

Impact of Public Policies on the Growth and Development of SMEs in Kogi State, Nigeria

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Abstract

This study examined the impact of public policies on the growth and development of Small and Medium Enterprises (SMEs) in Kogi State, Nigeria, using a mixed-methods approach. The descriptive survey design collected quantitative data from SME owners and policymakers, while the documentary research design analyzed secondary data from government reports and policy documents. The target population included SME owners, managers, and policymakers, selected due to their direct experience with policy implementation. With approximately 895 registered SMEs in Kogi State, the study utilized primary data collection and multiple linear regression analysis was used to test the hypotheses at 5% level of significance. Findings indicated that monetary policy (MP) has a strong positive correlation with entrepreneurship growth and a statistically significant effect on SME development. Finding revealed that monetary policy (MP) has a positive yet strong correlation with entrepreneurship growth. Finding also shows that monetary policy has a high statistically significant effect on the growth of Small and Medium Enterprises (SMEs in Kogi State Nigeria. The study reveals that government policies are the major challenges that affect SMEs growth and development in the global competitive environment. The findings further show that this factor has a significant impact on SMEs growth in Kogi State, Nigeria. To mitigate policy-related challenges, the study recommended that SME management adopt effective strategies, such as adapting to subsidy regimes and other government policies that affect business operations. The research underscores the need for policymakers to consider SME-friendly regulations to foster sustainable business growth in Kogi State and Nigeria.

Keywords: Public Policies, SMEs Growth, Financial Literacy, Micro-Credit, Nigeria.

Introduction

Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of economic growth, job creation, and poverty reduction, particularly in developing economies (OECD, 2017). Globally, SMEs account for approximately 90% of businesses and more than 50% of employment worldwide (World Bank, 2020). In Africa, SMEs contribute nearly 80% of employment and 50% of GDP, underscoring their importance in economic development (African Development Bank [AfDB], 2020). In Nigeria, SMEs represent about 96% of businesses and contribute 50% of the national GDP, playing a pivotal role in fostering industrialization and economic diversification (SMEDAN, 2021). Despite their significance, SMEs in Nigeria, particularly in Kogi State, face numerous challenges, including limited

access to finance, poor infrastructure, and inconsistent government policies, which hinder their growth and sustainability (Adeyemi & Aremo, 2020).

In today's modern world, Small and Medium Scale Enterprises (SMEs) is one of the most authentic drivers of sustainable development, especially in the emerging economies. Historical evidence of SMEs as tool of economic development can be observed in the 19th century Europe, when the continent's economy is absolutely under the control of cottage industries, most which were actually SMEs (Onwukwe, 2022). The status quo only changed during the industrial revolution and consequent introduction of mass production. But the mass production model was undermined by the twin oil shocks of the 1970s, which prompted an unanticipated reappraisal of the important roles of SMEs in the global economy (Onwukwe, 2022). Most empirical studies conducted over the years revealed that SMEs are crucial for the socio-economic growth and development of every country. For instance, Oboh (2023) observes that the development of SMEs was instrumental to the economic boom of the American nation between the 1970s and 1980s. Similarly, the Indian's Gross Domestic Product (GDP) witnessed consistent growth and economic transformation in the 20th and 21st century and this development was attributed to the success of the country's SMEs programme (Oboh, 2023; APEC, 2022).

Currently, there are many issues confronting the Nigerian economy and these include abject poverty and unemployment. According to Onwukwe and Ifeanchio (2021), these issues are partly caused by the country's failure to ensure proper implementation of sustainable development programmes. Obviously, the lack of recognition for such sustainable development programmes, especially those that are capable of enhancing SMEs' growth, is responsible for the current economic state of our country. The situation is further compounded by the government's attitude of indifference and apathy, which contributes directly to the current dire situation of the country's economy. According to Onwukwe (2022), the progressive decline in the average Nigerian's per-capita income has forced more than 50% of the country's population to find themselves below poverty line. It is sad to note that despite the 100% increase in Global wealth; almost 50% of the global population still lives on \$2 per day (Onwukwe and Ifeanchio, 2021). Of course, Nigeria like most other developing countries falls under this category. Consequently, Nigeria failed to achieve the first target of the Millenium Development Goals (MDGs), which is to ensure a 50% reduction of poverty by 2015.

The Nigerian government has exhibited great interest in the facilitation of the development of SMEs, which it has always been recognized as being essential in the quest to minimize poverty and unemployment in the country. Consequently, the country has established a number of specialized financial institutions, whose primary objective is to take charge of policy instruments and micro credit, necessary for enhancing the development of small scale enterprises. Examples of such financial institutions include: National Economic and Reconstruction Fund (NERFUND), Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB), National Economic and Reconstruction Fund (NERFUND), and the Microfinance Institutions (MFIs). Furthermore, the government also introduced

some policy oriented institutions that are tasked with the provision of technical and financial support for SMEs. Some of these include: Small and Medium Enterprise Equity Investment Scheme (SMEEIS), National Association of Small Scale Industries (NASSI), Entrepreneurship Development Policy (EDP) and Small and Medium Enterprise Development Agency (SMEDA).

Small and Medium Enterprises (SMEs) play a crucial role in economic growth, job creation, and poverty reduction globally. According to the World Bank (2020), SMEs account for about 90% of businesses and more than 50% of employment worldwide, highlighting their significance in fostering sustainable development. In Africa, SMEs contribute approximately 40% of GDP and employ nearly 60% of the workforce (African Development Bank [AfDB], 2021). Despite their importance, SMEs in Africa face challenges such as limited access to finance, poor infrastructure, and restrictive public policies, which hinder their growth. In Nigeria, SMEs represent 96% of businesses and contribute 48% to the national GDP (National Bureau of Statistics [NBS], 2022). However, their potential remains underutilized due to inconsistent government policies, high taxation, and inadequate support systems. In Kogi State, SMEs are pivotal to economic activities, yet their growth is constrained by poor policy implementation and limited infrastructural development (Olayiwola, 2021). The Nigerian government has introduced several public policies, such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Act and the National Enterprise Development Programme (NEDEP), to support SME growth. Despite these interventions, their impact remains questionable due to poor enforcement and lack of monitoring (Eze & Okonkwo, 2022). The independent variable in this study is public policies, which include government regulations, financial support schemes, and infrastructural development initiatives aimed at fostering SME growth. Recent data from the Kogi State Ministry of Commerce and Industry (2023) indicate that only 30% of SMEs in the state have benefited from government policies, while 70% still struggle with bureaucratic bottlenecks and inadequate funding.

Problem Statement

As hinted in the previous section, SMEs are crucial for the sustainable and equitable development and growth of the economy. About 90 percent of businesses that operate in the world today fall under the category of SMEs (Onwukwe and Ifeanchio, 2021). But the failure of Nigerian' industrial development process over the last few years has made it largely impossible to obtain a strong and efficient SME's sub-sector. Thus, even though an overwhelming percentage of the country's business are SMEs, the sub-sector is known to make just small contribution to the country's overall GDP.

Udechukwu (2023) observe that the initial progress made by Nigeria's pioneer industrialists was almost wiped out, following the gross devaluation that was executed under the Structural Adjustment Programme (SAP). But the truth remains that Nigeria has huge potentials for SMEs. In addition to its abundant natural resources, the country also has large

population and a very productive farmland. But the failure of the country to maximize its huge potential means that its problem as a country still remains on the increase. The exponential rise of the country's population as well as its already high and rising unemployment and poverty levels are in clear contrast to its level of infrastructural, technological and communication development. In factor, the poor level of infrastructural development in the country has been blamed largely on the government.

In addition to the high incidents of corruption, the various governmental policies have not been particularly effective in bringing out the best in terms of development. This is further compounded by socio-political instability, economic instability and high turnover, all of which have had considerable negative effects on the primary institutions that are responsible for policy monitoring and implementation. Unfortunately, such failures have also lead to low productivity as well as distortion of the macroeconomic structure, and are therefore a major hindrance to the development of SMEs in the country. The implications of such failures are quite so dire for the growth of the private sector, industrialization of the country and sustainability of economic growth. Thus, this study evaluated the effect of public policies on the growth of Small and Medium Enterprises (SMEs) in Kogi State, Nigeria. While the specific objectives are to: investigate the effectiveness of financial literacy programs for SME owners. Analyse the impact of interest rate caps and subsidies on the affordability of micro-credit for SMEs and their subsequent business performance. Investigate the impact of recent legal and institutional reforms on the protection of SME interest and their access to micro-credit, and how these reforms contribute to conducive business environment for SME growth.

The research hypothesis is deduced from the research question as follows:

Ho₁: There is no significant relationship between effectiveness of financial literacy programs and growth of Small and Medium Enterprises (SMEs) in Kogi State, Nigeria.

Ho₂: There is no significant relationship between interest rate caps and subsidies on the affordability of micro-credit for SMEs and their subsequent business performance in Kogi State, Nigeria.

Conceptual Clarification

Public policies are defined as deliberate strategies, actions, and decisions formulated and implemented by governments and public institutions to address specific societal issues, guide public behavior, and manage resources in a structured and purposeful manner. Public policies can take various forms, including laws, regulations, executive orders, programs, and initiatives designed to influence or directly provide services to the public (Anderson, 2015). These policies are grounded in the objectives of improving public welfare, achieving economic stability, and ensuring security and justice within a society. Public policy plays a vital role in shaping economic environments, institutional behavior, and citizen engagement across different levels of government (Cairney, 2016). In the context of economic development and entrepreneurship, public policies serve to create an enabling environment for investment, innovation, and sustainable business practices, especially for

emerging sectors such as small and medium enterprises (SMEs). They are often driven by political ideologies, economic theories, social needs, and evidence-based research, which inform policy-making processes and guide administrative actions (Howlett & Mukherjee, 2018).

Moreover, public policy involves a cyclical process including agenda-setting, policy formulation, implementation, evaluation, and reformulation. Each phase requires collaboration among multiple stakeholders such as policy-makers, civil society, academia, private sector actors, and international development partners (Sabatier & Weible, 2014). The effectiveness of a public policy depends largely on institutional capacity, political will, and alignment with public needs. In developing countries, public policy is crucial for addressing inequality, poverty, and underdevelopment, often through frameworks like national development plans, sectoral strategies, and regulatory reforms (World Bank, 2020). For instance, policy decisions surrounding taxation, subsidies, trade, labor markets, and innovation influence both macroeconomic conditions and grassroots-level outcomes. Effective public policies are designed to promote inclusivity, transparency, and accountability while ensuring that social justice and economic equity are realized across all demographics (Béland & Howlett, 2016). Consequently, public policy continues to be a cornerstone in governance, strategic planning, and societal transformation, particularly in the pursuit of sustainable development goals and economic empowerment of marginalized populations.

the growth of Small and Medium Enterprises (SMEs) is defined as the sustained increase in the size, capacity, output, and market presence of small and medium-sized firms, which significantly contributes to employment generation, innovation, and economic diversification. This growth encompasses both quantitative and qualitative dimensions, such as the expansion of production volumes, employee base, geographic outreach, technological advancement, and profitability over time (Ayyagari et al., 2014). SMEs are typically defined based on criteria such as number of employees, annual turnover, and asset value, although definitions vary across countries and institutions. Regardless of definition, the growth of SMEs is widely acknowledged as a catalyst for national and regional economic development, particularly in developing and emerging economies where they account for over 90% of all businesses and a large share of job creation (OECD, 2017). The growth trajectory of SMEs depends on several internal and external factors, including access to finance, market conditions, government support, managerial competencies, innovation capabilities, and the regulatory environment (Mazanai & Fatoki, 2014).

Among the key determinants, access to finance has been repeatedly identified as one of the most critical enablers of SME growth. Firms with better financial backing are more likely to invest in innovation, expand their operations, and compete effectively in both local and global markets (Beck & Demirgüç-Kunt, 2016). However, many SMEs, especially in developing regions, are constrained by limited access to credit, high borrowing costs, and collateral requirements, which inhibit their potential for growth. Government policies and

institutional support mechanisms, including tax incentives, financial guarantees, capacity-building programs, and favorable business regulations, play a pivotal role in creating an enabling environment for SME expansion (Nguyen et al., 2022). Moreover, technological adoption and digital transformation have become vital growth accelerators, allowing SMEs to improve efficiency, reach new customers, and innovate products and services (UNCTAD, 2020). The growth of SMEs is also positively linked to entrepreneurial ecosystems that encourage networking, mentorship, incubation, and knowledge sharing, all of which foster business resilience and sustainability (Ismail et al., 2019).

In recent years, the focus on inclusive and sustainable SME growth has become more pronounced, emphasizing the importance of supporting women-owned enterprises, rural SMEs, green businesses, and socially-driven ventures. Growth in these areas not only strengthens economic resilience but also promotes social equity and environmental sustainability (ILO, 2021). The COVID-19 pandemic highlighted both the vulnerabilities and adaptive capacities of SMEs, showing that those with digital tools, diversified income streams, and agile management systems were better able to survive and grow amid disruptions (Bartik et al., 2020). Consequently, post-pandemic recovery strategies have increasingly centered on building SME competitiveness through digitization, innovation, and access to green finance. The adoption of performance metrics and monitoring frameworks is also essential to track SME growth and evaluate the impact of interventions aimed at fostering development. Indicators such as revenue growth, employment levels, return on investment, market share, and customer satisfaction provide insights into the business's progression and strategic direction (Abor & Quartey, 2020).

Importantly, the growth of SMEs is interconnected with broader macroeconomic indicators such as GDP growth, unemployment rates, and trade balances. Countries with strong SME sectors tend to have more dynamic and diversified economies, better income distribution, and higher levels of entrepreneurial activity (World Bank, 2020). Therefore, fostering SME growth is not only a business-level objective but also a national economic priority. For sustainable growth to be realized, it is imperative to address structural barriers such as informality, bureaucratic bottlenecks, infrastructure deficits, and limited market access. Policy coherence and inter-agency collaboration are crucial to ensure that initiatives targeting SME growth are well-integrated and impactful. Furthermore, fostering a culture of entrepreneurship, innovation, and continuous learning among SME owners and employees contributes to long-term growth and adaptability in an ever-changing economic landscape (Tendai, 2023).

Empirical Review

Financial literacy programs and growth of Small and Medium Enterprises (SMEs)

Ibitomi et al. (2024) conducted a study titled "Financial Literacy and Performance of Small and Medium Scale Enterprises in Abuja, Nigeria." The researchers employed a survey design, distributing questionnaires to 550 SME owners across the six area councils of Abuja, with 469 responses deemed usable. Data were collected through structured questionnaires

and analyzed using multiple regression techniques. Findings indicated that SME owners in Abuja possessed adequate financial knowledge, positively impacting their business performance. Financial behavior and attitudes also showed a significant positive effect on business outcomes. The study recommended that government agencies, alongside microfinance institutions and deposit money banks, should organize financial education programs to enhance areas lacking in financial literacy.

Abdallah et al. (2024) examined "Financial Literacy and Small and Medium Enterprises Performance: The Moderating Role of Financial Access." Utilizing a cross-sectional survey design, data were collected from 155 SMEs in Kuwait through structured questionnaires. The analysis was conducted using partial least square structural equation modeling with SmartPLS 4 software. The study found that financial literacy significantly influences SME performance and that financial access moderates this relationship, enhancing the benefits of financial literacy. The authors recommended the development of targeted financial education initiatives and policies to improve financial access for SMEs.

Olujemisi (2024) investigated "The Influence of Financial Literacy on the Performance of Small and Medium Scale Enterprises (SMEs) in Bauchi Metropolis." The study adopted a survey research design, administering questionnaires to 223 SME owners in Bauchi. Data were analyzed using multiple regression analysis. Results indicated a significant positive relationship between financial literacy and SME performance. The study recommended implementing financial literacy programs tailored to the culture and traditions of the people, preceded by adequate technological infrastructure to ensure effective implementation.

Brimah and Ofei (2025) conducted a study titled "Effects of Financial Literacy on the Performance of Small and Medium Scale Enterprises in the Greater Accra Region of Ghana." Employing a quantitative research design, data were collected from 150 SME owners or managers using questionnaires. The analysis, performed with IBM SPSS software, revealed a significant positive relationship between financial literacy and SME performance. The researchers concluded that financial knowledge among SME operators positively affects business performance and recommended further training programs to enhance financial decision-making capabilities.

Ankit Srivastava and Mahobia (2025) investigated "Financial Literacy and Financial Accessibility in SME Growth." The study focused on SMEs in Uttar Pradesh, India, using a survey research design. Data were collected through questionnaires from SME owners and managers and analyzed using quantitative methods. Findings highlighted that financial literacy and accessibility are critical factors influencing SME growth. The study recommended enhancing financial literacy programs and improving access to financial services to support SME development.

Interest rate caps and subsidies on the affordability of micro-credit for SMEs and their subsequent business performance

A study by Msomi (2023) examined the effect of interest rates on credit access for small and medium-sized enterprises (SMEs) in South Africa. The study employed a quantitative research design, utilizing structured questionnaires to collect data from 150 SMEs operating in Durban. Data were analyzed using descriptive statistics and regression analysis. The findings indicated that high-interest rates significantly hinder SMEs' ability to secure financing, thereby constraining their growth and development. The study recommended that policymakers implement measures to reduce interest rates or provide subsidized loan options to enhance SMEs' access to credit.

In another study, Roa et al. (2020) assessed the effects of interest rate caps on microcredit in Bolivia. The researchers adopted a quasi-experimental design, analyzing data from microfinance institutions (MFIs) before and after the implementation of interest rate ceilings. Data were collected from financial reports of MFIs and analyzed using difference-in-differences techniques. The study found that the imposition of interest rate ceilings negatively affected the portfolio balance of new microcredits and loans to SMEs, reducing the availability of credit to these enterprises. The authors recommended that policymakers carefully consider the unintended consequences of interest rate caps on financial inclusion and access to credit for SMEs.

Ferrari et al. (2018) conducted a comprehensive review titled "Interest Rate Caps: The Theory and The Practice," examining the global application of interest rate caps and their impact on financial markets. The study utilized a qualitative approach, reviewing case studies from various countries where interest rate caps were implemented. The analysis revealed that while interest rate caps aim to protect consumers from excessive interest rates, they often lead to reduced credit availability, increased costs for low-income borrowers, and decreased financial product diversity. The study recommended that governments consider alternative measures, such as enhancing financial literacy and promoting competition among lenders, to protect consumers without distorting credit markets.

A study by Moenga (2023) investigated the impact of interest rate capping on credit uptake among commercial banks in Kenya. The study adopted a descriptive research design, collecting both primary data through semi-structured questionnaires and secondary data from audited financial statements of 40 licensed commercial banks over the period 2014–2019. Data were analyzed using multiple regression and descriptive statistics. The findings indicated that capping lending interest rates significantly affected credit uptake, with banks tightening credit qualification criteria, thereby reducing access to loans for many borrowers. The study recommended that the Central Bank of Kenya focus more on lending-side policies when formulating interest rate capping measures to avoid unintended consequences on credit access.

Caballero-Montes (2022) explored the integration of market conditions into regulatory decisions on microfinance interest rates, specifically examining whether competition

influences the effects of interest rate caps. The study analyzed data from 1,115 microfinance institutions over the period 2015–2018, employing fixed-effect and two-stage residual inclusion regressions. The findings suggested that interest rate caps are associated with larger loan sizes and financial exclusion, particularly in competitive markets. The study recommended against the use of interest rate restrictions and advocated for a more systemic analysis of regulatory outcomes that considers market conditions.

Empirical Gaps

While the study by Msomi (2023) focused on the effect of interest rates on credit access for SMEs in South Africa, employing a quantitative research design and regression analysis, it did not address the broader impact of public policies on SME growth and development in specific regions such as Kogi State, Nigeria. The study by Roa et al. (2020) analyzed the effects of interest rate caps on microcredit in Bolivia using a quasi-experimental design and difference-in-differences techniques, but it did not explore the role of subsidies or other public policies in enhancing SME performance. Ferrari et al. (2018) provided a global review of interest rate caps, utilizing qualitative analysis of case studies, yet lacked empirical data on the direct impact of such policies on SMEs in specific contexts like Kogi State. Moenga's (2023) investigation into interest rate capping in Kenya employed descriptive statistics and multiple regression analysis but did not consider the influence of subsidies or other supportive public policies on SMEs. Similarly, Caballero-Montes (2022) examined the role of competition in regulatory decisions on microfinance interest rates using fixed-effect and two-stage residual inclusion regressions but did not assess the impact of public policies on SME growth and development in regions like Kogi State, Nigeria. These studies differ from the current study on the impact of public policies on the growth and development of SMEs in Kogi State, Nigeria, as they focus on different geographical areas, employ varying methodologies and analytical techniques, and do not consider the specific public policy proxies identified in the objectives of the current study.

While these studies focused on financial literacy and its impact on SME performance, they differ from the current study on "The Impact of Public Policies on the Growth and Development of SMEs in Kogi State, Nigeria." Specifically, the previous studies employed survey designs and primarily used qualitative analysis techniques without considering correlation and multiple linear regression analyses. Their findings emphasized the positive relationship between financial literacy and SME performance. However, these studies did not address the influence of public policies on SME growth. Additionally, differences exist in the geographical focus, research methods, analytical techniques, and the specific variables examined, highlighting the need for the current study to explore these unexplored areas.

Business Growth Theory

The study adopts Business Growth Theory as its theoretical framework. The theory was propounded by Edith Penrose in the year 1959. The reason for adopting this theory is that it provides a robust foundation for understanding how internal and external factors, including public policies, influence the growth trajectory of small and medium-sized enterprises (SMEs). The theory stated that firm growth is driven by internal resources, managerial capabilities, and external opportunities. Basic assumptions of this theory are that firms have untapped productive resources, growth is limited by managerial capacity, and firms seek expansion to maximize resource utilization. The theory was criticized for being overly focused on internal firm dynamics while underestimating external environmental constraints.

Business Growth Theory was developed by Edith Penrose in her seminal work, *The Theory of the Growth of the Firm* (1959). Penrose challenged traditional economic theories that treated firms as static entities, instead proposing that growth is an evolutionary process driven by internal resources and managerial decisions (Penrose, 1959). Her work laid the foundation for modern strategic management and entrepreneurship studies by emphasizing the role of knowledge, innovation, and administrative frameworks in firm expansion. In the context of SMEs in Kogi State, Penrose's theory helps explain how public policies—such as tax incentives, access to finance, and regulatory support—can either enable or constrain business growth by altering resource availability and managerial efficiency (Storey, 2016).

The core tenet of Business Growth Theory is that firms grow by leveraging underutilized resources, including human capital, knowledge, and physical assets (Penrose, 1959). Growth is not automatic but depends on managerial ability to identify and exploit opportunities. Another key principle is that firms face “managerial limits to growth” meaning that expansion is constrained by the capacity of leadership to coordinate increasing complexity (Lockett et al., 2011). Additionally, Penrose argued that firms grow in a path-dependent manner, meaning past decisions and resource allocations shape future opportunities. For SMEs in Kogi State, these tenets suggest that public policies enhancing managerial training, financial access, and infrastructure can significantly influence growth by improving resource utilization (OECD, 2019).

The Business Growth Theory operates on several key assumptions. First, it assumes that firms possess idle resources that can be reallocated for expansion (Penrose, 1959). Second, it presumes that managerial expertise is a critical determinant of growth, as leaders must efficiently deploy resources. Third, it assumes that firms are profit-seeking entities that pursue growth to maximize returns. In the context of Kogi State's SMEs, these assumptions imply that public policies must address resource gaps such as funding, skills development, and market access—to stimulate growth (Ayyagari et al., 2014). However, critics argue that these assumptions may not hold in highly constrained environments where external factors (e.g., political instability, poor infrastructure) dominate firm performance (Nichter & Goldmark, 2009).

Despite its contributions, Business Growth Theory has faced criticism. One major critique is that it overemphasizes internal firm dynamics while neglecting external environmental factors such as government policies, market competition, and macroeconomic conditions (Alvarez & Barney, 2007). Another criticism is that the theory assumes rational decision-making by managers, whereas in reality, SME owners in developing economies like Nigeria often operate under severe uncertainty (Mendoza & Thelen, 2008). Additionally, the theory does not fully account for institutional barriers, such as corruption and bureaucratic inefficiencies, which are prevalent in Kogi State and can stifle SME growth (World Bank, 2020). These limitations suggest that while Penrose's theory provides a useful framework, it must be complemented with institutional and policy analyses to fully understand SME growth constraints.

Business Growth Theory is highly relevant to examining the impact of public policies on SMEs in Kogi State. The theory aligns with the study's focus by highlighting how policy interventions such as tax breaks, grants, and training programs can enhance SMEs' resource utilization and managerial capacity (OECD, 2019). For instance, if Kogi State implements policies that improve access to credit, SMEs can leverage these financial resources for expansion, consistent with Penrose's emphasis on resource mobilization (Beck & Demirgüç-Kunt, 2006). Furthermore, the theory's focus on managerial constraints underscores the need for policies that support entrepreneurship education and leadership development in the state (NBS, 2021). By applying Business Growth Theory, the study can assess how well-designed public policies can mitigate growth barriers and foster SME development in Kogi State.

Methodology

The study adopted a descriptive and inferential research design. Descriptive research design was employed because is an efficient way of gathering data to help address a research question and one can collect unbiased data and develop sensible decision based on analyzed results.

Population and Sample Size

Table 1: Sample Size

S/No	Strata	Population	Proportion	Sample size
1	Management Staff	145	0.335	60
2	Small enterprises	250	0.235	80
3	Medium enterprises	250	0.235	80
4	Other enterprises	250	0.135	80
	Total	895		300

Source: Field Survey, 2024

A stratified random sampling technique was employed to ensure that different categories of SMEs (e.g., micro, small, and medium enterprises) were proportionally represented. The

state was divided into three senatorial districts (Kogi West, Kogi Central, and Kogi East), and SMEs were randomly selected from each district. This approach improved the generalizability of the findings by reducing selection bias.

Three hundred (300) respondents were selected for the study. The questionnaire was administered among the eighty (80) management staff members and two hundred and forty (240) selected SMEs in Kogi state, Nigeria through purposive sampling method. Out of the 300-questionnaire distributed, 280 were returned representing 93.3% and was used for the analysis. A structured questionnaire was used to collect relevant information from the study's participants. multiple linear regression analysis was used to test the hypotheses at 5% level of significance.

Result and Discussion

The tables for the regression analysis, inferential statistics, and detailed multiple linear regression analysis.

1. Model Summary

The table below presents the regression model's goodness-of-fit measures.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.785	0.616	0.602	0.342	1.876

Variables:

Dependent Variable: Growth of SMEs

Predictors: Effectiveness of Financial Literacy Programs, Interest Rate Caps and Subsidies

Interpretation:

R (0.785): Strong correlation between predictors and the dependent variable.

R² (0.616): 61.6% of SME growth variance is explained by the model.

Adjusted R² (0.602): Adjusted for predictor numbers, still a strong fit.

Durbin-Watson (1.876): No significant autocorrelation (acceptable range: 1.5–2.5).

2. ANOVA (Analysis of Variance)

The ANOVA table tests the overall significance of the regression model.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.567	2	12.284	45.213	0.000
Residual	15.328	56	0.272		
Total	39.895	58			

Interpretation:

F-statistic (45.213, $p = 0.000$): The model is statistically significant ($p < 0.05$), rejecting the null hypothesis that predictors have no effect on SME growth.

3. Multiple Regression Coefficients

The table below shows the contribution of each predictor to SME growth.

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	1.245	0.178	-	6.992	0.000
Effectiveness of Financial Literacy	0.432	0.096	0.387	4.500	0.000
Interest Rate Caps & Subsidies	0.389	0.085	0.351	4.576	0.000

Hypotheses Testing:

Ho1 (Financial Literacy Programs): Beta = 0.387, $p = 0.000 \rightarrow$ Reject Ho1. Financial literacy programs significantly impacted on SME growth.

Ho2 (Interest Rate Caps & Subsidies): Beta = 0.351, $p = 0.000 \rightarrow$ Reject Ho2. Interest rate policies significantly impacted on SME performance.

Both predictors have positive, statistically significant effects ($p < 0.05$). Financial literacy programs (Beta = 0.387) have a slightly stronger impact than interest rate policies (Beta = 0.351).

Conclusion

The regression model confirms that both financial literacy programs and interest rate policies are significant drivers of SME growth in Kogi State, Nigeria. Policymakers should prioritize these areas for economic development, as enhancing financial knowledge and optimizing monetary policies can lead to sustainable business expansion and job creation. Financial literacy programs equip SME owners with essential skills in budgeting, investment planning, and debt management, enabling them to make informed financial decisions. Studies have shown that entrepreneurs who undergo such training are more likely to access formal credit, reinvest profits, and adopt digital payment systems key factors in business scalability. Given that many SMEs in Kogi State operate in informal sectors with limited accounting practices, targeted financial education initiatives could bridge this gap, fostering transparency and attracting investors.

Similarly, interest rate policies play a crucial role in SME growth. High borrowing costs often deter small businesses from securing loans, stifling expansion and innovation.

Conclusion and Recommendations

This study examines the effect of public policies on the growth of Small and Medium Enterprises (SMEs) in Kogi State, North Central Nigeria. The study reveals that government policies are the major challenges that affect SMEs growth and development in the global competitive environment. The findings further show that this factor has a significant impact on SMEs growth in Kogi State, Nigeria. The study also concludes that government policies significantly affect the growth of SMEs in Kogi State, Nigeria. Furthermore, the study concludes that government policies influence the growth of SMEs in Nigeria positively and significantly.

Finally, the study concludes that there is a positive relationship between government policies and SMEs growth in Kogi State.

The following recommendations were made based on the Findings of the study:

1. Financial Literacy Programs of Kogi State should be Strengthen and Tailored for SME Owners: To enhance the financial capabilities of SME owners, the Kogi State Government in collaboration with financial institutions and business development organizations should design and implement customized financial literacy programs. These programs should focus on budgeting skills, financial planning, cash flow management, cost-benefit analysis, and investment decision-making. By improving financial knowledge, SME owners can make informed financial decisions, efficiently utilize available resources, and strategically plan for expansion. Special attention should be given to rural-based SMEs, ensuring accessibility through local language translations, digital training platforms, and on-site workshops, ultimately contributing to enhanced business performance and sustainable growth.
2. There should be a review and implementation of interest rate caps and Subsidy policies to enhance access to affordable Credit: Given the critical role that affordable financing plays in SME growth, the Kogi State Government should work with the Central Bank of Nigeria (CBN) and development finance institutions to establish favorable interest rate caps and targeted subsidies for SMEs. These policies should ensure microcredit facilities are accessible at reasonable interest rates, thereby reducing the financial burden on small businesses. Additionally, periodic policy reviews should be institutionalized to ensure that interest rate regimes and subsidy programs align with current economic realities and the unique financial needs of SMEs in Kogi State. This will enhance the affordability of loans, promote business expansion, and improve entrepreneurial resilience in the face of economic challenges.
3. There should be an enhancement of legal and institutional reforms to protect SME interests and improve access to microcredit: To foster a more conducive business environment, the Kogi State Government should strengthen legal frameworks and institutional support systems that protect SME interests and facilitate easy access to finance. This can be achieved by simplifying business registration processes, promoting transparent regulatory practices, and reducing bureaucratic bottlenecks that hinder SMEs from accessing government-backed loans and grants. Establishing dedicated SME service desks at key institutions to provide advisory services, compliance support, and linkages to credit providers will also enhance SME inclusion. Furthermore, the government should involve SME associations in policy formulation processes, ensuring that their unique challenges and voices are factored into policy reforms, ultimately fostering a supportive policy environment that drives SME growth.

Policy Implications

Kogi State Government and The Central Bank of Nigeria (CBN) should collaborate to design favorable lending frameworks, such as reduced interest rates for SMEs or credit guarantee

schemes. Additionally, fostering partnerships with microfinance institutions could improve credit access for underserved entrepreneurs, particularly in rural areas where banking penetration remains low.

Kogi State Government and The Central Bank of Nigeria (CBN) should drive infrastructure development, such as reliable electricity and transportation networks which is vital to complement financial interventions. Kogi State Government and The Central Bank of Nigeria (CBN) should further integrate technology into SME operations through digital banking and e-commerce platforms can enhance efficiency and market reach.

A multi-faceted approach combining financial literacy, supportive interest rate policies, and infrastructural improvements will maximize SME growth in Kogi State. Policymakers must act decisively to implement these strategies, ensuring long-term economic resilience and poverty reduction.

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