

CHAPTER ONE INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Policy is defined in the Merriam-Webster Online Dictionary as a definite course or method of action selected from among alternatives to guide and determine present and future decisions. Policy can also be defined as making decisions that reflect values and allocating resources based on those values. Thus, policy represents a particular political, ethical, or programmatic viewpoint. Governmental policy reflects theoretical or experiential assumptions about what is required to resolve a particular issue or problem (Obi, 2001). At the federal and state levels, governmental policy is reflected in multiple venues:

- The federal and state constitutions set the general framework, as interpreted in specific instances through court decisions.
- The chief executive's agenda is presented through speeches, press releases, "State of the State" and budget messages to the legislature, executive orders, and instructions to department heads.
- Legislative policy is expressed in speeches and press releases by the leadership and formulated in policy and appropriation bills.

It is not generally recognized that budgets, expressed in appropriation acts and taxes, are critical statements of social policy. Budgets distribute resources and determine what government can and cannot do. They may or may not provide stable resources for governmental services (Bacdon, 2004).

Policy can also be found in the determinations and decisions of state department heads and middle management. Their decisions or actions determine how legislative policy and broad governmental mandates are actually translated into services. Policy is reflected in strategic plans and policy memoranda (EKSG, 2014).

It is translated and carried out through rules and regulations, manuals, requests for proposals, contractual agreements, enforcement actions, and so forth. However, many researchers have proved in the past that government policies do influence small and medium scale enterprises. Small and medium enterprises are believed to be the engine room for the development of any economy, because they form the bulk of business activities in a growing

economy like that of Nigeria (Basil, 2005). This is manifested in the following ways, Employment generation, rural development, Economic growth and Industrialization, Better Utilization of Indigenous Resources.

Governments create the rules and frameworks in which Small and medium scale enterprises are able to compete against each other. From time to time the government will change these rules and frameworks forcing small and medium scale enterprises to change the way they operate (Essien & Udofia, 2006). Small and medium scale enterprises are thus keenly affected by government policy. Key area of government policy that affects business is taxation policy. Taxation policy affects business costs. For example, a rise in corporation tax (on business profits) has the same effect as an increase in costs. Small and medium scale enterprises can pass some of this tax on to consumers in higher prices, but it will also affect the bottom line. Other business taxes are environmental taxes (e.g. landfill tax), and VAT (value added tax). VAT is actually passed down the line to the final consumer but the administration of the VAT system is a cost for business (Ikherehon, 2002). Moreover, the government of the day regularly changes laws in line with its political policies. As a result small and medium scale enterprises continually have to respond to changes in the legal framework (Izedomi, 2011). However, the researcher will in this chapter provide an introduction on the impact of various government policies on Small and medium scale enterprises

1.2 STATEMENT OF THE PROBLEM

The term government policy can be used to describe any course of action which intends to change a certain situation. Think of policies as a starting point for government to take a course of action that makes a real life change (Ekezie, 1995). Government uses policy to tackle a wide range of issues. In fact, it can make policies that could change how much tax you pay, parking fines, import and export duties, immigration laws and pensions (Ireghan, 2009). However in Nigeria, government has come up with various policies aimed at investing in and boosting the Small and medium scale enterprises to generate employment and reduction of poverty but there has been issues of poor implementation. Policies can also be changed by government when is not effective, also when they create a policy it can be made to affect specific groups of people or everyone in society. Other government policies

concerning issues such as subsidies, interest rates, exchange rates and public-private partnerships also influence the growth of small and medium scale enterprises (Iromaka, 2006). However, the researcher is seeking to examine the impact of government policies on the growth of small and medium scale enterprises in Nigeria.

1.3 OBJECTIVES OF THE STUDY

The general objective of this study is to examine the impact of government policy on the growth of small and medium scale enterprise while the following are the specific objectives

1. To ascertain the impact of government policy on the growth of small and medium scale enterprise.
2. To determine the nature of government policy that can influence the growth of small and medium scale enterprise.
3. To identify factors limiting the growth of small and medium scale enterprise.

1.4 RESEARCH QUESTIONS

1. What is the impact of government policy on the growth of small and medium scale enterprise?
2. What kind of government policy can influence the growth of small and medium scale enterprise?
3. What are the factors limiting the growth of small and medium scale enterprise?

1.5 HYPOTHESIS

H_0 : Government policy does not affect the growth of small and medium scale enterprise

H_A : Government policy does affect the growth of small and medium scale enterprise

1.6 SIGNIFICANCE OF THE STUDY

This study on the impact of government policy on the growth of small and medium scale enterprises will enlighten the entrepreneurs and the general public on how government policy can positively or negatively affect the growth of small and medium, scale enterprises. It will as well be a useful guide for the government in formulating policies that will contribute to the nation's GDP through the growth of small and medium scale enterprises. This research will also serve as a resource base to other scholars and researchers interested in carrying out further research in this field subsequently, if applied will go to an extent to provide new explanation to the topic.

1.7 SCOPE/LIMITATIONS OF THE STUDY

This research will cover the overview of the different government policies and how they can influence the growth of small and medium scale enterprises. It will also cover investigations into different kinds of government policies and how they affect the growth of small and medium scale business. Factors that generally affect the growth of small and medium scale enterprises will also be considered in this research.

1.8 DEFINITION OF TERMS

Government policy: A plan or course of action, as of a *government*, political party, or business, intended to influence and determine decisions, actions, and other matters

SMEs: an enterprise that has asset base (excluding land) of between N5 million – N500 million and labour force of between 11 and 300.

Tax: a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions

Subsidies: a sum of money granted by the state or a public body to help an industry or business keep the price of a commodity or service low.

Economy: the state of a country or region in terms of the production and consumption of goods and services and the supply of money.

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