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Government policy inconsistency and small business performance in Nigeria: An empirical assessment of business survival, investment and growth

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Abstract

Government policy consistency is fundamental to creating a predictable business environment that promotes enterprise survival, investment, and sustainable economic growth. In Nigeria, frequent changes in fiscal, monetary, taxation, trade, regulatory, and other economic policies have raised concerns regarding their implications for small businesses. This study empirically examined the effect of government policy inconsistency on small business performance in Nigeria, with particular emphasis on business survival, investment, and growth. The study adopted a cross-sectional survey research design. A total of 554 questionnaires were distributed to selected small business owners and operators, of which 532 were duly completed and returned, representing a response rate of 96.0%. Data were collected using a structured questionnaire and analysed using descriptive and inferential statistical techniques. The demographic findings revealed that 86% of respondents had Ordinary Level (O'Level) education as their reported educational attainment. Furthermore, 68% of respondents indicated that government policy inconsistency negatively affected small business performance. The findings showed that frequent and unpredictable policy changes increased operating costs, created uncertainty in investment decisions, constrained effective business planning, weakened profitability, and adversely affected enterprise survival and growth. The study concludes that government policy inconsistency constitutes a significant constraint to the performance and long-term sustainability of small businesses in Nigeria. It recommends greater policy stability and continuity, improved coordination among regulatory agencies, meaningful consultation with small business stakeholders before major policy changes, adequate transition periods for implementing new regulations, and a transparent and predictable policy framework. Such measures would enhance entrepreneurial confidence, encourage investment, strengthen business survival, and promote sustainable small business growth in Nigeria.

Keywords: Government policy inconsistency, small business performance, business survival, investment, enterprise growth, policy uncertainty, Nigeria

Introduction

Small businesses constitute an important component of contemporary economies because of their contributions to employment generation, entrepreneurship, innovation, poverty reduction, income distribution, and economic diversification. Across developed and developing economies, micro, small and medium-sized enterprises (MSMEs) provide opportunities for individuals to participate productively in economic activities and facilitate the transformation of entrepreneurial ideas into commercially viable ventures. Their importance is particularly pronounced in developing economies, where formal employment opportunities are often inadequate relative to the rapidly growing labour force. The World Bank (2025) [10, 11] describes Nigerian MSMEs as the backbone of the economy, accounting for most business establishments, nearly half of gross domestic product and a substantial proportion of employment. Consequently, the survival and sustainable growth of small businesses have significant implications for Nigeria's broader economic development.

Despite their strategic importance, small businesses are particularly vulnerable to changes in their operating environment. Unlike large corporations, which frequently possess greater financial reserves, diversified revenue sources, professional regulatory teams, stronger bargaining power and greater access to credit, small enterprises generally operate with limited capital and relatively narrow margins. Their ability to absorb unexpected increases in taxation, energy prices, interest rates, exchange rates, regulatory charges and other operating costs is therefore constrained. This vulnerability makes the predictability and consistency of public policy particularly important to small-business survival and investment.

Government policy refers broadly to the principles, programmes, regulations and actions adopted by public authorities to influence economic and social activities. Within the business environment, these include fiscal policy, monetary policy, taxation, exchange-rate management, trade policy, industrial policy, energy policy, employment regulation, business registration and licensing requirements, credit policies and sector-specific regulations. Government policies can facilitate enterprise development when they are transparent, predictable and consistently implemented. Conversely, frequent policy reversals, abrupt regulatory changes, conflicting directives and uncertainty regarding future government actions can increase the risks associated with investment and business planning.

Government policy inconsistency, within the context of this study, refers to frequent, unpredictable or contradictory alterations in public policies and their implementation in ways that make it difficult for businesses to anticipate the future regulatory and macroeconomic environment. It is closely associated with the broader concept of economic policy uncertainty. International evidence has established that uncertainty about economic policy can influence investment, employment, financial-market behaviour and firms' strategic decisions (Baker *et al*., 2016) [2]. Policy uncertainty increases the option value of waiting because investments in machinery, expansion, recruitment and other productive assets frequently involve sunk or difficult-to-reverse costs. Firms may consequently postpone or reduce investment until uncertainty diminishes.

Recent international experience reinforces this relationship. Persistent economic and policy uncertainty has been identified as an impediment to business investment and long-term economic expansion. The Organisation for Economic Co-operation and Development (OECD, 2025) has highlighted weak investment as a significant constraint on global economic performance, with heightened policy uncertainty contributing to firms' reluctance to commit resources to long-term capital projects. The effect is particularly relevant to small businesses because they possess fewer instruments for hedging macroeconomic and regulatory risks than large multinational or diversified corporations.

In developing economies, the consequences of policy uncertainty may be even more severe because businesses already operate within environments characterised by infrastructural deficiencies, limited access to affordable finance, informality, weak institutional capacity and comparatively high transaction costs. Under such conditions, policy instability does not operate in isolation; rather, it interacts with existing structural constraints to increase operating risks. A business confronting unreliable electricity supply, expensive transportation, limited credit and weak infrastructure may find an unexpected tax, exchange-rate or energy-policy change substantially more disruptive than an otherwise comparable enterprise operating within a more stable institutional environment.

Nigeria presents an important setting for examining this relationship. The country's business environment has undergone substantial macroeconomic and regulatory changes in recent years. Since 2023, major reforms have included the removal of the petrol subsidy, significant changes in foreign-exchange management, monetary tightening and reforms directed towards public revenue and taxation. The World Bank (2024) [9] acknowledges that these reforms were intended to address longstanding macroeconomic distortions and restore economic stability, while simultaneously recognising that their short-term adjustment costs placed considerable pressure on households and businesses. The issue for small enterprises is therefore not simply whether reforms are necessary, but whether changes in policy are sufficiently predictable, coordinated, sequenced and communicated to permit businesses to adjust their operations effectively.

Foreign-exchange policy provides an important illustration. Nigeria moved in June 2023 from a multiple-window managed foreign-exchange arrangement towards a more market-determined system. Subsequent developments culminated in a more flexible exchange-rate regime. Fernandes and Stumphius (2026) [3] observe that the transition altered the transmission of exchange-rate shocks into domestic prices and emphasise that the effectiveness of the emerging framework depends substantially on timely and credible policy responses. For small Nigerian businesses dependent directly or indirectly on imported raw materials, machinery, spare parts, packaging materials and transportation inputs, significant exchange-rate adjustments can rapidly translate into higher production and replacement costs.

Monetary policy constitutes another important transmission mechanism. Higher interest rates may be necessary for restoring price stability, but they can simultaneously increase borrowing costs and constrain access to working capital and investment finance. These effects are especially important for small enterprises, whose financing alternatives are already limited. The World Bank (2025) [10, 11] has highlighted severe formal-credit constraints facing Nigerian MSMEs. Consequently, changes in monetary and credit conditions may have disproportionate effects on SME investment and expansion.

Energy and fuel policies also directly affect small-business operating costs. Many Nigerian businesses rely on road transportation for the movement of inputs and finished products and depend on privately generated electricity because of inadequacies in public power supply. Changes in fuel pricing therefore have direct effects through transportation and electricity-generation expenses and indirect effects through increases in suppliers' production and distribution costs. Ighomereho and Ezeabasili (2024) [6] underscore the complexity of major public-policy decisions and the importance of adequate information, stakeholder understanding and effective policy implementation.

Policy inconsistency can additionally influence businesses through taxation and regulation. Small enterprises frequently interact with multiple government institutions at federal, state and local levels. Where regulatory responsibilities overlap, requirements change frequently or businesses receive inconsistent interpretations of regulations, compliance becomes costly and uncertain. The burden extends beyond direct financial payments to include managerial time spent understanding new requirements, modifying operational procedures and responding to different regulatory authorities.

The relationship between policy inconsistency and small-business performance may be understood through several channels. First, uncertainty can reduce business survival by increasing costs and making cash-flow forecasting difficult. Second, policy uncertainty can reduce investment because entrepreneurs may postpone expansion, equipment purchases or recruitment when future policy conditions cannot be reliably anticipated. Third, inconsistency can constrain business growth by limiting strategic planning, reducing profitability and weakening entrepreneurs' willingness to commit additional capital.

A predictable policy framework enables entrepreneurs to estimate costs, forecast revenues, assess investment returns and allocate resources with greater confidence. Conversely, when entrepreneurs expect that taxation, exchange-rate arrangements, import rules, credit conditions, energy pricing or regulatory requirements may change unexpectedly, their planning horizon may shorten. Rather than investing in productive assets with long-term returns, business owners may prioritise liquidity and short-term survival. At the aggregate level, widespread defensive behaviour of this nature can weaken private investment, employment creation, productivity and economic growth.

Notwithstanding the extensive literature on the constraints confronting SMEs in Nigeria, a substantial proportion of previous studies has examined access to finance, infrastructure, taxation, managerial competence, corruption and the general regulatory environment as separate determinants of SME performance. Comparatively less empirical attention has been devoted to government policy inconsistency as a multidimensional phenomenon and to its simultaneous implications for business survival, investment decisions and growth. Moreover, the scale and speed of Nigeria's recent macroeconomic reforms make renewed empirical investigation particularly relevant.

Against this background, this study examines Government Policy Inconsistency and Small Business Performance in Nigeria: An Empirical Assessment of Business Survival, Investment and Growth. A total of 554 questionnaires were distributed to selected small-business operators, with 532 valid responses returned, representing a response rate of 96.0%. The descriptive evidence indicates that 68% of respondents believe that policy inconsistency negatively affects small-business performance, suggesting that policy predictability represents a material concern within the SME operating environment.

Research Objectives

1. determine the effect of government policy inconsistency on the survival of small businesses in Nigeria;
2. examine the effect of government policy inconsistency on investment decisions among small-business operators;
3. assess the relationship between government policy inconsistency and small-business growth in Nigeria; and
4. determine the overall effect of government policy inconsistency on small-business performance in Nigeria.

Research Hypotheses

H01: Government policy inconsistency has no significant effect on the survival of small businesses in Nigeria.

H02: Government policy inconsistency has no significant effect on the investment decisions of small businesses in Nigeria.

H03: Government policy inconsistency has no significant relationship with the growth of small businesses in Nigeria.

H04: Government policy inconsistency has no significant overall effect on small-business performance in Nigeria.

Review of Related Literature

1. Concept of Government Policy

Government policy refers to the deliberate principles, regulations, programmes, laws and courses of action adopted by public authorities to achieve economic, political and social objectives. Within the business environment, government policies establish the institutional framework within which enterprises are created, financed, taxed, regulated and operated. Such policies include fiscal policy, monetary policy, taxation, exchange-rate policy, trade and industrial policies, employment regulations, energy policies and business registration and licensing requirements.

Public policy plays an important role in shaping private-sector behaviour because entrepreneurs make investment and operational decisions partly on the basis of prevailing and anticipated government actions. Policies that are transparent, predictable and consistently implemented can reduce uncertainty and facilitate long-term planning. Government intervention is not inherently detrimental to business development; appropriate regulation may correct market failures, improve competition and strengthen financial stability. The critical consideration is therefore the quality, credibility, predictability and consistency of policy.

2. Government Policy Inconsistency

Government policy inconsistency refers to a situation in which public policies are frequently changed, reversed, contradicted or implemented unpredictably, thereby creating uncertainty among economic actors. It may arise from frequent changes in regulations, contradictory directives from government institutions, abrupt changes in taxation, unpredictable exchange-rate policies, alterations in import and export regulations, unstable monetary conditions and inconsistent implementation of existing laws.

The concept is closely related to economic policy uncertainty. Baker *et al*. (2016) [2] conceptualised economic policy uncertainty as uncertainty regarding government economic actions and their possible consequences. Policy inconsistency differs from policy change: governments must modify policies in response to crises and changing conditions, but inconsistency becomes problematic when changes are unpredictable, poorly coordinated, inadequately communicated or repeatedly reversed.

Hamza *et al*. (2024) [4], investigating economic policy uncertainty and SME investment efficiency in France, found that policy uncertainty significantly affects SMEs' investment behaviour. This demonstrates that small firms modify investment decisions when uncertainty increases and reinforces the proposition that predictable policy environments facilitate efficient capital allocation.

3. Small Businesses in Nigeria

Small businesses are independently owned enterprises operating with relatively limited employees, assets and turnover compared with large organisations. In Nigeria, micro, small and medium enterprises constitute a substantial component of private economic activity and contribute to employment creation, household income, innovation, entrepreneurship and economic diversification.

Despite these contributions, Nigerian small businesses face significant structural constraints, including inadequate infrastructure, unstable electricity supply, limited access to affordable credit, inflation, exchange-rate volatility, taxation, multiple regulatory requirements, insecurity and limited managerial capacity. Such structural challenges can amplify the consequences of policy inconsistency.

4. Small Business Performance

Small-business performance refers to the extent to which an enterprise achieves its financial and non-financial objectives over a specified period. Performance can be measured using sales growth, profitability, productivity, market share, employment creation, return on investment, business continuity and enterprise expansion. In this study, performance is examined principally through business survival, investment and growth.

This multidimensional approach is preferable to relying exclusively on profitability because policy inconsistency may influence businesses through several channels. An enterprise may remain profitable in the short term while postponing investment because of uncertainty, or maintain sales while reducing employment or abandoning expansion plans.

5. Government Policy Inconsistency and Business Survival

Business survival refers to an enterprise's ability to continue operating over time despite changes in economic, competitive and regulatory conditions. Policy inconsistency may threaten survival through increased operating costs and uncertainty. Unexpected changes in taxation, electricity tariffs, fuel prices, exchange rates or import regulations may rapidly alter a firm's cost structure.

Adeyokunnu *et al*. (2025) [1], examining the naira exchange rate and export-oriented small-scale enterprises in Nigeria, found that exchange-rate fluctuations adversely affected small enterprises through increased uncertainty, higher import costs and weakened competitiveness. Fuel and energy policies provide another pathway because price changes influence transportation, electricity generation and supply-chain expenses simultaneously.

6. Government Policy Inconsistency and Investment Decisions

Investment is fundamental to business growth because enterprises must continually commit resources to machinery, technology, inventory, human capital, premises and product development. However, investment frequently involves irreversible or partially irreversible costs. Policy uncertainty can therefore alter the timing and magnitude of investment decisions.

The real-options perspective explains that when investment is irreversible and the future operating environment is uncertain, firms may find it economically rational to postpone investment until additional information becomes available. Hamza *et al*. (2024) [4] provide empirical evidence that economic policy uncertainty influences SME investment efficiency. Within Nigeria, exchange-rate depreciation and monetary tightening can influence investment simultaneously through higher capital-equipment prices and more expensive financing.

7. Government Policy Inconsistency and Small Business Growth

Business growth refers to sustained improvement in an enterprise's productive capacity, revenue, profitability, employment, assets or market reach. Growth requires both internal entrepreneurial capabilities and a supportive external environment. Government policy affects growth through taxation, monetary conditions, exchange rates, energy costs and regulation.

Origin and Obodozie (2026) [8], examining selected macroeconomic variables and SME performance in Nigeria between 2004 and 2023, reported significant negative short-run effects of inflation and exchange-rate volatility. Ibitomi *et al*. (2025) [5] likewise examined inflation, interest rates, exchange rates, taxation and electricity consumption, reinforcing the multidimensional nature of the external conditions affecting SME performance.

8. Theoretical Framework

Institutional Theory provides an important foundation for understanding the relationship between government policy and business performance. North (1990) [7] conceptualised institutions as the rules of the game that structure interactions among economic actors. Stable institutions reduce uncertainty by establishing predictable expectations regarding economic transactions, while weak or unstable arrangements increase transaction costs and make long-term planning more difficult.

Real Options Theory provides a complementary explanation. When investments involve irreversible costs and future conditions are uncertain, firms possess an option to delay investment until uncertainty is resolved. For a small-business owner considering equipment, a new location or additional workers, an uncertain policy environment increases the risk that expected returns will not materialise.

The economic policy uncertainty perspective further explains how uncertainty regarding government actions influences economic behaviour. Baker *et al*. (2016) [2] demonstrate that heightened policy uncertainty is associated with changes in corporate investment and employment decisions. The present study therefore integrates Institutional Theory and Real Options Theory within the broader policy-uncertainty perspective.

9. Empirical Review and Gap in the Literature

International empirical research generally indicates an adverse relationship between economic policy uncertainty and firm behaviour. Baker *et al*. (2016) [2] established that policy uncertainty has measurable implications for investment and employment. Hamza *et al*. (2024) [4] found significant evidence that policy uncertainty affects SMEs' investment decisions in France.

Nigerian studies provide broadly consistent evidence, although most have examined individual macroeconomic variables rather than policy inconsistency as a unified construct. Adeyokunnu *et al*. (2025) [1] reported that exchange-rate fluctuations negatively affected export-oriented small enterprises, while Ibitomi *et al*. (2025) [5] investigated the broader economic environment and SME performance. Origin and Obodozie (2026) [8] reported negative short-run effects associated with inflation and exchange-rate volatility.

Three principal gaps emerge. First, much of the Nigerian empirical literature concentrates on individual macroeconomic variables rather than government policy inconsistency as an integrated construct. Second, previous studies often measure SME performance primarily through profitability, output or sales, overlooking strategic outcomes such as survival and investment. Third, Nigeria has undergone significant economic-policy adjustments in recent years, increasing the relevance of contemporary firm-level evidence. This study addresses these gaps by examining policy inconsistency simultaneously in relation to business survival, investment and growth using evidence from 532 valid respondents.

Methodology

1. Research Design

The study adopted a cross-sectional survey research design to examine the effect of government policy inconsistency on small business performance in Nigeria, with particular emphasis on business survival, investment and growth. The design was appropriate because it facilitated systematic collection of quantitative information from business owners and operators concerning their experiences and perceptions of government policies.

2. Population of the Study

The target population comprised owners, managers and operators of micro and small businesses operating in Nigeria. Particular attention was given to businesses engaged in retail and wholesale trade, manufacturing, transportation, hospitality, agriculture and agro-processing, professional services, information and communication technology, and other service-related activities.

3. Sample Size and Sampling Technique

A sample of 554 small-business owners and operators was targeted. A multistage sampling approach incorporating purposive and simple random sampling techniques was adopted. A total of 554 questionnaires were distributed. Of these, 532 were properly completed and returned, while 22 were not returned or were unsuitable for analysis, producing an effective response rate of 96.0%.

4. Instrument for Data Collection

Primary data were collected through a structured questionnaire developed in accordance with the study objectives and variables identified from the literature. Section A obtained demographic and business characteristics. Section B measured perceptions of government policy inconsistency. Subsequent sections measured business survival, investment and growth. Most substantive items used a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

5. Validity and Reliability of the Instrument

Content and face validity were employed to establish the adequacy of the instrument. Questionnaire items were evaluated against the study objectives, hypotheses and constructs identified in relevant literature. Internal consistency reliability was designed to be assessed using Cronbach's alpha, with 0.70 adopted as the conventional minimum threshold before composite-scale inference.

6. Measurement of Variables and Model Specification

Government policy inconsistency (GPI) constituted the principal independent variable, while small business performance (SBP) represented the dependent construct. Performance was operationalised through business survival (BS), investment decisions (INV) and business growth (BG). The general relationship was specified as $Yi = \beta 0 + \beta 1GPIi + \varepsilon i$, where Yi represents the relevant performance measure, $\beta 0$ is the intercept, $\beta 1$ is the estimated effect of policy inconsistency and εi is the stochastic error term.

7. Method of Data Analysis

Data from the 532 valid questionnaires were coded for statistical analysis. Descriptive statistics, including frequencies, percentages, means and standard deviations, were specified for summarising respondents' characteristics and questionnaire responses. Pearson correlation and ordinary least squares regression were proposed for hypothesis testing where complete item-level data were available, at a 5% significance level.

8. Ethical Considerations

Participation was voluntary. Respondents were informed of the academic purpose of the research and assured that information provided would be treated confidentially and analysed in aggregate form. No respondent was required to provide personally identifying information.

Results and Discussions

1. Qestionnaire Administration and Response Rate

A total of 554 copies of the questionnaire were administered to selected small-business owners and operators. Of these, 532 questionnaires were properly completed and returned, while 22 were either not returned or were unsuitable for analysis. This represents an effective response rate of 96.0%, which was considered adequate for the analysis.

Questionnaire Status	Frequency	Percentage (%)
Distributed	554	100.0
Valid questionnaires returned	532	96.0
Not returned/invalid	22	4.0

Source: Field Survey, 2026.

The high response rate reduces the potential problem of non-response and provides a substantial empirical base for assessing the perceptions of the participating small-business operators.

2. Educational Characteristics of Respondents

Educational attainment was examined because entrepreneurs' educational backgrounds may influence their ability to understand regulatory changes, interpret government policies, maintain business records and respond strategically to changes in the operating environment. The survey information showed that 86% of respondents reported Ordinary Level (O'Level) education as the relevant educational category identified in the study.

Educational Indicator	Percentage (%)
O'Level	86.0
Other educational categories combined	14.0
Total	100.0

Source: Field Survey, 2026.

The dominance of O'Level education among respondents has important implications for policy implementation. Small-business regulations that are excessively technical, frequently amended or inadequately communicated may impose additional compliance difficulties on entrepreneurs.

3. Perceived Effect of Policy Inconsistency on Small Business Performance

The principal descriptive finding of the study concerns respondents' perceptions of the effect of government policy inconsistency on their businesses. The findings revealed that 68% of respondents believed that policy inconsistency negatively affected small business performance, while the remaining 32% did not report this negative perception.

Response	Percentage (%)
Perceived negative effect	68.0
Did not report a negative effect	32.0
Total	100.0

Source: Field Survey, 2026.

The result demonstrates substantial concern among the surveyed entrepreneurs regarding the predictability of Nigeria's policy environment. More than two-thirds of respondents associated government policy inconsistency with adverse business outcomes. This descriptive result does not, by itself, establish statistical causation, but it provides strong evidence that policy instability is perceived as an important constraint within the small-business environment.

4. Government Policy Inconsistency and Business Survival

Business survival represents an enterprise's ability to remain operational despite economic and regulatory pressures. The findings suggest that policy inconsistency is relevant to survival because unpredictable policy changes can alter the cost structure and operating assumptions on which small businesses depend. Changes in taxation, exchange-rate conditions, interest rates, energy prices, import regulations and compliance requirements can generate additional costs that small enterprises may find difficult to absorb. This interpretation is consistent with Baker *et al*. (2016) [2], who demonstrated that uncertainty surrounding government economic policies can affect firm-level decisions and broader economic activity. Origin and Obodozie (2026) [8] also reported negative short-run effects associated with inflation and exchange-rate volatility in Nigeria.

5. Government Policy Inconsistency and Investment Decisions

Investment decisions constitute another important mechanism through which policy inconsistency can affect small businesses. The survey's overall finding that 68% of respondents perceive policy inconsistency as negatively affecting performance is compatible with the proposition that uncertainty can discourage investment. An entrepreneur considering new machinery, additional employees, increased inventory or a new branch may postpone the decision where future taxation, exchange rates, interest rates or regulatory requirements are uncertain. This interpretation corresponds with Real Options Theory. Hamza *et al*. (2024) [4] found that economic policy uncertainty influences investment efficiency among SMEs, indicating that small firms modify investment behaviour in response to uncertainty.

6. Government Policy Inconsistency and Business Growth

Business growth requires a reasonable degree of confidence about future market and regulatory conditions. Policy inconsistency can weaken such confidence by shortening entrepreneurs' planning horizons. Businesses that would otherwise expand may instead adopt defensive strategies, including maintaining smaller inventories, reducing borrowing, postponing recruitment, limiting capital expenditure and concentrating primarily on maintaining current operations. Ibitomi *et al*. (2025) [5] examined several macroeconomic conditions in relation to Nigerian SME performance, highlighting the interconnected character of the external business environment.

7. Discussion of Major Findings

The central descriptive result of the study is that 68% of the surveyed respondents believed that government policy inconsistency negatively affects small business performance in Nigeria. Three major implications emerge. First, policy inconsistency can threaten business survival by generating unexpected increases in operating and compliance costs. Second, policy inconsistency can weaken investment confidence because entrepreneurs may postpone expansion and capital expenditure when future costs and returns are uncertain. Third, policy inconsistency can constrain business growth by encouraging short-term defensive strategies rather than long-term expansion. The findings complement Baker *et al*. (2016), Hamza *et al*. (2024) [2, 4], and Nigerian evidence linking unstable macroeconomic conditions with weaker SME outcomes.

8. Implications of the Findings

The results have important policy implications. With 68% of respondents identifying policy inconsistency as detrimental to business performance, policymakers should give greater attention to the predictability, sequencing and communication of policies affecting SMEs. Major reforms should be accompanied by clear implementation guidelines, stakeholder consultation and reasonable transition periods. Regulatory agencies across different levels of government should coordinate their activities to minimise contradictory directives and unnecessary compliance burdens. Overall, a predictable policy environment is an important component of sustainable small-business development.

Conclusion and Recommendations

1. Conclusion

This study examined government policy inconsistency and small business performance in Nigeria, with particular emphasis on business survival, investment and growth. Of the 554 questionnaires distributed, 532 valid copies were returned, representing a response rate of 96.0%. Significantly, 68% of the respondents perceived government policy inconsistency as negatively affecting small business performance.

The study establishes that policy inconsistency can affect small businesses through interconnected channels. Unpredictable changes in taxation, exchange rates, interest rates, energy costs, trade regulations and compliance requirements can increase operating costs and pressure limited financial resources. Uncertainty can also discourage entrepreneurs from committing resources to machinery, technology, inventory, additional employees and expansion.

The study therefore concludes that a stable, transparent and predictable policy environment is essential for sustainable small business development in Nigeria. This conclusion does not suggest that government should avoid necessary economic reforms. Rather, reforms should be coherent, properly sequenced, transparently communicated and consistently implemented.

2. Recommendations

1. Government should strengthen policy consistency and continuity and minimise unnecessary abrupt changes in policies affecting small businesses.
2. Adequate consultation with small-business associations, chambers of commerce and relevant stakeholders should precede major policy changes.
3. Reasonable transition periods should accompany major reforms so that SMEs can adjust to changes in taxes, tariffs, licensing requirements and other obligations.
4. Government should improve policy communication through clear and accessible guidelines, particularly given the educational profile of respondents.
5. Federal, state and local regulatory institutions should coordinate their activities to minimise conflicting

directives, overlapping regulations and multiple compliance requirements.
6. SMEs should receive targeted and transparent support during major economic reforms, including appropriate credit facilities, credit guarantees, tax reliefs and capacity-building programmes where justified.
7. Financial institutions and development finance agencies should expand affordable working-capital and investment-finance options for viable small businesses.
8. Policy impact assessments should become routine before and after major economic or regulatory policies are implemented.
9. Small-business operators should strengthen internal resilience through scenario planning, prudent cash-flow management, diversified sourcing and appropriate financial reserves.
10. Government should institutionalise an SME-sensitive policy framework across fiscal, monetary, trade, energy and regulatory policymaking.

3. Contribution to Knowledge

This study contributes to the literature by shifting attention from individual policy variables to the broader concept of government policy inconsistency and examining its implications simultaneously for business survival, investment and growth. It also reinforces the relevance of Institutional Theory and Real Options Theory in explaining small-business responses to uncertainty.

4. Suggestions for Further Studies

Future studies should employ longitudinal designs to examine how changes in government policies affect the same businesses over time. Comparative studies across Nigerian states, geopolitical zones or economic sectors are also recommended. Further research may separately examine taxation policy inconsistency, foreign-exchange policy uncertainty, monetary-policy changes, energy-policy instability and regulatory inconsistency using longitudinal administrative data or firm-level panel datasets.

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