# Impact of Government Policies on MSMEs Sustainable Wealth and Employment Generation in Nigeria

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## ABSTRACT

This study examines the impact of government policies on the job creation and wealth generation capacity of small-scale enterprises (SSEs) in Nigeria. Data from 1992 to 2022 was analyzed, revealing both short-term and long-term effects of government policies on SSE development. The study found that in the short run, the treasure bill rate, inflation, GDP growth per capita, and total savings negatively impact self-employment. However, in the long run, total government expenditure and credit to small-scale enterprises have a positive impact on self-employment. Government spending, particularly in infrastructure, public services, and development projects, stimulates economic growth, leading to increased demand for goods and services and increased self-employment opportunities. Credit to small businesses allows entrepreneurs to access funds, enabling them to invest in resources, resulting in business expansion and more opportunities for self-employment. The long-run impact highlights the sustainable and effective role of fiscal and credit policies in strengthening SSEs to create wealth and provide employment opportunities.

**Keywords:** government policy, SMEs development, pro-poor, wealth creation and self-employment, informal sector

## INTRODUCTION

Nigeria has grappled with a rising unemployment rate due to its rapidly expanding population and economic instability, posing a significant challenge for the government. Most of its workforce turns to small-scale enterprises to meet their essential needs. Consequently, these small-scale enterprises play a crucial role in providing employment opportunities to the unemployed population in Nigeria, effectively reducing poverty and fostering economic growth. Today about 90% of businesses that operate in the World fall under the category of both Small and Medium Scale enterprises (Salami, Ekakitie, & Ebinim, 2023). SMEs in Nigeria are estimated to contribute about 40 percent of GDP and 70 percent of industrial employment (Effiom & Edet, 2018; Eniola, 2014). Small-scale enterprises, which initially emerged as a means of survival, have now evolved to play a pivotal role in a country's development. Small and Medium Enterprises have developed rapidly in the areas of business venture and job creation over the years. According to available statistics, SMEs provide gainful employment for about 90% of the Nigerian population (Ibrahim & Mustapha, 2019).

The fact that SMEs have not had the desired impact on the Nigerian economy despite all the efforts and support of the incoming governments is a matter of concern. This highlights the belief that SMEs face fundamental problems that have either not been addressed at all or have not yet been resolved healthily. The incidence of inadequate working capital, which constrains the productive capacities of the SMEs as well as the 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 persistence macroeconomic environment arising mainly from fiscal policy excesses has often smothered many SMEs (Ifekwem, 2019). Many factors have been identified as being the

possible causes or contributing factors to premature death in SMEs in Nigeria. Key among these are insufficient capital, lack of focus, insufficient market research, excessive concentration on one or two ready product markets, lack of succession plans, inexperience, lack of proper accounting, lack of proper accounting or bookkeeping, failure to separate business life and family or personal finances, lack of business strategy, failure to separate revenues and profits, failure to provide the right equipment and machinery, failure to provide or hire the right calibre of workers, stiff competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and excessive concentration of decision-making on one (key) person, usually the owner (RAMP, 2010).

In other to solve this problem, almost every country assists its small and medium scale Enterprises largely because of the crucial inherent role they play in economic growth and development. The assistance is usually in the form of facilities and supportive services rather than protection and subsidies. Other services provided by some governments include business finance, venture capital, knowledge training and retraining, R&D (RandD) support, infrastructure and tax incentives. (Ifekwem, 2019). The primary aim of the National Policy on Small-Scale Enterprises is to establish, foster, and facilitate the conducive environment required for the advancement and expansion of SSEs. Programmes such as the Small and Medium Enterprises Development Agency (SMEDAN), N-Power programme, Government Enterprise and Empowerment Programme (GEEP) and the You-win programme were designed to promote entrepreneurial activities by facilitating access to funds and other resources needed for SMEs (Salami, Ekakitie, & Ebinim, 2023). This research aims to assess the impact and impact of Government policies on employment generation and wealth creation capacity of SSEs in Nigeria.

The development of SSEs depends on their financial and non-financial success. Financial success includes different indicators such as profit, sales, return on investment, etc, while nonfinancial measures of SME success include sustained business operations for at least three years, personal involvement and autonomy, and work-life balance (Effiom & Edet, 2018). Government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination (Eniola & Entebang, 2015; Sathe, 2006). Hence, the success and development of SSEs depends on Government policies and programmes. The Government policies can boost and support the growth of novel technologies, products, and solutions. On the other hand, the Government can likewise seem to hinder SME firm performance when it introduces policies which can restrict autonomy, as well as the entrepreneurial freedom of some variety (Ifekwem, 2019).

Research outcomes regarding the impact of government policies on Small-Scale Enterprises (SSEs) Expansion and development in Nigeria vary, with some studies supporting their significance while others present differing perspectives. Tende (2014) found that government credit policies and programs in Nigeria have no significant effect on the development of SSEs and entrepreneurial benefits in Nigeria (Oyelakin & Kandi, 2017). Okumagbo and Okinono (2016) also noted that in developing nations, the success of entrepreneurial development has been limited due to the often politically motivated nature of these programs, where they serve personal interests or are used as tools to target political opponents. Conversely, Abudu,(2022), Eniola & Entebang(2015), Acs & Szerb (2007), Alabi et al., (2019), Onyedikachi, Mintah, & Abudu, (2022) and Ifekwem(2019) found that government policies both monetary and fiscal policies and any other policies that are targeting SSEs have a significant relationship with the growth of SSEs. The diverse findings of previous research prompt us to reevaluate the impacts of government policies and programs for Small-Scale Enterprises (SSE) development in Nigeria. This reassessment considers various government policies, including fiscal, monetary policies and credit policies, to gain a comprehensive understanding of their impact on SSE development in Nigeria.

There is still a deficit of literature focusing on the impacts of Government policies on wealth creation and employment-generating capacity of SSE in Nigeria. The overall aim of this study is to contribute to the existing literature on assessing the impact of existing government policies on SSE development in Nigeria. Such impact can either be short-run or long-run impact. This study also makes a recommendation on how policymakers can use the existing policy to develop SSEs and to ensure their success. This paper has five sections. Section one is an Introduction, two Literature reviews, three Methodologies, four is findings and Discussions of Results and five is conclusions and Policy implications.

# LITERATURE REVIEW

## Theoretical literature

The relationship between government policies and the development of small-scale enterprises (SSEs) to generate employment and create wealth in Nigeria is anchored on the resource-based view (RBV) theoretical framework. The RBV of the firm predicts that certain types of resources that, SME firms own, and control have the potential and promise to generate competitive advantage, which eventually leads to superior firm performance (Eniola & Entebang, 2015).

The Resource-Based View aims to explain the reasons behind the expansion and diversification of firms. The theory largely evolved from Penrose's 1959 study, where she identified untapped managerial resources as the key driver of growth. Penrose recognized that internal managerial resources are both drivers and limits to the expansion any one firm can undertake (Lowe & Teece, 2001). A firm's capacity to sustain a competitive advantage hinges on the existence of resources that are valuable, rare, challenging to imitate, and not readily substitutable. Such resources include managerial ability, customer relationships, brand reputation, and tacit knowledge regarding specific manufacturing processes (Lowe & Teece, 2001). The capability of the firm to generate or obtain these resources has a direct impact on its performance and competitive edge in comparison to its rivals.

SMEs need to research and use their knowledge resources in society to enhance their organizational performance in a competitive environment. The performance of SMEs can vary with the selection of state policy adopted (Eniola & Entebang, 2015). According to the Resource-Based View (RBV) perspective, the affiliations private entrepreneurs have with the government can be considered an internal capability that benefits their firms. Close ties with government officials enable private firms to better communicate with regulatory agencies, which increases the trust between the firms and the government departments that influence the allocation of resources (Zhao & Morgan, 2017). Zhu et al. (2012) have pointed out that the absence of government backing and safeguards for innovation represents an institutional hurdle to research and development (R&D) activities within small and medium-sized enterprises, the majority of which are privately owned firms (Zhao & Morgan, 2017).

## Empirical Literature

The government plays a crucial role in the development of SSEs, and its significance cannot be overlooked. Government help to remove any bottleneck that will trample on the success of SSEs, this is achieved through its policies, programmes and regulation of businesses. In the mid-1850s, the United Kingdom's government policies proved beneficial for Cadbury when they lowered taxes on imported cocoa beans (Fitzgerald, 2005; Cadbury World, 2014). This reduced the production costs, and the previously expensive chocolate products became affordable for the wider population (Akinyemi & Adejumo, 2018). Moreover, to discourage the consumption of adulterated foods and beverages during that period, the Parliament endorsed Cadbury's unadulterated cocoa. This significant development not only marked a breakthrough for Cadbury but also contributed to the enactment of the Adulteration of Foods Acts in 1872 and 1875 (Fitzgerald, 2005). Consequently, Cadbury gained significant free publicity, experienced a remarkable surge in sales, and successfully disrupted the French producers' monopoly in the British market (Akinyemi & Adejumo, 2018).

In developing countries, there are policies in place to encourage entrepreneurship and Small-Scale Enterprises (SSEs). For example, Taiwan has implemented measures like establishing industrial parks, the Industrial Technology Research Institute (ITRI), and local industrial clusters to boost entrepreneurial activity (Lin, Chang, & Shen, 2010). Similarly, South Africa passed the Small Business Act in 1996 to promote entrepreneurship. In Nigeria, initiatives such as the Small and Medium Enterprises Development Agency (SMEDAN), N-Power program, Government Enterprise and Empowerment Program (GEEP), and the You-win program aim to support entrepreneurs by providing access to funding and essential resources for SMEs. These policies and programs are designed to foster entrepreneurship and SSEs development in these nations (Akinyemi & Adejumo, 2018).

The success of government policies and programs in promoting SSE development depends on the true intentions behind such policies and how effectively they are put into action. Tende (2014) found that government credit policies do not have a substantial impact on the advancement of entrepreneurial activities in Nigeria. The conclusion drawn is that these policies often contain elements that counteract their intended positive effects on entrepreneurs and the overall economy. Okumagbo and Okinono (2016) also noted that in developing nations, the success of entrepreneurial development has been limited due to the often politically motivated nature of these programs, where they serve personal interests or are used as tools to target political opponents. The lack of autonomy and the absence of community input in the initiation of entrepreneurial programs have rendered them unsustainable for the development of Small-Scale Enterprises (SSEs) in Nigeria.

Conversely, Salami, Ekakitie, and Ebinim (2023) In their study titled "The Influence of Government Policies on the Growth and Development of Small-Scale Businesses,". The researchers used a sample size of 291, which is determined following the Krejcie & Morgan sample size determination table. Through their analysis, they concluded that policies designed to foster entrepreneurship demonstrate a significant and positive correlation with the growth and development of entrepreneurial ventures. This was supported by Onyedikachi, Mintah, & Abudu,(2022), and Eniola & Entebang(2015), who find that Effective government policies are means to usher SSEs progress, SSEs expansion, and promote SSEs facilitates to enhance SSEs and economic growth and compentencies. Hence government policy is essential for fostering and supporting Small-scale Businesses to grow(Acs & Szerb, 2007; Alabi et al., 2019; Eniola & Entebang, 2015; Onyedikachi, Mintah, & Abudu, 2022). The major limitation of all this research is that the type of government policy was not indicated.

Ifekwem(2019) found that both Fiscal and monetary policies are significant in developing SSEs in Lagos state. His work uses a Descriptive research design and a sample of 100 SSEs in the Oshodi-Isolo Local government. This work is too narrow as it only considers Lagos state as its population, even Lagos start was not properly represented as it only considers Oshodi-Isolo LGA. Hence there is a need for a wider study that will represent the whole of Nigeria.

Akinyemi and Adejumo (2018) study explores the impact of government policies on entrepreneurial activities within different phases of entrepreneurship in emerging economies, particularly Nigeria and South Africa. The study categorizes entrepreneurial activities into five distinct phases: the conception phase, firm birth phase, persistence phase, established phase, and renowned phase. Their research findings indicate that the influence of government policies on entrepreneurship varies depending on the specific phase. At the conception phase, the study reveals that in Nigeria, the most influential government policy on entrepreneurial activity is related to business registration, while in South Africa, it encompasses both business registration policies and labour laws. As businesses transition to the established phase, where they are already operational, the study found that market regulation policies become the most important government policies influencing entrepreneurial activities in both South Africa and Lagos. In the renowned phase, characterized by mature and growing businesses, the study highlights that the most impactful government policies for entrepreneurial activities differ between the two countries. In Nigeria, tax policies and market regulation policies take centre stage, while in South Africa, business registration policies and market regulation policies play a vital role. The research ultimately concludes that in Nigeria, market regulation and the registration process are the most critical government policies for stimulating entrepreneurial activity. Conversely, in South Africa, tax policies and market regulation policies are identified as the most helpful in supporting entrepreneurial endeavours. However, when examining the combined data, their research ultimately suggests that the registration process is the most crucial policy for enhancing economic activities. This conclusion highlights that entrepreneurs in both countries concur that improving the registration process can significantly benefit their businesses.

In conclusion, a lot of studies that have examined the impact of government policies on the establishment, employment and wealth creation capacity of Small-Scale Enterprises (SSEs) have relied on primary data. However, these studies were limited in scope as they typically focused on just a handful of government policies. Furthermore, due to constraints related to resources and logistics, these studies often centred on specific states or local governments, which were treated as representative samples of the entire country of Nigeria. To gain a more comprehensive and holistic understanding of the subject, we decided to approach this research topic differently. In our study, we turned to secondary data sources, which allowed us to explore a

broader spectrum of policies that impact SSEs. We considered a wide range of policies, including fiscal and monetary measures, and any other policy that directly affects SSEs.

One of the key advantages of using secondary data sources is that they enable us to examine the entire country, rather than relying on a small subset of regions. This comprehensive approach ensures that our findings are more representative of the diverse landscape of the entire country, taking into account the variations that exist across different states and localities. By adopting this methodology, we aimed to provide a more inclusive and accurate assessment of how government policies influence SSEs' ability to create jobs and stimulate economic growth. Our approach sought to capture the complexities and nuances of policy effects at a national level, and we believe it will contribute to a deeper understanding of the subject matter.

# METHODOLOGY

### The Resource-based View Theoretical frameworks

Though the Resource-based view is a qualitative theoretical framework, it has gained ground in quantitative analysis. However, it has failed to identify which resource is the most critical to a firm for competitive advantage. Priem and Butler (2001) attribute this problem to the joint occurrence of external (i.e., outside of the firm, within the market or industry) and internal value (i.e., within the firm); in turn, this joint occurrence constitutes the tautology within the RBV (Dassler, 2013).

Butler expressed this tautology statement mathematically as:

$$Prob(CA) = f^{+}(v_{ed} \cap r) - - - - - - - - - - (1)$$

*Prob (CA)* means probability of competitive advantage,

*Ved* = external determined value and this refers to the idea that the value of a resource or capability held by a firm is not solely determined by the firm itself but is influenced by external factors beyond the firm's control. This concept recognizes that the competitive advantage and performance of a firm can be influenced by market dynamics, industry conditions, and the broader business environment.

*r* = rarity and it refers to the scarce and unique resource of a firm about another firm

$f^{+}$ = this is a positive function, which shows that both sides of equation (1) are positively correlated

$$Prob(CA) \leftrightarrow f^{+}(v_{ed} \cap r) - - - - - - - - - - - - - - (2)$$

The tautology in equation (1) is represented in equation (2) which leads to a bi-directional (joint occurrence).

$$Prob(v_{ed}) \leftarrow f^{+}(Rcrit) - - - - - - - - - - - - - - - (3)$$

$Rcrit$ = Critical resource

To solve this tautology Peteraf and Barney (2003) develop equation (3), in which they acknowledged that Rcrit determines $\mathrm{Prob}(v_{ed})$, yet $\mathrm{Prob}(v_{ed})$does not determine Rcrit (Dassler, 2013). This enables the model to be uni-directional and further strengthens the idea that critical resources play a significant role in enhancing the firm's operational efficiency and overall effectiveness.

### Model

To examine the impact of government policies on the establishment, employment and wealth creation capacity of Small-Scale Enterprises (SSEs), Acs and Szerb (2007) model which was used to analyze Entrepreneurship, Economic Growth and Public Policy was adapted.

Entrepreneur Growth = $\propto + \sum \beta$(Demographics) + $\sum \delta$(Policies) + $\phi$ (Economic Freedom) (4)

Equation (4) is Acs and Szerb (2007) model and it was adapted to include the variables in equation (5)

$$SEF = f(TBR\ TEX\ CES\ SAV\ INF\ GDP) - - - - - - - (5)$$

SEF is the Self-employed proxy of employment generation and wealth creation of SSEs; TBR is the treasury bill rate proxy of Monetary policy; CES credit to small-scale enterprises proxy of credit policies; TEX total expenditure proxy of Fiscal policy; INF inflation consumer price; GDP is GDP per capita growth, SAV is total savings. The model used in this study is specified as:

$$SEF = \alpha_0 + \alpha_1 tbr + \alpha_2 logtex + \alpha_3 logces + +\alpha_4 logsav + \alpha_5 inf + \alpha_6 gdp \text{ - - -(6)}$$

Apriori expectations of these results are $\alpha_1, \alpha_5 < 0$; $\alpha_2\ \alpha_3, \alpha_4, \alpha_5 > 0$.

**Estimation techniques**

In analyzing the impact of government policies on employment creation and wealth generation of SSEs. Two unit root test is employed in this paper, the Augmented Dickey-Fuller and Phillips-Perron Unit Root Test to examine the integration order on the variable used in the model. Then we utilize the autoregressive distributed lag (ARDL) Model which deals with single cointegration. It was introduced by Pesaran and Shin(1999) and was further developed by Pesaran et al.(2001). The ARDL does not require all variables stationary at I(1) or I(0), it is applicable if the data is stationary at I(1), I(0) or both. The reason for choosing the ARDL is that it can be applied to a small sample size and it can estimate both the short-run and long-run dynamic relationships.

**Short run Model**

This is done by obtaining the short-run dynamic parameters by estimating an ECM associated with long run estimation.

The Error correction model for SEF is given as

$$\Delta SEF_t = \alpha_0 + \theta\ ECT_{t-1} + \sum_{i=1}^{n} \alpha_{1i} \Delta SEF_{t-i} + \sum_{i=0}^{n} \alpha_{2i}\, \Delta tbr_{t-i} + \sum_{i=0}^{n} \alpha_{3i}\, \Delta logtex_{t-i} + \sum_{i=0}^{n} \alpha_{4i}\, \Delta logces_{t-i} + \sum_{i=0}^{n} \alpha_{5i}\, \Delta logsav_{t-i} + \sum_{i=o}^{n} \alpha_{6i}\, \Delta inf_{t-i} + \sum_{i=0}^{n} \alpha_{7i}\, \Delta gdp_{t-i} + e_t \text{--(7)}$$

Where $\theta$ is the speed of adjustment(expected that $\theta < 0$), $\Delta$ is the first difference operator, $\alpha_0$ is the drit parameter, $e_t \sim iid(0, \sigma^2)$ is white noise residuals, $\alpha_1 - \alpha_7$ is the short-run dynamic coefficient of SEF, $ECT_{t-1}$ is the error correction term.

**Long Run Model**

This represent the Cointegrating Equation for SEF and it's given as the Error correction Model

$$\varepsilon_{t-1} = ECT_{t-1} = SEF_{t-1} - \beta_0 - \beta_1 tbr_{t-1} - \beta_2 logtex_{t-1} - \beta_3 logces_{t-1} - \beta_4 logsav_{t-1} - \beta_5 inf_{t-1} - \beta_6 gdp_{t-1} \text{---(8)}$$

The ECT is the long run operator or thr long run relation in the Model with the $\beta_0 - \beta_6$ are the long-run coefficients of the SEF model.

To explore whether long-term relationships exist among SEF, tbr, tex, ces, sav, inf, and gdp, the bound test proposed by Pesaran et al. (2001) was employed. This method relies on the F-test, specifically aiming to test the hypothesis of no cointegration among the variables. The F-test serves as a means to assess whether there is evidence supporting the presence or absence of cointegration among the specified variables. The Null hypothesis here is that there is no cointegration. The ARDL bound test relies on the Wald test (F-statistic) and involves two critical values as provided by Pesaran et al. (2001). These critical values establish the boundaries for cointegration testing. The lower critical bound assumes all variables are I(0), indicating no cointegration, while the upper critical bound assumes all variables are I(1), suggesting cointegration. If the computed F-statistic surpasses the upper critical value, we reject the null hypothesis (H0) and infer cointegration among the

variables. Conversely, if the F-statistic is below the lower critical value, we cannot reject H0, indicating no cointegration. Results are inconclusive when the F-statistic falls between the lower and upper bounds. Then some diagnostic tests will be done, the Breusch-Godfrey Serial Correlation LM Test, the Breusch-Pagan-Godfrey Heteroskedasticity Test, and Jarque-Bera will be used to test for Normality.

**Data**

The study's data were sourced from the Central Bank Statistical Bulletin, International Monetary Fund(IMF), National Bureau of Statistics (NBS) and the World Development Indicator (WDI) database, spanning from 1992 to 2022. Table 1 offers information regarding the variables used in this research, including their measurements and data sources.

**Table 1: Variable Description.**

| S/N | Variable | Measurement | Source |
|---|---|---|---|
| 1 | SE | Self-employed total(% of total employment) | WDI (2023) and NBS |
| 2 | TBR | Tressure bill rate | IMF 2022) |
| 3 | TEX | Federal government capital expenditure | CBN 2022) |
| 4 | CES | Commercial bank loan to small-scale enterprise% of total private loan | CBN 2022) |
| 5 | SAV | Total Savings | CBN 2022) |
| 6 | INF | Inflation, consumer prices (annual %) | WDI (2023) |
| 7 | GDP | GDP per capita growth (annual %) | WDI (2023) |
| **Source**: Authors | | | |

## RESULTS AND DISCUSSIONS OF FINDINGS

Table 2 shows the distribution and characteristics of SEF, LOGSAV, LOGTEX, CES, INF, TBR, and GDPG. The mean values signify that, on average, SEF is 82.89, LOGSAV is 7.31, LOGTEX is 6.73, CSEPT is 6.23, INF is 18.41, TBR is 11.64, and GDPG is 1.40. The medians offer additional context, revealing potential outliers in CES due to its notably lower median. Standard deviations emphasize the variability within each variable, with INF demonstrating the highest variability. Skewness values suggest a slight asymmetry in the distribution, particularly in CES and INF. Positive kurtosis values indicate heavier tails and more pronounced outliers, notably observed in INF. The Jarque-Bera test results, alongside associated p-values, suggest a departure from normality, particularly evident in INF, TBR, and GDPG.

**Table 2: Descriptive statistics**

| | **SEF** | **LOGSAV** | **LOGTEX** | **CES** | **INF** | **TBR** | **GDPG** |
|---|---|---|---|---|---|---|---|
| Mean | 82.88912 | 7.310346 | 6.727438 | 6.228023 | 18.40588 | 11.63892 | 1.402524 |
| Median | 83.02487 | 7.461432 | 7.369473 | 0.985468 | 12.87658 | 12.00000 | 1.596033 |
| Std. Dev. | 1.913759 | 2.055843 | 1.770304 | 7.948875 | 16.51685 | 5.136544 | 3.674137 |
| Skewness | -0.259465 | -0.230221 | -0.670091 | 1.190539 | 2.127796 | 0.104694 | 0.472130 |
| Kurtosis | 1.620342 | 1.623612 | 1.903308 | 3.446267 | 6.423366 | 3.083767 | 3.783255 |
| Jarque-Bera | 2.806464 | 2.720831 | 3.873480 | 7.580385 | 38.52976 | 0.065694 | 1.944106 |
| Probability | 0.245801 | 0.256554 | 0.144173 | 0.022591 | 0.000000 | 0.967687 | 0.378306 |
| Observations | 31 | 31 | 31 | 31 | 31 | 31 | 31 |

**Source**: Authors Using Eviews 13

Table 3 shows the unit root test using Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests provides valuable insights into the stationarity properties of the variables SEF, TBR, LOGTEX, CES, LOGSAV, INF,

and GDP. The ADF and PP statistics, along with their associated p-values, are reported for both the level and first difference of each series. CES and GDP do not exhibit a unit root according to ADF and PP tests at a 5% significance level. However, for the other variables, a unit root is detected at the 5% significance level at levels, but after the first difference, they become stationary. This observation shows that the variables used in this model are stationary at levels I (0) and first difference 1(0). With this information, the ARDL approach is employed to estimate the model and derive their respective coefficients.

**Table 3: Unit root test**

| Series | Level | | First difference | |
|---|---|---|---|---|
| | **ADF** | **PP** | **ADF** | **PP** |
| **SEF** | -1.9039[a] | -1.8918[a] | -4.9827[abc] | -4.5600[abc] |
| **TBR** | -1.9406 | -1.8719 | -6.5707[abc] | -6.6529[abc] |
| **LOGTEX** | -2.9555[a] | -2.5852 | -3.8291[abc] | -4.0046[abc] |
| **CES** | -3.9226[abc] | -11.6306[abc] | -4.9889[abc] | -10.8058[abc] |
| **LOGSAV** | -1.2284 | -1.9535 | -3.5044[ab] | 3.5073[ab] |
| **INF** | -2.0418 | -1.3748 | -5.3089[abc] | -8.2286[abc] |
| **GDP** | -2.6510[abc] | -2.5607[ab] | -7.6473[abc] | -13.7031[abc] |

**Source**: Authors Using Eviews 13. Note: [abc] indicates statistical significance at 10%5%, 1%

The cointegration analysis is crucial for understanding the long-term relationships among the variables under consideration. The F-statistic of 6.111418 with a sample size of 29 and 6 cointegrating variables provides insights into the existence of cointegration as shown in Table 4. Since the F statistic is greater than the Upper bound of 5% significant level which is 5.065, this depicts that there exists a long-run relationship between the 6 variables. Hence, the null hypothesis of no cointegration can be rejected. We then can go ahead to estimate both the long-run and short-term coefficients of the Model.

**Table 4: ARDL Bound Test**

| Test statistics | value | sample | Cointegrating variables |
|---|---|---|---|
| F-statistic | 6.111418 | 29 | 6 |
| **Critical Value Bound** | | | |
| Significance | I (0) Bound | | I (1) bound |
| 10% | 2.977 | | 4.260 |
| 5% | 3.576 | | 5.065 |
| 1% | 5.046 | | 6.930 |

**Source**: Authors Using Eviews 13

The result presented in Table 5 showed that the adjustment coefficient ($\theta$) of the error correction term in equation (7) is -0.580974 (p-value = 0.0000) and is significant at 5% and 1%. This indicated that 58.1 percent of disequilibrium each year is corrected the following year. Also, on the Short-run DTBR, D(LOGTEX), D(CES), D(INF), and D(GDP) are significant at 1%, and 5% level, while D(INF) is not significant at 1% and 5% level.

The research findings reveal that an increase in the treasury bill rate (TBR) negatively affects self-employment in Nigeria. Specifically, a one-unit increase in TBR leads to a 0.075314 unit decrease in self-employment. This aligns with apriori expectation, suggesting that higher TBR makes it challenging for Nigerians to secure loans for investment due to concerns about repaying high-interest rates. As TBR is a proxy for monetary policy in Nigeria, these results support Ifekwem's (2019) assertion of a significant relationship between monetary policy and self-employment development in Nigeria.

**Table 5: Short-run Coefficients of the Model using ARDL.**

| Variable | Coefficient | Std. Error | t-statistics | Prob |
|---|---|---|---|---|
| **CoinEq1** | -0.580974 | 0.072525 | -8.010611 | 0.0000 |
| **D(TBR)** | -0.075314 | 0.023659 | -3.183253 | 0.0079 |
| **D (TBR (-1))** | -0.084300 | 0.038068 | -2.214447 | 0.0469 |
| **D(LOGTEX)** | 3.245103 | 0.771499 | 4.206230 | 0.0012 |
| **D(CES)** | 0.620205 | 0.130178 | 4.764294 | 0.0005 |
| **D (CES (-1))** | -0.106226 | 0.061157 | -1.736955 | 0.1080 |
| **D(LOGSAV)** | -0.563678 | 0.698245 | -0.807278 | 0.4352 |
| **D (INF)** | -0.058619 | 0.017274 | -3.393525 | 0.0053 |
| **D (GDP)** | -0.243144 | 0.055023 | -4.418935 | 0.0008 |
| **C** | 18.80729 | 16.24716 | 1.157574 | 0.2696 |
| **@TREND** | -0.632897 | 0.153057 | -4.135048 | 0.0014 |
| **R Squared** | 0.824308 | | | |
| **Adj. R-Squared** | 0.590052 | | | |
| **F-statistic** | 3.518837 | | | |
| **F (Prob)** | 0.016335 | | | |
| **D.W** | 2.387478 | | | |

**Source**: Authors Using Eviews 13

On a positive note, an increase in government spending, represented by D(LOGTEX), has a favourable impact on self-employment. 1 percent increase in D(LOGTEX) corresponds to a 0.032451 unit increase in self-employment, indicating that government spending contributes to the creation of self-employment opportunities. This finding supports Ifekwem (2019) claim of a significant relationship between fiscal policy and self-employment development in Nigeria. Additionally, an increase in D(CES), a proxy for credit policy in Nigeria, has a positive short-run impact on D(SEF). A one-unit increase in D(CES) results in a 0.620205 unit increase in self-employment. This contradicts Tende (2014) findings that credit policies have no significant relationship with self-employment development.

However, both D(INF) and D(GDP) have negative impacts on self-employment in Nigeria. While the negative impact of D(INF) aligns with a priori expectations, D(GDP) doesn't. Lastly, the research indicates that D(LOGSAV) has a negative impact on D(SEF) but is not statistically significant. This suggests that changes in savings may or may not cause variations in self-employment levels.

**Table 6: Long-run Coefficient of the Model Using ARDL.**

| **COINTEGRATION** | | | | |
|---|---|---|---|---|
| **Variables** | **Coefficient** | **Std. Error** | **t-statistics** | **Prob.** |
| **LOGSAV (-1)** | 0.120738 | 0.883659 | 0.136634 | 0.8925 |
| **LOGTEX (-1)** | 9.161662 | 3.137562 | 2.919994 | 0.0077 |
| **CES (-1)** | 1.411082 | 0.479051 | 2.945576 | 0.0073 |
| **INF (-1)** | -0.144332 | 0.041532 | -3.475171 | 0.0020 |
| **TBR (-1)** | 0.030178 | 0.053042 | 0.568943 | 0.5749 |
| **GDP (-1)** | -0.830029 | 0.296705 | -2.797488 | 0.0102 |

**Source**: Authors Using Eviews 13

The estimated cointegrating equation for SEF is given in Table 6. The estimated cointegration equation is given as:

$$ECT_{t-1} = SEF_{t-1} - 0.120738LOGSAV_{t-1} - 9.161662LOGTEX_{t-1} - 1.411082CES_{t-1} + 0.144332\text{INF}_{t-1} - 0.030178\text{TBR}_{t-1} + 0.830029\text{GDPG}_{t-1} \text{ - - - (9)}$$

Equation (9) is the cointegrating or the long-run model. It is also known as the error correction term since the deviation from long-run equilibrium is corrected gradually through a series of partial short-run adjustments. In the long-run equilibrium, the error correction term is zero.

Then we can modify equation (9) as follows.

$$SEF_{t-1} = 0.120738LOGSAV_{t-1} + 9.161662LOGTEX_{t-1} + 1.411082CES_{t-1} - 0.144332\text{INF}_{t-1} + 0.030178\text{TBR}_{t-1} - 0.830029\text{GDPG}_{t-1} \text{-----(10)}$$

This result shows that LOGSAV, LOGTEX, CES and TBR have a positive impact on SEF, while INF and GDP have a negative impact on SEF. So, a 1% increase in LOGSAV and LOGTEX will increase SEF by 0.00120738 and 0.09161662 unit respectively. Though LOGSAV and LOGTEX is in line with apriori expectation, LOGTEX is significant at 5% and 1% level of significance, but LOGSAV is not significant at 5% and 1%, this mean that SAV may or may not cause a variation in SEF. Also, a 1 unit increase in CES and TBR will increase SEF by 1.411082 and 0.030178 respectively. While CES is significant at 5% TBR is not significant as it may or may not cause change in SEF. CES is in line with apriori expectation, but TBR isn't. Finally, a 1% increase in INF and GDP will lead to a decrease in SEF by 0.144332 and 0.830029 respectively. Though they are both statistically significant at 5%, INF is in line with aprior expectation, but GDP isn't.

**Table 7: Diagnostic Test Results**

| | | | |
|---|---|---|---|
| **Breusch-Godfrey Serial Correlation LM Test:** | | | |
| F-statistic | 0.773902 | Prob. F (2,10) | 0.4870 |
| Obs R-squared | 3.886998 | Prob. Chi-Square (2) | 0.1432 |
| **Heteroskedasticity Test: Breusch-Pagan-Godfrey** | | | |
| F-statistic | 1.190823 | Prob. F (16,12) | 0.3859 |
| Obs R-squared | 17.79341 | Prob. Chi-Square (16) | 0.3361 |
| Scaled explained SS | 2.312238 | Prob. Chi-Square (16) | 1.0000 |
| **Normality Test** | | | |
| Jarque-Bera | 0.372188 | Prob. Value | 0.830195 |

**Source**: Authors Using Eviews 13

Table 7 show the absence of Serial correlation as the prob value of 0.4870 is greater than 0.05, so we fail to reject the null hypothesis of no serial correlation. There is still absence of no heteroskedasticity because the F-statistic prob value of 0.3859 is greater than 0.05, so we fail to reject the null hypothesis of presence of Homoskedasticity. Finally, the distribution is normally distributed as the Jarque-Bera prob value of 0.830195 is greater than 0.05, hence we fail to reject the null hypothesis of presence of normal distribution in the model.

## CONCLUSION AND POLICY IMPLICATION

This study examines the impact of government policies on the job creation and wealth generation capacity of small-scale enterprises (SSEs) in Nigeria. Data from 1992 to 2022 was analyzed, revealing both short-term and long-term effects of government policies on SSE development. The findings show that in the short run, the treasure bill rate, inflation, GDP growth per capita, and total savings have a negative impact on self-employment due to the predominant influence of the formal sector, particularly manufacturing and services. Economic growth often results in increased urbanization, shifting the focus towards formal employment opportunities and diminishing the appeal of self-employment.

In the short run, total government expenditure and total credit to small-scale enterprises have a positive impact on self-employment in Nigeria. Government investments in infrastructure, public services, and development projects ignite economic growth, leading to greater demand for goods and services and increased self-employment opportunities. Small businesses benefit from government spending, which allows them to invest in resources such as equipment, inventory, and personnel, resulting in overall business expansion and more opportunities for self-employment.

The long-run impact is crucial, as savings, which have a negative impact on self-employment in the short term, have a positive impact in the long run due to the growing preference for security and safety in financial decisions. Total government spending, credit to small-scale enterprises, and the Treasury bill rate have a positive impact on the employment and wealth creation capacity of SSEs, while inflation and per capita GDP growth have a negative impact on self-employment.

**Policy Implications and Recommendations**

Based on the empirical analysis and findings, the following recommendations are relevant. First, through various interconnected mechanisms, investment in infrastructure projects creates a favourable environment for self-employment. First, infrastructure projects, such as construction and development projects, create immediate and future employment opportunities, particularly in labor-intensive jobs that directly benefit local businesses. In addition, supply chain opportunities resulting from infrastructure development provide materials, services, and equipment that promote the continued growth of SSE companies. This in turn contributes to expanding market access for SSE companies by improving transport networks, facilitating trade, and attracting investment. In addition, the process promotes technology transfer, productivity growth, and the general improvement of the business environment, ensuring the long-term sustainability and competitiveness of SSE companies.

Secondly, adaptive inflation management: implement measures to effectively manage inflation, taking into account its impact on self-employment. This might involve adopting adaptive inflation-targeting policies that balance economic growth with price stability. This stability promotes a more predictable business environment, reduces uncertainty for SSE companies, and encourages investment. Furthermore, stable inflation rates increase consumer confidence, which in turn increases consumption and demand for goods and services produced by SSE companies. Also, a controlled inflation environment can lead to more favourable interest rates, making it easier for SSE companies to obtain loans for business expansion and investment. This in turn stimulates business growth, job creation, and overall economic development.

Third, implement flexible credit policies that make it easier for small-scale businesses to access credit. This might involve creating specialised credit facilities, reducing bureaucratic hurdles, and offering favourable interest rates to encourage entrepreneurship. SSEs can invest in expansion, innovation, and job creation, increasing their growth potential. This increased credit accessibility not only empowers SSEs to seize expansion opportunities, but it also encourages the establishment of new ventures. Additionally, these flexible credit policies serve as a financial safety net during difficult economic times, allowing SSEs to navigate uncertainties and avoid laying off employees or closing the business. Moreover, these policies also provide essential funding for equipment, inventory, and personnel, allowing SSEs to enhance their overall productivity and competitiveness. The success of SSEs creates a positive feedback loop that leads to local economic development, ultimately creating more jobs and wealth.

Fourth, by prioritizing entrepreneurship education, policymakers can greatly influence the success and growth of small-scale enterprises (SSEs) through some interconnected benefits. It not only provides individuals with the necessary tools and skills to effectively launch and oversee businesses but also develops an entrepreneurial mindset. This leads to the formation of more SSEs, which in turn creates more job opportunities. Additionally, those trained in key areas such as business planning, financial management, and market analysis are better placed to succeed in their business, leading to greater profitability and wealth creation. Entrepreneurship education also fosters creativity and innovation.

Fifthly, advocate for policies that boost financial inclusion, which facilitates access to formal banking services. This could involve campaigns to educate and motivate individuals to save through formal financial institutions, offering perks such as tax benefits or lower interest rates for those who opt for formal savings methods. It is critical to acknowledge and appreciate the importance of the informal sector in our economy, including methods like "Osusu" savings. We must devise policies that not only acknowledge but also actively support informal savings methods, ensuring their safety and dependability, to foster a thriving informal economy.

Sixthly, develop strategies to mitigate the adverse effects of urbanization on self-employment. These could include implementing targeted programs aimed at promoting rural entrepreneurship and introducing initiatives to generate self-employment opportunities in urban regions. By taking proactive measures, we can mitigate the negative effects of urbanization on self-employment and foster a more sustainable economic landscape. Monitoring and Evaluation: Create a strong and comprehensive framework for effectively tracking and assessing the effects of government policies on self-employment. Consistently conducting evaluations will enable necessary adjustments and ensure that policies are fulfilling their intended objectives.

Therefore, in conclusions, the paper recommends that government investment should focus on SMEs-related infrastructure projects to foster self-employment, providing job opportunities and resources for small-scale enterprises (SSEs). Stable inflation management encourages investment and growth, while flexible credit policies facilitate SSEs' expansion and innovation. Similarly, efforts should be made in promoting entrepreneurial education among SMEs and advocating for SME's friendly financial inclusion policies can boost SSE success. Also, enhancing the informal sector through pro-poor urbanisation management strategies will mitigate negative effects on self-employment and the employment and wealth creation potential of MSMEs. More importantly, monitoring and evaluation are critical for tracking government policies' effects on wealth and employment, as well as the creation of SMEs, and such monitoring enables quick detection of misalignment and necessary adjustments that ensure the fulfillment of stated government intended objectives.

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