow	-Discourages small contractors -Affects cash flow -Delays in tax credit refunds
Stamp duties/e-Transaction Taxes	Charges on electronic and official documents	Financial growth, formalization and Access to credit	-Weakens record keeping -Discourages banking -Blocks access to credit
Others Include: • Fire Services Tax • Hawkers Permit • LGA Development Tax • Advertisement	Charges for accidental fire outbreak, hawkers to freely move around in government owned premises, payment for sign-postages and bill	Financial Growth, and limits outreach to more clients/customers.	-Reduction on profit -Reduction on customer base -Increase in operational cost.

Source: Adapted from Ewi (2021). The effects of multiple taxation on small-scale enterprises in Ebonyi State.

Tax Breaks for SMEs:

The Finance Act of 2020 brought about some great news for smaller businesses—those

earning less than ₦25 million annually are exempt from paying Company Income Tax (CIT). This means more money stays in the business, allowing entrepreneurs to reinvest in

their growth. Additionally, businesses in agriculture can enjoy up to five years of tax-free operation through the Pioneer Status Incentive (PSI).

Infrastructural Policies

Government infrastructure policies encompass a wide range of actions aimed at developing, maintaining, and regulating both physical and social infrastructure. These policies often involve a mix of public funding, private sector involvement through Public-Private Partnerships (PPPs), and regulatory frameworks to guide infrastructure development. The goals can include economic growth, improved living standards, and enhanced service delivery. The National Integrated Infrastructure Master Plan (NIIMP) is government's strategic document which was initially developed in 2012 to guide Nigeria's infrastructure investment, add value to the national economy and in particular enhance private sector participation in infrastructure development.

According to the National Integrated Infrastructure Master Plan of the Federal Ministry of Finance, Budget and National Planning (2021), between 2012 to date, a lot has happened, including some important progress towards improving the quality and stock of the nation's infrastructure. Several important reforms have also been launched across the various spectrum of infrastructure in recent years. The macroeconomic fundamentals and landscape have changed significantly, making previous estimates, targets and assumptions largely unrealistic. Generally, developments within the domestic and global environments necessitated the need for a revision of the Master Plan. Government policies that prioritize the construction and maintenance of roads,

electricity, internet connectivity, and industrial parks create an enabling environment for SMEs to thrive. Investments in industrial clusters and shared facilities have been particularly beneficial, as they reduce overhead costs and foster collaboration among small businesses (Bello, 2021). Access to reliable infrastructure allows SMEs to streamline their operations, expand their customer base, and compete more effectively in local and global markets.

The benefits of infrastructure development are often undermined by inadequate maintenance and delays in project completion. SMEs in peri-urban and rural areas are frequently excluded from infrastructure projects, perpetuating economic disparities and limiting opportunities for growth. Lack of access to reliable electricity can hinder production processes, while poor road networks can restrict market access. To address these challenges, government policies should emphasize equitable distribution of infrastructure projects and involve SMEs in their planning and execution. This ensures that infrastructure investments are responsive to the specific needs of small businesses and contribute to their long-term sustainability (Ogunleye, 2023). The priority project portfolios identified include 'quick wins' that would receive urgent attention over the first five years of this Plan. To guide MDAs and States in the prioritization of capital projects, the NIIMP provides an investment prioritization framework in the following areas:

To give comprehensive view of how government policies affect the growth of SMEs, a table of summary quoting relevant authorities is submitted hereunder covering the two policy areas of interest in this work at a glance.

Table 2: Conceptual Model of the Influence of Government Policies on the Growth of SMEs

Policy Area	Conceptual description	Conceptual impact on SME growth	Key Authorities
Taxation	Levies imposed by government on business profits, products, services, premises, etc to generate revenue	Affects the cost structure of the business adversely Creates compliance burden Creates the challenge of sustainability High tax rates and multiple and overlapping taxes Complex tax system Weak tax incentives	PwC Nigeria (2024)
Infrastructure	Government investment and development in physical and digital infrastructure, e.g. roads, ICT, power and water.	Poor infrastructure increases operating cost Reduces productivity Leads to delays in supply and production as well as service delivery Limits access to markets	IFC (2022)

Source: Compiled from the works of the various quoted authorities.

Small and Medium Enterprises (SMEs)

SMEs are generally defined based on criteria such as number of employees, annual turnover, and capital investment. In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) defines a small enterprise as a business with 10–49 employees and assets worth between ₦5 million and ₦50 million, while a medium enterprise has 50–199

employees and assets between ₦50 million and ₦500 million (SMEDAN, 2020). SMEs are recognized globally as engines of economic growth, job creation, and innovation (World Bank, 2022). In Nigeria, SMEs contribute about 48% to the national GDP, account for over 96% of businesses, and provide 84% of employment (Ojo, 2004, SMEDAN & NBS, 2021).

See table below:

Table 3: SMEDAN/NBS (2013) CLASSIFICATION OF MSMEs

Category	No. of Employees	Asset Base (=N=)	Annual Turnover
Micro-Enterprise	Less than 10 (3-9)	Less than N5million	N3-25m
Small Enterprise	10 – 49	N5m - less than N50m	N25-100m
Medium Enterprise	50 – 199	N50m – less than N500m	N100-500m

Source: 2013 SMEDAN/NBS National MSME Survey

Growth of Small and Medium scale Enterprises

SMEs' growth connotes the positive, measurable improvement or increase in the financial performance especially the profitability, size, staff numerical strength or innovative capacity of the business. SME growth is affected by both internal factors (such as management capacity,

innovation) and external factors (such as macroeconomic policies, regulatory frameworks, and institutional support). Davidsson, Achtenhagen and Naidi (2005) opined that “growth in SMEs is not just about size but includes improved capability, performance and competitiveness”.

In addition to taxation and infrastructure which

this study focuses on, other contextual factors such as level of entrepreneurial skills, insecurity, technology and innovation, corruption as well as social and cultural factors equally affect the growth and development of SMEs in Abakaliki metropolis, Ebonyi State. The choice to concentrate this study on the two chosen factors is based on the conviction that they are central to government policies which touch practically all the areas of SME operations in Nigeria. In summary, the concept of SME growth signifies that the business entity is moving from a lower level of activities to a higher one which results in the firm experiencing improved profitability, increased revenue, higher and more superior employment level, business /market reach expansion and improved innovative capacity.

Proxies of Small and Medium scale Enterprises Growth

Small and medium scale enterprises growth is multi-dimensional. However, for this study, reference to growth implies:

- a. **Financial Growth**-Annual turnover (measured by sales revenue), increase in asset base, capital investment and profitability.
- b. **Employment Growth**-increase in number of new staff hired, number of skilled employees retained and increase in staff/payroll expenditure.
- c. **Market Growth/Expansion**-entry to new markets, diversification of customer base and increase in market share
- d. **Innovative Capacity Growth**-development and application of new technology-based products and or services, initiation or enhancement of ICT automation of activities and initiatives in Research and Development (R&D

Linkages between Government Policies and SME Growth

This research's conceptual model posits that government policies directly or indirectly influence the growth of SMEs. For example, favorable tax policies reduce the financial burden on SMEs. In like manner, multiple and complex taxes reduce SME profit and discourage formalization of enterprises. This study was motivated by the adverse effects of policy inconsistencies, poor and inappropriate implementation among other such negative factors on the growth of SMEs. Below is a review of the variables of this study and how they relate to one another:

Independent Variable: Government Policies (Taxation and Infrastructure). Each of these variables when wrongly manipulated affects the growth of SMEs adversely.

Dependent Variable: Small and Medium scale Enterprises Growth (Profitability, Expansion, Employment Generation, and Survival).

Intervening/Mediating/Controlling variables: These are factors /variables that do not hinder the independent variables but its strength, direction or presence affect the dependent variable. They are hypothetical variables used to explain causal links between other variables. In this study they are critical as they reflect internal firm characteristics that shape the effectiveness of government policies.

This work adopted the position that the effect of government policies on SMEs growth is mediated by specific internal and external conditions termed intervening variables, such as access to financial information, infrastructural reliability and bureaucratic efficiency shape how small and medium scale enterprises respond to policy interventions. Recognizing them therefore enhances the explanatory capacity of this study's conceptual framework.

Table 4: Examples of Intervening Variables in the Study:

Policy area	Intervening variables	Link to SME growth
Taxation policy	Tax literacy; record-keeping practices	Enhanced compliance and tax planning
Infrastructural policy	Power supply stability; Access to roads	Lower overhead costs and wider market access

Source: Authors Compilation from Discussed Variables

These variables offer explanations for variations in growth and performance across SMEs operating within the same policy environment. The Resource based theory and Institutional theory, Barney (1991) and Scott (2001) respectively supported the relevance of intervening variables by recognizing that relevant skills, access to quality information and supportive institutional framework with operational norms play vital role in the policy-growth relationship. In other words, policies do not automatically translate into growth outcomes, rather, internal business conditions and environmental enablers mediate the relationship for growth or otherwise to happen.

Empirical Review

Salami, C.G.E., Ekakite, S.E., and Ebinim, L.O. (2023), studied the Impact of Government Policy on Entrepreneurship Growth and Development of Small-Scale Businesses. The study is also limited to the staff of the small-scale business, in Asaba, Delta State, Nigeria. The independent variable in this study is government policy measured by entrepreneurship policy interventions and monetary policy while the dependent variable is entrepreneurship growth and development. The primary data methodology was adopted through the aid of a well-structured questionnaire. Meanwhile, Pearson's product-moment correlation coefficient was used to analyze the sourced data from the field. Although 291 questionnaires were shared with the core medical personnel, health workers, and others, only 272 questionnaires were returned and used to run the analysis. The study revealed that entrepreneurship policy intervention and monetary policy are positively related to entrepreneurship growth and development, and that such a relationship is strong and statistically significant. Hence, the

study concludes that Entrepreneurship is an important driving force of business growth. Therefore, government policy forms an institutional environment in which entrepreneurial decision-making takes place. Therefore, government policy can be said to be important for entrepreneurship. For this reason, various researchers studied the relationship between government policy and entrepreneurship. Therefore, policymakers have responded to the growing importance of entrepreneurship by encouraging new firms formation via grants and subsidies, loans, tax breaks or relief, and regulatory benefits.

Obananya C. G. (2022), in her study examined the effect of government policy on the growth of small and medium enterprises (SMEs) in Anambra State. The study was anchored on the business growth theory. Descriptive survey design was adopted. The Population was 1,200 SME operators in Anambra State. The sample size of 300 SMEs was employed using Yamane's formula. Questionnaire was the major instrument of data collection used in the study. Regression was used to analyse the formulated hypotheses in the study. The study discover that government credit policy granted, government tax policy and government licensing policy has a significant positive effect on the growth of small and medium enterprises in Onitsha North Local Government area, Anambra State. The study concludes that government policy has a positive significant effect on the growth of Small and Medium Scale Enterprises. The study recommends among others that government should reassess its various policies put in place to alleviate negative effect on credit policy on the growth of SMEs in Anambra State, Nigeria. Government should develop a system of tax payment to enhance efficiency in tax collection

and payment.

The current study amplifies the above works by reviewing the effect of infrastructural policies and recognizing the implication of intervening variables in the policy-growth relationship.

Theoretical Review

Resource-Based Theory (RBT)

It is an indisputable fact that SMEs need some critical resources for survival and growth. The Resource-Based Theory Barney (1991) and Wernerfelt (1984) postulated that firms gain competitive advantage through control of valuable, rare, inimitable, and non-substitutable (VRIN) resources. Policies that facilitate SME access to resources—capital, technology, skilled human resources, etc are therefore critical to their growth.

This theory validates the importance of policies that deliver access to credit, appropriate infrastructure, state-of-the-art technology in resource-constrained environments like Ebonyi State in ensuring growth impetus for SMEs. Hence this is a relevant theory to guide the current research work.

Institutional Theory

According to North (1990) and Scott (2001), institutions—including regulatory bodies, legal frameworks, and norms—shape economic performance. This theory implies that conducive institutional frameworks foster SME development. Policies must strengthen institutions to reduce transaction costs and uncertainty.

In relation to the current study, this theory implies that the institutional environment is crucial in fashioning out how SMEs operate in Ebonyi State. The institution and implementation of government regulations, tax laws, property and business registration procedures, availability of public infrastructure like electricity, roads and ICT facilities all either promote or constrain SME growth.

Developmental State Theory

This theory, propagated by Johnson (1982) and

Evans (1995), holds that proactive states deliberately intervene in the economy to guide industrialization and promote economic growth. It posits that targeted state support through infrastructure investment, facilitation of credit, policy planning and supervision and technological support is essential for private sector development and, thus, SME growth.

In relation to the current study, this theory provides basis for critical evaluation of the role of government in enacting, implementing and supervising policies which foster the growth and sustenance of SMEs in Ebonyi State which is a state in a hurry to develop.

Theory on which the Study was Anchored:

All the theories reviewed are relevant to the study and as such are useful to the work with special anchor on the Resource Based and Developmental State theories. This is because they both better explained the focus on which the study was carried out.

Methodology

The study adopted a descriptive survey design by collecting and analysing data from a sample considered to be representative of the entire group of study.

Area of the Study.

The SMEs in Ebonyi State

Sample and Sampling Techniques

The sample size for the study 400 respondents. It was determined using Taro Yemini formula as shown in the equation below.

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

Where: n= sample size, N = population of the study, e = level of significance (0.05). Substituting the values into the equation;

$$n = \frac{455,868}{1 + 455,868 (0.05)^2}$$

$$n = \frac{455,868}{1,141}$$

$$n = 400$$

Instrument of Data Collection

The instrument for data collection was a structured questionnaire.

Validity of Instrument

To ascertain the validity of the instrument, content validity was adopted. Content validity is mostly measured by relying on the knowledge of people who are conversant with the concept being measured (Mokkink, Prinsen & Terwee, 2024). Therefore, the instrument was validated by experts in the Business Management and Administration academic field to ascertain the acceptability, relevance, and the coherence of the instrument.

Reliability of Instrument

The reliability of the instrument was conducted using pilot testing and the data analysed using the Statistical Package for Social Science – SPSS in order to ascertain the Cronbach's Alpha. It produced Cronbach alpha 0.928 for taxation policies, 0.915 for regulatory policies, 0.986 for infrastructural policies, 0.822 for financial

support policies, and 0.902 for training and development policies. The Alpha's were considered good indicators of the reliability of the instrument.

Method of Data Collection

Questionnaires were distributed to respondents by the researcher. The Likert-scale formula was used in structuring the questionnaires to gauge respondent's opinions.

Method of Data Analysis

Method of data analysis was descriptive, and was presented using frequency distribution tables with their corresponding percentages. The Pearson's Product Moment Correlation Coefficient was used to analyze the data gathered for the study through IBM SPSS 30.0.0. This helped the researcher to establish the level of significant relationship that exists between the variables.

Data presentation and analysis

Data collected from respondents were presented and analyzed. The descriptive statistical tools applied includes: tables, frequencies, percentages, and means. Co-relation coefficient was used to ascertain the relationship between the variables, while t-test for co-relation was used to test the hypotheses.

Demographic data presentation

Table 5: Response Rate on Questionnaire Distributed

Questionnaire	Number	Percentage
Questionnaire Administered	400	100
Questionnaire Returned	377	94.2
Questionnaire Not-Returned	23	5.8
Questionnaire Used	377	100

Source: Field Survey Data, 2025

Table 6: Classification of Respondents Based on Gender

Gender	Number	Percentage
Male	243	64.5
Female	134	35.5
Total	377	100

Source: Field Survey Data, 2025

Table 7: Classification of Respondents Based on Marital Status

Marital Status	Number	Percentage
Single	248	65.8
Married	103	27.3
Divorced	3	0.8
Widow	19	5.0
Widower	4	1.1
Total	377	100

Source: Field Survey Data, 2025

Table 8: Classification of Respondents Based on Age

Age	Number	Percentage
17– 25	103	27.3
26 – 35	158	42
36 – 45	84	22.2
46 – Above	32	8.5
Total	377	100

Source: Field Survey Data, 2025

Table 9: Classification of Respondents Based on Educational Qualification

Educational Qualification	Number	Percentage
FSLC	79	21.0
WAEC/SSCE	106	28.1
OND/HND	98	26.0
B.Sc/BA	88	23.3
M.Sc- Ph.D	6	1.6
Total	377	100

Source: Field Survey Data, 2025

Table 10: Classification of Respondents Based on Years of Working Experience

Length of Service	Number	Percentage
6months – 1year	64	17.0
2 – 5 years	158	41.9
6 – 10 years	116	30.8
11years and above	39	10.3
Total	377	100

Source: Field Survey Data, 2025

Demographic data analysis (tables 5-10)

A total of 400 questionnaires were administered by the researcher to the respondents in small and medium scale enterprises operating in Abakaliki Metropolis, focusing on agro-based enterprises, catering services operators, and bakeries. Out of the 400 questionnaires, 377 were returned which represents 94.2%, and 23 were not returned which represents 5.8%. Therefore the returned number was used by the researcher for the study. 64.5% of the respondents were male, while 35.5% of the respondents were female. This shows that the number of males in the selected area of the study was more than the female. Indicating that there are more men engaged in the agro-based enterprises, catering services, and bakery businesses in the area studied.

The data also revealed that 65.8% of the respondents were single, representing the highest in the distribution, 27.3% of the respondents were married, 0.8% were divorced, 5.0% were widows, and 1.1% were widowers. Showing that a greater number of the respondents were single. 27.3% of the respondents were found to be between the ages of 17-25years, 42% of the respondents were between 26-35years which

represented the highest, 22.2% were between the ages of 36-45years, while 8.5% were 46years and above. Ages 26 – 35years represented the highest showing that the operators and respondents were mainly youths.

The data equally showed that 21% of the respondents had First School Leaving Certificate (FSLC) as their educational qualification, 28.1% had West African School Certificate (WAEC) and its equivalent as their highest educational qualification, 26.0% had Ordinary National Diploma and Higher National Diploma (OND/HND), 23.3% of the respondents had Bachelor of Science Degree/BA, while 1.6% had Masters Degree. This indicates that a greater number of the respondents had WAEC and its equivalent as their highest educational qualification.

The questionnaire data showed that 17.0% had spent between 6months to 1year on their job, 41.9% indicated that they had spent 2 to 5years in their current employment or work, representing the highest, 30.8% had 6 to 10years working experience, while 10.3% had 11years and above working experience.

Analysis of data on policy effects on SME growth (Appendix III)

Table 11: Company income tax affects the growth of small and medium scale enterprises?

Response	Frequency	Percentage (%)
Strongly Agree	138	36.6
Agree	142	37.7
Undecided	16	4.2
Disagree	46	12.2
Strongly Disagree	35	9.3
Total	377	100

Source: Field Survey, 2025

Table 11 above shows that 36.6% of the respondents strongly agreed that company income tax affects the growth of small and medium scale enterprises in Abakaliki metropolis, 37.7% agreed also, 4.2% of the respondents were undecided, 12.2% of the

respondents disagreed, while 9.3% strongly disagreed. The result of the responses by the respondents shows clearly that Company income tax affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Table 12: Increases in value added tax and personal income tax affect the growth of small and medium scale enterprises

Response	Frequency	Percentage (%)
Strongly Agree	172	46
Agree	135	35.8
Undecided	11	2.9
Disagree	31	8.1
Strongly Disagree	28	7.2
Total	377	100

Source: Field Survey, 2025

Table 12 above shows that 46% of the respondents strongly agreed that increase in value added tax and personal income tax affect the growth of small and medium scale enterprises, 35.8% of the respondents were also in agreement, 2.9% were undecided, 8.1%

disagreed, while 7.2% strongly disagreed. The result of the above from the distributed questionnaires shows that increases in value added tax and personal income tax affect the growth of small and medium scale enterprises in Abakaliki Metropolis, Ebonyi State.

Table 13: Business premises levy and stamp duties/e-transaction taxes affect the growth of small and medium scale enterprises

Response	Frequency	Percentage (%)
Strongly Agree	151	40.0
Agree	122	32.4
Undecided	18	4.8
Disagree	59	15.6
Strongly Disagree	27	7.2
Total	377	100

Source: Field Survey, 2025

Table 13 above shows that 40.0% of the respondents strongly agreed that business premises levy and stamp duties/e-transaction taxes affect the growth of small and medium scale enterprises, 32.4% were also in agreement with the above, 4.8% were undecided, 15.6%

disagreed, while 7.2% strongly disagreed. The high agreement among respondents from the distribution shows that the respondents agreed that business premises levy and stamp duties/e-transaction taxes affect the growth of small and medium scale enterprises in Abakaliki metropolis of Ebonyi State.

Table 14: Multiple taxations imposed by federal, state and local government affects the growth of small and medium scale enterprises

Response	Frequency	Percentage (%)
Strongly Agree	167	44.3
Agree	128	34.0
Undecided	13	3.4
Disagree	44	11.7
Strongly Disagree	25	6.6
Total	377	100

Source: Field Survey, 2025

Table 14 above shows that 44.3% of the respondents strongly agreed that multiple taxations imposed by federal, state and local government affects the growth of small and medium scale enterprises in Abakaliki metropolis, 34.0% of the respondents were in agreement, 3.4% were undecided, 11.7%

disagreed, while 6.6% strongly disagreed. The greater percentage of agreement by the respondents shows that multiple taxations imposed by federal, state and local government indeed affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Table 15: Withholding tax affects the growth of small and medium scale enterprises

Response	Frequency	Percentage (%)
Strongly Agree	136	36.1
Agree	119	31.6
Undecided	29	7.7
Disagree	59	15.6
Strongly Disagree	34	9.0
Total	377	100

Source: Field Survey, 2025

Table 15 above shows that 36.1% of the respondents strongly agree that withholding tax affects the growth of small and medium scale enterprises in Abakaliki metropolis, 31.6% of the respondents agreed also, 7.7% of the respondents

were undecided, 15.6% of the respondents disagreed, while 9.0% strongly disagreed. This simply indicates that withholding tax affects the growth of small and medium scale enterprises Abakaliki Metropolis, Ebonyi State.

Table 16: Tax breaks have effect on SME growth

Response	Frequency	Percentage (%)
Strongly Agree	143	37.9
Agree	125	33.2
Undecided	27	7.2
Disagree	53	14.1
Strongly Disagree	29	7.6
Total	377	100

Source: Field Survey, 2025

Table 16 above shows that 37.9% of the respondents strongly agreed that government policies on tax breaks for SMEs affects the growth of small and medium scale enterprises in Abakaliki metropolis, 33.2% of the respondents also agreed, 7.2% were undecided, 14.1% of the

respondents disagreed, while 7.6% strongly disagreed. The responses as seen from the table, shows that government's policies on tax breaks for SMEs affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi state.

Table 17: Government policies on energy/power generation and distribution network and supply affect the growth of small and medium scale enterprises.

Response	Frequency	Percentage (%)
Strongly Agree	175	46.4
Agree	124	32.9
Undecided	18	4.8
Disagree	37	9.8
Strongly Disagree	23	6.1
Total	377	100

Source: Field Survey, 2025

Table 17 above shows that 46.4% of the respondents strongly agreed that government's policies on energy/power generation and distribution network and supply affect the growth of small and medium scale enterprises in Abakaliki metropolis, 32.9% agreed, 4.8% were

undecided, 9.8% disagreed, while 6.1% strongly disagreed. The result from the respondents shows that Government's policies on energy/power generation and distribution network and supply affect the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Table 18: Road infrastructural policies of the government and transportation cost affects the growth of small and medium scale enterprises?

Response	Frequency	Percentage (%)
Strongly Agree	178	47.2
Agree	141	37.4
Undecided	8	2.1
Disagree	27	7.2
Strongly Disagree	23	6.1
Total	377	100

Source: Field Survey, 2025

Table 18 above shows that 47.2% of the respondents strongly agreed that road infrastructural policies of the government and transportation cost affect the growth of small and medium scale enterprises in Abakaliki metropolis, 37.4% were also in agreement, 2.1% of the respondents were undecided, 7.2%

disagreed, and 6.1% strongly disagreed. The result gathered shows that truly road infrastructural policies of the government and transportation cost affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Table 19: Government's infrastructural contribution to information communication and technological development affects the growth of small and medium scale enterprises in Ebonyi state.

Response	Frequency	Percentage (%)
Strongly Agree	189	50.1
Agree	123	33.0
Undecided	17	4.5
Disagree	29	7.7
Strongly Disagree	19	5.0
Total	377	100

Source: Field Survey, 2025

Table 19 above shows that 50.1% of the respondents strongly agree that government's infrastructural contribution to information communication and technological development affects the growth of small and medium scale enterprises in Abakaliki Metropolis, 33.0% of the respondents were also in agreement, 4.5% were

undecided, 7.7% disagreed, while 5.0% strongly disagreed. The high percentage of agreement from the respondents shows that government's infrastructural contribution to information communication and technological development affects the growth of small and medium scale enterprises in Abakaliki Metropolis, Ebonyi state.

Table 20: Government's infrastructural attention in agriculture, water supply, mining, and housing development affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi state.

Response	Frequency	Percentage (%)
Strongly Agree	191	50.7
Agree	129	34.2
Undecided	08	2.1
Disagree	31	8.2
Strongly Disagree	18	4.8
Total	377	100

Source: Field Survey, 2025

Table 20 above shows that 50.7% of the respondents strongly agreed that government's infrastructural attention in agriculture, water supply, mining, and housing development affects the growth of small and medium scale enterprises in Abakaliki metropolis, 34.2% also agreed, 2.1% were undecided, 8.2% disagreed, while

4.8% strongly disagreed. The high percentage of agreement from the distribution confirm that government's infrastructural attention in agriculture, water supply, mining, and housing development affects the growth of small and medium scale enterprises in Abakaliki Metropolis, Ebonyi State.

Table 21: Government priorities in social infrastructure, and security development affects the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi state.

Response	Frequency	Percentage (%)
Strongly Agree	117	31.0
Agree	160	42.4
Undecided	19	5.0
Disagree	45	11.9
Strongly Disagree	36	9.5
Total	377	100

Source: Field Survey, 2025

Table 21 above shows that 31.0% of the respondents strongly agree that government's priorities in social infrastructure and security development affects the growth of small and medium scale enterprises in Abakaliki metropolis, 42.4% also agreed, 5.0% were

undecided, 11.9% disagreed, while 9.5% strongly disagreed. The high percentage of agreement by the respondents corroborate that government's priority in social infrastructure and security development affects the growth of small and medium scale enterprises in Abakaliki

Metropolis, Ebonyi state.

Infrastructural development polices encourage employer - employee inclusivity and capacity building, and in turn the growth of small and medium scale enterprises in Abakaliki metropolis of Ebonyi State.

Test of hypotheses

Hypothesis One:

Step 1: Restating the Research Question:

1. What are the effects of government tax policies on the growth of small and

medium scale enterprises in Ebonyi State?

2. Step 2: Statement of Hypothesis:

H₀₁: Government tax policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

H_A₁: Government tax policies have a significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi state.

Step 3:

Table 22: Correlation between Government Tax Policies and Growth of SMEs

		Taxation Policies	Growth of SMEs
Taxation Policies	Pearson	1	.836**
	Correlation		
	Sig. (2-tailed)		.000
	N	377	377
Growth of SMEs	Pearson	.836**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	377	377

Source: SPSS 30.0

**. Correlation is significant at the 0.01 level of significance (2-tailed).

Step 4: Interpretation of decision taken

Table 22 shows that the P-Value of 0.000 is greater than the calculated P-value <0.05 of significance ($r = 0.836$; $p < 0.05$; $n = 377$). The study therefore rejected the null hypothesis that government tax policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State and accepted the alternate hypothesis that government tax policies have significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State. Government, therefore, needs to evaluate its different types of tax charges on SMEs within the state capital in order to encourage the growth and sustainability of small and medium scale

enterprises in Abakaliki metropolis, if not most SMEs within the state capital will not be able to continue to sustain their businesses.

Hypothesis Two

Step 1: Restating the research question:

To what extent does government infrastructural policies affect the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State?

Step 2: Statement of Hypothesis:

H₀₃: Government infrastructural policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Ha₃: Government infrastructural policies have significant effect on the growth of small

and medium scale enterprises in Abakaliki metropolis, Ebonyi State.

Step 3:

Table 23: Correlation between Government Infrastructural Policies and the Growth of SMEs

		Infrastructural Growth of Policies	SMEs
Infrastructural Policies	Pearson		1
	.921**		
	Correlation		
	Sig. (2-tailed)		.000
	N	377	377
Growth of SMEs	Pearson	.921**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	377	377

Source: SPSS 30.0

****.** Correlation is significant at the 0.01 level of significance (2-tailed).

Step 4: Interpretation of decision taken

The table above shows that the P-Value of 0.000 is greater than the calculated P-value < 0.05 of significance ($r = 0.921$; $p < 0.05$; $n = 377$). The study rejected the null hypothesis that government infrastructural policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State, and accepted the alternate hypothesis that government infrastructural policies have significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State. Government must therefore see the need to pay urgent attention to infrastructural development within the state capital to encourage the growth of SMEs in Abakaliki metropolis, Ebony state.

Discussion of Findings

The first objective of this study was to examine the effect of government taxation policy on the growth of SMEs in Abakaliki metropolis of Ebonyi State. The test of hypothesis one of the study showed rejection of the null hypothesis that

government tax policies have no significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State and the acceptance the alternate hypothesis that government tax policies have significant effect on the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi State. This implies that government must evaluate its different types of tax charges on SMEs within the state and Abakaliki metropolis in particular in order to encourage the growth and sustainability of small and medium scale enterprises in Abakaliki metropolis. Otherwise, most SMEs within the state capital will not be able to continue to sustain their businesses talk less of experiencing growth.

Regarding the second objective of determining the effect of Government infrastructural policies on the growth of SMEs in Abakaliki metropolis. The second hypothesis in the study rejected the null hypothesis that government infrastructural policies have no significant effect on the growth of small and medium scale enterprises in

Abakaliki metropolis, Ebonyi State, and accepted the alternate hypothesis that government infrastructural policies have significant effect on the growth of small and medium scale enterprises in the metropolis. This means that government infrastructural performance and policies are very poor in terms of accessible roads, telecommunication developments, electricity etc, and it is making it difficult for SMEs within the state capital to effectively do businesses like in other places. Government must therefore see the need to pay urgent attention to infrastructural development within the state capital to encourage the growth of SMEs in Abakaliki metropolis, Ebony state.

Conclusion

The study concluded that:

Generally, the relationship between government policies and the growth of small and medium scale enterprises in Abakaliki metropolis, Ebonyi state was very weak, especially in terms of taxation policies and infrastructural investment policies. This weak and poor policies of the government hinder the growth of small and medium scale enterprises in the state capital in terms of positive measurable improvement in the financial performance, business size and expansion, staff numerical strength, innovation and managerial capability.

The study further indicated that small and medium scale enterprises in Abakaliki metropolis lack competitive edge as the necessary infrastructural amenities like accessible roads, constant electricity supply, availability of pipe borne water, high tech telecommunication and network tools.

Recommendations

Given the findings and conclusion drawn, the researcher recommends:

1. That tax breaks and tax exemptions are very necessary for the sustainable growth of small and medium scale enterprises within Abakaliki metropolis, Ebonyi state. Therefore, the government should review the tax policies in the state to reduce the burden of costly and multiple taxations on small and medium scale enterprises operating within the state capital, especially those in agro-based businesses, catering services and bakery operators which was the focus area of the researcher. This will lead to a better performance by and overall growth of SMEs in Abakaliki metropolis, Ebonyi state.
2. That infrastructural development is key to the growth and survival of small and medium scale enterprises in Abakaliki metropolis. When the right infrastructural arrangements are in place, it will reduce the cost of production and cost of business operations, improve service delivery, and eliminate supply delay. Therefore, the government must invest in infrastructural development by building major roads, improve electricity supply, make available pipe borne water, and improve telecommunication and network services within the state capital. This will lessen the burden experienced by small and medium scale enterprises in the course of doing business in Abakaliki metropolis, especially those into agro-based businesses, catering services, and bakery businesses who are the main focus of this study.

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