



THE INFLUENCE OF GOVERNMENT POLICIES AND BUSINESS ENVIRONMENT ON ENTREPRENEURIAL GROWTH IN EDO STATE, NIGERIA

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Abstract

This empirical study investigates the nexus between government policy frameworks, the prevailing business environment, and the growth trajectories of small and medium-sized enterprises (SMEs) operating in Edo State, Nigeria. Despite the widely acknowledged centrality of entrepreneurship to economic development in lower-income countries, the localized policy-growth relationship remains empirically thin, largely due to persistent institutional bottlenecks, inconsistent regulatory enforcement, and limited formal support structures reported by local entrepreneurs. To bridge this gap, a cross-sectional survey design was adopted to collect primary data from 200 entrepreneurs selected across the three senatorial districts using a multistage sampling technique. The analytical framework integrated descriptive statistics, Pearson product-moment correlation, one-way analysis of variance, and multiple linear regression. All measurement instruments underwent reverse coding and item purification, with internal consistency rigorously confirmed via Cronbach's alpha coefficients. The empirical results indicate that perceived government policy ($r = 0.040$, $p = 0.571$) and the general business environment ($r = -0.040$, $p = 0.574$) lack any statistically discernible association with entrepreneurial growth. Furthermore, no significant sectoral differences in growth performance were observed ($F(5, 194) = 0.823$, $p = 0.535$). Descriptive outputs reveal only moderate entrepreneurial vitality alongside notable policy skepticism, as the majority of respondents explicitly credited their business progress to personal resilience rather than external institutional interventions. These findings collectively point to a systemic structural disconnect where policy design fails to effectively translate into tangible entrepreneurial outcomes. Crucially, the absence of significant correlations does not imply policy irrelevance; rather, it signals that weak administrative enforcement, deficient policy communication, and proactive entrepreneurial adaptation collectively dampen expected effects. Therefore, enhancing policy delivery infrastructures and broadening access to targeted support initiatives emerge as indispensable strategic priorities for fostering sustainable SME growth in Edo State.

Keywords: Entrepreneurial Growth; Government Policy; Business Environment; Edo State; SMEs

Classification: M13 (New Firms; Startups); O17 (Formal and Informal Sectors); L26 (Entrepreneurship)

1. Introduction

Entrepreneurship is widely recognized as a cornerstone of economic development, particularly in emerging economies where it serves as a primary engine for job creation, innovation, and poverty reduction (Audretsch & Thurik, 2001; Wenekers & Thurik, 1999). In sub-Saharan Africa, where formal employment



opportunities remain constrained by structural imbalances and weak industrial bases, entrepreneurship carries even greater significance as a pathway to livelihoods and economic inclusion (Naude, 2010). Nigeria, as Africa's largest economy by gross domestic product, hosts one of the continent's most dynamic entrepreneurial cultures, yet small and medium-sized enterprises in the country continue to face persistent challenges that limit their growth and sustainability (Ayoola, 2016; Musa & Salihu, 2013).

Government policies and the quality of the broader business environment are among the most widely cited determinants of entrepreneurial performance. Government policies encompass a wide range of interventions, including fiscal policy, monetary policy, regulatory frameworks, access to credit schemes, and entrepreneurship promotion programmes, all of which collectively shape the incentive structures faced by entrepreneurs (Djankov et al., 2002; North, 1990). When these policies are coherent, consistently implemented, and effectively communicated, they create conditions that support firm formation, expansion, and innovation. Conversely, poorly designed or weakly implemented policies, compounded by institutional failures such as corruption and excessive bureaucracy, can impose significant burdens on entrepreneurs and discourage productive economic activity (Soto, 2000; World Bank, 2020).

The business environment refers to the external conditions within which a firm operates, encompassing access to finance, infrastructure quality, market competition, labour market characteristics, security, and the broader regulatory climate (Baumol, 1990; Porter, 1990). A supportive business environment lowers transaction costs, broadens market access, and facilitates the accumulation of resources that firms need to grow (Acemoglu & Robinson, 2012). A hostile business environment, by contrast, one characterized by poor infrastructure, limited capital access, insecurity, and unfavourable market conditions, raises the cost of doing business and increases risk, often resulting in constrained growth or firm exit (Beck et al., 2005; Bell & Bell, 2026; World Bank, 2020).

Edo State, located in the South-South geopolitical zone of Nigeria, offers a particularly instructive context for studying the relationship between government policy, the business environment, and entrepreneurial growth. The state has a historically diverse economic base spanning agriculture, trade, oil and gas, and, more recently, a growing technology and digital sector. Successive administrations have pursued various policy initiatives aimed at stimulating entrepreneurship and economic diversification, yet empirical evidence on whether these efforts have produced measurable improvements in entrepreneurial outcomes remains limited (Obasan & Hassan, 2011; Sattar et al., 2026). Entrepreneurs in the state report navigating a complex landscape of regulatory ambiguity, inconsistent policy implementation, infrastructure deficits, and constrained access to institutional financing, conditions that collectively appear to blunt the effectiveness of existing policy interventions.

Despite a growing body of literature on the determinants of entrepreneurial growth in developing economies, research specifically examining the influence of government policies and the business environment on entrepreneurial outcomes at the subnational level in Nigeria remains sparse (Musa & Salihu, 2013; Obasan & Hassan, 2011). Much of the existing work has focused on national-level analyses, which often obscure the significant subnational variations in policy environments, institutional quality, and economic conditions that characterise a country as internally diverse as Nigeria (Ayoola, 2016). Additionally, existing studies have tended to assume rather than empirically test the conditions under which policy-growth relationships are expected to hold, with little attention to how measurement quality and implementation gaps shape these relationships in practice. In Edo State specifically, no rigorous empirical assessment has examined entrepreneurs' perceptions of government policies or how such perceptions relate to their growth outcomes.

Research Objectives

The primary objective of this study is to examine the influence of government policies and the business environment on entrepreneurial growth among SME operators in Edo State, Nigeria. Specifically, the study seeks to: (i) assess the relationship between government policy perceptions and entrepreneurial growth; (ii) evaluate the association between business environment assessments and entrepreneurial growth; and (iii) examine whether entrepreneurial growth outcomes differ significantly across business sectors in Edo State.

Contribution and Scope of the Study

This study addresses three important gaps in the existing literature. First, it provides subnational



empirical evidence from Edo State, where the entrepreneurship-policy nexus has not previously been rigorously tested. Second, it adopts systematic scale purification and reliability assessment procedures, addressing a psychometric gap in the prior Nigerian entrepreneurship literature. Third, it employs a theoretically grounded interpretive framework that accounts for the possibility of null findings in institutionally constrained contexts. The study is geographically bounded to three Local Government Areas selected from the three senatorial districts of Edo State.

Organization of the Study

The remainder of this paper is structured as follows. Section 2 presents the theoretical framework, empirical literature review, and hypotheses development. Section 3 describes the research methodology. Section 4 reports and discusses the results. Section 5 presents the conclusion, recommendations, and limitations of the study.

2. Literature Review

Theoretical Framework

This study draws on two complementary theoretical perspectives: North's (1990) institutional theory and Baumol's (1990) theory of entrepreneurial allocation. Institutional theory holds that the formal and informal rules governing economic behaviour, including laws, regulations, and property rights, fundamentally shape the opportunities available to entrepreneurs. Where formal institutions are strong and consistently enforced, entrepreneurs can plan, invest, and grow their businesses with greater confidence. Where institutions are weak or erratic, transaction costs rise and uncertainty enters entrepreneurial decision-making, limiting productive economic activity (Acemoglu & Robinson, 2012; North, 1990).

Baumol (1990) complemented this view by arguing that while the total supply of entrepreneurial effort in a society is roughly fixed, its distribution across productive, unproductive, and destructive activities is shaped by the relative payoffs established by the prevailing institutional environment. In contexts where bureaucratic rent-seeking is more rewarding than genuine innovation, entrepreneurial talent tends to flow toward unproductive activities. This insight helps explain why economies with sizeable entrepreneurial populations may still experience constrained economic growth when the institutional and policy environment does not adequately reward productive enterprise (Baumol, 1990; Naude, 2010).

Together, these theoretical perspectives provide a basis for expecting that government policies and the business environment will shape entrepreneurial growth outcomes in Edo State. Crucially, they also offer the conceptual tools needed to make sense of null or counterintuitive findings. Where institutional channels are blocked and informal substitutes dominate, a decoupling of formal policy perceptions from observable growth outcomes is theoretically predictable rather than anomalous. This study draws on both frameworks to structure its hypotheses and to interpret its findings.

Empirical Review: Government Policy and Entrepreneurial Growth

The relationship between government policy and entrepreneurial growth has attracted sustained scholarly attention. Djankov et al. (2002) demonstrated, using data from 85 countries, that heavier entry regulation is associated with higher corruption and larger unofficial economies, suggesting that regulatory burdens suppress legitimate entrepreneurial activity. Similarly, the World Bank (2020) reported that economies with simpler regulatory environments tend to show higher rates of new business formation and stronger SME growth, a pattern that has been replicated across several African country studies.

Within the Nigerian context, Obasan and Hassan (2011) found that government policy quality had a positive influence on entrepreneurship development, though the effect was moderated by implementation capacity (Chowdhury, 2025). Ayoola (2016) similarly concluded that fiscal and monetary policy frameworks in Nigeria produced measurable positive effects on SME sustainability when they were well-designed and effectively communicated. Musa and Salihu (2013), however, offered a more cautious assessment, noting that despite the existence of various entrepreneurship support policies, widespread implementation gaps and low policy awareness among SME operators substantially weakened the policy-growth nexus in practice. These observations are particularly relevant to the Edo State context, where policy ambivalence has been repeatedly cited by entrepreneurs as a defining feature of the operating environment.

Empirical Review: Business Environment and Entrepreneurial Growth



Porter (1990) argued that the competitive environment in which firms operate, particularly the quality of local demand conditions, factor inputs, related industries, and firm strategy, has a decisive influence on their capacity to grow and innovate. This framework suggests that improvements in the broader business environment, including infrastructure, labour markets, and access to finance, should translate into stronger entrepreneurial performance. Acemoglu and Robinson (2012) extended this logic by arguing that inclusive economic institutions, which provide secure property rights and equal access to markets, form the foundation upon which sustained economic prosperity is built.

At the firm level, Beck et al. (2005) provided compelling evidence that financial and legal constraints rank among the most binding obstacles to firm growth, particularly for smaller enterprises in developing economies. Their analysis of World Business Environment Survey data showed that smaller firms faced proportionally larger constraints from finance, legal systems, and corruption, all of which limited their capacity to invest, expand, and retain employees. These findings are consistent with the experiences of Nigerian SMEs, which have consistently identified access to credit, infrastructure reliability, and security as the most pressing business environment challenges (Nwachukwu et al., 2018; Ullah et al., 2025; World Bank, 2020).

Research Gap

While national-level analyses provide useful benchmarks, the Nigerian entrepreneurial landscape is marked by significant subnational variation in institutional quality, infrastructure, and market conditions. Nwachukwu et al. (2018) examined the differential effects of entrepreneurship support programmes across sectors in Nigeria, finding that digital and technology-oriented firms tended to benefit more from government programmes than agriculture-based enterprises, partly because digital businesses are less dependent on physical infrastructure. Naude (2010) similarly observed that the sectoral composition of entrepreneurial activity in developing countries is strongly shaped by the surrounding institutional and environmental conditions, with more hostile environments tending to generate survivalist rather than growth-oriented entrepreneurship.

The existing literature thus presents a nuanced and contextually conditioned picture. While theory and much of the cross-national empirical evidence support a positive relationship between supportive government policies, a favourable business environment, and entrepreneurial growth, the Nigerian context introduces important conditioning factors, including policy implementation capacity, institutional quality, and entrepreneurs' awareness of available support, that may attenuate or even neutralise these expected relationships. The present study extends this line of inquiry to Edo State, where subnational institutional conditions, sectoral diversity, and documented policy awareness deficits create a setting in which the conventional policy-growth nexus may be substantially muted.

Conceptual Framework

The conceptual framework of this study positions government policy and the business environment as formal institutional factors that, in theory, shape the conditions under which entrepreneurial activity occurs. Drawing on North's (1990) institutional theory, formal policies and environmental conditions are expected to operate as enabling or constraining forces on firm-level growth. However, as Baumol (1990) observed, when formal channels are ineffective, entrepreneurs shift toward informal strategies that may generate growth independently of formal institutional support. This framework therefore allows for the possibility that government policy and business environment perceptions may be statistically decoupled from entrepreneurial growth outcomes in contexts of institutional fragility. The framework guides both the hypotheses below and the interpretation of the results in Section 4.

Hypotheses Development

The hypotheses that follow are framed as null hypotheses in keeping with the inferential logic of the quantitative approach adopted, though they are theoretically motivated by the expectation that if implementation and awareness gaps are as severe as the prior literature suggests, non-significant findings would be both empirically plausible and theoretically interpretable.

H01: Government policy perceptions have no statistically significant relationship with entrepreneurial growth in Edo State.



H02: The business environment has no statistically significant relationship with entrepreneurial growth in Edo State.

H03: There are no significant differences in entrepreneurial growth outcomes across business sectors in Edo State.

3. Research Methodology

Study Area

This study was conducted in Edo State, one of the 36 states of Nigeria, located in the South-South geopolitical zone. The state covers an area of approximately 17,802 square kilometres and is administratively divided into 18 Local Government Areas (LGAs), grouped under three senatorial districts: Edo North, Edo Central, and Edo South. With a population estimated at over four million people (National Population Commission, 2006), Edo State has a heterogeneous economic structure spanning agriculture, solid minerals, trade, manufacturing, oil and gas services, and a rapidly expanding digital and technology sector. Benin City, the state capital, functions as the commercial hub of the state and contains the highest concentration of SMEs. The state has hosted several government-led entrepreneurship promotion initiatives in recent years, making it a particularly suitable context for investigating the relationship between policy, the business environment, and entrepreneurial growth.

Research Design and Data Collection

A cross-sectional survey design was used to collect data from entrepreneurs across Edo State at a single point in time. This design is well suited to studies that seek to describe the distribution of variables and examine associations among them within a defined population without manipulating any variable under study (Creswell, 2014). The target population comprised registered SME operators and active entrepreneurs across Edo State. A multistage sampling technique was adopted to ensure geographical representativeness across the three senatorial districts while remaining practically feasible.

Stage 1 involved the stratified selection of one LGA from each senatorial district using purposive sampling based on relative concentration of registered commercial activity. The selected LGAs were Etsako West (Edo North), Esan West (Edo Central), and Oredo (Edo South). Oredo was selected to include Benin City, the most commercially active area in the state. In Stage 2, two to three major commercial clusters per LGA, including markets, industrial estates, and business parks, were identified using lists of registered business premises from the Edo State Internal Revenue Service and the Edo State Ministry of Commerce. In Stage 3, individual entrepreneurs within each cluster were selected using systematic random sampling, with the sampling interval calculated by dividing the cluster population by the target subsample size.

Data were collected using a structured, self-administered questionnaire comprising three parts: demographic and business profile information; perceptions of government policies (eight items) and the business environment (eight items) on a five-point Likert scale; and entrepreneurial growth indicators including six self-reported items and four objective measures covering revenue growth, employment change, product diversification, and market expansion.

Duration of the Study

Data collection was conducted over a period of approximately eight weeks. The survey period was restricted to a single cross-sectional window to ensure consistency in the contextual conditions under which responses were obtained. All scales were constructed following reverse coding and item purification procedures prior to analysis. The study was conducted from September 2025 to January 2026.

Theoretical Model

The theoretical model underlying this study positions entrepreneurial growth as a function of formal institutional factors, specifically government policy quality and business environment conditions, mediated by institutional effectiveness. Drawing on North (1990) and Baumol (1990), the model posits that the influence of formal policy and environmental variables on entrepreneurial growth is conditional on the strength of institutional transmission mechanisms. Where those mechanisms are weak, the observable relationship between formal institutional perceptions and growth outcomes is expected to be attenuated. This conditional institutional model guides both the variable selection and the interpretation of the statistical results.

Empirical Model and Sample Size



The minimum sample size was estimated using Cochran's (1977) formula for proportions, yielding an initial sample size of 384 based on a 95% confidence level, 5% margin of error, and an assumed proportion of 0.5. Given that the accessible population of registered entrepreneurs within the selected clusters was approximately 400, a finite population correction was applied, resulting in an adjusted sample size of 196. To account for potential non-response and incomplete questionnaires, a 5% contingency was added, producing a final target sample size of approximately 206 respondents. However, for feasibility, a total of 200 respondents were ultimately surveyed.

Internal consistency was assessed using Cronbach's alpha. The Government Policy Scale and Business Environment Scale each achieved Cronbach's alpha exceeding the conventional minimum of 0.70 recommended for established scales (Nunnally & Bernstein, 1994). Construct validity was further assessed through exploratory factor analysis using principal component extraction with varimax rotation. The Kaiser-Meyer-Olkin measure of sampling adequacy exceeded 0.60, and Bartlett's test of sphericity was statistically significant ($p < 0.05$), confirming suitability for factor analysis. Items with factor loadings below 0.40 or with substantial cross-loadings were excluded. All statistical analyses were conducted using IBM SPSS Statistics Version 27 at the 0.05 significance level.

4. Results

Demographic Analysis

Table 1 presents the demographic characteristics of the 200 respondents. The sample was broadly balanced by gender, although a notable proportion (36.5%) chose not to disclose their gender, possibly reflecting privacy concerns. The majority of entrepreneurs fell within the economically active range: 20.5% were in the 35 to 44 age brackets, 23.5% were aged 45 to 54, and 17.5% were between 25 and 34 years old, with over 60% of respondents concentrated in the 25 to 54 age range. The educational profile was diverse, with a combined 28.5% of respondents holding at least a bachelor's or postgraduate degree, while the remainder were distributed across secondary, diploma, primary, and no formal education categories.

Table 1

Demographic Characteristics of Respondents (N = 200)

Variable	Category	Frequency	Percentage (%)
Gender	Male	66	33.0
	Female	61	30.5
	Prefer not to say	73	36.5
Age Group	Below 25	48	24.0
	25–34	35	17.5
	35–44	41	20.5
	45–54	47	23.5
	55 and above	29	14.5
Education	No formal education	32	16.0
	Primary	32	16.0
	Secondary	24	12.0
	Diploma/NCE	32	16.0
	Bachelor's degree	37	18.5
	Postgraduate	20	10.0
	Others	23	11.5

Table 2 presents the business characteristics of respondents. Technology and digital businesses formed the largest single category (23.5%), reflecting broader national and global trends in digital entrepreneurship. Manufacturing (18.5%) and trade and retail (15.0%) were also well represented. The sample spanned the full range from newly established ventures (under one year: 22.5%) to mature businesses (more than 10 years: 20.0%), capturing a cross-sectional mix of business life cycle stages. Notably, approximately two-thirds of respondents either lacked access to government support (32.5%) or were uncertain whether they had received any (34.0%), with only 33.5% confirming access. This pattern points to substantial weaknesses in policy outreach and awareness in Edo State.



Table 2

Business Characteristics of Respondents (N = 200)

Variable	Category	Frequency	Percentage (%)
Business Type	Manufacturing	37	18.5
	Services	32	16.0
	Agriculture/Agro-processing	26	13.0
	Trade/Retail	30	15.0
	Technology/Digital	47	23.5
	Others	28	14.0
Business Age	< 1 year	45	22.5
	1–3 years	34	17.0
	4–6 years	45	22.5
	7–10 years	36	18.0
	> 10 years	40	20.0
Access to Government Support	Yes	67	33.5
	No	65	32.5
	Not sure	68	34.0

Descriptive Analysis

Table 3 presents the descriptive statistics for the eight government policy items. Mean scores ranged from 2.94 to 3.14, clustering around the midpoint of the five-point scale, which reflects a neutral response position. This consistent pattern of moderate means points to a prevailing sense of policy ambivalence among entrepreneurs in Edo State, with respondents neither clearly endorsing nor clearly rejecting the effectiveness of government policies. The comparatively higher mean for the corruption and bureaucracy item (Q18: $M = 3.11$, $SD = 1.38$) indicates that entrepreneurs regarded these factors as notable constraints on their operations. Monetary policy was perceived as slightly more supportive of business expansion than other policy dimensions (Q13: $M = 3.14$, $SD = 1.40$), though the overall variation around the mean remained high, indicating considerable individual heterogeneity in policy perceptions. The narrow range of means across all eight items, spanning approximately 0.20 scale points, reflects a structural consistency in entrepreneurs' assessments of the policy landscape, supporting the interpretation that policy ambivalence in Edo State is a pervasive and cross-cutting phenomenon.

Table 3

Descriptive Statistics for Government Policy Items (N = 200)

Item	Description	Mean	SD
Q11	Policies accessible to SMEs	3.01	1.41
Q12	Fiscal policies support growth	2.94	1.45
Q13	Monetary policies support expansion	3.14	1.40
Q14	Regulations are business-friendly	3.01	1.47
Q15	Infrastructure policies improve conditions	3.03	1.42
Q16	Entrepreneurship programmes help growth	3.03	1.35
Q17	Policy consistency aids planning	3.02	1.49
Q18	Corruption/bureaucracy hinders business	3.11	1.38

Table 4 presents the descriptive statistics for the eight business environment items. Mean scores ranged from 2.80 to 3.18, again clustering around the neutral midpoint. Technological support recorded the highest mean (Q24: $M = 3.18$, $SD = 1.37$), suggesting that entrepreneurs in Edo State regarded technological resources as comparatively more accessible than other environmental factors. The market environment item returned the lowest mean (Q22: $M = 2.80$, $SD = 1.37$), indicating that competitive and market conditions were seen as relatively unsupportive. Security and safety (Q21: $M = 2.97$, $SD = 1.46$) and economic challenges affecting operations (Q26: $M = 2.90$, $SD = 1.43$) also recorded below-neutral means, pointing to the persistence of



structural constraints in the entrepreneurial environment.

Table 4

Descriptive Statistics for Business Environment Items (N = 200)

Item	Description	Mean	SD
Q19	Access to finance	3.02	1.47
Q20	Infrastructure adequacy	3.01	1.39
Q21	Security and safety	2.97	1.46
Q22	Market environment	2.80	1.37
Q23	Skilled labour availability	2.99	1.47
Q24	Technological support	3.18	1.37
Q25	Overall business environment	3.09	1.46
Q26	Economic challenges impact operations	2.90	1.43

Table 5 presents the self-reported entrepreneurial growth indicators. Mean scores ranged from 2.87 to 3.12 across the six items. Revenue growth (Q27: $M = 3.12$, $SD = 1.38$) and employee growth (Q28: $M = 3.12$, $SD = 1.37$) recorded the highest means, suggesting that entrepreneurs perceived moderate positive trends in these dimensions. The lowest mean was recorded for the item assessing whether government policies and the business environment had aided growth (Q32: $M = 2.87$, $SD = 1.44$), indicating that most respondents did not strongly attribute their growth to external policy or environmental factors. This pattern supports the interpretation that entrepreneurial growth in Edo State is largely self-driven rather than policy-facilitated.

Table 5

Self-Reported Entrepreneurial Growth Indicators (N = 200)

Item	Description	Mean	SD
Q27	Revenue growth	3.12	1.38
Q28	Employee growth	3.12	1.37
Q29	Business expansion	3.06	1.36
Q30	Innovation adoption	3.04	1.39
Q31	Survival during shocks	2.96	1.45
Q32	Policies/environment aided growth	2.87	1.44

Table 6 summarizes the objective measures of business growth among respondents. While 25.0% reported a revenue decline during the study period, a larger proportion (35.5%) experienced strong revenue growth exceeding 26%, indicating that many businesses were expanding despite a challenging environment. Employee growth was also notable, with 58.0% of respondents reporting an increase in their workforce. Additionally, 51.5% of respondents had introduced new products or entered new markets, pointing to a moderate level of innovation and strategic diversification. These indicators collectively describe a growth-oriented entrepreneurial population, although a meaningful minority continues to face revenue pressures.

Table 6

Objective Measures of Business Growth (N = 200)

Indicator	Category	Percentage (%)
Revenue Growth	Declined	25.0
	Grew above 26%	35.5
Employee Growth	Increased	58.0
New Products/Markets	Yes	51.5

Hypothesis Testing

H~01~: Government Policy and Entrepreneurial Growth. Table 7 presents the Pearson correlation matrix for the three composite indices. The correlation between the Government Policy Index and the Entrepreneurial Growth Index was $r = 0.040$, $p = 0.571$, which is not statistically significant at the 0.05 level. The effect size is negligible by conventional benchmarks, with r^2 accounting for less than 0.2% of shared



variance between the two constructs. On the basis of this result, H-01~ is not rejected. The evidence does not support a linear association between entrepreneurs' perceptions of government policies and their reported growth outcomes.

H-02~: Business Environment and Entrepreneurial Growth. The Pearson correlation between the Business Environment Index and the Entrepreneurial Growth Index was $r = -0.040, p = 0.574$. This relationship is not statistically significant at the 0.05 level and the effect size is negligible, with shared variance falling below 0.2%. H-02~ is therefore not rejected. The evidence does not support a meaningful linear association between entrepreneurs' assessments of the business environment and their growth outcomes.

Table 7

Pearson Correlation Matrix of Composite Indices (N = 200)

Variable	Government Policy Index	Business Environment Index	Entrepreneurial Growth Index
Government Policy Index	1.000	-0.025 (p = .725)	0.040 (p = .571)
Business Environment Index	-0.025 (p = .725)	1.000	-0.040 (p = .574)
Entrepreneurial Growth Index	0.040 (p = .571)	-0.040 (p = .574)	1.000

H-03~: Sectoral Differences in Entrepreneurial Growth. Table 8 presents descriptive statistics of the Entrepreneurial Growth Index by business type. The overall mean was 3.03 ($SD = 0.60$). Trade and retail businesses recorded the highest mean ($M = 3.18, SD = 0.69$), followed by services ($M = 3.12, SD = 0.64$), while agriculture and agro-processing registered the lowest mean ($M = 2.85, SD = 0.49$). One-way ANOVA revealed that differences in mean entrepreneurial growth scores across the six business type categories were not statistically significant ($F(5, 194) = 0.823, p = 0.535$). Business sector affiliation therefore did not significantly differentiate entrepreneurial growth outcomes in this sample. H-03~ is not rejected.

Table 8

Descriptive Statistics of Entrepreneurial Growth Index by Business Type

Business Type	N	M	SD
Manufacturing	37	2.99	0.55
Services	32	3.12	0.64
Agriculture/Agro-processing	26	2.85	0.49
Trade/Retail	30	3.18	0.69
Technology/Digital	47	3.04	0.63
Others	28	2.96	0.55
Total	200	3.03	0.60

Empirical Estimation

Table 9 shows that multivariable logistic regression analysis did not identify any socio-demographic or business-related variables as statistically significant predictors of the outcome at the 5% significance level. Gender, age group, education, business type, and annual revenue were all not significantly associated with the outcome after adjustment for potential confounders (all $p > .05$). However, several variables demonstrated notable effect sizes despite the lack of statistical significance. In particular, respondents with a bachelor's degree (AOR = 4.64; 95% CI: 0.69–31.06) and postgraduate education (AOR = 3.25; 95% CI: 0.43–24.59) showed higher odds of the outcome compared to the reference group. Similarly, higher revenue categories (N1–5 million: AOR = 2.92; 95% CI: 0.62–13.76; >N50 million: AOR = 3.35; 95% CI: 0.70–16.03) were associated with increased likelihood of the outcome. Nonetheless, the wide confidence intervals observed across these estimates indicate substantial uncertainty and limited precision. Overall model tests for each variable domain were also not statistically significant, suggesting that, collectively, these factors did not explain significant variation in the outcome within the study sample.



Table 9
Predictors of Entrepreneurial Growth (N = 200)

Variable	Category	COR (95% CI)	p-value	AOR (95% CI)	p-value
Gender					
	Male (ref.)	—	—	—	—
	Female	1.126 (0.791–1.603)	.511	0.815 (0.296–2.245)	.692
	Prefer not to say	—	—	1.099 (0.350–3.450)	.871
	Model *p*-value				.860
Age Group					
	Below 25 (ref.)	—	—	—	—
	25–34	1.020 (0.826–1.260)	.854	0.442 (0.088–2.216)	.321
	35–44	—	—	0.677 (0.122–3.741)	.654
	45–54	—	—	1.247 (0.232–6.716)	.797
	≥55	—	—	0.320 (0.069–1.485)	.146
	Model *p*-value				.277
Education					
	Others (ref.)	—	—	—	—
	No formal education	0.987 (0.848–1.147)	.861	2.069 (0.277–15.426)	.478
	Bachelor's degree	—	—	4.635 (0.692–31.060)	.114
	Postgraduate	—	—	3.254 (0.431–24.592)	.253
	Model *p*-value				.784
Business Type					
	Others (ref.)	—	—	—	—
	Manufacturing	0.969 (0.818–1.149)	.718	0.893 (0.166–4.810)	.895
	Technology/Digital	—	—	1.634 (0.283–9.439)	.583
	Model *p*-value				.700
Annual Revenue					
	Prefer not to say (ref.)	—	—	—	—
	Below 1 million	0.979 (0.826–1.160)	.808	0.456 (0.092–2.254)	.336
	1–5 million	—	—	2.920 (0.620–13.755)	.175
	Above 50 million	—	—	3.354 (0.702–16.032)	.129
	Model *p*-value				.087

Note. COR = crude odds ratio; AOR = adjusted odds ratio; CI = confidence interval; ref. = reference category. Odds ratios greater than 1 indicate increased likelihood of the outcome, while values less than 1 indicate decreased likelihood relative to the reference group. Model *p*-values represent overall significance based on the likelihood ratio test. *p* < .05, **p* < .01.

5. Discussion

This study examined the influence of government policies and the business environment on entrepreneurial growth among SME operators in Edo State, Nigeria. The findings from the correlation and regression analyses consistently point to the absence of statistically significant relationships between these constructs. While this result may appear surprising given the theoretical expectations and much of the existing literature, it is interpretable within the specific institutional and contextual conditions of the study setting. The non-significant relationship between government policy perceptions and entrepreneurial growth ($r = 0.040$, $p = 0.571$) sits in tension with the broad thrust of the international literature, though it is interpretable within the specific institutional conditions of Edo State. Djankov et al. (2002) provided cross-national evidence from 85 countries that heavier entry regulation is associated with worse entrepreneurial outcomes and greater corruption, while the World Bank (2020) has consistently reported that streamlined regulatory frameworks are linked to higher rates of business formation and stronger SME performance. Building on these



precedents, one would expect a positive association between perceptions of supportive government policies and entrepreneurial growth outcomes.

The absence of such an association is, however, consistent with the more cautionary assessments offered by scholars working within the Nigerian context. Musa and Salihu (2013) cautioned that the mere existence of entrepreneurship support policies does not guarantee positive outcomes when implementation is weak, awareness is low, and access is inequitable. The finding that approximately two-thirds of respondents either lacked access to government support or were uncertain whether they had received any is a particularly telling contextual detail. Policy perceptions can be expected to positively influence entrepreneurial growth only if entrepreneurs have meaningful and consistent exposure to the policies in question. A correlation between policy perceptions and growth outcomes presupposes that entrepreneurs have sufficient engagement with those policies to form experience-based evaluations rather than generic impressions. Where that engagement is largely absent, the correlation would be expected to approach zero even if the policies themselves are well designed. Obasan and Hassan (2011) made a similar observation, noting that the policy-entrepreneurship nexus in Nigeria is substantially mediated by implementation capacity, and that positive effects documented in more institutionally developed contexts may not readily transfer to the Nigerian setting.

North's (1990) institutional theory offers an additional interpretive lens. Where formal institutions are weak, informal rules and personal networks tend to substitute for formal policy mechanisms as the primary governance structures for economic activity. In Edo State, as in much of Nigeria, entrepreneurs appear to have adapted to business challenges through informal channels, peer networks, and personal resilience rather than through formal policy engagement. Perceptions of government policy, whether positive or negative, may therefore be largely unrelated to actual growth outcomes, because the causal pathway from policy to growth runs through implementation channels that are frequently blocked or unreliable. Ayoola (2016) captured this dynamic clearly, noting that even where Nigerian SME operators held positive views of policy frameworks in principle, the practical impact on their firms was often negligible due to the persistent gap between policy design and policy delivery.

The non-significant and slightly negative correlation between business environment assessments and entrepreneurial growth ($r = -0.040$, $p = 0.574$) is similarly at odds with influential theoretical accounts of the environment-performance relationship. Porter's (1990) competitive advantage framework emphasizes the enabling role of the surrounding business environment in firm performance, while Acemoglu and Robinson (2012) argued compellingly that inclusive economic institutions and a supportive business environment are necessary preconditions for sustained economic prosperity. Beck et al. (2005) provided direct empirical support, demonstrating that financial, legal, and regulatory constraints significantly limit the growth of smaller firms in developing countries.

The departure from these expectations may, however, be understood through the lens of Baumol's (1990) theory of entrepreneurial allocation. Baumol observed that when the formal business environment is systematically unfavourable, entrepreneurs do not simply cease to grow. Instead, they redirect their efforts toward strategies that circumvent formal environmental constraints, including informal market participation, reliance on personal networks, and creative use of informal finance. The moderate objective growth indicators found in this study, with 35.5% of entrepreneurs reporting revenue growth above 26% and 58.0% reporting workforce increases, suggest that many Edo State entrepreneurs are achieving growth despite the environmental challenges they report. This decoupling of environmental perceptions from growth outcomes is consistent with the notion of adaptive or resilient entrepreneurship documented in other developing country contexts (Naude, 2010).

The business environment item capturing technological support recorded the highest mean among all environmental items ($M = 3.18$), while market environment recorded the lowest ($M = 2.80$). This pattern is broadly consistent with Nwachukwu et al. (2018), who reported that technology-oriented entrepreneurs in Nigeria tended to perceive the surrounding environment as more enabling than entrepreneurs in more traditional sectors, partly because digital businesses are less dependent on physical infrastructure and are better positioned to access global markets independently of local environmental conditions. The finding suggests that targeted investments in digital infrastructure and technology access may offer a more practical lever for



improving entrepreneurial conditions in Edo State than broader macroeconomic policy reform. The absence of significant differences in entrepreneurial growth outcomes across business sectors ($F(5, 194) = 0.823, p = 0.535$) indicates that sector affiliation did not independently differentiate growth in this sample. While descriptive differences existed, with trade and retail businesses reporting the highest mean growth index ($M = 3.18$) and agriculture and agro-processing reporting the lowest ($M = 2.85$), these differences were not statistically meaningful, indicating that sector-level variation fell within the range of normal sampling variability. This finding contrasts with Nwachukwu et al. (2018), who found differential entrepreneurship programme impacts across sectors in Nigeria, with technology firms appearing to benefit more from available support structures. The discrepancy may partly reflect the broad, cross-sectoral nature of the environmental and policy challenges in Edo State. If the fundamental obstacles to growth, including inconsistent policy implementation, inadequate infrastructure, and limited access to finance, affect all sectors with roughly equal severity, then sectoral affiliation offers little additional explanatory power. Naude (2010) observed a similar pattern in several sub-Saharan African countries, where the overriding influence of macro-institutional constraints tended to homogenize entrepreneurial growth experiences across sectors.

The findings of this study collectively point to a structural disconnect between the formal policy and environmental landscape and the actual growth dynamics of entrepreneurs in Edo State. This disconnect is not evidence that policy is irrelevant. Rather, it reflects conditions in which the translation of policy intent into entrepreneurial outcomes is substantially mediated by implementation capacity, policy awareness, institutional quality, and the adaptive strategies of entrepreneurs themselves. The regression findings further reinforce this picture: entrepreneurial growth in this sample is not strongly determined by the observed demographic and structural characteristics, suggesting that other factors, including informal networks, entrepreneurial capabilities, and broader market dynamics, may play more substantive roles.

6. Conclusion and Recommendation

Major Findings

This study investigated the influence of government policies and the business environment on entrepreneurial growth among 200 entrepreneurs in Edo State, Nigeria. Three major findings emerge from the analysis. First, government policy perceptions showed no statistically significant relationship with entrepreneurial growth ($r = 0.040, p = 0.571$), with most respondents reporting limited or uncertain access to government support. Second, the business environment showed no significant association with entrepreneurial growth ($r = -0.040, p = 0.574$), though moderate objective growth was observed alongside unfavourable environmental perceptions, suggesting adaptive entrepreneurial behaviour. Third, no significant differences in growth outcomes were detected across business sectors ($F(5, 194) = 0.823, p = 0.535$), pointing to system-wide institutional constraints that cut across sectoral boundaries.

Conclusion

This study demonstrates that null findings can be both methodologically sound and theoretically informative when interpreted within a coherent institutional framework and supported by rigorous measurement practices. The central finding that neither government policy perceptions nor the business environment showed statistically significant associations with entrepreneurial growth is not interpreted as evidence that policy and environment are unimportant. Rather, it suggests that in a setting characterized by weak institutional delivery, low policy awareness, and adaptive entrepreneurial behaviour, the conventional mechanisms through which policy and environment are expected to drive growth may be substantially muted. The study contributes three advances to the literature: it provides subnational empirical evidence from Edo State; it highlights implementation gaps and policy awareness deficits as key mediating factors; and it demonstrates the capacity of adaptive entrepreneurial strategies to generate moderate growth within challenging institutional conditions.

Recommendations

For policymakers, the findings suggest that improving the design of entrepreneurship support programmes is a necessary but insufficient condition for improving entrepreneurial growth. Equal attention must be directed at the delivery, accessibility, and communication of existing programmes, and at reducing the institutional barriers, including corruption and bureaucratic complexity, that frustrate policy effectiveness



on the ground. The comparatively more favourable perception of technological support among respondents suggests that digitally enabled interventions, such as digital financing platforms, e-registration systems, and online market access programmes, may offer a more practical and scalable pathway for supporting entrepreneurial activity in Edo State. Policymakers should also invest in awareness campaigns that help entrepreneurs understand and access existing support mechanisms. For development practitioners, the findings underscore the importance of recognizing and leveraging informal entrepreneurial ecosystems, including social networks and community-based financing mechanisms, which appear to play a critical role in sustaining business growth in the absence of strong formal institutional support.

Limitations

This study is not without limitations. The cross-sectional design precludes causal inference, and the reliability coefficients of some scales suggest that measurement could be refined in future research through confirmatory factor analysis and scale revision. The sample was drawn from three LGAs and, while these were selected to represent the three senatorial districts, broader coverage of Edo State's 18 LGAs would strengthen the generalizability of the findings.

Delimitations

The study is geographically bounded to Edo State, Nigeria, and specifically to three LGAs selected to represent the three senatorial districts. The findings are therefore most directly applicable to similar subnational contexts in Nigeria characterized by comparable levels of institutional development, policy implementation capacity, and sectoral composition. The study does not examine specific policy programmes in detail, focusing instead on entrepreneurs' general perceptions of the policy and business environment.

Future Research Recommendations

Future research should consider longitudinal designs that track entrepreneurial growth over time and explore the mediating and moderating roles of factors such as social capital, informal institutional quality, and digital inclusion in the policy-entrepreneurship relationship. Comparative studies across Nigerian states would further help to establish whether the findings from Edo State reflect state-specific conditions or broader national patterns. Qualitative or mixed-methods approaches that explore entrepreneurs' informal strategies and adaptive mechanisms in greater depth would also complement the quantitative evidence presented here.

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Contribution of Authors

All the authors participated in the ideation, development, and final approval of the manuscript, making significant contributions to the work reported.

Conflict of Interest Statement

The authors declare no conflicts of interest.

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Informed Consent

Informed consent was obtained from all individual participants included in the study.

Ethical Approval

All procedures performed in studies involving human participants were in accordance with the ethical standards of 1964 Helsinki declaration and its later amendments.

Data Availability

The datasets generated during and analysed during the current study are available from the corresponding author on reasonable request.

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