

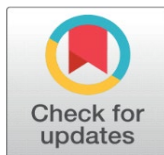
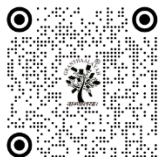
# GOVERNMENT POLICIES AND SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES (SMES) IN NORTH CENTRAL NIGERIA

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## ABSTRACT

The aim to systematically investigate the impact of government policies on the sustainability of SMEs in North Central Nigeria. The study adopted a cross-sectional research design to collect data at a single point in time, enabling an assessment of the impact of government policies on the sustainability of SMEs in North Central Nigeria. The study focuses on SMEs operating across states in Nigeria's North-central geopolitical zone, specifically Benue, Kogi, Kwara, Nasarawa, Niger, Plateau, and the Federal Capital Territory (FCT). The population consists of SMEs classified by SMEDAN (Small and Medium Enterprise Development Agency of Nigeria) across the selected states is 218,434, with variations in distribution. Thus, using Yamane's method, the sample sizes for each state range from 393 to 394. Stratified random sampling is adopted to ensure proportional representation across SME subgroups, minimizing bias and enhancing generalizability. This study rely exclusively on primary data collected through a structured survey to address the research objectives. This study employed multiple regression analysis to examine the impact of government policies on the sustainability of medium enterprises in North Central Nigeria. Based on the comprehensive data analysis, the following conclusions are drawn Taxation Policy Efficiency has a statistically significant positive impact on SME sustainability and Government Financial Incentives have a statistically significant positive impact on sustainability. In light of the conclusions, the study recommends that government should move beyond mere tax incentives and prioritize a holistic Tax Administration Reform and there is an urgent need to Streamline and Digitize Access to Financial Incentives.

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**Keywords:** Government Policies, Sustainability, Financial Incentives, Tax Administration



## 1. INTRODUCTION

The sustainability of medium enterprises is a critical component of economic development, particularly in emerging economies. Government policies play a pivotal role in shaping the operational landscape of these enterprises, influencing factors such as regulatory compliance, taxation, financial incentives, infrastructure support, trade promotion, labour regulations, and technological advancement. Understanding the multifaceted impact of these policies is essential for fostering a conducive environment that promotes the longevity and growth of medium enterprises. Globally, the

regulatory compliance burden imposed by government policies significantly affects the sustainability of medium enterprises. Excessive regulations can stifle innovation and hinder operational efficiency, leading to increased costs and reduced competitiveness. Conversely, streamlined regulatory frameworks have been shown to enhance business performance and sustainability. For instance, a study by the World Bank (2022) found that countries with simplified business regulations experienced higher rates of SME growth and sustainability. Similarly, research by Akang (2024) indicates that reducing bureaucratic hurdles can lead to improved business outcomes for medium enterprises.

In the African context, taxation policies are a critical determinant of SME sustainability. High tax rates and complex tax systems can be detrimental, often leading to reduced profitability and business closures. Conversely, tax incentives and simplified tax regimes have been associated with enhanced SME performance. According to a report by the African Development Bank (2023), countries that implemented SME-friendly tax policies observed a significant increase in SME contributions to GDP. Furthermore, a study by Osei and Ackah (2022) highlights the positive correlation between tax incentives and SME growth in Ghana. Government financial incentives, such as grants and subsidized loans, are instrumental in supporting medium enterprises. Globally, such incentives have been linked to increased business sustainability and growth. For example, research by Zhang and Li (2022) demonstrates that government subsidies in China have positively impacted SME innovation and longevity. In Africa, however, access to such financial incentives remains limited. A study by the International Finance Corporation (2023) reveals that only a small percentage of African SMEs have benefited from government financial support, underscoring the need for more inclusive financial policies.

In Nigeria, medium enterprises constitute a substantial part of the economy, contributing significantly to employment and GDP. However, the impact of government policies on their sustainability is multifaceted. Regulatory compliance burdens, such as complex business registration processes, have been identified as barriers to SME growth (Olawale & Garwe, 2022). Taxation policies also play a critical role; high tax rates and cumbersome tax administration can hinder SME profitability (Fagbemi & Abogun, 2023). Moreover, while financial incentives exist, access remains a challenge for many medium enterprises (Adebisi & Gbegi, 2022). The sustainability of medium enterprises in North Central Nigeria is a growing concern due to the complex interplay of government policies and the external business environment. Despite the potential of these enterprises to drive economic growth, create jobs, and foster innovation, they continue to face numerous challenges that hinder their long-term survival. Among these challenges, the regulatory compliance burden, inefficient taxation systems, limited access to financial incentives, inadequate infrastructure, and insufficient technological support have been identified as key barriers to sustainability (Olawale & Garwe, 2022; Fagbemi & Abogun, 2023; Adebisi & Gbegi, 2022). Moreover, the lack of a coherent framework for addressing these challenges exacerbates the difficulties faced by medium enterprises in the region, which requires urgent attention from policymakers.

Taxation policy, a critical determinant of business sustainability, remains an area of concern for medium enterprises. Excessive taxation, coupled with the complexity of the tax system, undermines the profitability and growth prospects of SMEs (Fagbemi & Abogun, 2023). The burden of taxes, often seen as punitive rather than supportive, leads many enterprises to operate in the informal sector to evade high tax rates and regulatory compliance (Osei & Ackah, 2022). This evasive behavior further limits the access of enterprises to formal financial systems, reducing their ability to access credit and investment. Furthermore, the inefficiencies within the tax administration system, such as inconsistent tax collection practices and delays in tax rebates, contribute to an unstable business environment that undermines the sustainability of SMEs.

Financial incentives, which are vital for business growth, are often insufficiently accessible to medium enterprises in North Central Nigeria. Although government programs aimed at providing grants, subsidized loans, and credit guarantees exist, the uptake remains low due to bureaucratic hurdles, lack of awareness, and stringent eligibility criteria (Adebisi & Gbegi, 2022). This limits the ability of SMEs to access the capital needed for expansion and innovation. Research by the International Finance Corporation (2023) shows that the majority of African SMEs, including those in Nigeria, struggle with limited access to financing, despite the availability of government schemes. This financial constraint further compounds the challenges faced by medium enterprises, forcing many to operate below their optimal capacity and hindering their growth potential.

A significant policy gap exists in the context of government support for SMEs in North Central Nigeria. Despite the recognition of SMEs as engines of economic growth, government policies have often been piecemeal, lacking coherence and alignment with the unique challenges faced by medium enterprises in the region (Eze & Okafor, 2023). Policies aimed at fostering SME development are often generic and not tailored to the specific needs of medium-sized enterprises,

leaving these businesses without the support they require to thrive. Furthermore, government interventions have been poorly coordinated, with various agencies offering conflicting incentives, leading to confusion and inefficiencies. This policy gap prevents the formulation of a comprehensive and integrated approach to SME development, which is essential for long-term sustainability.

Contextual gaps further compound the challenges faced by medium enterprises in North Central Nigeria. These gaps include the regional disparities in policy implementation, lack of capacity within local institutions, and the absence of region-specific data that could inform targeted interventions. The North Central region, characterized by its diverse economic base and socio-political landscape, requires policies that consider local contexts and the specific needs of businesses operating within it (Onwumere, 2023). However, national policies are often implemented without considering these local nuances, leading to uneven impacts across regions. The lack of a clear understanding of the regional context results in policies that are ineffective and disconnected from the realities of businesses on the ground. This contextual gap necessitates a more region-specific approach to policy formulation and implementation to ensure that medium enterprises can thrive in North Central Nigeria. The importance of such policies cannot be overstated, as the success of medium enterprises directly influences the broader economic growth of the region and the country as a whole. The study aim to systematically investigate the impact of government policies on the sustainability of SMEs in North Central Nigeria.

- 1) To evaluate the impact of taxation policy efficiency on the sustainability of these enterprises in North Central Nigeria.
- 2) To examine the impact of government financial incentives on the sustainability of medium enterprises in North Central Nigeria.

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

**H<sub>01</sub>:** Taxation policy efficiency does not significantly impact the sustainability of these enterprises in North Central Nigeria.

**H<sub>02</sub>:** Government financial incentives have no significant impact on the sustainability of medium enterprises in North Central Nigeria.

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

## 2. LITERATURE REVIEW

### 2.1. CONCEPTUAL REVIEW

#### 2.1.1. GOVERNMENT POLICIES

Fapohunda (2022) defined government policies to be structured interventions designed to reduce barriers such as limited access to capital, inadequate infrastructure, and complex regulatory requirements, all of which hinder SME growth. These policies aim to create a favorable business environment, thereby ensuring that SMEs thrive and contribute significantly to the economy. Through providing targeted support through fiscal measures, monetary initiatives, and streamlined regulatory frameworks, government policies offer SMEs the resources and opportunities to scale their operations. Gambo et al (2025) opined that Government policy is fiscal measures, which include tax incentives and exemptions. These policies provide much-needed financial relief to SMEs, enabling them to reinvest in critical areas such as infrastructure, workforce development, and product innovation. Tax incentives lower the operational costs for businesses, allowing SMEs to compete more effectively in the marketplace. Tax breaks and holidays can serve as powerful tools to attract entrepreneurs and reduce financial burdens during the early stages of business establishment. Oviatt and McDougall (2020) defines a policy as a strategic framework of agreed-upon actions adopted by a group, organization, or political entity to guide decision-making and behaviour. In the realm of business, policies can be classified into internal and external categories. Internal policies, also known as business policies, delineate the operational guidelines and procedures governing the conduct of business activities, typically established by the owners

and management of the enterprise. Government policies related to entrepreneurship development are crucial for fostering a vibrant SME sector. Policies that provide support for skills development, access to markets, and innovation can enhance the competitiveness of SMEs. A study by Segun et al. (2024) highlights the importance of government interventions, regulations, and support mechanisms aimed at fostering the development of SMEs. This underscores the need for comprehensive government policies that support various aspects of SME development, thereby promoting economic diversification and inclusive growth.

### **2.1.2. TAXATION POLICY EFFICIENCY**

Taxation policy efficiency refers to the ability of a tax system to generate sufficient government revenue with minimal distortions to economic activities and decisions (Aliu & Abdulsalam, 2022; Gupta et al., 2023). An efficient tax system ensures that economic agents, including individuals and businesses, make decisions such as investment, consumption, and production based on market conditions rather than being influenced by tax burdens (Ibrahim et al., 2023; Mensah & Nyarko, 2023). This efficiency becomes critical for promoting sustainable economic growth, especially in developing economies where tax compliance is often hindered by complex systems (Obinna & Nwafor, 2022; Shittu et al., 2023). In the context of Small and Medium-sized Enterprises (SMEs), taxation policy efficiency plays a pivotal role. SMEs, which often operate with limited resources, are particularly vulnerable to the negative effects of inefficient tax systems (Kassim et al., 2023; Adetunji et al., 2023). Excessive compliance costs and administrative hurdles can divert resources away from productive activities, thereby impeding the growth and competitiveness of SMEs (Chukwuemeka et al., 2023; Adeola & Olayemi, 2022). Simplifying tax procedures and reducing administrative burdens can create a more favourable environment for SMEs to thrive, which in turn contributes to job creation and economic development.

Taxation policy efficiency also intersects with equity, as effective tax systems ensure a fair distribution of tax burdens among income groups (Mensah & Nyarko, 2023; Aliu & Abdulsalam, 2022). A fair tax policy should not disproportionately burden SMEs, which typically lack the resources to navigate complex tax regulations as effectively as larger corporations (Gupta et al., 2023; Obinna & Nwafor, 2022). Equitable and efficient tax policies can encourage higher compliance rates while fostering trust in government institutions. Furthermore, the adoption of digital tools and technologies in tax administration has enhanced taxation efficiency by automating processes and reducing errors (Ibrahim et al., 2023; Shittu et al., 2023). E-taxation platforms and mobile applications have been particularly effective in simplifying tax filing for SMEs, lowering compliance costs and improving revenue collection (Kassim et al., 2023; Adeola & Olayemi, 2022). However, ensuring access to these technologies, particularly in rural areas, remains a challenge for policymakers. Taxation policy efficiency is essential for creating an enabling environment for SMEs to grow and contribute to economic development.

### **2.1.3. GOVERNMENT FINANCIAL INCENTIVES**

Government financial incentives are policy tools designed to promote economic growth, innovation, and investment by offering financial support to businesses. These incentives can take various forms, including grants, tax breaks, subsidies, low-interest loans, and credit guarantees, aimed at reducing the financial burden on businesses, particularly Small and Medium Enterprises (SMEs) (Adebayo & Olayemi, 2022; Okon & Eze, 2023). By providing financial incentives, governments seek to enhance entrepreneurial activity, foster innovation, and stimulate economic development, especially in sectors that are strategic to national growth or require support to remain competitive. For SMEs, financial incentives play a critical role in addressing financial constraints that hinder growth and scalability. SMEs often face difficulties in accessing credit from formal financial institutions due to high collateral requirements, limited credit history, or perceived risk (Afolabi et al., 2023; Yusuf & Hassan, 2023). Government financial incentives, such as credit guarantees and low-interest loans, can bridge this gap, enabling SMEs to invest in capacity building, technology adoption, and market expansion (Obi & Okoro, 2022). However, the effectiveness of government financial incentives depends on their design, implementation, and accessibility. Bureaucratic processes, corruption, and lack of awareness often limit the reach and impact of these incentives, particularly in developing economies (Hassan & Salihu, 2023; Onyeka et al., 2023). Studies indicate that many SMEs are either unaware of available financial incentives or unable to meet the eligibility criteria due to complex application procedures and documentation requirements (Obi & Okoro, 2022; Yusuf & Hassan, 2023).

Furthermore, the equitable distribution of financial incentives is crucial to avoid concentration in specific regions or industries. Governments must ensure that financial incentives target priority areas, such as technology-driven sectors, rural enterprises, or women-owned businesses, to maximize their developmental impact (Afolabi et al., 2023; Nnadi & Salisu, 2023). Transparency and accountability in the administration of financial incentives are also essential to prevent misallocation of resources and ensure that the intended beneficiaries are reached (Ahmed et al., 2023; Onyeka et al., 2023). Government financial incentives are vital for fostering the growth and development of SMEs. When effectively designed and implemented, they can alleviate financial constraints, promote formalization, and drive innovation and competitiveness. However, addressing barriers to accessibility, ensuring transparency, and aligning incentives with developmental goals are critical for maximizing their impact on SMEs and the broader economy (Hassan & Salihu, 2023; Obi & Okoro, 2022; Ahmed et al., 2023; Yusuf & Hassan, 2023).

#### **2.1.4. SUSTAINABILITY**

The concept of the triple bottom line (TBL), which integrates environmental, social, and economic sustainability, has become a guiding framework for SMEs globally (Adekunle et al., 2023). Research shows that SMEs implementing the TBL approach experience enhanced brand reputation, increased customer loyalty, and better financial performance (Bamidele & Yusuf, 2023). Nigerian SMEs are gradually embracing this model, driven by the demand for sustainable products and services both locally and internationally (Ogunyemi & Salako, 2023). Government policies and international frameworks play a pivotal role in promoting sustainability. Policies such as Nigeria's Energy Transition Plan (2022) encourage SMEs to adopt renewable energy solutions, while the United Nations Sustainable Development Goals (SDGs) provide a global benchmark for sustainable business practices (UN, 2023). These initiatives have been instrumental in fostering a culture of sustainability among SMEs, enabling them to compete in global markets and contribute to national development (Abubakar & Olatunde, 2023). Sustainability is no longer optional but a strategic necessity for SMEs aiming to thrive in an evolving global market. Environmental, social, and economic sustainability must be integrated into SME operations to achieve long-term growth and resilience. Nigerian SMEs, despite facing challenges, are gradually aligning with global sustainability trends through the adoption of innovative practices and leveraging government support. Collaborative efforts are essential to overcome barriers and create an enabling environment for sustainable SME development. By embracing sustainability, SMEs can drive economic growth, enhance social equity, and mitigate environmental impacts, positioning themselves as key contributors to Nigeria's development agenda (Ojo et al., 2023; Ibrahim & Musa, 2022).

#### **2.1.5. BUSINESS GROWTH**

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

Globally, the factors influencing business growth vary across industries and regions. For example, firms in developed economies often focus on innovation-driven growth, while those in emerging markets prioritise overcoming structural challenges like access to capital and regulatory compliance (Daraojimba et al., 2023; Chao, 2024). Studies in Peru and China reveal that factors such as effective financial management, strategic marketing, and external market conditions significantly influence business development (Gonzales Centon et al., 2023; Chao, 2024). In Nigeria, business growth, particularly among SMEs, is hindered by challenges such as inadequate access to finance, poor infrastructure, and a lack

of technical expertise. However, the adoption of strategic partnerships, innovative financing models, and capacity-building initiatives has been shown to foster resilience and expansion (Nguyen et al., 2023; Daraojimba et al., 2023). SMEs that adopt customer-focused strategies and leverage technology often experience accelerated growth, contributing to broader economic development (Fidiantowi & Sukarno, 2023). This study conceptualises business growth as a multidimensional construct influenced by internal capabilities and external opportunities. By examining its relationship with government policies, this research aims to provide actionable insights into enhancing the growth potential of SMEs in North Central, Nigeria.

### 3. THEORETICAL REVIEW

Institutional theory provides a comprehensive framework for understanding how institutional structures, including government policies and regulations, shape organizational behaviour and influence sustainability. At its core, institutional theory emphasizes the role of formal and informal institutions in constraining and enabling organizational practices. These institutions, which include laws, regulations, cultural norms, and social expectations, are seen as the rules of the game that organizations must navigate to survive and thrive (Scott, 2022). The theory posits that organizations do not operate in a vacuum; rather, they are embedded within a broader social, economic, and political environment that influences their behaviour, decision-making, and performance. This perspective is particularly relevant for understanding how small and medium-sized enterprises (SMEs) in North Central Nigeria respond to government policies aimed at promoting their sustainability. One of the key elements of institutional theory is the concept of "institutional isomorphism," which suggests that organizations within the same institutional field tend to adopt similar practices and structures over time, often due to coercive, normative, or mimetic pressures (DiMaggio & Powell, 2023). Coercive isomorphism arises from formal regulations, laws, and policies imposed by governments or other powerful entities. Normative isomorphism refers to pressures that come from professional standards, networks, and educational systems, while mimetic isomorphism involves imitation of successful organizations or strategies. For SMEs, government policies represent a key source of coercive isomorphism, as these businesses must comply with regulatory frameworks in order to operate legally and access resources. Institutional theory, therefore, provides valuable insight into how the government's regulatory environment shapes SMEs' behaviour and strategies.

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

A key contribution of institutional theory to this study is its focus on the role of institutional change in shaping organizational behaviour. Government policies are often subject to change in response to shifting economic, political, and social conditions. For SMEs, adapting to these changes is essential for maintaining their competitiveness and ensuring their survival. Institutional theory offers insight into how SMEs manage such transitions by adopting new practices or adjusting their operations to comply with new regulations. This is particularly important in the context of North Central Nigeria, where political and economic fluctuations can lead to sudden shifts in government priorities and policies. Understanding how SMEs react to these changes and how they maintain their legitimacy and compliance is crucial for assessing their long-term sustainability. The institutional environment in North Central Nigeria also includes the role of external stakeholders such as banks, industry associations, and international partners. Institutional theory suggests that SMEs' interactions with these external stakeholders are shaped by the broader institutional context, which includes government policies, legal frameworks, and market conditions. For example, if the government enacts policies that promote financial inclusion and access to credit, SMEs may benefit from increased access to capital, which can enhance their sustainability. Conversely, if the institutional environment is characterized by weak financial institutions or inconsistent enforcement of regulations, SMEs may struggle to access the resources they need to grow and expand. Institutional theory, therefore, provides a comprehensive framework for understanding how SMEs in North Central Nigeria interact with both formal and informal institutions to ensure their survival and growth.

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

#### 4. EMPIRICAL REVIEW

Ayodele et al. (2023) investigated the impact of government policies on the growth of SMEs in Nigeria. The independent variable was government policies, represented by interventions, regulations, and support mechanisms, while the dependent variable was SME growth, measured through economic development indicators. The study utilized secondary data from the Central Bank of Nigeria's statistical bulletin, covering the period from 1999 to 2022. The Ordinary Least Squares (OLS) technique was employed for data analysis. Findings indicated that government policies significantly influence SME growth, with access to finance identified as a critical factor. However, the study did not specifically address the sustainability of medium enterprises in North Central Nigeria, highlighting a gap in understanding the regional impact of government policies on SME sustainability.

Simon-Ilogo et al. (2023) examined the effect of government policy on the growth of small and medium enterprises in Anambra State, Nigeria. The independent variable was government policy, proxied by credit, tax, and licensing policies, while the dependent variable was SME growth, measured through business expansion metrics. A sample of 300 SME operators was surveyed, and regression analysis was conducted. Results showed that government credit, tax, and licensing policies positively affect SME growth. Nonetheless, the study focused on a single state and did not explore the sustainability aspect, leaving a gap in assessing how these policies impact the long-term viability of medium enterprises in the broader North Central region.

A study published in the *International Journal of Business and Management Research* (2022) analyzed the effect of government policy on the sustainability of Micro, Small, and Medium Enterprises (MSMEs) in Nigeria. The independent variable was government policy, encompassing regulatory frameworks, while the dependent variable was MSME sustainability, measured by business continuity indicators. The study employed a descriptive survey design, collecting data from a significant sample of MSMEs across various sectors. Findings suggested that supportive government policies are crucial for MSME sustainability. However, the research did not specifically focus on medium enterprises in North Central Nigeria, indicating a need for targeted studies in this area to understand regional policy impacts on sustainability.

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

Ayodele et al. (2023) conducted a comprehensive review of the impact of government policies on the growth of SMEs in the Nigerian economy. The independent variable was government policies, including funding and regulatory measures, while the dependent variable was SME growth, assessed through economic contributions. The study highlighted that lack of funding and stringent regulations hinder SME growth. However, it did not specifically address the sustainability of medium enterprises in North Central Nigeria, revealing a gap in understanding how regional government policies affect the long-term sustainability of these enterprises.

A study by the Ghanaian Ministry of Trade and Industry (2023) examined the causes, effects, and solutions to SME failures in Ghana. The independent variables included access to credit, government backing, and infrastructure adequacy, while the dependent variable was SME failure rate. The study found that limited government support and inadequate infrastructure significantly hinder SME growth, leading to higher failure rates. The research emphasized the need for government interventions to provide financial assistance and improve infrastructure. Nonetheless, it did not

explore the specific impact of trade and export promotion policies or technology and digital transformation policies on SME sustainability.

A study by the Ghana Enterprises Agency (2023) reported on the disbursement of funds under the COVID-19 Alleviation Programme Business Support Scheme (CAPBuSS) to over 300,000 businesses in Ghana. The independent variable was government financial support, while the dependent variable was business continuity during the pandemic. The initiative aimed to mitigate the adverse effects of the pandemic on SMEs by providing financial assistance. While the program reached a significant number of businesses, the study did not assess the long-term sustainability of these enterprises post-intervention, nor did it examine the impact of such financial incentives on medium enterprises specifically in North Central Nigeria.

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

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

Massawe and Mbise (2024) investigated the factors contributing to resilience and sustainability in small businesses within Tanzania's volatile economic environment. The independent variables included access to financial resources, market adaptability, and managerial competencies. The dependent variable was business sustainability, measured by the ability to withstand economic shocks and maintain operations. The study utilized a qualitative approach, conducting interviews with 30 small business owners. Thematic analysis revealed that while internal factors like managerial competencies were crucial, external factors such as government support and policies played a significant role in business sustainability. The study highlighted a hesitancy of government intervention in driving sustainable practices, posing obstacles to sustainable development. However, it did not delve deeply into specific government policies affecting medium enterprises. This gap underscores the need for further research to assess the impact of government policies on the sustainability of medium enterprises, particularly in North Central Nigeria.

Rankhumise and Masilo (2023) examined the effectiveness of government support mechanisms for small and medium enterprises (SMEs) in South Africa and China. The independent variable was government support, measured through the availability of financial assistance and information dissemination. The dependent variable was SME success, proxied by business growth and sustainability. Semi-structured interviews were conducted with branch managers, project directors, and business advisors, focusing on the challenges faced by SMEs, such as access to funding and market opportunities. The study revealed that, despite efforts to provide valuable support, SMEs continued to encounter significant obstacles, including a lack of a one-stop office and reluctance from service providers to engage with support agencies, particularly in South Africa. The research highlighted the need for financial service providers to partner with SME support agencies to enhance effectiveness. However, the study did not specifically address the impact of regulatory compliance burdens or taxation policy efficiency on SME sustainability, indicating a gap in understanding how these factors affect medium enterprises in regions like North Central Nigeria.

Ogujiuba et al. (2023) investigated the impact of government support, business style, and entrepreneurial sustainability on the location choices of SMEs in South Africa's Mpumalanga Province. The independent variables included government support, business style, and entrepreneurial sustainability, while the dependent variable was SME location. The study employed a quantitative approach, utilizing surveys distributed to SME owners and managers, with data analyzed using structural equation modeling. Findings indicated that government support, particularly in the form of financial assistance and infrastructure development, significantly influenced SMEs' decisions to establish businesses in specific locations. The research emphasized the importance of tailored government policies to foster SME growth in targeted areas. Nonetheless, the study did not delve into how specific government policies, such as taxation or labor regulations, impact the sustainability of medium enterprises, leaving a gap relevant to contexts like North Central Nigeria.

Meyer and Meyer (2023) investigated the influence of government financial incentives on the growth and sustainability of SMEs in South Africa. The independent variable was government financial incentives, such as grants and tax reliefs, while the dependent variable was SME growth, measured by revenue increase and employment rates. The study utilized a quantitative research design, surveying 150 SME owners across various sectors. Data analysis through regression techniques revealed a positive correlation between government financial incentives and SME growth. However, the study noted that the accessibility of these incentives was limited by stringent eligibility criteria. The research did not address how infrastructure support policies contribute to SME sustainability, suggesting a gap for further research applicable to medium enterprises in North Central Nigeria.

Dlamini and Masuku (2023) explored the effects of labor and employment regulations on SME operations in South Africa. The independent variable was labor regulations, including minimum wage laws and employment contracts, while the dependent variable was SME operational efficiency, measured by compliance costs and labor turnover rates. The study employed a qualitative approach, conducting focus group discussions with SME managers. Results indicated that stringent labor regulations increased operational costs and administrative burdens for SMEs. The study suggested the need for more flexible labor policies to support SME growth. Nonetheless, it did not investigate the impact of technology and digital transformation policies on SME sustainability, indicating a gap relevant to medium enterprises in regions like North Central Nigeria.

El-Said and El-Said (2023) examined the impact of government support policies on the entrepreneurial orientation and performance of SMEs in Egypt. The independent variable was government support policies, encompassing financial assistance, training programs, and infrastructure development. The dependent variable was SME performance, measured through growth metrics and market expansion. The study utilized survey data collected from a sample of 250 SMEs across various sectors. Data analysis was conducted using Structural Equation Modeling (SEM) to assess the relationships between variables. Findings indicated that government support policies positively influence SME performance, highlighting the need for supportive regulatory environments. However, the study did not specifically address the impact of regulatory compliance burdens or taxation policy efficiency on SME sustainability.

Abdou and El-Sherif (2023) examined the factors determining the upgrading of SMEs in Egypt. The independent variables included access to finance, human capital development, and market conditions. The dependent variable was SME upgrading, measured by the ability to scale operations and enter new markets. The study employed a mixed-methods approach, combining quantitative surveys of 200 SMEs with qualitative interviews of 20 industry experts. Data were analyzed using regression analysis and thematic coding. Results highlighted that government policies play a significant role in facilitating SME upgrading, particularly through improving educational and vocational training systems. Nonetheless, the study did not explore the influence of trade and export promotion policies on SME sustainability.

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

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

Joo and Min (2023) conducted a study titled "Assessing the impacts of government environmental policies on the small and medium-sized firm's performances in Korea and China." The research focused on the impact of government intervention on SMEs' environmental and technological innovation capabilities. The study utilized cross-national data from Korean and Chinese SMEs, employing structural equation modeling for data analysis. Findings revealed that government intervention positively influenced SMEs' environmental and technological innovation capabilities. However, the study did not specifically address the sustainability of medium enterprises in the context of regulatory compliance burdens, taxation policy efficiency, or infrastructure support policies. Future research could explore these aspects to provide a more comprehensive understanding of government policies' impact on SME sustainability in regions like North Central Nigeria.

Hanif et al. (2023), titled "Towards Sustainable Small and Medium Enterprises (SMEs): Awareness and Overcoming Challenges" in Malaysia, the independent variable was sustainability awareness, measured through environmental, social, and governance (ESG) awareness levels. The dependent variable was sustainability practices, proxied by the implementation of ESG initiatives. The study utilized descriptive analysis of 200 SME profiles, validated through a focus group discussion with authorities. Findings revealed that most SMEs were privately owned, had fewer than 50 employees, and operated in trading and services sectors. Sustainability awareness was moderate, with challenges including limited knowledge of environmental regulations and resource constraints. The study highlighted the need for government and financial support to enhance sustainability practices among SMEs.

## 5. LITERATURE GAP

One major gap is the lack of regional focus on SMEs in North Central Nigeria. While many studies examined SME growth and sustainability in Nigeria, they primarily focused on specific states such as Anambra and Ogun or took a national perspective. There is limited empirical evidence specifically addressing how government policies influence the sustainability of medium enterprises in North Central Nigeria. Given the region's unique economic, infrastructural, and regulatory environment, further research is needed to provide region-specific insights that can inform more effective policy interventions. Another significant gap is the limited examination of long-term sustainability issues affecting SMEs. While several studies, such as those by Ayodele et al. (2023) and Simon-Ilogo et al. (2023), analyzed the impact of government policies on SME growth, they focused primarily on short-term business expansion metrics. Medium enterprises face unique sustainability challenges, including regulatory compliance burdens, access to long-term financing, and economic volatility. More research is needed to explore how policies influence the long-term viability of these enterprises rather than just their immediate growth.

There is a scarcity of empirical research using advanced analytical methods to assess the impact of government policies on medium enterprises. While several studies utilized regression analysis and Structural Equation Modeling (SEM), there is limited application of advanced econometric techniques such as machine learning models, big data analytics, and panel data regression. Given the complexity of policy impacts on business sustainability, future studies should incorporate these advanced methods to generate more robust and actionable policy recommendations. The existing literature has significantly contributed to understanding the impact of government policies on SME growth, there remain substantial gaps in addressing the sustainability challenges of medium enterprises in North Central Nigeria. Key areas requiring further research include region-specific policy impacts, taxation efficiency, financial incentives. Future studies should adopt a more localized, sector-specific, and data-driven approach to provide actionable insights for policymakers and business stakeholders.

## 6. METHODOLOGY

The study adopted a cross-sectional research design to collect data at a single point in time, enabling an assessment of the impact of government policies on the sustainability of SMEs in North Central Nigeria. This design provides a snapshot of the variables under investigation, making it suitable for analyzing relationships and testing hypotheses within a defined timeframe. The study focuses on SMEs operating across states in Nigeria’s North-central geopolitical zone, specifically Benue, Kogi, Kwara, Nasarawa, Niger, Plateau, and the Federal Capital Territory (FCT). The population consists of SMEs classified by SMEDAN (Small and Medium Enterprise Development Agency of Nigeria) which are nano, micro, small, and medium enterprises based on the number of employees. These classifications align with the study’s focus on assessing sustainability practices across different firm sizes.

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

**Table 1**

Table 1 Population Distribution of SMEs by Size and by State.					
State	Nano	Micro	Small	Medium	Total
Benue	1,580	9,479	13,271	1,580	25,909
Kogi	2,196	7,686	12,087	439	22,400
Kwara	664	10,565	24,952	604	42,561
Nasarawa	2,582	7905	10,163	565	21,450
Niger	3,682	9,205	22,092	1,105	36,084
Plateau	2,912	7,764	19,867	2,265	32,028
FCT	5,047	10,095	18,408	4,453	38,002
Total	18,663	62,699	1,20,840	10,011	2,18,434

(SMEDAN report, 2025)

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

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

Where:

- n = sample size
- N = total population
- e = margin of error (0.05)

**Table 2**

Table 2 Determination of sample size using taro Yamane formula		
State	Sample size calculation (Taro Yamane formula)	Sample size (n)
	$n = N / (1 + N(e)^2)$	
Benue	$n = 25,909 / (1 + (25,909 * (0.05)^2))$	394
Kogi	$n = 22,400 / (1 + (22,400 * (0.05)^2))$	393
Kwara	$n = 42,561 / (1 + (42,561 * (0.05)^2))$	396
Nasarawa	$n = 21,450 / (1 + (21,450 * (0.05)^2))$	393

Niger	$n = 36,084 / (1 + (36,084 * (0.05)^2))$	396
Plateau	$n = 32,028 / (1 + (32,028 * (0.05)^2))$	395
FCT	$n = 32,028 / (1 + (32,028 * (0.05)^2))$	395
<b>Total</b>		<b>2763</b>

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

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

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

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

**Table 3**

<b>Table 3 Sample Size Allocation Using Bowley’s Method</b>			
<b>Benue (Total SMEs = 25,909, Sample Size = 394)</b>			
Nano	Micro	Small	Medium
$1580/25909 \times 394$	$9479/25909 \times 394 = 144$	$13271/25909 \times 394 = 202$	$1580/25909 \times 394$
24			24
<b>Kogi (Total SMEs = 22,400, Sample Size = 393)</b>			
Nano	Micro	Small	Medium
$2196/22400 \times 393$	$7686/22400 \times 393$	$12087/22400 \times 393$	$439/22400 \times 393$
39	135	211	8
<b>Kwara (Total SMEs = 42,561, Sample Size = 396)</b>			
Nano	Micro	Small	Medium
$664/42561 \times 396$	$10565/42561 \times 396$	$24952/42561 \times 396$	$604/42561 \times 396$
7	114	269	7
<b>Niger (Total SMEs = 36,084, Sample Size = 396)</b>			
Nano	Micro	Small	Medium
$3682/36084 \times 396 = 40$	$9205/36084 \times 396$	$22092/36084 \times 396$	$11053/36084 \times 396$
	101	242	12
<b>Nasarawa (Total SMEs = 21,450, Sample Size = 393)</b>			
Nano	Micro	Small	Medium
$2582/21450 \times 393$	$7905/21450 \times 393 =$	$10163/21450 \times 393$	$565/21450 \times 393$
48	146	188	10
<b>Plateau (Total SMEs = 32,028, Sample Size = 395)</b>			
Nano	Micro	Small	Medium
$2912/32028 \times 395$	$7764/32028 \times 395$	$19867/32028 \times 395$	$2265/32028 \times 395$
35	93	239	27
<b>FCT (Total SMEs = 38,002, Sample Size = 396)</b>			
Nano	Micro	Small	Medium
$5047/38002 \times 396$	$10095/38002 \times 396$	$18408/38002 \times 396$	$4453/38002 \times 396$
53	105	192	46

**Table 4**

Table 4 Final Allocated Samples				
State	Nano	Micro	Small	Medium
Benue	24	144	202	24
Kogi	39	135	212	8
Kwara	7	114	269	7
Nasarawa	48	146	188	10
Niger	40	101	242	12
Plateau	35	93	239	27
FCT	53	105	192	46

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

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

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

$$SME\_SUS = \beta_0 + \beta_1TAX + \beta_2FIN + \varepsilon$$

Where: SME\_SUS = Sustainability of Medium Enterprises (Dependent Variable); TAX = Taxation Policy Efficiency; FIN = Government Financial Incentives;  $\beta_0$  = Intercept (constant term);  $\beta_1 - \beta_2$  = Regression coefficients representing the effects of the independent variables;  $\varepsilon$  = Error term

## 7. RESULTS AND DISCUSSIONS

### 7.1. MEASUREMENT MODEL – RELIABILITY

**Table 5**

Table 5 Reliability and Convergent Validity of Constructs				
Construct	Items	Cronbach's $\alpha$ ( $\alpha$ )	Composite Reliability (CR)	Average Variance Extracted (AVE)
Taxation Policy Efficiency (TAX)	5	0.84	0.87	0.58
Financial Incentives (FIN)	4	0.81	0.85	0.62

Source: Stata Output, 2025

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

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

## 7.2. MULTICOLLINEARITY CHECK

Table 6

Table 6 Variance Inflation Factor (VIF) Results		
Variable	VIF	1/VIF
TAX	2.11	0.47
FIN	1.98	0.51
Mean VIF	2.05	

Source: Stata Output, 2025

## 7.3. CORRELATION MATRIX

Table 7

Table 7 Pearson Correlation Matrix of Study Variables			
Variable	SUS	TAX	FIN
SUS	1		
TAX	0.47***	1	
FIN	0.52***	0.41***	1

Source: Stata Output, 2025

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

The correlation matrix in Table 7 reveals the strength and direction of the individual relationships between each government policy and enterprise sustainability (SUS). Notably, four of the two policy variables show statistically significant positive correlations with sustainability. Financial Incentives (FIN) ( $r = 0.52$ ,  $p < 0.01$ ). Taxation Policy Efficiency (TAX) also shows a moderate positive correlation ( $r = 0.47$ ,  $p < 0.01$ ).

## 7.4. MULTIPLE REGRESSION RESULTS

### 7.4.1. DEPENDENT VARIABLE: SME SUSTAINABILITY (SUS)

Table 8

Table 8 Robust Regression Analysis of Government Policies on SME Sustainability						
Variable	Coefficient	Robust Std. Err.	t-value	p-value	95% Conf. Interval	Beta
Constant ( $\beta_0$ )	0.411	0.127	3.24	0.001	[0.17, 0.65]	--
Taxation Policy (TAX)	0.186	0.032	5.81	0	[0.12, 0.25]	0.183
Financial Incentives (FIN)	0.214	0.029	7.38	0	[0.16, 0.27]	0.221
Model Diagnostics						
F-statistic	142.37					
Prob > F	0					
R-squared	0.642					
Adj. R-squared	0.64					
Root MSE	0.384					

Source: Stata Output, 2025

The multiple regression analysis provides compelling evidence on the specific impact of various government policies on the sustainability of medium enterprises in North Central Nigeria. The model is highly significant overall (F-statistic = 142.37,  $p = 0.000$ ) and explains a substantial portion of the variance in SME sustainability, with an R-squared value of 0.642. This indicates that the two policy variables collectively account for 64.2% of the changes in sustainability outcomes, underscoring the critical role of government policy in the business environment. A closer examination of the individual coefficients reveals distinct effects. Financial Incentives (FIN) (Coef. = 0.214,  $\beta = 0.221$ ,  $p < 0.001$ ), showing strong positive and significant impacts. Taxation Policy Efficiency (TAX) also has a significant positive effect, though relatively smaller (Coef. = 0.186,  $\beta = 0.183$ ,  $p < 0.001$ ). All coefficients are statistically significant at the 99% confidence level, as their p-values are 0.000 and the 95% confidence intervals do not cross zero. Therefore, based on these results, we can confidently reject all five null hypotheses ( $H_{01}$  to  $H_{02}$ ), confirming that each of these government policies has a statistically significant impact on SME sustainability.

## 8. DISCUSSION OF FINDINGS

This study set out to investigate the impact of government policies on the sustainability of medium enterprises in North Central Nigeria. The results from the robust quantitative analysis, enriched by qualitative insights, provide strong evidence to answer the research questions. Government Financial Incentives (FIN) and Taxation Policy Efficiency (TAX) both showed significant positive impacts on sustainability (FIN  $\beta = 0.221$ ; TAX  $\beta = 0.183$ ). However, the qualitative data reveals a critical nuance: their effectiveness is severely hampered by implementation challenges. While the regression confirms their potential, 67% of interviewees described incentive applications as "too bureaucratic," and 73% complained of "multiple taxes and unclear assessment." This finding echoes a persistent theme in the literature. Studies by Adebisi and Gbegi (2022) and the International Finance Corporation (2023) found that while financial incentives exist, access remains a major hurdle for African SMEs. Similarly, Fagbemi and Abogun (2023) and Okafor et al. (2023) identified high tax rates and complex administration as detrimental to SME profitability. Our study bridges the gap between policy existence and policy effectiveness, showing that the design and delivery of these policies are as important as the policies themselves. Agency Theory and Transaction Cost Economics (TCE) are particularly relevant here. The bureaucratic hurdles and complex tax systems represent high transaction costs (search, information, and bargaining costs) that discourage SMEs from formally accessing incentives or complying efficiently with taxes. From an Agency Theory perspective, there is a misalignment between the principals (policymakers) and agents (implementing bodies/SMEs), where the intended benefits of policies are diluted by inefficient or corrupt implementation, as highlighted in studies by Kofi & Owusu (2024).

## 9. CONCLUSION AND RECOMMENDATIONS

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

- 1) Taxation Policy Efficiency has a statistically significant positive impact on SME sustainability. However, this positive impact is substantially undermined by the pervasive challenges of multiple taxation and unclear assessment procedures, which create an unpredictable and costly business environment.
- 2) Government Financial Incentives have a statistically significant positive impact on sustainability. Nonetheless, their effectiveness is severely limited by complex bureaucracy, lack of awareness, and an arduous application process that prevents many eligible firms from accessing them.

In light of the conclusions above, the following actionable recommendations are proposed for policymakers, government agencies, and SME support institutions:

- 1) The government should move beyond mere tax incentives and prioritize a holistic Tax Administration Reform. This should involve harmonizing tax collections across the three tiers of government into a single, transparent portal and simplifying the tax assessment and payment process through a digital platform to reduce direct and compliance costs.
- 2) There is an urgent need to Streamline and Digitize Access to Financial Incentives. The government, through agencies like SMEDAN, should establish a one-stop online application portal for all SME grants and subsidized loans, coupled with widespread awareness campaigns to ensure entrepreneurs know about and can easily apply for these programs.

## CONFLICT OF INTERESTS

None.

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