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Government Policies and Business Failure Amongst Small and Medium Enterprises (SMEs) in Abuja Metropolis

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Abstract: *This study examines the impact of government policies on business failure among SMEs in Abuja metropolis. The research aims to explore how government policies influence access to credit, labour market regulations, and business survival rates among SMEs. The study employed a descriptive analysis, utilising data collected from SMEs through questionnaires. A total of 336 questionnaires were distributed, and 327 were retrieved, yielding a response rate of approximately 97.3%. The findings of the study reveal significant positive relationships between government policies and the three examined variables. Specifically, the analysis indicates that supportive government policies significantly enhance access to credit, positively influence labour market regulations, and improve business survival rates among SMEs. These results highlight the critical role of government interventions in facilitating the growth, efficiency, and sustainability of SMEs in Abuja metropolis. The study concludes that effective government policies are essential for the success of SMEs and recommends continuous refinement of these policies to support SME development. Further research is suggested to explore additional factors influencing SME performance and the broader economic impact of government policies on the SME sector*.

Keywords: government policies, business failure, small and medium enterprises

INTRODUCTION

Small and Medium Enterprises (SMEs) represent a vital segment of the global economy, contributing significantly to employment generation, economic growth, and poverty alleviation.

According to the International Finance Corporation (IFC), SMEs account for approximately 90% of businesses worldwide and contribute up to 50% of total employment globally (IFC, 2020). Despite their importance, SMEs face numerous challenges that hinder their growth and sustainability, with one of the most prominent being business failure.

In Africa, SMEs play a crucial role in driving economic development and poverty reduction. The African Development Bank (AfDB) reports that SMEs constitute about 90% of all businesses in Africa and contribute approximately 55% of GDP and 45% of total employment on the continent (AfDB, 2021). However, the continent also grapples with high rates of business failure among SMEs, attributed to various factors, including limited access to finance, inadequate infrastructure, and regulatory constraints. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) estimates that SMEs account for over 90% of businesses in Nigeria and contribute about 48% of national GDP (SMEDAN, 2021). Despite their significant contributions, SMEs in Nigeria face considerable hurdles, including limited access to credit, poor infrastructure, and regulatory bottlenecks, which increase their vulnerability to business failure.

Furthermore, government policies play a pivotal role in shaping the operating environment for SMEs in Nigeria. While efforts have been made to support SME growth through policy interventions such as the National Policy on Micro, Small, and Medium Enterprises (MSMEs), challenges persist, particularly concerning access to finance, regulatory compliance, and market access (NBS, 2020). Consequently, understanding the impact of government policies on SME business failure in Nigeria, specifically within the context of Abuja metropolis, is crucial for policymakers, researchers, and stakeholders seeking to formulate effective strategies for SME development and economic resilience.

Government policies play a pivotal role in shaping the operational landscape for businesses, exerting a significant influence on their success or failure. Dionco-Adetayo and Adetayo (2023) assert that the stability of government policies is essential for the viability of businesses, as an unstable policy environment can undermine business operations. Oluremi and Gbenga (2021) further elaborate on the interdependence between businesses and government policies, highlighting how businesses rely on government inputs such as finance, raw materials, and labour, while also being subject to regulatory frameworks set by the government. Tijani (2018) emphasises that government policies serve as the foundation for businesses' strategic decisions, shaping their objectives, mission, and operational strategies. The nature of government policies, whether stable,

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dynamic, or unstable, as classified by Ibidunni and Ogundele (2023), influences the strategic choices made by businesses to navigate the operating environment effectively. Adeoye (2022) underscores the need for businesses to develop adaptive strategies to cope with the dynamic nature of government policies and the ever-changing business environment, thereby ensuring operational continuity and achieving desired outcomes. Government policies encompass both internal and external factors that impact business performance, as noted by Alkali and Isa (2022). These factors, ranging from infrastructural to fiscal policies, shape the business environment and necessitate adjustments and compliance from small businesses to achieve their objectives.

The study under review focuses on the impact of government infrastructural and fiscal policies on the performance of Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja. The FCT serves as an ideal location for this study, given its status as the federal capital and its diverse array of SMEs, including hotels, eateries, retail stores, and service providers. By focusing on SMEs registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and operating for at least two years, the study aims to provide insights into how government policies affect the performance and sustainability of SMEs in the Nigerian context.

The persistence of high business failure rates among Small and Medium-sized Enterprises (SMEs) in Abuja metropolis, despite government interventions, highlights significant gaps in both policy implementation and the broader support framework for SMEs (Okoro et al., 2020). While government policies aim to stimulate SME growth and sustainability, practical gaps arise in the effective execution and enforcement of these policies, leading to suboptimal outcomes for SMEs (Oladapo & Adegbite, 2019). For instance, although access to credit is recognised as a crucial factor for SME success, practical challenges such as stringent loan requirements and limited financial literacy among SME owners hinder their ability to secure adequate financing (Oloyede & Ogunleye, 2021). Labour market regulations also pose challenges for SMEs in Abuja, as compliance with employment laws and regulations can be burdensome and costly. SMEs may face difficulties in navigating complex labour laws, hiring skilled employees, and providing competitive wages and benefits, leading to labour market inefficiencies and hindering their competitiveness in the marketplace (Ocheni & Gemade, 2020) Furthermore, the survival rates of SMEs in Abuja are a pressing concern, as many struggle to sustain their operations beyond the initial startup phase. High operating costs, stiff competition, and market uncertainties contribute to a high rate of business closures among SMEs, posing a significant threat to economic stability and job creation in Abuja(Okpara, 2021).

Previous studies have explored various dimensions of this relationship, examining factors such as access to credit, labour market regulations, and business survival rates (Smith, 2017; Jones et al., 2019; Brown & Johnson, 2020). However, while existing research provides valuable insights into the impact of government policies on SMEs, there remain notable gaps in the literature that warrant further investigation. Therefore, this study seeks to investigate the intricate relationship between government policies and business failure among SMEs in Abuja metropolis.

The aim of this study is to assess the impact of government policies on business failure amongst SMEs in Abuja metropolis. To achieve this aim, the following objectives are outlined:

1. To examine the effect of government policies on access to credit for SMEs in Abuja metropolis.
2. To analyse the influence of labour market regulations imposed by the government on SMEs' operations.
3. To assess how government policies, impact the survival rates of SMEs in Abuja metropolis.

Based on the research questions, the following null hypotheses are formulated:

1. Ho1: There is no significant relationship between government policies and access to credit for SMEs in Abuja metropolis.
2. Ho2: There is no significant relationship between government policies and labour market regulations affecting SMEs' operations in Abuja metropolis.
3. Ho3: There is no significant relationship between government policies and business survival rates among SMEs in Abuja metropolis.

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LITERATURE REVIEW

Conceptual Framework

Small and Medium Enterprises (SMEs)

The term 'small and medium enterprises' (SMEs) encapsulates a heterogeneous spectrum of business entities, representing a diverse array of industries and sectors, including but not limited to hotels, manufacturing, agriculture, restaurants, and computer software firms (Asaolu, Oladoyin, & Oladele, 2021). Originating with the primary objective of fostering trade and industrialization in developed nations, the concept of SMEs has evolved over time and varies in definition across different countries, shaped by a multitude of factors such as policies, institutional frameworks, and economic contexts (OCED, 2014; Abdullah, 2020; Etuk, Etuk & Baghebo, 2022).

In the Nigerian context, SMEs are delineated based on several criteria, including overall costs, workforce size, and asset investments. According to the National Council of Industries (2019), SMEs are characterized by an overall cost, excluding land expenses, not exceeding #200,000,000. Further specification from the National Council of Industry (2021) delineates SMEs as enterprises with a workforce ranging from 11 to 100 employees or a total cost not exceeding N50 million, excluding land expenses. Moreover, medium-scale enterprises are typified by a labour force size ranging from 101 to 300 personnel or a total cost ranging from over N50 million to N200 million, inclusive of working capital but exclusive of land costs (Aremu, 2021).

Additionally, the Third National Development Plan in Nigeria provides another perspective, defining SMEs as businesses employing fewer than ten workers with asset investments not exceeding #600,000 (Ogechukwu, 2021). These varying definitions underscore the multifaceted nature of SMEs and highlight the importance of contextualizing their classification within the unique economic and policy landscapes of each country. As SMEs serve as critical drivers of economic development and employment generation, a comprehensive understanding of their diverse characteristics and contributions is essential for formulating targeted policies and initiatives to support their growth and sustainability.

The Government Policy

A policy represents 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 (Oviatt & McDougall, 2020).

Entrepreneurship policies, on the other hand, denote the deliberate plans or strategies formulated by governments to influence and bolster entrepreneurial initiatives and decisions (Audretsch, Grilo, & Thurik, 2017; Vesper, 2019; Klapper, Amit, & Guillén, 2020). These policies encompass a range of rules and regulations aimed at facilitating the establishment and sustainability of entrepreneurial ventures. In Nigeria, for instance, specific policies are tailored to support various sectors, such as the exemption of Agro Allied businesses from taxation during their initial five years of operation (Ngerebo & Masa, 2012; Odusola, 2022). Additionally, subsidies and tax exemptions are often extended to small businesses to incentivize their growth and development. Moreover, policies aimed at curbing the importation of manufactured goods serve to protect local industries and stimulate entrepreneurial activities.

Infrastructure policies encompass regulations and initiatives pertaining to essential services such as electricity, water supply, road infrastructure, security, and transportation (including road, maritime, and air transport). Fiscal policies, on the other hand, encompass measures related to taxation, including Company Income Tax, Educational Tax, Value-Added Tax (VAT), Withholding Tax (WHT), and Personal Income Tax. These policies collectively shape the business environment and significantly impact entrepreneurial decision-making and business operations.

Business Failure

Business failure is a phenomenon that occurs when a company is unable to sustain its operations and achieve its objectives, ultimately leading to closure or bankruptcy (Cassar, 2019). This can manifest in various forms, including financial distress, operational inefficiencies, market saturation, and competitive pressures (Gupta & Batra, 2020). The causes of business failure are often complex and interrelated, involving internal and external factors that impact the viability and

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resilience of the firm (Boso et al., 2021). Internal factors may include poor financial management, inadequate strategic planning, ineffective leadership, and operational inefficiencies (Oladapo & Akinlabi, 2018). External factors, on the other hand, may encompass economic downturns, changes in market dynamics, technological disruptions, regulatory constraints, and socio-political instability (Ekanem & Ogunnaike, 2020).

One of the primary indicators of business failure is financial distress, which occurs when a company faces challenges in meeting its financial obligations, such as debt repayments, payroll expenses, and supplier payments (Garg et al., 2019). Financial distress can be attributed to various factors, including declining revenues, escalating costs, poor cash flow management, and unsustainable debt levels (Kotzé & Gachino, 2019). Moreover, operational inefficiencies, such as production bottlenecks, supply chain disruptions, and quality control issues, can undermine the competitiveness and profitability of a business, leading to eventual failure (Nyide et al., 2021). Market saturation and intensifying competition can also erode a company's market share and profit margins, making it difficult to sustain operations and achieve growth (Makanyeza et al., 2020).

The Government policy and Entrepreneurial Performance of SMEs

Access to Credit

Access to credit is a critical factor influencing the viability and growth prospects of Small and Medium Enterprises (SMEs) in Abuja metropolis. SMEs often require external financing to fund various aspects of their operations, including working capital, expansion initiatives, and investments in technology and infrastructure (Beck et al., 2020). However, the ability of SMEs to access credit is often constrained by a myriad of factors, including stringent lending requirements, inadequate collateral, and limited financial literacy (Ayyagari et al., 2014).

In Abuja, SMEs encounter challenges in accessing credit from traditional financial institutions such as banks and microfinance institutions. Banks typically impose stringent criteria for loan approval, including high collateral requirements and lengthy application processes, which pose significant barriers for SMEs with limited assets or track records (Okoye & Ezejiofor, 2018). Moreover, SMEs in Abuja may lack the financial documentation or credit history required to demonstrate their creditworthiness, further impeding their access to formal financing options (Olanrewaju & Olayiwola, 2019).

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Furthermore, the high cost of borrowing and interest rates charged by financial institutions in Abuja can deter SMEs from seeking external financing, as it increases the financial burden on already cash-strapped businesses (Batra et al., 2017). Additionally, the prevalence of informality in the SME sector, with many businesses operating in the informal economy, poses challenges for lenders in assessing the creditworthiness of potential borrowers (Ayyagari et al., 2014).

Labour Market Regulations

Labour market regulations play a pivotal role in shaping the operational landscape for Small and Medium Enterprises (SMEs) in Abuja metropolis, influencing various aspects of employment practices and workforce management. These regulations encompass a wide range of policies and laws governing areas such as employment contracts, wages, working hours, occupational health and safety, and employee benefits (ILO, 2020). In Abuja, SMEs often grapple with the complexities and compliance burdens associated with labour market regulations, which can impact their operational flexibility and competitiveness (Akgüç et al., 2019).

One of the key challenges faced by SMEs in Abuja relates to compliance with minimum wage laws and regulations. The implementation of minimum wage requirements can exert financial pressure on SMEs, particularly those operating on tight profit margins or facing economic downturns (Okafor & Eze, 2018). Moreover, SMEs may struggle to navigate the intricacies of employment contracts and labour laws, leading to potential legal risks and disputes (ILO, 2020).

Business Survival Rates

Business survival rates are a critical determinant of the overall health and sustainability of Small and Medium Enterprises (SMEs) in Abuja metropolis, reflecting their ability to withstand market challenges, adapt to changing circumstances, and achieve long-term viability (Audretsch & Mahmood, 2019). In Abuja, SMEs face a dynamic and competitive business environment characterized by factors such as market saturation, technological disruption, regulatory complexities, and economic uncertainties (Fatoki, 2014). As a result, many SMEs struggle to survive beyond the initial startup phase, with high rates of business closures observed across various sectors (Fatoki & Smit, 2011). One of the key challenges contributing to low business survival rates among SMEs in Abuja is inadequate access to finance and capital (Okafor & Eze, 2018). Limited access to credit and investment capital can impede SMEs' ability to fund their operations, expand their market reach, and invest in innovation and growth initiatives (Beck et al., 2020). Moreover, SMEs may face challenges in managing cash flow and working capital, particularly during economic downturns or periods of financial instability (Fatoki & Smit, 2021).

Theoretical Framework

Institutional Theory

Institutional Theory, originating in management and organizational studies, examines how formal and informal rules, norms, and structures influence the behaviour and outcomes of organizations (Scott, 2014). The theory traces its roots to the works of scholars such as Max Weber, who highlighted the significance of formal organizations and bureaucratic structures in modern society (Weber, 1947). However, it was the seminal work of Meyer and Rowan (1977) that laid the foundation for modern Institutional Theory. They argued that organizations adopt structures and practices not only for their efficiency but also to gain legitimacy and acceptance from external stakeholders, including governments, customers, and the broader society. The basic assumptions of Institutional Theory revolve around the idea that organizations are embedded within institutional environments characterized by norms, values, and regulatory frameworks (Scott, 2014). Organizations conform to these institutional pressures to gain legitimacy and maintain social acceptance, even if these practices are not necessarily the most efficient or rational from a purely economic perspective. Institutional Theory also posits that institutions are not static but evolve over time, influenced by changes in societal values, technological advancements, and shifts in political and economic landscapes.

Critics of Institutional Theory argue that it tends to overlook the agency and autonomy of organizations, portraying them as passive entities shaped solely by external pressures (DiMaggio & Powell, 1983). Additionally, some scholars contend that Institutional Theory neglects the role of power dynamics and conflicts in shaping institutional change, focusing instead on consensus and conformity (Scott, 2014). Furthermore, critics point out that Institutional Theory often lacks precision in explaining the mechanisms through which institutional pressures influence organizational behaviour, leading to vague and tautological explanations.

Despite these criticisms, Institutional Theory offers valuable insights into how government policies shape organizational behaviour and outcomes, particularly in the context of Small and Medium Enterprises (SMEs) in Abuja metropolis. Government policies, such as regulatory frameworks, taxation policies, and economic incentives, represent institutional pressures that influence the behaviour and performance of SMEs (North, 1990). For example, SMEs may conform to regulatory requirements and taxation policies to gain legitimacy and avoid sanctions or penalties. Moreover, government policies can create opportunities or constraints for SMEs, shaping their strategic choices and competitive positioning in the market (Scott, 2014).

Theory of the Firm

The Theory of the Firm, originating in economics, focuses on understanding the behaviour and decision-making processes of firms in the marketplace (Coase, 1937). The theory seeks to explain how firms organize production, allocate resources, and interact with other economic agents, such as consumers, suppliers, and competitors. One of the foundational works in the Theory of the Firm is Ronald Coase's seminal paper "The Nature of the Firm," in which he introduced the concept of transaction costs and argued that firms exist to minimize these costs compared to market transactions (Coase, 1937). The Theory of the Firm has been further developed and expanded upon by various scholars, including Oliver Williamson, who introduced the concept of transaction cost economics (Williamson, 1975). Williamson's work emphasized the importance of transaction costs, such as information asymmetry, opportunism, and bounded rationality, in shaping the boundaries and internal organization of firms. Other influential scholars in the field include Armen Alchian and Harold Demsetz, who contributed to the understanding of property rights, firm boundaries, and the role of contracts in mitigating transaction costs (Alchian & Demsetz, 1972).

The basic assumptions of the Theory of the Firm revolve around the idea that firms exist to maximize profits by efficiently allocating resources and minimizing costs (Foss & Klein, 2012). Firms are seen as rational actors that make decisions based on cost-benefit analysis and respond to changes in market conditions and incentives. Additionally, the theory assumes that firms face constraints and uncertainties in the marketplace, leading them to adopt different organizational structures and strategies to mitigate risks and exploit opportunities. Critics of the Theory of the Firm argue that it tends to oversimplify the complexities of real-world firms and markets, focusing primarily on economic factors while neglecting social, political, and cultural dimensions

(Hodgson, 1993). Additionally, some scholars contend that the theory's reliance on rational actor assumptions and equilibrium models may not accurately reflect the messy and dynamic nature of real-world decision-making processes (Simon, 1957). Furthermore, critics point out that the theory's emphasis on efficiency and profit maximization may overlook other important objectives and considerations, such as social responsibility and environmental sustainability.

Despite these criticisms, the Theory of the Firm remains highly relevant to the study of Small and Medium Enterprises (SMEs) in Abuja metropolis. By applying the principles of the Theory of the Firm, researchers and policymakers can gain insights into how SMEs organize production, allocate resources, and make strategic decisions in response to government policies and market pressures. For example, the theory can help explain why some SMEs choose to vertically integrate their operations to minimize transaction costs, while others opt to outsource certain activities to specialized suppliers. Moreover, the theory's focus on efficiency and cost minimization can inform strategies for improving SME performance and competitiveness in the face of regulatory constraints and market uncertainties.

Empirical Review

A study by Adekunle and Lawal (2024) explored the impact of government policies on the survival rates of SMEs in the service sector in Nigeria. The researchers conducted surveys and interviews with 150 SME owners and managers operating in various service industries, including hospitality, retail, and professional services. The study investigated the influence of government policies, such as licensing requirements, taxation, and business support programmes, on SME survival rates and growth prospects. Quantitative data were analysed using statistical techniques such as correlation analysis and regression modelling, while qualitative data were thematically analysed to identify key themes and patterns related to the impact of government policies on SME outcomes. The findings revealed that SMEs operating in the service sector faced significant challenges related to regulatory compliance, taxation burdens, and limited access to government support programmes. However, proactive engagement with policymakers, networking with industry associations, and adoption of innovative business models were identified as strategies for overcoming these challenges and improving SME survival rates. The study recommended policy interventions aimed at reducing regulatory burdens, enhancing access to finance, and providing targeted support to SMEs in the service sector to promote their growth and sustainability.

Moreover, a study by Adewale and Ojo (2024) explored the impact of government policies on the export performance of SMEs in Nigeria, with a focus on the agricultural sector. The research aimed to examine how government trade policies, export incentives, and market access initiatives influenced the export activities and competitiveness of SMEs engaged in agricultural production and agribusiness. Using a combination of surveys, interviews, and export data analysis, the researchers gathered information from 200 SMEs operating in the agricultural value chain, as well as government officials and industry experts. Quantitative data were analysed using statistical techniques such as regression analysis and correlation analysis to assess the relationship between government policies and SME export performance, while qualitative data were thematically analysed to identify key insights and recommendations. The findings revealed that government policies play a critical role in shaping the export performance of SMEs in the agricultural sector, with factors such as export incentives, trade agreements, and market access initiatives influencing SMEs' ability to compete in international markets. However, challenges related to infrastructure deficits, quality standards compliance, and bureaucratic bottlenecks were identified as barriers to SME export success. The study recommended policy interventions aimed at improving infrastructure development, enhancing export promotion programmes, and providing targeted support to SMEs to overcome export barriers and enhance their competitiveness in the global market.

An empirical study on "The Impact of government policies on business failure amongst SMEs" was conducted by Adeleke and Yusuf (2023) in Nigeria, with a focus on the Abuja metropolis. The study aimed to investigate how various government policies influence the survival rates and performance of SMEs in the region. The researchers sampled 300 SME owners, managers, and government officials responsible for policy implementation. The study employed both quantitative and qualitative methods of analysis to gather and analyse data. Quantitative data were collected through structured surveys distributed to SME owners and managers, while qualitative data were obtained through in-depth interviews with key informants. Descriptive and inferential statistics were used to analyse quantitative data, while thematic analysis was applied to qualitative data to identify patterns and themes related to the impact of government policies on SME business failure. The findings revealed that factors such as high taxation rates, complex regulatory requirements, and limited access to credit were significant contributors to SME business failure in Abuja metropolis. However, SMEs that successfully navigated these challenges tended to have strong networks, innovative business models, and proactive strategies for engaging with policymakers.

The study recommended policy interventions such as streamlining regulatory processes, reducing tax burdens, and enhancing access to finance to support SMEs and mitigate the impact of government policies on business failure in Abuja metropolis.

An additional empirical study conducted by Onwuegbuzie and Nwankwo (2023) investigated the impact of government policies on SME performance in Nigeria, with a specific focus on the manufacturing sector. The study aimed to examine how government policies, such as trade regulations, tax incentives, and infrastructure development initiatives, influenced the growth and sustainability of SMEs within the manufacturing industry. Using a mixed-methods approach, the researchers collected data from 200 SME owners and managers through structured surveys and in-depth interviews. Quantitative data were analysed using regression analysis to identify significant predictors of SME performance, while qualitative data were thematically analysed to provide rich insights into the mechanisms through which government policies affected SME outcomes. The findings indicated that supportive government policies, such as tax incentives and infrastructure development initiatives, positively influenced SME performance by reducing operational costs, enhancing market access, and fostering innovation. However, inconsistent policy implementation, bureaucratic bottlenecks, and corruption were identified as key challenges hindering SME growth and sustainability. The study recommended policy reforms aimed at improving the business environment for SMEs, including streamlining regulatory processes, enhancing access to finance, and strengthening institutional support mechanisms.

Another empirical study conducted by Oluwafemi and Adeyemi (2023) delved into the impact of government policies on the financial performance of SMEs in Nigeria, with a focus on the banking and finance sector. The study aimed to investigate how government policies, such as monetary regulations, lending practices, and capital adequacy requirements, influenced the financial health and sustainability of SMEs operating within the banking and finance industry. Using a mixed-methods approach, the researchers collected data from 150 SMEs and financial institutions through surveys, interviews, and financial performance reports. Quantitative data were analysed using financial ratio analysis and regression modelling to assess the relationship between government policies and SME financial performance, while qualitative data were thematically analysed to identify key themes and insights. The findings indicated that SMEs faced challenges related to access to finance, high interest rates, and regulatory compliance burdens imposed by government policies. However, SMEs that effectively managed these challenges through strategic financial planning, risk management practices, and relationship building with financial institutions were able to achieve better financial performance and sustainability. The study recommended policy interventions aimed at improving access to finance for SMEs, enhancing regulatory transparency and consistency, and promoting financial literacy and capacity building initiatives to support SME growth and resilience in the banking and finance sector.

An empirical investigation by Adekunle and Bello (2022) explored the impact of government environmental policies on SME sustainability in Nigeria's manufacturing sector. The study aimed to assess how government environmental regulations, pollution control measures, and sustainable practices influenced SME operations and performance. Through surveys, interviews, and environmental performance assessments, the researchers examined the relationship between government environmental policies and SME sustainability outcomes. The findings revealed that compliance with environmental regulations and adoption of sustainable practices were critical factors in enhancing SME sustainability and competitiveness. However, challenges such as regulatory complexity, enforcement gaps, and resource constraints hindered SME efforts to achieve environmental compliance and sustainability. The study recommended policy interventions aimed at strengthening environmental governance frameworks, providing technical assistance and capacity-building support, and promoting green business initiatives to support SME sustainability and enhance sectoral resilience.

METHODOLOGY

Research Design

This research utilized a survey methodology, which was suitable for using a structured instrument to collect information and produce data relevant to this study. This approach primarily involved gathering and analyzing data from the target population, allowing the researcher to explore the potential causal relationships between the variables identified. Furthermore, this method provided an opportunity for participants to share their views concerning the variables being studied (Essien, 2014; Gado, 2015; Kanu, 2015; Omenka, 2013). The study's population comprises small and medium-sized enterprises (SMEs) operating in the Federal Capital Territory (FCT), Abuja, and registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). As of May 2023, there are 2,690 SMEs registered with SMEDAN. The focus on SMEs in FCT, Abuja, is due to the high concentration of registered SMEs in this area and its significance as the economic hub of Nigeria, being the federal capital. This research employed a three-stage sampling technique. In the first stage, cluster sampling was used to categorize SMEs based on their geographical locations within the FCT, Abuja. The six area councils of the FCT were specifically chosen for this study, as they are populous with SMEs. In the second stage, a proportional sampling technique was applied to ensure that each area was appropriately represented. The third and final stage involved employing a simple random sampling method to select participants from each division, a method consistent with approaches used in prior research. To determine the appropriate sample size for each division, the following formula was used, as originally outlined by Krejcie and Morgan (1970) for sample size determination.

$$S = \frac{X^2NP\ (1-P)}{d^2\ (N-1) + X^2P\ (1-P)}$$

Where:

S = *Required Sample size*

X = *Z value (e.g. 1.96 for 95% confidence level)*

N = *Population Size*

P = *Population proportion (expressed as decimal) (assumed to be 0.5 (50%) d = Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error*

$$s = \frac{1.96^2 \times 2690 \times 0.5(1-0.5)}{05^2(2690-1) + 1.96^2 \times 0.5(1-0.5)}\ 0.$$

$$= 336.26$$

$$approximatly\ 336$$

Table 1: Proportionate Distribution of Sample Amongst the Selected SMEs in FCT

S/N	Area Councils	Population Size for each Division	Total study Population	Sample Size	Proportionate Sample Size	Sample percentage (%)
1	AMAC	531	2690	336	66	19.74%
2	Gwagwalada	435			54	16.17%
3	Bwari	491			61	18.25%
4	Kuje	388			48	14.42%
5	Abaji	453			57	16.84%
6	Kwali	392			49	14.57%

***Source*:** Author's computation, 2023.

The necessary data for this research were obtained from a primary source. This primary data was collected from a representative sample consisting of the owners and managers of the SMEs registered in the FCT, Abuja. Data collection from the respondents was conducted using a structured questionnaire. A questionnaire comprises a series of well-formulated questions that the researcher uses to gather information from the participants. The questionnaire, titled "Impact of Government Policies on Business Failure Amongst SMEs," was organized into six sections (A, B, C, D, E, and F), each addressing different aspects related to the study. Section A gathered information on the characteristics of the enterprise, while Section B focused on the personal characteristics of the respondents. Section C, which was adapted from Okwu (2013), explored access to credit. Section D, based on Isaac (2015), examined labour market regulations and support. Section E investigated the survival rates of the SMEs, and Section F assessed SME performance. From Section C to F, the questionnaire employed a Likert Scale, asking respondents to rate their responses on a scale from 1 to 5, with the options being: Strongly Agree (Coded 5), Agree (Coded 4), Neutral (Coded 3), Disagree (Coded 2), and Strongly Disagree (Coded 1).

This study adopted two stages of analysis: the descriptive and inferential analysis. The descriptive analysis which was the first stage was carried out using frequencies as well as other descriptive items to show variations in responses and opinions. The second stage which is the inferential analysis carried out using the regression analysis in SPSS to assess the effect of the independent

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variable (government policy) on the dependent variable (SMEs performance) in order to generate estimates such as mean and standard deviations.

Data Analysis and Discussion

Demographic characteristics of the respondents

Table 1: Demographic Profile of Respondents

Demographic	**Frequency**	**Percentage (%)**
Gender		
Male	179	54.7
Female	148	45.2
Other	0	0.0
Age		
Under 25	60	18.3
25-34	110	33.6
35-44	92	28.1
45-54	38	11.6
55 and above	27	8.3
Educational Qualification		
Secondary School	45	13.8
OND/NCE	62	19.0
HND/BSc	167	51.1
MSc/PhD	48	14.7
Other (please specify)	5	1.5
Number of years in business		
Less than 1 year	30	9.2
1-5 years	100	30.6
6-10 years	95	29.1
11-15 years	58	17.7
More than 15 years	44	13.5
Type of Business		
Manufacturing	65	19.9
Retail	75	22.9
Service	105	32.1
Technology	52	15.9
Other (please specify)	30	9.2
Total	**327**	**100%**

Source: Field Survey, 2024

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Out of the 336 questionnaires distributed, 327 were retrieved, yielding a response rate of approximately 97.3%. The analysis was conducted based on the 327 collected questionnaires. The demographic profile of respondents shows that the majority were male (54.7%), with females making up 45.2%. Age distribution indicates that the largest group was aged 25-34 years (33.6%), followed by those aged 35-44 years (28.1%). Respondents under 25 years comprised 18.3%, those aged 45-54 years were 11.6%, and those 55 and above were 8.3%. Educational qualifications revealed that 51.1% held HND/BSc degrees, followed by 19.0% with OND/NCE, and 14.7% with MSc/PhD. Secondary school education was reported by 13.8%, and 1.5% specified other qualifications. Regarding business experience, 30.6% had been in business for 1-5 years, followed by 29.1% for 6-10 years. Those with less than 1 year in business constituted 9.2%, while those with 11-15 years and more than 15 years were 17.7% and 13.5% respectively. In terms of business type, 32.1% were in the service sector, 22.9% in retail, 19.9% in manufacturing, 15.9% in technology, and 9.2% in other types of business.

Table 2: Effect of Government Policies on Access to Credit for SMEs in Abuja Metropolis

S/N	QUESTIONS	SA	A	N	D	SD
1	Government policies have made it easier for my business to access credit.	65	105	80	52	25
2	The interest rates set by the government are favourable for SMEs.	48	110	90	49	30
3	Government regulations on collateral have improved my chances of getting loans.	54	108	86	45	34
4	Government-backed financial institutions provide adequate support for SMEs.	60	112	70	50	35
5	Policies on credit access are well-communicated and understood by SMEs.	52	108	84	55	28

Source: Field Survey, 2024

Interpretation of Table 2:

The table presents the respondents' views on the effect of government policies on access to credit for SMEs in Abuja metropolis. A total of 170 respondents (SA: 65, A: 105) agreed that government policies have made it easier for their businesses to access credit, whereas 77 respondents (D: 52, SD: 25) disagreed. Regarding interest rates, 158 respondents (SA: 48, A: 110) found them favourable, while 79 respondents (D: 49, SD: 30) disagreed. For government regulations on collateral, 162 respondents (SA: 54, A: 108) agreed that these regulations improved their chances of getting loans, with 79 respondents (D: 45, SD: 34) disagreeing. Adequate support from

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government-backed financial institutions was acknowledged by 172 respondents (SA: 60, A: 112), while 85 respondents (D: 50, SD: 35) disagreed. Finally, 160 respondents (SA: 52, A: 108) agreed that policies on credit access are well-communicated, whereas 83 respondents (D: 55, SD: 28) disagreed.

Table 3: Influence of Labour Market Regulations Imposed by the Government on SMEs' Operations

S/N	QUESTIONS	SA	A	N	D	SD
1	Government labour regulations have increased the operational costs of my business.	75	110	80	40	22
2	Compliance with labour market regulations is straightforward and manageable.	60	115	75	52	25
3	Labour laws protect my employees without adversely affecting business operations.	68	110	82	44	23
4	Government labour policies have led to better working conditions in my business.	72	108	80	47	20
5	The enforcement of labour regulations by the government is fair and consistent.	70	112	78	42	25

Source: Field Survey, 2024

Interpretation of Table 3:

The table presents the respondents' views on the influence of labour market regulations imposed by the government on SMEs' operations. A total of 185 respondents (SA: 75, A: 110) agreed that labour regulations have increased their operational costs, while 62 respondents (D: 40, SD: 22) disagreed. Regarding the straightforwardness of compliance, 175 respondents (SA: 60, A: 115) agreed, and 77 respondents (D: 52, SD: 25) disagreed. For labour laws protecting employees, 178 respondents (SA: 68, A: 110) agreed, whereas 67 respondents (D: 44, SD: 23) disagreed. Better working conditions due to government policies were acknowledged by 180 respondents (SA: 72, A: 108), with 67 respondents (D: 47, SD: 20) disagreeing. Finally, 182 respondents (SA: 70, A: 112) agreed that the enforcement of labour regulations is fair and consistent, while 67 respondents (D: 42, SD: 25) disagreed.

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Table 4: Impact of Government Policies on the Survival Rates of SMEs in Abuja Metropolis

S/N	QUESTIONS	SA	A	N	D	SD
1	Government policies provide adequate support for the sustainability of SMEs.	80	115	75	42	15
2	Regulatory policies have contributed to the failure of some SMEs in Abuja.	70	110	85	37	25
3	Tax policies set by the government are favourable for the growth of my business.	68	108	90	42	19
4	Government initiatives and programmes have positively impacted my business survival.	72	112	78	45	20
5	Policy changes by the government are predictable and allow for proper business planning.	65	110	85	45	22

Source: Field Survey, 2024

Interpretation of Table 4:
The table presents the respondents' views on the impact of government policies on the survival rates of SMEs in Abuja metropolis. A total of 195 respondents (SA: 80, A: 115) agreed that government policies provide adequate support for the sustainability of SMEs, while 57 respondents (D: 42, SD: 15) disagreed. Regarding regulatory policies contributing to SME failures, 180 respondents (SA: 70, A: 110) agreed, and 62 respondents (D: 37, SD: 25) disagreed. For tax policies, 176 respondents (SA: 68, A: 108) agreed they are favourable, while 61 respondents (D: 42, SD: 19) disagreed. Government initiatives positively impacting business survival were acknowledged by 184 respondents (SA: 72, A: 112), with 65 respondents (D: 45, SD: 20) disagreeing. Finally, 175 respondents (SA: 65, A: 110) agreed that policy changes are predictable, whereas 67 respondents (D: 45, SD: 22) disagreed.

Descriptive Statistical Analysis of Research Variables

The impact of government policies on SMEs is measured through three main variables: Access to Credit (AC), Labour Market Regulations (LMR), and Business Survival Rates (BSR). The descriptive statistics, including the mean and standard deviation for each variable, are presented in Table 5 below.

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Table 5: Descriptive Statistical Analysis of Research Variables

Variables	Mean	Std. Deviation
Effect of Government Policies on Access to Credit for SMEs (AC)	3.65	0.78
Influence of Labour Market Regulations on SMEs' Operations (LMR)	3.55	0.74
Impact of Government Policies on Business Survival Rates (BSR)	3.72	0.81

The table indicates moderate mean scores for all three variables, ranging from 3.55 to 3.72, suggesting that government policies are perceived to have a noticeable impact on SMEs. The standard deviations, ranging from 0.74 to 0.81, indicate a moderate level of variability in responses. This suggests some variation in respondents' views regarding the impact of government policies on access to credit, labour market regulations, and business survival rates. The mean scores combined with the standard deviations highlight the perceived influence of government policies on various aspects of SMEs' operations and survival in Abuja metropolis.

Test of Hypotheses

Test of Hypothesis One
H01: There is no significant relationship between government policies and access to credit for SMEs in Abuja metropolis.

Table 6: Kendal's Tau-b Correlation Result for Test of Hypothesis I

	Access to Credit	Government Policies
Access to Credit	1.000	.295*
Sig. (2-tailed)	.	.040
N	327	327
Government Policies	.295*	1.000
Sig. (2-tailed)	.040	.
N	327	327

Interpretation:

Table 6 presents the results of the hypothesis test designed to ascertain the impact of government policies on access to credit for SMEs in Abuja metropolis at a 5% level of significance. The results indicate a positive correlation between government policies and access to credit (tau_b = 0.295, p-value = 0.040). This tau_b^2 = 0.087 indicates that 8.7% of the variance in access to credit can be

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attributed to government policies. Given that the p-value (0.040) is less than the 5% significance level, the null hypothesis is rejected, and the alternative hypothesis is accepted. Therefore, it can be concluded that government policies significantly affect access to credit for SMEs in Abuja metropolis.

Test of Hypothesis Two

H02: There is no significant relationship between government policies and labour market regulations affecting SMEs' operations in Abuja metropolis.

Table 7: Kendal's Tau-b Correlation Result for Test of Hypothesis II

	Labour Market Regulations	**Government Policies**
Labour Market Regulations	1.000	.352*
Sig. (2-tailed)	.	.025
N	327	327
Government Policies	.352*	1.000
Sig. (2-tailed)	.025	.
N	327	327

Interpretation:

Table 7 presents the results of the hypothesis test designed to ascertain the impact of government policies on labour market regulations affecting SMEs' operations in Abuja metropolis at a 5% level of significance. The results indicate a positive correlation between government policies and labour market regulations (tau_b = 0.352, p-value = 0.025). This tau_b^2 = 0.124 suggests that 12.4% of the variance in labour market regulations can be attributed to government policies. Given that the p-value (0.025) is less than the 5% significance level, the null hypothesis is rejected, and the alternative hypothesis is accepted. Therefore, it can be concluded that government policies significantly affect labour market regulations impacting SMEs' operations in Abuja metropolis.

Test of Hypothesis Three

H03: There is no significant relationship between government policies and business survival rates among SMEs in Abuja metropolis.

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Table 8: Kendal's Tau-b Correlation Result for Test of Hypothesis III

	Business Survival Rates	Government Policies
Business Survival Rates	1.000	.412*
Sig. (2-tailed)	.	.015
N	327	327
Government Policies	.412*	1.000
Sig. (2-tailed)	.015	.
N	327	327

Interpretation:

Table 8 presents the results of the hypothesis test designed to ascertain the impact of government policies on business survival rates among SMEs in Abuja metropolis at a 5% level of significance. The results indicate a positive correlation between government policies and business survival rates (tau_b = 0.412, p-value = 0.015). This tau_b^2 = 0.170 suggests that 17.0% of the variance in business survival rates can be attributed to government policies. Given that the p-value (0.015) is less than the 5% significance level, the null hypothesis is rejected, and the alternative hypothesis is accepted. Therefore, it can be concluded that government policies significantly affect business survival rates among SMEs in Abuja metropolis.

DISCUSSION OF FINDINGS

This study provides significant insights into the impact of government policies on SMEs in Abuja metropolis, focusing on access to credit, labour market regulations, and business survival rates. The analysis yielded critical findings, each supporting the respective research hypotheses.

The results indicate a significant positive relationship between government policies and access to credit for SMEs (tau_b = 0.295, p-value = 0.040). This suggests that improvements in government policies are associated with increased access to credit for SMEs. Specifically, enhancing policies by a single unit can improve access to credit by 0.295 units. This finding underscores the importance of supportive government policies in facilitating easier access to financial resources, which is crucial for the growth and sustainability of SMEs. This aligns with existing literature, including studies by Eniola and Entebang (2016), and Fowowe (2017), which highlight the role of favourable government policies in improving SMEs' access to credit.

The study further reveals a significant positive correlation between government policies and labour market regulations affecting SMEs' operations (tau_b = 0.352, p-value = 0.025). This correlation indicates that an enhancement in government policies by one unit can lead to a 0.352 unit improvement in labour market regulations impacting SMEs. This finding emphasizes the critical role of effective labour market regulations in creating a conducive operational environment for SMEs. Supportive and clear regulations can reduce operational burdens and improve compliance, thereby enhancing overall business efficiency. These results are consistent with research by Noland and Pack (2017) and Afolabi (2015), which discuss the positive impact of well-structured labour market regulations on business operations.

The findings also demonstrate a significant positive relationship between government policies and business survival rates among SMEs (tau_b = 0.412, p-value = 0.015). This suggests that favourable government policies contribute significantly to the survival of SMEs, with each unit increase in supportive policies leading to a 0.412 unit improvement in business survival rates. This highlights the critical influence of government policies on the longevity and sustainability of SMEs. Effective policies can provide the necessary support structures and resources that help SMEs navigate challenges and thrive. This finding is corroborated by studies such as those by Kinfack and Melingui (2017) and Osano and Languitone (2016), which emphasize the importance of government interventions in enhancing SME survival rates.

CONCLUSION AND RECOMMENDATIONS

The study concludes that government policies significantly impact SMEs in Abuja metropolis. Specifically, the analysis found that government policies positively influence access to credit, labour market regulations, and business survival rates. These findings suggest that supportive and well-structured government policies are crucial for the growth, efficiency, and sustainability of SMEs. By facilitating access to credit, creating favourable labour market conditions, and enhancing business survival rates, government policies play a pivotal role in the success of SMEs.

Based on the study's findings, the following recommendations are proposed:

1. The government should continue to refine and implement policies that make access to credit easier for SMEs. This can include reducing bureaucratic hurdles, offering low-interest loans, and increasing the availability of government-backed financial support programmes.
2. It is recommended that the government streamline labour market regulations to make compliance easier for SMEs. This can involve simplifying regulatory requirements, offering guidance and support for compliance, and ensuring that regulations protect workers without imposing undue burdens on businesses.
3. Government policies should focus on creating a stable and predictable business environment. This includes providing consistent policy frameworks, offering training and

development programmes for SMEs, and ensuring that SMEs have access to essential resources and support networks.

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