

Government Policy and the Growth of Small and Medium Scale Enterprise in Lagos State

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ABSTRACT

The study examined government policies and the growth of small and medium scale enterprises in Oshodi-Isolo Local Government Area of Lagos State. The objectives of the study were to investigate the relationships between monetary policy, fiscal policy, supply side, and taxation on the growth of SMEs. Descriptive survey design was employed and the population for the study comprised the 500 registered SMEs in Oshodi-Isolo LGA.

A sample of 180 SMEs was selected using simple random sampling. The instruments used for data collection was detailed questionnaire and out of 180 questionnaires distributed, 100 were filled and returned. The data collected were analyzed using frequency tables, and Chi-Square method for hypothesis testing. The two null hypotheses were rejected because calculated Chi-value was greater than tabulated Chi-value ($\chi^2_{cal} > \chi^2_{tab}$).

Findings revealed that there is significant relationship between monetary policy, fiscal policy and the growth of SMEs. It was also discovered that there is significant relationship between supply side, taxation and the growth of SMEs. The study therefore recommends that in recognition of the crucial roles played by SMEs with respect to economic growth and development, governments in Nigeria should implement various policies aimed at promoting the welfare of SMEs in the country. Also, Government should ensure that SMEs are not taxed heavily to enhance the growth of SMEs.

(Keywords: monetary policy, fiscal policy, supply side economics, taxation, business environment)

INTRODUCTION

Small and medium scale enterprise growth is constrained by internal factors and external

factors, such as the carrying capacity of the environment, government policy or competition. SMEs have to recognize what their resources are and they need to know how to utilize them into an advantage for their business. However, in the figure of the general economy, the growth of SMEs cannot compete with merely view at the cost and by simply cutting it; they need to compete on the basis of cognition and the value added (Sevrani and Bahiti, 2008). Therefore, the development of a sound good government policy for SMEs growth is an indispensable component of the strategy of most economies and holds particular significance.

Beck, et al. (2005) provided evidence on the importance of the financial system and legal enforcement on SME growth. From the point of persuasion on the growth of local and state economic systems, SME holds an important position. However, SMEs face many challenges such as government policy, which affect their growth and performance (Bubou et al., 2014). Thus, SMEs which lacked government support policies have restricted access to improving their growth and performance. Studies related to growth of SMEs do not provide all-inclusive expression for the performance of these firms.

Government policy is reflected in strategic plans and policy memo. It is translated and carried out through rules and regulations, manuals, requests for proposals, contractual agreements, enforcement actions, and so forth.

However, many researchers have proved in the past that government policies do influence the growth of small and medium scale enterprises. Small and medium scale enterprises are believed to be the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria (Basil, 2005). This is manifested in the following ways, Employment generation, rural

development, Economic growth and Industrialization, Better Utilization of Indigenous Resources. Government creates the rules and frameworks in which Small and medium scale enterprises are able to compete against each other. From time to time the government will change these rules and frameworks forcing small and medium scale enterprises to change the way they operate (Essien and Udofia, 2006).

Moreover, the government regularly changes laws in line with its political policies and as a result, small and medium scale enterprises continually have to respond to changes in the legal framework (Izedomi, 2011).

The full potentials for ensuring the expansion of entrepreneurs can be viewed from the performance of SMEs. Most kinds of literature associate the rising potentials of economic growth and development to SMEs (Basil, 2005). Several institutions like Bank of Industry, Bank of Agriculture, Entrepreneurship Development Centers, and Community/Microfinance Bank have been of great potentials to the growth of SMEs in Nigeria. Banks credits to SMEs have a significant impact on the growth of Nigerian economy. Small and Medium Enterprises have a significant impact on the growth of Nigerian economy, while access to finance is a major catalyst for economic growth because credits granted to SMEs had impact on their growth (Sevrani and Bahiti, 2008).

According to Obi (2001), the variables of the growth of SMEs include: Profit, sales volume, number of lines of production, increase in branches, market share, and customer base. All these contribute to the growth of SMEs in Nigeria. An overview of Small and Medium Scale Enterprises in Nigeria

Nigeria remains a country with very high potential but an equally high inertia to develop. The country is blessed with abundant supply of enormous human, agricultural, petroleum, gas, and large untapped solid mineral resources (Obamuyi and Olorunfunmi, 2001). Since her independence from British rule in 1960, the country has gone through decades of political instability and this has brought with it a climate of social tension and an unpredictable market for business. The successive forceful takeover of government by the use of military coup and the indigenization policy of the late 70's has put off investors who hitherto saw the country as a large and growing market. Due to the nature of these governments, there is

perceived corruption, policy instability, poor infrastructural development and lack of accountability of public funds. For these reasons, the World Bank described Nigeria as a paradox (World Bank, 1996). This is also true for most Sub-Saharan African countries as industrial production has declined or stagnated over the past decades (Folawewo and Osinibi, 2006).

According to Imoueghel and Ismaila (2014), since its independence, the Nigerian government has been spending an immense amount of money obtained from external funding institutions for entrepreneurial and small business development programs, which have generally yielded poor results. Unfortunately, these funds hardly reach the desired business because they may be lost to bureaucratic bottle necks and end up in accounts of public office holders. Despite these setbacks, the role of small business owned by middle class Nigerians, set up by individual savings, gifts and loans and sometimes sustained by profit cannot be ignored.

According to Odediran and Udeafa (2010), countries that have made economic breakthroughs in the last two decades demonstrated beyond doubt that the development of entrepreneurship has been the sine qua non of economic growth and development. According to Ogege and Shiro (2012), the significant role SMEs play in development is acknowledged world over. He cited the work of Schell, (1996), who noted that in developed countries such as the USA, where big corporations are dominant, SMEs still play enormous role in the country's economy.

Also, according to the report of the Indian working group on science and technology for Small- and medium-scale enterprises, SMEs occupy an important and strategic place in economic growth and equitable development in all countries. Constituting as high as 90% of enterprises in most countries worldwide, SMEs are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. Owing to the success of the Asian tigers, interest is running high globally particularly in developing countries that are in the rat race to meet up and reduce the economic and development gap. Chinese and foreign experts estimated that SMEs are now responsible for about 60% of China's industrial output and employ about 75% of the workforce in

China's cities and towns (Schell, 1996). These SMEs create jobs for workers who have been laid off from state-owned enterprises due to the steady transition from communism to a market-based economy.

Role of SMES in Nigeria

SMEs are believed to be the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria. The benefits of SMEs cannot be over-emphasized, and they include contributions to the economy in terms of output of goods and services, and creation of jobs at relatively low capital cost, especially in the fast growing service sector. It is a vehicle for the reduction of income disparities thus developing a pool of skilled or semi-skilled workers as a basis for the future industrial expansion; improves forward and backward linkages between economically, socially and geographically diverse sectors of the economy; provides opportunities for developing and adapting appropriate technological approaches; offers an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development among others (UNCTD, 2004)

SMEs have been fully recognized by government and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of SMEs is an essential element in the growth strategy of most economies and holds particular significance for Nigeria (Udechukwu, 2003).

SMEs contribute to improved living standards, bring about substantial local capital formation and achieve high level of productivity and capability. SMEs are recognized as the principal means of achieving equitable and sustainable industrial diversification and dispersal (Udechukwu, 2003).

SMEs also serve as veritable means of mobilization and utilization of domestic savings as well as increased efficiency through cost reduction and greater flexibility. They have been very prominent in the manufacture of bakery products, leather manufactures, furniture, textiles and products required for the construction industry (Olorunshola, 2003).

They also provide veritable means of large-scale employment, as they are usually labor intensive and can provide training grounds for entrepreneurs even as they generally rely more on the use of local materials.

In Nigeria, there is the dire need to create an enabling environment for the nurturing and development of SMEs so that they could play the crucial roles expected of them in economic transformation. The key roles of SMEs include mobilization of domestic savings for investment, significant contribution to gross domestic product (GDP) and gross national income (GNI), harnessing of local raw materials, employment creation, poverty reduction and alleviation, enhancement in standard of living, increase in per capita income, skills acquisition, advancement in technology and expert growth and diversification. This can however only be realized with the existence of a responsive and vibrant industrial policy and involving government's overall economic development strategies which will involve all stakeholders and ensure the effective and efficient harnessing, coordination and utilization of economic resources.

In Nigeria, the organized manufacturing sector is made up of over 95 percent SMEs (Udechukwu, 2003). Structurally, the Nigerian SMEs mainly those engaged in the distribution of trade who, according to Odeyemi, constitute about 50 percent of the SMEs, 10% are in manufacturing, 30% in agriculture, and 10% in service.

According to Odeyemi, the SMEs account for well over 60% of Nigerian gross domestic product generated mainly in the agricultural, service and distributive trade sectors. One interesting feature of the Nigerian SMEs is that the distributive trade component is generally more commercially variable than the manufacturing components, which is why they often emerge as better candidates for financial institutions (Nweze, 2009).

Challenges of SMES in Nigeria

The fact that SMEs have not made the desired impact on the Nigerian economy in spite of all the efforts and support of succeeding administrations and governments gives a cause for concern. It underscores the belief that there

exists fundamental issues or problems, which confront SMEs but which hitherto have either not been addressed at all or have not been wholesomely tackled. The incidence of inadequate working capital, which constrains productive capacities of the SMEs as well as absence of succession plans in the event of the death of the proprietor, leads in many cases to frequent early demise of SMEs. Moreover, the unstable or persistence of unstable macro-economic environment arising mainly from fiscal policies excesses has often smothered many SMEs.

Chibundu (2006) highlights the following challenges confronting SMEs in Nigeria as poor management practices and low entrepreneurial skill, poor implementation of policies, restricted market access, overbearing regulatory and operational environment, lack of infrastructural facilities, financial indiscipline, constrained access to money and capital markets, among others.

Many factors have been identified as being the possible causes or contributing factors to the premature death (a prominent feature of Nigerian SMEs). Key among these include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plans, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and over concentration of decision making on one (key) person, usually the owner (RAMP, 2010).

Other challenges which SMEs face in Nigeria include irregular power supply and other infrastructural inadequacies (water, roads, etc.), unfavorable fiscal policies, multiple taxes, levies and rates, fuel crises or shortages, policy inconsistencies, reversals and shocks, uneasy access to funding, poor policy implementation, restricted market access, raw materials sourcing problems, competition with cheaper imported products, problems of inter-sectoral linkages given that most large scale firms source some of their raw material outside instead of subcontracting to SMEs, insecurity of people and property, fragile

ownership base, lack of requisite skill and experience, etc. (Onugu, 2005).

Government Policies and Programs for SMES Development in Nigeria

The SMEs operating in Nigeria are not shielded or immune from the typical problems and constraints of SMEs in other developing countries. Almost every country assists her SMEs largely because of the crucial inherent role they play in the economic growth and development. The assistance is usually in the form of facilities and supportive services rather than on protection and subsidies. Other services provided by some governments include commercial finance, venture capital, information training and retraining, research and development (R&D) support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organizations (NGOs).

In recognition of the crucial roles played by SMEs with respect to economic growth and development, succeeding governments in Nigeria had various initiatives aimed at promoting the welfare of SMEs in the country. The most tangible among the different incentive packages that varied with almost every change in government leadership was the focus on enhancing the financial opportunities for the SMEs. Some of the support institutions and opportunities created by the government to enable SMEs access funding in the past 30 years include:

- Mandatory Credit Guideline in respect of SMEs (1970)
- Small Scale Industries Credit Guarantee Scheme (1971)
- Agricultural Credit Guarantee Scheme (1973)
- Nigeria Agriculture and Co-operative Bank (1973)
- Nigerian Bank for Commerce and Industry (1973)
- Rural Banking Scheme (1977)

- The World Bank Assisted SME I (1985) and The World Bank Assisted SME II (1990) Second – Tier Security Market (1985)
- Peoples Bank (1989)
- National Economic Reconstruction Fund (1992)
- Small and Medium Scale Enterprises Loan Scheme (1992)
- Family Economic Advancement Programme (1997)
- African Development Bank – Export Stimulation Loan Scheme (ADB-ESL) in 1988
- Bank of Industry (BOI) - being merger of NIDB, NBCI and NERFUND in 2001
- Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) - being merger of NACB, Peoples Bank and Family Economic Advancement Programme (FEAP) in 2002
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2004.
- Microfinance banks
- Small and Medium Enterprises Credit Guarantee Scheme for SMEs 2010

The above well-intentioned institutions designed to provide succor to SMEs, notwithstanding the sector, is yet to find its bearing in the murky waters of Nigeria's business environment. This accounts for the government's recent introduction of the last four support schemes (i.e., BOI, SMEDAN, the SME Credit Guarantee Scheme, and Microfinance banks).

Government Policy and SME Firm

Entrepreneurship activity in developing countries such as Nigeria is primarily based on necessity. The creations of Government policies for SMEs vary from advanced economies to developing countries and from country to country attributed to variations in social and custom values, the extent amount industry and business settings (Naudé, Szirmai, and Goedhuys, 2011). 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 SME firm performance when it introduces policy which can restrict the autonomy, as well as the entrepreneurial freedom of some variety.

In an effort to resolve the failure rate of SMEs, the Government decided to create the former institution sector sound, stable, honest, dependable, internationally competitive, and to strengthen its ability to provide acknowledgment to the SMEs. Governments develop the patterns and frameworks during which lines are able to contend against each other. The Government often amends laws in line with its political policies. Therefore, SMEs regularly has to be compelled to alterations in the legal framework. These policies will cause a substantial impact on the competitiveness, ambitiousness and expediency of SMEs.

RESEARCH METHODOLOGY

Research Design

Descriptive survey design was employed for this study. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. The reason for using descriptive survey design is that it suits this study in collections of quantitative information that can be tabulated along a continuum in numerical form, describe, explain categories of information and validate findings.

Sampling, Procedure and Sample Size

The sampling technique for this study is simple random sampling in order to avoid bias and ensure accuracy on the research work. In all, a total number of One Hundred (100) registered SMEs were randomly selected as sample and 100 questionnaires was administered; the questionnaire was designed mainly for the owners of the registered SMEs in Oshodi-Isolo LGA.

Data Collection Instrument and Validation

The instrument employed in data collection for this study was a well-structured questionnaire and was validated by the researcher.

The questionnaire comprises two sections A and B. Section A was structured to elicit SMEs owners' responses to their bio-data such as: sex, age distribution, educational background, and marital status while section B comprises 20 items measuring the variables questions relating to both independent variables and dependent variable.

However, each item was structured on a four-point Likert scale ranging from a score of 1 to 4, with 4 = Strongly Agree, 3= Agree, 2= Strongly Disagree, and 1= Disagree.

Methods of Data Analysis

The data collected from the respondents were serialized, coded and analyzed sequentially according to the research variables. Descriptive statistics which involves the use of tables, simple percentages, mean, standard deviation was used to present and analyze data according to the research questions while inferential statistics used for testing the hypotheses was Chi-Square χ^2 method so as to determine the type of relationship between the variables at 0.05 level of significance.

DATA ANALYSIS AND PRESENTATION OF RESULTS

The techniques used were the frequency distribution tables and percentages, while Pearson correlation and regression were adopted in testing the relevant hypotheses.

Analysis of Respondents According to their Socio-Demographic Characteristics

Table 1 above clearly shows that 56(56%) of the respondents were males while 44(44%) were females. This implies that most of the respondents were males

Table 1: Demographic Profile of Sampled Respondents.

Variables	Frequency	Percentage
Gender of Respondents		
Male	56	56%
Female	44	44%
Total	100	100%
Age of Respondents (in years)		
20-29	25	25%
30-39	29	29%
40-49	31	31%
50 and above	15	15%
Total	100	100%
Work Experience (in years)		
1- 9	36	36%
10-19	41	41%
20-29	20	20%
30 and above	3	3%
Total	100	100%
Educational Background of Respondents		
NCE/ND	16	16%
B.Sc / B.Ed/H.N.D	55	65%
M.Sc./M.ed/MBA	24	24%
Others	5	5%
Kind of Enterprises		
Service	28	28%
Trading	68	68%
Agro-Allied	4	4%
Construction	0	0%
Total	100	100%

Table 1 also shows that 25(25%) respondents were between 20-29 years of age, 29(29%) were 30-39 years of age, 31(41%) were below 40-49 years of age, while only 15 was above 50. This implies that majority of the respondents were between 40-49 years of age.

The above table clearly shows that 36(36%) of the respondents have between 1-9 years work experience, 41 (41%) have between 10-19 years, 20 (20%) have between 20-29 years and 15 have over 30 years work experience. This shows that most of the respondents have between 10-19 years' work experience.

Table 1 equally shows that 16 (16%) of respondents have NCE/ND, 55 (55%) have B.Sc./B.Ed/H.N.D, 24 (24%) have M.Sc/M.Ed/MBA while 5 (5%) possess other qualification. Therefore, there is higher percentage of respondents with B.Sc/B.Ed/H.N.D than other indicated qualifications.

Table 1 also shows that 28 (28%) of the SMEs were service enterprises, 68 (68%) were into trading, 4 (4%) belong to Agro-allied, while none belong to construction enterprises. This shows that majority of the SMEs were into trading.

ANALYSIS OF QUESTIONNAIRE ITEMS RELATED TO RESEARCH QUESTIONS

Analytical Answer to Research Questions

Research Question 1: Is there any relationship between monetary policy and the growth of SMEs in Oshodi-Isolo LGA?

Table 2: Analysis of the Relationship between Monetary Policy and Growth of SMEs.

S/N	ITEMS	SA	A	SD	D	Total
1	Monetary policies of the Central Bank influence credit growth and money supply of small and medium scale enterprises (SMEs)	51 (51%)	42 (42%)	4 (4%)	3 (3%)	100 (100%)
2	Monetary policies affect SMEs through various monetary transmission mechanism channel such as interest rate, asset prices, exchange rate and credit channel.	56 (56%)	34 (34%)	7 (7%)	3 (3%)	100 (100%)
3	Small scale business fails to grow and make enough profits because of inadequate capital employed.	48 (48%)	40 (40%)	10 (10%)	2 (2%)	100 (100%)
4	A number of SMEs do not seek financial support from Bank due to high interest rate	53 (53%)	32 (32%)	10 (10%)	5 (5%)	100 (100%)
5	Many SMEs owner depend on personal savings to finance their businesses and fear to borrow from Bank due to lack of collateral	45 (45%)	38 (38%)	13 (13%)	4 (4%)	100 (100%)

Source: Research Survey, 2018

From Table 2 above, 93 respondents (51 and 42, respectively) agreed that monetary policies of the Central Bank influence credit growth and money supply of small and medium scale enterprises while 7 respondents (4 and 3, respectively) disagreed. This show that majority of the respondents agreed.

90 respondents (56 and 34, respectively) agreed that monetary policies affect SMEs through various monetary transmission mechanism channel such as interest rate, asset prices, exchange rate and credit channel while only 10 respondents (7 and 3, respectively) disagreed. This show that majority of the respondents agreed.

88 respondents (48 and 40, respectively) agreed that small scale business fails to grow and make enough profits because of inadequate capital employed while only 12 respondents (10 and 2, respectively) disagreed.

85 respondents (53 and 32, respectively) agreed that monetary policies affect SMEs through various monetary transmission mechanism channel such as interest rate, asset prices, exchange rate and credit channel while only 15 respondents (10 and 5, respectively) disagreed. This show that majority of the respondents agreed.

83 respondents (45 and 38, respectively) agreed that small scale business fails to grow and make enough profits because of inadequate capital employed while only 17 respondents (13 and 4, respectively) disagreed.

Research Question II: To what extent does fiscal policy influence the growth of SMEs in Oshodi-Isolo LGA?

Table 3: Influence of Fiscal Policy on the Growth of SMEs.

S/N	ITEMS	SA	A	SD	D	Total
6	Government fiscal policies have impact on the overall growth of SMEs	45 (45%)	37 (37%)	12 (12%)	6 (6%)	100 (100%)
7	Excessive government spending may lead to inflation which is one of the causes of low profits realized by small scale business	49 (49%)	28 (28%)	16 (16%)	7 (7%)	100 (100%)
8	That government policies affect business operation to a high extent and thus pose a challenge to the growth of SMEs	38 (38%)	36 (46%)	14 (14%)	12 (12%)	100 (100%)
9	Reduced government spending causes decline in the SMEs capital and thus become credit rationed firms	46 (46%)	26 (26%)	19 (19%)	9 (9%)	100 (100%)
10	SMEs may fail to grow and reduce their use of debt securities and trade credit if government fail to subsidize certain product	35 (35%)	34 (34%)	17 (17%)	14 (14%)	100 (100%)

Source: Research Survey, 2018

From Table 3 above, 82 respondents (45 and 37, respectively) agreed that government fiscal policies have impact on the overall growth of SMEs while 18 respondents (12 and 6, respectively) disagreed. This show that majority of the respondents agreed.

77 respondents (49 and 28, respectively) agreed that excessive government spending may lead to inflation which is one of the causes of low profits realized by small scale business while 23 respondents (16 and 7, respectively) disagreed. This show that majority of the respondents agreed.

74 respondents (38 and 36, respectively) agreed that government policies affect business operation to a high extent and thus pose a challenge to the growth of SMEs while 23 (16 and 7, respectively)

disagreed. This show that majority of the respondents agreed.

72 respondents (46 and 26, respectively) agreed that reduced government spending causes decline in the SMEs capital and thus become credit rationed firms while 28 respondents (19 and 9, respectively) disagreed. This show that majority of the respondents agreed.

69 respondents (35 and 34, respectively) agreed that SMEs may fail to grow and reduce their use of debt securities and trade credit if government fail to subsidize certain product while 31 (17 and 14, respectively) disagreed. This show that majority of the respondents agreed.

Research Question III: To what extent does supply- side factor on the growth of SMEs in Oshodi-Isolo LGA?

Table 4: Relationship between Supply-Side Factor and Growth of SMEs.

S/N	ITEMS	SA	A	SD	D	Total
11	Growth of SME which can be accelerated with the help of supply side.	43 (43%)	41 (51%)	6 (6%)	10 (10%)	100 (100%)
12	Flexibility in supply side network increases the productivity of small and medium enterprises.	53 (53%)	35 (35%)	7 (7%)	5 (5%)	100 (100%)
13	Improving strategy of supply side network push the growth of SME.	32 (32%)	48 (48%)	5 (5%)	15 (15%)	100 (100%)
14	The acceptance of rapid growing technology, decision making strategy and operation research tools can improve the performance of supply chain network.	29 (29%)	45 (45%)	21 (21%)	5 (5%)	100 (100%)
15	Adoption of supply chain management practices among SMEs could yield several benefits such as reduced operating costs, improved customer service, reduced inventory and access to markets.	34 (34%)	49 (49%)	16 (16%)	1 (1%)	100 (100%)

Source: Research Survey, 2018

From Table 4, 84 respondents (43 and 41, respectively) agreed Growth of SME which can be accelerated with the help of supply side, while 16 respondents (6 and 10, respectively) disagreed.

88 respondents (53 and 35, respectively) agreed that Flexibility in supply side network increase the productivity of small and medium enterprises, while 12 respondents (7 and 5, respectively) disagreed.

80 respondents (32 and 48, respectively) agreed that improving strategy of supply side network push the growth of SME while 20 respondents disagreed.

74 respondents (29 and 45, respectively) agreed that acceptance of rapid growing technology, decision making strategy and operation research tools can improve the performance of supply chain network, while 26 respondents disagreed.

Test of Hypotheses

Hypothesis I

Ho: There is no significant relationship between monetary policy and growth of SMEs in Oshodi-Isolo LGA.

H1: There is significant relationship between monetary policy and the growth of SMEs in Oshodi-Isolo LGA.

The formula for calculating the degree of freedom (df) is stated below:

$$df = (r-1) \times (c-1)$$

Where 'r' is the number of rows and 'c' is the number of columns.

$$df = (4-1) \times (2-1) = 3 \times 1 = 3$$

Level of significance, $\alpha = 0.05$

$$\chi^2 = 7.81, df = 3 \text{ at } 0.05 \text{ level of significance.}$$

Decision Rule

From Table 5, the calculated Chi-square result is 75.6 while the corresponding tabulated value is 7.81 at 0.05 level of significance. Since the calculated Chi-Square value is greater than the table value, then the null hypothesis is rejected while the alternate hypothesis is accepted.

Therefore, there is significant relationship between monetary policy and the growth of SMEs in Oshodi-Isolo LGA.

Table 5: Chi-Square Test for Hypothesis I.

Variable	Observed Frequency	Expected Frequency	O _i - E _i	(O _i - E _i) ²	$\frac{(O_i - E_i)^2}{E_i}$
SA	51	25	26	676	27.04
A	42	25	17	289	11.56
SD	4	25	-21	441	17.64
D	3	25	-22	484	19.36
Total	100				75.6

Source: Research Survey, 2018

Table 6: Chi-Square Test for Hypothesis II.

Variable	Observed Frequency	Expected Frequency	O _i - E _i	(O _i - E _i) ²	$\frac{(O_i - E_i)^2}{E_i}$
SA	45	25	20	400	16.00
A	37	25	12	144	5.76
SD	12	25	-13	169	84.50
D	6	25	-19	361	14.44
Total	116				120.70

Source: Research Survey, 2018

Hypothesis II

Ho: The growth of SMEs in Oshodi-Isolo LGA does not depend on fiscal policy.

H1: The growth of SMEs in Oshodi-Isolo LGA does depend on fiscal policy.

The formula for calculating the degree of freedom (df) is stated below:

$$df = (r-1) \times (c-1)$$

Where 'r' is the number of rows and 'c' is the number of columns.

$$df = (4-1) \times (2-1) = 3 \times 1 = 3$$

Level of significance, $\alpha = 0.05$

$\chi^2 = 7.81$, $df = 3$ at 0.05 level of significance.

Decision Rule

From Table 6, the calculated Chi-square result is 120.7 while the corresponding tabulated value is 7.81 at 0.05 level of significance. Since the calculated Chi-Square value is greater than the table value, then the null hypothesis is rejected while the alternate hypothesis is accepted.

Therefore, the growth of SMEs in Oshodi-Isolo LGA does depend on fiscal policy.

RECOMMENDATIONS

The following recommendations were made based on the findings of the study:

- i. SMEs should boost finance through seeking professional advice from financial experts or by securing financial support from bank or individuals who are willing to support to maximize profit.
- ii. Since majority of SMEs lack finance, government should establish friendly small loaning system. This would include low interest's rates to ensure the continuity of these businesses.
- iii. SMEs have the potentiality of transforming the economy of a crippling nation. As such, every effort should be made to boost their growth. SMEs should honor payment obligations to banks, government or other grant/loan agencies for continuous support.
- iv. Technologies use in SMEs can be improved through the government by providing subsidies on technological services and financial assistance for those who want to acquire modern technology.
- v. Government should ensure that SMEs are not taxed heavily to enhance the growth of SMEs.
- vi. In recognition of the crucial roles played by SMEs with respect to economic growth and development, Governments in Nigeria should

implement various policies aimed at promoting the welfare of SMEs in the country.

vii. Government should focus on enhancing the financial opportunities for the SMEs via Small Scale Industries Credit Guarantee Scheme, Bank of Industries etc.

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