

GOVERNMENT POLICIES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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Abstract

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Small and medium-sized enterprises (SMEs) are crucial in providing jobs, promoting economic growth, and encouraging innovation. SMEs in Nigeria face multiple and high taxes, inconsistent tax policies, a complex regulatory environment, and inadequate infrastructure. The study investigates government policies on the performance of small and medium enterprises in Nigeria by focusing on SMEs in the Southwest region with specific goals to evaluate how tax policies affect SMEs' performance and ascertain how licencing affects such businesses' performance. This research used a survey research design. The study population consisted of one hundred and forty-nine thousand three hundred and seventeen registered SMEs in operation with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The study used a sample size of 384 respondents selected based on the Raosoft formula. Hypothesis was tested through multiple linear regression. The outcome showed that there is a considerably positive influence of government policy on performance of SMEs. The findings shows that tax regulation and licencing is important in enhancing the performance of SMEs in Southwest Nigeria. The research therefore recommended that the government should find it necessary to adopt a better system of fiscal management that would aid in reducing inefficiencies in tax compliance.

Keywords: Government Policies, Licensing, Tax regulation, Performance, SMEs.

1.0 INTRODUCTION

Traditionally, the creation of SMEs in developing countries and thus including Nigeria has played a major role in the economic growth and industrialisation of these countries. These industries have led to production of jobs, revenues, alleviation of poverty and innovation and creativity. SMEs have been instrumental in Nigerian economy such that they contribute to an appreciable rate of GDP in the country (Okafor et al., 2016). They have been broadly perceived to play significant roles in the economic, social and political development of any country since they enable the country to access cheap goods, services and even job opportunities (Kohn, 2020).

The policies of the government are instrumental in the provision of a conducive environment to SMEs to prosper. SME performance is affected by policies in taxation, funding by banks, infrastructure expansion, and complying with all regulations. Nonetheless, the connection between the government policies and the performance of SMEs in Nigeria can be described as complex and irregular (Aga, 2023). High rates of taxes, excessive licenses and poor infrastructures, which are the challenges to the growth and competitiveness of SMEs because of policy, are highly recorded (World Bank, 2020). As a report by the International Monetary Fund (IMF, 2019) indicates, a large bulk of SMEs in Nigeria exist in the informal sector to avoid the burden of the regulated taxation. Such a scenario supports the argument of the necessity of tax reforms with both elements of the revenue maximization and SME development promotion.

Even though the SMEs in Nigeria have yet to achieve their objectives, they are an essential part of economic development (Obananya, 2022). The three levels of government through the budgetary allocation and policies annually have captured the interest and shown recognition of the important roles that the small and medium sector of the economy has been playing in making advancements to vitalise it. Despite their potential, the SMEs in Nigeria have experienced numerous challenges such as poor sources of capital, poor infrastructure as well as poor government policies that have detrained the performance of business. The object of this work is an outcome of failed policies of the government (Mazele & Amoah, 2022). Literature and research identified the issues of the Small and Medium Enterprises (SMEs) in Nigeria. Such challenges comprise taxation, the regulatory frameworks, infrastructure, access to finance and policy implementation (Ajayi-Nifise et al., 2024). Nigerian SMEs are subjected to multiple and high tax, unstable taxing policies, a dense regulatory framework, and poor

infrastructure. The Nigeria governments have maintained their policies on improving the taxation rate, licencing, training in the entrepreneurship field, and putting up financing programmes on business (Onwuka et al., 2024). Failure or stagnation in business is as prevalent as the high rates of small business formation that are evidenced by the national government support. The impact of government policies on the working of small and medium enterprises has never been adequately pinpointed despite many studies being previously carried out (Onwuka et al., 2024; Aga, 2023; Obananya, 2022). Financial resources are not available and there are strict lending criteria and high interest rates, and government financial programs are frequently unreachable to the beneficiaries.

For SMEs in Nigeria, policy implementation problems—such as inadequate monitoring and assessment, corruption, governance problems, poor policy execution, lack of policy continuity, and inadequate support for training and capacity development—have been major problems. SMEs also confront rivalry and market access issues, with limited market access hindering their ability to grow and posing a threat from imported goods. Establishing government policies and the performance of small and medium-sized enterprises (SMEs) in the southwestern part of Nigeria is the goal of this project. Due to their ability to create jobs, generate revenue, eradicate poverty, and contribute to the GDP of the country, SMEs are crucial to Nigeria's growth. The findings of this study will assist federal, state, and local officials in implementing policies for the growth and stability of SMEs. Businesses may easily comprehend how the policies can improve or impair their operations and competitiveness by tracking how they affect the SME's core business activities. To support the economic and social development of the Southwest region in particular and Nigeria in general, the study will also be useful for the creation of academic publications that will contribute to the body of knowledge already available on the topic. The disparity between the formulation and implementation of policies continues to be a major obstacle, casting doubt on the government's dedication to creating an environment that is favourable for SMEs to operate in. The performance of small and medium-sized enterprises in Nigeria and government policies are thus examined in this study, with a focus on SMEs in the Southwest area, which includes Osun, Ogun, Ekiti, Oyo, Ondo, and Lagos. Lagos, which is located in this region and is regarded as Nigeria's commercial centre, makes this study important. This research aims to examine the government policies on the performance of SMEs in Nigeria with the following specific objectives to;

- i. analyse the influence of tax regulation on the performance of SMEs.
- ii. examine the role of licencing on the performance of SMEs.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Government Policies

Government policy has a big impact on the long-term success of SMEs and the national economy. The government may accomplish this, according to Sharma (2022), by providing grants and expert counsel, financing products, tax breaks and relaxations, loans without collateral, loan guarantees, and equity investments. Government policies aim to balance the relationship between entrepreneurship and the growth of small and medium-sized businesses by generating income and jobs (Jahanshahi et al., 2022). Government agencies are organisations that work to control and enhance the circumstances for SMEs and entrepreneurs through financing, enforcement, and other strategies (Bouazza et al., 2015). According to this concept, government agencies' policies for small and medium-sized businesses are designed to help them by creating an atmosphere that encourages their expansion and the prosperity of their operators (Garba, 2021). As the foundation of the country's industrialisation journey, it accomplishes this by passing laws that will regulate business operations generally.

2.1.2 Aspects of Government Policies

The definition of government policy has been the subject of numerous debates, yet the following have been carefully considered and are cited in multiple studies (Makinde, 2019; Garba, 2021; Obananya, 2022).

i. Tax policy

The government must apply taxes on income, profits, interests, dividends, and commissions earned by individuals, business entities, and other legal entities. Moreover, direct and indirect taxes can either be an incentive or a discouragement to saving money. Taxes differ from other types of payments, such as market exchanges, since they do not require permission and are not linked to any services offered. The use of force, whether in actuality or mere show, is how the government ensures compliance with tax laws (Sebele-Mpofu, 2023). Because the government is enforcing the tax, rather than some private contractor, it is not technically extortion or a protection racket. The government's implementation of tax policies serves various purposes, such as financing budget deficits, promoting long-term economic growth, or mitigating the effects of external economic forces.

ii. Licencing

One such kind of licencing that is especially well-liked in the digital market is licencing conformance, in which a licensor allows a third party to keep insubstantial holdings for a predetermined amount of time in exchange for a royalty payment to the licensee. Intangible property includes patents, trademarks, formulae, procedures, designs, and copyrights (Arora, 2021). While extensive structural reforms have yielded some progress, business development opportunities still need to be addressed at the company level. SME activities are negatively impacted by licencing and registration requirements, the high expense of resolving legal disputes, and protracted court proceedings. According to Zakowska (2015), a legal and regulatory framework that leads to unduly complicated licencing and registration requirements as well as time-consuming and expensive reporting procedures is to impose restrictions on SMEs' operations in addition to heavily burdening entrepreneurs and their companies. A supportive environment for MSEs is expected to enhance the efficacy and durability of assistance programmes and encourage establishing new businesses and their viability and expansion. Therefore, policies and regulations that are supportive and enabling are essential to the growth of SMEs.

2.1.3 SMEs' Performance

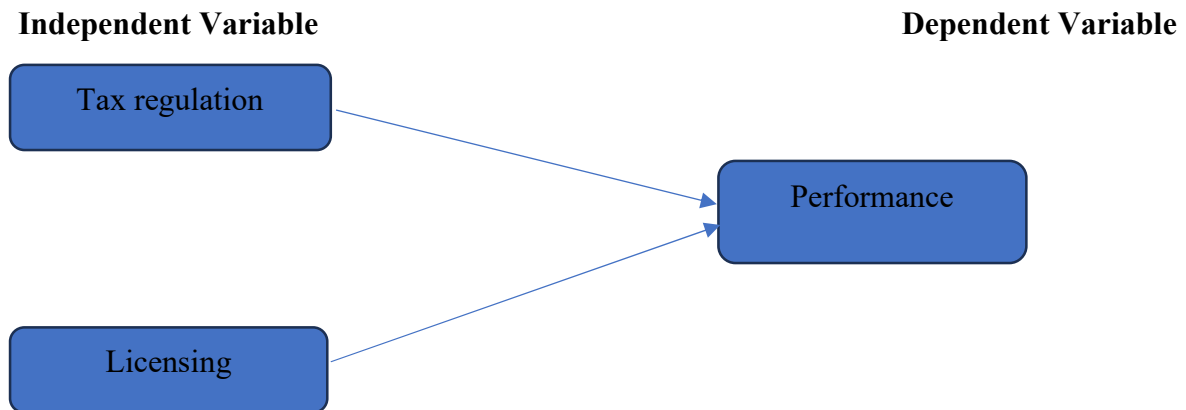
A combination of non-financial and financial criteria is used to evaluate SMEs' performance. According to Panigrahi and Vachhani (2021), the indicators for profitability include return on investment, return on assets, and earnings per share. Zairi (2012) and Baehre et al. (2022) state that employment, sales, and business revenue are used to measure growth. Employee turnover, waiting periods, delivery schedules, customer satisfaction, and referral rates are non-financial variables (Zairi, 2012). Scholars and academics have used a variety of approaches to measure an organisation's performance factor (Baehre et al., 2021). These methods deal with performance. Various elements are considered when evaluating SMEs' success, including equity, profitability, assets, people, and sales. The literature that examines an organisation's performance spans various temporal periods. Lim et al. (2010) report that the temporal fluctuation spans one to several years. A company's performance can be evaluated in many ways by utilising quantifiable factors such as changes in employment, employee turnover, productivity, profit, and total assets. According to Vannoorenberghe (2012), employment is more erratic and dependable than sales since owner-managers typically hire employees until

after demand has reached a particular point. Unlike financial data, reliable information regarding the effectiveness of employment is easy to locate and compile.

2.1.4 Conceptual Framework

Fig: 2.1

Conceptual framework showing licensing and tax regulation on performance



Source: Authors conceptualisation, 2025.

The conceptual framework explains licensing and tax regulation as the independent variables that significantly influence the performance of small and medium enterprises (SMEs), which are the dependent variables. Licensing is the formal authorisation given by regulatory bodies to SMEs, allowing them to operate legally within a specific industry or geographical area. At the same time, tax regulation is the financial charges imposed by government authorities on business earnings, transactions, and assets. The relationship between these variables is that favourable licensing conditions and a supportive taxation environment will enhance SMEs' performance, while stringent or costly regimes might hinder performance.

2.2 Theoretical Review

Institutional Theory

The theoretical lens employed in the current research study was known as institutional theory that was developed by John W. Meyer and Brian Rowan in 1977. Institutional theory is principally concerned with the strongest, deepest aspects of social organisation. It looks at the way in which institutions, i.e., rules, customs, and routines, are adopted as the last word on what is acceptable social behaviour. Institutional theory looks at the influence that social and

cultural environment have on organisations. Based on this concept, cultural norms, laws, societal expectations, and economic efficiency form businesses and other organisations (Baehre et al., 2021).

In the meantime, entrepreneurs are favoured by positive market incentives and availability of cash. As a result, academics that study entrepreneurship-related topics now favour institutional theory. According to Bruton et al. (2010), there has been an increase in the use of institutional theory in entrepreneurship since 1999. The focus of the neo-institutional field of study has been on disseminating diverse organisational methods, models, and governance systems, as acknowledged by the experts. As a result, applying institutional theory has given rise to three main areas of research: institutional entrepreneurship, institutional setting, and legitimacy. Notably, underdeveloped nations frequently have insufficient institutional environments, whereas developed nations have better-developed institutional frameworks. The ways and reasons entrepreneurship levels differ between countries have been discussed as study questions. Therefore, the bulk of studies sought to clarify how entrepreneurship in developing economies differs from that in developed economies (Bruton et al. 2008) and allowed researchers to identify barriers to creating and growing new businesses. The academics examined the regulatory, normative, and cognitive aspects in the developing economies of China (Peng 2003), Eastern Europe (Manolova et al. 2008), and Russia (Aidis et al. 2008), building on the ideas established by institutional theory.

According to institutional theory, a company will gradually embrace the practices and behaviours that give it legitimacy within the global (as opposed to local) organisation field. As a result, businesses may use indirect routes to follow competitors, clients, and suppliers abroad and direct competitors from their home country. Also, the presence of foreign actors within the immediate task environment of the firm like foreign suppliers and foreign consumers also shows a more global organisation field. This might provide the firm with mandate to reach out to foreign markets.

The institutional theory is significant to the study in the effort of understanding why SMEs may obey government rules. It provides a framework to explore how external factors impact on organisational behaviour with cognisance of motivations of the SMEs to comply with the policy. The concept assists in examining the perceptions of SMEs performance with regard to policy compliance using the government, students, and other stakeholders. It makes the understanding of both the normative and symbolic aspects of compliance easy. It appears that

the institutional theory provides a strong foundation to utilize and interpret challenges that SMEs face in executing government policy on the basis of the existing coercive constraints and isomorphic tendencies within the corporate context.

2.4 Empirical Review

Onwuka et al. (2024) concentrated on tax policies and small and medium-sized businesses (SMEs) performance in Anambra state. The report draws attention to the main problems that SMEs in Anambra face and the obstacles that restrict their growth, raise operational expenses, prevent innovation, and deter outside investment. The study primarily combined a descriptive research methodology and a qualitative research approach to thoroughly understand the problems encountered by SMEs and how policies affect their performance. Every interview was videotaped, and the transcripts were then transcribed for examination. The results showed that the numerous taxes levied by various authorities considerably raised operating expenses and that inadequate infrastructure for power also increased overhead and reduced output.

Salami et al. (2023) investigated how government policies affected the expansion and development of small enterprises in Asaba, Delta State, Nigeria, through entrepreneurship. Utilising a structured questionnaire, the leading data technique was applied. The research used 272 of the 291 surveys that were given to core medical staff, health professionals, and others. According to the study's findings, monetary policy and entrepreneurial policy intervention have a statistically significant positive correlation with growth and development. The study also came to the conclusion that entrepreneurship is essential for accelerating corporate expansion.

Yahaya et al. (2021) assessed the factors preventing small and medium-sized enterprises in Nigeria, namely in Bauchi, from growing and becoming more successful. Using an epistemological research philosophy, the study focused on the positivist research paradigm as the research compass. The study used 172 SMMs who were registered with the state government of Bauchi by December 2019. Because the cross-sectional survey design included both quantitative and qualitative data collection techniques, it was used. The study used descriptive statistics like proportions, median, mean, and standard deviation. In the context of global competition, the survey found that government regulations are one of the largest barriers to SMEs' expansion and achievement of their objectives. Other challenges include unpredictable electricity supplies, capricious tax laws, limited bank loan availability, and the inability to keep accurate financial records. The paper claims that the growth and development of SMEs in Nigeria's Bauchi State are greatly impacted by government policies.

Obananya (2022) established the effect of government policies on the growth of SMEs in Anambra State. A questionnaire served as the main instrument for gathering data for the study, and the survey design employed was descriptive, with a sample size of 300 SMEs. Regression analysis was employed in the examination of the hypotheses that were developed. Government policies pertaining to taxation, licensing, and loan distribution have been demonstrated to significantly contribute to the expansion of SMEs. The results of the investigation showed that government policies have a significant influence on the expansion of small and medium-sized enterprises.

Aga (2023) assessed how government training and tax credits affected the expansion of SMBs in Nigeria's Benue State. 400 people made up the sample, and regression analysis was used to evaluate the hypothesis. In addition to demonstrating the beneficial and crucial effects of government tax exemption, it was discovered that government training had a favourable and significant impact on the expansion of small and medium-sized business operations in Benue State, Nigeria. Additionally, the results demonstrated that tax breaks and training are viewed as ways for the government to step in and support the growth of new firms' economic activity.

Nduka and Nwankwo (2023) looked at how government spending in Nigeria affects SMEs. Among other econometric tools, the analysis employed Phillip Perron, Augmented Dickey-Fuller, Ordinary Least Squares (OLS), Descriptive Statistics, and the Granger Causality Test. According to this study, capital expenditures on roads, agriculture, education, and recurring expenses increase Nigeria's gross domestic product. Government borrowing also negatively impacts Nigeria's small and medium-sized businesses.

Makinde (2019) examined the ways and extent, through the policies of the government of Oyo state, Ibadan Metropolis modifies the impact of the environment on SME productivity. The study framework was underpinned by PESTEL analysis, and a survey was used as the research method. The research wanted to get 60 respondents for the questionnaire from the about 600 employees who work for SMEs in the six constituencies of the Ibadan Metropolis, so the research used simple random selection and stratified sampling, although the research had to make adjustments to the actual number of respondents that should be taken into account for the research due to time constraints. The government has taken several measures aimed at reducing the impact of environmental factors that may harm the productivity of SMEs, including the following: Government intervention funds through The Bank of Industry, integration of entrepreneurship education into the Core curriculum, and ban on importation of made goods.

2.5 Research Gap

Although studies have examined the impact of government policies on SMEs in Nigeria, there is a lack of comprehensive research that specifically focuses on the Southwest region. Furthermore, most existing studies focus on tax policies or regulatory frameworks in isolation without examining their combined effects on SME performance. This study aims to fill this gap by investigating the role of tax policies, licensing regulations, and SME performance in the Southwest region of Nigeria. Given the Nigerian government's emphasis on economic diversification and job creation through the promotion of SMEs, this research is timely and relevant. It provides empirical evidence on how government policies impact SMEs in one of the country's most economically significant regions. This study seeks to inform policy reforms that can foster a more enabling environment for SME performance.

3.0 METHODOLOGY

This study used a survey research design method. The research utilised online forms using Google Docs to distribute questionnaires to respondents, which made it fair and convenient for respondents. The southwest area of Nigeria, which includes Ogun, Osun, Oyo, Ekiti, Ondo, and Lagos, is the primary concentration of SMEs in the country. The study's sample comprised 149,317 registered small and medium-sized enterprises (SMEs) that are registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), which aligns with Badiru (2024). The whole population of SMEs registered with SMEDAN in Nigeria's South-West geopolitical zone is as follows (MSME Survey, 2021). The following states have the highest percentages: Ekiti (17,510), Ondo (7,899), Osun (18,969), Oyo (18,969), Ogun (31,133), and Lagos (42,067). As a result, the study's population comprised 149,317 SMEs in South-West Nigeria. The justification for selecting the study's population is based on the comprehensive coverage of registered SMEs in South-West Nigeria. The study used a sample size of 384 selected respondents based on the Raosoft formula. The purposive sampling approach was used to ensure that the appropriate respondents were included in the research. A proportional sampling technique was used to allocate and distribute among the states based on the population of SMEs: Ekiti: 45 respondents, Ondo: 20 respondents, Osun: 49 respondents, Oyo: 82 respondents, Ogun: 80 respondents, and Lagos: 108 respondents. This allocation ensures that each state is represented proportionally to its population of SMEs. The instrument's reliability was measured and found to be 0.72 using the test-retest approach and Cronbach's Alpha test, indicating that it is trustworthy. Regression analysis and correlation evaluated the

independent factors' respective predictive ability over the dependent variable. Multiple linear regression was used to test the hypothesis, and data analysis was performed using SPSS version 26, a statistical tool for social research.

4.0 Discussion and Analysis

This section discussed the interpretation of the research results against the research objectives and the hypothesis. The conclusion of the analysis shows the degree to which tax regulation and licensing affects the performance of SMEs based on statistical findings of the regression results, ANOVA and model summary.

4.1 Test of Hypotheses

Ho₁: Tax regulation has no significant influence on the performance of small and medium enterprises.

Ho₂: Licensing has no significant influence on the performance of small and medium enterprises

Table 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.330 ^a	.109	.104	1.171	.109	23.296	2	381	.000

a. Predictors: (Constant), Licensing, Tax regulation

The model summary in Table 1 indicates that the predictors—Licensing and Tax Regulation—explain 10.9% of the variation in the dependent variable, as shown by the R Square value of 0.109. The Adjusted R Square value of 0.104 suggests a slight reduction after adjusting for the number of predictors, indicating the model's modest explanatory power. The standard error of the estimate (1.171) shows the average distance between the observed values and the regression line, reflecting the model's prediction accuracy. The R Square Change of 0.109 confirms that the inclusion of Licensing and Tax Regulation contributes meaningfully, though moderately, to explaining the variation in the dependent variable.

Table 2

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	63.935	2	31.967	23.296	.000 ^b
	Residual	522.813	381	1.372		
	Total	586.747	383			

a. Dependent Variable: Performance

b. Predictors: (Constant), Licensing, Tax regulation

The ANOVA table shows that the regression model is statistically significant in explaining the relationship between the predictors (Licensing and Tax Regulation) and the dependent variable (Performance). The regression sum of squares (63.935) compared to the residual sum of squares (522.813) indicates that a notable portion of the variation in performance is explained by the predictors. With an F-value of 23.296 and a significance level (p-value) of .000, the model is highly significant, meaning the probability that this relationship occurred by chance is extremely low. This implies that Licensing and Tax Regulation jointly have a statistically significant effect on Performance, even though the proportion of variance explained is modest (as reflected in the R² value earlier).

Table 3

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B
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		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.754	.354		4.957	.000	1.058	2.449
	Tax regulation	.314	.075	.220	4.170	.000	.166	.462
	Licensing	.248	.075	.175	3.316	.001	.101	.396

a. Dependent Variable: Performance

The coefficients table reveals that both Tax Regulation and Licensing have positive and statistically significant effects on Performance. Specifically, the unstandardized coefficient (B) for Tax Regulation is 0.314 ($p = .000$), meaning that a one-unit increase in tax regulation is associated with a 0.314 increase in performance, holding other factors constant. Similarly, Licensing has a coefficient of 0.248 ($p = .001$), indicating that a one-unit improvement in licensing practices leads to a 0.248 increase in performance. Both predictors fall within narrow confidence intervals (Tax Regulation: 0.166–0.462; Licensing: 0.101–0.396), reinforcing the reliability of these estimates. The standardized coefficients (Beta) show that Tax Regulation (.220) has a slightly stronger influence on Performance compared to Licensing (.175). These findings suggest that regulatory frameworks, particularly tax regulation and licensing, play an important role in shaping organizational performance. Practically, this implies that fair and efficient tax policies, as well as streamlined and transparent licensing procedures, can enhance the performance of businesses. Hence, the research rejects the null hypotheses and accept the alternate hypotheses that Tax Regulation and Licensing have positive and statistically significant effects on Performance.

4.2 Discussion of Findings

The results of the first tested hypothesis found that tax regulation had a positive and significant effect on SME performance, with a coefficient ($B = 0.314, p < 0.01$) and a standardized Beta of 0.220. This indicated that improvements in tax regulation contributed meaningfully to enhanced SME performance, as supportive and well-structured tax policies reduced financial

burdens and created a more enabling business environment. The second hypothesis testing also confirmed a positive and significant relationship between licensing and SME performance, with a coefficient ($B = 0.248, p < 0.01$) and a standardized Beta of 0.175. This suggested that streamlined and transparent licensing processes positively impacted SMEs by minimizing bureaucratic delays and allowing entrepreneurs to focus on productive activities. Collectively, these findings emphasized that efficient tax and licensing regulations were critical determinants of SME performance, implying that policymakers needed to prioritize creating regulatory frameworks that foster growth and competitiveness.

In order to draw practical and theoretical implications of such findings, practical implications proved that simplification of taxation regulation and lower taxes should be considered by policymakers in an attempt to facilitate easier compliance with taxation regimes to aid the success of SME. Additionally, policymakers and regulatory agencies ought to simplify the issuance of licenses so as to weaken administrative barriers. Such enhancement would enable SMEs to devote resources to building businesses instead of complying with the regulations thus creating an entrepreneurial environment. Based on these results, SMEs could be at an advantage in adopting the institutional requirements especially in terms of tax and licensing custody since they make them gain credibility, bring forth investors, and establish their place in orderly growth.

The theoretical implications displayed that institutional theory postulates that, the environment is made of regulatory, normative, and cultural-cognitive factors that affects the organizational performance. This has been confirmed by the results in this study where it has been indicated that regulatory factors (tax regulations and licensing) have a great influence on the SME performance. These results confirm that regulatory compliance is not an obligation but rather a strategic asset of the organizations in pursuit of legitimacy and performance advantages. Also, the positive correlations experienced indicated the role of institutional mechanisms (tax and licensing) in making SMEs resilient and formal. The study aligns with the institutional theory of research and provides the opinion that regulations can help to stabilize the structures of SME, which may act as the cushion against fluctuations on the market. This dimension contributes to the literature around the institutional effects because it highlights the influence of regulator frameworks on the resilience and soundness of operations of SMEs. These findings add new information within the institutional theory furthermore, in the field of the emerging economies where SMEs have quite different challenges. The results emphasize institutions being

supportive and as crucial part of enhancing SME performance in such environments, which extends the theory beyond traditional corporate arenas.

Together, the findings of these theories show that the government policy and SME performance are closely connected with each other. This is indicative of the relational area between the performance of SMEs and the government policies. Consistent with the results of the study, this research aims at studying and analysing the impact of government policy on SMEs performance in Southwest region of Nigeria. Regression analysis was employed in analysing the data used in this study. Finally, every null hypothesis was rejected with a level of significance of 0.05. Implication of the study concurs with the research findings of Obananya (2022) on determination of SME performance dependent on government policies, Onwuka et al., (2024) on influence of government policies on growth and development of small business. Hence, tax policies and licencing have helped to boost the performance of small and medium-sized businesses in the Southwest of Nigeria as depicted by this discovery.

5.0 Conclusion and Recommendations

The study evaluated the policies laid out by the government in relation to the performance of SMEs in Nigeria. The analytical techniques were linear regression analysis and use of original sources of data. The findings reveal that the tax laws and the licencing conditions have an impact on the success with which SMEs operate in Nigeria. The findings of Obananya (2022), Onwuka et al. (2024) and Salami et al. (2023) regarding the relationship between government policies and growth and performance of small-sized and medium-sized businesses (SMEs) are supported by the present research. Collectively, these results show the importance of licencing and tax policies in enhancing the performance of SMEs in Southwest Nigeria. The research also discloses that this enhances performance of the SMEs because they are influenced by the government policies.

The study therefore recommended that the government should develop a better framework for the payment of taxes to enhance efficiency in the collection process and enforcement of tax laws. Also, the government should simplify the licensing system and decrease the licensing hurdles for SME operations.

This study cannot be used to generalize the entire Nigeria since it was limited to the southwest region of Nigeria government policies. Based on the report, similar studies ought to be conducted in other regions of Nigeria. The two independent variables described by the study

explained the performance of small and medium scaled businesses in Southwest of Nigeria. Consequently, there might be need to conduct other studies to squeeze the coverage of the study to make it more general and make use of more advanced techniques of statistics to eliminate possible biases and confounders, although the results that have been reached in the study can be very informative.

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