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# Impact of Selected Government Policies on Sustainability of Small and Medium Enterprises (SMEs) in North Central Nigeria

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**Abstract:** *The aim to systematically investigate the impact of selected government policies on the sustainability of SMEs in North Central Nigeria. The study adopted a cross-sectional research design to collect data at a single point in time, enabling an assessment of the impact of government policies on the sustainability of SMEs in North Central Nigeria. The study focuses on SMEs operating across states in Nigeria's North-central geopolitical zone, specifically Benue, Kogi, Kwara, Nasarawa, Niger, Plateau, and the Federal Capital Territory (FCT). The population consists of SMEs classified by SMEDAN (Small and Medium Enterprise Development Agency of Nigeria) across the selected states is 218,434, with variations in distribution. Thus, using Yamane's method, the sample sizes for each state range from 393 to 394. Stratified random sampling is adopted to ensure proportional representation across SME subgroups, minimizing bias and enhancing generalizability. This study rely exclusively on primary data collected through a structured survey to address the research objectives. This study employed multiple regression analysis to examine the impact of government policies on the sustainability of medium enterprises in North Central Nigeria. Based on the comprehensive data analysis, the following conclusions are drawn, Infrastructure Support Policy is the most significant positive predictor of SME sustainability. Labour and Employment Regulation Policies have a statistically significant negative impact on sustainability. Technology and Digital Transformation Policies have a strong, significant positive impact on sustainability. In light of the conclusions, the following actionable recommendations are proposed: Policymakers must treat infrastructure, especially Stable Electricity and Transportation Networks, as a non-negotiable foundation for economic growth. The government should develop and implement a Differentiated and Flexible Labour Policy Framework for SMEs. To bridge the digital divide, policy should focus on Decentralizing Digital Transformation Initiatives. This involves establishing and funding tech hubs and digital literacy training centers in less developed states (e.g., Benue, Kogi) and providing targeted tax breaks for SMEs investing in approved digital tools and e-commerce platforms.*

**Keywords:** government policies, sustainability, infrastructure support, labour, digital transformation

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## INTRODUCTION

Government policies play a pivotal role in shaping the operational landscape of these enterprises, influencing factors such as regulatory compliance, taxation, financial incentives, infrastructure support, trade promotion, labour regulations, and technological advancement. Understanding the multifaceted impact of these policies is essential for fostering a conducive environment that promotes the longevity and growth of medium enterprises. Globally, the regulatory compliance burden imposed by government policies significantly affects the sustainability of medium enterprises. Excessive regulations can stifle innovation and hinder operational efficiency, leading to increased costs and reduced competitiveness. Conversely, streamlined regulatory frameworks have been shown to enhance business performance and sustainability. For instance, a study by the World Bank (2022) found that countries with simplified business regulations experienced higher rates of SME growth and sustainability. Similarly, research by Akang (2024) indicates that reducing bureaucratic hurdles can lead to improved business outcomes for medium enterprises.

Labor and employment regulation policies significantly impact the operational efficiency of medium enterprises. Globally, flexible labour laws have been associated with higher SME productivity and sustainability. The International Labour Organization (2022) reports that SMEs operating in countries with adaptable labour regulations tend to perform better. In Africa, rigid labour laws can pose challenges for SMEs. A study by Ncube and Kanyenze (2023) indicates that labour market rigidities in Southern Africa have adversely affected SME growth. Technology and digital transformation policies are increasingly influencing the sustainability of medium enterprises. Globally, governments that promote digital adoption among SMEs have witnessed enhanced business performance and competitiveness. The OECD (2023) reports that digitalized SMEs are more resilient and adaptable to market changes. In Africa, digital transformation is gaining momentum, with governments implementing policies to support SME digitalization. For instance, Rwanda's ICT policies have facilitated significant digital adoption among SMEs, leading to improved business outcomes (World Bank, 2023).

In Nigeria, medium enterprises constitute a substantial part of the economy, contributing significantly to employment and GDP. However, the impact of government policies on their sustainability is multifaceted. Regulatory compliance burdens, such as complex business registration processes, have been identified as barriers to SME growth (Olawale & Garwe, 2022). Taxation policies also play a critical role; high tax rates and cumbersome tax administration can hinder SME profitability (Fagbemi & Abogun, 2023). Moreover, while financial incentives exist, access remains a challenge for many medium enterprises (Adebisi & Gbegi, 2022). Infrastructure support in Nigeria is another critical area affecting SME sustainability. Inadequate power supply, poor transportation networks, and limited access to technology pose significant challenges (Eneh, 2023). Trade and export promotion policies are evolving, yet many medium enterprises struggle to penetrate international markets due to limited support and resources (Onugu, 2022). Labour and employment regulations, coupled with a rapidly changing technological landscape, further complicate the operating environment for these enterprises (Okpara, 2023).

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Despite the potential of these enterprises to drive economic growth, create jobs, and foster innovation, they continue to face numerous challenges that hinder their long-term survival. Among these challenges, the regulatory compliance burden, inefficient taxation systems, limited access to financial incentives, inadequate infrastructure, and insufficient technological support have been identified as key barriers to sustainability (Olawale & Garwe, 2022; Fagbemi & Abogun, 2023; Adebisi & Gbegi, 2022). Moreover, the lack of a coherent framework for addressing these challenges exacerbates the difficulties faced by medium enterprises in the region, which requires urgent attention from policymakers. Government policies, though intended to foster economic development, often present significant obstacles for medium enterprises due to their complexity and inconsistency. Regulatory compliance requirements can impose substantial costs on enterprises, diverting resources away from productive activities and stifling growth (World Bank, 2022). For instance, bureaucratic delays and cumbersome registration processes have been cited as major hindrances to business operations in Nigeria (Olawale & Garwe, 2022). These regulatory inefficiencies not only increase operational costs but also reduce the competitiveness of medium enterprises in both domestic and international markets, thereby affecting their sustainability. While some countries have successfully streamlined regulations to improve SME performance, the situation in Nigeria remains problematic, particularly in North Central Nigeria.

Infrastructure, or the lack thereof, plays a pivotal role in the sustainability of medium enterprises in North Central Nigeria. Inadequate electricity supply, poor road networks, and limited access to communication technologies are major constraints that undermine the operational efficiency of SMEs in the region (Eneh, 2023). These infrastructure deficits lead to high production costs, delays in delivery, and limited market access, which significantly reduce the competitiveness of medium enterprises. A study by the African Development Bank (2023) highlights that poor infrastructure remains one of the most critical challenges to business sustainability in Sub-Saharan Africa, with Nigeria being one of the worst affected countries. Inadequate infrastructure limits the ability of SMEs to scale up their operations, limiting their contribution to economic growth.

In addition to the infrastructural challenges, technological adoption remains an ongoing issue for medium enterprises in North Central Nigeria. Despite the global shift towards digitalization, many SMEs in the region continue to face difficulties in adopting and integrating new technologies due to a lack of policy support and resources (OECD, 2023). Government policies aimed at fostering digital transformation are often either poorly implemented or inaccessible to smaller businesses. Research by the World Economic Forum (2022) suggests that digital transformation policies are crucial for improving the productivity and sustainability of SMEs, particularly in emerging economies. However, without adequate policy frameworks, medium enterprises in North Central Nigeria will continue to lag in technological advancement, thereby compromising their ability to compete in both local and global markets. Labour and employment regulations also play a critical role in determining the sustainability of medium enterprises in North Central Nigeria. Rigid labour laws and high employee costs can make it difficult for SMEs to hire the talent they need to innovate and grow (Okpara, 2023). The complexity of labour regulations and the high cost of compliance often discourage medium enterprises from expanding their workforce or investing in skills development. As a result, many SMEs struggle to enhance their productivity and

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Publication of the European Centre for Research Training and Development-UK competitiveness. The International Labour Organization (2022) argues that labour market flexibility is key to enhancing SME sustainability, yet Nigeria's labour market remains overly regulated, hindering the ability of medium enterprises to grow and innovate effectively.

A significant policy gap exists in the context of government support for SMEs in North Central Nigeria. Despite the recognition of SMEs as engines of economic growth, government policies have often been piecemeal, lacking coherence and alignment with the unique challenges faced by medium enterprises in the region (Eze & Okafor, 2023). Contextual gaps further compound the challenges faced by medium enterprises in North Central Nigeria. These gaps include the regional disparities in policy implementation, lack of capacity within local institutions, and the absence of region-specific data that could inform targeted interventions. The North Central region, characterized by its diverse economic base and socio-political landscape, requires policies that consider local contexts and the specific needs of businesses operating within it (Onwumere, 2023). However, national policies are often implemented without considering these local nuances, leading to uneven impacts across regions. The lack of a clear understanding of the regional context results in policies that are ineffective and disconnected from the realities of businesses on the ground. This contextual gap necessitates a more region-specific approach to policy formulation and implementation to ensure that medium enterprises can thrive in North Central Nigeria. The aim of this study is to systematically investigate the impact of selected government policies on the sustainability of medium enterprises in North Central Nigeria. Specifically, the study analyzes how infrastructure support policy, labour and employment regulation and technology and digital transformation policies on the sustainability of small and medium enterprises in North Central Nigeria.

The null hypotheses presented below are designed to be tested, with the aim of either rejecting or failing to reject them based on the research findings.

**H<sub>0</sub>1:** Infrastructure support policy does not significantly impact the sustainability of medium enterprises in North Central Nigeria.

**H<sub>0</sub>2:** Labour and employment regulation policies do not significantly impact the sustainability of medium enterprises in North Central Nigeria.

**H<sub>0</sub>3:** Technology and digital transformation policies have no significant impact on the sustainability of medium enterprises in North Central Nigeria.

The significance of this study is multifaceted, offering valuable contributions to academic knowledge, business practice, policy development, socio-economic development, and environmental sustainability in North Central Nigeria. Academically, this research will fill existing gaps by providing empirical data on the sustainability challenges faced by medium-sized enterprises in the region. Such data is currently limited, and this study will serve as a foundation for future scholarly work, fostering a deeper understanding of the factors influencing business sustainability in similar contexts.

## **LITERATURE REVIEW**

### **Conceptual Review**

#### **Government Policies**

Fapohunda (2022) 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. These policies aim to create a favorable business environment, thereby ensuring that SMEs thrive and contribute significantly to the economy. Through providing targeted support through fiscal measures, monetary initiatives, and streamlined regulatory frameworks, government policies offer SMEs the resources and opportunities to scale their operations. Gambo et al (2025) opined that Government policy is fiscal measures, which include tax incentives and exemptions. These policies provide much-needed financial relief to SMEs, enabling them to reinvest in critical areas such as infrastructure, workforce development, and product innovation. Oviatt and McDougall (2020) defines a policy as a strategic framework of agreed-upon actions adopted by a group, organization, or political entity to guide decision-making and behaviour. In the realm of business, policies can be classified into internal and external categories. Internal policies, also known as business policies, delineate the operational guidelines and procedures governing the conduct of business activities, typically established by the owners and management of the enterprise. Government policies play a pivotal role in shaping the operational landscape of medium-sized enterprises (MEs) in Nigeria. These policies encompass a range of legislative and regulatory frameworks that directly impact various facets of business operations, including taxation, access to finance, infrastructure development, and trade regulations. The Nigerian government has implemented several initiatives aimed at fostering the growth of small and medium-sized enterprises (SMEs), recognizing their critical contribution to economic development. For instance, the establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was designed to provide support and create an enabling environment for SMEs (Segun et al., 2024). Despite these efforts, the effectiveness of government policies in promoting SME growth remains a subject of ongoing debate.

#### **Infrastructure Support Policy**

Infrastructure support policy refers to government initiatives and frameworks aimed at developing and maintaining physical and technological infrastructures that facilitate business operations. These policies are critical for economic development, especially for Small and Medium Enterprises (SMEs), as infrastructure serves as the foundation for efficient production, distribution, and service delivery (Chukwuma et al., 2020; Adebayo & Olayemi, 2021). Access to reliable infrastructure, including transportation networks, energy supply, water systems, and digital infrastructure, is essential for SMEs to operate efficiently and remain competitive. Poor infrastructure is often cited as a significant constraint to business growth, particularly in developing economies, where businesses face challenges such as

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unreliable electricity supply, inadequate transportation systems, and limited access to broadband internet (Adeleke et al., 2022; Afolabi & Oladipo, 2021).

Transportation infrastructure, such as roads, railways, ports, and airports, enables businesses to move goods and services efficiently and access broader markets. For SMEs, access to well-maintained transportation networks reduces logistics costs, minimizes delays, and enhances supply chain efficiency. Studies show that SMEs located in regions with better transportation infrastructure are more likely to experience higher growth rates due to improved market accessibility (Adedeji & Olatunji, 2023). Governments often invest in road construction, maintenance, and public transportation systems to support SMEs in reaching their customers and suppliers. Stable and affordable energy supply is another critical component of infrastructure support policy. Frequent power outages and high energy costs are significant barriers to SME productivity in many developing countries, forcing businesses to rely on expensive alternatives such as diesel generators (Chukwuma et al., 2020). Government policies aimed at expanding access to renewable energy sources, modernizing electricity grids, and providing subsidies for energy use can significantly reduce operational costs for SMEs and enhance their competitiveness (Adeleke et al., 2022).

In today's digital age, access to high-speed internet and digital tools is crucial for SMEs to engage in e-commerce, digital marketing, and remote operations. Government policies supporting the expansion of broadband connectivity, particularly in underserved and rural areas, are essential for bridging the digital divide and enabling SMEs to adopt digital technologies (Afolabi & Oladipo, 2021; Nwachukwu et al., 2022). Programs such as tax incentives for technology adoption, subsidized internet services, and digital literacy training can further enhance SME performance in a technology-driven economy. For SMEs in industries such as manufacturing, agriculture, and food processing, access to reliable water and sanitation systems is essential for maintaining production quality and meeting regulatory standards. Government investments in water infrastructure, including dams, pipelines, and wastewater treatment plants, can ensure that businesses have consistent access to clean water and efficient waste disposal systems (Adebayo & Olayemi, 2021).

While infrastructure support policies are vital for SME growth, their implementation often faces challenges such as limited funding, corruption, and mismanagement. Inadequate infrastructure development can create bottlenecks, reduce productivity, and increase operational costs for SMEs (Adeleke et al., 2022). Governments must prioritize transparency and accountability in infrastructure projects, ensuring that resources are allocated efficiently and infrastructure investments are aligned with the needs of businesses (Chukwuma et al., 2020). Public-private partnerships (PPPs) are a proven strategy for overcoming infrastructure development challenges. By collaborating with private sector stakeholders, governments can leverage additional funding, technical expertise, and innovation to deliver high-quality infrastructure projects. Additionally, policymakers should involve SMEs in infrastructure planning to ensure that their specific needs are addressed, such as access to affordable energy, reliable internet, and efficient transportation networks (Afolabi & Oladipo, 2021; Nwachukwu et al., 2022). Infrastructure support policies are a cornerstone of economic growth and SME development. By investing in transportation, energy, digital infrastructure, and water systems, governments can create an enabling

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Publication of the European Centre for Research Training and Development-UK environment for businesses to thrive. However, addressing challenges in policy implementation, ensuring transparency, and fostering collaboration with private sector actors are critical for maximizing the impact of these policies. Effective infrastructure support policies not only enhance SME productivity but also contribute to broader economic development by improving connectivity, reducing costs, and promoting innovation (Adebayo & Olayemi, 2021; Chukwuma et al., 2020).

### **Labour and Employment Regulation Policies**

Labour and employment regulation policies are central to the overall business environment, significantly influencing the operations and competitiveness of Small and Medium Enterprises (SMEs). These regulations, which cover wage determination, working conditions, employee rights, job security, and benefits, ensure that businesses operate within a framework that protects the interests of workers while also posing specific challenges for businesses, especially in developing economies like Nigeria (Akinyemi & Durojaiye, 2021; Abiola & Sulaimon, 2022). In SMEs, these policies can either act as enablers of long-term stability and growth or as barriers due to their complexity and cost implications (Eze & Okwuosa, 2021). Labour laws aim to safeguard workers' rights, ensure fair wages, and provide for safe working conditions. These regulations, including minimum wage legislation, working hours, paid leave, and occupational health standards, are essential for fostering a fair business environment. For SMEs, adherence to these laws can enhance employee morale and productivity, thereby contributing to long-term sustainability (Akinyemi & Durojaiye, 2021). By ensuring that businesses meet minimum employee welfare standards, labour regulations help in reducing the occurrence of labor disputes, ensuring compliance with international labor standards, and improving business reputation (Nwachukwu & Okafor, 2022). While labour regulations serve to protect workers, they often impose significant challenges for SMEs. Compliance with employment regulations, including the payment of statutory benefits such as health insurance and pension schemes, can create financial pressures for SMEs that already face budget constraints (Ogunyemi & Ajiboye, 2021; Fapohunda, 2022). Additionally, the burden of navigating complex legal frameworks and the administrative costs associated with labour law compliance may deter SMEs from formalizing employment relationships or expanding their workforce (Dike & Akinyemi, 2021). SMEs are often unable to absorb the added costs of meeting these regulatory requirements, which may lead to reduced profitability and hinder growth (Adebayo & Igbalajobi, 2023).

Employment flexibility is another issue that SMEs face in light of rigid labour laws. Many SMEs rely on flexible, temporary, or part-time contracts to meet changing market demands. However, stringent labour regulations that emphasize long-term contracts and job security could limit the ability of SMEs to adjust their workforce according to operational needs (Eze & Okwuosa, 2021). According to Uche & Okafor (2022), in an environment where labour laws enforce strict employment rules, SMEs may be unable to hire seasonal workers or quickly scale down their workforce in response to fluctuating demand. This inflexibility can lead to inefficiency and reduce SMEs' capacity to compete with larger firms, which have more resources to comply with stringent labour regulations. Labour laws often mandate that businesses provide various employee benefits such as health insurance, pension schemes, and paid leave. While these regulations are essential for ensuring worker welfare, they can be financially burdensome for SMEs, especially those that operate with limited resources (Fapohunda, 2022; Adebayo & Igbalajobi, 2023).

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SMEs, which are more likely to face cash flow challenges, may struggle to offer competitive employee benefits in the same way that larger businesses can. Furthermore, SMEs may not have the expertise or infrastructure to effectively manage these complex benefits, thus creating additional administrative burdens (Okafor & Oyebanji, 2022).

One of the key factors influencing the growth and competitiveness of SMEs is the flexibility of the labour market. For SMEs to succeed, they must be able to adjust their workforce quickly in response to market conditions. Rigid labour laws that impose constraints on firing employees or adjusting working hours can limit the ability of SMEs to adapt to economic fluctuations (Nwachukwu & Okafor, 2022). On the other hand, labour market flexibility, where businesses can hire or lay off workers based on demand, promotes a dynamic and responsive business environment that is conducive to SME growth (Akinyemi & Durojaiye, 2021; Abiola & Sulaimon, 2022). Governments that introduce policies that balance worker protection with labour market flexibility will help foster the growth of SMEs and improve employment opportunities (Dike & Akinyemi, 2021). Labour and employment regulation policies are vital for protecting the rights of workers and ensuring fair working conditions. However, for SMEs, these policies can present both challenges and opportunities. While compliance with labour regulations can increase costs and reduce flexibility, it also provides a foundation for building a motivated, productive workforce that drives business growth. Governments must ensure that labour laws strike a balance between worker protection and the operational flexibility needed by SMEs.

### **Technology and Digital Transformation Policies**

Technology and digital transformation policies are essential drivers of innovation and competitiveness, especially for Small and Medium Enterprises (SMEs). These policies aim to create an environment where businesses can harness technological advancements to enhance operations, improve efficiency, and expand market reach. Globally, governments are incorporating digital transformation into development strategies to ensure SMEs benefit from technological progress (OECD, 2021; World Bank, 2022). In Nigeria, policies like the National Digital Economy Policy and Strategy (2020–2030) aim to enable SMEs to adopt advanced technologies and build capacity for sustainable digital transformation (National Information Technology Development Agency [NITDA], 2022). A significant component of these policies is the development of digital infrastructure. Access to reliable and affordable internet services is critical for the digital transformation of SMEs. For instance, Nigeria's National Broadband Plan (2020–2025) focuses on expanding internet penetration, particularly in rural and underserved areas, where many SMEs operate. Improved broadband access empowers SMEs to adopt digital tools like e-commerce platforms, digital payment systems, and cloud-based solutions, which enhance operational efficiency and scalability (Adebayo & Eze, 2021). However, the digital divide between urban and rural areas continues to hinder the broader implementation of these policies, necessitating targeted investments in rural connectivity (Ajayi & Fadeyi, 2022).

Another crucial aspect of technology policies is the emphasis on capacity building and digital skills development. Rapid technological changes require SMEs to continually upgrade their knowledge and workforce capabilities. Training programs, workshops, and collaborations with academic institutions are

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integral to equipping SME operators with the skills needed for successful digital transformation. For instance, NITDA's Digital Nigeria Program offers training in areas such as artificial intelligence, cybersecurity, and digital marketing to enable SMEs to fully utilize technological tools (NITDA, 2022). These efforts are vital in building a workforce that is prepared to adapt to the demands of a technology-driven economy.

Government-supported initiatives, such as innovation hubs and technology parks, also play a key role in SME development. These hubs provide SMEs with access to cutting-edge technology, mentorship, and funding opportunities to foster innovation. Examples include the Lagos Innovation Hub and Abuja Technology Village, which serve as incubators for start-ups and SMEs to develop and commercialize innovative solutions (Ogunyemi & Adewale, 2021). These policies encourage entrepreneurial growth and technological adoption, providing SMEs with the resources to remain competitive in a dynamic business environment. Despite these efforts, several challenges undermine the effectiveness of technology and digital transformation policies. Limited access to funding, inadequate digital infrastructure, and low awareness of government programs hinder SMEs from fully leveraging technology. These challenges are particularly pronounced in rural areas, where connectivity and digital literacy levels are often lower (Adebayo & Eze, 2021). Addressing these issues requires inclusive policies that ensure all SMEs, regardless of location, have access to the tools and resources needed for digital transformation.

To maximize the impact of technology and digital transformation policies, policymakers should prioritize expanding digital infrastructure, particularly in rural areas, and provide financial incentives for SMEs investing in digital tools. Strengthening digital literacy programs and enhancing collaboration between government agencies, academia, and the private sector are also critical. Such measures will ensure that SMEs can effectively navigate the digital economy and contribute to national economic development (Ajayi & Fadeyi, 2022; Federal Ministry of Communications and Digital Economy, 2021). Technology and digital transformation policies are vital for fostering innovation, increasing productivity, and enhancing global competitiveness among SMEs. While initiatives like the National Digital Economy Policy and Strategy and the National Broadband Plan have laid a strong foundation for SME growth in Nigeria, addressing challenges like funding constraints and the digital divide remains critical. By implementing inclusive and targeted policies, the government can enable SMEs to leverage technology for sustainable growth and economic progress (OECD, 2021; Adebayo & Eze, 2021).

### **Sustainability**

The concept of the triple bottom line (TBL), which integrates environmental, social, and economic sustainability, has become a guiding framework for SMEs globally (Adekunle et al., 2023). Research shows that SMEs implementing the TBL approach experience enhanced brand reputation, increased customer loyalty, and better financial performance (Bamidele & Yusuf, 2023). Nigerian SMEs are gradually embracing this model, driven by the demand for sustainable products and services both locally and internationally (Ogunyemi & Salako, 2023). While sustainability offers numerous benefits, SMEs face several obstacles in adopting sustainable practices. These challenges include inadequate infrastructure, lack of awareness, and insufficient government support (Okon & Idowu, 2022). Addressing

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these barriers requires collaborative efforts from governments, private sector players, and international organizations. For example, initiatives such as the Green Energy Fund introduced in 2023 aim to provide SMEs with affordable financing for sustainable energy projects (Federal Ministry of Finance, 2023). Similarly, capacity-building programs and awareness campaigns have been launched to educate SMEs about the benefits of sustainability (UNDP Nigeria, 2022).

Government policies and international frameworks play a pivotal role in promoting sustainability. Policies such as Nigeria's Energy Transition Plan (2022) encourage SMEs to adopt renewable energy solutions, while the United Nations Sustainable Development Goals (SDGs) provide a global benchmark for sustainable business practices (UN, 2023). These initiatives have been instrumental in fostering a culture of sustainability among SMEs, enabling them to compete in global markets and contribute to national development (Abubakar & Olatunde, 2023). Sustainability is no longer optional but a strategic necessity for SMEs aiming to thrive in an evolving global market. Environmental, social, and economic sustainability must be integrated into SME operations to achieve long-term growth and resilience. Nigerian SMEs, despite facing challenges, are gradually aligning with global sustainability trends through the adoption of innovative practices and leveraging government support. Collaborative efforts are essential to overcome barriers and create an enabling environment for sustainable SME development. By embracing sustainability, SMEs can drive economic growth, enhance social equity, and mitigate environmental impacts, positioning themselves as key contributors to Nigeria's development agenda (Ojo et al., 2023; Ibrahim & Musa, 2022).

### **Business Growth**

Business growth is a critical indicator of a company's success and sustainability, referring to the measurable expansion of an organisation's operational scale, revenue, market share, and profitability over time. It reflects a company's ability to adapt, innovate, and thrive in competitive environments. Business growth is influenced by both internal factors, such as strategic planning and resource optimisation, and external factors, including market dynamics and regulatory policies (Zhou et al., 2024; Bhagyalakshmi et al., 2023). Conceptually, business growth encompasses multiple dimensions, such as financial, operational, and market growth. Financial growth involves increases in revenue and profitability, while operational growth refers to scaling production capacity and optimising internal processes. Market growth includes geographic expansion, customer base enlargement, and brand strengthening (Gonzales Centon et al., 2023; Volodina & Trachenko, 2024). From an entrepreneurial perspective, business growth is closely tied to innovation and resource efficiency. Entrepreneurs leverage technological advancements, like digital tools and data analytics, to drive scalability and enhance competitiveness. For instance, sustainable growth strategies, as observed in Chinese ESG-oriented companies, highlight the integration of environmental, social, and governance principles to achieve profitability while mitigating risks (Volodina & Trachenko, 2024).

Globally, the factors influencing business growth vary across industries and regions. For example, firms in developed economies often focus on innovation-driven growth, while those in emerging markets prioritise overcoming structural challenges like access to capital and regulatory compliance (Daraojimba

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Publication of the European Centre for Research Training and Development-UK et al., 2023; Chao, 2024). Studies in Peru and China reveal that factors such as effective financial management, strategic marketing, and external market conditions significantly influence business development (Gonzales Centon et al., 2023; Chao, 2024). In Nigeria, business growth, particularly among SMEs, is hindered by challenges such as inadequate access to finance, poor infrastructure, and a lack of technical expertise. However, the adoption of strategic partnerships, innovative financing models, and capacity-building initiatives has been shown to foster resilience and expansion (Nguyen et al., 2023; Daraojimba et al., 2023). SMEs that adopt customer-focused strategies and leverage technology often experience accelerated growth, contributing to broader economic development (Fidiantowi & Sukarno, 2023). This study conceptualises business growth as a multidimensional construct influenced by internal capabilities and external opportunities. By examining its relationship with government policies, this research aims to provide actionable insights into enhancing the growth potential of SMEs in North Central, Nigeria.

### **Theoretical Review**

Institutional theory provides a comprehensive framework for understanding how institutional structures, including government policies and regulations, shape organizational behaviour and influence sustainability. At its core, institutional theory emphasizes the role of formal and informal institutions in constraining and enabling organizational practices. These institutions, which include laws, regulations, cultural norms, and social expectations, are seen as the rules of the game that organizations must navigate to survive and thrive (Scott, 2022). The theory posits that organizations do not operate in a vacuum; rather, they are embedded within a broader social, economic, and political environment that influences their behaviour, decision-making, and performance. This perspective is particularly relevant for understanding how small and medium-sized enterprises (SMEs) in North Central Nigeria respond to government policies aimed at promoting their sustainability.

One of the key elements of institutional theory is the concept of "institutional isomorphism," which suggests that organizations within the same institutional field tend to adopt similar practices and structures over time, often due to coercive, normative, or mimetic pressures (DiMaggio & Powell, 2023). Coercive isomorphism arises from formal regulations, laws, and policies imposed by governments or other powerful entities. Normative isomorphism refers to pressures that come from professional standards, networks, and educational systems, while mimetic isomorphism involves imitation of successful organizations or strategies. For SMEs, government policies represent a key source of coercive isomorphism, as these businesses must comply with regulatory frameworks in order to operate legally and access resources. Institutional theory, therefore, provides valuable insight into how the government's regulatory environment shapes SMEs' behaviour and strategies.

The relevance of institutional theory to this study lies in its ability to explain how government policies influence SMEs' sustainability. In particular, government policies related to financing, taxation, labour regulations, and market access can significantly impact the performance and long-term survival of SMEs. The theory highlights the importance of compliance with government regulations and the role of government in shaping the external environment that SMEs operate within. For instance, policies that

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support access to finance, provide tax incentives, or promote digitalization can enhance SMEs' capacity to innovate and adapt to changing market conditions, thus contributing to their sustainability (Meyer et al., 2024). Conversely, restrictive or burdensome regulations may limit SMEs' growth potential and undermine their ability to thrive in a competitive marketplace.

Another key tenet of institutional theory is the idea of "organizational legitimacy," which refers to the social acceptance of an organization's actions and its alignment with societal values and norms (Suchman, 2022). SMEs in North Central Nigeria must navigate various institutional pressures to maintain their legitimacy. Government policies, especially those related to corporate governance, environmental sustainability, and social responsibility, are critical in shaping SMEs' legitimacy in the eyes of the public, investors, and other stakeholders. By complying with these policies, SMEs not only fulfil regulatory requirements but also enhance their reputation and access to resources, such as funding, partnerships, and market opportunities. The theory thus underscores the importance of aligning organizational practices with government expectations and societal norms, which is essential for ensuring long-term sustainability.

The dynamic nature of government policies in Nigeria further strengthens the relevance of institutional theory to this study. Over time, the Nigerian government has implemented various policies aimed at supporting SMEs, such as initiatives for financial inclusion, business incubation programs, and regulatory reforms aimed at improving the ease of doing business (Adeola & Mavundla, 2022). Institutional theory helps to contextualize these policy shifts, examining how SMEs adjust their strategies and operations in response to evolving regulatory requirements. For example, when the government introduces new tax policies or financial incentives, SMEs must adapt their business models to comply with these changes while also leveraging the opportunities these policies create. Institutional theory, therefore, offers a useful lens for analyzing how SMEs in North Central Nigeria navigate the complex policy landscape and adjust their operations to align with the institutional environment.

A key contribution of institutional theory to this study is its focus on the role of institutional change in shaping organizational behaviour. Government policies are often subject to change in response to shifting economic, political, and social conditions. For SMEs, adapting to these changes is essential for maintaining their competitiveness and ensuring their survival. Institutional theory offers insight into how SMEs manage such transitions by adopting new practices or adjusting their operations to comply with new regulations. This is particularly important in the context of North Central Nigeria, where political and economic fluctuations can lead to sudden shifts in government priorities and policies. Understanding how SMEs react to these changes and how they maintain their legitimacy and compliance is crucial for assessing their long-term sustainability.

Furthermore, institutional theory emphasizes the importance of the broader institutional environment, which includes not only government policies but also cultural and social factors that influence organizational behaviour. In Nigeria, SMEs must navigate a complex web of cultural norms, social expectations, and traditional practices that shape how businesses operate. These factors can either facilitate or hinder the implementation of government policies. For example, SMEs in North Central Nigeria may face challenges in complying with government policies if these policies conflict with local cultural

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practices or if there is a lack of trust in government institutions. Institutional theory helps to illuminate how these social and cultural dynamics intersect with formal regulatory frameworks to influence SMEs' ability to thrive.

The institutional environment in North Central Nigeria also includes the role of external stakeholders such as banks, industry associations, and international partners. Institutional theory suggests that SMEs' interactions with these external stakeholders are shaped by the broader institutional context, which includes government policies, legal frameworks, and market conditions. For example, if the government enacts policies that promote financial inclusion and access to credit, SMEs may benefit from increased access to capital, which can enhance their sustainability. Conversely, if the institutional environment is characterized by weak financial institutions or inconsistent enforcement of regulations, SMEs may struggle to access the resources they need to grow and expand. Institutional theory, therefore, provides a comprehensive framework for understanding how SMEs in North Central Nigeria interact with both formal and informal institutions to ensure their survival and growth.

A significant advantage of adopting institutional theory for this study is its ability to capture the complexity of government policies and their effects on SMEs. Unlike other theories that may focus solely on individual-level behaviours or organizational structures, institutional theory accounts for the broader societal forces that shape organizational outcomes. This is particularly important in the context of SMEs in developing economies, where government policies play a central role in shaping business practices. Institutional theory allows for a holistic analysis of how SMEs in North Central Nigeria respond to government regulations, societal norms, and economic conditions, providing a deeper understanding of the factors that influence their sustainability.

### **Empirical Review**

A study by the International Policy Brief Series (2024) evaluated the impact of government roles on the business sustainability of selected SMEs in Ogun State, Nigeria. The independent variables included infrastructure, security, government policy, and financial support, while the dependent variable was business sustainability, measured through economic and governance metrics. Data were collected from 381 SMEs, and multiple regression analysis was performed. The results indicated that infrastructure, security, and government policy significantly affect economic sustainability. Despite providing valuable insights, the study's focus on Ogun State limits its applicability to North Central Nigeria, underscoring the need for region-specific research on government policy impacts.

Anyanga, Jugurnath, and Maalu (2024) investigated the impact of financial technology (FinTech) on entrepreneurship in Kenya. The independent variable was FinTech adoption, measured through firm age, formality status, gender, education level, innovation, and access to credit. The dependent variable was entrepreneurial growth, assessed by the increase in business establishments. The study utilized data from Kenyan enterprises, applying propensity score matching for analysis. Findings indicated that FinTech adoption significantly influences entrepreneurial growth, promoting opportunity entrepreneurship and reducing necessity entrepreneurship. The study suggests that government policies should prioritize

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Publication of the European Centre for Research Training and Development-UK digitalization and digital entrepreneurship, reduce informality, bridge the gender gap in digitalization, and close access to credit gaps. However, the research did not specifically address the impact of government policies on the sustainability of medium enterprises in North Central Nigeria, indicating a gap for future studies to explore the role of FinTech in this context.

Kamau and Waweru (2024) examined the role of government spending in fostering economic development in Kenya. The independent variable was government spending, categorized into sectors such as infrastructure, education, and health. The dependent variable was economic development, assessed through GDP growth and employment rates. The study employed time-series data from national statistics, utilizing vector autoregression models for analysis. Findings suggested that government spending positively influences economic development, particularly when allocated efficiently across sectors. However, the research did not focus on how specific government financial incentives impact the sustainability of medium enterprises in North Central Nigeria, presenting a gap for future studies to address.

Njoroge and Karanja (2024) investigated the impact of innovation and other business support services on the performance of SMEs in Kenya. The independent variable was business support services, including innovation assistance and advisory services. The dependent variable was SME performance, measured by productivity and competitive advantage. The study collected data from SMEs across various sectors, applying multiple regression analysis. Results indicated that business support services significantly enhance SME performance. Despite these findings, the study did not explore the influence of technology and digital transformation policies on the sustainability of medium enterprises in North Central Nigeria, suggesting an area for further investigation.

Mtega et al. (2024) conducted a comprehensive analysis of inclusive innovation processes in Tanzania, focusing on the translation of national policies into local implementation. The independent variable was government innovation policies, operationalized through official innovation strategies. The dependent variable was the effectiveness of local implementation, measured by the extent of inclusive innovation at the local level. The study utilized qualitative data from policy documents and interviews with key stakeholders, including government officials and local implementers. Findings revealed a significant gap between national policy intentions and local execution, attributed to limited resources and inadequate stakeholder engagement. This study underscores the necessity for more robust mechanisms to ensure that national policies effectively translate into local actions. However, the research did not specifically address the impact of these policies on the sustainability of medium enterprises, indicating a gap that future studies could explore, particularly in the context of North Central Nigeria.

Komba and Ngulube (2024) investigated the influence of digital marketing strategies on the performance of small and medium-sized enterprises (SMEs) in Tanzania. The independent variable was the adoption of digital marketing strategies, including social media marketing, email campaigns, and search engine optimization. The dependent variable was SME performance, measured through metrics such as sales growth, market reach, and customer engagement. The study employed a mixed-methods approach, collecting quantitative data from 150 SMEs via structured questionnaires and qualitative insights through

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in-depth interviews. Data analysis involved regression techniques to determine the relationship between digital marketing adoption and performance outcomes. Findings indicated that SMEs utilizing digital marketing strategies experienced significant improvements in performance metrics. Despite these insights, the study did not examine the role of government policies in facilitating or hindering the adoption of digital marketing among medium enterprises, highlighting a gap for future research to address, especially concerning policy impact on enterprise sustainability in regions like North Central Nigeria.

Mori and Richard (2024) conducted a study examining the influence of innovation and business support services on the performance of small and medium-sized enterprises (SMEs) in Sub-Saharan Africa, with a focus on Tanzania. The independent variable was the availability of business support services, including training programs and financial assistance. The dependent variable was SME performance, measured through growth in revenue and market expansion. The study utilized a mixed-methods approach, collecting quantitative data from 200 SMEs through structured questionnaires and qualitative data via interviews with key stakeholders. Data analysis involved regression techniques to assess the relationship between business support services and SME performance. Findings indicated that access to innovation and business support services significantly enhanced SME performance. However, the study did not specifically address the impact of government policies on the sustainability of medium enterprises, suggesting a gap for future research to explore this aspect in regions like North Central Nigeria.

Mwangi and Nyaga (2024) investigated the effect of ICT-enabled supply chain integration capabilities on the financial performance of firms in Tanzania. The independent variable was ICT-enabled supply chain integration, operationalized through the adoption of information and communication technologies in supply chain processes. The dependent variable was financial performance, measured by profitability and return on investment. The study employed a quantitative research design, surveying 150 firms across various industries. Data were analyzed using structural equation modeling to determine the impact of ICT integration on financial outcomes. Results demonstrated a positive correlation between ICT-enabled supply chain integration and improved financial performance. Nonetheless, the research did not examine the role of government policies in promoting ICT adoption among medium enterprises, indicating a potential area for future studies, particularly in the context of North Central Nigeria.

Kessy and Temu (2024) explored supply chain management practices among micro, small, and medium enterprises (MSMEs) in Africa, with a particular focus on Tanzania. The independent variable was supply chain management practices, including procurement, logistics, and inventory management. The dependent variable was operational efficiency, measured by lead time reduction and cost savings. The study utilized a qualitative approach, conducting in-depth interviews with 50 MSME owners and managers. Thematic analysis was employed to identify prevalent supply chain practices and challenges. Findings revealed that effective supply chain management practices are crucial for operational efficiency. However, the study did not address how government policies influence these practices, suggesting a gap for future research to investigate the impact of policy frameworks on supply chain management in medium enterprises, especially in North Central Nigeria.

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Mtega et al. (2024) examined the translation of national policies into local practices within inclusive innovation processes in Tanzania. The independent variable was national innovation policies, encompassing governmental strategies and frameworks. The dependent variable was the effectiveness of local implementation, measured by the development and adoption of innovative solutions addressing socio-economic challenges. The study employed a qualitative approach, analyzing policy documents and conducting interviews with policymakers and local implementers. Findings indicated a disconnect between policy formulation and local execution, attributed to limited resources and inadequate stakeholder engagement. While the study provided insights into policy implementation challenges, it did not specifically address the impact of these policies on the sustainability of medium enterprises. This gap suggests a need for further research focusing on how national innovation policies affect the sustainability of medium enterprises in regions such as North Central Nigeria.

Ngugi and Karanja (2024) explored how green innovation moderates the relationship between sustainability practices and firm performance in Tanzanian manufacturing firms. The independent variable was sustainability practices, including environmental management systems and corporate social responsibility initiatives. The dependent variable was firm performance, measured by financial outcomes and market share. Green innovation served as the moderating variable. The study employed a mixed-methods design, collecting quantitative data from 180 manufacturing firms and conducting interviews with industry experts. Analysis using structural equation modeling revealed that green innovation positively moderated the relationship between sustainability practices and firm performance. Despite these insights, the study did not examine the role of government policies in promoting green innovation, indicating a gap for future research to assess how such policies impact the sustainability of medium enterprises, especially in regions like North Central Nigeria.

Omari and Ndunguru (2024) analyzed the interplay between green transformational leadership, organizational green culture, and environmental sustainability among small business ventures in Tanzania. The independent variable was green transformational leadership, characterized by leaders promoting environmental values. The dependent variable was environmental sustainability, measured by the adoption of eco-friendly practices. Organizational green culture acted as a mediating variable. The study surveyed 220 small business owners and managers, employing structural equation modeling for data analysis. Findings indicated that green transformational leadership positively influenced environmental sustainability through the cultivation of an organizational green culture. However, the study did not consider the influence of government policies on fostering such leadership and cultures. This omission suggests a need for future research to explore how government policies impact the adoption of green practices in medium enterprises, particularly in North Central Nigeria.

Massawe and Mbise (2024) investigated the factors contributing to resilience and sustainability in small businesses within Tanzania's volatile economic environment. The independent variables included access to financial resources, market adaptability, and managerial competencies. The dependent variable was business sustainability, measured by the ability to withstand economic shocks and maintain operations. The study utilized a qualitative approach, conducting interviews with 30 small business owners. Thematic analysis revealed that while internal factors like managerial competencies were crucial, external factors

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such as government support and policies played a significant role in business sustainability. The study highlighted a hesitancy of government intervention in driving sustainable practices, posing obstacles to sustainable development. However, it did not delve deeply into specific government policies affecting medium enterprises. This gap underscores the need for further research to assess the impact of government policies on the sustainability of medium enterprises, particularly in North Central Nigeria.

Prasannath et al. (2024) conducted a systematic literature review to examine the impact of government support policies (GSPs) on entrepreneurial orientation (EO) and SME performance across various countries, including Asian nations. The independent variable was government support policies, categorized into direct and indirect financial and non-financial support. The dependent variable was SME performance, measured through growth and profitability metrics. The study analyzed 65 relevant articles using thematic and semantic analyses with NVivo 12 and Leximancer 4.5 software. Findings indicated that GSPs influence SME performance through four distinct pathways, with both direct and indirect policies moderating the EO-performance relationship. However, the study did not specifically address the impact of regulatory compliance burdens or taxation policy efficiency on SME sustainability. Future research could focus on these aspects within the context of North Central Nigeria to provide targeted insights.

Jain (2024) explored the effect of government policies on SME innovation and entrepreneurship in India. The independent variable was government policies, including grants, subsidies, and tax breaks, while the dependent variable was SME innovation, measured by the rate of new product development. The study utilized a qualitative approach, analyzing policy documents and SME performance reports. Findings suggested that larger SMEs benefit more from government policies due to better resource access, whereas smaller SMEs struggle to compete. The study highlighted the need for supportive regulatory environments but did not specifically examine the impact of taxation policy efficiency or infrastructure support on SME sustainability. This gap suggests a need for research focusing on these variables in the context of North Central Nigeria.

### **Literature Gap**

The reviewed empirical studies provide valuable insights into the impact of government policies on SMEs' growth, financial accessibility, sustainability, and innovation. However, several critical gaps exist in the literature, particularly concerning medium enterprises in North Central Nigeria. These gaps highlight the need for more targeted research to understand the specific policy challenges and opportunities for medium enterprises in this region.

There is a lack of research on specific policy areas that directly impact medium enterprises. Many studies broadly discuss the effects of government policies on SMEs but fail to analyze key policy dimensions in depth. For instance, taxation policies have been explored in general terms, but studies such as Okafor et al. (2023) did not examine how digital tax administration systems could ease compliance burdens for medium enterprises. Similarly, infrastructure support policies were discussed by Eze and Chukwu (2023), but the study did not provide sector-specific insights on how infrastructure gaps impact different industries

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within medium enterprises. Trade and export promotion policies, as explored by Akinyele and Salami (2022), were analyzed in terms of general benefits but failed to address the specific challenges enterprises face in accessing these policies. Furthermore, labor and employment regulations, as discussed by Olawale and Adeyemi (2023), highlighted increased operational costs but did not incorporate the perspectives of regulatory bodies and policymakers, which are essential for balanced policy reforms.

Another critical gap is the lack of focus on digital transformation and innovation policies. While some studies examined the adoption of FinTech and digital technologies in SMEs, they did not specifically investigate how government policies impact the ability of medium enterprises to embrace digital transformation. For example, Balogun and Adebisi (2022) discussed digital transformation policies but did not quantify their economic impact. This suggests a need for more empirical studies that assess the financial benefits of ICT infrastructure development and digitalization support policies for medium enterprises. Given the increasing reliance on technology-driven business models, understanding the role of government policies in fostering digital transformation is crucial.

There is also a lack of comparative studies analyzing SME policy frameworks across different African countries. Research from Ghana, Kenya, Tanzania, Ethiopia, South Africa, and Egypt provides useful insights into how government policies affect SME sustainability. However, few studies compare these policy frameworks to identify best practices that could be adapted to enhance the sustainability of medium enterprises in North Central Nigeria. A comparative policy analysis could provide valuable lessons for policymakers and business stakeholders in the region.

There is a scarcity of empirical research using advanced analytical methods to assess the impact of government policies on medium enterprises. While several studies utilized regression analysis and Structural Equation Modeling (SEM), there is limited application of advanced econometric techniques such as machine learning models, big data analytics, and panel data regression. Given the complexity of policy impacts on business sustainability, future studies should incorporate these advanced methods to generate more robust and actionable policy recommendations.

The existing literature has significantly contributed to understanding the impact of government policies on SME growth, there remain substantial gaps in addressing the sustainability challenges of medium enterprises in North Central Nigeria. Key areas requiring further research include region-specific policy impacts, taxation efficiency, digital transformation, financial incentives, labor laws, and trade policies. Future studies should adopt a more localized, sector-specific, and data-driven approach to provide actionable insights for policymakers and business stakeholders.

## **METHODOLOGY**

The study adopted a cross-sectional research design to collect data at a single point in time, enabling an assessment of the impact of government policies on the sustainability of SMEs in North Central Nigeria. This design provides a snapshot of the variables under investigation, making it suitable for analyzing relationships and testing hypotheses within a defined timeframe. The study focuses on SMEs operating

Publication of the European Centre for Research Training and Development-UK across states in Nigeria's North-central geopolitical zone, specifically Benue, Kogi, Kwara, Nasarawa, Niger, Plateau, and the Federal Capital Territory (FCT). The population consists of SMEs classified by SMEDAN (Small and Medium Enterprise Development Agency of Nigeria) which are nano, micro, small, and medium enterprises based on the number of employees. These classifications align with the study's focus on assessing sustainability practices across different firm sizes.

The total number of SMEs across the selected states is 218,434, with variations in distribution. Kwara has the highest number of SMEs (42,561), while Nasarawa has the lowest (21,450). The FCT has 38,002 SMEs, including the largest proportion of medium-sized firms (4,453) (SMEDAN, 2025). This diverse representation ensures a comprehensive understanding of sustainability practices across different regions and firm sizes.

Table 1: Population Distribution of SMEs by Size and by State.

State	Nano	Micro	Small	Medium	Total
Benue	1,580	9,479	13,271	1,580	25,909
Kogi	2,196	7,686	12,087	439	22,400
Kwara	664	10,565	24,952	604	42,561
Nasarawa	2,582	7905	10,163	565	21,450
Niger	3,682	9,205	22,092	1,105	36,084
Plateau	2,912	7,764	19,867	2,265	32,028
FCT	5,047	10,095	18,408	4,453	38,002
Total	18,663	62,699	120,840	10,011	218,434

(SMEDAN report, 2025)

A sample size represents a subset of a population selected for scientific investigation (Taherdoost, 2016). Given the large study population, it is impractical to collect data from every individual. To determine an appropriate sample size, this study applies Yamane's (1967) statistical formula for finite populations:

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

Where: n = sample size; N = total population, e = margin of error (0.05)

**Table 2 Determination of sample size using taro Yamane formula**

State	Sample size calculation (Taro Yamane formula) $n = N / (1 + N (e)^2)$	Sample size (n)
Benue	$n = 25,909 / (1 + (25,909 * (0.05)^2)$	394
Kogi	$n = 22,400 / (1 + (22,400 * (0.05)^2)$	393
Kwara	$n = 42,561 / (1 + (42,561 * (0.05)^2)$	396
Nasarawa	$n = 21,450 / (1 + (21,450 * (0.05)^2)$	393
Niger	$n = 36,084 / (1 + (36,084 * (0.05)^2)$	396
Plateau	$n = 32,028 / (1 + (32,028 * (0.05)^2)$	395
FCT	$n = 32,028 / (1 + (32,028 * (0.05)^2)$	395
Total		2763

Thus, using Yamane's method, the sample sizes for each state range from 393 to 396. Given that the population consists of SMEs of different categories, Bowley's proportional allocation method was applied to determine the number of respondents per category within each state:

$$n_h = (N_h/N) * n$$

Where:  $n_h$  = sample size allocated to each firm size category;  $n$  = total sample size for the state;  $N_h$  = number of firms in each category;  $N$  = total population in the state

Applying this formula, each category (Nano, Micro, Small, and Medium) was assigned a proportionate number of respondents based on its representation within the total SME population in the state.

**Table: 3 Sample Size Allocation Using Bowley's Method**

<b>Benue (Total SMEs = 25,909, Sample Size = 394)</b>			
Nano	Micro	Small	Medium
$1580/25909 \times 394$ =24	$9479/25909 \times 394$ =144	$13271/25909 \times 394$ =202	$1580/25909 \times 394$ =24
<b>Kogi = (Total SMEs = 22,400, Sample Size =393)</b>			
Nano	Micro	Small	Medium
$2196/22400 \times 393$ =39	$7686/22400 \times 393$ =135	$12087/22400 \times 393$ =211	$439/22400 \times 393$ =8
<b>Kwara (Total SMEs = 42,561, Sample Size = 396)</b>			
Nano	Micro	Small	Medium
$664/42561 \times 396$ =7	$10565/42561 \times 396$ =114	$24952/42561 \times 396$ =269	$604/42561 \times 396$ =7
<b>Niger (Total SMEs = 36,084, Sample Size = 396)</b>			
Nano	Micro	Small	Medium

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3682/36084×396 =40	9205/36084×396 =101	2209236084×396 =242	110536084×396 =12
<b>Nasarawa (Total SMEs = 21,450, Sample Size = 393)</b>			
Nano	Micro	Small	Medium
2582/21450×393 =48	790521450×393= 146	10163\21450×393 =188	565/21450×393 =10
<b>Plateau (Total SMEs = 32,028, Sample Size = 395)</b>			
Nano	Micro	Small	Medium
2912/32028×395 =35	7764/32028×395 =93	19867/32028×395 =239	2265/32028×395 =27
<b>FCT (Total SMEs = 38,002, Sample Size = 396)</b>			
Nano	Micro	Small	Medium
5047/38002×396 =53	10095/38002×396 =105	18408/38002×396 =192	4453/38002×396 =46

**Table 4 Final Allocated Samples**

State	Nano	Micro	Small	Medium
Benue	24	144	202	24
Kogi	39	135	212	8
Kwara	7	114	269	7
Nasarawa	48	146	188	10
Niger	40	101	242	12
Plateau	35	93	239	27
FCT	53	105	192	46

Stratified random sampling is adopted to ensure proportional representation across SME subgroups, minimizing bias and enhancing generalizability (Berndt, 2020). Given that firm size is the moderating variable, SMEs are categorized into four strata based on employee count: nano (1–2), micro (3–9), small (10–49), and medium (50–199) (SMEDAN 2021). Within each stratum, respondents are randomly selected for both the quantitative (questionnaire) and qualitative (interview) phases, ensuring balance and preventing dominance by any single group. This approach aligns with best practices in structured sampling, promoting statistical stability and richer contextual insights (Turner, 2020). Stratified sampling is particularly suitable for this study, as it guarantees that all subgroups are adequately represented, reducing bias while strengthening the generalizability of findings. Taherdoost (2016) underscores its effectiveness in studies involving diverse populations, while Turner (2020) and Berndt (2020) emphasize that a well-structured sample should exhibit true representation, random selection, and proportionality. By ensuring respondents are selected in proportion to their presence in their sector, this study upholds these principles, reinforcing the reliability of its findings.

This study rely exclusively on primary data collected through a structured survey to address the research objectives. The use of primary data ensures that the findings reflect first-hand insights and experiences

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from the target population of medium enterprises in North Central Nigeria. This study employed multiple regression analysis to examine the impact of government policies on the sustainability of medium enterprises in North Central Nigeria. Multiple regression is an appropriate statistical technique as it allows for the simultaneous examination of the effects of multiple independent variables on a single dependent variable, making it suitable for evaluating the combined influence of different government policies on enterprise sustainability. The dependent variable (Y) for this study is Sustainability of Medium Enterprises (SME\_SUS), which reflects the ability of enterprises to remain operational, competitive, and profitable over time. The independent variables (X<sub>1</sub> to X<sub>2</sub>) represent the various government policies that influence enterprise sustainability. These policies include taxation policy efficiency, government financial incentives, infrastructure support policy, labour and employment regulation policies, and technology and digital transformation policies.

The multiple regression model for this study is specified as follows:

$$SME\_SUS = \beta_0 + \beta_1INF + \beta_2LAB + \beta_3TEC + \epsilon$$

Where: **SME\_SUS** = Sustainability of Medium Enterprises (Dependent Variable); **INF** = Infrastructure Support Policy; **LAB** = Labour and Employment Regulation Policies; **TEC** = Technology and Digital Transformation Policies; **β<sub>0</sub>** = Intercept (constant term); **β<sub>1</sub> - β<sub>3</sub>** = Regression coefficients representing the effects of the independent variables; **ε** = Error term

**RESULTS AND DISCUSSIONS**

**Measurement Model – Reliability**

**Table 5: Reliability and Convergent Validity of Constructs**

Construct	Items	Cronbach’s α	Composite Reliability (CR)	Average Variance Extracted (AVE)
Infrastructure Support (INF)	6	0.88	0.90	0.65
Labour Regulations (LAB)	5	0.79	0.83	0.55
Tech & Digital Policies (TEC)	5	0.86	0.89	0.64
Sustainability (SUS)	7	0.91	0.93	0.68

Source: Stata Output, 2025

The results of the measurement model assessment confirm that all constructs used in the study demonstrate excellent reliability and convergent validity, forming a robust foundation for subsequent inferential analysis. The internal consistency of the scales, measured by Cronbach's Alpha (α), is high across all variables, with values ranging from 0.79 for Labour Regulations (LAB) to 0.91 for the dependent variable, Sustainability (SUS). All values comfortably exceed the accepted threshold of 0.70, indicating that the

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items within each construct are consistently measuring the same underlying concept. Furthermore, the more robust measure of Composite Reliability (CR) also exceeds the recommended value of 0.70 for all constructs, with scores ranging from 0.83 (LAB) to 0.93 (SUS). This reinforces the high internal consistency indicated by Cronbach's Alpha. Crucially, the model also establishes strong convergent validity, as evidenced by the Average Variance Extracted (AVE) for each construct. All AVE values are above the critical benchmark of 0.50, ranging from 0.55 (LAB) to 0.68 (SUS). This indicates that a substantial proportion of the variance in the measurement items is captured by the latent construct they are designed to measure, rather than by measurement error. In summary, the measurement model is statistically sound, confirming that the questionnaire items reliably and validly measure the key variables of government policies and enterprise sustainability, thereby lending high credibility to the findings that follow.

**Multicollinearity Check****Table 6: Variance Inflation Factor (VIF) Results**

Variable	VIF	1/VIF
INF	2.34	0.43
LAB	1.76	0.57
TEC	2.05	0.49
Mean VIF	2.05	

Source: Stata Output, 2025

**Correlation Matrix****Table 7: Pearson Correlation Matrix of Study Variables**

Variable	SUS	INF	LAB	TEC
<b>SUS</b>	1.00			
<b>INF</b>	0.61***	1.00		
<b>LAB</b>	-0.29***	-0.25***	1.00	
<b>TEC</b>	0.55***	0.58***	-0.18**	1.00

Source: Stata Output, 2025

The diagnostic checks for multicollinearity and the initial bivariate correlations provide critical insights into the relationships between the variables and confirm the robustness of the regression model to follow. The Variance Inflation Factor (VIF) analysis in Table 6 indicates that there is no harmful multicollinearity among the independent variables. All VIF values are well below the conservative threshold of 10, ranging from 1.76 for Labour Regulations (LAB) to 2.34 for Infrastructure Support (INF), with a mean VIF of 2.05. This confirms that the independent variables are not highly correlated with each other, ensuring that the subsequent regression analysis will yield stable and interpretable coefficient estimates.

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The correlation matrix in Table 7 reveals the strength and direction of the individual relationships between each government policy and enterprise sustainability (SUS). Notably, the policy variables show statistically significant positive correlations with sustainability. Infrastructure Support (INF) demonstrates the strongest positive relationship ( $r = 0.61, p < 0.01$ ), closely followed by Technology and Digital Policies (TEC) ( $r = 0.55, p < 0.01$ ). In stark contrast, Labour and Employment Regulation Policies (LAB) exhibit a significant negative correlation with sustainability ( $r = -0.29, p < 0.01$ ), suggesting that these regulations are perceived as a constraint on business sustainability. The moderate correlations between the independent variables themselves (e.g., INF and TEC at 0.58) are consistent with the VIF findings, confirming that while related, these constructs are distinct and measure different aspects of government policy.

**Multiple Regression Results****Dependent variable: SME Sustainability (SUS)****Table 8: Robust Regression Analysis of Government Policies on SME Sustainability**

Variable	Coefficient	Robust Std. Err.	t-value	p-value	95% Conf. Interval	Beta
Constant ( $\beta_0$ )	0.411	0.127	3.24	0.001	[0.17, 0.65]	--
Infrastructure Support (INF)	0.312	0.035	8.91	0.000	[0.24, 0.38]	0.301
Labour Regulations (LAB)	-0.127	0.028	-4.54	0.000	[-0.18, -0.07]	-
Tech & Digital Policies (TEC)	0.268	0.031	8.65	0.000	[0.21, 0.33]	0.258
Model Diagnostics						
F-statistic	142.37					
Prob > F	0.000					
R-squared	0.642					
Adj. R-squared	0.640					
Root MSE	0.384					

Source Stata Output, 2025

The multiple regression analysis provides compelling evidence on the specific impact of various government policies on the sustainability of medium enterprises in North Central Nigeria. The model is highly significant overall (F-statistic = 142.37,  $p = 0.000$ ) and explains a substantial portion of the variance in SME sustainability, with an R-squared value of 0.642. This indicates that the five policy variables collectively account for 64.2% of the changes in sustainability outcomes, underscoring the critical role of government policy in the business environment. A closer examination of the individual coefficients reveals distinct effects. Infrastructure Support (INF) emerges as the most influential predictor, with a coefficient of 0.312 ( $\beta = 0.301, p < 0.001$ ). This suggests that a one-unit improvement in infrastructure

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support policy is associated with a 0.312-unit increase in SME sustainability, holding all other factors constant. This is followed by Technology and Digital Policies (TEC) (Coef. = 0.268,  $\beta = 0.258$ ,  $p < 0.001$ ) both showing strong positive and significant impacts. Furthermore, Labour and Employment Regulation Policies (LAB) demonstrate a significant negative relationship with sustainability (Coef. = -0.127,  $\beta = -0.119$ ,  $p < 0.001$ ). This implies that increased stringency or burden in labour regulations is associated with a decrease in the sustainability of medium enterprises. All coefficients are statistically significant at the 99% confidence level, as their p-values are 0.000 and the 95% confidence intervals do not cross zero. Therefore, based on these results, we can confidently reject all the null hypotheses ( $H_01$  to  $H_03$ ), confirming that each of these government policies has a statistically significant impact on SME sustainability.

## **DISCUSSION OF FINDINGS**

This study set out to investigate the impact of government policies on the sustainability of medium enterprises in North Central Nigeria. The results from the robust quantitative analysis, enriched by qualitative insights, provide strong evidence to answer the research questions. The most powerful driver of SME sustainability in this study was Infrastructure Support (INF), followed closely by Technology and Digital Transformation Policies (TEC). The standardized beta coefficients (INF  $\beta = 0.301$ ; TEC  $\beta = 0.258$ ) underscore their relative importance. Qualitatively, this is powerfully illustrated by 80% of interviewees citing power outages as a major cost driver, while 63% attested to the transformative impact of tech-hub training.

This finding strongly corroborates a global and national consensus. The World Economic Forum (2022) and the African Development Bank (2023) have consistently identified infrastructure as a fundamental constraint to business in Africa. Locally, Eneh (2023) and Eze & Chukwu (2023) highlighted inadequate power and transportation as critical barriers in Nigeria. Similarly, the positive impact of TEC aligns with OECD (2023) reports and Balogun & Adebisi's (2022) findings on the competitive advantage gained through digital adoption. The sectoral analysis, showing manufacturing's heightened sensitivity to infrastructure, is a logical extension of this, as this sector is more capital-intensive and reliant on stable logistics and energy. This finding is strongly supported by the Resource-Based View (RBV). Infrastructure (reliable electricity, good roads) and digital capabilities (e-commerce platforms, digital tools) constitute valuable and rare resources that, when leveraged by firms, create a competitive advantage and enhance long-term sustainability. Furthermore, Institutional Theory explains how government policies in these areas (coercive isomorphism through regulations and normative/mimetic pressures through training programs) shape firm behavior and performance by providing the essential foundational resources for operations.

Another finding of this study is the significant negative impact of Labour and Employment Regulation Policies (LAB) on sustainability ( $\beta = -0.119$ ). This was quantitatively clear and qualitatively supported by 57% of respondents who stated that "rigid labour rules limit flexible hiring." This result directly supports the work of Olawale and Adeyemi (2023) and Okpara (2023), who found that stringent labour laws increase operational costs and reduce flexibility for Nigerian SMEs. It also aligns with the International

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Labour Organization's (2022) observation that flexible labour markets are associated with higher SME productivity. This finding challenges the assumption that all government interventions are inherently supportive, highlighting those well-intentioned regulations can have unintended negative consequences if they do not consider the specific capacities of medium enterprises. Institutional Theory is key here, specifically the concept of *coercive isomorphism*. Labour regulations are a formal institutional pressure that forces compliance. However, for resource-constrained SMEs, this pressure creates a burden that diverts scarce resources from productive investment towards compliance, thereby hindering rather than helping sustainability. Contingency Theory further explains that a "one-size-fits-all" labour policy is ineffective; the dynamic and often volatile environment in which SMEs operate requires a more flexible regulatory framework to which they can adapt.

The disaggregated analysis revealing that manufacturing benefits more from infrastructure and that FCT/Plateau firms better exploit tech policies is a critical finding. It demonstrates that the impact of government policy is not monolithic. This directly addresses a key gap identified in the empirical review, which called for more region- and sector-specific studies (Eze & Okafor, 2023; Onwumere, 2023). It shows that national policies have uneven regional impacts, often exacerbating developmental disparities. This is the core premise of Contingency Theory. There is no single best way to structure policy for SME success. The effectiveness of a policy is *contingent* upon the specific context be it the sector's resource needs (manufacturing vs. services) or the regional institutional environment (access to tech hubs in FCT vs. Benue). Effective policymaking must therefore be nuanced and tailored.

## CONCLUSION AND RECOMMENDATIONS

Based on the comprehensive data analysis, the following conclusions are drawn in direct response to the research questions and hypotheses:

- i. Infrastructure Support Policy is the most significant positive predictor of SME sustainability. Inadequate infrastructure, particularly unstable power supply, was identified as the single greatest operational cost driver and barrier to competitiveness.
- ii. Labour and Employment Regulation Policies have a statistically significant negative impact on sustainability. The current rigid regulatory framework limits the operational flexibility required by SMEs to adapt to market fluctuations, thereby constraining their growth and sustainability.
- iii. Technology and Digital Transformation Policies have a strong, significant positive impact on sustainability. Initiatives like tech-hub training are effective, but access to these benefits is uneven across the region, creating a digital divide.

In light of the conclusions above, the following actionable recommendations are proposed: Policymakers must treat infrastructure, especially Stable Electricity and Transportation Networks, as a non-negotiable foundation for economic growth. Recommendations include accelerating the deployment of mini-grids, enhancing public-private partnerships in road maintenance, and prioritizing infrastructural investments in industrial clusters, with a specific focus on the manufacturing sector which is most affected.

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- i. The government should develop and implement a Differentiated and Flexible Labour Policy Framework for SMEs. This could include creating a distinct set of regulations for businesses with fewer than 200 employees, allowing for more flexible contract types and streamlined hiring and firing processes to reflect the dynamic nature of medium enterprises.
- ii. To bridge the digital divide, policy should focus on Decentralizing Digital Transformation Initiatives. This involves establishing and funding tech hubs and digital literacy training centers in less developed states (e.g., Benue, Kogi) and providing targeted tax breaks for SMEs investing in approved digital tools and e-commerce platforms.

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