

## Government Incentive Policies and Enterprise Development in Nigeria

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**Abstract:** This study investigated the link between government incentive policies and enterprise development in Nigeria. This was achieved through a review of the extant theoretical and empirical literature together with hypotheses testing. The ex-post facto research design was adopted in the study with twelve (12) observations, which covers the period of 2010-2021. The data were analysed descriptively with mean and standard deviation while the stated null hypotheses were statistically tested with the Ordinary Least Square (OLS) regression technique at 5% level of significance. The findings of the study revealed that while financial incentives significantly promote enterprise development, fiscal incentives and export promotion incentives had insignificant effect on enterprise development in Nigeria. However, when the variables were integrated, a significant relationship was established between government incentive policies and enterprise development in Nigeria. In view of the findings and the conclusion drawn from, it is recommended that the Federal Government of Nigeria should continue in her effort to boost enterprise development and all the weak institutions hindering the effective implementation of the policies should be strengthened.

**Keywords:** Government incentive policy, enterprise development, financial incentive, fiscal incentive, export promotion incentive.

### Introduction

Government is one of the machineries that run a business. While it accepts the private sector as the engine of growth and the creator of wealth, its major responsibility is to provide the enabling environment for the private investors to operate. Eniola and Entebang (2015) noted that the government, as much as it encourages the establishment of enterprises, also have impacts on these enterprises: some yield positive outcome while some yield negative outcome. Therefore, for any enterprise to be successful, consideration must be given to the actions of government. Government uses policy to tackle a wide range of issues. In fact, it can make policies that could change how much tax you pay, parking fines, import and export duties, immigration laws and pensions (Ireghan, 2009). Government policies go a long way in determining the growth or stagnation, profit or loss of any business. Supporting enterprises to start and thrive is a win-

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win situation for the government (Vazifeh & Neda, 2009). Local businesses help support the tax base through businesses taxes and through the wages provided to employees. The possibility of workforce expansion and economic growth prompts municipalities, counties, states and the federal government to offer various forms of assistance, such as grants, research opportunities, beneficial legislation and worker training programmes.

As noted by Mustaphar (2021), part of the efforts to provide an enabling environment that is conducive to the growth and development of industries, inflow of foreign direct investment (FDI), shield existing investments from unfair competition, and stimulate the expansion of domestic production capacity; the federal government of Nigeria has developed a package of incentives for various sectors of the economy. The policy of economic deregulation and liberalization has opened up new windows of opportunity to all investors wishing to invest in the country's economy. In this connection, an interest rate regime supportive of the real sector of the economy as well as an exchange rate that is market determined are the object of government policy. The security of life and property of the citizens are being vigorously pursued with the reorganisation and strengthening of the Nigerian Police Force. In addition, the Nigerian Investment Promotion Council (NIPC) has been strengthened to enable it serve as a one-stop office for clearing all the requirements for investment in the country. The tariff structure is being reformed with a view to boosting local production. In this regard, laws which had hitherto hindered private sector investments have been either amended or repealed and a national council on privatization has been established to oversee orderly divestment to private operators in vital areas of the economy such as mining, transportation, electricity, telecommunications, petroleum and gas (Eniola & Entebang, 2015).

Sathe (2006) in particular argues that government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination. The Government can come up with policies that can boost and support the growth of novel technologies, products, and solutions. On the other hand, government can likewise seem to hinder the development of small and medium-scale enterprises (SMEs) when it introduces policy which can restrict the autonomy, as well as the entrepreneurial freedom of some variety. Oji (2006) observed that Nigeria has no explicit policy for the SMEs sector, the closest been the Small and medium Enterprises development Agency (SMEDAN), established in 2003 to facilitate the growth of the small and medium enterprises sector in the country. However, within the past few years following the end of military dictatorship in Nigeria, government has progressively introduced a number of incentives designed to promote enterprise development. But as noted by Omoruyi and Okonofua (2005), government policies concerning SMEs are poorly implemented and have resulted in confusion and quandary in business decisions as well as enervate the credence in the government's capacity to execute conscientiously its programmes. The inability of government to execute favourable fiscal policies and policy inconsistencies has undermined the development of SMEs in Nigeria. Mustaphar (2021) in their studies found that economic development incentives have a positive effect on firm location decisions, although incentive programmes do not affect the growth of existing businesses. It is true that fiscal investment incentives are popular in developing countries but it appears they have not been effective in making up for fundamental weaknesses in the investment climate. Akinbogun (2008) in his study examine the impact of infrastructure and government policies on survival of small-scale ceramic industries in South-West of Nigeria, and found that infrastructural facilities and Government policies have not encouraged viable small-scale ceramic industries in Nigeria. However, the findings of Alabi, David and Aderinto (2019) revealed that incentives have a substantial positive effect on announced employment growth. The findings further show that establishments that received incentives usually overestimate their announced employment targets more than establishments that did not receive incentives. These findings are mixed, and therefore require further investigation.

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Furthermore, prior empirical studies that relate government incentive policies to enterprise development in Nigeria are scanty. The few available studies used the dimensions of government incentive policies different from the ones employed in the present study. Our point of departure therefore is to increase the volume of empirical literature by investigating the extent to which government incentive policy influence enterprise development in Nigeria. Sequel to the above, the following hypotheses are raised:

**Ho<sub>1</sub>:** Financial incentives have no significant relationship with enterprise development in Nigeria.

**Ho<sub>2</sub>:** Fiscal incentives have no significant relationship with enterprise development in Nigeria.

**Ho<sub>1</sub>:** Export promotion incentives have no significant relationship with enterprise development in Nigeria.

**Literature Review**

**Government Incentive Polices**

Government incentive policies are government statements of intention relating to payment, including, without limitation, a payment in respect of any performance-based incentive or rebates, by a utility, electric distribution company or federal, state or local governmental authority or quasi-governmental agency, and any extension of the program (including by converting the program into a refundable tax credit or tax refund program), in each case as an inducement to a utility customer, solar company or installer to install or use solar equipment (Ireghan, 2009).

**Financial Incentives:** Finance is the life-wire of business and an essential ingredient for the survival and growth of any business enterprise (Alabi, David & Aderinto, 2019). Government’s role as a financier of business comes mainly through government agencies, financial institutions and establishments that provide various types of funding for both the public and private enterprises. The Development Finance Institutions (DFIs) which are government institutions established for meeting the medium and long term needs of business organizations for credit and investments include NIDB (The Nigerian Industrial Development Bank), NBCI (Nigerian Bank for Commerce & Industry) , NACB (Nigeria Agriculture and Co-operative Bank), FMBN (Federal Mortgage Bank of Nigeria), UDB(Urban Development Bank).

NIDB was established in 1964 to provide medium and long-term finances to industrial enterprises ascertained to make significant contributions to economic development of Nigeria. It identifies investment priorities, supervises projects and carries out feasibility studies on investment projects. It provides technical and managerial consultancy services to organizations.

The Nigerian Bank for Commerce and Industry (NBCI) established in 1973 to underwrite share issues particularly those arising from indigenous business men to acquire the ownership interest of aliens affected by indigenization decree and also assist businessmen by providing consultancy services in identifying and funding viable business projects (Akinbogun, 2008).

Ovat (2016) noted that the Nigerian Agricultural and Co-operative Bank (NACB) established in 1973 to improve the level of production of all aspects of agricultural production and the availability and marketing of agricultural products through extending liberal credit facilities to farmers co-operate and allied industries. These include farming, poultry, fisheries, animal-husbandry, forestry and timber production as well as storage, distribution and marketing connected with such production. NACB’s sources of funds include government subventions, credit shortfall on agricultural loans through the CBN and loans from international finance institutions/ World Bank, African Development Bank, European Investment Bank etc. The Federal Mortgage Bank of Nigeria (FMBN) was established to promote mortgage institutions. Urban Development Bank (UDB) established in 1993 was to cater for the financing of urban development needs of Nigerian cities and urban centers. Other support agencies involved in the production and

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development of entrepreneurship in State and Federal levels are the Industrial Development Centres (IDCs) established to provide technical support and manpower training facilities to industries (Peter, Adegbuyi, Olokundun, Peter, Amaihian and Ibidunni, 2018).

**Fiscal Incentives:** Fiscal incentives are measurable economic advantages that governments provide to specific enterprises or groups of enterprises, with the goal of steering investment into preferred sectors or regions or for influencing the character of any given investments. According to the United Nations Conference on Trade and Development (UNCTAD, 2000), fiscal incentives are preferred by developing countries because they serve as measures for reducing the burden on investment undertakings, and a means to induce foreign investors to invest in specific sectors or locations in an economy. Besides financial incentives, the Nigerian government provides other forms of assistance to entrepreneurs to give them some considerable measure of relief and advantages in carrying out their activities. Some of these are tax and tariff related incentives. Tax holidays are granted to entrepreneurs for the first six months of operation. James (2014) noted that government has however, taken some concrete steps to ameliorate the tax burden on enterprises. One of such was the amendment of the Company’s Income Tax Act of 1979, by section 32 of the finance (Miscellaneous Taxation Provision) Decree of 1985, which reduced withholding tax on interest income from 45 to 15%, a decision intended to attract reinvestments. This was followed in 1987 by the reduction in the taxation rate on corporate profits from 45% to 40% and currently to 35%.

Tariffs are mainly used by government to protect local and infant industries in Nigeria, usually against foreign goods. In 1988, the federal government established the Tariff review Board to carry out a comprehensive study and review of the Customs and Excise Tariff of the country to provide an appropriate level of protection for domestic industries. The government then reduced the number of excisable products from 412 to 182 items most of which are final and luxury products. Import duties were increased on dry cell batteries from 25% to 45%, syringes and needles, from 25% to 40%. As noted by Tende (2014), in recent years, the Nigerian government has taken various measures towards reforming and reviewing the customs and excise provisions on tariffs and duties for various categories of products. Such measures include: the review of import and export prohibition list. Such goods as frozen poultry products have been out-rightly prohibited; the review of items for export as wet blue and all unprocessed leather is still prohibited. This ensures the protection of existing local tanneries which process leather into finished products; and the prohibition of exportation of wet blue leather is also meant to enhance local capacity utilization, generate foreign exchange through exports of finished products and also increase and guarantee the employment generation potentials of the sub sector. Most contra bound goods will be ceased thereby encouraging the populace to source it locally from indigenous entrepreneurs. Also high excise duties will be levied on certain items as spirits, cigarette, tobacco at the rate of 40%. This is particularly directed in safeguarding the citizenry’s health (Rapu, Sanni, Akpan, Ikenna-Ononugbo, Yilkudi, Musa, Goilt, Ajala & Ibi, 2013).

**Re-investment allowance:** This incentive is given to manufacturing companies that incur capital expenditure for purposes of approved expansion of production capacity; modernisation of production facilities; diversification into related products. It is aimed at encouraging reinvestment of profits.

**Investment tax allowance:** Under this scheme, a company would enjoy generous tax allowance in respect of qualifying capital expenditure incurred within five years from the date of the approval of the project. Dividends derived from manufacturing companies in petro-chemical and liquefied natural gas sub-sector are exempt from tax. Companies with turnover of less than N1 million are taxed at a low rate of 20% for the first five years of operation if they are into manufacturing. Dividend from companies in manufacturing sector with turnover of less than N100 million is tax-free for the first five years of their operation.

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**Investment guarantees/effective protection transferability of funds:** Section 24 of NIPC decree provides that a foreign investor in an enterprise shall be guaranteed unconditional transferability of funds through an authorized dealer in freely convertible currency of: dividends or profit (net of taxes) attributable to the investment; payments in respect of loan servicing where a foreign loan has been obtained; remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or Any interest attributable to the investment (Adenikinju, 2005).

**Export Promotion Incentives:** In the 1950’s and 1960s, agricultural products like cocoa, rubber, palm produce and groundnut accounted for over 80% of Nigeria’s total export. The discovery of oil in Nigeria in 1956 and the instant economic fortunes that it brought blinded the country’s from further developing other non-oil sectors. Nigeria now became ferocious importers of everything from white sliced bread to Mercedes etc. The most taxing question in the Nigerian

According to Gilaninia, Taleghani and Koohestani (2013), the politics at that time was how to spend all that money. The events thereafter and the consequent economic recession became the price Nigeria had to pay for their neglect. As a result, its foreign reserve dipped. To shore up Nigeria’s foreign reserve and revive the non-oil economic activities, the government came up with a lot of policies to encourage export activities by entrepreneurs. Its highpoint was the promulgation of a decree in 1986 with a package of incentive for export e.g. the export development fund, export expansion grant, duty drawback scheme, duty suspension scheme and manufacture in bond scheme.

*Export Development Fund Scheme:* A scheme whereby the federal government and the private sector contribute into a fund which will be used to finance a series of export promotion and development activities like training, workshop, symposia, research, studies, consultancy services, local and oversea trade fairs.

*Export Expansion Grant:* Involves the giving of cash grant to local manufacturers who achieve a minimum of N50,000 worth of exports annually. This was to encourage such manufacturers to increase their export sales value.

*Duty Drawback Scheme:* This allows importers to claim rebates on duties paid on imported products and materials (raw materials equipment and machinery) meant for use in the manufacture of other goods meant for exports.

*Duty Suspension Scheme:* This involves the lifting of duties paid on certain categories of exports.

*Manufacture in-bond Scheme:* This involves the non-payment of duties on imported raw materials for the production of exportable goods backed by a bond issued by a first class bank. The performance bond is discharged after evidence of exportation and repatriation of foreign exchange earnings to the country (Gilaninia, et al. 2013).

The government bodies for the promotion of exports are the Nigerian Export-Import Bank (NEXIM), the Nigerian Export Processing Zones Authority (NEPZA) with duty free incentives; and the Nigerian Export Promotion Council (NEPC).

**Enterprise Development**

The term enterprise refers to any social activity whose primary goal is to offer services or produce goods within the framework of a community or society. Enterprises vary in sizes, structure and complexities, but are generally characterized by the utilization of resources towards the attainment of predetermined ends. Broadly, enterprises are categorized into micro, small, medium and large organizations (Effiom & Edet, 2018). Micro enterprises typically include street vendors, petty/artisanal business etc. Micro enterprises are not expected to fulfill stringent regulatory requirements and largely operate in the informal sector of

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the economy especially in developing economies. In contrast, small and medium sized enterprises (SMEs) are larger in size, demands relative formal structure, are impacted substantially by business environmental factors and accounts for a considerable percentage of all businesses in the “formal sector” of an economy.

According to Effiom and Edet (2018) the exact type of business that takes place in a given society is largely determined by the attitudes, needs and beliefs of members of such community. *Enterprise development* is one of the crucial concepts of capitalism and a necessity for those seeking to find success in entrepreneurship. The most basic yet complete explanation of the concept is about value creation and its increase. Each enterprise sets a goal of scaling and offering more value for consumers, thus improving its own stature and profitability.

According to Abdullahi and Sulaiman (2015), enterprise development (ED) has been defined as the process of developing small or medium companies. It has to do with taking a small business idea and growing it into something big, making more money, earning more profits, and employing more people as time goes by. A mom-and-pop corner store is a business, but without vision and the urge to grow, it's not an enterprise. Enterprise development is different from other forms of development as the intention and goal of the development is on a business rather than an individual. Enterprise development is either done for commercial reasons or positive societal change. Commercially investors would like to see that a small company grows fast in order to maximize the return on their investment.

In many countries, small and medium scale enterprises (SMEs) have provided the mechanism for driving indigenous industries, creating employment opportunities and aiding the development of indigenous technology (World Bank, 1995). SMEs have successfully been used as an instrument of poverty alleviation and a developmental tool globally. This assertion is based on the fact that they are seen as a source of dynamism, innovation and flexibility, and their contribution to productivity in an economy cannot be over-emphasised. The SMEs contribute more to employment generation, as they employ more than half of the total workforce in the US, and two-thirds in the EU (Takats, 2004). Also, some of them eventually transform to big industries that will stimulate economic development. The impact of SMEs on the industrialisation and development witnessed in the South East Asia has gone a long way in making most emerging economies to pay more attention to its development as an engine of growth and development. Hence, at present financing of SMEs is increasingly seen and used as a development strategy.

The common indices for measuring enterprise development are enterprise growth and percentage contribution to Gross Domestic Product (GDP).

**Theoretical Framework**

The study is built on the theory of incentives postulated by Marschak and Radner (1972) is concerned with the problem that a planner (alternatively called a designer, principal, or government, depending on the context) faces when his own objectives do not coincide with those of the members of society (whom we shall call agents). This lack of coincidence of goals distinguishes incentives theory from the theory of teams, which postulates identical objectives, but which otherwise shares many features with our subject. In turn, the assumption that the planner, often the surrogate for society itself, has well-defined objectives separates incentives theory from most of social choice theory, which, since Arrow (1951), examines the possibility of deriving social objectives from those of individual preferences.

For an incentive problem to arise, non-coincidence of goals is not enough; the planner must care about either what agents know or what they do. That is, his objective function must depend either on agents' information or on their behavior. An example of pure informational dependence is provided by the literature on resource allocation mechanisms. There, the planner's objective - social welfare - is a function

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of consumers' (agents') preferences and endowments. The incentive problem is, typically, that of eliciting this information. Pure behavioral dependence is exhibited by an employee-employer relationship in which the employer is interested only in the employee's output. In this case, incentives pertain not to revealing what the employee knows but to inducing him to work hard. Of course, incentive problems typically involve both kinds of dependence.

**Empirical Review of Literature**

*Hassan and Saidu (2021) examined the impacts of government incentives on SMEs' development in Yola, Adamawa State, Nigeria. The study specifically applies the structural equation model as the main methodology for this research while adopting confirmatory factor analysis (CFA), for easier comprehension and emphasis. The study applied two manifest variables of human capacity building, financial incentives. From these overall manifest variables, the study applied 12-dimensional variables from which the study's questionnaires emanate from. The questionnaire developed was administered by way of a questionnaire survey method to ascertain relevant data from the study area and population. The purposive sampling method was used to selected 360 participants of the study. From the study, the following findings were made of the dimensional variables: levels of participation in human capacity building are rated highest, Level 1 followed by Influences of human capacity building on decision making at Level 2, Applications of lessons learnt from the capacity building in business is at Level 3, Advances made in business following novel knowledge from the capacity building is at level 4, Observed enhancement in business following the applications is at level 5, and Frequency of human capacity building by the government is at the lowest level 6. stringent conditions to access the financial incentives is rated highest, Level 1 followed by Limited access to financial incentives at Level 2, Failures due to absence of Incentives is at Level 3, Observed Improvements in businesses as a result of the incentives is at level 4, frequency of the financial incentives by the government is at the second to the lowest, level 5 and finally, level 6 is the adequacy of financial incentives. The recommendations, amongst other things that adequate steps be taken to provide incentives in human capacity building and financial incentives, bring about development for SMEs.*

Ali and Mudueme (2019) examined the effects of Export Expansion Grant (EEG) on the growth of Nigeria's non-oil export. EEG scheme was introduced in 1986 at a time the government of Nigeria was focusing on diversifying her economy. The paper attempted to analyse the effects of EEG on non-oil exports from 1986 -2015. The study used data set of non-oil export as the dependent variable while EEG, foreign income, gross fixed capital formation and real exchange rate were used as independent variables. Of these variables, growth in non-oil exports, growth in foreign income was stationary at levels. The rest variables were stationary at first difference. The study therefore employed Auto Regressive Distributed lag Model (ARDL) technique due to the mix I(O) and I(I). The paper concludes that EEG has no significant effects on Nigeria's non-oil exports. The paper recommends extending EEG to producers of domestic products that are yet to be exported. Also, government should diversify activities in the agriculture sector to further export in livestock, horticulture, floriculture, wildlife preservation among others to strengthen diversification agenda in Nigeria.

Alabi, David and Aderinto (2019) evaluated the impact of government policies on business growth of small and medium enterprises that operates in six states that made up the South-west geopolitical zone of Nigeria. The study adopted descriptive ex-post facto type and involved both primary and secondary data. The researcher used stratified sampling technique for determination of exact sample population to use for the study. Structured questionnaires were used as the main tools data collection. Both the descriptive and inferential analytical techniques of the SPSS packaged were used to analyze the data obtained from the respondents. The result of this research shows that there is a significant relationship between government

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policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. These results indicate the need for the Nigeria government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country’s monetary policies and macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country. It is also important for the various levels of government in the country to embark on the massive infrastructural development.

Sidi, Agasanuhu, Dawit and Odunsaiya (2019) seek to examine the impact of government contribution on SMEs and employment generation in Nigeria. The study employed both the qualitative and quantitative approach and secondary data were sourced. The result of the findings revealed that SMEs have been a veritable tool and has contributed a lot to employment generation and likewise the government played a significant role toward the development of SMEs to achieve this. Furthermore, the empirical result also revealed that SMEs have significantly contributed to unemployment reduction in Nigeria during the period under this study. The regression results shows that SMEs employment level in Nigeria and government contribution to SMEs are positively and significantly related to the general employment level in Nigeria at 5% level of significance. The result also revealed that the Private sector have not contributed much to the generation of employment in Nigeria. Certain constraints limiting the ability of SMEs to generate employment were identified. In light of these, the study recommends that the government should improve the state of infrastructural facilities and there should be incorporations of private individuals and organizations in promoting Small and Medium Scale Enterprises (SMEs) for employment generation as their involvement in supporting laudable programmes will have a greater impact in the economy.

Peter, Adegbuyi, Olokundun, Peter, Amaihian and Ibidunni (2018) assert that government support programmes are viewed as important tools for enhancing the performance of SMEs. Despite enormous effort by government to foster growth and development in the SMEs sector through various support programmes, the rising failure and underperformance of the SMEs sector suggest a contrary effect. This study explored the impact of financial assistance on the performance of SMEs across three states in Nigeria. Mixed methods approach was adopted using the survey and semi-structured interview methods. The study makes use of stratified and simple random technique to select the respondent of the questionnaire. A total of four hundred (400) copies of questionnaire were administered to owners/managers of SMEs, out of which only three hundred and sixty (360) were returned and adjudged usable for the analysis, while 20 semi-structured interviews were conducted on the owners/managers of SMEs. Descriptive statistics and Multiple Regression were used to facilitate the estimation process. In addition, thematic analysis was used to analyze the qualitative interviews. The study identified that while financial assistance has significant impact on the performance of SMEs, these supports are inadequate and characterized by stringent, unrealistic bureaucratic details. Based on these findings, the study recommended that facilitating access to adequate funding are highly effective in enhancing performance.

Ovat (2016) examined the role played by commercial banks' credit in facilitating the growth of SMEs in Nigeria. It adopted co-integration and error correction mechanisms in carrying out this empirical examination. The findings revealed that Commercial Banks' credit has not contributed significantly to the growth of Small and Medium Scale Enterprises in Nigeria. To support the growth of SMEs by Commercial Banks, so that they can be properly positioned to play a catalytic role in rapid industrial take off and development in Nigeria, the paper recommended as follows: SMEs should be made to have easy access to credits by commercial banks, to achieve this, the monetary authority should ensure that the lending rate at which commercial banks lend to the SMEs is reduced to the barest minimum; devaluation of the national currency-the naira, should not be encouraged as devaluation makes imported raw materials and capital goods used by the SMEs very expensive and hence impedes their production rather, local sourcing of raw materials should be encouraged to reduce the pressure on exchange rate; and finally, more

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Commercial Bank branches should be established in Nigeria, especially in the rural areas to create opportunity for SMEs operating in such areas to have access to credits and finance their operations.

Tende (2014) assessed various government policies and programmes towards the development of entrepreneurship in Nigeria. A random sample of 1,159 beneficiaries of EDP NDE programmes were selected and structured questionnaires were used to obtain information from the selected EDP-NDE beneficiaries. The result shows that government credit policies and programmes have no significant effect on the development of entrepreneurial beneficiaries of the EDP-NDE programme. The study recommends that governments enforce laws and regulations that link institutional development and the entrepreneurial endeavor and to create an environment that will encourage entrepreneurs to develop business and new ventures.

Rapu, Sanni, Akpan, Ikenna-Ononugbo, Yilkudi, Musa, Goilt, Ajala and Ibi (2013) adopt case study methodology to analyze fiscal incentives in Nigeria drawing lessons of experience from emerging as well as developing economies. The study reveals that fiscal incentives were very successful in countries with strong institutions, good infrastructural facilities, adequate regulatory and legal framework as well as good enabling environment. These factors have ameliorated the cost of doing business and attracted investments to those countries. Similarly, it was noted that in addition to strong institutions and good infrastructure, fiscal incentives would enhance economic growth and development if well anchored and articulated in developing countries. Furthermore, granting fiscal incentives such as provision of infrastructural facilities, tax credit for car manufacturers, insurance cover, special custom regimes, locational incentives and rebate, provision for carry forward losses for a period of ten years, elimination of bureaucratic bottle neck and official red-tapism to promote investments was common in most countries; evidence suggests that their effectiveness depended on a well-structured Cost Benefit Analysis (CBA). However, the implementation of fiscal incentives in Nigeria is undermined by weak institution, weak macroeconomic environment, poor infrastructural facilities, inadequate policy monitoring/evaluation, poor regulatory/supervisory framework, corruption, country risk and unfavorable political climate.

Erinne (2004) investigated on the government entrepreneurial policies that facilitate entrepreneurship and how effective these policies are on organizations. It focused on the empirical study of creating knowledge about entrepreneurship development in Nigeria. It studied the government efforts towards resolving the problems of entrepreneurship: lack of finance, managerial and technological know-how, education and training, lack of experienced expatriate and local completion, inadequate infrastructure leading to high cost and finally high burden of taxation. The major findings of this research include; government entrepreneurial development policies have immensely improved entrepreneurial organizations, these organizations in turn have contributed a lot towards economic and national development especially in the aspect of reducing unemployment and generating income. The most important incentive given to entrepreneurs by government is finance. The entrepreneurs still encounter other problems in areas of technical and managerial known how, employee training and development, poor supply of infrastructure. Based on these findings, the researcher strongly recommends that entrepreneurial organizations should be included in training and development of their managers and other staff to acquire managerial and technical know-how to enable them cope with the challenges of modern management.

Shah (1995) investigated the effect of fiscal incentives in a variety of countries using different methodologies including calculation of marginal effective tax rates (METR) and business survey. The conclusion from the study is that fiscal incentives turn ineffectual either due to the fact that a particular incentive offer are not very valuable to firms or because the preconditions for investment determination are not met. The study tends to conclude that conditions such as a relatively stable macroeconomic environment and efficient public infrastructure are more effective than granting tax holidays. Thus, the

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balance of evidence suggests that for many developing countries, fiscal incentives do not effectively counterbalance unattractive investment climate conditions such as poor infrastructure, macroeconomic instability, and weak governance and markets.

**Methodology**

The ex post facto research design was adopted in this study where data on government incentives (financial incentives, fiscal incentives and export promotion incentives) and enterprise development were considered for the period of 2010 to 2021. The variables of the study were measured as follow:

| Variables                   | Measurements  | Authorities            |
|-----------------------------|---|------------------------|
| Enterprise Development      | Natural log of contribution of MSMEs to GDP   | Oboro (2021)           |
| Financial Incentives        | Natural log of credits to MSMEs   | Ovat (2016)            |
| Fiscal Incentives           | Tax incentives. It is used as s dummy variable and takes the value of 1 in the year tax incentive was available to MSMEs and 0 if otherwise | Rapu et al.(2013)      |
| Export Promotion Incentives | Natural log of value of export expansion grant  | Ali and Mudueme (2019) |

The data were analysed with the Ordinary Least Square (OLS) regression technique with the aid of the Statistical Package for Social Sciences (SPSS) version 26.

The model estimation and specification for this study is presented thus:

$$ED_t = f(\alpha_0 + \beta FIN_{1t} + \beta FIS_{2t} + \beta EXP_{3t} + EXCH \dots \dots \dots \mu \dots \dots \dots) \dots \dots \dots (1)$$

Where:

ED = Enterprise development

FIN = Financial incentives

FIS = Fiscal incentives

EXP = Export promotion incentives

$\beta$  = Regression co-efficient

$\alpha$  = Regression constant

$\mu$  = Error term

**Descriptive Analysis**

The descriptive analysis of this study was conducted using minimum, maximum, mean, and standard deviation, as presented in Table 1 below:

|                    | N  | Minimum | Maximum  | Mean     | Std. Deviation |
|--------------------|----|---------|----------|----------|----------------|
| ED                 | 12 | 54.00   | 1.33E5   | 2.9816E4 | 54043.74185    |
| FIN                | 12 | 1.00    | 21461.43 | 3.5213E3 | 8191.19590     |
| FIS                | 12 | .00     | 1.00     | .5000    | .52223         |
| EXP                | 12 | 2747.70 | 7895.92  | 5.0907E3 | 1697.97046     |
| EXCH               | 12 | 122.26  | 436.61   | 2.6527E2 | 120.41577      |
| Valid N (listwise) | 12 |         |          |          |                |

Source: SPSS Version 26 Output

From the table above, it is revealed that the mean value of enterprise development (ED) is 2.9816E4 with a standard deviation of 54043.74185. Since the standard deviation is less than the mean, it implies that mean is a good representation of series of data. The mean value of financial incentives (FIN) is 3.5213E3 with a standard deviation of 8191.19590, which is less than the mean. This implies that the mean is a good representation of series of data. The mean value of fiscal incentives (FIS) is 0.50000 with a standard deviation of 0.52223, which is greater than the mean. This implies that the mean is not a good representation of series of data. The mean value of export promotion incentives (EXP) is 5.0907E3 with a standard deviation of 169.97046, which is less than the mean. This implies that the mean is a good representation of series of data. Finally, exchange rate (EXCH), which is an exogenous variable in this study, revealed a mean value of 2.6527E2 with a standard deviation of 120.41577, which is less than the mean. This implies that the mean is a good representation of series of data.

**Test of Hypotheses**

**H<sub>01</sub>:** Financial incentives have no significant relationship with enterprise development in Nigeria.

In testing this hypothesis, data generated on financial incentives were regressed with data on enterprise development, and the result obtained is presented in Table 2. The result revealed a correlation co-efficient of 0.566, which is close to 1. The p-value of 0.035 is less than 0.05 level of significance. This implies that financial incentive have a significant relationship with enterprise development in Nigeria.

**H<sub>02</sub>:** Fiscal incentives have no significant relationship with enterprise development in Nigeria.

In testing this hypothesis, data generated on fiscal incentives were regressed with data on enterprise development, and the result obtained is presented in Table 2. The result revealed a correlation co-efficient of 0.036, which is close to 0. The p-value of 0.848 is greater than 0.05 level of significance. This implies that fiscal incentives have no significant relationship with enterprise development in Nigeria.

**H<sub>03</sub>:** Export promotion incentive policies have no significant relationship with enterprise development in Nigeria.

In testing this hypothesis, data generated on export promotion incentives were regressed with data on enterprise development, and the result obtained is presented in Table 2. The result revealed a correlation co-efficient of 0.206, which is close to 0. The p-value of 0.337 is greater than 0.05 level of significance. This implies that export promotion incentives have no significant relationship with enterprise development in Nigeria.

In a nutshell, the multiple regression of the variables as shown in Table 3 revealed a correlation co-efficient of 0.905, which is close to 1. The p-value as shown in the ANOVA table, revealed 0.10, which is less than 0.05 level of significance. This implies that government incentive policies have a significant effect on enterprise development in Nigeria.

The co-efficient of determination of 0.819 revealed that government incentive policies account for 81.9% variation in enterprise development while 8.1% is due to other variables. This suggests that the model was nicely fitted.

| Table 2: Coefficients <sup>a</sup> |            |                             |            |                           |        |      |
|------------------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| Model                              |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                                    |            | B                           | Std. Error | Beta                      |        |      |
| 1                                  | (Constant) | -59238.732                  | 34727.100  |                           | -1.706 | .132 |
|                                    | FIN        | 3.733                       | 1.426      | .566                      | 2.617  | .035 |

|                           |       |          |           |      |       |      |
|---------------------------|-------|----------|-----------|------|-------|------|
|                           | FIS   | 3690.363 | 18600.514 | .036 | .198  | .848 |
|                           | EXP   | 6.568    | 6.376     | .206 | 1.030 | .337 |
|                           | EXCHA | 153.155  | 119.570   | .341 | 1.281 | .241 |
| a. Dependent Variable: ED |       |          |           |      |       |      |

| Model   | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|-------------------|----------|-------------------|----------------------------|
| 1   | .905 <sup>a</sup> | .819     | .715              | 28855.31827                |
| a. Predictors: (Constant), EXCHA, FIS, EXP, FIN |                   |          |                   |                            |

| Model   | Sum of Squares | df       | Mean Square | F       | Sig.  |                   |
|---|----------------|----------|-------------|---------|-------|-------------------|
| 1   | Regression     | 2.630E10 | 4           | 6.575E9 | 7.897 | .010 <sup>a</sup> |
|   | Residual       | 5.828E9  | 7           | 8.326E8 |       |                   |
|   | Total          | 3.213E10 | 11          |         |       |                   |
| a. Predictors: (Constant), EXCHA, FIS, EXP, FIN |                |          |             |         |       |                   |
| b. Dependent Variable: ED                       |                |          |             |         |       |                   |

### Discussion of Findings

It is gathered in this study that financial incentives have a significant relationship with enterprise development in Nigeria but that fiscal incentives and export promotion incentives have no significant relationship with enterprise development in Nigeria. However, holistically, it was established that government incentive policies have a significant effect on enterprise development in Nigeria.

These findings support prior studies such as *Hassan and Saidu (2021)* who revealed that financial incentives have a low impact on the development of small and medium-scale enterprises in Nigeria. Ali and Mudueme (2019) reported that export promotion incentives measured by expert expansion grant have no significant effects on Nigeria’s non-oil exports. Ovat (2016) revealed that commercial banks' credit has not contributed significantly to the growth of Small and Medium Scale Enterprises in Nigeria. Tende (2014) shows that government credit policies and programmes have no significant effect on the development of entrepreneurial beneficiaries of the EDP-NDE programme. Rapu, et al. (2013) reveals that fiscal incentives were very successful in countries with strong institutions, good infrastructural facilities, adequate regulatory and legal framework as well as good enabling environment.

Furthermore, Alabi, et al. (2019) shows that there is a significant relationship between government policy and business growth of small and medium enterprises (SMEs) in South Western Nigeria. Sidi, Agasanuhu, et al. (2019) revealed that SMEs have been a veritable tool and has contributed a lot to employment generation and likewise the government played a significant role toward the development of SMEs to achieve this. Peter, et al. (2018) established that while financial assistance has significant impact on the performance of SMEs, these supports are inadequate and characterized by stringent, unrealistic bureaucratic details.

### Conclusion and Recommendations

Enterprise development is very crucial for economic development of a nation. It is therefore imperative that governments initiate measures that would promote enterprise development. In this study, government incentive policy using financial incentives, fiscal incentives and export promotion incentive was

investigated as a tool for promoting enterprise development in Nigeria for the period of 2010 to 2021. The findings of the study revealed that while financial incentives significantly promote enterprise development, fiscal incentives and export promotion incentives had insignificant effect on enterprise development in Nigeria. However, when the variables were integrated, a significant relationship was established between government incentive policies and enterprise development in Nigeria.

In view of the findings and the conclusion drawn from, it is recommended that the Federal Government of Nigeria should continue in her effort to boost enterprise development and all the weak institutions hindering the effective implementation of the policies should be strengthened.

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