Government Industrial Policies and Development of Small and Medium Scale Enterprises in Port Harcourt Metropolis, Rivers State

Kinika Promise

Department of Business Education, Rivers State University, Port Harcourt
Email: kinika4promise@yahoo.com

Corresponding Author: Kinika, P. *Department of Business Education, Rivers State University, Port-Harcourt*.

Abstract

The study investigated Government Industrial Policies and development of Small and Medium Scale Enterprises in Port Harcourt metropolis. Two objectives of the study and two research questions guided the study. Two hypotheses were formulated in the study. The population for this study comprised of 177 SMEs operators in Port Harcourt Metropolis. The entire population was used for the study. Hence, there was no sampling. The instrument for the study was a structured questionnaire titled "Questionnaire on government Industrial Policies and the development of Small and Medium Scale Enterprise in Port Harcourt Metropolis. The instrument was validated by two experts in Business Education and one expert in Measurement and Evaluation. Test-retest was used to establish the reliability of the instrument and a reliability coefficient of 0.97 was achieved. Mean and standard deviation were used to analyse the responses of the respondents while z-test was used to test the hypotheses at 0.05 alpha level of significance. The findings in the study show that; Export incentive Policy develops SMES at a moderate extent, and tax policy develops SMEs in Port Harcourt at a moderate extent. There is significant difference in the mean responses of SMEs operators in Phalga and Obalga on the extent export incentive policy develops SMEs, there is no significant difference in the mean responses of SMEs operators in Phalga and Obalga on the extent import substitution industrialization policy develops SMEs in Port Harcourt Metropolis. The following recommendations were made amongst others that government should effectively implement export incentive policy so as to encourage SMEs to produce and export more products and government should efficiently implement import substitution policy so as to encourage healthy business competitiveness.

Keywords: Development, Small and Medium Scale Enterprises, Government Industrial Policies.

Introduction

Government policies on small and medium enterprises (SME) as a catalyst for economic growth and development has been well documented in the economic literature. In many industrialized nations more than ninety eight (98) percent of all industrial enterprises belong to the small scale enterprises sector and account for the labour force, (World Investment Report, 2017). Government policies for SMEs vary from country to country and have also been attributed to variations in social and custom values. Industry and business setting according to (Nadue, Szirmai, & Goedhuys,

2011). Sathe (2006) also argues that government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business development. The government can also come up with policies that can boost and support the growth of novel technologies, products, and solutions. On the other hand, government can likewise seem to hinder SME firm performance when it introduces policies which can restrict the autonomy, as well as the entrepreneurial freedom of some variety.

According to Australian Fair work Act (2009), an industrial policy of a country, sometimes denoted IP, is its official strategic effort to encourage the development and growth of part or all of the manufacturing sector as well as other sectors of the economy. The government takes measures aimed at improving the competitiveness and capabilities of domestic firms and promoting, structural transformation. A country's infrastructure (Transportation, telecommunications and energy industry) is a major part of the manufacturing sector that often has a key role in industrial policy.

Trade liberalization also involves currency devaluation of a nation's currency and deregulation processes which involves all sectors of the nation's economy. small and medium scale enterprises (SMEs) in Nigeria are major drivers in the nation's economy and the major forces on which a nation's economy hinges on for sustainable development in every sector of the nation's economy due to their role in job creation stimulation of entrepreneurial skills and encourages private ownership of businesses (Katwalo and Madichie, 2008). Due to the sizes of SMEs, and innovativeness, they are able to adapt to changes and market conditions besides helping to diversify the economy through export and international trade. Due to the strategic role of SMEs in industrialization of developing nations thus persuades many business analyst to believe in SMEs. The small size and meagre financial base, vulnerable nature of SMEs to external shocks often experienced in the global market as a result of trade liberalization which often affects SMEs (Madidie, 2007; Vickery, 2008). Gmen favourable economic condition and policy SMEs will effectively thrive in the business environment (Local and global market) Briggs, 2007). It is on this ground that the Nigerian government embanked on trade liberalization with the aim of allowing SMEs adapt to market and environmental changes.

Import substitution industrialization policy is a trade and economic policy which advocates replacing foreign imports with domestic production. It is based on the premise that a country should attempt to reduce its foreign dependency through local production of industrialized products. This policy is enacted with the aim of producing development and self-sufficiency through the creation of internal market. Import substitution industrialization policy works through

nationalization, subsidization of vital industries (agriculture, power generation etc) increased taxation and highly protectionist trade policies.

Tax policies are the tax related policies that are made in a country as part of the nation's fiscal policies. This policy affects the profit margin and the business operation of SMEs in a nation either negatively or positively. SMEs usually have to operate in an over bearing regulatory environment with a lot of regulatory agencies, multiple taxes, cumbersome importation procedure and high port changes that constantly exert serious burden on small operators (SMEs). An overtly complex regulatory system and tax regime makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden (Masato, 2009). A poorly executed tax system also led to low efficiency high collection charges, waste of time for taxpayers and the staff and the amount of taxes and the deviation of optimum allocation of resources. Industrial policies play significant roles in the smooth operation of small and medium scale enterprises in various countries including Nigeria as a nation. It provides guidelines on how best to operate small scale business to avoid abuse and over-stepping of boundaries.

Export incentive policy benefits SMEs though export tariff reduction provision of grant to assist SMEs establishment of export related parastatals in a country to aid SMEs, provision of loans to aid local production of goods and building a health relationship between local SMEs and other SMEs all over the world (Molem, 2012). Export incentive policy helps in the development of SMEs though the provision of soft loans, provision of financial aid to aid local production of goods, provision of loans to aid the exportation of locally manufactured goods to other where they are needed, establishment of export promotion agencies to aid the exportation, of goods manufactured by SMEs and the drastic reduction of tariff on goods to be exported to other countries (Musa, 2010). According to Chuza (2011) export incentive policy is of great importance to SMEs operators because it does the following; reduction of tariff on goods to be exported so as to encourage the exportation of locally manufactured goods, subsidization of the cost of exportation, subsidizing the cost of transporting locally manufactured goods and the provision of soft loans to SMEs operators so as to encourage production.

Trade liberalization policy creates a healthy competitive business environment for SMEs, removes any restrictions on international trade, reduces anti-export bias enhances capital flow, enhances interest rate, enhances deregulation, enhance price control, enhances job, creation, stimulation of entrepreneurship skills and encourages private ownership of business (Katwalo and Madichie, 2008). Trade liberalization increases the output of SMEs, it helps SMEs to grow drastically, it grows the nation's economy and it enables the expansion of economic opportunities by enlarging

the markets (Likita, Idisi and Charity, 2018). Import substitution enhances the performances of local industries (SMEs) and it promotes local industries (SMEs) (Jinwoo, Edward, and Rutgers, 2015). It encourages SMEs to engage in more production of goods that will be consumed locally and internationally, enhance healthy business competition amongst SMEs and enhance dependence on locally manufactured than relying on imported products (Bashiri, 2015).

Tax policies have adverse effect on the growth of SMEs in the following ways imposition of financial burden, burdensome reporting system, excessive inspections and audits, facing corrupt officials on a regular basis (Evans, Lawrence, Richard and Kaser, 2016). Tax policies have adverse effect on the operation of SMEs, thus; the higher the amount paid in taxes, the lower the amount of fines available for e-investment into the business instability and inconsistency in tax policies affects the operation of SMEs (Ojochogwu and Stephen, 2012).

The Purpose of the Study:

The main purpose of this study was to ascertain how government industrial policies develop SMEs in Port Harcourt metropolis. Specifically, the study sought to find out the:

1. Extent to which Export Incentive Policy develops SMEs in Port Harcourt metropolis
2. Extent to which trade liberalism policy develops SMEs in Port Harcourt Metropolis.

Research Questions

The following research questions guided the study.

1. To what extent does Export incentive policy develop SMEs in Port Harcourt Metropolis?
2. To what extent does trade liberalism policy develop SMEs in Port Harcourt Metropolis?

Hypotheses 1

The following hypotheses were formulated in the study and tested at 0.05 alpha level of significance;

1 There is no significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent to which export incentive policy develops SMEs in Port Harcourt Metropolis.

2 There is no significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent trade liberalism policy develops SMEs in Port Harcourt Metropolis

METHODOLOGY

A descriptive survey research design was adopted in the study. The population for this comprised of 177 small scale business operators. Self-structured questionnaire titled "Questionnaire on Government Industrial Policies and the development of small and medium scale business". The instrument was validated by three experts and Pearson Product Moment Correlation Coefficient

was used to establish the reliability of the instrument and a reliability coefficient of 0.97 was achieved. Mean and standard deviation were used to analyse the responses of the respondents while z-test was used to test the hypotheses.

RESULTS

The results of the study were presented as follows.

Research Question 1: To what extent does export incentive policy develop SMEs in Port Harcourt Metropolis?

Table 1: Extent to which Export Incentive Policy Develops SMEs in Port Harcourt

	Item Statement	SMES OPERATORS IN PHALGA (N = 90)			SMES OPERATORS IN OBALGA (N = 87)			Combination of SMEs in PHALGA & OBALGA		
		X	SD	RMK	X	SD	RMK	X	SD	RMK
1	Export tariff reduction on goods produced by SMEs encourage SMEs to thieve	3.52	0.35	HE	3.23	0.32	ME	3.38	0.34	ME
2	Provision of export grants to SMEs assist SMEs to export more of their product	3.44	0.34	ME	3.06	0.30	ME	3.29	0.33	ME
3	The establishment of export related parasatals to aid SMEs to export their goods to other countries	3.10	0.31	ME	3.14	0.31	ME	3.23	0.32	ME
4	Provisions of loans to aid the production of goods by SMEs	3.33	0.33	ME	3.36	0.34	ME	3.29	0.33	ME
5	The establishment of export promotion agencies enhances the effectiveness of SMEs	3.47	0.35	ME	3.26	0.33	ME	3.39	0.34	ME
6	Export incentive policy builds healthy both lateral relationship between SMEs operators	3.59	0.36	HE	3.32	0.33	ME	3.34	0.33	ME
7	Provision of financial aids to SMEs enhances their operation	3.12	0.31	ME	3.08	0.30	ME	3.34	0.33	ME
8	Subsidizing the cost of exportation encourages SMEs to thieve more	3.41	0.34	ME	3.55	0.36	HE	3.25	0.33	ME
9	Subsidizing the cost of transportation to the point of transportation encourages SMEs	3.47	0.35	ME	3.08	0.30	ME	3.59	0.36	HE
10	Encouraging local production and exportation of goods enhances the performance of SMEs	3.39	0.34	ME	3.71	0.37	HE	3.47	0.35	ME
	Total Mean/Standard Deviation	**33.84**	**34.07**		**29.73**	**2.95**		**33.57**	**3.36**	ME
	Grand Mean/Standard Deviation	**3.38**	**0.34**		**2.97**	**0.29**		**3.36**	**0.34**	

Source: Field Survey, 2020

Data presented in table 1 revealed the extent to which export incentive policy develops SMEs in Port Harcourt Metropolis. The grand mean score of 3.36 and standard deviation of 0.34 showed that export incentive policy develops SMEs at a moderate Extent. From the analysis in table 1, export incentive policy develops SMEs in Port Harcourt Metropolis at a moderate extent.

Research Question 2: To what extent does trade liberalism policy develop SMEs in Port Harcourt Metropolis

Table 2: Extent to which Trade Liberalism Policy Develops SMEs in Port Harcourt Metropolis

	Item Statement	SMES OPERATORS IN PHALGA (N = 90)			SMES OPERATORS IN OBALGA (N = 87)			Combination of SMEs in PHALGA & OBALGA		
		X	SD	RMK	X	SD	RMK	X	SD	RMK
11	Trade liberalism policy creates a healthy competitive environment for SMEs to operate	3.46	0.43	ME	3.46	0.43	ME	3.46	0.43	ME
12	It removes the restrictive placed in international trade so as to enhance the performance of SMEs	3.23	0.40	ME	3.10	0.39	ME	3.17	0.39	ME
13	It reduces anti-trade biases that would hampers the growth of SMEs	3.02	0.38	ME	3.45	0.43	ME	3.24	0.40	ME
14	It increases the output of SMEs by granting certain wavers for them to effectively operate	3.24	0.40	ME	3.16	0.39	ME	2.20	0.40	ME
15	It enables the expansion of economic opportunities by enlarging the market through liberalization of trade	3.23	0.40	ME	2.94	0.37	ME	3.09	0.39	ME
16	It stimulates entrepreneurship spirit in the operators of SMEs through the granting of wavers for SMEs to operate	3.47	0.43	ME	3.37	0.42	ME	3.42	0.43	ME
17	It enhances the capital flow of SMEs by liberalizing trade	3.39	0.42	ME	3.29	0.41	ME	3.34	0.42	ME
18	It enhances price controls that are beneficial to SMEs by liberalizing trade	3.08	0.39	ME	3.02	0.38	ME	3.05	0.38	ME
	Total Mean/Standard Deviation	**26.12**	**3.25**		**25.79**	**3.22**		**25.97**	**3.29**	ME
	Grand Mean/Standard Deviation	**3.27**	**0.40**		**3.22**	**0.40**		**3.35**	**0.41**	

Source: field survey, 2020

Data presented in table 2 revealed the extent to which trade liberalism policy develops SMEs in Port Harcourt Metropolis. The grand mean score of 3.29 and standard deviation of 0.41 showed that trade liberalism policy develops SMEs in Port Harcourt Metropolis at a moderate extent. From the analysis in table 2, trade liberalism policy develops SMEs in Port Harcourt Metropolis at a moderate extent.

Statistical Test of Hypotheses

The following null hypotheses were formulated and tested at 0.05 level of significant.

Hypothesis 1

There is no significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent export incentive policy develops SMEs in Port Harcourt Metropolis.

Table 3: **Z-test Analysis of Difference in the Mean Responses of SMEs Operators in PHALGA and OBALGA on the Extent Export Incentive Policy Develops SMEs in Port Harcourt Metropolis**

Location	N	$\bar{X}$	SD	df	Z-cal	Z-crit	α	Decision
PHALGA	90	3.38	0.34					
				175	10.25	1.960	0.05	Rejected
OBALGA	87	2.97	0.29					

Source: Field Survey, 2020

Findings in table 3 showed that the z-calculated is greater than the z-critical (z-cal > z-crit) thus, the hypothesis was rejected. Therefore, there is a significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent export incentive policy develops SMES in Port Harcourt Metropolis.

Hypothesis 2

There is no significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent trade liberalism policy develops SMEs in Port Harcourt Metropolis.

Table 4: Z-test Analysis of Difference in the Mean Responses of SMEs Operators in PHALGA and OBALGA on the Extent Trade Liberalism Policy Develops SMEs in Port Harcourt Metropolis

Location	N	$\bar{X}$	SD	df	Z-cal	Z-crit	α	Decision
PHALGA	90	3.27	0.40					
				175	0.83	1.960	0.05	Accepted
OBALGA	87	3.22	0.40					

Source: Field Survey, 2020

Findings in table 4 showed that the z-calculated is less than the z-critical (zcal < zcrit). Thus, the hypothesis was accepted. Therefore, there is no significant difference in the mean responses of SMEs operators in PHALGA and OBALGA on the extent trade liberalism policy develops SMEs in Port Harcourt Metropolis.

Discussion of Findings

Based on the result obtained in table 1, the researcher found that export incentive policy develops SMEs through reduction of tariff on goods produced by SMEs, provision of export grants to SMEs, establishment of export related parasatals, establishment of export promotion agencies, subsidizing cost of exportation and transportation of goods produced by SMEs, building of healthy bilateral relationship between SMEs and encouraging local production and exportation of goods. This finding is in agreement with the view of Musa (2010) that export incentive policy does the following; establishment of export promotion agencies, reduction of tariff on goods to

be exported, provision of loans to aid the exportation of locally manufactured goods and provision of soft loans to SMEs. In agreement with the view of Musa, Molen (2012) opined that export incentive policy benefits SMEs through export tariff reduction, provision of loans to aid local production of goods and it builds a healthy relationship between local SMEs and other SMEs all over the world.

Based on the result obtained in table 2, the researcher found that trade liberalization policy develops SMEs through creation of a healthy competitive business environment, removes the restrictions placed in international trade, reduces anti-trade biases that can affect SMEs, increases the output of SMEs, enables the expansion of economic opportunities by enlarging the market, stimulation of entrepreneurship spirit in SMES' operators, enhances the capital flow of SMES and enhances price control that are beneficial to SMES. This is in agreement with the view of Kativalo and Madiclrie, (2008) that trade liberation policy creates a healthy competitive business environment for SMES, removes restrictions in international trade, reduces anti-export biases and enhances the capital flow of SMES. In agreement with the view of Kativalo and Madiclrie, Likita, Idisi and Charity (2018) opined that trade liberalization increases the output of SMES, grows the economy of a nation and enables the expansion of economic opportunities by enlarging the markets.

Conclusion

The researcher concluded that export incentive policy, Trade Liberalism policy and import substitution industrialization policy develops SMES at a moderate extent.

Recommendations

Based on the findings of this study, the following recommendations were made:

1. Government should effectively implement export incentive policy so as to encourage SMEs to produce more and export more of their products.

2. More emphasis should be placed on trade liberalization so as to remove trade restrictions and trade biases.

REFERENCES

An Australian Fair Work Act (2009), An industrial Policy of a Country, its official strategic Effort to Encourage the development and growth of part or all of the manufacturing sector as well as other sector of the economy.

Briggs, I. N. (2007). Nigeria: Mainstreaming Trade Policy into National Development Strategies African Trade Policy Centre (ATPC) Work in Progress No. 52, Economic Commission for Africa. *Brookings Papers on Economic Activity;* No. 1; ABI/INFORM Global pg. 1 *Business Management,* Vol. 40, No. 1, pp. 58 – 65.

Chuza, C. I. (2011). Importance of Export Incentive on the Growth of SMEs in Malawo. *Journal of Economics,* 3(5), 9 – 12.

Jinwo, T. I., Edward, A. & Rutgers, M. (2015). Impact of Import Substitution Policy on the Development of SMEs in United States of America. *International Journal of Economics and Business*, 4(3), 16 – 19.

Katawalo, j & Madichie, O. (2008). Trade Liberalism and the Grow of SMEs in Nigeria. *Journal of Economics* 2(3), 51 – 56.

Likita, A., Idisi, M. & Charity, K. (2018). Impact of Trade Liberalization on SMEs Growth in Nigeria. *Journal Arts and Reading*, 6(5), 15 – 18.

Massato, A. (2009). Impact of Tax Policies on the Operation of Small and Medium Scale Businesses. *Economics Journal of Taxation.* 2(2), 27 – 29.

Molem, T. (2012). Importance of Export Incentive Policy on the Development of SMEs. *Journal of Education and Economics,* 4(6), 16 – 19.

Naude, W., Szirmai, A. & Goedhuys, M. (2011). Innovation and Entrepreneurship in Developing Countries: UNU-WIDER.

Sathe, V. (2006). *Corporate Entrepreneurship: Top Managers and New Busyness Creation.* Cambridge: Cambridge University Press.

World Investment Report, (2017) Small Scale Enterprise Sector and Account for the Labour Force, an Australian fair work Act (2009).