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Impact of Government Sustainable Development Programs during COVID-19: A Study of SMEs in Nigeria

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Abstract

This study investigates the impact of government sustainable programs on the growth of small and medium enterprises (SMEs) in Nigeria amidst the COVID-19 pandemic. It employs a survey methodology to study the developmental factors of SMEs in Nigeria. The study population consisted of 580 registered SMEs in the Wuse business district in Abuja, with a sample size of 130 respondents. Questionnaires were distributed to the above respondents, out of which 100 fully submitted their responses. To achieve the objectives of the current study, hypotheses were tested and analyzed by using a multiple linear regression model. The findings revealed that survival funds have a considerable influence on the growth and sustainability of SMEs in Nigeria. It was also discovered that free business name registration has a major influence on the growth of SMEs. Moreover, it was found that government incentives are significant to maintain the sustainability of SMEs. Furthermore, the study concluded that SMEs performed effectively well with the aid of government sustainable programs. These intervention programs take the form of an intervention strategy which is an essential part of the current study's objectives. These include survival funds, free business registration, and government incentives. The current research provides a significant knowledge of structured progressive programs for the policymakers and aids future planning.

Keywords: government sustainable programs, intervention programs, small and medium enterprises (SMEs), survival funds, sustainability

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Introduction

Government programs are intended to cater to the generality of the populace, this is why various governments came up with intervention programs during COVID-19. COVID-19 not only affected and slowed down global economic activities but it also affected Nigeria's small and medium businesses enterprises (SMEs). These enterprises were observed to be struggling for growth and survival even before the outbreak of pandemic globally. A lot of factors are associated with the slow growth rate of some SMEs in Nigeria even before the outbreak of the pandemic. Some of the prominent factors are corruption, poor data base, inadequate research centers, and unfavorable government fiscal policies. The government introduced so many palliative programs amidst the pandemic in Nigeria in a bid to ensure sustainability of small businesses during and after COVID-19. The pandemic not only affected world economic activities by shutting down of businesses around the world but also caused a severe effect on business growth in Nigeria. Some of these enterprises were working at a slow pace, struggling for survival most especially in the developing economies. A lot of financial interventions and technical assistance were made available by the Nigerian government during the outbreak of the pandemic through the creation of sustainable robust programs and action plans that would fully put SMEs back in operation. The role of SMEs in every economy cannot be over-emphasized, this is because of the numerous role it plays in the economic growth of any country. Small enterprises play a key role in engine growth of every economy. It ranges from employment creation to improved standard of living as well as for wealth creation. With the flattened curve of the pandemic in most parts of the world including Nigeria, individuals and organizations are increasingly bearing the burdens of the unemployment rate caused by pandemic-related to supply chain disruptions, insolvency, and other factors (KMPG, [2020](#); Ganaie et al., [2020](#)).

As part of an effort to create economic sustainability plan, the Nigerian government on May/ June 2020 in response to the pandemic through the central bank of Nigeria approved a sum of 2.3 trillion which is equivalent to 5.9 billion US dollars as a structured loan to assist and facilitate the micro small and medium enterprises, housing needs, and solar energy projects. The federal government of Nigeria on March 24th as a part of its response program initiated the 2020 emergency economic stimulus bill which was

enacted by the national assembly through the House of Representatives (Dexit et al., 2020). This bill helped businesses and individuals affected by the pandemic to sustain their small businesses in COVID-19. The CBN's stimulus package provided a 3000000 credit facility to disadvantaged individuals affected by the pandemic globally. An emergency financial support of 3.4 billion US dollars was made available to the developing countries by the international monetary fund (IMF) of which Nigeria was a major beneficiary. The current study is unique and focuses on the government programs to ensure the sustainability and growth of small enterprises during the outbreak of the pandemic in Nigeria. This study differs from other studies in terms of novelty because previous studies not been conducted in this area of research.

Research Questions

1. To what extent does the government survival funds enhance the growth of SMEs in Nigeria?
2. Does free business name registration enhance the growth of SMEs in Nigeria?
3. How do government incentives enhance the growth of SMEs in Nigeria?

Objective of the Study

The primary goal of this study is to assess government sustainable programs and the growth of SMEs in Nigeria amidst the pandemic outbreak. However, specifically, the research intends to:

1. Ascertain the influence of government survival funds on the growth of SMEs in Nigeria.
2. To examine the influence of free business name registration on the growth of SMEs in Nigeria.
3. To determine the influence of government incentives on the growth of SMEs in Nigeria.

Research Hypotheses

H1 Government survival fund has no significant relationship with the growth of small and medium enterprises in Nigeria.

H2 Free business name registration has no significant relationship with the growth of SMEs in Nigeria.

H3 Government incentives have no significant relationship with the growth of SMEs in Nigeria.

Literature Review

Government sustainable programs in Nigeria are aimed at mitigating the harsh economic effects of the global pandemic (Chinedu et al., [2019](#)). The economic sustainability plan addressed long-standing economic vulnerability often designed in the economic recovery plan by the government.

The federal government of Nigeria rolled out numerous economic programs to tackle with the challenges posed by the economic lockdown globally. It is very important to remember that providing basic social and public infrastructure for the citizens is the obligation of the government (Dominic et al., [2015](#)). The government is saddled with the responsibility of catering to the citizens of the country in order to attain economic well-being. This is why government intervention is necessary for the global pandemic to tackle with the aftermath of the economic shock as a result of COVID-19.

The sum of twenty thousand naira (\$52) was distributed to less privileged household and vulnerable citizens listed in the national social register (NSR) by the government on April 1, 2020 (Dexit, [2020](#)).

Through Nigeria's central bank, a targeted credit facility (loan) for households and MSMEs was disbursed and the sum of 50 billion naira was set aside for household and MSMEs that got hit by the pandemic globally. Due to this fact, over 49.1 billion has been disbursed to MSMEs and household during COVID-19 (Dexit, 2020).

MSME Survival Funds

Federal government through a speech delivered by vice President Yemi Osinbanjo on July 17, 2020, announced that the federal government of Nigeria has rolled out a micro small, and medium enterprises (MSME) support scheme for the target beneficiaries to cut across entrepreneurs, creative industries, private schools, hotel, and transport sector. Oshi and Nwuche ([2020](#)) concluded that any company that is unable to keep up would almost certainly fail.

This also forms part of the government plan for the economic sustainability of SMEs in Nigeria as the government set out to put in place

a number of schemes in order to keep SMEs float to survive the effects of COVID-19. With the survival fund, MSMEs with a minimum of 10 and a maximum of 50 employees would receive payroll assistance. The emergency economic stimulus bill, which was passed on March 24, 2020, would give relief and assistance to Nigerian businesses and individuals. Businesses that are registered under the companies and allied matters act would receive a 50 percent tax credit under the new bill, allowing them to keep their current employees. (Dexit et al., [2020](#)).

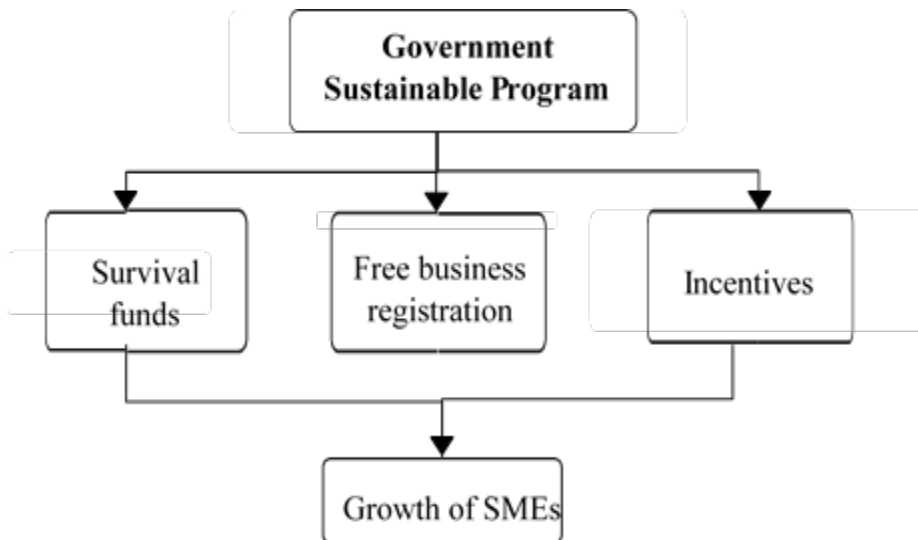
On July 22, 2020, the government approved the sum of 75 billion as a youth investment fund through the NIRSAL Microfinance bank. The youth investment fund is a ring-fenced fund with restrictions on the particular purpose directly intended for (Aderemi et al., [2019](#)). This would enable them to fund their enterprises. This scheme would also sustain the income of vulnerable micro and small enterprises from the harsh economic disruption brought about by the COVID-19.

Free Corporate Affairs Commission (CAC) Business Names Registration for MSMEs

This is another support program initiated by the federal government of Nigeria to help micro and small companies to legalize their businesses as part of the COVID-19 survival intervention program. With this initiative, free registration of 6,606 company names in each of Nigeria's 34 states, with Abia, Kano, and Lagos receiving 7,906, 8,406, and 9084, respectively were approved by the Nigerian government. This would serve as an avenue for businesses, craftsmen, and entrepreneurs to formalize the businesses that they operate and get them registered, this opportunity is a rare one and it is coming at a time of need. Businesses were registered in line with the corporate affairs commission specification and requirements. Some of the plans to be implemented by the federal government of Nigeria include Multibillion dollar investment in agriculture throughout all 36 states, as well as public works and road construction, 300,000 new homes were be built each year as part of a mass housing program. For a total of 25 million residences, solar power systems were installed. Broadband access was being rapidly expanded across the country to improve commercial and educational services. Nigeria's Made in Nigeria campaign focused on manufacturing shoes, furniture, steel fabrication, and construction materials using Africa's largest gas reserves for industrialization and domestic power sources.

Concept of Growth of Small and Medium Enterprises (SMEs)

Government sustainable programs depend on how well small businesses are represented in the scheme of programs, this is important because of the crucial roles which small enterprises play in the development of the country's economy. To back up this claim, Ofoegbu and Joseph (2013) argued that SMEs are the remedy for many developing countries' economic growth and development. SMEs remain the engine of economic growth and rapid sustainability of the economy through generating employment and improved standard of living (Yusufu et al., 2020). According to the World Bank, small businesses are enterprises with a high number of 300 employees and an annual revenue of \$15 million. The World Bank defines SMEs as companies with fewer than 300 employees, \$15 million in annual revenue, and \$15 million in assets (Govori, 2013). Small businesses might be regarded in terms of the value of the assets they have at their disposal. Small enterprises are classified according to their turnover and number of employees. Credit is required by businesses to grow and in turn promotes performance and economic growth (Ubesie et al., 2017). The growth of businesses can be measured by metrics like sales turnover, branch expansion, increase in customers demand, and competitive advantage.



Theoretical Framework

This research is based on the systems theory which was first presented by a biologist named Ludwig von in 1940 and later expanded upon by Ross

Ashby in 1964. The general systems theory states that a system is composed of interacting elements that are affected by the interaction. The system is made up of interconnected pieces that are ready to interact with other systems in their surroundings. The system as a whole can develop new properties and correct itself. Concepts such as synergy are introduced by the system theory as a way of ensuring the working together of all the parts than the parts working alone with the minimal result when compared to working as a whole for maximum attainability of result (Bertalanffy, 1968). Business entropy is discouraged by the system theory. Making links between many pieces so that they align together as a whole is the goal of part-to-whole and whole-to-aspects thinking are both parts of system thinking. The relevance of this theory to the current study is that the government being a public sector of the economy considers the SMEs as part of the important subsector of the economy and also views the sector as a part of the whole system of the economy and to that extent, attention should be given to the SMEs.

Method Data and Analysis

The current study employed a survey methodology which entails the direct administration of standardized questionnaires of respondents. This is necessary because it would enable the researcher to meet the study's objectives. The study's population consists of over 580 registered SMEs in the Wuse business district of Abuja, Nigeria. The current study used a non-probability sampling method to assign a questionnaire to a sample size of 130 respondents. The sample size figure of 130 was attained using the Smith and Renzeulli (1984) sampling technique. One hundred (100) questionnaires were completed and returned in their entirety, and thirty (30) questionnaires were not returned by the respondents. The data collected was analyzed by using a multiple linear regression model in SPSS version 20. The linear regression model was used to estimate and measure the relationship between each of the selected variables.

$$n = \frac{N}{3 + N(e)2}$$

Where N = population, 3 = constant, n = sample size

$$n = \frac{580}{3 + 580(0.05)2}$$

$$n = 130$$

Result and Discussion

Model Specification

Small and medium enterprises (SME) are the dependent variable, while government sustainable program is an independent variable (GSP). The model was estimated by using a linear multiple regression model to achieve the hypotheses mentioned above. The model is presented below:

$$\text{SME} = (\text{GSP}) \tag{1}$$

$$\text{SME} = \beta_0 + \beta_1 \text{GSFN} + \beta_2 \text{FBNR} + \beta_3 \text{GOINC} + \mu \tag{2}$$

Where

GSP = an indication that represents Government sustainable programs (Independent variable), SME = Small medium enterprises (dependent variable parameter), β_0 = a constant, $\beta_1, \beta_2, \beta_3$ = coefficient of independent variable, GSFN = Government survival fund (a predictor representing Independent Variable), FBNR = Free business names registration (a predictor representing independent Variable), GOINC = Government incentive (independent Variable), μ = Stochastic error term, f = Functional relations

Table 1

Model Summary

Model	R	R ²	Adjusted R ²	Std. Error
1	.894 ^a	.799	.793	.36952

Predictors: (Constant) GSFN, FBNR, GOINC

Table above reveals that $R = .894$, $R^2 = .799$, and Adjusted $R^2 = .793$. The result indicates that about 89% relationship exist among the components of both the independent and dependent variables. The r Square value of 0.799 shows that the independent variables components have a total influence of 79% on the dependent variable. Furthermore, 0.793 is the adjusted r Square value which also indicates that the combined variables of GSFN, FBNR, and GOINC have an accurate influence on the growth of small and medium businesses. As a result, the model explains that around 79% of the fluctuations in government programs, while additional factors not included in the model account for the remaining 21%.

Table 2
ANOVA

Model	Sum of Squares	<i>df</i>	Mean Square	<i>F</i>	Sig.
Regression	52.052	3	17.351		
Residual	13.108	96	.137	127.068	.000
Total	65.160	99			

In the ANOVA Table above, the significance level of .000 and the *F*-statistics value of 127.068 are both less than the alpha threshold of 0.05%. This showed that the outcome was satisfactory and that the model was suitable for attaining the overall objectives.

Table 3
Coefficients

Model	<i>B</i>	Std. Error	β	<i>t</i>	Sig.
(Constant)	.505	.190		2.665	.009
GSFD	.661	.150	.867	4.409	.000
FBNR	-.316	.143	-.384	-2.217	.029
GOINC	.555	.145	.414	3.842	.000

Hypothesis One

In the table above, the beta coefficient value and *t*-Statistics value ($B = .661$) 4.409 with a related significant *p*-value of .000, which is significant at the 5% level of significance. This shows that government survival fund has a considerable significant relationship with the growth of small medium and medium businesses. This is because the *p*-value is less than 0.05 % level of significance. The result indicates that for any unit increase in the survival funds, there would be a unit increase in the growth of SMEs in Nigeria. The implication of this result is that the null hypothesis (H_1) is rejected which states that the government survival funds has no significant relationship with the growth of small medium firms.

Hypothesis Two

In Table 3, the beta coefficient value and *t*-Statistics value ($B = -.316$) - 2.217 with the corresponding significant *p*-value of .029 which is significant at 5% level indicates that free business registration has a negative and significant relationship with the growth of SMEs. This indicates that an

increase in free business registration would lead to a decrease in the growth of SMEs in Nigeria. The implication of this result is that the null hypothesis (H2) which states that free business registration has no significant relationship with the growth of SMEs is rejected because the p -value is 0.029 less than 0.05 % significance level.

Hypothesis Three

In Table 3, the beta coefficient value and T-Statistics value ($\beta = .555$) 3.842 and the corresponding significant P value of .000 which is significant at 5%, indicates that government incentives are positively significant for the growth of SMEs in Nigeria. This implies that a unit increase in government incentives would lead to a unit increase in the growth of SMEs in Nigeria. The study rejects the Null hypothesis (Ho3) which states that government incentives have no significant relationship with the growth of SMEs.

The result of the analysis indicates that government sustainable programs and the growth of small enterprises during the pandemic are significant. The regression result showed that the predictor variables are GSFN = Government survival fund (a predictor representing Independent Variable) FBNR = Free business names registration (a predictor representing independent Variable), and GOINC = Government incentives (a predictor representing independent Variable) respectively. All of these variables are statistically significant for the growth of SMEs in Nigeria.

Conclusion

The current study investigated government sustainable programs and the growth of small and medium enterprises (SMEs) in Wuse business district, Abuja, Nigeria. Linear multiple regression model was employed to conduct the analysis which indicated that the three predictors have a significant effect on the growth of SMEs. Thereby, it was concluded that SMEs performed effectively with the help of survival funds, free business registration, and government incentives.

Recommendations

1. From the current study, it is inferred that COVID-19 tends to be a developmental factor for SMEs. Therefore, the government should ensure that SMEs must benefit from the survival funds.
2. Furthermore, intervention programs and incentives should be available for those SMEs which are struggling in the pandemic situation.

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