

**GOVERNMENT FISCAL AND MONETARY POLICY FRAMEWORK:  
CHALLENGES FOR SMEs AND ENTREPRENEURSHIP IN  
NIGERIA'S DEVELOPING ECONOMY**

**Thesis submitted in accordance with the requirements of the University of  
Liverpool for the degree of Doctor of Business Administration**

**By**

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## **ABSTRACT**

### **Government Fiscal and Monetary Policy Framework: Challenges facing SMEs and Entrepreneurship in Nigeria's Developing Economy by Kevin Okey Nwosu**

This action research study explores various solutions to address problems faced by the researcher's business in Nigeria and possibly other businesses mostly Small and Medium Enterprises (SMEs) in the country over the years arising from ineffective government fiscal and monetary policies. Successive governments in Nigeria have made efforts to create conducive environments for SMEs to contribute adequately to growth and development of the economy. Several studies have shown that despite government's best efforts, SMEs still face significant challenges especially those outside their control (external to the SMEs) and occasioned by government policy decisions. These challenges militate against their survival and contribution to the country's economic growth. One of the early findings of this research is that government policy framework in general plays a central role in such SME challenges. The aim of this research is to explore the root causes of these external challenges within the context of government fiscal and monetary policy framework development by working closely with stakeholders, engaging them in an action research context, identifying underlying causes of these problems, making relevant recommendations and taking appropriate action through active engagement with policy decision makers for enactment of changes.

The study adopted an action research methodology with a qualitative approach to data collection at the initial stage of engagement with SMEs. A multi-site and

coalition based AR approach (Fuller-Rowell, 2009) was used for engagement between SMEs, their umbrella organisations and selected government parastatals, ministries, departments and agencies. The study involved a number of participants, mainly SMEs and their umbrella organisations. The study analysed their concerns and engaged government agencies and policy makers with those findings. The initial research stage starts with first level interviews for qualitative data collection involving 19 participants using in-depth one-on-one interviews. Apart from data collection, a critical aim of this phase is to enlist their eventual participation in an action research. During this phase, one group interactive discussion was facilitated by an SME umbrella organisation for some participants. Further interviews were held with principal officers of umbrella organisations and data collected from these three stages were used to engage policy makers in various government ministries, agencies and departments. The engagements with government agencies provided opportunity for more in-depth analysis, deeper reflectivity, sense-making and critique of the findings. Following these engagements, the research articulated key issues for consideration and enactment which became the springboard for active participation of SME umbrella organisations in government fiscal, monetary and other policy making process for the benefit of SMEs.

The study noted four critical inhibitors to growth and development of SMEs in Nigeria and concluded that these are symptoms of more deeply rooted problems of inconsistent and unstable policy environment. The first inhibitor is poor and inadequate infrastructure availability for businesses, secondly inadequate financing and lack of access to finance and thirdly prevalence of multiple regulatory agencies. Finally, high incidence of multiple taxation, multiple levies, duties and charges inhibit SME growth. Although inconsistent and unstable policy environment was also identified as a key theme, the research concluded that this critical inhibitor contributes significantly to the existence and negative

impact of the previous four on growth and development of SMEs in Nigeria. The challenges of inadequate infrastructure, poor access to finance, prevalence of multiple regulatory agencies, incidence of multiple taxation, etc. can be attributed to poor and inconsistent fiscal and monetary policy development initiatives by government. Although the research focuses on fiscal and monetary policy issues, the importance of addressing the problem of inadequate infrastructure became central during the research. The research explored policy development framework and identified participatory policy development approach as a possible way to achieve positive outcomes for SMEs. The resulting AR focus contributed positively to engagement between SME operators, SME umbrella organisations and policy makers within government agencies participating in the research. This group transformed into a useful platform for engagement among members and with stakeholders, reflection and sense making between various stakeholders. This engagement process partly influenced the following key actions by policy makers; (i) enactment of extensive participatory policy development approach with government co-opting SME umbrella organisations and embarking on SME Clinics in all states across the country seeking wider consultations and input from the stakeholders; (ii) Adopting an integrated policy development approach recommended and canvassed through the research participants following extensive engagement and reflexivity with key government agencies.

## **DECLARATION OF OWN WORK**

This is to certify that the thesis report presented in the following pages are the result of my research study and it is in partial fulfilment for the award of the degree of Doctor of Business Administration by the University of Liverpool.

## **APPROVALS**

This thesis was provisionally approved on Monday 2<sup>nd</sup> Nov 2020 as follows; that “the Professional Doctorate degree be conferred subject to the candidate making *minor* modifications to the thesis, which do not alter the substance of the thesis in any significant or fundamental manner to the satisfaction of one or more the Examiners as may be agreed between them.” Final approval was received on December 17, 2020

## **DEDICATION**

This work is dedicated to the glory of God and to His manifest presence in my life.

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## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Title Page	i
Abstract	ii
Declaration of own work	v
Approvals	vi
Dedication	vii
Acknowledgement	viii
Table of Contents	ix
List of Tables	xii
List of Figures	xiii
List of Appendices	xiv
Definition of Terms	xv
Chapter 1:           INTRODUCTION	1
1.1    Research Context and Background to the Problem	1
1.2    Research Purpose	12
1.3    Thesis Presentation and Structure	16
Chapter 2           LITERATURE REVIEW	18
2.1    Introduction	18
2.2    Government Support for SME Businesses in Nigeria	20

2.3	SME Policy Support Initiatives – Lessons from Other National Economies	35
2.4	Policy Development Models – An Analysis	40
2.5	Participatory Policy Development Models and Application to SMEs	45
2.6	Action Research Application to SME Policy Development Framework	56
Chapter 3.	RESEARCH METHODOLOGY	61
3.1	Research Approach	63
3.2	Research Data Collection Tools and Instruments	68
3.3	Research Population and Sample Selection	70
3.4.	Sampling Procedures Employed	74
3.5	Data Analysis Procedures Employed	80
Chapter 4.	CYCLES OF ACTION, REFLECTIONS AND SENSE-MAKING	84
4.1	Introduction	84
4.2	Data Collection Strategies	86
4.3	Data Analysis Strategies	91
4.4	Data Presentation	94
4.5	Analysis of Major Themes	108
4.6	Engagement with Groups Two and Three Participants – Pre Action Research Engagements	117
Chapter 5.	EVALUATION OF OUTCOMES AND DISCUSSIONS	130
5.1	Introduction	130
5.2	Integrated Policy Development Approach	132

5.3	Legal and Regulatory Changes	134
5.4	On-going Consultations and Progress	136
Chapter 6. CONTRIBUTIONS AND APPLICATIONS TO PRACTICE		139
6.1	Introduction	139
6.2	Contributions to Practice and Development	141
6.3	Use of Intervention as AR Practice	144
6.4	Improvement Strategies for the Organisation	145
Chapter 7. CONCLUSIONS, REFLECTIONS AND IMPLICATIONS		149
7.1	Conclusions	151
7.2	Reflections	155
7.3	Recommendations	158
REFERENCES		162
APPENDIX		176

## **LIST OF TABLES**

3.1	Characteristics of Umbrella Organisations	74
4.1	Participant Coding System	88
4.2	Analysis of Participants' Roles in Action Research	90
4.3	Theme Development System	92
4.4	Major Themes Coding Information	94

## **LIST OF FIGURES**

1.1	Proposed Research Process Phases	14
3.1	Action Research Cycle for Multi-Site and Engagement based Processes	80
4.1	Process Flow for Action Research Engagement Process	96
4.2	Perception of Importance of Themes by Participants	109
4.3	Bar Chart Showing Theme Importance to Participants	113

## **LIST OF APPENDICES**

Appendix 1:	Sample Interview Protocol used for the In-depth Interviews with Participants	176
Appendix 2:	Sample Participant Information Sheet	184
Appendix 3:	Sample Consent Form	189
Appendix 4:	List of Participants	192

## **DEFINITION OF TERMS**

Small and Medium Enterprises (SMEs) have been defined in various ways by different authors, bodies, organisations and stakeholders in general depending on their purpose, use and the objectives to be achieved. (Onugu, 2005; Ozioma-Eleodinmuo, 2015; Hashim, 2011). These definitions classify SMEs using Capital, Turnover, Employees, Total Investments, etc. For this research SMEs are defined as businesses with total investments not exceeding N500million, full time staff strength of a maximum of 250 people and annual turnover of a maximum of N1billion. Any business that falls within any two or more of the stated parameters will be classified as SME. The following definitions have been adopted for this research.

ACCI - Abuja Chambers of Commerce and Industry.

ADB/SEL - African Development Bank/Export Stimulation Loan.

AMEN - Association of Micro Enterprises of Nigeria

BOA - Bank of Agriculture

BOI - Bank of Industry - Government lending agency.

BPE - Bureau of Public Enterprises

CBN - Central Bank of Nigeria - Government agency

DBN - Development Bank of Nigeria - Government development bank.

GDP - Gross Domestic Product

ICRC - Infrastructure Concession Regulatory Commission

IDDC - Industrial Development Co-ordinating Center

ITF - Industrial Training Fund

LCCI - Lagos Chamber of Commerce and Industry.

MAN - Manufacturers Association of Nigeria representing all manufacturing companies in Nigeria.

MDA - Ministries, Departments and Agencies of both Federal and State governments.

MSME - Micro Small and Medium Enterprises.

NACCIMA - National Association of Chamber of Commerce, Industry, Mines and Agriculture; an association of various Chamber of Commerce in several towns in Nigeria

NASME - National Association of Small and Medium Enterprises which is one umbrella organisation of all SMEs in Nigeria.

NASSI - National Association of Small Scale Industries.

NBCI - Nigerian Bank of Commerce and Industry. 1973



NBS - National Bureau of Statistics

NEPC - Nigerian Export Promotion Council

NERFUND - Nigerian Economic Reconstruction Fund. 1989

NEXIM - Nigeria Export – Import Bank

NIDB - Nigerian Industrial Development Bank. 1964

NIRSAL - Nigerian Incentive Based Risk Sharing System for Agricultural Lending launched in 2011 to improve credit availability to MSMEs.

NSE - Nigerian Stock Exchange

NSIA - Nigerian Sovereign Investment Authority

NTP - National Tax Policy

SMEs - Small and Medium Enterprises

SMECGS - Small and Medium Enterprises Credit Guarantee Scheme.

SMEDAN - Small and Medium Enterprises Development Agency of Nigeria, a government agency focusing on SMEs.

SMIEIS - Small & Medium Industries Equity Investment Scheme

SSICS - Small Scale Industries Credit Scheme. Established in 1971

## **CHAPTER 1**

### **INTRODUCTION**

This section addresses problem definition and how the researcher's experience informs the choice of approach to resolving the problems faced by his company and other businesses that fall within the definition of SMEs. The context and nature of these problems will be discussed and the effect of government policies on them analysed. Government policy development and framework impact the business environment for SMEs. An analysis of the research questions will be done in order to set out critical research problems that are addressed in the research. Through review of extant literature and their reconciliation to the researcher's experience, policy development challenges further contribute to these problems. The research will review these policy challenges and using action research methodologies address the company specific problems and consequently aim to improve business environment for SMEs and possibly larger organisations.

#### **1.1 Research Context and Background to the Problem**

My company was set up in 2010 after I worked for over 25 years in Engineering and Financial Services sectors in Nigeria. The company initially focused on real estate development and later diversified into light manufacturing. The real estate business was affected by the economic meltdown witnessed in Nigeria as from 2013. The stock market crash made investors to lose large capital making investments in real estate difficult. The company diversified into manufacturing of fast moving consumer goods (FMCG) to take advantage of strong demand in this sector during economic downturns. The company employs about 120 workers and with annual revenues in excess of 750million Naira operating two factories located in Lagos and Owerri in Nigeria about 400km apart. The company faced

problems of inadequate capital, shortage of qualified and experienced human resources, unstable and often changing policy environment and infrastructural challenges among others. The poor performance of the real estate development business was driven by high cost of construction, collapsed real estate prices and very low demand. The FMCG business also experienced high raw materials cost due to depreciating local currency, reduced demand and other technical challenges associated with a manufacturing company. Both lines of business depend on imported raw materials and moderately high technical expertise. Various analysts have attributed the causes of the economic downturn to diverse factors depending on their perception of the issues. These developments affected both the real estate business and the manufacturing activities of the company and lasting solutions to these problems need to be developed for implementation on an on-going basis. Firstly, most private sector operators blame government for mismanaging the economy. The government through the researcher's interaction with SMEDAN, attributes these challenges to the collapse of crude oil prices and other global economic challenges outside their control. Nigeria is a mono-product economy dependent largely on export of crude oil which account for about 90% of the National Income (Ariyo, 2005).

### ***1.1.1 Research Problems***

The company analysed the problems and classified them into three broad categories. The first category comprises those problems that the company can handle by drawing from internal resources for example, dealing with poor infrastructure (for example power supply availability and road infrastructure). The second category are those that are systemic and result from external forces whether global or local, such as availability of machines and spare parts, foreign exchange rate fluctuations, adverse regulatory and fiscal actions that impact on the operations of the company, etc. The final category are those problems that

though are internal but require external support to achieve a resolution. Such problems that relate to quality and expertise of available manpower, inadequate capital and limited access to financing. The company realised that problems that require constant reactions and adjustments in response to government policy pronouncements seem to be more destabilising for business. Dealing with the problems of poor infrastructure availability, shortage of good quality manpower and other such internal challenges are largely within the control of the company. The solutions to these problems although achieved at a high cost are within the capacity of the company to handle. However, the business could not readily acquire needed machinery for production locally. These machines must be imported, installed and maintained by expensive foreign manpower. Availability of spare parts for repairs and maintenance is also an issue of concern. Another major challenge for the company is exchange rate fluctuations. For instance, by early 2014 when the feasibility study of light manufacturing of fast moving consumer goods was done, the business plan was based on an exchange rate of the local currency, Naira to the US Dollar of N180 to US\$1. Upon completion of constructions and installation of imported machinery, the exchange rates have increased to N380 to US\$1. This was inconceivable at the beginning of the project and impacted negatively on the company's working capital requirements, fixed asset acquisition plans, sales prices and almost all other inputs. Some of these problems are as a result of government action or inaction. Sudden depreciation of the local currency resulted from government mismanagement of the economy which relapsed into an avoidable recession. Policy changes by the apex monetary policy institution, the Central Bank of Nigeria (CBN), resulted in the sudden collapse of the local currency.

The company continued to address those problems that are internal albeit at a very high cost. The company had to cope with those problems that are external to it. These external factors are more challenging to deal with. My DBA experience

encouraged me to think differently about problems and explore possible solutions to them. Critical research questions that need answers were evident. Is it possible to work on creating a more conducive environment for businesses by engaging the government? Are there opportunities to explore solutions jointly within the sector? How do we articulate industry challenges and proffer effective solutions? How will these collective powers work? What forms of interactions with the government should these collaborative group engage with? Is it possible to align government policies to more effectively address problems facing SMEs and their business? Do we have an effective feedback mechanism to government on the effectiveness of policies introduced to address emerging issues within the economy? How can we, as a group of SMEs participate in policy development? These are questions that keep resonating.

### ***1.1.2 Problems facing SMEs***

My experience over the years were gained from working for large organisations and not SMEs. Starting with a multinational oil service company, Dowell Schlumberger, to the international accounting firm of Arthur Andersen and Co, the benefits of size and global reach were the hallmarks of this experience. My experience in the banking industry presented different perspectives. I joined a new bank in 1990 and spent over ten years there. My interactions with many SME customers exposed me to the challenges they face. The present challenges faced by my company are not different. My ability to appreciate these challenges from a practitioner point of view is shaped by my banking industry experience. As a banker, I experienced the challenges faced by SMEs while discussing ways of supporting them through loans, equity and management capacity development. As bankers, there is the need to develop thorough understanding of the customers' businesses in order to be worthy and useful partners to them. This was therefore

an invaluable experience. Although banks operate in highly regulated industry, they are not shielded from risks faced by SMEs in their operations.

The experience acquired in my over 20 years of banking career (a largely private sector-controlled industry that provide services to SMEs) became relevant here. Some of these SMEs evolve to become large corporations. My banking industry experience brought to the fore challenges faced by SMEs in business development. I saw new SME businesses flourish and flounder while grappling with difficult economic conditions. SMEs can hardly utilise interest bearing loans profitably. I followed developments that revealed negative impact of poor infrastructure on SMEs and their ability to compete. One particular company whose owner decided to migrate from trading to manufacturing was hard hit by depreciating local currency having borrowed in foreign currency to finance importation of machinery. Although the company product remained the same as when they were trading and the foreign currency loan was at a lower interest rate, the resulting depreciation in the local currency made it impossible for the SME to meet that obligation because their cash flow receipts were in local currency and local commodity prices do not necessarily mirror foreign exchange rate changes. These issues created enormous constraints for the growth of the banking sector and for economic growth in general. The economic landscape was filled with businesses that failed due to unfavourable policies. Sometimes, whole industrial sectors were affected. The textile industry (Aba Textile Mills, Kaduna Textile Mills, etc), the glass making industry (International Glass Industry Ltd, etc), motor vehicle assembly plants (Peugeot Automobiles Nigeria Ltd Kaduna, Volkswagen of Nigeria Ltd, Steyr Truck Assembly Bauchi, etc), local manufacturers of soap, etc were entire sectors that failed. Most of these faced similar systemic and policy related challenges.

I began to face these same problems of unfavourable and often inconsistent government policies in my company. The pertinent question here is how do I react to these challenges? Do I just identify them, list the factors and propose solutions by calling on government to support SMEs further? The enormous negative implications on businesses especially on my business are in fact avoidable. My exposure to problem solving strategies in the DBA journey provided a new insight for me. A research study focusing on streamlining challenges faced by SMEs in addition to articulating actionable and possibly novel and effective solutions for implementation will be beneficial to me as a researcher, my company, other SMEs and government. A careful enactment of these recommended actions can be undertaken which may result in changes that improve the operating environment for SMEs. In my view, this will mark a different approach to addressing SME challenges. How do I apply the action research concepts learnt during the DBA journey to this problem? This concept seems to provide a basis for reflection in action and results, from my experience, in new ideas that somehow provide innovative solutions to workplace problems. The foregoing challenges are faced by an entire business sector with several organisations and not just my organisation alone. It is easy to resign to fate and into the hands of government policymakers and pursue a solution specific only to my organisation. How effective will this be? Is it even possible to influence policies that support only one player in an industry? How do I apply the AR concept to this sector and across organisations while providing benefits to the individual organisations within the sector especially my company? Literature review threw up the possibility of what Fuller-Rowell (2009) called multi-site action research. As a player in the sector, the researcher is uniquely positioned to galvanise key industry players and government agencies into action. The relevant research question becomes how to organise and collaborate as SMEs to participate in policy development. Drawing from the DBA insights and the experience and contacts made while in the banking industry (an industry



occupying a critical position in the economic landscape of the country and relating with all key players), the researcher, through this research, aims to build a credible coalition involving SMEs, SME umbrella organisations, government agencies and parastatals including possible legislative interface if required to device innovative ways to address these challenges. This means engaging government at the point of policy development initiatives and framework.

The dominance of policy challenges in SME problem definition provides an opportunity to explore policy development in greater details. Policy development, its framework, practices and approaches come into focus. In order to further develop this, it is necessary to review extant literature on policy development and how SME policy development can be influenced by those who are not involved and by the SMEs themselves. Policy development initiatives and frameworks have varied over time in Nigeria. According to Ozioma-Eleodinmuo (2015), perception of government policies by SMEs are negative and policy awareness vary widely among SMEs but there is a consensus on the lack of impact of most of these policies. The continuing presence of the same challenges facing SMEs after several years of intervention is evidence that these initiatives have limited success. The policy development framework and strategies need further research with significant paradigm shift to focus on the root causes of these challenges. Literature on policy development framework suggest several models that can be classified into two broad areas namely; professional policy-making model discussed by Parsons (2001) and participatory approach argued by Irvin & Stansbury (2004). In the professional policy-making model, both politicians and civil servants formulate policies often without consulting key stakeholders. However, the participatory model involves key stakeholder participation and effective input into policy formulation. According to Parsons (2001), the professional policy-making model is prescriptive and simplistic resulting in what the proponents adjudge as best practice and not necessarily effective in addressing

the key issues at stake. The participatory approach however, although costly and time-consuming can result into new insights and more acceptable policies from the point of view of stakeholders.

A review of literature on policy development framework in Nigeria as it relates to SMEs suggest that both professional policy-making model and participatory approach have been applied at various times in the past. The processes leading to the development of these policies often affect their effectiveness with the few developed from participatory approach making greater impact. Participatory approach will most likely address critical stakeholder concerns and help in anticipating policy changes as well as inconsistencies. This research will explore the concept of participatory policy development approach within the context of the challenges facing SMEs as it relates to policy development, policy inconsistencies and frequent policy changes.

### ***1.1.3 Importance of SMEs to Nigeria***

This section will discuss the importance of SMEs to Nigeria's economy and how literature shapes my perception of the problems and the way to address them through this research. The section will further explore effectiveness of the solutions discussed in literature to address problems facing SMEs and the implication of collective action on the suggested solutions to these problems. The section will explore how this problem relate to policy development? How can policy development framework be useful in addressing some of these issues?

The problems encountered by the researcher's company is not strange or peculiar. Ariyo (2005) and Ozioma-Eleodinmuo (2015) identified similar problems in analysing SMEs in Nigeria and classified these factors as internal or external factors. Internal factors include the perennial problem of insufficient funding

available to entrepreneurs, lack of focus in terms of strategic direction, inadequate feasibility studies arising from lack of exposure and understanding of the usefulness of this exercise, inexperience, poor bookkeeping and record keeping. These inadequacies can make the difference between SMEs. For instance, one SME owner, ignorant of replacement cost of his product, assumed that increased sales volume and escalating selling price of his product under a fast depreciating local currency regime translate to increased profitability. Poor and inadequate cost accounting systems and strategy contributed to the eventual failure of the business.

External factors are those that have implications on the SME but over which the entrepreneur has little or no influence or control. Results from empirical studies by Ariyo (2005) and Ozioma-Eleodinmuo (2015), are consistent with the researcher's current experience. They can be broadly identified as poor infrastructure such as power supply, roads, water etc., lack of access to credit, multiple taxation and other government levies, unfavourable fiscal policies, policy inconsistencies, reversals and shocks in the system, unfavourable monetary policies, inadequate security of lives and properties, poor technological infrastructure and poor legal framework, lack of qualified manpower among others. The pervasive cause of these class of problems can be traced to poor policy development practices by government which should be addressed through collective and collaborative action by SMEs and other relevant stakeholders.

All over the world SMEs contribute significantly to economic growth and this underscores the consistent response of various governments to the problems facing SMEs. Pickernell, Atkinson & Miller (2015) and Onugu (2005) emphasise this by showing the important contributions of SMEs to different economies especially their capacity to create employment. Government response to solving these problems have been through policy formulation over the years. Apulu

(2012) and Ajibefun & Daramola (2003) discussed various policy interventions by the Nigerian government over the years. Government policies aim to address both internal and external factors identified above. While these policies attempt to provide solutions, both Ariyo (2005) and Ozioma-Eleodinmuo (2015) identify policy inconsistencies and reversals, unfavourable fiscal policies and policy shocks in the system as part of the problems as well. Why is it that the proposed solution approach has also become the problem? The researcher's experience discussed in the preceding section corroborates this literature finding. A critical objective of most SME umbrella organisations is to provide common platform for engagement with government to address challenges facing SMEs. These systemic challenges posed by government are what industry operators expect them to address through enactment and effective implementation of appropriate policies.

From the foregoing analysis, poorly articulated policies, policy inconsistencies and policy reversals constitute major impediments to the growth and development of SMEs. What is the underlying reason for this research especially the relationship and implication of policy development on SME businesses? The researcher's banking industry experience corroborates the importance of government policy development action on SME business environment. Preliminary literature review shows that policy development application to SME problems have not been extensively studied. An application of this concept to action research may be useful in solving some of these SME problems. Ajibefun and Daramola (2003) traced the onset of policy development initiatives of Nigerian governments in relation to SMEs to the early 1970s. They argued that these policies focused on providing funding assistance, enabling environment and other critical measures to help the growth of enterprises in this sector. The critical issue of stability and consistency of these policies and initiatives are not recognised. For instance, one key policy formulated by government through the

CBN is the Small and Medium Enterprises Equity and Investment Scheme (SMEEIS). This scheme was introduced sometime in the late 1990s and within six years, it was discarded before its impact can be felt. Such policy reversals are prevalent in the sector and could be a major destabilising factor.

What could be the underlying reasons for inconsistent and unfavourable government policies? One of the major drivers of constant policy reversals and inconsistencies in Nigeria is frequent changes in government. Lupu & Reidl (2012) argued that political uncertainty is too high in developing democracies concluding that “the probability of institutional change is high, and there is a high likelihood of authoritarian reversal” (pp. 1342). This is a very critical issue affecting business in Nigeria. Even under a democratic dispensation with elections every four years in Nigeria, policy reversals are certain to occur as new governments take over thereby creating avoidable uncertainties in business circles as elections draw near. The inability of government business to be isolated from political interference and coloration has continued to affect successive government policies and consequently impacting businesses.

Following from the above, unfavourable, unstable and inconsistent government policies breed uncertainties in the business environment which significantly impacts businesses. In Nigeria, most economic downturns are further compounded by the poor reactive government policies that follow. For instance, most textile manufacturers (mainly SMEs) folded up as a result of poorly articulated import policy that resulted in large volumes of cheap imported textiles thus making local manufacturing uncompetitive. Many SMEs have faced difficult times and even extinction due to their inability to anticipate the enormous negative impact of new government policies on their businesses. Volberda & Lewin (2003) referred to uncertainties and exogenous discontinuities arising from political transitions and necessitating policy changes and how this can affect the

strategic direction of organisations and their leaders. It is also important to articulate the impact of the policy thrust of government on these policy inconsistencies and reversals. Wonka & Rittberger (2010) discussed issues arising from political uncertainties within the framework of complex adaptive systems (CAS). Williamson and Prosser (2002) argued that clearly reflective thinking and political acumen are critical in addressing challenges arising from complex political environment with the uncertainty it connotes. Stacey (2011) recognised that organisations are systems that operate within a complex network of inter-related systems affecting and influencing each other with underlying political implication.

The foregoing literature further informs the researcher's experience in dealing with SMEs especially the impact of policy development and the attendant inconsistencies on their business. This research will focus on exploring the implications of these policy frameworks, the policy development strategies in addition to the inconsistencies and their impact on SMEs.

## **1.2 Research Purpose**

The purpose of the research is to address the issues raised in the problem definition and provide answers to such research problems as follows;

- Are there opportunities to explore solutions jointly within the sector? Or How can key industry players be galvanised to act jointly?
- How do we articulate shared industry challenges?
- How do we align government policies to more effectively address problems facing SMEs and their businesses?
- How do we jointly interact with government agencies? What approaches and strategies do we use?

- How do we develop an effective feedback mechanism to improve our interactions with government agencies?

The primary focus of the research is to explore solutions for the researcher's company problems. In particular, problems relating to unfavourable impact of poorly articulated government policies on foreign exchange rates, interest rates and fiscal regime. With this in mind, the research process will involve an exploratory study that identifies the challenges facing SMEs, which from preliminary literature review aligns closely to the problems faced by the researcher's company, as a result of poor government policies, inconsistencies and frequent changes in policies. This phase will focus on practitioners especially SMEs. The research will then identify key stakeholders both within SMEs such as the umbrella organisation of SMEs, various government departments that interface with them for example SMEDAN, legislators, other ministries, departments and agencies (MDAs), monetary authorities and other regulators. These stakeholders will jointly and/or independently review and analyse the preliminary findings from the research. The research will then involve the action element requiring these key stakeholders to take action towards implementation of the recommendations. This phase of the research will provide an iterative process of taking action and evaluating the impact of the action and making required modifications for subsequent action. Depending on the nature of the action, the researcher and the participants plan to constitute relevant lobby to obtain action from government. Figure 1.1 shows the various phases that are planned for the research process.

Both Ozioma-Eleodinmuo (2015), Onugu (2015) and Edoho (2016) identified issues relating to government monetary policies such as exchange and interest rates, availability of foreign exchange, availability and cost of funding for SMEs as problems for these businesses. In addition, such fiscal challenges that relate to

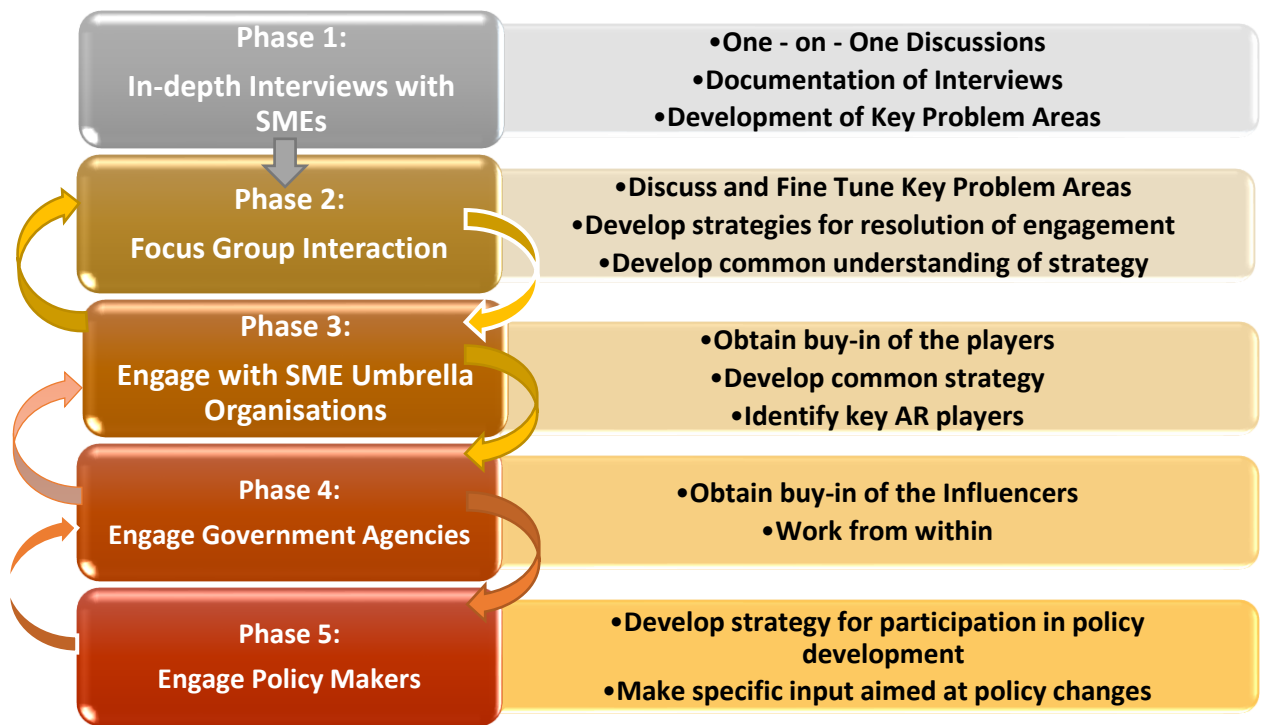


Figure 1.1: Proposed Research Process Phases

multiple taxation, multiplicity of duties, charges and rates including the problems associated with dealing with multiple regulatory agencies are some areas that these authors identified will form the focus of this study. The research will also focus on the phenomenon that recurs whereby government policies in these areas are often inconsistent, constantly changing and in most cases creates bottlenecks for effective operations of SMEs.

Houghton & Leddington (2004) described engagement approach as a process to “first of all engaging ideas and second as a process of managing and understanding what happens when ideas are engaged” (pp. 498). This third stage



of the research follows from this argument. The preliminary findings will be discussed with policy makers through the relevant government departments to elicit action in this area. This stage will involve an iterative process requiring action by government policy makers, SME practitioners and government regulators. The action will be guided by the outcome of the research and whatever actions that are recommended and taken will be reviewed for effectiveness.

### ***1.2.1 Importance and Limitations of the Research***

This research is important to my business, other businesses, organisations, government, SMEs in particular and other stakeholders. It may be difficult to develop a universal model to approach strategic challenges posed by policy inconsistencies in developing countries or the political uncertainties that contribute to the problem. It will however be useful to formulate contextual frameworks to address key issues surrounding the problem. For example, Sullivan, Hegney & Francis (2013) made important contributions in developing a framework to assist governments using AR as a collaborative strategy. Their work provided practical guides relevant to successful AR application in government. Developing a practical framework that identifies key risk areas for businesses and attempting to establish contextual basis for solution processes taking into consideration, the uncertainty of policy direction, could be valuable. The unique characteristics of developing economies is another critical consideration that increases the complexity of the problem. The research is therefore limited in the sense that the problem is contextual and a generalised framework may be difficult. The focus on Fiscal and Monetary policy impact is another limitation of the research which became clearly evident during the interaction with SMEs. In addition, the timeframe within which this research needed to be concluded presented a peculiar challenge given the bureaucratic bottlenecks associated with government responsiveness to changes.

### **1.3 Thesis Presentation and Structure**

This thesis comprises seven chapters structured to provide clear and concise information on the research process. The introductory chapter provides information on the research context and the researcher's motivation to undertake the research including an explanation of the structure of the thesis report. The second chapter further

The second chapter presents detailed literature review exploring research work done in respect of SMEs and policy development framework. It throws more light on available work done in this area and the extent of knowledge expounded in this research subject. The chapter reviewed SME policy development with Global and African perspectives focusing on possible opportunities for learning and application to the Nigerian environment. It explores the policy development framework and evaluates the different models available in literature with a critique on its applicability to the research context. This policy development framework review helps in locating the research appropriately and in framing the research question better. It helps the research to focus not just on the symptoms that reflect as challenges facing SMEs in Nigeria, but clearly locates the problems within the policy development framework for SMEs. It further reviewed literature on Nigerian perspectives and explored Action Research (AR) application to SME policy development. The third chapter presents the research methodology, defining the research approach, data collection tools, main stakeholders selection and their participation in the research. It provides a justification for the choice of research methodology and research context. The chapter also describes data analysis procedures employed in the review of data obtained through in-depth interviews.

The fourth chapter presents the research data and cycles of actions and sensemaking of data obtained. This chapter documents transformative aspect of action research by presenting stakeholder reflections on SME policy development environment. It further documents action taken within the research context and outcome of such actions providing the iterative process of the research. Chapter Five documents evaluation of outcomes of actions initiated and taken during the research and discussions on their impact. Chapter Six provided an opportunity to reflect on the contributions that the research made to my business and highlights some strategies adopted to improve the business. The last chapter deals with conclusions from the action research, implications, limitations, reflections and recommendations for further research work.

In summary, the research aims to explore the complexities of entrepreneurship in developing economies especially within the context of unfavourable government policies and using an AR approach, engage policy makers in solving identified problems. The research challenge is informed by the researcher's experience over the years in building institutions under very adverse and challenging business environment accentuated by high government interference through policy making. The aim is to contribute a possible framework or process that is actionable, and can lead to development of coordinated policies that can complement each other in providing effective solutions to challenges faced by SMEs. The research is limited to the context of the researcher's business and participating business leaders. In addition, it addresses a narrow policy perspective focusing on some government monetary and fiscal policies. The research outcome is expected to have practical usefulness and impact on the researcher's organisation in particular, while ensuring that it benefits other businesses especially SMEs and is a useful addition to the body of knowledge within its contextual limitations.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The primary aim of the research is to study the challenges faced by Small and Medium Enterprises (SMEs) in Nigeria arising from Government Fiscal and Monetary Policy interventions and explore possible solutions to these challenges. In particular, the researcher's business organisation will benefit from solutions to these problems. There has been significant contributions from different authors on the various government support initiatives aimed at developing SMEs both in Nigeria and elsewhere across the world. Most authors argue that while some support initiatives have recorded reasonable levels of success, others have failed. The prevalent focus by government on new initiatives to support SMEs is an indication of the wide gap between the current realities and the expectations of both governments and SMEs themselves in respect of the contribution of SMEs to the development of the economy.

As stated earlier, the primary aim of this research is to explore possible solutions to the challenges faced by SMEs in Nigeria arising from Government Fiscal and Monetary Policy initiatives. Government intervention in various sectors come through mainly policy initiatives that serve as tools for implementation of government initiatives. Various SME policy support initiatives are available in the literature including how they apply to various countries and regions, analysis of the assessment of their impact on growth of various economies and how these policy initiatives have evolved over time among other considerations. What are the different forms of support initiatives provided by the government? How have they assisted SMEs in their growth and development? What are the lessons learnt

from the implementation of these support initiatives? What are the underlying assumptions and the theoretical underpinning involved in the development of these policy initiatives? What are the various policy development models available in the literature? Specifically, how have the SMEs been impacted by the fiscal policy support initiatives by government and the various monetary policies aimed at assisting their growth? This chapter will explore answers to the foregoing questions and analyse the relevant studies and research on the business support initiatives by government, the various forms, the nature and extent of these support initiatives, the assessment of their impact and the reasons for the success or failure of these initiatives. The chapter will consider among others, the fiscal and monetary policy initiatives available in Nigeria over the years, their impact on SMEs and how they have benefited from them. The literature will further explore impact of global policy development models, trends and perspectives focusing on SME growth and development. It will also focus on how the fiscal and monetary support initiatives have impacted SMEs generally. The chapter will also analyse key aspects of government fiscal and monetary policy development and implementation and assess how it accommodates the peculiar situations faced by SMEs and Entrepreneurs. The various studies that apply action research processes to resolving government policy challenges in SME or other sectors will be analysed as well. The AR process basically provide a platform for engagement of stakeholders towards solving the identified challenges. The researcher's experience in the finance sector and now as an entrepreneur managing a business has exposed him to the inextricable tie of the business environment with government policies. The framework for policy development for any government is therefore a critical process in its policy formulation and the success of these policies shape the nation's business and economic environment. According to Ozioma-Eleodinmuo (2015) policy makers in Nigeria do not involve various stakeholders in policy development. Policy makers apply various policy development models depending on the preferences

and prevalent customs. This chapter will review policy development models relevant to this study and analyse how their application can inform the research paradigm. The author will aim to identify to what extent these policy development models address or fail to address the salient issues that are presented in the problem formulation for this research. The available literature will be reviewed and the drawbacks and the strengths of the selected model will be identified including how it helps in properly defining the research objective. The analysis of policy development models is very important as it helps the researcher to locate the appropriate focus for study. It aims to explore in greater details, the root causes of these challenges by focusing on how policies guiding SME activities are formulated. It raises several questions on policy imperatives for SME operations and clearly guides the research to this important aspect.

The chapter will therefore address among other things, the literature analysis of government support for SME businesses in Nigeria, SME policy support initiatives in other economies, policy development models and specifically, participatory policy development models for SMEs and then review the AR application to SME policy development framework.

## **2.2 Government Support for SME Businesses in Nigeria**

In Nigeria, the importance of SMEs can be gleaned from various studies that highlight government support for SMEs. SMEs contribute over 70% of employment in the economy (Egbeide, Ade'Agbude & Uwaigbe, 2013) and can contribute over 70% of the country's Gross Domestic Product (GDP). Onugu (2005) argued that SMEs in Nigeria are not yet contributing at the levels prevalent in other similar economies especially in terms of employment, job creation, contribution to GDP and overall economic growth. According to Oyelaran-Oyeyinka (2008) SMEs in the country represent about 90% of the manufacturing

and industrial sector in terms of number of enterprises but contribute less than 1% of GDP compared to over 50% in most other countries of Europe and US. Ozioma-Eleodinmuo (2015) argued that SMEs have potentials for increased contribution to the local economy, however, several factors are constraining their growth and development.

Existing government support initiatives can be classified under Finance, Capacity Development, Harmonization of Taxation Policies, Establishment of Industrial Parks and SME Development Centres, and Addressing Infrastructural Gaps.

Finance remains one area where government has focused on extensively over the past years. The government introduced several initiatives to address inadequate financing for SMEs over the years. SMEDAN provided list of such initiatives as follows:

- (1) Nigerian Industrial Development Bank (NIDB) established in 1964 and Nigerian Bank for Commerce and Industry (NBCI) in 1973, later merged to form present Bank of Industry (BOI) with mandate to support SMEs through lending at affordable interest rates.
- (2) The National Directorate of Employment established in 1989 to develop individuals and assist them in setting up small scale industries with financial assistance for beneficiaries.
- (3) Several Central Bank of Nigeria initiatives for SMEs financing such as Small and Medium Enterprises Equity Investment Scheme (SMEEIS), Microfinance Bank, Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) to provide guarantees to participating commercial banks and development finance institutions for their lending to SMEs,

Agricultural Credit Guarantee Scheme Fund (ACGSF) for SMEs in agricultural sector and Nigerian Incentive Based Risk Sharing System (NIRSAL) for agricultural lending to improve credit availability for MSMEs among others.

(4) Other SME focused interventions such as, National Economic Reconstruction Fund (NERFUND), Rural Financial Institution Building Programme (RUFIN), Bank of Agriculture (BOA), Agricultural Credit Support Scheme and the commercial agricultural credit scheme.

(5) Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) established via the SMEDAN Act 2003 (as amended) as a critical apex agency for the facilitation of SME growth in Nigeria.

In most nations, access to funding and such capital and finance related issues have been a critical element of government intervention policies for SME sector. This tendency is observed in both developed and developing economies and for both transitioning and market-driven economies. This is evidenced by studies presented by Lee & Drever (2014), Hashim (2011), Van der Schans (2015), Klonowski (2010), Massey & Cameron (2014), Obeng & Blundel (2015) and Ozioma-Eleodinmuo (2015). Wang (2010) analysed the impact of various Chinese government policies on SME.

Capacity development is also an area where some efforts have been made. These efforts are often embedded within the funding agencies and have not been given the emphasis it deserves. For instance, NDE is primarily established to develop individuals to set up SMEs and continuously improve their skills in these areas. However, the financing aspect has taken more prominence over the years.



The government over the years enacted tax incentives for SMEs and other businesses. However, the incidence of multiple taxation arising from the powers of various state and local government to enact laws for internally generated revenue has effectively made this a disincentive to businesses. In addition, yearly review of duty rates and the use of various tax tools including VAT and others have continued to increase the burden of taxation on businesses resulting from adverse fiscal environment.

Fiscal policies, especially taxation have significant impact on SMEs. Beca & Nisulescu-Ashrafzaddi (2014) argue that taxation policies can influence growth and development of SMEs. For instance, reducing Personal Income Tax can stimulate investments, while additional reduction in social contribution can increase labour supply thereby reducing unemployment. SMEs generally allocate savings from tax incentives and discounts to further investments in business growth (Afshari, Ardabili & Ali, 2012).

From the above perspectives, fiscal and taxation policies form critical areas of government support for SME growth. There is a significant impact and direct relationship between government policies on taxation and SME growth and development. SMEs are more efficient in allocating resources, workforce, assets/capital & technology to obtain synergy in their operations. Multiple taxation and proliferation of levies have negative impact on SMEs (Idoko, Nkamnebe & Amobi, 2013, Tambunan, 2008). The Chinese experience is consistent with the foregoing (Nguyen, Alam & Parajogo, 2008). The effect of tax and other fiscal policies on SME development in Nigeria will be explored in this research.

The creation of Industrial Parks and SME development centres is another support initiative by both federal and state governments for SME growth. These are aimed

at addressing infrastructure gaps and ensuring that SMEs are located in areas where they enjoy comparative advantage for a wide range of costs and revenue improvement opportunities.

For the Nigerian business environment, most literature focused on identifying and analysing the reasons why SMEs are consistently underperforming despite the perceived support by government. Onugu (2015), Egbeide et al (2013), Ozioma-Eleodinmno (2015) and Oyelara-Oyeyinka (2008) identified several factors affecting SMEs. These are classified as internal and external factors. Some internal factors include insufficient capital, lack of focus and inadequate feasibility studies, inexperience, poor bookkeeping and record keeping, poor human resources skills, inadequate training & lack of succession planning. External factors include irregular supply of electricity for SMEs, poor road and other infrastructure, lack of access to credit, multiple taxes and levies, unfavourable fiscal policies, policy instability, insecurity, unfavourable monetary policies and poor technological infrastructure. While internal factors can be address by SMEs, external factors are out of their control and difficult to address by these SMEs. These factors include both fiscal and monetary challenges faced by SMEs.

Most of these studies identified several government intervention programmes aimed at addressing these adverse factors impeding SME growth and development. However, perception of government policies by SMEs in Nigeria are very negative according to Ozioma-Eleodinmuo (2015). This poor perception drives most of the reactions of entrepreneurs to government policies. The study effectively shows that while government policies are geared towards addressing some challenges that policy makers think are critical, SMEs believe their challenges lie elsewhere. There is a level of disconnect between government policies towards SMEs and what SMEs feel are critical for their business. This is

akin to the translation gap and the satisfaction gap presented by Woods & Miles (2014) mainly because of the absence of strategic conversations. This level of distrust has the potential to create apathy among SMEs and therefore affect their attitude towards availing these programmes for their benefit.

Ajayi (2016) identified some policy support initiatives by government and argued that SMEs themselves have to be aligned more closely to the economic environment. The author examined the impact of external business environment on activities and performance of Micro, Small and Medium Enterprises (MSMEs) in Nigeria. Despite the often well intentioned government policy initiative, a good understanding of the impact of developing economic trends whether fiscal or monetary will help SMEs position themselves appropriately to deal with the uncertainties of the environment. The author's argument on the relationship between knowledge of the business environment and success of SME is relevant to this research. While policy enactment affects the business environment, the ability of the entrepreneur to react proactively to these policy changes is critical. This research will explore the external environment especially the fiscal and monetary environment including the resulting infrastructural and regulatory interface which are capable of either impeding or facilitating entrepreneurial activities in the economy. Ajayi (2016) concluded that SMEs should understand the external business environment, appreciate the impact on their business activities, identify threats and opportunities while at the same time updating their knowledge, understanding and skills to meet the ever-changing business environment.

Agwu (2014) acknowledged government intervention aimed at giving SMEs access to capital. There are several programmes by both the Federal Government and some State Governments aimed at providing easy access to capital for SMEs. Although the research was descriptive, it highlighted the impact of poor

financing, inadequate social infrastructures, multiple taxation and other challenges which constitute major impediments to the growth and development of SMEs between 2012 and 2013 in Port Harcourt, Nigeria. Despite focused intervention programmes in these areas, not much has been achieved. The author argued that most problems of SMEs (such as capital shortage, taxation and regulations, product liability patent and franchising abuses) are external to it, and however identified policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups as constituting major external problems to SMEs in Nigeria. Taxation and other fiscal challenges were emphasised by the author citing major implication of policy reversals in this area and the unfavourable tax laws that results in businesses being taxed both by the Federal, State and Local Governments. Agwu (2014) further argued that instability in government policies arising from unstable policy environment have caused some SMEs to collapse. This reference to policy enactment by the author is instructive as it attempts to highlight critical drawbacks in the manner of policy enactment by government. The research assumption for this study is based on the pervasive adverse impact of policy inconsistencies on SMEs and the need to critically review this issue.

Access to finance has seen very dominant research by various authors and is perceived as contributing to the challenges of SMEs. Akande (2013) argued that finance contributes about 25 per cent of the success of SMEs. It is however debatable if the absence of this 25 per cent contribution can lead to failure of the SME. The author however examined the impact of entrepreneurship programme on SME business operation performance in Nigeria. This research is predicated on the belief that entrepreneurship programme is a key determinant of economic growth in developing economies. While finance is important, other factors can further complicate the challenges of SMEs. Factors such as infrastructure adequacy, human capital development, economic and business environment dictated by monetary and other fiscal policy instruments. Akande (2013) also

highlighted the challenges and problems faced by SMEs especially in Nigeria focusing on issues surrounding lack of critical infrastructure such as power supply, good roads, etc., lack of access to capital or financing, lack of planning, inimical government regulations, poor marketing strategies, lack of technical know-how. The author acknowledged the fact that some of the challenges facing SMEs are induced by the operating environment and identified government policies and globalisation effects as two of such factors. Akande (2013) also argued that lack of access to finance is further worsened by the reluctance of banks to invest in SMEs due to the high risk and the uncertainty of the investment climate.

The problem of inadequate capital constrains SMEs ability to invest in appropriate technologies to drive their business. Access to and utilization of available technology can greatly affect growth of SMEs. Since Research and Development can be expensive but critical to SMEs, Czarnitzki & Delanote (2015) suggested preferential treatment to small, young and independent firms that are active in high technology sectors. Nikzad (2015) acknowledged that the cost and complexity of Intellectual Property (IP) systems and rights is a deterrent to SMEs and advocated policies to support SMEs in this regard.

Akande (2013) further argued that government inability to execute favourable fiscal policies and policy inconsistencies has undermined the capacity of SMEs. The author cited Njoku (2002) who identifies inconsistencies in government policies as a major problem affecting SMEs in Nigeria. Exploring the issue of policy inconsistencies in greater details can further the discourse on creating a more conducive environment for SMEs to develop. While Akande (2013) emphasised the importance of policy stability on SMEs, this is however subsumed within a broader outlay of what in my view are symptoms of the policy challenges. The author therefore did not explore the issue of policy challenges in

greater details. From the foregoing, various authors have suggested policy inconsistencies and instability as a major factor militating against SMEs. This research will explore this issue in greater details.

An important aspect of SME performance and growth is the ability of SME managers to understand and take advantage of the various government support initiatives. This is fundamental as most policy instruments introduced in Nigeria were in fact adapted from other countries albeit poorly as argued by Mamman et al (2018). Asikhia (2016) suggested that quality human resources and in particular the CEOs expertise is the highest contributory factor to wealth creation capability of SMEs. According to Asikhia (2016) human resources, technology adoption, innovation and creativity, unit cost economies, organisational infrastructure and strategy are critical elements and characteristics that can impact on SMEs ability to create wealth and consequently grow. This perspective provides a good basis to seek a proper redirection of the competencies and strategic initiatives for SME CEOs. The study methodology for this research will focus on attracting SME CEOs with the aim of encouraging critical thinking and reflexivity towards exploring the root causes of these problems and proffering actionable resolution strategies.

One of the major challenges associated with SMEs accessing government support initiatives is the sincerity of the SMEs. Some of these government support programmes are politically motivated and most SMEs accessing these facilities have no long term business development strategy. Edoho (2016) presented an analysis aimed at providing guidance to African governments by formulating a framework for policy development that engender entrepreneurship opportunities and ensure that support programmes encourage innovation and performance. Entrepreneurship policies should stimulate economic growth as a necessary condition for employment generation and poverty alleviation. The author

reviewed relevant data and information from multiple relevant sources such as the Central Bank of Nigeria, SMEDAN, etc. Edoho (2016) differentiated between necessity-driven entrepreneurship where the business is established by the owner as a means of survival and opportunity-driven entrepreneurship where the business is set up to exploit perceived opportunities. Edoho (2016) distinguishes between entrepreneurial policies and SME policies. Entrepreneurial policies according to the author, should aim to support an economic system that encourages socially productive entrepreneurial activity by individuals acting independent of business firm. This effectively encourages innovation and could lead to creation and commercialisation of valuable knowledge. SME policies are however primarily aimed at supporting and assisting SMEs for growth and development. The author further identified different characteristics and elements of the policy framework and argues that African economies are characterised by dualism where there is a co-existence of both formal and informal sectors with the latter dominating in size and activity level. It is therefore evident that policy initiatives aimed at SME sector or entrepreneurial policies should serve the purposes of these dualism in the economies and therefore, policy makers should adopt the proposed framework for policy development which fosters opportunity-based entrepreneurship to create innovations, enhance value-addition and increase marginal labour productivity. Edoho (2016)'s contribution provides very important springboard for this research. It helps focus this research on appropriate policy development paradigm and provides an opportunity to extend the research by engaging SME stakeholders both in government and the regulatory agencies.

Lack of financing, poor infrastructure, etc are multi-dimensional factors usually identified by SMEs, government policy makers and other stakeholders. Mambula (2002) used a mixed method research approach incorporating both qualitative and quantitative data in variety of ways to investigate these factors and their

implications for policy formulation. Mambula (2002) obtained input from policy-makers, SME operators, large scale corporations that are customers or suppliers of SMEs, development financial institutions supporting SMEs, industry experts and consultants and selected customers and distributors which has influenced the research participation for this study. However, the focus for alliance with government regulatory and other institutions differ as this research is aimed at enacting action towards policy decision making that truly aligns with SME stakeholder expectations instead of just training for SMEs.

Another important aspect of the problem of paucity of funds is in the choice of capital allocation by the SMEs. While it is agreed that most government intervention for SMEs is in the area of provision of finance, prioritizing these scarce resources becomes paramount. Egbeide et al (2013) examined capital assets investment decisions of SMEs in Nigeria in addition to the impact of government policies on performance of these SMEs. The authors also concluded that inadequacy of funds is the most notorious inhibitor to SME development in Nigeria. However, poor capital budgeting and allocation skills can exacerbate these problems. Policy development initiatives in this sector was traced to the early 1970s. Of particular mention was the Small and Medium Industries Equity Investment Scheme (SMIEIS) introduced in 2001 aimed at providing solutions to the dearth of long term funding and poor business management skills by encouraging banks to take up equity interest in SMEs by allocating part of their profit after tax to the SMIEIS fund. This intervention scheme aims to provide equity to SMEs in addition to addressing the issue of management capacity development (Nwobu, Faboyede & Onwuelingo, 2015) through the participation of banks in these SMEs. Ajibefun & Daramola (2003) also concluded that government policies towards SMEs in Nigeria have focused on providing funding assistance, enabling environment and other critical measures to help the growth



of enterprise in this sector. Monetary policy objectives are therefore tailored towards achieving a conducive environment for SMEs to grow and develop.

Managing the exchange rates and interest rates within the economy has presented monetary policy challenges that impact SMEs greatly. Obokoh, Ojiako, Monday & Ehiobuche (2017) examined the impact of exchange rates on performance of SMEs in Nigeria especially given the significantly high dependence on importation of both raw materials and finished goods by the economy. The authors suggest that policies have been unsuccessful in Nigeria due to poor infrastructure, high dependence on imported raw materials and scarcity of skilled labour, inappropriate regulatory framework and high-risk environments. The wholesale transfer of such policy interventions in areas such as finance may not necessarily yield positive results due to the fundamental structural imbalance within the economy. Such imbalance arising from the lack of infrastructure, high dependence on imported raw materials, etc need to be addressed before such finance and fiscal interventions can yield positive outcomes.

Okpara & Wynn (2007) concluded that the rate of failure of small businesses is higher in developing countries than in developed countries. Okpara (2011) similarly extended the study of Okpara & Wynn (2007) to investigate the factors that hinder the growth and survival of SMEs in Nigeria. This research also revealed that the most common constraints hindering small business growth and survival in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits and low demand for product and services. Finance and poor infrastructure have consistently featured in most studies.

Despite the best efforts of government in the intervention programmes, the level of success achieved using these programmes fall far short of desired levels

leading to abysmally low level of industrialisation. Oladeji (1998) analyses industrialisation and technology policies in the light of the scope and prospects they afford for revitalising SMEs in Nigeria and argued that flawed domestic policies contribute to the poor level of industrialisation of most Sub-Saharan African economies. Oladeji (1998) argued that the National Industrial policy which established Industrial Development Centers (IDCs) could serve to promote and revitalise SMEs as it encourages enhanced technology capacity. However, according to the author, the science and technology policies do not seem to promote SME growth and development in Nigeria. Revitalising SMEs in Nigeria goes beyond articulating ineffective policies. Government should actively and purposefully intervene with policy instruments that should help generation of technologies in addition to promotion of increased demand for science and technology. Although the author argues from a technology perspective, the need to critically re-examine the various policy instruments for effectiveness cannot be ignored. This perspective further supports the research objective of exploring in greater details the implication of policy development on SMEs and attempting through action research to enact changes that can positively impact the environment.

Another aspect of government support initiative for SMEs is in the creation of a conducive environment for business. Successive governments usually make efforts to target programmes that will create a more friendly business environment for SMEs. Ozioma-Eleodinmuo (2015) explored SMEs policy implications for Nigeria's economy. The overall objective of the study is to identify how some entrepreneurship policies of government can help sustain the vibrancy of SMEs in Nigeria to enable them play the expected pivotal role in economic development of the country. According to Ozioma-Eleodinmwo (2015), government policies on financing SMEs and creation of conducive business environment have not been effectively implemented. Financing SMEs

continue to pose challenges after several government interventions. Such interventions include creation of at least five different funding institutions focusing on SMEs such as Bank of Industry, NERFUND, DBN, etc. The study suggested that government policies should be reassessed to ensure relevance. The policies should also be goal oriented, consistent and sustainable. It is important to point out that the study observed that government policies need to be consistent especially because of inconsistency observed in these policies and their impact on SMEs.

From the foregoing literature review, several government support initiatives have been implemented with generally failed outcomes according to most studies. Most of these studies have focused on reviewing and identifying factors that are adversely affecting SMEs, examining the relevance and effectiveness of policy implementation and proffering solutions based on these analysis. Most of these recommendations are not implemented and are based on various qualitative and/or quantitative research methodology. There has been limited attempts to explore the reasons why these policies fail, the implementation strategies and the need for an actionable solution process. The literature also showed the impact of monetary and fiscal policies of government on SMEs. Financing has been widely identified as a challenge, however the critical issue of monetary policies that will address related issues of interest rates, exchange rates and inflation are not given prominence. In addition, the use to which these funds are applied pose great problems as most of these funds are diverted to funding infrastructural development which should ordinarily be provided by government. Taxation, excise and import duties including other fiscal indices are often not given adequate attention in government policy formulation especially as it affects SMEs. This research is aimed at exploring the implications of fiscal and monetary policies on SMEs and how to create a more conducive business environment for these SMEs using such policy tools. The literature has extensively considered

issues relating to infrastructure provision and other support policies. The conceptual framework provided the opportunity to discuss the implication of policy development strategies adopted by government . While it is necessary to encourage a participatory approach to policy making as discussed by O'Faircheallaigh (2010) the difficulty and cumbersome nature of this approach cannot be overlooked. However, the advancement in technology has helped in the application of participatory models of policy development (Cavallo, Lynch & Scull, 2014). This research study is aimed at obtaining significant input from SMEs operating within the country in terms of the critical challenges they face and exploring through critical analysis identification of fiscal and monetary policy imperatives that can help proffer fresh perspective to them. The research also intends to make such input available to government agencies and parastatals in charge of policy development in an action research initiative in order to generate actions.

The following research questions are formulated based on extant literature and the author's experience as a practitioner. To what extent are SMEs in Nigeria affected by government fiscal and monetary policy initiatives at present? What are the underlying root causes of any challenges faced by SMEs from the fiscal and monetary policy induced environment in Nigeria? What is the implication of policy development strategies, policy implementation options and other such practices on the success or failure of these policies. How can a workable framework be developed to create a more positive fiscal and monetary environment for SMEs to succeed. What sort of framework will encourage an effective government intervention for SME support?

### **2.3 SME Policy Support Initiatives – Lessons from Other National Economies**

Government support initiative for SMEs differ from country to country but the basic ingredients of policy intervention exists in most cases. This section will review perspectives from both developing and developed countries and especially transition economies of Eastern Europe where most of the economies underwent transitions from state-controlled economies to market-driven, private sector controlled economies akin to the Nigerian environment.

Government support to SMEs range from provision of finance (Schan, 2015; Lee & Drever, 2014; Klonowski, 2010), upgrade of infrastructure, capacity development (Kusumawardhani et al, 2015) and to more specialised support in the Information Technology and other such areas (Hashim, 2011). One major consideration of most developed countries is the impact of these policy interventions on globalisation, free trade and liberalisation. There are concerns about unfair trade practices and increased competition resulting from a more globalised world and consequent free trade implication. Although these interventions are similar to what the Nigerian governments have attempted to implement locally, there are significant theoretical and philosophical differences that underpin the implementation of these policies elsewhere.

For instance, the Malaysian experience with the Technology for Regions Programme (Iptekda) was presented by Kusumawardhani, Rahayu & Maksun (2015). This is essentially a funding programme aimed at addressing the funding gap that exists for most SMEs. However, its application and implementation were combined with a capacity development programme and targeted in such a way as to encourage productivity. This programme can be compared with the Nigerian NDE (National Directorate of Employment) Programme aimed at both capacity

building and bridging the funding gap. The NDE programme has failed to achieve any of the stated objectives while the Iptekda programme has recorded good results. The programme focuses on productivity and applies both state- and market-based approaches. The NDE programme, by contrast focused on funding without regard to productivity.

As stated earlier, most of the challenges faced by SMEs are the same for both developed and developing countries. Tambunan (2008) listed similar challenges facing SMEs while studying the Indonesian experience such as lack of capital, difficulties in procuring raw materials, lack of access to relevant and critical business information, difficulties in marketing and distribution, low technological capabilities, high transportation costs, communication problems, problems caused by cumbersome and expensive bureaucratic procedures in getting required licences among other needs from government, policies and regulations that generate market distortions. This is consistent with what obtains in the Nigerian environment where SMEs struggle under these same constraints. While the study identified some successful programmes with important learning outcomes, most studies of the Nigerian support initiatives do not tell a positive story.

SME financing has been supported by the UK. One such programme discussed by Lee & Drever (2014) is the local enterprise growth initiative designed to encourage SMEs in “deprived” areas in UK to access capital. In addition van der Schans (2015) described the role of British Business Bank (BBB) in addressing imperfections in SME finance markets. These examples underscore the importance of government support for SME development in a developed economy like the UK. According to him, SMEs in the UK account for 99.9% of total businesses and nearly 60% of employment and almost half of turnover in the UK private sector. BBB focuses on start-ups, growth businesses and other viable

but unfunded companies. The bank is government owned development bank established to support economic growth by bringing together public and private sector sources of capital to create more effective and efficient finance markets for smaller businesses in the UK. The success of this programme may not be viewed in isolation. The funding requirements for an SME in the UK should ordinarily be devoid of inefficiencies when compared to the Nigerian experience where most funding requirements of SMEs go towards providing infrastructure that should have been provided by the government in the first place.

China for example has provided a wide range of support initiatives to SMEs. Wang (2010) presented several Chinese government favourable policies for high-tech SMEs. Funds for innovation and industrialisation, low interest loans, product subsidies, viable funds set up by both central and local governments, form one pillar of government support for these high-tech SMEs. Secondly, many favourable financing policies have been enacted and implemented to the advantage of these SMEs. Thirdly, the government passed a series of favourable tax policies to support them. Finally, other favourable policies such as establishment of high-tech parks and incubators, planning, land use, consultancy, research and development support programmes were established. The approach seem to be comprehensive, addressing all identifiable areas that require government support in order for the SMEs to thrive. Such integrated approach has a higher probability of achieving the objectives. The Nigerian experiment do not have a similar comprehensive and integrated support programmes targeted at any specific sector of the SMEs. Individual funding initiatives have largely been unsuccessful. Similarly Klonowski (2010) concluded that government funding assistance programmes to SMEs in Poland are poorly designed, fragmented and largely untargeted.

e-Commerce is another focused and targeted area where most governments support SMEs. This helps drive demand for the products of the SMEs and effectively supporting a more stable working capital finance. Hashim (2011) discussed the Malaysian programmes for e-commerce grants to manufacturing SMEs to encourage online trade and access the global marketplace. The author argued that these grants failed to achieve its objective despite the huge resources expended here. Although clearly targeted, the implementation suffered due to the economic and social environment of business in Malaysia similar to the challenges faced in Nigeria.

Government support initiatives in New Zealand have similar characteristics as seen in Nigeria. Seen as politically motivated and lacking in ideological purity, Massey & Cameron (2014) identified such past interventions namely; an “Angel Fund” established to lend small amounts of money to women, a scheme developed to offer comprehensive and intensive business skills training for SMEs and increased social spending to reduce government surpluses and delay tax cuts. In Nigeria, a social scheme involving grants and loans of small amounts to traders in the markets have not yielded desired results but was also used for political expediency.

Most countries in Eastern Europe passed through a transition from state-controlled economies to market-led economies at various times. Smallbone & Welter (2001) listed four key areas among others where government intervention can make a difference. First, creating a stable macroeconomic environment for SMEs especially manufacturing SMEs to plan. Down (2012) also identified policy stability as critical for SMEs. Secondly, government should recognise the differential impact of their legislation on firms of different sizes and adjust accordingly. Thirdly, the overall level of tax burden to be moderated to discourage entrepreneurs from moving into the informal sector or shadow



economy. Government regulations to be viewed in this light as well. This is a common occurrence in Nigeria where monetary and fiscal policy compliance drive SMEs into the informal economy with its attendant increased risks. Finally they identified direct interventions to overcome size related disadvantages with wide ranging applications.

This research will be influenced by the foregoing literature on global government support initiatives for SMEs and the analysis of their impact. Finance, funding, capacity development, tax policies are major areas of focus for government interventions in addition to establishing a stable microeconomic environment. It further underscores the need for governments all over the world to focus their SME policy initiatives in areas where there are gaps in SME support. The governments tend to address a wide range of similar issues to tackle the challenges faced by SMEs. Most authors recognise the input from SME practitioners in addressing targeted areas of need by them.

Government support initiatives for SMEs in Africa is not significantly different from perspectives that emerged from consideration of global perspectives. The same general trend exists where governments focus on providing support for funding and capacity development. For instance, small business support initiatives in Ghana are generally classified into “hard” (finance related) measures and “soft” assistance such as technical support which develops and enhances the skills and capabilities of entrepreneurs (Obeng & Blundel, 2015). According to Sambajee & Dhomun (2015) SMEs in Maldives and Mauritius were found to engage in similar strategies to sustain their business and start up new ones despite different policy initiatives in both countries. In Maldives for instance, government failed to facilitate access to finance and provide business support services while Mauritian government provides a more enabling business

environment, although SMEs in this country lack trust in the government-led initiatives.

Although support initiatives vary widely and covers several areas of need, the issue of funding remains a critical element of policy support initiative in African economies. The problems of trust in the ability of government to provide needed support for SMEs is a key element of policy challenges in Africa. Most policies target desired areas but implementation are often plagued with major setbacks thereby compromising the integrity of policy development process.

The same research questions are relevant after the consideration of the global support initiatives and analysis of their impact. What are the relevant lessons from these global practices that shape this research on the extent of impact on SMEs in Nigeria of government fiscal and monetary policy support initiatives? Are there any lessons in trying to uncover the underlying root causes of any challenges faced by SMEs from the fiscal and monetary policy induced environment in Nigeria? What lessons can be learnt from global success stories while developing a workable framework to create a more positive fiscal and monetary environment for SMEs to succeed?

## **2.4 Policy Development Models – An Analysis**

This section will analyse some policy development models and relate them to the reality of policy development in Nigeria. Policy development in Nigeria is seen as the exclusive preserve of the civil servants saddled with that responsibility. Arnstein (1969), quoted in O'Faircheallaigh (2010), constructs a hierarchy of participation in terms of the degree of control over policy decisions enjoyed by public participations. The framework ranges from models where only civil servants are engaged in policy development without input from, or consultations

with the public to models where decision-making is influenced by public participation in a more dominant manner and finally to models where decisions are actually taken by the citizens themselves. Despite the array of possible policy development framework, the practise in Nigeria discourages public participation essentially. Dean (2016), suggests that Arnstein views citizen participation as citizen power and while such activist perspective of this involvement provides a revolutionary basis to appreciate this concept, the increasing role of citizens cannot be ignored in policy making. In Nigeria for instance, most government policies relating to SMEs are supposedly developed after wide consultation with stakeholders including SMEs. In reality however, actual policy decisions are still taken by civil servants often without regard to the outcome of consultations. Participation is viewed as nominal (White, 1996) and possibly manipulative (Pretty, 1995) but not transformative and encouraging self-mobilisation. Participation in the policy process is not guided by a rigid framework, rather, Baba et al (2009) presented Arnstein's (1969) fundamental contribution of the continuum nature of the ladder of participation in which the bottom represents no participation at all while the top is the highest level of engagement. The rungs of the ladder of participation are as follows (in ascending order); opportunity for citizen support of programmes already planned, opportunity to develop self-confidence, opportunity to offer advice, shared partnership in decision making, negotiated decisions and citizen authority over decisions or delegated authority. The traditional method of decision making according to these authors, where only government professionals are involved in policy development tend to dominate the practice of policy making in various governments. In Nigeria it may well be at the lowest rung of the ladder.

Policy development that adopts such 'professional policy-making model' may seem to be efficient in churning out policies because participation is largely between politicians and civil servants, however, their implementation can run into

multiple problems. Parsons (2001) argued that such models are simplistic while Xiaoning & Haixia (2011) argued that such policies could fail due to public outcry during implementation. In Nigeria for instance, the democratic structures comprising the bi-camera legislature at the Federal Government level and the house of assembly at the state level may constitute democratic models of public participation in policy development (Dean, 2016; Baba, Chereches, Mora & Ticlau, 2009). In fact Huxley, Andrews, Downe & Guarneras-Meza (2016) recognised the increasing role and application of citizens participation in public policy-making across Europe but argue that the relative importance policy-makers actually accord citizen participation varies due to alternative administrative traditions within different countries. Participation of citizens in democratic societies goes beyond electoral participation and can be seen in active involvement in policy development, the work of the public sector through democratic initiatives such as consultations, panels, forums, dialogues and other such interactive sessions with government. These consultations are very popular in Nigeria but fail to effectively incorporate the contributions of the various stakeholders in the policy outcome. The major challenge is how to get the civil servants to buy into the process. Mamman, Bawole Agbebi & Alhassan (2018) identified relevant research questions aimed at addressing the disconnect in the participatory input and the outcome of policies among other research questions. The consultations are driven by politicians with fixed but short tenors while the policy formulation responsibility rests with civil servants who are more permanent in their positions and are unlikely to buy into the new paradigm. It is therefore important to recognise as Parsons (2001) argued, that policy making does not take place in a closed system but involves and in fact incorporates an increasingly complex process encompassing interaction with and management of different processes and actors. In fact within the context of the wider public and the organisation, there should be a genuine attempt to explore implications of

policy-making processes in achieving critical strategic objectives. This, in my view will result in more effective policy framework.

Despite the obvious challenges faced by SMEs due to poor policy outcomes, effective utilisation of the experiences of these practitioners seem to be far-fetched. For instance, although advocacy has been provided by various SME Umbrella organisations and the Chambers of Commerce in various towns in Nigeria, yet government intervention through monetary and fiscal instruments have not been effective over the years. While successive governments present successful scorecards, researchers have generally agreed that not much has been achieved (Nwobu et al, 2015; Ajibefun & Daramola, 2003). The importance of harnessing the positive attributes of stakeholder involvement in policy formulation seem to be a major problem for policy makers in Nigeria. Despite the continuing outcry, exchange rate challenges remain paramount while taxation policies have impacted SMEs very adversely. According to Adams & Hess (2001) increasing relevance of community in policy development should be properly harnessed and developed for effectiveness. The community as a critical component of policy development should not just be a new management fad but must find practical application and foundation in policy development. The resultant models refer to partnerships, community consultation mechanisms and other such new concepts that find applicability in policy development practices. The community encourages mutual obligation and to a very reasonable extent represents shared identity and reciprocity which is at the core of the values driven by the concept. Stakeholder involvement in policy formulation can greatly enhance the chances of success of such policies.

From the forgoing review, there are various factors that affect the success of SME policies introduced by government. Mamman et al (2018) formulated important research questions addressing some of these issues. In Nigeria for example, most

entrepreneurs face challenges of qualified workforce and human development challenges. There are internal and external factors as stated by Onugu (2015) that affect the ability of SMEs to develop within the framework of existing policies. These must be taken into consideration in a thorough evaluation of the effectiveness of policy development models. The motivation of the SMEs is also important. Edoho (2016) identified necessity driven and opportunity driven entrepreneurs much in the same vein as the motivation argued by Mamman et al (2018). The ability of SMEs to take advantage of the various policy initiatives are affected by their motivation. In cases where the SMEs are not adequately equipped and are motivated differently, the ability to respond appropriately and take advantage of the resulting policies may lead to failure of such policies. Successful SME policies in developed countries are replicated and introduced in Nigeria without the same level of success (van der Schans, 2015). For example, monetary policies that provide financial support to SMEs similar to schemes in other countries have been introduced without success. Extraneous issues such as poor infrastructure, cultural perspective and corruption affect the success of such policies, as funding is made available to opportunity driven entrepreneurs instead of those that are ready and prepared to develop business and create wealth. In addition, funding required for businesses located in areas where infrastructure provision is poor is higher than those operating where there is good infrastructure. Cost of providing such infrastructure by the SMEs further constrains the business. Again, the structures used to implement these policies may be faulty. In Nigeria for example, several agencies have been established to drive different policy interventions over the years. The result is that some of these agencies compete with each other and in the process undermine their activities. Political considerations also play a major role here leading to avoidable conflicts arising from patronage and misplaced loyalties.

The important research question will therefore aim at addressing issues relating to the SMEs and their ability to respond to policy imperatives. It also challenges the SMEs ability to contribute meaningfully to the policy development process itself. In addition, relevant research questions will aim at addressing the effectiveness of structures that implement policies, the effectiveness of the policy development process itself and what strategies to adopt to address the underlying reasons for failure. How do we learn from the numerous challenges identified in the foregoing literature analysis and develop a process that can effectively address the fiscal and monetary policy development focus as it relates to this research? What sort of conceptual framework will address the challenges identified in the analysis?

## **2.5 Participatory Policy Development Models And Application to SMEs**

Several empirical studies highlight the benefits of participatory policy development models for decision making in public sector. In the participatory model, the public has greater control over actual policy decisions. Making public participation effective can be a challenging task. In particular, the harmonisation and effective evaluation of the sheer volume of information generated by stakeholder participation provides a major challenge. However, with the advancement in technology, Cavallo, Lynch & Scull (2014) argues that the participatory model is gaining wider acceptance because governments have seen this as an opportunity to increase citizen involvement through e-government. Although government acquisition of new technology is slow, there is no doubt that continued advancement in technology will ultimately result in most government operations migrating to high technology platforms. Unsworth et al (2014) studies support this position. In Nigeria, the intensity of participation can be increased especially with the enthusiasm of most pressure groups existing in

the form of umbrella organisations and trade unions. Adoption of relevant technology to aid the process will improve policy development outcomes.

O'Faircheallaigh (2010) presented an analysis of the various levels of participation and concluded that it is valuable. Through participation, citizens can develop to their full potential and contribute to societal development. Thus, participation fulfils an educative function allowing citizens to develop fuller understanding of governance systems, giving them insights into fellow citizen's interests and that of society as a whole and in the process allowing them to contribute to government decision making. This also provides citizens the opportunity to own these policies and therefore work towards their success. According to the author, participation can be an input for decision makers where involvement of other participants is only but advisory. Actual decisions are thus taken by government and policy makers. This is akin to the present scenario for most policy development framework in Nigeria. However, public participation in decision making should be a more desirable model. According to O'Faircheallaigh (2010), this model recognises and encourages public participation in actual decision making process not just in advisory role. The public through a pluralistic approach exercises some element of control over decisions although within existing government decision making structures and processes. This model may be suitable to the existing structures in the SME sector in Nigeria but can be easily undermined by the strong establishment within the government bureaucracy. A third variant discussed by O'Faircheallaigh, (2010) involves reframing decision making and shifting balance of power to stakeholders thereby changing existing decision structures and processes. This fundamental shift is more applicable to environmental issues but can find application in other areas. Is it possible to apply this third variant to the issues facing the SME sector? What are the structures that need to be in place to make this possible? A theoretical framework that incorporates SME practitioners, the government



policy makers, experts in related fields can be developed to more effectively impact policies. Bishop, Vicary, Browne & Guard (2009) suggested that to ensure a more realistic, pragmatic and acceptable outcome and better implementation, researchers, policy-makers and practitioners should work together to facilitate a fluid and seamless theoretical framework, policy interpretation and practical implementation in a manner that is pluralistic in nature. Participatory policy development models have found wide applicability in several areas of governance. Several lessons can be learnt from their application to wide-ranging areas.

### ***2.5.1 Lessons learnt from Empirical Studies – Specialist Knowledge***

There are a number of studies relating to public participation in specialised areas requiring some level of expert knowledge (Durant, 2010; Pallet, 2015; Richardson, 2014; Glucker, et al, 2013). Expert knowledge can improve understanding of critical elements of any field of endeavour for policy makers and result in better policy formulation. There are however several issues that impede this advantage. Durant (2010) suggests that despite the specialised nature of science and technology studies (STS) public participation is still high. Some of the positive impact of this is that issues are not framed too narrowly, institutions and organisations including government behave properly and that experts are held to reasonable standards. It also ensures that tacit assumptions are expressly explored and carefully debated and questioned. Experts are prone to focus exclusively on detailed specialist knowledge to the exclusion of the common language of public participants which provides the practical reality that is needed for relevant public policy articulation. Durant (2010) recognises this tendency and points to the merit of public participation in addressing this. Such basic views that are brought to bear by the public often results in greater reflexivity in policy formulation.

Participation by the public has taken some dimension especially with the involvement of activists. Sometimes, these activists possess specialist knowledge and their enthusiastic participation encourages open government. Public participation is becoming institutionalised around the world. In an ethnographic qualitative research, Pallet (2015) argued that there has been increasing institutionalisation which has accompanied or even enabled professionalization of public participation, with an influential community of experts charged with overseeing, facilitating and documenting participation activities and events. These achievements recorded in public participation within the context of their target organisation, may have been as a result of some enabling legislation in the UK aimed at promoting open policy and encouraging public dialogue in the governance process. This effectively facilitated public participation thereby improving policy outcomes in a significant manner. On the contrary, the reaction to this institutionalisation and professionalization in Nigeria has been mixed but tending towards apathy by government officials. Policy makers generally resist the activities of these participants and their increasing institutionalisation fearing that their increasing relevance will ultimately erode the relevance and powers of government officials in policy formulation. The benefits of possible collaboration from this trend are thus lost in the power play that results. The question for researchers in this area is to explore how the reactions of policy makers in the Nigerian government can be aligned to provide such positive outcomes as presented by Pallet (2015). Is it possible to address the concerns of the civil servants involved in policy making to ensure buy in? Is it possible to moderate the rhetoric of activists and institutional and professional participants to create the needed collaboration in this area?

The important benefits of active engagement by relevant stakeholders in specialised areas can make the difference in participatory policy decision making.

The SME sector is made up of businesses in diverse sectors and often requiring specialist knowledge. The key issues under consideration in this research focusing on policy formulation presents different elements of specialist knowledge. These are in terms of policy formulation itself, expert knowledge in the area of finance and also of taxation. These specialist knowledge are distinct from the specialised nature of the business of the SME whether in engineering, manufacturing, health or medicine, science, etc. Consideration of specialist implication on policy formulation processes is therefore important here. Richardson (2014), although focusing on scientific research expressed the view that community based participatory research and citizen science can offer important advantages to the discourse because community-based participatory research (CBPR), especially in social sciences can offer a set of engagement principles, guidelines and practices resulting in an alternative to the elite policy research models. The key strength of this CBPR is in the fact that knowledge is democratised and power deconstructed in such a way that experiential knowledge of community members are valued and properly articulated. Knowledge which was thought to be the exclusive preserve of scholars is accessible to community participants. There are obvious challenges in harnessing expert knowledge in public participation given the inequalities in power and the dynamics of knowledge production.

Public participation is very common in the areas of Environmental Impact Assessment (EIA) and environmental issues in general as shown by the numerous studies in this field. (Glucker, Driessen, Kolhoff & Runhaar, 2013; Haas, 2004; Reeder, Walker & Lothian, 2012; Bartoletti & Faccioli, 2016; Priscoli, 2004; Conroy, 2011; Irvin & Stansbury, 2004). The advanced nature of public participation in this area presents key learning point for the research especially the enthusiasm and effectiveness of policy making that result from this participation. Despite the challenges in interaction between public servants and

specialists made more complicated by political colorations, a lot of progress has been made in these areas.

Haas (2004) reviewed the impact of experts as participants in the policy making process and identified knowledge and sustainability science as substantive issues in policy development and explored how both scientific consensus and what the researcher called usable knowledge can be communicated to policy makers with a view to influencing such policy making bodies. This contribution implies that expert knowledge of stakeholders in particular fields can enrich policy process. This will be particularly useful in this research as the expert knowledge required to articulate appropriate policies for different challenges facing SMEs in Nigeria is considered. This interaction between experts, citizens and stakeholders in an attempt to develop effective policies for SMEs is especially suited to action research and is a case for further exploring the benefits and challenges of the scholar practitioner continuum in developing knowledge. The SMEs, through the umbrella organisations have continued to agitate for financing as an important element of support by government. However, this has failed to address the challenges effectively. The questions arise as to what the issues really are? Is lack of financing the main problem facing SMEs? Is it possible to explore the underlying challenges further? How can the experts in this field help the SMEs. What of taxation? How do we bridge the gap between the SME and government perspectives especially when it seems that the objectives of the government in increasing internally generated revenue through taxation seem to be in conflict with the SMEs desire for reduced taxes. Can experts help in this context? The foregoing review of expert involvement in public participation makes a case for action research process in this study. It supports the research paradigm that seeks to engage stakeholders including experts in an AR process. AR helps in developing a sense of ownership and requires researchers to critically reflect on,

review research goals and methods and generally learn in action. (Benn & Dunphy, 2009; Coghlan, 2009)

The above contributions highlight benefits and drawbacks of participatory models and need for caution in adoption and use of these models. They have implication on the Nigerian policy development practices especially given the dispensation of the general public towards government policy formulation. Activism and awareness of citizen participation is relatively low in intensity and calls for cautious approach. Another lesson that can be learnt here for this research is that a local-based collaborative approach focusing on small groups for advisory purposes or the community at large can be a motivating factor for citizen participation. The nature of SME business is such that policy imperatives for their support cuts across several aspects of governance and require widely differing competencies. This small group focus will influence choice of sample size for the research.

### ***2.5.2 Lessons from Empirical studies - Policy Implementation Challenges***

Policy implementation challenges can lead to failure of support interventions by government. In Nigeria, several support initiatives by the government to provide access to financing to SMEs have failed. SMEDAN listed some of the schemes that were either discontinued for lack of impact or abandoned with the creation of similar schemes that provide the same support initiatives. The creation of Bank of Industry (BOI) from the merger of two such SME funding intervention institutions (Nigerian Industrial Development Bank (NIDB) and Nigerian Bank for Commerce and Industry (NBCI)) is a case in point. Both NIDB and NBCI were two parallel organisations providing the same service and not making any appreciable impact. The resulting BOI also falls short of the expectations and another organisation, Development Bank of Nigeria (DBN) has just been

established to accomplish the same objective. These implementation challenges may have arisen due to several reasons including policy formulation processes and the effectiveness of stakeholder participation at this stage. Xiaoning & Haixia (2011) suggested that public participation confers legitimacy on public policies and decisions, enhances citizens' rights and interests and helps provide effective and relevant feedback to policy makers. The pressure from different stakeholders in the SME sector in Nigeria on issues of policies that fail to address their concerns gives rise to some of these failures. Wodschow, Nathan & Cerutti (2016) agrees that public participation confers legitimacy on public policies and identified both input and output legitimacy which further supports analysis of the implementation challenges faced with public policies. For instance, unfavourable monetary policies introduced by the Central Bank of Nigeria in 2016 led to unprecedented depreciation of the local currency. Although the policy resulted from input by several stakeholders, the legitimacy of such input is called to question especially with the resulting output legitimacy challenge. Authors agree that public participation ensures a bottom-up approach, is more inclusive, creates a greater sense of ownership of the resulting policies with a higher probability of success and ensures that relevant stakeholders develop interest in the policies. (Wodschow et al, 2016).

The importance of the skills and competence of the stakeholders cannot be overemphasised. Ditlopo, Blaquw, Penn-Kekana & Rispel (2014) argued that citizen participation is preceded by a knowledge level of participants to guarantee relevance for resulting policies. Some of these policies can be very challenging and unpredictable. The failed monetary policy of 2016 may have been mitigated by a more thorough knowledge of the monetary environment. Proactive leadership and skills development is essential for all parties but more importantly for the SMEs in this case who are the most affected by these policies. This will address the disdain for public participation shown by public servants when they

claim that the stakeholders are largely ignorant and focus on parochial interest (Waugh, 2002). Lack of knowledge is a major drawback for public participation and have manifested in several ways including inordinate focus on self-interest to the detriment of the collective benefit of all stakeholders. The unique benefit of relevant knowledge can be gleaned from the study by Norglo, Goris, Lie & Ong'ayo (2016), where the knowledge of diaspora Africans living in the Netherlands effectively contributed to successful European and Dutch policies towards Africa. The dual knowledge of both the European and African perspectives played an important role here. The practice and effectiveness of public participation have been improving over time. The evolution of this practice has resulted in more acceptable policies and, as argued by Woodford & Preston (2013), broken down some of the barriers existing between the citizens and public servants. It is also argued that improving knowledge on the part of the policy makers can greatly help the move towards a more participatory approach. One of the major drawbacks of public participation is in the area of effectively analysing the huge data resulting from a high level of participation. This can create major implementation challenges as it directly questions the output legitimacy if not well handled. Unsworth, Forte & Dilworth (2014) concluded that the creative application and management of information technologies in the analysis of the interactions between civic participation and public policy makers in policy formulation improves the overall outcome.

The key lessons from literature is to inform the researcher's knowledge of the implementation challenges for policy initiatives to support Nigeria's SME policy environment and relate it to existing knowledge both locally and elsewhere, explore the nature and form of public participation for existing policies and articulate impact of input by various organised private sector groups in the past. How does the issue of expert knowledge affect the participation of stakeholders in the SME sector? How does the input legitimacy principle affect the process?

What of the institutional framework for this initiative? How can it be developed if it is not existing?

SMEs have peculiar challenges requiring wide-ranging consultations for serious appreciation of issues involved. SMEs are found in almost all sectors of the economy. Consequently, an integrated approach to policy formulation framework is required. The level of involvement of stakeholders in actual decision-making for policies may vary depending on specific issues involved. The foregoing policy development literature certainly shows that there are advantages to be derived from participatory approach to policy-making. The SME policy development challenges in Nigeria's economy can benefit from careful analysis of lessons learnt from the discourse on these policy development models and exploring the applicability of these framework to the peculiar issues under consideration. At present, policy development in Nigeria is a blend of both consultative approach and professional policy development by policy makers. The application of the participatory approach is minimal. This research will explore application of a more participatory approach in which decision making powers will tilt towards the SMEs as participating stakeholders.

### ***2.5.3 Participatory Policy Development Model for SMEs***

The policy development framework has implication for policy outcomes. The chapter on conceptual framework underscored the importance of participation in policy formulation to engender acceptability. In this section, some participatory policy development models for SMEs from literature will be reviewed and analysed. Woods & Miles (2014) provided an invaluable insight into the merits of collaborative development of enterprise policy with respect to engaging the



interest of players making up the SME sector by reflecting the voices of these SMEs and other stakeholders. The authors acknowledged the importance of SMEs in the economy of most nations and against the backdrop of the emergence and growth of entrepreneurship in the face of declining manufacturing sector indices in Australia, and suggested the need to craft favourable and relevant SME policies that will further encourage this increasingly vibrant and important sector of the economy. Strategic conversations with relevant stakeholders according to the authors, can enhance the process and outcome of policy development. In Nigeria participation is a way of getting the buy in of most stakeholders to new policies affecting them (Ozioma-Eleodinmuo, 2015). Stakeholder satisfaction with policy development process especially with their input is very important in ensuring that policies developed are properly focused to address the needs of stakeholders, incorporate their viewpoints, perfect their interests, serve their needs and result in an overall benefit for stakeholders, society and government thus creating meaningful value along the chain. Woods & Miles (2014) identified strategic conversations as providing veritable platform to share ideas, information and paradigms, analyse different perspectives from the pluralistic environment and eventually shape policy directions in ways to provide effective and efficient growth and contribution to the economy. These conversations are important in that they provide the basis for government to create necessary awareness for stakeholders by informing them of the realities of government policy while allowing government to appreciate opportunities, concerns and needs of SMEs including the major constraints and challenges they face within their operating environment. It is imperative to note that government policy initiatives are in fact services provided by government to communities aimed at supporting businesses or living standards in general and can result to government assistance or adjustments in regulatory or fiscal environment. The perception of the quality of these initiatives is important to the overall perception and support of policy-makers. The authors identified gaps in understanding between policy-makers and

SMEs because of the different paradigms and worldviews of policy-makers and SMEs arising from differences in their perception of issues. Identification of these gaps help create needed awareness to address them effectively and in a collaborative manner to ensure satisfactory outcome for all stakeholders. The identified gaps include reality gap, translation, bureaucratic, communication and satisfaction gaps. Strategic conversations will focus on identifying, learning and exploring these five critical gaps with a view to minimising or even closing them to deliver satisfactory and effective policies for SME growth and development.

This is an important concept for policy development that is relevant to this research. It is consistent with the author's research assumptions and paradigms which is to explore greater SME stakeholder input to policy development during the research. It recognises the opportunities that exist in incorporating the perspectives of various stakeholders with a view to closing the various identified gaps that more often lead to challenges in policy implementation. How can policy makers incorporate the perspectives of SMEs themselves? These gaps are evident during the review of literature on challenges facing SMEs and its related policies in Nigeria. The foregoing appreciation of the concepts discussed by Woods & Miles (2014) will inform the author's understanding of issues to be explored in this research. The research methodology will draw heavily on the usefulness of participatory policy development focusing on closing these identified gaps. How can the research ensure that strategic conversations commence among all stakeholders including SMEs themselves?

## **2.6 Action Research Application to SME Policy Development Framework**

Action research (AR) application to participatory policy development model for SME policies is one research area relevant to this study. In order to effectively conduct this research, there is need to combine an action research approach with

other research methods to learn in action and enact changes necessary to solve the author's organisation's problems. McGrath & O'Toole (2012) developed guidelines on the critical issues to consider in research design in AR environment for SME network capability development. The authors defined AR as a methodology used to embed learning into practice as a core objective and stated that AR is suited to executive education, practical application of concepts into relevant action and incorporates self-development and can find useful application to organisational change initiatives. AR research methodology has the dual aim of embedding learning into practice, enact change, and improve organisational operations while contributing to theories of action. According to them, AR's application aligns with the learning preferences of SMEs by being flexible, context-dependent and experientially based and is inherently qualitative and can ensure rigour through iterative design methodology while delivering practical application. AR has been described in terms of its participatory, democratic, monitoring and evaluating characteristics aimed at improving the performance quality of an area of concern or of a community. The intention of AR is to advance knowledge, solve practical problems and at the same time rigorous enough to meet demands of academic research. The SME challenges require active engagement with policy makers, more involved participation and critical thinking to explore workable solutions to these problems. Both insider AR and reflection in AR has implication for epistemological, methodological and ethical issues in research design. AR is emancipatory because it aims at not only improving the self-understanding of practitioner but assists practitioners critique their social or educational work. According to McGrath and O'Toole (2012), AR being a mechanism for embedding learning is proactive through self-development and is suitable for SME application because SMEs can learn from both their own and others' exposure to real life problems and situations and allow them to interact with other SMEs in a cooperative manner. The AR process encourages reflection as it creates an environment for managers and practitioners to

disengage from day-to-day activities and focus on reflective practice which enhances strategic long-term thinking as against the pressure of daily routine work. The use of AR in business research is attractive and AR interventions can effectively enhance management competencies of owner managers of SMEs. The authors also argue that opportunity for human resource development inherent in the AR process can be potentialized for SMEs using the “learning sets” that are inevitably a feature of the AR process.

The unique nature of this AR research is in the potential to develop a “learning set” comprising SME practitioners and government ministries, departments and agencies engaged in enacting changes through policy development practices that incorporates active participation of practitioners. It should aim at solving problems for the SMEs and the government and providing learning through action by these participants and their organisations. It deviates from what is envisaged by McGrath and O’Toole (2012) in that it involves multiple organisations and will invariably depend on influencing strategies to elicit action.

AR has been used to enact legislative changes in the medical field through engagement with a multi-disciplinary group of health professionals and managers from five rural health services with government officers in redesigning their emergency care services and informing legislative change (Sullivan, Hegney and Francis, 2013). This AR process provided a politically safe approach to service, policy and legislative change, ensured collaboration and shifted the focus to an emancipatory approach to AR. The essential elements of the author’s research is present as it applies a qualitative data gathering approach which were analysed using convergent interviews and thematic analysis.

A multi-site AR design is necessary for this study since it will involve SMEs, SME umbrella organisations, policy makers and other government stakeholders

working from different locations but with the same problem solving objectives. The envisaged AR process closely mirrors what was described by Fuller-Rowell (2009) as a multi-site and coalition-based AR process involving the author's organisation, other SME organisations belonging to participants, stakeholders such as SME umbrella organisations and government agencies within a centralised AR process. According to Fuller-Rowell (2009), this coalition approached is distinguished from a multi-site AR process which involves several site-based AR processes within a facilitated cross-site coordination. This AR design and implementation will be guided by the theoretical underpinning from this contribution.

In conclusion, despite the extensive research in these areas the following key research questions present important opportunities to impact business and contribute to knowledge. To what extent are SMEs in Nigeria affected by government fiscal and monetary policy initiatives? Are there any appreciable benefits to SMEs and the economy? What are the underlying root causes of the challenges facing SMEs from the fiscal and monetary policy perspective despite concerted government attempts to address these problems? How can the research utilise the coalition-based and multi-site AR process to develop a workable framework to create a more conducive fiscal and monetary policy environment for SMEs to succeed.

The research will therefore aim at using qualitative techniques to explore the implications of policy development initiatives and practices in the Nigerian business environment on SMEs with a focus to generating action from the stakeholders. Key policy initiatives affecting fiscal, monetary, financial and infrastructural aspects of the business environment will be reviewed and its impact studied. The lessons learnt from the review of policy development model will be used to effectively design and implement an AR process that enacts

needed changes for the benefit of SMEs. It aims to alter the present narrative of ineffective SME policy development in Nigeria through active stakeholder engagement in a truly participatory policy development framework.

The next chapter will document the research methodology adopted following the review of literature and explore the theoretical underpinning for the way the research is conducted including data collection and analysis strategies.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

The research methodology section addresses the research philosophy, assumptions and approach. It also discusses the research methods and the justification for the methods employed for the research. The aim of the research is to first of all study the challenges faced by SMEs in Nigeria arising primarily from Government Fiscal and Monetary Policy Initiatives and Framework and then explore possible solutions to these identified challenges. SMEs in Nigeria face major challenges arising from unfavourable business environment due to policies of government that fail to effectively harness the huge potentials in this area. The research assumption is underpinned by the outcome of the literature search that showed the ineffectiveness of policy formulations and implementations towards the SMEs.

In addressing research methodology, researcher identity, research objective and research context are important aspects that determine the effectiveness of the research method. Creswell (2013) argued that the researcher's paradigms, assumptions and philosophy should be clearly articulated for any good research study. A good assessment of the research is based on the clarity of these interdependent elements and how they are presented. Ontologically, I am a realist and recognises the existence of multiple realities especially given the real world implication and different worldviews affected by biases shaped by experience. The axiological framework recognises that research values are disclosed and openly discussed to shape the researcher's thinking and actions. I recognise that views are diverse and can be independent of my worldview. In terms of the epistemology, I acknowledge that the research participants may express subjective evidence emotionally impacted by the values they see. The subject

matter is fairly controversial and sensitive to SME practitioners and usually elicit very strong emotions and reactions from them bothering on combativeness especially when confronted with government participation. I tend towards pragmatism interpretive framework with some focus on the outcomes of the research in terms of the actions, the consequences of inquiry and the situations or context. In effect, there are various contexts in which research always occur and these impact the outcome of the research. The implication of this is that I focus on identifying practical solutions to problems reflecting on issues as they arise and the research objective of finding solutions that work for the stakeholders. I sometimes oscillate towards a social constructivism worldview which may impact the inquiry method by relying on participants' views of the situation especially given the importance of the problem to SME stakeholders.

My experience over the years working in the banking sector and the challenges I face in managing this business informs the underlying research philosophy and assumptions. In terms of epistemology, my pragmatist interpretation departs from the worldview of objective participation and independent thinking. I recognise the interdependence in the real world and believe that the research will be influenced by these variables. In effect, my participation will be influenced both by my worldview and by the subjective views of the participants drawn from the industry. A qualitative inquiry, according to Creswell (2013) effectively allows participants to tell their story and the research design should aim at surfacing such elements and exploring more in-depth characterisation of research objectives.

The research objective is to primarily address the challenges faced by my business as a result of poor government fiscal and monetary environment stifling its growth. Coghlan and Brannick (2010) argued that management research should serve three important audiences and objectives. Firstly, it should solve the problems of identified stakeholders, secondly it should contribute to knowledge



and finally, it should help in the researcher's development. With the above objectives in mind, the research has been designed to involve critical stakeholders who have authority to take action. It also incorporates participants with relevant influence to solve identified problems. The research design is also structured to encourage reflexivity which helps nurture and sustain objectivity (Johnson & Duberley, 2003) in inquiry and knowledge generation.

The research context is set in the real world activities of stakeholders especially SMEs, government agencies and parastatals. Following from my research philosophy and assumptions, the context of each participant is expected to affect the outcome of the participant's engagement in the research. It is important to recognise this and adapt the data collection and analysis methods to work within this framework. Following from the research results, the solution process may be contextual and recognising the context of the research is a critical element of the study. The context in terms of geographical location matters as well. The study covers Nigeria but draws participants mainly from Lagos in South West Nigeria with a few participants located in Abuja in the North and some South East towns all in Nigeria. Participants were drawn from across a wide geographical spread within Nigeria although predominantly from Lagos because of its high concentration of business activities and due to the high level of socio-economic activities in the state estimated at over 50% of the entire country (Akande, 2013).

### **3.1 Research Approach**

This is an action research project involving stakeholders selected in such a manner as to achieve the identified objectives of the research. The nature of SME challenges and stakeholders involved in the solution process are diverse. It cuts across organisations, involving governments and their agencies, ministries and parastatals, SME umbrella organisations and SMEs themselves. A participatory

action research that combines elements of insider involvement for participants and empowerment of the hitherto powerless SME stakeholders in an emancipatory manner (Coghlan & Brannick, 2010) could result in development and knowledge creation. In conducting this AR study, a multi-site coalition type AR is developed. Key elements of resulting insider AR impacts the study. Organisational politics at various levels and among participants were clearly evident. The dynamics of relationships within the SME umbrella organisations, the MDAs and within the SME organisations including my own organisation play a vital role. There were also limitations resulting from the CEO as a researcher in terms of access especially informal access. Issues of access become very fundamental given the civil service bureaucracy. Role duality and preunderstanding are the two other element in addition to access which impacts the effectiveness of the AR process (Coghlan & Brannick, 2010). Double act roles can create inherent contradictions to participants and result in data compromise. Role duality has to be addressed by ensuring that participants wear the cap of outsiders to bring objectivity to the research data. As always, this process can be designed to provide major advantages to the research by enriching the process. Some of the identity challenges posed by role duality can become beneficial to the research. My long years of experience as outsider to SMEs while relating to them as banker informs some perspectives and my preunderstanding with recognisable impact on the research data. The focus on monetary and fiscal issues result from this preunderstanding. The challenges of preunderstanding pervades the entire spectrum of participants selected in the research. They bring some preconceived perception that informs their reactions to issues. The research design aims at utilising these to benefit the research by validating research data in the process. Ethical issues become also important especially when considered alongside the assurance of informed consent obtained from participants. Williamson and Prosser (2002) argued that effectively protecting participant identity in this emancipatory process of AR is difficult. The “red hot” issues

(Bjorkman and Sundgren, 2005) differ from one participant to the other especially for participants drawn from SMEs, SME umbrella organisations, MDAs and the regulatory agencies. While the SMEs require workable solutions to their problems, the civil servants may be concerned with retaining relevance in decision making. Among the SME participants themselves, the red hot issues may differ. While taxation may be critical to one, access to credit may be the deciding factor for another. The implication of these diverse interests present ethical challenges to the research.

The decision to employ an AR strategy stems from consideration of the elements of qualitative research. Increasingly, researchers are turning to the qualitative research approach. Among others, it provides opportunities to recognise the context of the research and gives researchers the flexibility to accommodate and interpret research data while exploring more detailed circumstances. This thesis will benefit from a more in-depth analysis of the problems within various contexts in addition to developing and implementing solutions to the workplace problems. The question of how the qualitative research approach can result in the achievement of the research objective is important. Creswell (2013) identified five of the research approaches under qualitative research design. The author discussed narrative research approach, grounded theory, phenomenology, case study approach and ethnography. While some of these approaches can fit into my research objective, the need to elicit action informs the choice of AR.

The research therefore adopted a qualitative approach to preliminary data collection to determine SME challenges. Information is collected through semi-structured and in-depth interviews. Research purpose, timing, participants, field of research, budget, researcher's paradigm, and philosophical assumptions are all important factors to be considered in the choice of research methodology. Creswell, 2013 argued that these factors affect the research approach. A stratified

random sampling approach was adopted in order to improve the representativeness of the sample chosen. Easterby-Smith, Thorpe and Johnson (2012) highlights the importance of sampling in research. A stratified sampling approach is aimed at closely replicating characteristics of original population in the sample. Oyeyemi, Adewara and Adeyemi (2010) stated that using a stratified and cluster sampling procedure can result in complex research design. It therefore becomes important to recognise the role of effective sample selection for the research. For the qualitative research approach where the sample size is relatively small when compared to quantitative research approach, the choice of participants is critical.

Interview Protocol (IP) was sent to participants through the respective umbrella organisations along with Consent Form (CF) and Participant Information Sheet (PIS) inviting them to participate in the research. These documents emphasise that participation is voluntary and all interactions and information provided during the research are confidential. The IP is primarily used to provide clarification on what is required from their SME members once they agree to participate and why the information is required. The semi-structured interviews are preceded with this brief IP that prepares each SME participant on the subjects to be discussed during the interview. See Appendix 1 for a sample of the IP. The use of interview protocol greatly eased communication and made the interviews more productive.

The research plan can be summarised as follows; participant selection process, preparation for research interviews and discussions, in-depth research interviews with SME participants, which for the purposes of this research are called Group One participants. After the in-depth interviews with SME participants, information obtained is collated, assessed and analysed. A forum was organised for some Group One participants for reflection and sense making. Key

participants from the umbrella organisations (called Group Two participants) and government agencies (called Group Three participants) are engaged with the preliminary data through discussions. At this stage, interaction between government agencies and SMEs through Group Two participants are encouraged for the iterative action research element. This stage will throw up new strategies to be canvassed by research participants for solutions to the SME problems. This sharing of information and suggested action steps continue through engagement of key government agencies for possible action. Workshops and forums were planned as possible ways to articulate formal positions of these key players for adoption and action. The researcher planned to organise these workshops or explore ways of getting the government agencies to organise them. Fortunately, government-organised SME Clinics were taking place across all states in Nigeria around this same time and these presented the necessary and effective platforms for multiple stakeholder engagements. The engagement of various government organs to elicit action in the form of new ways of policy formulation involvement of stakeholders, possible new action in the form of legislations or new policies, etc will continue in an iterative manner.

The choice of research methodology is based on the need to explore in greater details various factors that determine effectiveness of policy initiatives on SME businesses. The various techniques under this research methodology have been found to be effective in probing into the normative attributes. According to Creswell (2013) the qualitative approach allows the research to explore both the subjective and objective experience of participants and through semi-structured interviews provide the researcher with proper context of participants. Although research results may not be generalised, being an action research, the participants should be knowledgeable and able to contribute meaningfully in an action research setting. Selection technique should therefore reduce sampling bias and encourage informed participant selection. The IP ensures that the interview

process is uniform and information obtained from participants consistently address similar issues.

### **3.2 Research Data Collection Tools and Instruments**

The IP and other research tools were designed to obtain data on the impact of policy initiatives on SME businesses. Considering that these views may be subjective, a carefully articulated IP will serve to reduce individual biases in responses. The two main tools and/or instruments applied to data gathering stage are IP which is designed in a questionnaire form and the in-depth interviews themselves which are semi-structured interviews and discussions intended to obtain participants' views on the research subject. The IP (See Appendix 1) and the questions form part of the research process. Creswell (2013) recognised the importance of good data collection and data analysis in the development of a good management research study report. Cooper and Schindler (2008) discussed good techniques on how to develop effective questionnaires for research study. Open ended questions were used as well as a flexible semi-structured interview made to obtain cross-referencing data and independent confirmation of data including random opinion on issues. Creswell (2013) discussed several validation strategies for data collection in qualitative research to help researchers improve on the "accuracy" of data obtained. Triangulation is one such strategy where researchers use multiple and different sources, methods, investigators to corroborate information. Easterby-Smith et al (2012) defined triangulation as using different kinds of measures or perspectives in order to increase the confidence in the accuracy of observations. It helps in corroborating evidence from participants. Another strategy is prolonged interviewee engagement and persistent field observation which invariably improves data accuracy through consistent data output. Other strategies discussed by Creswell (2013) include peer review or debriefing, elaborating on negative outcomes or disconfirming evidence

otherwise known as negative case analysis, rich thick description, external audits, clarifying researchers' biases and member checking. Some of these strategies were useful in the data collection process in this research. The stage two engagement with SME umbrella organisations and the government agencies also served as validation strategies in addition to the need for action that the engagement provides.

The implications of policy imperatives on SME businesses sometimes depend on the appreciation and evaluation by the owners and managers of the SME. Validation strategies are important in addressing these biases.

The research employs face-to-face meetings and interviews during the second stage of the research in interacting with Group Two and Group Three participants. Preliminary data from Group One participants are presented to these two categories of participants and their views and input are analysed further. This triangulation improves the confidence level of the data accuracy. It is also an opportunity for member checking validation strategy and clarifying both researcher and participant's biases. This stage involves relevant feedback and an iterative process that leads to an action research (AR) opportunity where key information from Group One participants are articulated and used to elicit response and action from government agencies. The stage also affords the opportunity to meet with and interact with SME members of the umbrella organisations using the preliminary data obtained during the initial data gathering process. This iterative process seeks to validate observed impacts of policy implementation on participants.

Data collected from interviews and other stages of the research were stored in the researcher's computer system in an excel format developed for this purpose with password protection to ensure confidentiality. The hard copies of the interview

protocol were destroyed at the end of the transfer to electronic format. Data resulting from the thematic analysis and other data analysis processes were also stored in password-protected format within the researcher's computer system. In addition, all primary data transcribed to electronic format has been coded in such a way that names and other identities of participants are coded to protect them further.

### **3.3 Research Population and Sample Selection**

Prospective participant companies were selected at random from available list provided by NASME secretariat, Central Bank of Nigeria (CBN), SMEDAN, National Association of Small Scale Industries (NASSI) and Lagos Chamber of Commerce and Industry (LCCI). These bodies represent what Raelin (2003) calls communities of practice where "people are united in a common enterprise, develop a shared history as well as particular beliefs, values, technologies, ways of talking and ways of doing business. The selection of participants was done to cover factors such as, nature of their businesses, business location, and preliminary assessment of the accessibility of the invited participants based on the information from umbrella organisations. As anticipated, the success of the participant selection effort was greatly influenced by active involvement of umbrella organisations of these SMEs.

The main reason for selection of samples from organisations such as NASME, LCCI, SMEDAN, AMEN, CBN, NASSI, etc. is because of the action research focus of this study. They will form participants for the second stage of the research process and the action research element. These organisations sometimes provide policy decision making input to government and are well positioned to review the challenges faced by SMEs, proffer solutions and attempt action through enactment of changes. Most players within these groups work closely



with government in policy formulation and annual budget exercises. They therefore represent members of the sector that will most likely relate to issues and challenges addressed by the research. These communities of practice become more effective in the reflection and sense making that will characterise the action research focus of the study especially the need to enact changes in policy decision making that this action research aims to achieve. By engaging this community of practice, the probability of successful advocacy for enacting changes improves.

SMEDAN/NBS MSME Survey of 2013, identified about 14 sectors of economic activities in Nigeria with active participation by MSMEs. Sectors such as Manufacturing; Wholesale & Retail trade; Repairs of motor vehicles and motor cycles; Accommodation and Food service activities; Mining and Quarrying; Construction; Water Supply, Sewage, Waste Management & Remediation; Agriculture, Forestry, Fishing & Hunting; Transport & Storage; Information and Communication Technology; Administration and Support Services Activities; Education; Art; Entertainment & Recreation; Other Service Activities were identified.

The survey found out that the total number of MSMEs is in excess of 37.07 million. Out of this number Micro Enterprises constitute slightly less than 37 million of these business while SMEs constitute about 73,000 of these enterprises. Lagos State has the highest number of SMEs with about 11,700 while Kwara State has just over 200 SMEs. Oyo and Kano States are the next two states with a high concentration of SMEs. The report also stated that the average age of most of the SME owners is between 24 and 50 years ensuring that youth entrepreneurs are dominant in Nigeria. With the country's population of over 160 million people the total population of SMEs of about 73,000 means SMEs constitute 0.04% of the population.

The researcher approached relevant umbrella organisations of these SMEs to solicit their members as participants. The following umbrella organisations were approached with different degrees of responses. The reasons for working with SME umbrella organisations are two-fold. Firstly, they are already working and influencing government policies to an extent. Secondly, they are better suited for the action research focus of the study.

National Association of Small and Medium Enterprises (NASME) established in 1996 with more than 5000 registered members conducts regular meetings and seminars. NASME primarily provides a forum for small and medium enterprises operating in Nigeria to articulate issues affecting them and proffer solutions to governments in a more effective manner with the aim of achieving greater input towards decisions affecting them. NASME has over the years developed useful partnerships with various relevant government organs such as the Bank of Industry (BOI), SMEDAN and other such bodies that formulate or implement policies affecting SMEs. This association was a source of access to participants for this research. The critical AR element of the research was conducted with participants from this community of practice.

Lagos Chamber of Commerce and Industry (LCCI) with membership of over 2000 spread across various sectors organise useful seminars on a monthly basis and annual international trade fairs. LCCI is organised in more than 13 sectoral groups with the Small and Medium Enterprises Group (SMEG) having the largest membership of over 500. The activities of this group have made it relevant to most members and creates the enabling environment for LCCI to influence participation in the research.

The Development Bank of Nigeria (DBN) and Enterprise Development Centre of the Pan Atlantic University are key participants and influencers in the SME

sector. DBN is a newly established development bank in Nigeria focusing on providing low cost and longer tenured funds for SMEs operating in critical sectors of the country's economy. By the terms of their operations, they have carried out extensive research on SMEs and the key elements of their needs that will help government jump-start contributions of this key sector to the growth of the nation's economy. Expectations are very high for the contribution of this institution to SME growth and development. The institution is an initiative of the present government aimed at addressing once again the critical question of access to affordable credit for SMEs.

Enterprise Development Centre (EDC) of Pan Atlantic University/Lagos Business School is a newly established, private sector driven centre with over 100 active networking members engaged in various businesses within the SME group. Abuja Chamber of Commerce and Industry (ACCI) also provided a veritable platform for recruitment of research participants. Sample population was drawn from a wide array of participants with the aim of obtaining responses from a diverse group with in-depth appreciation of the challenges facing SMEs from practical and operational perspectives. The population therefore comprised of memberships of NASME, LCCI specifically the SMEG, DBN, EDC group members, Abuja Chamber of Commerce and Industry members and randomly chosen SMEs as identified by SMEDAN. Table 3.1 is a summary of the characteristics of the umbrella organisations relating to SMEs that participated in the research.

NAME	MEMBERSHIP	SECTORAL GROUP	FOCUS	PARTNERSHIP/OTHERS
NASME	Over 5000	Various	Meetings & Seminars for SME Members	BOI, SMEDAN, etc
LCCI	Over 2000	13 including SME Group (500 members)	Seminars, Trade fairs	Government
DBN	N/A Govt Agency	All, MSME	Funding & Capacity Development	Banks etc.
EDC	Over 100	All Sectors	Academic & Networking	Affiliated to Pan Atlantic University/Lagos Business School
ACCI	Over 1000	10	Seminars, Trade Fairs, Trade Delegates	Government related.

Table 3.1: Characteristics of Umbrella Organisations

### 3.4 Sampling Procedures Employed

The umbrella organisations sensitised their members by providing the Participant Information Sheet (PIS) and Consent Forms (CF) to them during their meetings. Appendix 2 shows a sample of the PIS used for SME umbrella organisations and government agencies. A sample of the CF is shown in Appendix 3. They also provided Interview Protocol (IP) (See Appendix 1) to members to give them preliminary information on interview areas envisaged by the research. The participant selection process was greatly facilitated by umbrella organisations and government parastatals in the SME sector. They were therefore familiar with the research focus making the next research stage where preliminary results were discussed with these agencies and umbrella organisations very informative and productive.

The sampling procedure adopted was therefore a stratified random sampling procedure. Most research participants opted to complete the IP question before actual interviews. In some cases, interviews were conducted over the phone for further clarifications as some participants were unavailable for physical face to face interviews. The major challenges usually encountered in getting positive responses were also faced during this research phase. Greene, Speizer and Wiitale (2008) observed that response rate to questionnaires can be boosted significantly using web and telephone response. Some participants complained about interview duration and suggested interactive online survey that can be completed and submitted online. Although this will improve response rate, it will result in lack of details that come with semi-structured interviews which greatly improves data quality for qualitative research. Lewis, Watson and White (2009) stated that internet-based data and sampling techniques provide far more diverse and superior samples leading to better representativeness and greater ease of application. The research tried to balance the flexibility and ease engendered by internet-based approach with the depth and breadth of data obtained through semi-structured interviews.

Although the researcher planned for between 20 and 30 participants 19 participants drawn from different sectors of the economy but within SME group were enlisted. The plan is to create an effective group able to influence and change government agencies through effective participation in workshops and seminars. The research participants were knowledgeable, experienced and drawn from diverse sectors with perspectives that enrich the process. For the purposes of the AR, participants are required to focus more on proffering insightful solutions rather than for statistical purposes. They are to be influencers for the action element of the research and are knowledgeable for this purpose. The selected participants are therefore adequate for the action research focus of this study.

The participants operate mainly in Lagos State with few participants from Ogun State and Abuja. Participants were drawn from Manufacturing, Trading, Finance, Agriculture and Food Processing, Food Packaging, Poultry, Design and Fabrication, Art and Culture sectors. All participants employ less than 100 employees. With one or two branches, they have a reasonable customer base focusing on key distributors to get their products through the chain down to final consumers. Participants' ages range between 35 and 55 years.

On the business environment, participants comprise those using moderate to high technology input in their businesses and those with very low technology input. In addition, participants' customer base range from few clients to those having numerous customers and thus operate in the mass market consumer segment of the economy. Some have walk-in customers while some actively seek and enlist customers and therefore manage such customer relationships for longer term mutually beneficial business relationship. Almost all participants require some form of licence for their businesses or products and regulatory approvals at some point in their businesses. These businesses have to deal with various taxes, fees and levies in their operations. The choice of participants therefore encompass businesses in different sectors dealing with varying complexities and requiring diverse skills set in order to survive. These businesses therefore bring a wide range of perspectives to this research and with the experiences and backgrounds, they bring fresh new perspectives to issues under discussion.

Following full identification and interview of research participants, results were collated and analysed. These findings form the basis for further engagement with some participants in a forum organised by NASME to explore an action research step involving reflection, sense making and taking action. The preliminary findings and general comments observed from interviews and the initial AR

forum were discussed with both umbrella organisations and government agencies previously selected as participants. By sharing preliminary information from SMEs with these organisations, major challenges are put in proper focus through an iterative process of engagement of stakeholders. Greenwood and Levin (2007) described AR as a research strategy that generates knowledge claims for the express purpose of taking action to promote social analysis and democratic social change (p.5). Coghlan and Brannick (2010) argued that AR cycle comprises “constructing, planning action, taking action and evaluating action” (p.8) and stated that AR involves “action, research and participation” (p.5). These elements are present in the research as the SME participants and the relevant government agencies are all involved and feedback is shared among them. This encourages flexibility in adapting AR cycle to increase creativity. Coghlan and Brannick (2010) argued that participatory action research is an emancipator and empowers participants in decision making. For the SMEs, this could be a transformative process with the empowerment resulting in their participation in future policy formulation not just through advisory input but as members of the decision taking body.

The selection of umbrella organisations and government agency participants involved sending invitations (PIS and CF) to all identified agencies and organisations. The aim is to get the involvement of key government agencies responsible for policy formulation. The AR effectiveness depends on the relevance of participants in the SME policy formulation process. Of over 15 such agencies and organisations invited, only five responded positively and participated in the research. Of the five such responses three of them are umbrella organisations while two are government agencies focusing on SME activities. Two other government agencies later joined the research. One of the government agencies to join first is a development bank focusing on providing financing and capacity development to SMEs. This agency was created recently to fill the gap

perceived to exist in this sector by reason of the inability of some of the existing government agencies to effectively achieve the aim of such establishment. The other agency is SMEDAN which is a development agency that carries out extensive research and is expected to be the primary driver of government SME policies and regulations. The seemingly low participation of key decision makers from the three tiers of government needs to be addressed. The government agencies that participated are Federal Government agencies with State and Local Government agencies showing only minimal interest. Although most of the issues to be addressed in the research can be handled by Federal Government agencies, some fiscal issues are under the control of State and Local Governments. The research aims to address this lack of participant through engagement with these tiers of government at the SME Clinics. In all, the participation by these Federal Government agencies and umbrella organisations provide insight into challenges facing both government in understanding the sector and SMEs in navigating the complex business, regulatory and social environment they face. In addition, members of the legislature did not participate in the research as none of them accepted to participate. The research plan was to work with these stakeholders to initiate legislative action for changes relevant to the industry. However, the eventual participation of some government agencies during the SME Clinics, that articulated relevant legislation that were eventually passed into law effectively satisfied this seeming gap.

The implementation of an effective AR under this scenario appear very complex. Literature provides evidence of AR projects under similar circumstances. Coghlan and Brannick (2010) identifies one advantage of AR aimed at changing things and observing them as they change and in the process learning and development occur. The researcher anticipates political intrigues and resistance that require political acumen (Williamson and Prosser, 2002 and Seo, 2003) on the part of the researcher. It envisages working with different SMEs, their



companies, SME umbrella organisations and MDAs. This is a complex interplay of objectives by the different stakeholders in this multi-stakeholder arrangement. Fuller-Rowell (2009) discussed AR in a multi-site setting involving different stakeholders in a coalition structure. The success of this research in enacting changes depends on the ability to build collaborations and establish coalitions of stakeholders joined by a common interest. With the perceived difficulty in multi-site AR methodology, further literature search became necessary and it aided better appreciation of strategies that help address these issues. As the research progressed, it became obvious that the core team needs to harmonise the approach to stakeholder engagement at various fora. The research adopted a model of engagement requiring Group Two or Group Three participants to present new concepts on SME challenges, articulate possible solutions and through political and group dynamics influence their selection in the workshop secretariat for development of the workshop outcome. The workshop secretariat comprises decision makers drawn from both State and Local Government agencies and decisions arising from these workshops are usually implemented mandatorily by all tiers of government. Figure 3.1 shows the process of engagement adopted in this AR study. The workshop usually sets up implementation committees to engage government appropriately. This complex decision making process is a key characteristic of multi-site coalition AR. This becomes an integral element of the AR strategy.

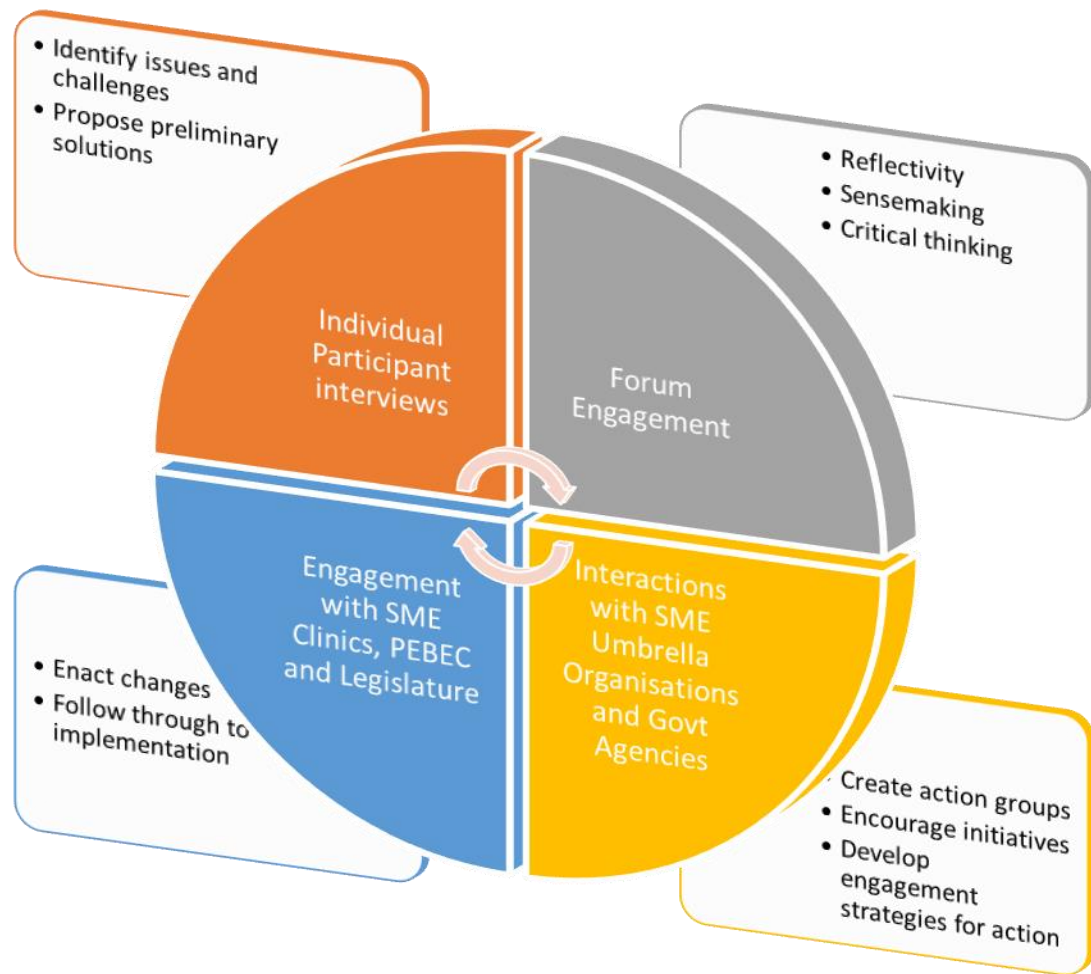


Figure 3.1: Action Research Cycle for Multi-site and Engagement based processes

### 3.5 Data Analysis Procedure Employed

The research applied in-depth interviews for discussing and elucidating participants' views during the data gathering stage. Unspoken nuances and observations of participants provide important communication and context for the research. The data analysis approach draws from thematic analysis of data obtained during the data collection stages. Following the interviews, a content analytic mechanism is used as the approach to identify key themes that resonate

among participants. A data reduction analyses technique is also applied to harness and harmonize the data while applying data presentation technique that will help highlight key issues raised during the data collection stage. Thematic analysis therefore becomes the main data analysis technique. It involves immersing oneself in the data, reading and re-reading to identify themes of interest (Fereday & Muir-Cochrane, 2006), connect data to theories through coding and essentially interrogate data collected. According to Braun & Clark (2006), thematic analysis involves a six stage process beginning with data familiarisation, code generation, identifying themes, reviewing themes, defining themes and finally analysing the results. These processes are not followed in this particular order but take place simultaneously during AR. Thematic analysis is increasingly finding application with action researchers.

Two stage data gathering process involves obtaining data from SME participants during stage one and applying the data generated during stage two interviews with SME umbrella organisations and government agencies. The data collected from both stages served to validate each other. The data analysis technique aided better understanding of the data. Thematic analysis involves identifying themes and code generation (Braun & Clarke, 2006). In this research, identifying themes and generating codes involve an iterative process. The limited code generation process helped in connecting some data to theories. For example, the research focused on fiscal and monetary policies but all participants continued to emphasise the impact of poor infrastructure on SME businesses especially power and access roads. The code generation process aided in connecting this infrastructure inadequacy data to finance availability theory. Further reflections established the fact that the quantum of funds requirement by SMEs may have been much lower if infrastructure is available. Such linkages in data analysis result from coding processes that facilitated proper data analysis.

For clarity, participants are classified as follows;

Group One participants – one senior staff from each selected SME

Group Two participants – one official of each participating SME umbrella organisation

Group Three participants – one senior staff of each participating government agency

The research analysis involve identification of major themes arising from discussions with Group One participants through analysing interview data. Key themes identified are further developed and the characteristics of each theme explored and analysed. After this stage, the researcher and some Group One participants from NASME attended a forum for further reflection on interview outcome. This forum encouraged reflectivity, sense making and critical thinking. The next stage involves interactions with SME umbrella organisations and government agencies (Group Two and Group Three participants) to explore views and action plans based on outcome of Group One interactions. The iterative engagements of Groups One, Two and Three participants with emerging themes and concepts continue with actions suggested, implemented, adjusted and further implemented. The data analysis involve a review of both the data collected from SME participants and use of these data for further engagement with Groups Two and Three participants in the next stage of action research (Houghton and Leddington, 2004). The aim of this iterative engagement with government agencies is to shift the decision making power towards SMEs (O’Faircheallaigh, 2010). Analysis of actions taken through organised forum comprising SMEs and government agencies are presented in the next chapter. Figure 3.1 depicts this iterative process showing the characteristics of each stage and the deliverables resulting from them. This engagement is continuous and most Group Two and Group Three participants continue to propel these views and engage relevant stakeholders when opportunities present themselves. The engagements at the on-

going SME Clinics across the country is an example of the potentials of such action research. Some Group Two and Group Three participants were co-opted as members of specific committees for implementation of suggested changes and formulation of new policies. These participants hold sessions with the researcher at regular intervals during this process where they report successful new changes adopted and implemented by government and obtain relevant input on strategy based on the research findings and objectives. The iterative process continues for the different engagement areas with all stakeholders. The next chapter presents summary of the data collected during the research, the analysis and reflections on the outcome.

## **CHAPTER 4**

### **CYCLES OF ACTION, REFLECTIONS AND SENSE-MAKING**

This section presents data collected during the research and an analysis of results. A major aim of the research is to explore possible solutions to challenges faced by SMEs arising from ineffective government fiscal and monetary policies. This chapter documents data collections strategies, the reason for their adoption, the challenges and analysis of data collected during the research. The goal is to guide the research appropriately and present the context of the data collected.

#### **4.1 Introduction**

The researcher is owner-manager of a business engaged in the manufacture of fast moving consumer goods (FMCG). The company faced problems associated with inconsistent, often changing and ineffective government fiscal and monetary policies. Researchers believe that these problems have led to premature death of several SMEs in Nigeria (Ozioma-Eleodinmuo, 2015). For instance, availability of credit to this sector is constrained by interest rate on loans, collateral support, SME operating environment among other such factors largely dependent on government policies. The structure of the local economy makes dependence on imported raw materials a critical issue resulting in exposure of these players to often changing exchange rate policies of government. The fiscal regime with multiple tax agencies of government and the high regulation of business activities in most sectors with SME players present peculiar challenges for these companies. In the midst of these challenges, the researcher's business had contended with sudden exchange rate depreciation in excess of 100%, changes in fiscal policies affecting a wide range of raw materials used by manufacturers,

poor infrastructure and the systemic lack of access to capital constraining both the manufacturers and the customers. Credit squeeze within the economy generally results in more profound impact on SMEs when compared to large corporates.

The research therefore focuses on exploring possible solutions to these problems especially through engagement with relevant government agencies. The research is faced with the challenge of dealing with multiple parties and organisations in an action research setting. Validating the pervasive nature of the problems and its impact on different businesses calls for caution in choice of data collection and analysis techniques. Critical research questions that require answers revolve around the importance of participation in government policy formulation process. There is need to carefully articulate implementation strategies that guarantee desired impact. How can the government develop policies that encourage the growth and development of SMEs? What possible role can organised practitioner groups play in the effective guidance of policy framework by government? Is it possible to articulate the root causes of the challenges faced by industry players in this category and create an environment that can impact government policy formulation framework? Can an action research framework effectively impact on the solution approach by providing a catalyst for desired changes that can benefit the researcher's organisation and other industry players? How can the role of SME umbrella organisations be modified to achieve greater impact in its advocacy objective? These are some of the research questions raised earlier. Can these problems be addressed through effective data collection and analysis strategy? The data collection efforts were planned with the above research questions in mind.

Some issues faced early in the research revolve around choice of participants. The relevant question is what the researcher expects from the participants. Apart from

data collection for this qualitative research approach, the plan is to select knowledgeable participants who may possibly share common problems related to the research focus. This is important considering the need for an AR approach that will ultimately transform these interview participants for data collection to possible AR participants. Research participants are selected in order to study the impact of such policies and related challenges on SME businesses. Since these participants are industry players, it is important to validate the impact of these challenges on businesses through the qualitative interview process.

## **4.2 Data Collection Strategies**

As discussed in the previous chapter the research classified the participants into Group One, Two and Three participants. Data collection strategies revolve around in-depth interviews of Group One participants. The interview questions are aimed at getting participants to discuss and share their experiences in all areas relating to government monetary and fiscal policy impact on their business. The tendency to expand the scope of impact on these businesses was a major challenge during this stage. Participants tend to ascribe most problems facing the sector to lack of government support. The strategy was to keep the focus on the subject matter of the research while reviewing the implication of these identified recurring problems on the research questions. One example is the problem of infrastructure deficit which initially appeared to be unrelated to the monetary and fiscal policies of government but through insightful analysis became an accepted theme for further research analysis.

Triangulation became an important validating strategy used during data collection. Due to the emotive nature of the challenges to participants, data validation and triangulation is important. Strategies such as prolonged engagement with most key participants worked well. Persistent observations in the field during the AR was also an important element of this strategy. Peer



review and debriefing constituted another useful strategy during data collection (Creswell, 2013). At the researcher's request, NASME organised a forum for group One participants to share information and further engage in discussions and sense making. This opportunity set the stage for establishing a core group of interested participants for further action and engagement with government agencies. Apart from the validation that resulted from this forum, it was also a technique that guaranteed member checking for NASME participants and further established credibility of data collection exercise. The forum also helped in clarifying the researcher biases in this respect especially with the researcher's past experiences in the banking sector which has shaped the interpretation of the research problems and therefore the original research approach. This process became the catalyst for core group selection strategy that informed coding of participants and classifications that resulted from this. (See Table 4.1)

The data obtained from the in-depth interviews and through the questionnaires were transcribed and captured in a database designed to summarise and analyse all data. Data transcription was aided by the use of NVivo package which provided insightful basis in analysis and storage of data. It also helped in developing themes for the research data analysis. Most of the data capture was done to further ensure that confidentiality of participants' contributions are not compromised based on the ethics approval conditions and guarantees. The data capture primarily occurred through transcribing the data obtained during the in-depth interviews, during the proceedings and outcome of the engagement with NASME participants, during field observations and also during the AR process involving Group Two and Three participants and the events that took place during the SME clinics. The data capture therefore occurred throughout the research as new insights that impact the stakeholder engagement process were incorporated as the research evolves. This multiple data capture sources improved data

credibility and therefore reliability of the research outcomes as they are discussed with the government agencies.

Participant Group	Participant Code(s)	Participant Role In AR	Remarks
3	A	Actor	Played active role in enacting changes
3	B	Enabler	Provides active support in AR process
3	C	Influencer	A key influence in enacting changes and success of AR
3	D	Facilitator	Provided access to ensure the success of the AR
2	E	Enabler	Provided active support in the AR Process.
2	F	Facilitator	Provided access to ensure the success of the AR.
2	G	Influencer	A key influence in enacting changes and success of AR
1	H, I, J K, R, S	Supporters	Participated in the interview process, the forum and a key driver of the SME clinics intervention by the research.
1	L, M, N	Forum Participants	Participated in the interview process and forum proceeding
1	O, P, Q T, U, V, W, X, Y, Z	Interview Participants	Participated only in the in-depth interviews.

Table 4.1: Participant Coding System

In selecting participants for the qualitative data gathering stage, consideration was given to participants who have the capacity to contribute effectively and participate in the multi-site AR process that will eventually be undertaken. Table 4.1 shows the participant coding system that indicates participants' roles at the various stages of the research.

The second stage involves engagements and discussions among Group Two and Group Three participants. In-depth interviews were deployed as the primary data collection tool. Data obtained from the first stage interviews with SME participants were analysed and the emerging themes and trends were used as basis for engagement with the Group Two and Three participants. The interactions with these participants provided the opportunity to assess possible roles they can play in the AR process. These participants were drawn from government agencies and parastatals relating with SMEs. As defined in the last chapter, Group Two participants comprise officials of participating SME umbrella organisations while Group Three participants are senior executives of participating government agencies. They are therefore critical decision makers for policy thrust of government. The strategy is to ensure they develop interest in the process strong enough for a committed participation in the AR.

The opportunity presented by this stage of the research further ensures the validation of the data collected during the first stage. Triangulation and peer review opportunities were effectively utilised. These participants shared relevant data to validate information obtained during field data collection. The strategy for this engagement encompasses both data collection, appropriate coding of data and validation of the data. It also involves continuous interactions, often prolonged and persistent observations during the interactions aimed at developing the interest of the participants in an AR that can eventually require some enactment of changes. This stage resulted in a comprehensive coding of participants' roles in the AR study. (See Table 4.2)

To aid the research process, roles were developed for key participants depending on the expectations the researcher has from the participants. These roles evolved throughout the research and some participant's roles changed from the initial classification as the research progressed. Apart from research

Groups	Description of Group	No. of Participants	Enabler	Actor	Influencer	Facilitator	Supporter	Participation	
								Forum	Interview only
1	One senior staff of each selected SME	19					6	3	10
2	One Official of each participating SME umbrella organisation	3	1	-	1	1			
3	One senior staff of each participating government agency	4	1	1	1	1			
			2	1	2	2	6	3	10

Table 4.2: Analysis Of Participants' Role In Action Research

interview participants, the research identified forum participants, supporters, influencers, facilitators, enablers and actors as specific roles for participants. Table 4.1 defines the roles played by each category of participants under the remarks column. For instance, enablers provided active support in the AR process, often creating avenues for government support for the research and ensuring that participants are involved in critical aspects of engagements with government during AR process. Table 4.2 shows that within the Group Three participants, the four key roles of actor, enabler, facilitator and influencer were found. This greatly impacted on the outcome of the research. The role identification and definition that evolved during the AR became a major catalyst for success and a key success factor. These participants played the roles that enabled the researcher obtain commitment and ensure action by government agencies.

### **4.3 Data Analysis Strategies**

The researcher employed coding and theme development strategies in analysing the data obtained during the initial data collection exercise. The NVivo package was helpful in developing themes and undertaking initial coding of the data. Zamawe (2015) stated that ‘NVivo has the potential to make the researcher more creative’ and this is in agreement with the experience of this researcher. The ability to link phrases and themes were enhanced and the accuracy of descriptions improved. The data was later analysed and stored using this tool. Excel worksheet was first used in the analysis and storage of data from the in-depth interview sessions. This enabled the researcher to make the data anonymous and ensure confidentiality based on the commitment made to participants and the requirements of the ethics approval.

As discussed in earlier chapters, both the participants and the various themes developed from the data analysis were coded. Coding aided more in-depth analysis of the data. Participant coding was essential to ensure confidentiality for participants. The participant coding also created a good framework to develop roles for the participants depending on their interest and areas of strength. This was an insightful aspect of the data analysis process. Fereday & Muir-Cochrane (2006) presented an adapted six stages of data coding commencing from developing the coding manual to connecting codes and identifying themes and ultimately to corroborating and legitimating coded themes. The coding developed for the various issues discussed during the in-depth interview was further analysed and streamlined. For example, data obtained from the in-depth interviews were classified into more than 30 different issues and challenges facing participants and SMEs in general.

S/N	THEMES	DESCRIPTION	REMARKS
1	A	Interest Rates	Basic
2	B	Exchange Rates	Basic
3	C	Power and Electricity	Important but minor
4	D	Manpower availability and quality	Minor
5	E	Tax Rates and number of taxes	Important and basic
6	F	Security	Fundamental but minor
7	G	Legal Framework	Fundamental but minor
8	H	Inflation Rate	Basic but Fundamental
9	I	Duties and Levies	Basic
10	J	Competition & Customer focus	Important but minor
11	K	Technology Impact	Important but minor
12	L	Regulatory Interface	Major level and important
13	M	Government Interventions	Basic but Important

Table 4.3: Theme Development System

These issues were subsequently summarised and presented in Table 4.3 under 13 different themes and sub-themes. Table 4.3 shows the initial theme development system where most of the important issues were identified. A key indicator here is that these themes constitute either important, fundamental, major, minor and/or basic factors that impact SMEs. These themes were effectively used to subsume most of the critical issues identified by participants during the data collection stages. Most of the basic challenges are not within the direct control of the SMEs as well as the fundamental challenges under these themes. This process aligns with the suggestions by Fereday et al (2006) on the iterative nature of the process, through developing initial themes and working towards a clearer and more focused description of the data trend. Those that are classified as minor are such

that SMEs can attempt to provide solutions although sometimes at very high costs.

The thematic analysis involves critical thinking and review of the developing themes arising from the coding process. This analysis was a continuous exercise impacted by the AR process of engagement with both Group Two and Group Three participants. Braun and Clarke (2006) recognised the critical importance of effective theme development. They stated that a theme captures important elements of the data in relation to the research question and further represents some level of patterned response emerging from the data. Table 4.4 emerged from the application of strategies suggested by Fereday et al (2006) and represents the dominant themes that the researcher will use for the ensuing AR engagement. The analysis strategy led to development of five themes for all the issues that are identified by the research participants as important challenges facing SMEs in Nigeria. They are coded as AA, BB, CC, DD and EE. The description of these codes are captured more clearly in Table 4.4. Subsequent sections of this thesis will be devoted to further analysis of the implication of these themes and how AR provided a strategic framework to address these challenges.

The next sections will present an analysis of the actual data obtained from the in-depth interviews. The data obtained from the next stage of the research involving Group Two and Group Three participants will also be presented. As discussed earlier, the data analysis strategies resulted in development of themes to summarise the issues identified by the participants. These themes are analysed and presented in the following sections of this chapter.

<u>S/N</u>	<u>THEMES</u>	<u>DESCRIPTION</u>
1	AA	Policy Inconsistency and Reversals
2	BB	Infrastructure Inadequacy
3	CC	Finance Inadequacy
4	DD	Multiple Regulatory Agencies
5	EE	Multiplicity of Charges, Duties, Levies and Taxes.

Table 4.4: Major Themes Coding Information

#### 4.4 Data Presentation

The research aims to explore possible solutions to the challenges faced by SMEs arising from government fiscal and monetary policies. It applies AR strategy in an engagement process involving SME practitioners and government policy makers to elicit action towards solving these problems. The research commenced with planning, data collection through field engagement with participants, data analysis and application of AR processes in ensuring that actions are initiated to solve identified problems. The research process flow involved in-depth interviews, focus group discussions organised by NASME - an SME umbrella organisation, engagement with SME organisations, government agencies and parastatals and finally AR engagement with all stakeholder participants. This section discusses the outcome of the in-depth interviews and presents the data from the Group One participants. The section analyses the preliminary themes



developed from the semi-structured interviews and discusses the basis for development of the key themes.

Figure 4.1 summarises the process flow of the AR engagement at different stages. It identifies the focus and objectives of activities during each stage in addition to stating the output obtained with each engagement. NASME forum provided a good platform for reflectivity, sensemaking and critical thinking resulting in in-depth root cause analysis, and formation of a core team of supporters for the research. The next two stages are interactions with SME umbrella organisations and/or government agencies and engagement with government through participation in SME Clinics and attendance at PEBEC meetings and workshops. Again, active participation of State and Local Government agencies broadened the reach of this engagement thus addressing the impact of their absence as participants in the research. The focus and tasks undertaken during these stages are shown in Figure 4.1 in addition to the output of these stages. These last two stages were highly iterative and deployed in a way to re-enforce and re-define solutions after initial application.

The themes development process shown in Table 4.3 identified 13 areas that participants rated high in the problems faced by SMEs. In arriving at these problem areas, the reflections and comments of the participants point to the importance of these concerns and the impact on the SME businesses. It should be noted that the Interview Protocol, envisaged six primary areas but with several questions aimed at broad based discussions. Six primary areas of focus for the interview comprise Company Background, Business Environment, Policy Environment, Specific Policy Instruments, Relevance and Timing of the Policy Instruments and finally how important and relevant some of the specific policy outcomes are to the participants and SMEs.

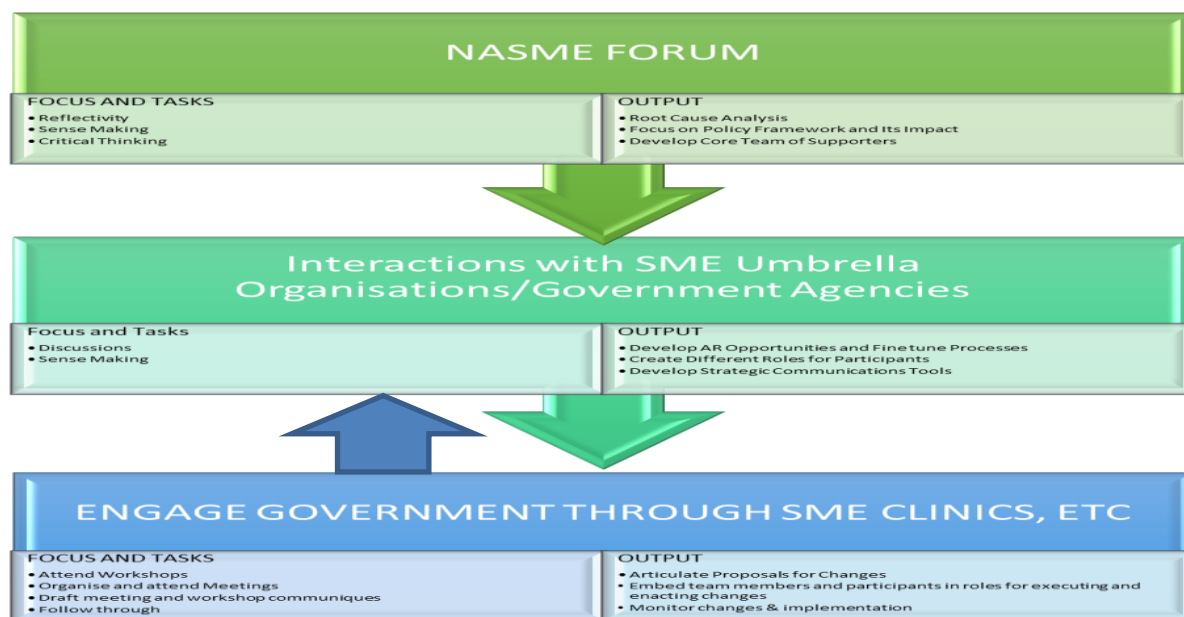


Figure 4.1: Process Flow for Action Research Engagement Process

#### 4.4.1 Regulation and Policy Environment

Policy environment of most Group One participants is characterised by high dependence on government policies and initiatives. These participants, regardless of their membership of various SME umbrella organisation(s) face similar challenges and are unable to articulate and present common positions and policy input to support SMEs. Their participation in policy formulation are limited to advisory roles. Effective participation as argued by O’Faircheallaigh (2010) in the three step variant of participation intensity is not achieved. A critical element of the policy environment is frequency of changes, depth and enormity of the changes especially the impact on participants’ businesses. All Group One participants stated that changing policy environment has significant adverse impact on their businesses. All participants are in businesses actively regulated by government whether at local, state or federal government levels. Regardless of the informal nature of businesses, all practitioners agree that government

policies have great impact on their businesses and that it is detrimental for them to ignore impact of government policies and regulations on their businesses. For a developing economy such as Nigeria's economy and the dominant size of informal sector, this development is unexpected and shows the pervasive impact of government policies and regulations. In addition, existence of multiple regulatory agencies in all tiers of government interfacing with these businesses show the penetration of government in terms of regulatory capability.

Some participants argued that most government policies are not succeeding in promoting business growth. In their view, these policies constrain development of SME sector. Some participants were of the opinion that government is focused on short-term revenue growth while ignoring the need for more enduring favourable business environment which will ultimately translate to improved revenue for government. Both government and businesses should share common objectives, however interpretation and approach to implementation of these objectives are poorly articulated. Government's short term focus on revenue generation militated against proper co-ordination of policy formulation, with private sector operators impacted adversely by these policies.

Some specific policy instruments were identified as critical to most Group One participants. Exchange rate, interest rate and inflation, infrastructure development, taxation, duties, fees and levies are some of the specific policy instruments identified by most participants as having unfavourable impact on their business. Table 4.3 summarises the nature and characteristics of these problems as it relates to the SMEs. Some participants believe that policies affecting these areas have been most unfavourable to their business. The poor infrastructure such as power, roads and other requirements increase the cost of their production and according to some participants, they "*discourage production*". This issue became contentious because poor infrastructure cannot

arise from failure of government monetary and fiscal policy interventions. However, all participants argued that the issue of poor infrastructure is fundamental to their problems. Following further critical analysis, this problem was classified as a major theme arising from the data. Linking this data to the research questions is addressed as reflection below.

### **Reflections**

*Participants agree that poor infrastructure, although a major problem facing SMEs may not directly result from ineffective government fiscal and monetary policies, their impact on their business is so fundamental that it becomes critical to include this as one of the major themes. Further reflections with participants revealed that attempts by various SMEs to find solutions to these problems often result in issues of fiscal nature. A recent arrangement by government with one major local conglomerate is a case in point. The government agreed that the company should construct a major highway which is a critical infrastructure for the conglomerate and in return enjoy a tax holiday for a specified period of time to recover such costs. The SME participants point to the fiscal policy initiative used in solving this poor infrastructure problem. They also argue that the quantum of capital required for setting up and running SMEs will most certainly reduce if they do not engage in infrastructure provision for their business. The negative impact of monetary policies will therefore be minimal to the extent of these additional funding requirements. Reflecting on the arguments presented it became clear that the problems associated with poor infrastructure cannot be excluded as a major theme emerging from this research study.*

#### ***4.4.2 Levies and Duties – Fiscal Issues***

Further analysis of the in-depth interview data revealed that Levies and Duties constitute another major disincentive for SMEs. Participants were unanimous in opposing policy thrust in this direction. Nichita & Batrancea (2012) identified poor governance as one factor that discourages tax compliance by tax payers. The apathy displayed by SME participants give credence to this observation. The participants identified high incidence of multiple levies and indiscriminate enforcement of compliance to these levies as adversely affecting SME businesses.

Most Group One participants stated that regulatory and policy making agencies of government are not providing relevant policies for business growth.

#### ***4.4.3 Effective Participation in Policy Formulation***

Group One participants agree that input of SMEs can result in better government policies and strongly argue for greater participation of SMEs in policy formulation. One important revelation from this stage of the research is that SMEs and the umbrella organisations that participated in this research were not aware that private sector participants can be more involved in decision making and, balance of power in policy decision making has shifted to private sector stakeholders thereby changing existing traditional role of government in decision making for policy initiatives. This fundamental shift is not known to most participants and they argued that such practice will be difficult to achieve in reality especially given the structure of governance and disposition of government and civil servants towards such initiatives. SMEs themselves do not appreciate the possibility of such private sector dominance in policy decision making but can see clear benefits of such practice. Previous efforts of umbrella organisations concentrated on traditional advisory roles in participation while

addressing availability of financing opportunities and infrastructure provision to the exclusion of other fundamental issues. Government agencies themselves resist private sector involvement in policy development and formulation beyond advisory input. SME participants confirmed this resistance and argue that government agencies introduce policies that are aimed at increasing government revenue without regard to the adverse impact it has on SME businesses.

The foregoing discussions on the possibility of a shift in balance of power for decision making creates opportunities for the research to explore this further. Engagements with Groups Two and Three participants will focus on this.

#### ***4.4.4 Stability in Policy Environment***

Group One participants indicate that the frequency and timing of policy changes creates challenges for SMEs due to policy instability that results from this. Most Group One participants believe that policy instability and frequent changes negatively impact SMEs especially since they lack research department and strategic planning function. Consequently, most SMEs are unable to react effectively to these frequent policy changes or anticipate the impact of such changes on their business.

Some of the key themes (Table 4.3) developed from the responses by Group One participants relate to the importance and relevance of policy instruments of government. Some of these variables are exchange rate of local currency to most international currencies; interest rate regime for both borrowing and savings; inflation rate; critical infrastructure such as roads, communications, water, security, legal, power and electricity; tax rate and number of such taxes, duties and other levies; frequency of policy changes; multiple regulatory and government agencies; customer base; availability of relevant technology for their

business; quality of available manpower; availability of raw materials for manufacturing companies; and competition in all areas. Most Group One participants argue that competition, customer base, availability of technology and manpower related issues are important issues for SMEs, but they are under the control of the SMEs. However, indiscriminate duties and levies, exchange rate regime, interest rate and frequent policy changes constitute major impediments to their business and these are levers under the control of government through policy pronouncements. All SME participants identified power as a major impediment to growth of their business. Power availability and alternative source of power with its attendant high cost is a critical success factor for SME participants. In-depth interviews revealed the importance of power and further exploration of issues surrounding power established that policy initiatives by successive governments in this sector led to poor availability of this critical resource. It is therefore instructive that policy issues especially unstable policy initiatives and reversals of policy directions occasioned by changes in government affected this key resources. In actual fact, major challenges identified by SMEs militating against their business growth can be described as consequences of poor and unstable policy initiatives

#### ***4.4.5 Overbearing Government Regulatory Presence***

The business activities and operations of most SMEs are regulated by various government agencies. All group One participants interviewed have two or more government agencies that regulate their businesses. There are several participants whose businesses are regulated and supervised by more than 10 agencies of government.

In order to cope with the demands of multiple regulatory agencies SMEs are faced with compliance challenges, excessive focus on regulatory compliance strategies to the detriment of business growth strategies.

Responses from Group One participants reveal that most SME businesses require licenses at company level and also require product licences for any new product introduction. Processing these licences could take months creating frustrating and avoidable costs to doing business in the country. Most Group One participants claimed that the processes for the licencing are cumbersome and inefficient. For example, a typical product licence requires full factory set up and production of test products for approval. For SMEs, this means full financial outlay and running costs before approval is obtained often entailing several months of inactivity before commencing business. The high number of regulatory agencies adversely affect the operations of SMEs. The respondents argue that this results in frequent policy changes that frustrate the compliance efforts of SMEs.

#### ***4.4.6 Monetary Policy Issues***

Monetary policies seem to present the greatest challenges to the SMEs from the response of Group One participants. The unstable macroeconomic environment is reflected on the frequent changes in exchange rates, inflation and interest rates. Policy instability contribute to these changes. A Group One participant argued that the frequent ban by the Central Bank of Nigeria (CBN) of selected products from being imported is unhealthy for business. The implication of this is that access to foreign exchange for the importation of such products or raw materials is limited and the prices increase astronomically. The consequences of such major change had been far reaching and led to significant cost upheavals for most SMEs.



All Group One participants are unanimous in their assessment of the importance and relevance of foreign exchange policy. Even SMEs requiring no imported raw materials are still affected by this policy. A stable foreign exchange rate regime is advocated by all respondents. Nigeria's economy is a mono-product economy that relies heavily on foreign exchange earnings from export of crude oil which forms over 85% of its annual foreign exchange earnings. The economy is import-dependent as most consumer goods are imported while local manufacturing is minimal. Due to the economy's mono-product nature crude oil price changes in international market, affect Nigeria's economy significantly. Unfortunately, the country cannot determine the price movement of this commodity and therefore relies on efforts of organisations such as Organisation of Petroleum Exporting Countries (OPEC) in this area. OPEC is increasingly becoming irrelevant in controlling supply especially when the aggregate output of member nations is below 30%. The mono-product nature of the economy is bad enough, however, high price volatility of the product in question makes this issue all the more critical. This economic structure therefore creates very unfavourable environment sensitive to exchange rate fluctuations regardless of the nature of raw materials for SMEs. Therefore businesses whose raw materials are obtained locally are still affected by unstable exchange rate regime as most indirect inputs to their business either through their manufacturing process or their suppliers are not shielded from the impact of a depreciating or unstable currency exchange rate.

Interest rate regime is another macro-economic index that affect most SMEs. Group One participants agreed that government intervention and policies in this area is important and relevant to their business. This is true for both leveraged SMEs and those that are not. This index is inextricably linked to exchange rate and management of these rates reside with CBN. Stable and single-digit interest rate regime has been a key focus of CBN. SMEs however, still borrow at interest rates in excess of 20% per annum. The CBN has argued that Federal

Government's Treasury Single Account (TSA) policy has adversely affected interest rate management. The TSA is simply a policy by government directing all their Ministries, Departments and Agencies (MDAs) to henceforth maintain a single treasury account with CBN. This led to sudden withdrawal of deposits in commercial banks previously held by governments. The consequence is sudden reduction in liquidity in the banking system with attendant implication on interest rates. High interest rate regime occasioned by this policy cripples SMEs. This sudden policy directive is only one of such policy changes that participants attributed to poor government policy management instruments.

#### ***4.4.7 Impact of Inflation***

Group One participants stated that government policy initiatives on inflation are not succeeding. 2016 and 2017 have witnessed very high inflation rates and inflationary pressures on consumer goods. The impact has been a sustained erosion of value of money. With inflation rates officially reaching as high as 17% per annum in 2017 and savings rate at below 8% per annum, as published by National Bureau of Statistics (NBS) there is a major structural problem in the economy. The importance of government policies in maintaining stable inflation rate and in fact reducing inflation to tolerable levels was emphasised by most participants. Inflation is outside the control of SMEs and is largely driven by government policies. To most participants, it is a major determinant of survival of SMEs.

#### ***4.4.8 Duties and Other Charges – Multiplicity***

Most Group One participants advocated policy stability in relation to duties, levies and other charges by government and MDAs. The present fiscal policies of government are adverse to SMEs. Government fiscal policies should be

strategic by encouraging priority sectors of the economy while discouraging less productive sectors.

Multiple duties, charges and levies emerged as an important concern for SME participants. Most Group One Participants complained of lack of co-ordination among government parastatals and MDAs in their quest for generating internal revenue for their organisations with the result that their actions lead to multiplicity of charges, duties and levies and create very unfavourable business environment for SMEs. Frequent changes in the rates for these charges discourage longer term planning for SMEs. The respondents argued that most rates are reviewed annually limiting the planning horizon for business. According to a Group One participant;

*“imagine limiting your strategic planning to only one year horizon. That will become ordinary annual budgets and no longer strategic plans, we want to develop 3-year or even 5-year strategic plans to better manage our business”.*

#### **4.4.9 Taxation**

Taxation is another challenge identified by Group One participants. Again, multiplicity of these taxes presented another dimension to the problem. In Nigeria’s political system, the three tiers of government can levy different taxes for different things. SMEs operating in the country have to deal with taxes levied by Federal Government and its agencies, States and Local Governments as well. Many SME umbrella organisations have recognised multiple taxation as key deterrent to business expansion and growth. A Group One participant stated that their business location is dictated by the policy of state governments when it comes to indiscriminate revenue collection. Recent reports for instance, show

that Lagos State has lost significant investment opportunities to neighbouring Ogun State in Nigeria mainly because businesses find the intense revenue drive by Lagos State government as a deterrent and a disincentive to siting their operations in the State. Most participants argue that Federal Government should harmonize extant tax laws and ensure that state and local governments should do the same in order to avoid multiple taxation.

In summary, frequent policy changes by governments at all three levels contribute to the foregoing challenges. These challenges have manifested themselves as unintended consequences creating major drawbacks to growth and development of SMEs. Other areas that were discussed with less emphasis and focus by participants include, competition, availability of raw materials, availability of technology, and customer base of their businesses for demand generation. An important area of discourse is the availability of quality manpower. While most participants agree that reasonable quality manpower is available, one participant argued that quality of trainable manpower has been deteriorating over the years. Specifically,

*“government policies in the education areas and ministries over the years have not been good enough to produce trainable graduates. Look at the universities and higher schools, there are no lecturers and no facilities for educating the students. The teachers are always on strike and nothing seem to be learned by these students”.*

As a result, people go into labour market unprepared for the job they are expected to do. Employers are now saddled with implementing an on-the-job training programme for most employees. Most companies and private institutions have introduced pre-employment training programmes that last for six to nine months

before these new entry level staff can join the company. This underscores the poor quality of the education system.

#### **4.4.10      *Group One Interactive Session***

A forum organised by NASME for an interactive session with some Group One participants enabled the researcher to reflect on the preliminary findings from the in-depth interviews and share ideas. Seven Group One participants attended the forum along with 10 other members of NASME. Deliberations resulted in the following points;

- the researcher and NASME should constitute this group into a standing committee to act as effective pressure group for engagement with government and other stakeholders. Possibility of enlarging this group to include other SME umbrella organisations was muted.
- The group discussed challenges facing SMEs as presented by the researcher based on their input and agreed that this should be reduced to a maximum of five key themes for ease of analysis. A small group of four were mandated to come up with this.
- Under the guidance of the researcher, the group agreed to share information with government agencies and seek close collaboration as group members in order to immerse themselves in the challenges

Following further deliberations among the working group and the theme evolution process, the research data are summarised as follows;

**Policy inconsistencies and policy reversals have pervasive influence on major challenges faced by SMEs in business growth and development.**

**It can be described as the root cause of the issues which should be addressed in a comprehensive manner for any meaningful solution to SME challenges.**

The research therefore adopted the policy challenge as a fulcrum upon which other identified issues are to be anchored for meaningful solutions. Other issues are classified as major symptoms of these challenges relating to monetary and fiscal policy perspective as follow;

- Lack of adequate infrastructure such as power, roads, water, etc. to support businesses.
- Lack of access to adequate finance for SMEs
- Multiple regulatory agencies requiring several and stifling approval processes for licences and permits for doing business.
- Multiplicity of charges, duties, levies and taxes effectively increasing cost and inconvenience of doing business in Nigeria.

The next sections will provide concise analysis of the foregoing challenges from a different perspective and set the stage for further AR interaction between stakeholders. The iterative engagement with various government agencies and umbrella organisations are presented.

#### **4.5 Analysis of Major Themes**

Figures 4.2 and 4.3 show the importance of the major themes to participants. The five themes that evolved from data analysis are important to all participants. It underscores the eventual commitment of participants in the Action Research process. The interactions with Groups Two and Three participants are based on

these themes. This section summarises the interactions and serves as springboard to the AR process.

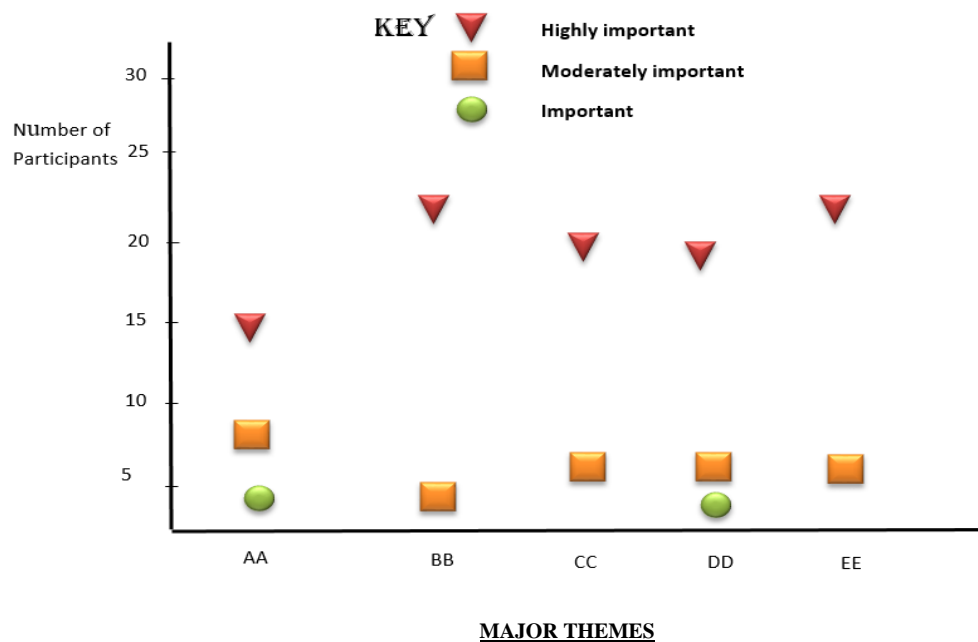


Figure 4.2: Perception of Importance of Themes by Participants

#### 4.5.1 Policy Inconsistencies and Reversals

Unlike most large conglomerates and corporations SMEs lack resources to establish and maintain versatile research and planning departments that analyse and predict economic environment of business. They rely on informal and often poorly articulated analysis of policy initiatives. As a result, SMEs do not react effectively to government policy changes. Group One participants identified policy inconsistencies and reversals as fundamental to challenges that they face. The forum engagements came to this surprise conclusion following reflections and critical analysis.

Poor implementation and articulation of policies contributed significantly to problems faced by SMEs as described under the major themes developed in this research. For instance, the challenges faced by SMEs over lack of adequate infrastructures relating to roads, rail, power, etc can be attributed to poorly articulated government policies that have changed continually from one regime to the other. Group One participants identified power sector policy inconsistencies and reversals, lack of integrated road and rail network development strategies, among others as the root cause of this challenge. Inadequate finance and lack of access to it was traced to the numerous and changing government policies relating to finance and the challenging monetary policy initiatives. Most participants agreed that SME finance policies have not yielded desired benefits. Conflicting and confusing federal, state and local government policy initiatives are at the fulcrum of the issues of multiple regulatory agencies and multiple taxation, levies and duties. The challenges posed by policy inconsistencies and reversals are pervasive and impact almost all aspects of SME challenges clearly distinguishing this as a root cause challenge for SMEs.

The forum agreed that a deliberate attempt by government to co-opt relevant stakeholders into participating in policy formulation is one way of ensuring positive impact of new policy initiatives. The benefits of participatory model of decision-making far outweighs the demerits. Woods and Miles (2014) emphasised the merits of collaborative development of enterprise policies for SME development. One key consensus of the research is that Group Two (SME umbrella organisations) and Group Three (various SME-focused agencies and development institutions) participants recognise the need for more consultations across stakeholders before policy changes are introduced. The research therefore concluded that a very carefully articulated participatory model of decision-making where SMEs, as stakeholders affect decision outcomes can ameliorate



policy challenges. SME umbrella organisations can be refocused and used as platform to impact government policy decision-making outcomes. The present advisory and advocacy roles fall short of producing required results. A clear thought leadership process by SMEs is now needed to inject themselves effectively into decision-making processes for policy initiatives by ensuring full involvement. Given present disposition of government ministries, departments and agencies, it is possible for SMEs to take the initiative and introduce a clearly participatory approach in government decision-making processes.

#### ***4.5.2 Infrastructure Inadequacy***

Lack of adequate infrastructure such as power, roads, water etc., have been highlighted by several authors as a major challenge facing SMEs in Nigeria (Onugu, 2005; Egbeide et al, 2013 and Ozioma – Eleodinmuo, 2015). In particular, Agwu and Emeti (2014) linked poor infrastructure to existence of unstable policy environment of government and argued that this is a critical issue that has consistently been a drawback for achieving any meaningful development to support SMEs in this area. Infrastructure problems as highlighted by SME participants shows that cost of providing alternative infrastructure is borne by SMEs. Those costs are prohibitive and SMEs are unable to pass the costs to consumers. For example, poor road network is one aspect of infrastructure that is difficult to overcome by individual SMEs. Regardless of current state of infrastructure, poor government maintenance culture result in infrastructure deterioration leading to major adverse effect on SMEs.

Almost all SMEs provide alternative power supply through standby power generators. The cost of running these generators are in multiples of cost of power provided through the grid. Government responses through SMEDAN highlights the key role that government policy initiatives play on outcome of power

availability in the country. Power sector privatisation challenges which form the kernel of response from government underscores the critical role of policy articulation and implementation. Reactions from Group Three participants show that successive governments have struggled to implement some aspects of power reform policies while some have been modified without taking into consideration the implication of these modifications on ability of government to successfully implement needed reforms.

Groups Two and Three participants agree that lack of critical infrastructure for SMEs such as power, good roads, water, etc., arise from inconsistent policy initiatives and implementation strategies. Ensuring stable policy environment including policy implementation processes are required for any meaningful positive outcome in the medium to long term. The contribution of Group Three Participant D is critical. This government organisation is working with a Public-Private Partnership (PPP) model that aims to concession existing facilities to capable private sector operators with requisite experience. They also plan to concession opportunities to private sector operators to build, operate and own infrastructure. The model accentuates the benefits of an integrated approach to policy formulation for SMEs

This strategy resonates with the emerging research conclusions for an integrated policy development approach for SMEs. By identifying policy development as a root cause while other challenges are taken as symptoms, the research outcome elevates policy challenges to a level requiring new strategies to address them.

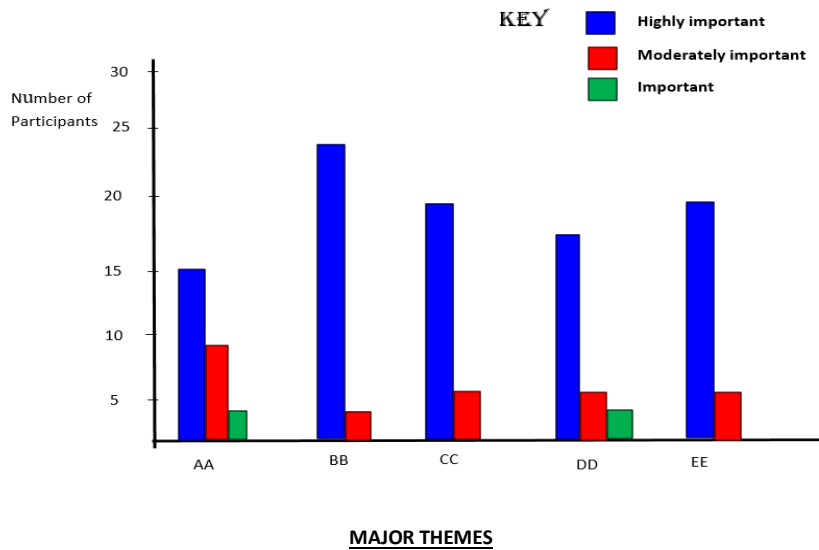


Figure 4.3: Bar Chart showing Theme Importance to Participants

#### 4.5.3 Finance Inadequacy

SMEDAN provided an extensive list of government support initiatives in the area of financing. This was analysed in the Literature Review section of this thesis. Despite these government initiatives for SME funding, there is minimal impact because, lack of adequate funding continues to be a major challenge and impediment to SMEs. Analysis of research responses reveals that funding constraints still dominate challenges faced by SMEs. Financial institutions face constraints in funding SMEs in Nigeria because these funds invariably are diverted to provide infrastructure that should ordinarily be provided by government such as power, water, roads, etc. SMEs thus fund unnecessary inefficiencies created by government inability to provide required infrastructure. A Group Three participant observed that increased funding requirements make the business case for most SME businesses unprofitable for lenders. The high number of initiatives and policies create confusion and inadvertently result in policy reversals. This is because, as new policies are developed and established, existing ones are abandoned. The sheer number of these initiatives and the

overlapping nature of the gaps they are supposed to address are pointers to their ineffectiveness and inability to satisfy requirements of SMEs. As a result, policy inconsistencies inherent in these initiatives of government are by themselves impediments to their effectiveness. These policy inconsistencies and reversals constitute a key challenge to the usefulness of these policies and negatively affect ability of SMEs to access funding through any of these initiatives. Oyelara-Oyeyinka (2008) discussed SME financing challenges similar to these findings. In summary, government policy interventions for SME financing creates policy inconsistencies capable of compounding the problems.

#### ***4.5.4 Multiple Regulatory Agencies***

SME participants identified “menace” of multiple regulatory agencies as having major adverse effect on their growth and development. Issues raised during research data collection stage confirms that different tiers of government assert their independence and autonomy by promulgating laws. These laws create multiple and often conflicting agencies not only across the three different tiers of government but also within them. Pressure on MDAs to increase internal revenue generation by government, corruption and unprofessional conduct lead to this.

The research discussion forum analysed this challenge and agreed that a strategic course of action involving changes backed by relevant legislation should be developed to address this. The plan will cut across all tiers of government driven by Group Two participants (SME umbrella organisations) in concert with critical government agencies responsible for such enactments. The group agreed that engagement of different tiers of government will be cumbersome and yield limited results, rather Group Two participants should drive the process and engage government with relevant input for enactment. The forum recommended

proper harmonisation of legislative functions among different tiers of government to prevent reoccurrence of this problem.

Group Three Participant C, stated that they organise workshops and create forums for SMEs and related organisations to discuss such issues and directives issued on way forward. This strategy failed to address the issues although it sometimes provide temporary reliefs as confirmed by some Group One participants. Unfortunately, SME umbrella organisations immerse themselves in solving day-to-day challenges of existence and survival of their members. The proliferation of several SME umbrella organisations have diminished their legitimacy and effectiveness in their activities. Santana (2012) discussed three aspects of stakeholder legitimacy “which should be present together in order for the entity to be recognised as legitimate in society” (pp. 258). These are legitimacy of stakeholder as an entity, legitimacy of stakeholders claim and finally legitimacy of stakeholder behaviour. In all three areas of focus, SME umbrella organisations have an ethical duty to transcend parochial interests in order to emerge with some sort of legitimacy that can be conferred on them by appropriate government organs in order for them to impact the decision-making process effectively. At present, they do not foresee themselves participating effectively in decision-making for policy initiatives but are rather content with providing advisory input. SME umbrella organisations should take initiative in establishing a participatory decision making process where balance of power will shift to them according to Arnsteins (1969) ladder of participation such that their input will be less advisory and more participatory with a higher degree of control over policy decisions.

#### ***4.5.5 Multiplicity of Charges, Duties, Levies and Taxes***

Group One participants identified multiple taxation as one major intractable challenge facing SMEs for a protracted period without any ameliorating outcome

by government. Group Two participants corroborated this position and stated that SME umbrella organisations have articulated proposals to government suggesting different forms of tax exemptions for SMEs operating in the country under certain circumstances citing examples of countries where such actions helped establish vibrant SME sectors. One characteristic of SMEs is their ability to operate in an informal sector to avoid tax payments. This results in reduced tax revenues for government. Government insistence on unfavourable tax policies drive most SMEs to the informal economy.

Most Group Three research participant acknowledged this challenge. They stated that government is acting on it through improving ease of doing business in Nigeria (EODB). Appreciable progress has been made in electronic payment of taxes including filing and other required documentations, however the problems of effectiveness of tax rates and various taxes payable by SMEs have not been addressed. The federal government recently established the new National Tax Policy (NTP). If NTP can achieve the objectives for its set up, challenges of multiple taxation faced by SME will reduce significantly. The NTP aims to harmonise all existing tax laws at all tiers of government and ensure that a simple but clear and concise tax computation process is put in place to assist tax payers easily determine their tax liability. It also aims to reduce corporate tax rates and introduce tax registration thresholds to incentivise SMEs for compliance. This tax compliance issue was sensitive during in-depth interviews and interactions with research participants. Some participants suggested that government support policies for SMEs have not succeeded partly because SMEs are supposed to show evidence of tax compliance before they access any support initiatives. This requirement is a major deterrent for SMEs seeking access to these support initiatives. This general apathy towards tax compliance was discussed by both Nichita and Batrancea (2012) and Alabede, Ariffin and Md Idris (2011). Alabede et al (2011) concluded that improvement in public governance quality in Nigeria

would contribute significantly in awakening culture of tax compliance among individual taxpayers. They opined that tax payer trust in government can only improve with effective governance by the state and provision of necessary governance structures for public good. According to the participants, the conduct of SMEs are reflective of this position. SMEs can migrate to the formal economy if there are benefits for such migration.

Group Two participants confirmed that multiple levies and charges are rampant, are often illegal and are enforced extra-judicially by crude revenue agents of the three tiers of government.

Multiple duty assessments is another challenge that make import and export of goods by SMEs inefficient. Group Two participants pointed out that SMEs suffer major ordeals to import raw materials while contending with multiple duties and arbitrary charges. A Group Three participant revealed that they are working on concession arrangements for ports for greater efficiency. Concession arrangements can transform these services, ensuring that private sector participation and investment yield more efficient port operations with huge benefits for the nation's economy. At present, Group One participants stated that some SMEs import goods through more efficient ports in neighbouring countries to survive these challenges and truck these products by road thereby avoiding sea ports in Nigeria.

#### **4.6 Engagements with Groups Two and Three Participants – Pre Action Research Engagements**

The last section presented the summary of the issues arising from in-depth interviews with Group One participants. The section drew inferences from interactions with Groups Two and Three participants. This section presents the

outcome of interactions, reflections and sense-making with Groups Two and Three research participants. The five themes identified by group One participants in the last two sections form the input for interaction with these participants. The aim is to explore ways of influencing government views and disposition through an AR process that encourages reflection by government agencies and parastatals. The researcher asked specific questions on these groups. Group Two participants were asked to react to the findings from group One participants and suggest solutions to the challenges. The emerging concepts formed the basis for collaboration with Group Two participants for the planned engagement with government and other stakeholders in the AR study. Group Three participants were requested to comment on the issues identified by group One participants and the suggestions incorporated through engagement with Group Two participants. The researcher obtained commitment of Group Three participants to take action to implement agreed research findings and recommendations.

Following the forum engagement with SME participants and sense making sessions with the contact group, the new concept which identifies policy as pivotal and key driver of other symptoms was further developed. This new concept was central to engagements with Groups Two and Three participants. In this section, analysis of the outcome of in-depth interviews with these participants especially the response to these themes beginning with the pivotal issue of policy inconsistencies are presented.

SMEs face considerable challenges arising from policy inconsistencies and reversals making it difficult for them to plan. Lack of planning limits longer term strategic growth and development. SME umbrella organisations as Group Two participants reiterated SMEs frustrations as a result of these. Their leaderships argued that government policies change too often and even within a budget year fundamental changes occur. For example, Participant F expressed concern about



consequences of CBN approach to management of foreign exchange market during 2015 budget year. According to them,

*“we engaged the CBN through a dialogue session to draw attention to the implications of forex policies on Businesses and the economy”.*

They listed some of the adverse CBN foreign exchange policies as follows;

*“(1) Directive on the exclusion of 41 products from access to the foreign exchange market (interbank foreign exchange market and Bureau de Change) (2) Restriction on the utilisation of Export Proceeds for the 41 prohibited items (3) Prohibition of foreign currency cash lodgements into domiciliary accounts”.*

Their concern is a reflection of the core issues raised by Group One participants. According to them, this policy increased Nigeria’s sovereign risk, poor perception and closure of foreign credit lines by foreign partners. Lack of notice and appropriate timelines before the policy introduction is a concern.

Another Group Three Participant C agrees that SMEs are adversely affected by policy changes in government. They recognised policy shifts in the constantly evolving government agencies for SMEs. The participant stated that some agencies overlap in their functions and suggested harmonisation of functions. They believe that policy stability is important but capacity development and training will help SMEs appreciate the constantly changing business environment and develop appropriate strategies.

The idea of considering policy challenges as pivotal to the problems of SME seem novel to Groups Two and Three participants. Some Group Three participants

agreed that the structure of government MDAs discouraged an integrated policy approach and inadvertently encourages the silo mentality to policy development. Ministries, departments and agencies seldom share experience among themselves and have not applied an integrated approach to policy development. For example, Participant A (Group Three) agreed that an integrated approach to policy development handling issues such as finance, roads, water infrastructure, etc could transform the business environment. They argued that their financing are diverted to infrastructure provision by SME beneficiaries. Aggregate credit gap in the sector could be reduced significantly if government adopts an integrated policy development model. This is a major change of view by the leadership of this organisation. Having realised the enormous potential of implementing this concept, they undertook to drive it within government to elicit appropriate action. This realisation through sense-making galvanised them into action by leading the engagement with other MDAs for an integrated approach to policy formulation that will evaluate input from key SME stakeholders. This became a key benefit and driver of the AR process.

Poor infrastructure especially power has proved to be an intractable challenge. Group Three Participant C presented detailed analysis of government policy developments in this area over the years. Government is worried that power sector reforms are not succeeding. The result of this privatisation exercise is mixed. Due to the importance of this infrastructure, the participants explored challenges with this arrangement by reflecting on the problems of the sector with further discussions and sense-making with some major players.

Other infrastructure such as roads, water, railway system, etc. have similar challenges being addressed through different government MDAs with minimal

progress. The result is increased cost of doing business by SMEs and failed businesses especially for under-capitalised ones.

Engagement with Group Two participants reveal deep frustrations and failed engagement attempts with government. The researcher discussed collaboration with power companies to provide dedicated power to industrial clusters. Although these arrangements exist in some areas, significant number of SMEs are still outside industrial clusters. SME umbrella organisations have hitherto not actively participated in these initiatives. As interested pressure groups, they can influence government power policies through a participatory process with civic collaboration as presented by Bartoletti and Faccioli (2016). This sort of collaboration, can effectively create new framework for tackling power challenges facing SMEs through proper policy articulation and engagement at local levels.

In a bid to tackle the pervasive infrastructure problem in the country, the federal government set up Infrastructure Concession Regulatory Commission (ICRC) in November 2008 under the Presidency. ICRC is a Group Three participant and the leadership explored government strategies for infrastructure provision. ICRC is responsible for ensuring private sector participation through enabling policies. The government is convinced of their inability to provide huge resources and investments required to bridge infrastructure gap in the economy.

The enabling Act mandates the Commission to manage the complex arrangements that the PPP process entails, and build capacity within MDAs to handle such arrangements themselves, subsequently. ICRC is also expected to monitor implementation of such arrangements according to best practice, ensuring that desired service standards are attained and maintained, value for

money is assured and private sector operators are in a position to recoup their investment in a fair and equitable manner.

According to ICRC leadership;

*Infrastructure gap in the Nation require more than US\$100 billion to address. Power Sector alone will gulp more than US\$20billion while Railways will cost up to US\$17b and Roads can take over US\$14 billion. There is near total lack of rail network and SMEs cannot survive without this important infrastructure. Railways should be the major mode of mass movement of people and goods. Lack of this network puts pressure on the poor road network that exists as the only mode of moving goods. The resulting high cost of freight and delays associated with this mode of transport further compounds the problems of SMEs. Unless this level of investment is made in infrastructure provision in the country, the economy will continue to be negatively affected.*

Apart from rail infrastructure, ICRC believes that Ports are not providing required support for SMEs. They agreed that inefficiencies in ports contribute to multiple charges, duties and levies and advocates for acceleration of the concessions for Ports to function more effectively. The efficiency of Ports will greatly ease the burdens on SMEs as both import and export potentials will be realised.

Lack of access to adequate finance for SMEs is of interest to all stakeholders. All Group Two participants facilitate access to finance as major objectives for their members. Umbrella organisations of SMEs focus on assisting SMEs access finance. They organise seminars and workshops on effective financing and on how to access loans from banks and other financial institutions. For Group Two Participant E, they

*“facilitate delivery of suitable credits to SMEs through member financial institutions and other financial institutions where we maintain good relationships”.*

This underscores importance they attach to access to credit and financing for SMEs. Another Group Two Participant F, stated clearly that they are

*“recognised as the official body through which opinion on commercial and industry matters can be presented directly to government or other authorities, both national and local. It is frequently consulted by government in advance, on the preparation of new legislation affecting the business community”.*

Specifically, the Small and Medium Enterprises Group (SMEG) of this organisation states that it

*“provides cutting edge opportunities to its members in its efforts to empower them through access to loans to grow their business. Bankers, Business Development Organisations (BDO’s) and other professionals come on the platform to educate members on important subjects crucial to their success on such topics as how and where to access funds how to write bankable business plans and other relevant trainings needed to succeed as an SME”.*

This really underscores the deliberate focus on SME financing.

Group Three Participant C believes that poor access to funding is the major challenge facing SMEs. As a result, in collaboration with BOI and Nigeria

Export-Import Bank (NEXIM), they recently hired the services of rating agency – Dun and Bradstreet Nigeria Limited to conduct ratings on Nigeria’s SMEs. They stated that with over 37 million MSMEs in Nigeria and most of them

*“adjudged unviable due to challenges which include lack of access to finance, poor infrastructure which make SMEs susceptible to early moribund and we believe that the coming of the rating agency is a good development that will spur SMEs growth in Nigeria”.*

The conviction of the participant’s organisation about importance of access to finance for SME drives government SME support efforts over the years. This MDA created what they called “Credit Information Portal” website to ease the task of sourcing for information on available credit for MSMEs.

Group Three Participant A, was recently set up to address funding needs of SMEs as a private sector institution with a public mission. Some stakeholders have argued that this is a duplication but government believes that it is a novel idea in providing needed assistance for growth of SMEs.

They operate as a development finance institution lending through retail or other financial institution for MSMEs but provide on-lending facilities through eligible financial institutions.

Participant A shared the organisation’s experience from a study recently conducted on the beneficiaries of their loans under a pilot run. They found out that most beneficiaries of their facilities channel these loans to providing infrastructure for their business. They realised that inadequate infrastructure is militating against their own mandate. According to them, loan requirement for SME sector has been estimated at over N17 trillion. They now realise that most of these requirement may not arise if appropriate policies are in place to mitigate SME challenges. Through reflection and sense-making the AR research

interaction with the MDA effectively opened up a new vista for further exploration on the issue of access to finance for SMEs.

Another challenge faced by SMEs arising from preliminary analysis of Group One participants' research data is existence of multiple regulatory agencies. The activities of these agencies result in the need for multiple approvals and thus stifling approval processes for licences and permits for doing business. Group Two participants condemned this practice and revealed that they have taken up this issue in the past with government several times unsuccessfully.

According to some participants, an initiative of the federal government aimed at improving ease of doing business in Nigeria was recently introduced following pressures from private sector businesses. This initiative aims to achieve harmonisation of multiple taxation and levies among other objectives. Most participants argue that not much has been achieved in this area. Most Group Two participants concur with the general views of Group One participants on this regulatory meddlesomeness. Specifically, Group Two participants confirmed that even large corporate members among them suffer from this challenge although the ability of SMEs to cope with these challenges is constrained by their size, access to capital and other resource limitations and generally by the nature of their business. Group Two participants agree that creating helpdesks for their SME members can assist them cope with these issues.

Group Three Participant A acknowledges existence of multiple regulatory agencies for oversight by government and agree that from lender's perspective, ensuring compliance with all regulatory agencies can be quite challenging. They expect full compliance with all regulatory requirements by all participating financial institutions (PFI) working with them. The participant acknowledges that MSMEs compliance with extant laws and multiple regulations in order to obtain

funding from them can be quite daunting. The participant revealed that the minimum eligibility criteria to receive financing from this MDA by PFIs stipulate many onerous conditions. Some criteria require the PFI to comply with all applicable laws and CBN regulations, provide adequate Anti-Money Laundering (AML) procedures and comply with all existing and future applicable laws are quite omnibus and cumbersome.

Group Three Participant C acknowledges the prevalence of multiple regulatory agencies and challenges that they pose to SMEs development in Nigeria. According to the participant, it is important to harmonize the functions of these agencies and the MDA is engaging industry players and government through the ongoing MSME clinics organised across the country. The participant captured the objectives of the clinic in the following way.

*“the essence of the MSME clinic is to bring government agencies to have interface with the MSMEs directly and to be able to be confronted with their problems and to provide solutions to those problems and that was the reason why Chief Executives (of these agencies) were asked to be at every clinic in every state so that certain decisions can be taken there and then. That is one thing the government is doing to address the issue of this lack of synergy”.*

The participant agreed that multiple regulatory agencies constitute major challenges to SMEs and harmonisation is essential.

The fourth major issue arising from Group One participants’ observations is multiplicity of charges, duties, levies and taxes which significantly increase cost of doing business by these SMEs and threatens their survival. Participant E, (Group Two) stated that taxation should be used as a major incentive to ensure



growth and development of SMEs. The participant believes that this is one effective way to support SME growth and drew analogy with the experience in Britain where they successfully used incentives such as tax holidays, reduced taxes, loan guarantee schemes for SMEs and linking SMEs with appropriate technologies and educational institutions to support SMEs. According to the participant Nigeria, being in a developing economy should emulate this example and even go further.

Similar views were expressed by another Group Two Participant F and further stated that they have engaged Lagos State Government and several agencies of federal government to find solution to this issue. The participant agree that it is a complex problem requiring engagement at various levels of government given the independence of the three tiers of government in Nigeria. The participant argued that greater transparency and more efficient government can address the issue of multiplicity of charges, levies and taxes which they believe are as a result of poor governance framework and lack of transparency and accountability at various tiers of government.

These issues were raised with Group Three participants. Participant C suggests that collaboration and engagement with other MDAs including state and local government tiers will reduce burden of multiple taxes and charges. The participant revealed that their MDA continues to dialogue with various state governments on the need to harmonise the incidence and proliferation of taxes and charges. This dialogue has forged alliances that will ultimately resolve these issues. The participant referred to efforts of present federal government using the forum created under the headship of the nation's Vice President for ensuring that ease of doing business in Nigeria is greatly improved. Harmonisation of taxes and levies is one of the major responsibilities of this body which has already recorded successes in other critical areas such as easing business registration and

requirements for visa processing for visitors to Nigeria and suggested that the research can engage this body with the research findings. The federal government set up the Presidential Enabling Business Environment Council (PEBEC) primarily to improve Nigeria's ranking in Ease of Doing Business (EODB) report of the World Bank. Nigeria was ranked 169<sup>th</sup> in 2017 out of 190 countries surveyed by World Bank, a negligible improvement from 170<sup>th</sup> of 189 countries surveyed in 2016. This participant encouraged the researcher to engage with PEBEC and this marked a turning point in the research with greater focus of policy makers' engagement through PEBEC. The participant further shared recent reports on the activities of PEBEC which are pointers to the fact that engagement with various government MDAs at both Federal, State and Local Government levels are yielding desired results.

*“The PEBEC’s two key Executive Bills – Collateral Registry Bill and Credit Services Bureau Bill – were passed into law with the objective to aid access to credit for SMEs. Furthermore, the PEBEC made strides in reducing the number of agencies in Nigerian ports to allow ease of entry and exit of goods and people. Accordingly, the impact of these reforms are evident in the recently released Doing Business 2018 report titled “Reforming to create Jobs” as Nigeria moved up 24 places (surpassing the target of 20) to 145<sup>th</sup> and ranked in the top 10 most improved countries. The key areas Nigeria improved the most include 1) Starting a business (online registration of businesses and reduced turnaround time); 2) Getting construction permits; 3) Registering property; 4) Getting credits, and 5) Payment of taxes (electronic payment and filing).”*

This participant became an enabler for engagement with PEBEC for the research.

Group Three Participant A in reacting to the challenges of multiple taxation and indiscriminate arbitrary charges and levies by governments at all levels shared

some available reports on multiple taxation and what government is doing to provide solutions to these issues. The government initiative are aimed at harmonising tax regime and ensuring that SMEs operate with less tax burden and in a more investor friendly business environment. The participant revealed that government is developing a New Tax Policy (NTP) to establish a robust and efficient tax system that will reduce the tax burden on MSMEs. With this engagement it became obvious that the research should seek ways of impacting the process through a more organised and articulate AR engagement with key stakeholders before these changes are finalised. It further addresses the negative impact of lack of participants from the State and Local Government levels at the beginning of the research. The harmonisation through NTP will bring all these stakeholders together for appropriate engagement. Participant A believes that proper harmonisation of taxes would encourage SMEs in informal sector to regularise their tax status to have access to finance and tax incentives. This would translate to a much wider pool of taxpayers for government.

## **CHAPTER 5**

### **EVALUATION OF OUTCOMES AND DISCUSSIONS**

This chapter presents research participants' engagement with various government agencies to elicit changes. It discusses the outcome of such engagements. The discussions centre on AR inspired reflections and sense-making using strategies developed during Group One participants' engagement and the reflections resulting from further assessments and review by Groups Two and Three participants. These participants shaped the AR engagement with government acting as enablers, influencers, supporters, facilitators and sometimes engaging in action themselves to test research findings. The input of Group Three participants, (A, C and D) and other government agencies, provided a timely and needed fresh perspective on challenges faced by government in creating requisite environment for SME growth and development. The engagement of these participants in an AR iterative process created a platform that encourages reflection and sense-making during the process.

#### **5.1 Introduction**

The research participants from Group One have by now formed a core team of four to drive the initiatives and the engagements with other stakeholders. This team remained informal and is consulted by the researcher at intervals as sounding board for new concepts. With assistance from the team, the researcher identified important roles for some participants from the three groups. The participants' roles for the AR project range from supporters, facilitators, influencers, enablers and to actors depending on their impact on the government and ability to initiate changes and make them happen. See Tables 4.1 and 4.2.

The supporters are those that constituted the first core team chosen at the forum organised by NASME. There are four from Group One participants who participated in the AR process. They served as the researcher's sounding board for ideas. Two participants became facilitators during the research. One participant each from Groups Two and Three, they create access for the researcher to reach government decision makers when expedient. They ensured that action is taken on research ideas developed in the process. The research was fortunate to have two influencers, one each from Groups Two and Three participants. They ensured that new concepts from the research are tested out in action through implementation by relevant government agencies. They influenced important stakeholders to participate in the research. One of the Group Two participants turned out to be a key enabler for the research being an experienced private sector participant in government policy decision making. This participant was invaluable in giving access to research supporters who attended SME Clinics in some states and canvassed these novel ideas emerging from the research. One Group Three participant became second enabler ensuring that discourse in various workshops and break out groups gained traction and resulted in action. Finally one of the Group Three participants became a key actor, making sure that at least one of the AR strategies led to desired changes.

One important attribute of this AR process is the enthusiasm displayed by key participants with specific roles. The participants and the researcher are all players in the SME sector and benefit directly from any successful outcome of the AR engagement. This engagement process emphasises sense making with different group participants as they participate in activities involving different stakeholders. This iterative process creates the platform for action research (AR) to possibly elicit action from government for policy formulation to the benefit of the researchers' and participants' organisations. Gioia and Chittipedi (1991) articulated the benefits of sense-making and sense-giving in leadership. The AR

process draws significantly on the ability of participants to make sense of information and phenomenon among them during interactions. Weick, Sutcliffe and Obstfeld (2005) defined sense-making as involving turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action. They identified various attributes of sense-making. Sense-making organises a crisis situation or when there is chaos or flux. Sense-making is about labelling and categorising issues for further comprehension and clarity. Sense-making is also retrospective putting the meaning making in proper context within historical antecedents of organisations. Sense making, according to them is about presumption, it is also social and systemic within organisations. Sense making is about taking action. Raelin (2003) argues that meaning making drives the existence of communities of practice. This emanates from the fact that sense making is about taking action and the need for action manifests in membership of communities of practice where according to Raelin (2003), people are united in a common enterprise, develop a shared history as well as particular beliefs, values, technologies, ways of talking and ways of doing things.

## **5.2 Integrated Policy Development Approach**

Groups Two and Three participants agreed with the preliminary findings of this research that, policy development challenges form the crux of the issues facing SME. Policy development challenges are pivotal to SME problems. This agreement was important for the support of these participants in the AR engagement aimed at solving the problems. Following this realisation, the research supporters agreed to engage the influencers in order to elicit action from them. The strategy is to engage government at policy making level and convince them of the ineffectiveness of operating with a silo mentality where different MDAs introduce policies independent of each other and without consultation with others. One influencer suggested a process change where all policies

affecting SMEs should be centralised through SMEDAN. Initially this seemed practicable but was resisted upon engagement with other MDAs. This initial resistance resulted in the reliance on PEBEC. This organ is a temporary committee under the office of the Vice President of the country with appropriate powers and influence to make changes. Engagement with PEBEC was successful in some other ways but failed to address the silo mentality of policy makers. The AR process scope was widened at this time to include engagement with other organs of government for implementation. Group Three participants, C and A, articulated a strategy of continuous engagement with various government organs with singular focus on highlighting the dangers of silo mentality. The AR participants made presentations at the SME Clinics aimed at shocking the relevant MDAs into action. Group Two participants mobilised other SME umbrella organisations to align with the submissions arising from this research findings. Consequently, the AR participants became effective and accepted advocates for SMEs in many SME Clinics and this position was canvassed as a body by SME umbrella organisations.

The focus now shifted to selecting the forum and mode of stakeholders engagement for enactment of changes. The research took the following actions to achieve this objective.

- Visit and discussions with the Presidency and particularly with PEBEC to present the research findings. PEBEC agreed that the research perspective on the challenges facing SMEs due to policy inconsistencies have merit and should be explored further. Two Group Two participants became resource persons for PEBEC on a permanent basis. This was a major success in the AR process because it provided an opportunity for getting government to adopt this concept in the current and future policy development attempts.

- Engagement with three ministries whose functions are relevant to the challenges faced by SMEs. The engagement with Finance Ministry yielded good results. The Ministry committed to engage other government MDAs to address the issue of inadequate finance for SMEs and directed SME lending agencies under the supervision of the Ministry to articulate way forward for this implementation. Some of the Group Three participants engaged the Ministry of Power and that of Transport with no positive response.
- Focused participation in the SME Clinics going on in the various states in Nigeria. As mentioned earlier, the SME clinic became an important platform for the AR to canvass new concepts from the research. As a result of the presentation by AR participants the attendance and decision mode for the on-going clinics were changed to incorporate a more integrated approach to resolving most identified issues.

Although very limited, this was a good start to the process of engaging the government to adopt an integrated approach to policy development. A few policy initiatives and new legal frameworks are reflective of this new direction. This will be discussed in the next chapter.

### **5.3 Legal and Regulatory Changes**

The engagement with PEBEC resulted in successful change initiatives that have commenced. Two Group Three participants (one enabler and one actor) played key roles in the engagement with PEBEC. While the ‘actor’ became one of the resource persons for PEBEC, the enabler was responsible for bringing this research work to the Presidency. As head of an important parastatal of government under the supervision of the Vice President of the country, the



participant had good access to the activities in the Presidency and provided the platform for the researcher and the AR team to engage with PEBEC. The researcher relied on the Group Three participants to highlight the pivotal nature of policy inconsistency as a driver of challenges facing SMEs. Consequently, the involvement of the research participants ensured that the research concepts and findings reflects in the outcomes of the committee's work.

One major change that took place following the AR intervention is the decision to broaden participation in the committee through co-opting important MDAs for more integrated policy development approach. Through the work of PEBEC, a comprehensive review of the Companies and Allied Matters Act 2004 was undertaken and a new bill passed by the Nigerian Senate on May 15, 2018. The highlights of this amendment focused on SMEs are as follows;

- A more inclusive Corporate affairs Commission (CAC). CAC is government agency responsible for company registration. The CAC board will now include representatives from NASME among others. This is an important step.
- Small companies and individuals will no longer need a lawyer to register a company.
- Introduction of Limited Liability Partnership (LLP) as a new business vehicle will act as a step towards converting the informal undocumented sector into a formal and regulated sector.
- Small companies will no longer be required to have a company secretary or hold annual general meetings (AGM).
- The requirement for statutory declaration of compliance has been removed.

- A single person is able to incorporate a company allowing the opportunity to operate as separate legal entity without the risk of loss of their personal assets.
- Minimum share capital required for companies to be registered has been reduced to encourage more investments.

Under the new Act, a small company is a private company, at least 51% of the shares of which are held by its directors and which has a turnover of not more than N120 million and net assets of not more than N65 million and which does not have any foreigner, government or government corporation as a shareholder. This new threshold was increased from N2 million and N1 million for both turnover and net assets of a small company respectively under the old CAMA. The research input influenced the inclusion of NASME on the board of CAC and the removal of statutory declaration of compliance. Apart from the foregoing, the dynamics of this committee's operations reflect the growing need for participatory policy development model canvassed by O'Faircheallaigh (2010) shifting balance of decision-making power to stakeholders. The outcome of this collaboration is encouraging as the actions of government seems to deliberately address the silo mentality problem highlighted by the AR.

#### **5.4 On-going Consultations and Progress**

The work of PEBEC is continuing with plans to implement electronic tax processing, harmonising taxes, duties and such payments to government. The key component of the research input for SME tax harmonisation has not been implemented. High level engagement with policy makers is continuing and the pivotal concept of policy inter-relationship is useful here. Stakeholders are experiencing the important economic benefits of the harmonisation of the legal framework. Some relevant arguments seek to link current state of infrastructure,

size of the informal market, and constraints in doing business as a basis for harmonisation. Stakeholders argue that the current level of government support to businesses through creation and maintenance of appropriate enabling environment hardly justifies the high tax rates and their indiscriminate nature. They argue that government needs to encourage investments by tax cuts and harmonisation ensuring that businesses retain more funds for capacity building and new investments. The researcher's position as a player in this sector with the pre-understanding in this AR process helps motivate participants with shared vision and benefits.

The on-going SME Clinics across the country provides a good platform for continuing engagement. These clinics commenced in the middle of last year (2017) with Group Three Participant C's MDA, playing a central role in driving the process. Participants for these Clinics are drawn from both State and Local Governments as they move from one state to the other within the country. Governments at all tiers expect input from stakeholders for policy decision making. The participation of some Group Two participants was facilitated by the involvement of this MDA in this research. This participation has added some value by changing the discourse in three ways. Firstly, the concept of true participatory policy development model was clarified. Government now appreciates the fundamental benefits of more strategic engagement with stakeholders supporting some views informed by the literature analysis where benefits of participatory policy development models were highlighted. The acceptance of this concept is an important new direction for the SME Clinics as the secretariat supporting this programme has been amended to reflect this by incorporating the organised private sector. One Group Three "enabler" participant influenced this action. The impact of this will become more profound as the clinics wind down and the secretariat begins work on implementation of recommendations. For now, the impact is limited to a more participatory

workshop with increased trust from the SMEs. It also provided opportunity to engage with the two tiers of government (State and Local Government) that were not direct participants in the AR.

Secondly, the research findings emphasising the pivotal nature of policy inconsistencies has been successfully canvassed in the clinics. This has resulted in a clearer thought process making it possible for the clinics to streamline the various contributions from stakeholders especially situating these problems as symptoms of a more endemic and deeply rooted problem of policy reversals and inconsistencies. The government is encouraged in this direction by further engaging the various MDAs to participate in these clinics at the highest levels ensuring that policy makers are participating actively. This effectively shifts the focus from policy implementation where these symptoms belong, to policy formulation which is necessary to address the pivotal root causes of the symptoms. This step further supports the third important element of the AR contribution to the SME clinics which is highlighting the silo mentality as a major cog in the process. The involvement of the three tiers of government and the various MDAs at policy level further encourages the stakeholders in their expectations. It is expected that addressing the silo mentality will lead to cross departmental and inter-governmental engagement during the rest of the clinics and after, so that implementation can be properly done.

The consultations are on-going and the opportunities for better outcome of the engagements at various levels are brighter. The two important avenues for critical stakeholders engagements have benefitted from reflection and sense making encouraged by some of the research participants. It is hoped that the outcome will lead to entrenchment of a more beneficial policy development model for government and a better business environment for SMEs.

## **CHAPTER 6**

### **CONTRIBUTIONS AND APPLICATIONS TO PRACTICE**

The aim of this chapter is to articulate the contributions to practice arising from all aspects of the research. The chapter will also document the researcher's development during the research, the strategies for improvement and how interventions are applied in AR practice as it relates to this research. The participation by government agencies and the gradual but steady shifting of their perception of stakeholder participation was evident throughout the research. The compelling role played by reflection, inquiry and ideas to obtain the shift in perception is important. The researcher's development will be reviewed and the contributions of this AR engagement towards addressing the issues faced by the researcher's company will be highlighted in this chapter.

#### **6.1 Introduction**

The proposed stages for this research changed significantly during implementation providing opportunities for learning as it evolves. Action research is emancipatory and evolving (Greenwood and Lervin, 2007), and the experience with this research further reinforce this assertion. The initial research plan changed several times based on new realities and opportunities in the field. The research was to be carried out over three stages. The first stage is the in-depth interviews with SME participants which was carried out with Group One participants. The second stage is the preliminary analysis of the data from the first stage and then sharing this data with SME umbrella organisations and presentation to government. The initial plan was to round up with the AR aspect involving Group One participants organised in group discussions and taking action by helping each other make meaning of the challenges facing their

businesses and SMEs in general, and leveraging on the AR group to lobby government agencies for participation in policy reviews for identified challenges.

The key aspects of AR relating to role duality, insider action research, insider and outsider roles, political relationships and linkages as identified by Bjorkman & Sundgren (2005) were experienced during the research. These aspects resulted in changing processes and strategies as the AR process evolved. For example, the initial forum organised for Group One participants was not anticipated in the original research plan. It added value through reflection on issues and aided necessary paradigm shift making it possible for the researcher to enlist active AR participants. This step altered the course of the research plan by exploring the possibility of enlisting government officials as AR participants. This yielded unexpected success. The effort to enlist these participants resulted in the active involvement of Group Three participants and role designation for the five roles played by participants described in Chapter 4. The different roles as Supporters, Influencers, Facilitators, Enablers and Actors helped focus the research in enacting changes for problem solving.

Another major change experienced through the evolving AR process is the opportunity to leverage on the SME Clinics organised by SMEDAN throughout the country that occurred during part of the research duration. This provided a platform for the research to impact government policy development framework. The research succeeded in reframing the challenges faced by SMEs as defined by some government MDAs and galvanised changes aimed at addressing the silo mentality and operating mode of MDAs. Part of changes implemented for the SME Clinics is the establishment of inter MDA discourse during the sessions which helped bridge the gap in objectives and understanding by different MDAs in relation to SME problems.

Closely related to the changes described in the preceding paragraph is the adjustment made to the research plan to embed research participants in PEBEC for on-going implementation of suggested changes. This proved to be a major success of the research. As the AR was evolving, data analysis and further information obtained from the interactions during the SME Clinics and in-depth interviews with Group Three participants led to attendance at PEBEC sessions on the invitation of the committee as resource persons. Research data presented to PEBEC led to changes in solution approaches that resulted in significant input to the recommendations of the committee. The research evolution therefore proved transformational and positive in the effort to address challenges facing SMEs and the researcher's business.

## **6.2 Contributions to Practice and Development**

The aim of the research is to identify and address the challenges faced by SMEs arising from government fiscal and monetary policy issues. SMEs face challenges occasioned by poor policy enactment by government especially in the areas of monetary and fiscal policies. The researcher's business is faced with these challenges and must contend with them in order to survive. The research is aimed at identifying the root causes of these challenges and proffer actionable solutions to them. The nature and context of the researcher's business makes AR approach plausible. Ramsey (2014) emphasised the role of context as central to discussions relating to engagement of ideas, inquiry and relationships in an AR process.

The research achieved major sensitisation of government agencies to the challenges facing SMEs and successfully changing critical paradigm for policy makers. The involvement of SMEs in the policy processes for the recent review of relevant laws relating to SME incorporation and tax laws have implication on fiscal policy development of government. The impact on the researcher's

company is positive. Although there is a lot more to achieve in the area of multiple taxation and other levies, the modest start is a pointer to what can be achieved with sustained pressure. Since the reason for engagements with government agencies is for a doctorate research purpose, the government participants were willing to engage more meaningfully. The commitment by government agencies were higher and their willingness to accommodate new ideas increased as a result. The research pedestal therefore contributed to the achievement recorded for both the SME sector and for my practice in particular. This strategy created legitimacy for the research participants as advocates (Santana, 2012) under the AR rather than personal agenda aimed at lobbying government for selfish gains. The fact that the AR process is a research for academic purpose had a positive impact on the willingness to participate and also ensured greater commitment by the participants.

My development throughout the DBA has been profound. Apart from new skills arising from the AR process, I have been exposed to new writing skills that I intend to improve on with time. The research materials and the practical implication of the methodologies for research were insightful. As argued by Ramsey (2014), attention has been an important element in the research process. It also has implication on practice as it is essential for performance and management. The opportunities arising from engagement with ideas created new theories on the challenges facing SMEs from the policy development imperative. This supports the deep reflection inherent with engagement creating a practice of inquiry as scholar practitioners. An important element of the research is the opportunity to put into practice theories developed through sense making, engaging others while building relationships that help with the political challenges of AR (Williamson & Prosser, 2002; Seo, 2003). The context of the research is also critical. AR is inherently contextual, and this manifested throughout the research process. The changing circumstances necessitating



changes in research plans and actions are reflective of context as research evolves. The contextual role is valid in both time, company specific issues, geographical expression and the economic context. The Nigerian economic realities are challenging for the SMEs within varying contexts. Achieving common basis for action is challenging. The versatile approach of AR recognises the various contexts and find expression for participants within their context. These are valuable insights for me as a researcher and important for the success of my practice and the business.

The company benefited from the emerging legislation on SMEs. The benefits also extend to the monetary policy development process that will be moderated by input from key stakeholders. The research has enabled me establish valuable relationships for the organisation in anticipating changes and providing useful external sounding board for action plans developed by the company's managers. Key issues facing the researcher's organisation relating to interface with government are more effectively channelled through relationships developed during the AR. Participation in the AR process has enabled the government participants to better appreciate the needs of SME practitioners and therefore are more willing to listen to issues raised by them. The opportunity to work as a team for research purposes created a conducive environment for learning and development for both SME practitioners and government policy makers.

One of the fundamental gains of this research is the paradigm shift achieved for the SME umbrella organisations both in terms of their perception of SME problems and in terms of engagement strategy with policy makers in government. This contribution will support the long term sustainability goal for the research. A more articulate and strategic group of umbrella organisations will contribute more effectively to government policy instruments and have the opportunity to provide leadership in this area. It is possible to achieve a situation where

government begins to rely on these organisations for policy making if the quality of input justifies it. Legitimacy can be conferred through effectiveness and quality of ideas (Santana, 2012).

### **6.3 Use of Intervention as AR Practice**

Action research is inherently an intervention process for change. According to Sullivan et al (2013) in AR people are engaged meaningfully in change process and more importantly empowered to shape the changes that are made. It emphasises action and change. The iterative nature of the process encourages action since undesirable outcomes of action can be adjusted through the iterative action approach. The research afforded my organisation to redefine the problems facing it and take action. The problem definition resulted in solution approaches that necessitated involvement of external parties in the process. The multi-site AR approach became relevant in designing strategies and methodologies to enlist the support of key players in the process.

This turns out to be a cumbersome process but the outcomes justify the time and resources invested in the process. More relevant here is the organisational learning and development that resulted from this. The intervention also yielded fundamental paradigm shift and opportunity to benefit from a more amenable and informed public sector when dealing with issues relating to SMEs. The possibility of changes in policy making process is evident in the acceptance of the research recommendations to the relevant government committees and forum (PEBEC and SME Clinics). This process achieved limited success in acceptance of SME participants in decision making by government albeit through ad-hoc committees of government. The major focus is to devise strategies to ensure that this collaboration can be extended to other policy making organs of government as standard practice. The limitations of this research in terms of time and other

resources will not allow for achievement of this desirable outcome. However the foundation for this further effort has been laid and a strategy to further achieve this objective has been agreed with both Groups Two and Three participants.

The action research process provided opportunity for Group One participants to explore solutions to their peculiar problems. Apart from engaging overall sector problems, the process encouraged resolution of each company specific issues. For example, the issue of industrial clusters came to the fore and the relevant government MDAs assisted in provision of infrastructure under the new policy focus of developing industrial parks. One of the important decisions emanating from the SME Clinics is the need to concentrate efforts in providing necessary infrastructure for SMEs in industrial clusters that have been neglected over the years. As a result, new projects have commenced after selection of clusters to benefit from such interventions. One of the researcher's factory site benefited from this intervention for power infrastructure improvement. Although limited, this strategy has great potential if further pursued and efforts sustained by Group Two participants.

#### **6.4 Improvement Strategies for the Organisation**

Following active engagements with different critical stakeholders during the research, important insights have been developed and critical relationships built for future interactions on issues relating to SME challenges. Apart from internal changes that are required for the company to more effectively monitor government policy inclination, a department is now saddled with the additional responsibility of relating with other SMEs and relevant government MDAs at both the federal and state government levels. The strategy is to anticipate policy changes, predict impact of any such pronouncements and recommend actions early to address them. The company adopted a policy of critical stakeholder

engagement for both internal and external issues and established a process for this sort of engagement. The improvement in electricity supply in the area is one such successful engagement. A possible public-private partnership (PPP) to address poor road infrastructure is under discussion with one state government at present, driven by the lessons from this research work. The emerging cordial relationship with the MDAs will further aim to develop trust for policy makers to adopt recommendations of SME practitioners for policy enactments. Bjorkman & Sundgren (2005) analysed the political implications of AR relating to insider action research, the experience of Sullivan et al (2013) clearly articulated the political challenges involved in dealing with policy changes by civil servants. Dealing with these challenges call for political acumen (Seo, 2003) and building strategic relationships. Coghlan & Brannick (2010) suggested ways of addressing relationship opportunities for better impact in AR, the need for sustained actions as it relates to this research outcome means that ongoing efforts at managing relationships are necessary for greater impact on the sector.

The suggestion by some Groups One and Two participants for the transformation of the research participants to a standing committee for future intervention with government is encouraging. The need to avoid conflict and loss of relevance is critical to the success of any arrangements that may be established going forward. Santana (2012) dealt with group and individual legitimacy for action. The resulting group needs to be morally and ethically responsible to inspire desired respect and acceptance from government policy makers. In addition, the existing SME umbrella organisations should not view this group as an attempt to create an emerging new organisation that will compete with them for legitimacy in representing the sector. The importance of navigating this political intricacy is underscored by the potential benefits a successful intervention can have for SMEs and their businesses. Political intrigues experienced early in the research during interactions with some SME umbrella organisations gave way to closer

collaboration once trust was built. The participants realised the importance of reflection that is inherent in the AR process leading to better understanding of issues, clearer and more focused solutions relevant to all stakeholders. This has been a critical success factor in the research and an outstanding practical implication of the research outcome.

Encouraging learning and new insights in the organisation is another lesson from the AR process. The opportunity to generate, debate and fine tune ideas arising from the AR process is one major asset of this process. The company will create deliberate processes to encourage this. For example, collaboration with different branches and sharing experiences relating to interactions with government agencies in different locations is one way of improving learning and shaping new approaches to address challenges as they arise. The research has definitely created a new awareness within the company. An awareness that even matters that seem out of the company's control can be resolved through AR engagement with multiple stakeholders. It is a realisation that multi-site AR, carefully implemented can have a transformational impact on the performance of a company or sector. One critical impact of this AR process within the organisation is the application of the principles of this research to the company's procurement process. The purchasing efficiency had declined over time and managers in sales, production and procurement came together in an AR style to address the issues and in the process co-opted the company's major suppliers. At the end of the process, new terms and procurement processes were developed to address the issues and ensured that all stakeholders' concerns were addressed. The resulting seamless operation improved productivity across board by almost forty percentage points.

Monetary policy issues seem to have a pervasive negative impact as the government continues to struggle with an economy in recession and all the challenges that go with it. The suggestions from the various engagement with

government through PEBEC and the SME Clinics are promising. Adoption of some elements of the recommendations are proving to be beneficial to all stakeholders. The strategy is to further insulate the operations of the company from the high risk aspect of the monetary policy challenges, namely exchange rate risks. Policy direction in this area has been that of maintaining stability over the medium to long term horizon. This is desirable by SMEs but the implication of this on other economic indices is what SME players need to determine and evaluate its impact on SME businesses.

## **CHAPTER 7**

### **CONCLUSIONS, REFLECTIONS AND IMPLICATIONS**

This chapter presents conclusions drawn from this research work. The research aims to explore challenges faced by SMEs in Nigeria with a focus on the monetary and fiscal policy development aspect. It is inspired by the researcher's experience and informed by literature on SMEs, their challenges and impact of government policy initiatives on them. The study draws from empirical data collected at various stages of the research and analysis of such data through engagement with stakeholders and reflection in action.

The research data threw up distinct challenges facing SMEs consistent with literature findings. This stage provided the platform for the researcher to enlist the commitment and diligence of SME players through shared dispositions for the challenges they face in their individual businesses. Following critical reflections and analysis, five key areas were considered. Policy inconsistencies and reversal constituted a pivotal and key driver of the others which the researcher classified as symptoms of the pivotal problem. Poor policy development is a common thread running through all the identified challenges. The impact of this pivotal problem is pervasive. Poor policy development and implementation is a predominant cause of these problems and is also responsible for inability of government to address the problems even when they linger. The poor policy articulation result from several reasons. One critical reason is due to conflicting political considerations and policy imperatives that are driven by politicians. Wonka and Rittberger (2010) made extensive contributions on politics and uncertainties arising from policy changes that come with political processes.

They argued that the rate of government turnover in domestic political systems affect stability of policy status quo since new governing coalitions may alter it. In their view, frequent changes in political leadership affects policy stability. They further suggested that “if today’s authoritative decisions are to have staying power and continue generating benefits for their creators into the future, they must somehow be insulated from tomorrow’s exercise of authority” (pp. 737). The effect of such political changes is even more pronounced in developing economies such as Nigeria where government structures and processes are fragile and depend largely on political office holders. This very phenomenon is clear in this research study and accentuated by the chronicle of changes in policy due to new governments needing to align public policies to meet goals of government in power. In fact, Volberda and Lewin (2003) referred to uncertainties and discontinuities arising from political transition process and its impact on the strategic direction of SME businesses. These uncertainties can be highly dysfunctional for both business and other considerations. The contributions of these authors reinforce the enormity of the challenge of policy articulation that is free of any political interference. Houghton and Leddington (2004) suggested a collaborative way of resolving policy articulation issues using an engagement approach.

The other four major challenges identified during the research were classified as symptoms of poor policy development and implementation in those areas. These symptoms manifest as inadequate infrastructure to support businesses especially SMEs, inadequate and inaccessible financing options for SMEs, prevalence of multiple regulatory agencies, and finally incidence of multiple taxation, duties, levies and charges assessed on and forcibly collected from SMEs.

Following from this analysis, further engagement with Group Two and Three participants resulted in a multi-site, coalition-based action research process



influencing government into action. The results were mixed but nonetheless reflect opportunity for a novel way of handling challenges facing SMEs. A participatory approach to policy development focusing on an integrated concept cutting across government MDAs seem to give greater impact on addressing these challenges.

## **7.1 Conclusions**

The following conclusions can be drawn from the AR project.

Firstly, the participatory model of policy development adopted in this research resulted in comprehensive, far-reaching and widely accepted policies that give stakeholders some ownership orientation. The on-going SME Clinics are enjoying renewed participatory interest due to the conviction of stakeholders about government resolve in adopting and implementing their important suggestions and input. The new Companies and Allied Matters Act amendment just passed into law contained extensive input by stakeholders.

From deep reflexive analysis of the foregoing research outcomes and beyond these outcomes, from sense-making in collaboration with participants, it becomes clear that policy development relating to the four symptoms affect SME business environment. The policy development imperative for these identified symptoms constitute the major focus for a better business environment. Therefore, policy development processes for infrastructure provision, SME financing, regulatory harmonisation and multiple taxation should be improved to address these challenges. The underlying cause of the negative factors that are manifesting in poor SME business environment can be attributed to the problem of policy inconsistencies and poor policy development imperatives by successive governments over the years. The importance of the political process in enabling

a stable and consistent policy direction cannot be overemphasised. The engagement approach will ensure policies benefit from the expertise and insights of practitioners and result in high level of buy-in from SME stakeholders who ultimately take ownership of resulting policy initiatives. The possibility of insulating policy initiatives from future political interference in a developing economy such as Nigeria is very remote given the level of democratic participation in the polity. It is therefore imperative to build systems that will take into consideration reasonable engagement with stakeholders such that checks and balances inbuilt in private sector participation will ultimately ensure that the prime objective of any policy initiatives will remain focused on creating value for both government and players in the sector.

Secondly, the new concept classifying policy development framework as pivotal provided a good platform for engagement with both SME umbrella organisation and government through MDAs. This concept became the focus of further interactions especially when all the stakeholders can see the benefits of adopting this strategy to develop solutions for problems. The pivotal concept formed the basis for the interaction and reflections with MDAs and in the process making stakeholder engagement less complex. They leveraged on the adoption of the pivotal concept by Participant A's organisation, a key MDA. Seo (2013) suggested that political connections and the ability to leverage opposing forces to deal with political intrigues can have a positive impact on AR process. Bjorkman and Sundgren (2005) presented two relevant cases on the intricacies of political coloration of AR which were present in this research engagement with MDAs. Without the opportunity of networking and collaboration that was established during the process especially using the value-adding pivotal concept of policy development framework, major challenges of SME development may not have been effectively surfaced and clearly articulated for further discussions and research study.

Thirdly, breaking down the silo mentality in government decision making can result in transformational policies for good governance and development. One major focus of the research presentations through Groups Two and Three participants to the different forums is the urgent need to embark on an integrated approach to policy making. This will possibly break down the deeply ingrained silo mentality in civil service.

Lack of interaction between MDAs within the government at every tier especially when it comes to policy articulation and formulation compromises policy effectiveness. This effectively means that most inter-ministerial committees set up to address these problems do not have any approval powers and end up as fact-finding committees. By operating in silos, MDAs are unable to undertake an integrated policy development framework that is necessary to support SME businesses. This research identified the need for a deliberate integrated policy development model that will lead to an implementable framework for harmonising policy initiatives that appear inconsistent and contradictory in order to resolve challenges of policy inadequacies for supporting growth and development of SMEs.

For instance, SMEs require power, road and rail infrastructure for growth and development. These three key infrastructure needs of SMEs are responsibilities domiciled within two or three different ministries. Ministries of Power, Works and Transport are respectively responsible for power, roads and rail infrastructure provision. An integrated policy development strategy will more effectively provide these infrastructures for SMEs. Unfortunately, policy makers from different ministries seldom interact with each other. The result is that policy decisions do not take into consideration what best suits stakeholders across all ministries. Such silo operation cannot help develop requisite integrated policy

development framework. There is also a lack of collaboration among different ministries despite clear synergy that can be obtained from such interactions.

Under this scenario, SMEs and their umbrella organisations are unable to engage government effectively. Multiple contact points with government are invariably created such that SME umbrella organisations find themselves liaising and interacting with multiple agencies of government without any meaningful outcome. The use of SMEDAN as apex organisation of SMEs to create an integrated policy contact point has clearly not been successful because they are less effective in dealing with the silo mentality. SME clinics currently going on around the country can address this silo mentality if properly articulated. Some research participants cutting across Groups One, Two and Three have used this forum to ventilate some reflections and sense-making arising from this research. DBN, SMEDAN and SME umbrella organisations have all made input during these clinics aligning with the fundamental nature of needed policy integration framework and for discarding the silo mentality. The engagement at SME clinics created further opportunities to extend the AR process and obtain action.

Finally, this research has been a transformational experience for the researcher. According to Greenwood and Levin (2007), AR is a collaborative, participatory and democratic problem-solving approach which can be useful in co-evolution of organisations, industries and institutions. In advocating a participatory policy development model, the research aims to gradually shift government focus when interacting with these SME umbrella organisations from merely providing advisory input to policy development initiatives to a more collaborative involvement whereby they become increasingly responsible for decisions in any policy development initiatives concerning SMEs. As O'Faircheallaigh (2010) argues, reframing decision-making and shifting balance of decision-making power to stakeholders especially SMEs and SME umbrella organisations, thereby

changing existing decision structures and processes, clearly present a case for more involvement for SMEs in establishing and promoting more acceptable policies for positive impact on the growth and development of SME businesses. Being a highly political environment, civil service organisations present a more challenging environment for AR approach. Engaging staff of SMEDAN and DBN clearly brought AR complexities in a political environment to the fore. According to Coghlan and Brannick (2010) AR implementation in organisations is very challenging and political. They further argued that AR in highly politicised environment is even more challenging given the nature and complexity of this aspect of its implementation. The multi-site nature and coalition necessary for the extant research increases its complexity.

The research recommends a deliberate medium to long term policy development framework that can provide a consistent, sustainable and stable policy environment for growth and development of SMEs. The opportunity for such medium to long term policy development framework can be explored especially against the background of complex political environment and benefits of AR approach to the process. Such collaborative policy development framework can result in more acceptable and integrated policy initiatives that cut across different areas ensuring that implications of policies are explored and the impacts across various factors are centrally articulated in such a way as to ensure consistency and stability across the entire spectrum of problems. This strategy will ultimately reduce silo mentality and establish linkages between various symptoms militating against the growth and development of SME businesses.

## **7.2 Reflections**

The AR project has been very insightful for me as a researcher. It is completely different from what I have been used to. The opportunity to initiate changes and

through action on these changes engage in learning and collaboration is truly reflective. During the course work, various AR engagements for organisational problem solving provided a learning opportunity for the researcher. In selecting the research topic, the major problem of SME business environment against the backdrop of changing policies became the main consideration for the researcher. Challenges of implementing an AR involving multiple organisations in different locations were not considered and were certainly not clear at the outset. AR has been described by many authors in glowing terms, however, in practice, it can be complex and complicated. The researcher have struggled through the research to situate this action research project until the contribution by Fuller-Rowell (2009) clarified many issues. The insights from Coghlan and Brannick (2010) was very useful as well. I find myself becoming more used to developments as the research progressed. Following engagements of Groups Two and Three participants with various government committees for enactment of changes, the researcher developed a template for debriefing participants after every meeting. A process whereby participants attend these workshops or meetings and thereafter provide feedback to the researcher for relevant input and update when necessary was developed. This process ensured that the objective of participation is achieved, and any obstacles are addressed quickly. While the process may have been painstaking, I have developed skills that have become relevant in my daily engagement with people at work and beyond. The personal development gained in the last year of the research and of course through DBA journey has been invaluable.

Reflecting on the process, it is important to note that at the beginning it seemed so confusing and unclear how an AR group that will interact on a regular basis for action will be created to address multi organisations' issues. According to Greenwood and Levin (2007) AR can be useful in co-evolution of organisations, companies or industries. The SME sector can benefit from this. However, the

design of appropriate AR project for such multi-faceted sector with different players and competing stakeholders involving government can be challenging. At the onset, I planned to organise workshops with attendance from government implementing agencies. However, during the research, existing government committees and workshops were used by injecting research participants into the process and using different strategies to achieve action and implementation. This process turns out to be a highly educating one giving opportunities for novel ideas for achieving results. In addition, very invaluable contacts were developed during the AR engagement which provides an avenue for the researcher to constantly be appraised of government inclinations for policy development. The AR process is self-evolving, encourages learning and development and is unpredictable. The turn of events in this research supports this conclusion.

The research has provided a useful model to the government for effective and qualitative public and expert participation in policy development. This guarantees a more efficient and successful implementation of resulting policies (Xiaoning et al, 2011) with the attendant positive impact on economic growth driven by a stronger SME sector. Hopefully the government can go a step further by incorporating such model of participation to improve existing policy development framework. Secondly, the research has advanced the credibility of participation by experts in government policy development process. The legitimacy (Santana, 2012) conferred by the independent and passionate participation of SME practitioners further improved government reliance on this group. The industry approach will be better served through deep reflection on issues before presenting a common position that articulates and addresses government and other stakeholder concerns. Ultimately, successful adoption of some of the research outcomes will result in a more robust policy environment that supports the growth of SMEs adding a significant impetus to growth in economic activities,

employment generation and increased productivity. The result will be an improvement in the overall quality of life.

Specifically, the research afforded the government at the highest level of policy development to obtain feedback from expert practitioners articulating creative and practical ways to address challenges militating against the growth of SME sector. The policy makers acknowledged the constructive input with minimal cost to the government but will likely result in overall recognisable benefit for the society. The social implication of a robust SME sector increasing employment within the economy was shown to be phenomenal. The SME Clinics presented an opportunity for government to further understand the benefits clearly articulated of some policy suggestions that are aimed at putting SMEs in a better position to increase employment and more strategically improve the earnings power of those employed. The suggestions on policy moderation and tax harmonisation presented clear verifiable impacts that enabled government to commence the legal framework to effect these changes. The resulting increase in employment generation ability for SMEs and the impact on the society from the point of view of the quality of life of the direct and indirect employees of these SMEs and the affordability of their products are critical benefits. A direct consequence of a robust SME sector is an increase in innovation that will ultimately be the game changer for these emerging economies where the young population of technologically enabled generation can apply themselves knowing that the economy will adequately reward such successful ventures.

### **7.3 Recommendations**

The pivotal concept highlighting policy as a key driver of the symptoms of SME challenges focused mainly on what literature identified as external factors militating against SME growth and development in this research. Such external



factors identified by both Onugu (2005) and Egbeide et al (2013) include the four symptoms discussed in this research among other policy challenges. However internal factors such as insufficient capital, lack of focus and inadequate feasibility studies, inexperience, poor bookkeeping and record keeping, poor human resources skills, inadequate training & lack of succession planning present very serious problems for SMEs. It may be worthwhile to test this pivotal concept with these internal factors by attempting to identify a common thread running through them especially in terms of the root causes of these problems. This could help transform the approach to solving these challenges.

Secondly, following from the research findings, SMEs are faced with multiple problems. The critical underlying root cause of most of these identified factors is poor articulation and implementation of policies. The result is that SMEs are operating in very hostile and challenging business environment that do not support their growth and development. The research findings suggest that government should take deliberate and urgent steps to provide conducive and enabling business environment for SMEs. In the first place, government should undertake a comprehensive review of policies and initiatives for SME growth and development. SMEDAN can be used as vehicle to achieve this. There is need for a collaborative approach to policy development. A medium to long term integrated policy development framework should be undertaken in order to ensure that policies are integrated, MDAs are not working in silos and a stable and consistent policy framework is developed to create a suitable business and operating environment for SMEs. The policy development framework can benefit from a participatory policy development model incorporating SMEs and their umbrella organisations allowing them to exercise more decision-making powers for policy initiatives. This way, they will take more ownership of these policies and ensure better implementation and greater positive impacts on SME businesses. A more thorough consideration and evaluation of the merits of

participatory policy development framework creates needed level of interaction between SMEs and critical stakeholders. Such stakeholder engagement will ultimately result in a better environment for these stakeholders to promote growth in the sector.

A proper legal framework should be developed to ensure better harmonisation of the legislative lists for the three tiers of government i.e. federal, state and local governments. This legal framework will aim at streamlining powers of the three tiers of government in relation to taxes, levies and duties. This should result in a clear-cut articulation of responsibilities of each tier of government and appropriate legislation enacted to formalise this. The aim is to deal with some of the identified symptoms using appropriate legal framework. Symptoms such as multiplicity of taxes, levies, duties and charges and multiple regulatory agencies can be addressed this way. Once relevant integrated policy framework is developed, any legal implication will be clearly spelt out and appropriate steps are taken to ensure that relevant legislation is enacted immediately.

The research study has several limitations. Due to limited time and financial resources, several government agencies did not participate in the research. Although many of them were invited, response was not very high. However, critical ones that participated provided important insight into the process. More work can be undertaken with greater diversity with a higher number of government participants. The limited participation of public sector resulted in a limited participation in the AR engagement between SMEDAN and SME umbrella organisations. Although limited, these interactions mark a significant paradigm shift that can result in more action in future. The outcomes of participation in the ongoing SME clinic confirm this position. Feedback from research participants who attended the clinics and contributed to the discourse show that the reflections and sense-making resulting from this research

interaction made good impression on the clinic participants. Further action research (AR) work can also be undertaken especially with the opportunity in legislative changes that will invariably be required to address most issues. The need to involve all three tiers of government presents a unique but complex multi-site and multi-coalition engagement process. Although this research focused on using engagement at federal government tier to enact changes that cut across the three tiers of government, another variant will be to explore intricacies of the dynamics present in the other two tiers of government, namely state and local governments. These further studies will help deepen understanding of policy imperatives on challenges faced by SMEs in Nigeria for their growth and development.

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## **APPENDIX 1**

### **INTERVIEW PROTOCOL**

#### **A. COMPANY BACKGROUND**

1. Company Head Office Location
2. Nature of Business
3. Products & Services
4. Approx. Number of Employees
5. Approx. Prior year Annual Sales
6. Number of Branches/Outlets

#### **B. BUSINESS ENVIRONMENT**

1. Nature of Customers and Suppliers:
2. Approximate number of customers
3. Regulatory Environment; List the government or other agencies that regulate your business

4. How often do you interact with Government and regulatory agencies?  
How often do you require government approval for your business actions?

5. Do you require any Licence for the business or products?

6. Do you require any Regulatory Approval for your business or products?

7. What level of technology do you have in the following environment

- Services
- Production
- Marketing/Sales
- Reporting/Finance

8. What sort of Fiscal Environment and policies exist for your business with respect to

- Taxation
- Levies
- Fees, etc

### **C. POLICY ENVIRONMENT**

1. List 3 key government or regulatory policies that have the most effect on your business (whether positive or negative).
2. How often do these policies change and how significant are the changes?
3. How do you learn about government policies affecting your business? Do you become aware of such policies during their formulation or upon their introduction?

4. What do you think is succeeding in respect of government policies and why is it succeeding?
5. What do you think is failing in respect of government policies and why is it failing?
6. List some of the most helpful policies for your business and why are they helpful?
7. List some of the least helpful policies for your business and why are they least helpful?
8. What role, if any has your organization played in providing input to government policies?
9. Have you participated in any way in formulating government policies or provided input towards policy formulation?
10. What makes it difficult for you or any operator to participate in the crafting of government policies?

11. What forms of participation have your organization been involved in?

12. Do you, as an organization belong to any organized private sector organization and do they play any role as a body in providing input to government policy initiatives.

13. What is the level of the involvement of your organization or the OPS umbrella organization in the process of formulating policies by the relevant government agencies?

#### **D. SPECIFIC POLICY INSTRUMENTS**

How do the following policy instruments affect your organisation?

Explain why your views are favourable or unfavourable.

(a) Exchange rate, interest rate & Inflation

(b) Infrastructure Development

(c) Taxation

(d) Duties, Levies, etc

## **E RELEVANCE & TIMING**

- (i) Are the policy and regulatory bodies providing relevant policies for business growth?
  
  
  
  
  
  
  
  
  
  
- (ii) Is it necessary for government to get input from businesses into government policy making?

(iii) Do you think that participation of SMEs can result in policies that achieve positive outcome if implemented by policy makers? If so, why?

(iv) How often do you think policies should be changed/adjusted? Why?

**F.** How important and relevant are these factors to your business? Do you think government should intervene in any of these areas? Why?

1. Exchange rate of the local currency to foreign Currencies

2. Interest rate regime for borrowing & for Savings

3. Inflation rate

4. Infrastructure – Roads, Communication, etc

5. Power – Electricity availability

6. Taxation – tax rate and number of kinds of taxes



7. Duties & other levies
8. Frequency of policy changes
9. Multiple regulatory & government agencies
10. Customer base
11. Technology availability for your business
12. Quality of available manpower.
13. Availability of quality manpower.
14. Raw materials Availability
15. Competition

## APPENDIX 2

### SAMPLE PARTICIPANT INFORMATION SHEET

Committee on Research Ethics

Participant Information Sheet

#### **Research Title**

**Government Fiscal and Monetary Policy Framework –  
Challenges for SMEs and Entrepreneurship in Nigeria’s  
developing economy.**

*You are being invited to participate in a research study. This research is part of the requirement for the award of the Doctorate in Business Administration (DBA) to Kevin Nwosu by the University of Liverpool. Before you decide whether to participate, it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and feel free to ask us if you would like more information or if there is anything that you do not understand. Please also feel free to discuss this with your friends, relatives and Colleagues if you wish. We would like to stress that you do not have to accept this invitation and should only agree to take part if you want to.*

***Thank you for reading this.***

### **The purpose of the study**

Small and Medium Enterprises (SMEs) constitute an important part of the economy of any country, contributing to employment generation and the overall economic growth. There are several factors that affect the performance and growth of SMEs. One such important factor is the nature of government policies affecting SMEs. This research is intended to explore the impact of government policies on SMEs. The research will focus on the nature, timing, frequency, effectiveness, etc of some government's fiscal and monetary policies in particular on SMEs. This focus is because a lot of studies have focused on government policies towards access to credit, infrastructure, funding and skills set for SMEs while the issue of changing fiscal and monetary policies which seem to affect SMEs have not been adequately explored.

### **Participation**

Your organisation has been chosen to participate in this study along with other regulatory bodies, government agencies and organised private sector for the SMEs. In addition, about 20 to 30 SME organisations operating within the Nigerian economy and whose businesses are affected by the various policies of government especially fiscal and monetary policies are being invited to be part of the research. Individual participants within each organisation are either the CEOs or Executives in charge of Operations or Finance with a minimum of 5 years' experience at these levels. This will enable the researcher to benefit from the insights and experience of these critical stakeholders of the SMEs in the country.

Your participation is voluntary and you are free to withdraw at any time without explanation and without incurring a disadvantage.

If you agree to take part in this research, you will be provided with an interview protocol to guide you. This protocol will assist us during the interview to focus on relevant information on your organisation's activities, your views about the SMEs and their operating environment, your organisation's strategies and how they impact SMEs. Your feedback and reaction to the preliminary findings from the interviews with SMEs will be necessary at this interview which can

be conducted in your office or any location of your choice. The interviews will be of a duration of no more than ninety minutes and will enable the researcher understand in greater details the dynamics of the interaction between your organisation and the environment of business of the SMEs.

The research is primarily aimed at satisfying the requirements for the award of a Doctorate Degree in Business Administration to the researcher, Mr Kevin Nwosu who will be carrying out the research. I do not envisage any conflict of interest with my professional assignment as information provided for the research may be used as input to policy development by some of the relevant government agencies. The research is projected to take 18 months but the data collection phase will be completed within six months. Apart from reviewing the interview protocol and the follow up interview, I do not envisage any other session that may take further time from you. However, there may be need to seek additional clarifications and discuss possible inputs from other participants to further enrich the research. If this arises, you will be given adequate notice and this follow up may not last more than thirty minutes and may possibly be a telephone conversation or another visit to your office. This stage is as a result of the need to develop an actionable outcome for the research by engaging the SME practitioners and policy makers with the outcome of the research and seeking to provide this for their future guidance.

Your responsibility is to provide factual information and data for the research and share your experience over the years. There may be audio recording of the interview if necessary. However, this is not compulsory as notes will be taken to document the process.

### **Costs, Expenses and Risks in Participating**

Apart from taking some of your valuable time, I do not expect you to incur any costs or expenses as a result of your participation in this research.

In my view, there are no risks or disadvantages in taking part in this research. However, should you experience any discomfort or disadvantage by taking part in this research please inform the researcher immediately. As stated, you are free to withdraw from the research at any time.

Your participation will greatly enrich the research data. I believe that the research result can be beneficial to you, your organisation and the government by providing relevant information that

can help shape your future policy outlook. Since the researcher will also interact with other relevant government agencies, SME umbrella organisations and the SMEs themselves, the outcome of the research will be a useful and independent feedback that can guide all stakeholders in future interventions for the benefit of the SMEs.

If you are unhappy, or if there is a problem, please feel free to let me know by contacting Mr Kevin Nwosu on +234 8033080101 and I will try to help. If you remain unhappy or have a complaint which you feel you cannot come to me with then you should contact the Research Governance Officer at [ethics@liv.ac.uk](mailto:ethics@liv.ac.uk) or the Research Participant Advocate at tel. no. +1-612-312-1210. When contacting the Research Governance Officer, please provide details of the name or description of the study (so that it can be identified), the researcher involved, and the details of the complaint you wish to make.

### **Confidentiality**

Your participation and the information that you provide will be kept very confidential and will be anonymised. Data will be collected through interviews which will hold in your office or at any place convenient for you and which ensures confidentiality. The interview process may require written or audio recording. These will be kept with only the primary researcher stored in various files in the researcher's laptop computer duly protected by passwords or manual files properly locked in fireproof safes in the researcher's office for at least five years in order to complete the research. Please note that names of participants or the organisations are not required or recorded during the interviews. All collected data will immediately be transcribed into a standardised format which will become the working data for the research. This step effectively anonymises all interview data. These data will be analysed along with others for the research. All data so collected including the anonymised data will be eventually deleted and disposed of permanently after the research report has been approved.

Results of the study will form the basis of the Doctoral research thesis which can be made available to the participants that requested them while completing the Consent Form. If it is eventually published in an academic or other journals, this will be made known to the participants. It is important to note that participants cannot be identifiable from the results of the research.

As a participant you are free to withdraw at any time, without explanation. Results up to the period of withdrawal may be used, if you are happy for this to be done. Otherwise you may request that they are destroyed and no further use is made of them. Please note that since we intend to anonymise results, these can only be withdrawn prior to anonymising them.

Should you have any further questions, please do not hesitate to contact Mr Kevin Nwosu on telephone number +234 8033080101 or [kevin.nwosu@online.liverpool.ac.uk](mailto:kevin.nwosu@online.liverpool.ac.uk) or the Doctoral Research Supervisor, Dr Natasha Slutskaya, email [Natalia.slutskaya@online.liverpool.ac.uk](mailto:Natalia.slutskaya@online.liverpool.ac.uk).

Thank you.

## APPENDIX 3

### SAMPLE PARTICIPANT CONSENT FORM

#### Committee on Research Ethics

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#### PARTICIPANT CONSENT FORM

**Title of Research Project:** Government Fiscal and Monetary Policy Framework – Challenges for SMEs and Entrepreneurship in Nigeria’s developing economy.

**Researcher:** Kevin O. Nwosu

Please  
initial box

1. I confirm that I have read and have understood the information sheet dated May 9, 2016 for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason, without my rights being affected. In addition, should I not wish to answer any particular question or questions, I am free to decline.
3. I understand that I can at any time ask for access to the information I provide and I can also request the destruction of that information if I wish.
4. I agree to take part in the above study.

In addition;

- The information you have submitted will be part of the materials for a research report that will be published; please indicate whether you would like to receive a copy.

☐

- I understand that confidentiality and anonymity will be maintained and it will not be possible to identify me in any publications

☐

- I understand and agree that my participation may be audio recorded and I am aware of and consent to your use of these recordings for the purpose of more accurately transcribing my responses.

☐

- I understand that my responses will be kept strictly confidential. I give permission for members of the research team to have access to my anonymised responses. I understand that my name will not be linked with the research materials, and I will not be identified or identifiable in the report or reports that result from the research.

☐

- I understand and agree that once I submit my data it will become anonymised and I will therefore no longer be able to withdraw my data.

☐

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Participant Name

---

Date

---

Signature



_____	_____	_____
Name of Person taking consent	Date	Signature
_____	_____	_____
Researcher	Date	Signature

**Doctoral Supervisor:**

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## APPENDIX 4

### LIST OF PARTICIPANTS

S/N	PARTICIPANT UNIQUE ID	RESPONSE TO INTERVIEW INVITATION	ROLE IN THE ACTION RESEARCH	REMARKS	GROUP
1	A	Positive; Performed discussions only	Actor/Head of Important Govt Agency	Participant	3
2	B	Discussions only	Enabler	Govt Agency	3
3	C	Discussions only	Influencer	Govt Agency	3
4	D	Discussions only	Facilitator	Govt Agency	3
5	E	Discussions & Organising	Enabler	Umbrella Organisation representative	2
6	F	Discussions only	Facilitator	Umbrella organisation rep	2
7	G	Discussions only	Influencer	Umbrella organisation rep	2
8	H	Interview, discussions and completion of interview protocol	Supporter	SME & Umbrella organisation member	1
9	I	Discussions & Interview protocol completion	Supporter	SME & Umbrella organisation member	1
10	J	Discussions & Interview protocol completion	Supporter	“	1
11	K	Discussions & Interview protocol completion	Supporter	“	1
12	L	Discussions & Interview protocol completion	Forum Participant	“	1
13	M	Discussions & Interview Protocol Completion	Forum Participant	“	1
14	N	Discussions & Interview Protocol Completion	Forum Participant	SME & Umbrella organisation member	1

15	O	Interview Protocol Completion	Interview participant	“	1
16	P	Interview Protocol Completion	“	“	1
17	Q	Interview Protocol Completion	“	“	1
18	R	Interview Protocol Completion and Discussions	Supporter	SME no Umbrella organisation affiliation	1
19	S	Interview Protocol Completion & Discussions	Supporter	“	1
20	T	Interview Protocol Completion	Interview Participant	“	1
21	U	Interview Protocol Completion	“	“	1
22	V	Interview Protocol Completion	“	SME & Umbrella Organisation member	1
23	W	Interview Protocol Completion	“	“	1
24	X	Interview Protocol Completion & Discussions	“	“	1
25	Y	Interview Protocol Completion & Discussions	“	SME, No Affiliation	1
26	Z	Interview Protocol Completion & Discussions	“	“	1