



Effect of Government Policies on Small and Medium Enterprises Sustainability in Kaduna State, Nigeria

Micah Adamu Gumus Ph.D & Sadiya Aliyu

Corresponding Author's Address: Department of Management Studies, Kaduna Polytechnic.

Date of Submission: 01-04-2026

Date of Acceptance: 10-04-2026

Abstract

Recently, small and medium enterprises (SMEs) in Nigeria have been facing numerous challenges due to several policies introduced by the Federal Government. These include the removal of fuel subsidies, the devaluation of the naira, and an increase in electricity tariffs. Unlike large enterprises and corporations, SMEs rely heavily on opportunities and resources made available through fuel subsidies, a stable exchange rate, and lower electricity costs to grow and sustain their businesses. This study, therefore, investigated the impact of recent government policies—specifically, fuel subsidy removal, increased electricity tariffs, and naira devaluation—on the sustainability of SMEs in Kaduna State. The study employed a survey and cross-sectional research design, using a quantitative research approach. A sample size of 445 respondents, consisting of SME owners, managers, and employees in the retail sector, was selected using a simple random sampling technique. Primary data were collected using a closed-ended questionnaire. The data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) version 4.0. The findings indicate that both the increase in electricity tariffs and the removal of fuel subsidies have significant effects on the sustainability of SMEs, while the devaluation of the naira has an insignificant effect. Based on these findings, the study recommends, among other things, that the government should immediately provide tax relief to all Generation Companies (GENCOs) and Distribution Companies (DISCOs). This would help reduce the cost of power generation and distribution, with the resulting benefits potentially passed on to end-users, including SMEs, in the form of cheaper and affordable electricity prices.

Keywords: Subsidy removal, hike on electricity tariff, Naira devaluation, SMEs' sustainability

I. Introduction

Globally, Small and Medium Enterprises (SMEs) play a crucial role in economic

development, contributing significantly to GDP growth, job creation, and local economic stability (Bendickson et al., 2017; Amoah et al., 2021). SMEs account for 90% of businesses worldwide, contribute 50–60% to global GDP, and provide 50–70% of employment (World Bank Report, 2023). In the European Union, they generate 57% of GDP and 67% of employment (European Commission Report, 2023). In Nigeria, SMEs contribute 48% to GDP, represent 90% of business activities, and account for 50% of employment, positioning them as a key driver of national growth.

Despite their importance, Nigeria faces structural challenges, including an overreliance on the public sector and oil revenues, which stifle SME development (Ezeilo & Ike, 2024; Ahmadu et al., 2025). SMEs are globally acknowledged as engines of innovation, sustainability, and inclusive growth, helping to combat unemployment, poverty, and inequality (SMEDAN, 2021; Ezeilo & Okolobi, 2022).

Research supports that supportive government policies are critical to unlocking the full potential of SMEs (Ibrahim & Murtala, 2015). Historically, economists believed government policies had minimal impact on business cycles, but Keynes' post-Great Depression theories proved otherwise. Unfavorable taxes can discourage investment, while incentives can attract capital to targeted sectors (Ogbede et al., 2024).

Recently, Nigerian policy changes such as fuel subsidy removal, electricity tariff hikes, and devaluation of naira have sparked concern among stakeholders. These policies have reportedly increased operating costs, reduced profit margins, and heightened the financial burden on SMEs (Ayivi et al., 2022). Rising energy costs and devaluation of naira further threaten their competitiveness and survival.

Given ongoing debates about these reforms, this study aims to examine how such government policies affect the sustainable growth of SMEs in Nigeria.



Statement of the Problem

Recently, many Small and Medium Enterprises (SMEs) in Nigeria have reduced their operations or shut down completely due to harsh government policies, undermining their contribution to national economic growth (Obananya, 2022). Despite the government's efforts to revitalize the sector, concerns remain about the effectiveness of these policies, especially when compared to the achievements of SMEs in other developing countries.

Policies such as fuel subsidy removal, increased electricity tariffs hike, and naira devaluation have severely impacted SME sustainability. The fuel subsidy removal announced by President Bola Tinubu on May 29, 2023, led to a sharp rise in petrol prices from N238.11 in May to over N1000 by December causing significant financial strain on SMEs (Ilodigwe, 2024). Likewise, the electricity tariff hike by the Nigerian Electricity Regulatory Commission (NERC) in April 2023 raised tariffs from N66/N77 to N225 per kilowatt-hour, a 250% increase. This spike in energy costs has reduced profit margins, hindered growth, and caused some businesses to shut down (NERC Report, 2023; Ayivi et al., 2023).

Additionally, the naira devaluation has increased the cost of imported goods, triggered inflation, and lowered consumer purchasing power, all of which negatively affect SME sales and profitability (Chinelo, Ezeanokwasa & Joelin, 2023). These combined challenges necessitate further research into the full impact of these policies on SMEs sustainable growth across different regions of Nigeria.

Existing studies have largely focused on individual policy impacts, fuel subsidy removal, electricity tariffs hike, or naira devaluation separately (Bello, 2024; Ayivi, 2023; Chinelo et al., 2023). However, there is limited research examining their combined effect on SMEs, particularly in specific regions such as Kaduna State. This study seeks to fill that gap by evaluating the cumulative impact of these policies on the sustainable growth of SMEs in Kaduna State, thus contributing to broader national discourse on policy reform and SME development.

Objectives of the Study

Therefore, the aim of this study is to evaluate government policies on sustainable growth of Small and Medium Enterprises in Kaduna State. Specifically, the study aimed at evaluating the effect of.

- i. Subsidy removal and its effect on sustainable growth of SMEs in Kaduna State.
- ii. Electricity tariff hike and its effect on sustainable growth of SMEs in Kaduna State.
- iii. Naira devaluation and its effect on sustainable growth of SMEs in Kaduna.

Statement of Hypothesis

The hypotheses for the study will be as follows:

H01: Subsidy removal on fuel has no significant effect on sustainable growth of SMEs in Kaduna State.

H02: Electricity tariff hike has no significant effect on sustainable growth of SMEs in Kaduna State.

H03: Naira devaluation has no significant effect on sustainable growth of SMEs in Kaduna State.

II. Literature Review

2.1 Sustainable Growth of SMEs

Several scholars have defined sustainable growth of SMEs based on their understanding. Yusoff et al. (2018) describe it as self-sufficient growth achieved through consistent financial performance within a firm's capacity, while also securing future objectives and long-term survival. Arora, Kumar, and Thapar (2018) regard growth as a core aspect of firm performance. Sustainable growth also involves adopting management practices that integrate economic, social, and environmental goals (Gross Gołacka et al., 2020; Diabate et al., 2019). Originating from Babcock (1970), the concept has continued to help managers make vital financial decisions (Arora et al., 2018). Macqueen (2014) defines it as the highest growth rate a company can maintain without extra equity or debt, whereas Njoku (2017) points out that it has both traditional and modern meanings—primarily the achievable growth a company can sustain without encountering financial issues. Past research indicates that sustainable entrepreneurship encourages leaders to align financial, environmental, and social goals, forming a distinct triple bottom line (Nor-Aishah et al., 2020; Abdul-Rashid et al., 2017; Hami et al., 2016).

2.1.1 Subsidy Removal on Fuel

According to the Academics Dictionary of Economics (2006), a subsidy is a government cash incentive to industries aimed at lowering product prices and enhancing competitiveness. Dodo, Salisu, and Isiyaku (2024) state that one key goal of subsidies is to keep prices below production costs. Lawson (2012) adds that subsidies are measures that keep consumer prices below market levels or producer prices above them. Fuel subsidy removal,



as explained by Dodo et al. (2024), involves reducing or eliminating government subsidies on petrol products. While this can ease government spending and encourage efficient resource use, it often leads to higher fuel prices, increased consumer and business costs, and inflation negatively affecting SMEs by raising operational costs and slowing growth.

Electricity tariff, the price charged for electricity consumption (Adie, Inim & Udoh, 2019), is regulated by government agencies like Nigeria's NERC. Repeated tariff hikes in Nigeria aim to close the gap between electricity generation costs and consumer payments. However, SMEs view these increases as a major challenge, as they raise operational costs, lower investment capacity, reduce competitiveness, and cause job losses (Olaoye & Talabi, 2018). Many SMEs depend heavily on electricity for day-to-day operations, making them particularly vulnerable to tariff changes.

2.1.2 Electricity Tariff Hike

Electricity tariff is the price users pay for electricity consumption, based on usage and rates set by providers (Adie, Inim & Udoh, 2019). In Nigeria, these tariffs are regulated by the Nigerian Electricity Regulatory Commission (NERC) and have seen multiple increases in recent years. These hikes aim to align consumer payments with the actual cost of electricity generation. However, the rising tariffs have sparked controversy and pose significant challenges for SMEs. According to Olaoye and Talabi (2018), higher tariffs lead to increased operational costs, reduced investment capacity, lower competitiveness, and job losses, as many SMEs depend heavily on electricity for daily operations such as lighting, baking, barbing, vulcanising, and machinery use.

2.1.3 Naira Devaluation

Devaluation is a monetary policy tool used by countries with fixed or semi-fixed exchange rates, involving the official reduction in a currency's value relative to goods, services, or other currencies (Adeyemi & Ajibola, 2019). In Nigeria, naira devaluation refers to the deliberate lowering of the Naira's value against major currencies like the US dollar, Euro, and British Pound (Nwagbala & Johnson, 2023). The Central Bank of Nigeria often uses this strategy to address economic challenges, particularly during Balance of Payment or Trade crises (World Bank, 2000). The primary goal of devaluation is to make exports more competitive by weakening the domestic currency, thereby promoting economic growth (Javadov, Feyzullaev &

Jabbbarov, 2021). However, devaluation can also increase the cost of imports, raising business expenses and contributing to inflation (Hussain et al., 2021).

2.2 Government Policies and Sustainable Growth of SMEs

Government policies refer to a set of principles, guidelines, or causes of actions adopted by a government to achieve specific goals or objectives. Pissarides (2011) argues government rules as they relate to SMEs to be fruitfully put into practice in economy development, government in power need to put in place rule and principle that governs sustainable growth of SMEs in Nigeria.

Globally, the expectation is that the role of government in enterprise development will take the form of creating a business-friendly atmosphere, enacting suitable laws, creating schemes that are appropriate, offering valuable incentives, providing institutional support, and successfully carrying out programs that are intended to improve the environment that is conducive to business (Desai, 2010).

Sathe (2006) argues that Government regulations and their bureaucratic

procedures can hinder as well as facilitate sustainable growth of SMEs. The Government can come up with policies that can boost and support the growth of novel technologies, products, and solutions. On the other hand, Government policies can likewise seem to hinder sustainable growth of SMEs when it introduces policy such as subsidy removal on fuel which Dodo, Salisu and Isiyaku (2024) argued in their study that subsidy removal hinders sustainable growth of SMEs in Katsina. Similarly, an investigation which was conducted by Adie, Inim and Udoh (2019) found that government policy on electricity tariff hike hinders sustainable growth of SMEs. Additionally, Nwagbala and Johnson, (2023) observed that, a devalued naira typically leads to an increase in the cost of imported goods, which in turn can reduce the volume of imports. However, this can also lead to inflation, making it difficult for consumers to afford essential goods and hinders sustainable growth of SMEs.

2.3 Underpinning Theory

This study adopts institutional theory to highlight the importance of government policies on organizational performance, particularly as firms operate within rules and regulations set by the government. Institutional theory, as defined by Kraft (2007), emphasizes the formal and legal aspects of government structures and how institutions shape



business behavior (Wikipedia, 2025). It explores the relationship between society and businesses, noting how government policies influence SMEs' sustainable growth (Fauzi & Sheng, 2020; Shibin et al., 2020; Caldera et al., 2019). These policies create norms and structures that SMEs must follow, meaning business decisions are made within institutional contexts rather than in isolation.

According to Scott (2014), SMEs must align with societal laws and ideologies to gain legitimacy. In Nigeria, SMEs face environmental constraints and political pressures that affect their overall performance (Rochon & Docherty, 2012), including areas like HRM (Rosenzweig & Singh, 1991; Martinsons, 1993). As noted by Srisathan, Ketkaew, and Naruetharadhol (2020), institutional policies significantly impact SME performance. Therefore, SMEs are encouraged to operate within institutional rules while seizing legitimate opportunities in their environment (Nimfa et al., 2021; Hadjimanolis, 2019; Ratten & Usmanij, 2020).

2.4 Empirical Review

Several Scholars have provided empirical evidence that provides a link between government policies and sustainable growth of SMEs in Nigeria. For instance, Ahmadu, Joshua, Udo and Ediuku (2025) examined the effect of government policies on SME support programs in Abuja, focusing on their impact on SME growth, sustainability, and contribution to economic development. The research aims to evaluate how policy frameworks, funding mechanisms, and regulatory environments influence the effectiveness of SMEs. A total of 135 questionnaires were administered to experienced participants, providing detailed insights into the dynamics of government policies and their role in SME development. Linear regression analysis was used to analyze the data. Findings from the study underscores the importance of aligning government interventions with the evolving needs of SMEs to enhance inclusivity, innovation, and competitiveness. These insights aim to strengthen government support programs and improve the overall performance and sustainability of SMEs in the region.

Ezeilo and Ike (2024) focused their study on government policies and their effects on the performance of Small and Medium Scale Enterprises (SMEs) in Nigeria, with a particular interest on SMEs operating in Asaba, Delta State. The population of the study consisted of 1,200 SME operators in Asaba, Delta State, and a sample size of 300 SMEs was employed using Taro Yamane's

formula. Questionnaire was the major instrument used for data collection in the study. Ordinal Logistic Regression was used to analyze the formulated hypotheses. The study found that government taxation policy and volatile foreign exchange rates have a significant and negative influence on the growth of SMEs.

Similarly, Obananya, (2022) explored research that examines the effect of government policy on the growth of small and medium enterprises (SMEs) in Anambra State. Descriptive survey design was adopted. The Population was 1,200 SME operators in Anambra State. The sample size of 300 SMEs was employed using Yamane's formula. Questionnaire was the major instrument of data collection used in the study. Regression was used to analyse the formulated hypotheses in the study. The study discovered that government credit policy granted, government tax policy and government licensing policy has a significant positive effect on the growth of small and medium enterprises in Onitsha North Local Government area, Anambra State.

Ilodigwe, (2024) investigated the negative impact of fuel subsidy removal on SMEs in Anambra State. The study adopted mixed method research that used structured questionnaire and In-depth Interview (IDI) in collecting data from 105 SMEs systematically selected from the 21 Local Government Areas in the state. Data collected for the study was processed using Statistical Package for Social Sciences (SPSS). The result of the quantitative data was analysed using descriptive statistics (frequency tables, charts and graphs) while the qualitative data was analyzed using thematic analysis. The study hypothesis was tested using Chi-square inferential statistics. The study found that fuel subsidy removal has a very high negative impact on SMEs in Anambra State. The study also found that the negative impact of fuel subsidy removal on SMEs includes increase in production cost, reduced profit because of high overhead costs, low sales and income resulting from low patronage and financial strain in the general activities of SMEs

Also, Lavalliere, Molina and Chaudhary, (2023), seeks to examine the effect of Currency Devaluation on sustainable growth of Small and Medium Firms in Beirut, Lebanon. The research used descriptive research design. The target population was 200 small and medium firms in Beirut, Lebanon. The study did samples of 150 participants that were chosen from the target population of 200 small and medium

firms in Beirut, Lebanon. Questionnaires were utilized to gather data. In conclusion, the



devaluation of the Lebanese currency presented numerous challenges for these businesses, impacting their competitiveness, profitability, and sustainable growth.

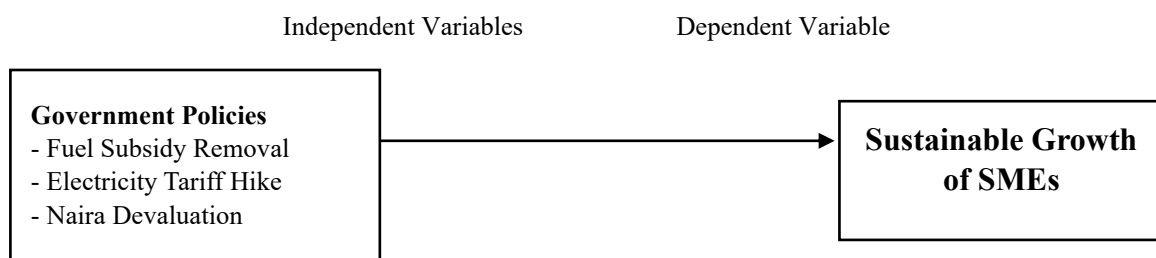
Ayivi, (2022) seeks to determine the effect of electricity prices hike on the growth and development of Small and Medium Enterprises (SMEs) in the Ashanti Region of Ghana using the Vector Error Correction Model (VECM) and the Johansen co-integration method. The findings suggest that there is a negative, long-term relationship between the prices hike of electricity and SMEs growth and development. Empirical findings indicate that the long-run relationship between electricity prices and SMEs growth is special and negative. Higher energy rates were found to have a negative effect on SMEs' growth and development. The findings suggest that a 1% increase in ELEC (average electricity price hikes) has a 0.68 percent lag in decreasing PRO.

Furthermore, according to the VECM findings, a 1% increase in PPI lags PRO by 1.2 percent.

2.4 Conceptual Framework

Based on the empirical and theoretical framework reviewed, the research conceptualized a framework for the study. Hennink, Hutter, and Bailey (2020) define conceptual frameworks as visual maps that depict the relationships between variables in a graphical and diagrammatic manner, often derived from specific examples or situations. In the present study, the focus was on three variables that represent key actions associated with government policy: fuel subsidy removal, electricity tariff hike and naira devaluation. Figure 1 provides an illustrative representation of these variables explored in the study. The figure visually demonstrates the interplay and connections between these variables.

Fig 2.1: Conceptual Framework



Source: Researchers

The study conceptualized that, the independent variables fuel subsidy removal, electricity tariff hike and naira devaluation will predict on the dependent variable SMEs performance hence, this prediction shall be subjected to empirical testing with the help of a well-developed hypotheses.

III. Research Methodology

The research design employed for this study is a survey research design, utilizing a cross-sectional survey method. Data was collected once during the entire study period. The target population for the study consisted of all the registered small and medium-sized enterprise (SME) operating within Kaduna metropolis which comprises of four Local Government Areas, Kaduna-North, Kaduna-South, Igabi, and Chikun local government areas of Kaduna state in the Federal Republic of Nigeria.

Small and Medium Businesses Development Agency of Nigeria and National

Bureau of Statistics (SMEDAN/NBS, 2021). report that as of December 2021, there were 1,282 registered SME businesses operating in Kaduna metropolitan. Manufacturing, general trading, sales, and services, agricultural, agro-business trading, general contractors, etc. are among their commercial operations.

To obtain the sample size for the study, Krejcie and Morgan (1970) table for sample size determination shall be employed. To avoid bias in the survey administration process, Salkind (1997) has recommended that the sample size be increased by 50% in any survey research that calls for the posting of questionnaires. Hence, based on Salkind's (1997) recommendation, the sample was enlarged by 50%, from 297 to 445.

To select the sample size from the population without being biased, stratified random sampling technique was used in this study. Nonetheless, stratified random sampling is likely to



lessen the issues associated with sample over-representation and vice versa. This approach was used because it is straightforward, simple to apply, and guarantees objectivity (Nicholas, 2011). However, a total of 445 SMEs were selected for the

research from the four local government areas in Kaduna Metropolis, with a portion of the question being distributed at each stratum based on a proportionate ratio. This information is shown in Table 3.1.

Table 3.1 Sample Size of the Study

S/N	Kaduna Metropolis	Population	Proportionate Ratio	Sample Size
1.	Kaduna North	385385	1282*445	134
2.	KadunaSouth	346346	1282*445	120
3.	Igabi	295	295/1282*445	102
4.	Chikum256	256	1282*445	89
Total		1,282,445		

Source: Researcher's Field Survey 2024

The scale to be used in this study has three sections; section 1 contains the respondent's demographic data such as age, marital status, gender, religion etc. Section 2 contains four dimensions of government policy (fuel subsidy removal, electricity tariff hike and naira devaluation), and section 3 contains measures of sustainable growth of SMEs, all will be structured on a five (5) point Likert scale rating with weights assigned as follows: 5 -strongly agree, 4 - agree, 3 - neutral, 2- disagree, and 1 - strongly disagree.

The dependent variable sustainable growth of SMEs will be measured with the instrument adapted from the original study of Ndulue, (2023). Ten items were in the original questionnaire but this study will modify it into five items while, the independent variables, government policies were measured using items that were derived from the original creators' work therefore, the variables fuel subsidy removal, electricity tariff hike, and naira devaluation will be measured by the instruments adapted with some modifications from the studies of Bello, (2024), Adie, Inim and Udoh, (2019) and Lavalliere, Molina and Chaudhary, (2023) respectively. All items obtained from the original studies will be modified into five items.

The scale for this study will be assessed for its convergent validity using SmartPLS version 4.0. In addition, the scale will be assessed for its internal consistency. Also, Partial Least Squares Structural

Equation Modelling (PLS SEM) will be used to examine the relationships between independent variables and dependent variable. This will be done using SmartPLS version 4.0.

IV. Result and Discussion of findings

Both the discriminate validity and composite reliability test are tested so as to confirm the validity and reliability of the research instrument. The average variance extracted (AVE) is used to determine the validity of instrument while the cronbach's alpha reliability is used to measure the reliability of instrument. In the measurement model of all the variables' scale, the Cronbach's alpha is above 0.80, and the factor loadings of the individual assessment items has a significance value; the composite reliability (CR) and AVE are all above 0.7 and 0.5. Therefore, the result of this analysis shows that both the Cronbach's alpha and the convergent validity of all the variables (fuel subsidy removal, electricity tariff hike and naira devaluation) are within the recognized value. This shows that the consistency and stability of the instrument used is high. In other words, the constructs or variables of this study have become a fit measuring tool, and the questions used to measure each construct have good reliability. The result is shown in Table 1

Table 4.1 Cronbach's Alpha, Composite Reliability and AVE Test

Variables	Measurement	Cronbach's alpha	Composite Reliability	AVE
Fuel Subsidy Removal	Ordinal	0.752	0.833	0.504
Electricity Tariff Hike	Ordinal	0.764	0.849	0.586
Naira Devaluation	Ordinal	0.806	0.860	0.554
Sust Growth of SMEs	Ordinal	0.911	0.934	0.739

Source: SmartPLS 3.0 Output, 2024.



Based on the present study, items loaded effectively on their individual constructs and are all above the suggested value of 0.5 (Hair et al., 2010).

Only 2 items were deleted for low loading. As indicated in Table 4.2 all the indicators are loaded on their respective constructs.

Table 4.2 Cross loading of Constructs

Items	DON	ETH	FSR	SUSG	
Devaluation of Naira	DON1	0.628	0.345	0.313	0.299
	DON2	0.734	0.425	0.357	0.167
	DON3	0.812	0.522	0.477	0.338
	DON4	0.730	0.413	0.353	0.138
	DON5	0.802	0.450	0.404	0.237
Electric tariff hike	ETH2	0.433	0.749	0.598	0.412
	ETH3	0.304	0.691	0.350	0.351
	ETH4	0.535	0.818	0.546	0.443
	ETH5	0.500	0.799	0.451	0.444
	Fuel subsidy removal	FSR1	0.389	0.354	0.647
FSR2		0.398	0.409	0.657	0.247
FSR3		0.405	0.561	0.805	0.399
FSR4		0.279	0.338	0.592	0.254
FSR5		0.398	0.553	0.820	0.400
SUSG1		0.361	0.454	0.398	0.808
SUSG2		0.300	0.410	0.373	0.822
SUSG3		0.267	0.471	0.397	0.910
SUSG4		0.273	0.486	0.370	0.874
SUSG5		0.306	0.499	0.431	0.881

Source: SmarthPLS4.0 Output, 2025.

Discriminant Validity

The discriminant validity is the extent to which the construct differs empirically from one another. It is the rate of changes between one construct and the other (Hair et al., 2014). The estimation of the discriminant validity can be done through cross loading of indicators known as Fornell & Larcker criterion or Heterotraitmonotrait (HTMT) ratio of correlation. The Fornell-Lacker criterion for evaluating the discriminant validity compares the square root of the AVE with the other latent constructs (Hair et al., 2014). Fornell-Lacker (1981)

recommended that the latent constructs should explain the variance of its indicator. Thus, the square root of AVE should have a higher value than other latent constructs. Therefore, the correlations between the latent constructs of the model were compared with the square root of AVE. The findings indicate that all the square roots of AVE were higher compared to the correlations between the latent constructs indicating adequate discriminant validity within the latent constructs in the model (Hair et al., 2016).

Table 4.3 Fornell and Larcker Ctiterion

	DON	ETH	FSR	SUSG
Devaluation of Naira	0.744			
Electric tariff hike	0.587	0.766		
Fuel subsidy removal	0.524	0.640	0.710	
Sustainable SMEs growth	0.350	0.541	0.459	0.860

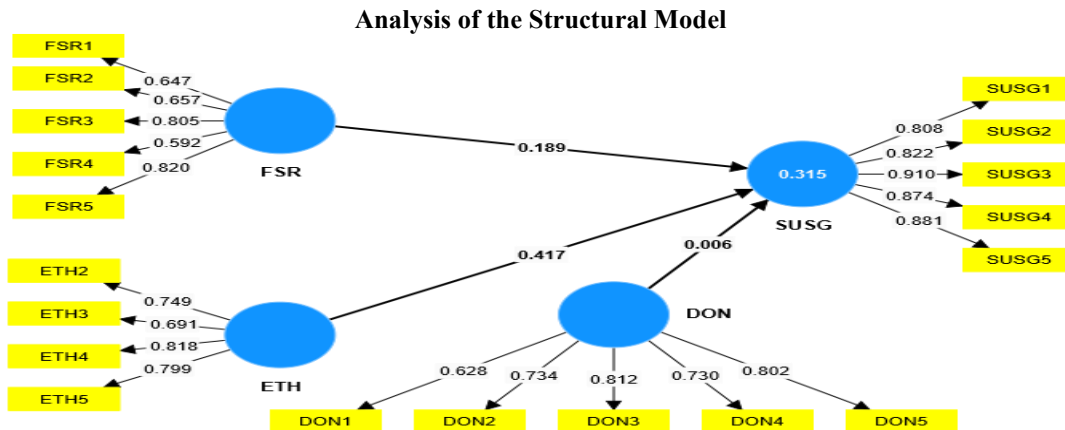
Moreover, the values of heterotrait–monotrait (HTMT) ratios (Henseler et al., 2015) were found to be less than prescribed limit of 0.85 (Table 4).

Table 4.4 Heterotrait-monotrait (HTMT) ratios

	DON	ETH	FSR	SUSG
Devaluation of Naira				
Electric tariff hike	0.723			
Fuel subsidy removal	0.660	0.820		
Sustainable SMEs growth	0.368	0.645	0.540	



Next, results for cross loadings were also evaluated (Table 5), and the outer loading of the indicators were found to be higher on their own latent variable in comparison to the other latent constructs (Hair et al., 2017). Hence, discriminant validity is sufficiently established.



Determination of the R²

The model above depicted the relationship between government policy (GP) (devaluation of naira, electronic tariff hike and fuel subsidy removal) and sustainable growth of SME (SUSG).

In fig. 4.1, the inner path model was 0.315 for sustainable growth of SMEs (SUSG) endogenous latent construct. This indicates that the three independent constructs substantially explain 31.5% of the variance in sustainable growth, meaning that about 31.5% of the change in sustainable growth was due to three latent constructs in the model while the remaining 35.2% are outside the model of the study. According to Henseler, Ringle and Sinkovics (2016) and Hair et al. (2013), an R² value of 0.75 is

considered substantial, an R² value of .50 is regarded as moderate, and an R² value of 0.26 is considered as weak. Hence, the R² value in this study was moderate.

Evaluation of Predictive Relevance Q²

The cross-validated communality (Q²) is the first prediction technique designed by Stone-Geisser. It consists of key components of the PLS path model which assists in predicting the omitted data points. The Q² values are evaluated through the blindfolding method which measures the extent to which the path model can predict the originally observed values.

Table 4.5 Constructs Cross-Validated Redundancy of the Research Models

Latent Variable	SSO	SSE	Q ² = 1- SSE/SSO
Sustainable growth of SMEs	2045.00	1587.03	0.224

The result in table 4.3 is the cross-validation redundancy, retrieved from blindfolding output of the PLS-SEM. The cross-validated redundancy evaluates the capacity of the model to predict the endogenous variables and explain the quality of the model. Thus, the cross-validation redundancy measures Q² for the endogenous latent variable (sustainable growth of SMEs) was above zero. This is indicating the predictive relevance of the research models (Chin, 1998; Henseler et al., 2009).

Table 4.6 Path Coefficient of Beta, T statistics and P value Test (Direct Effects)

H	Relationship	Beta β	Std deviation	T-statistics	P-values	Decision
H1	DON -> SUSG	0.010	0.053	0.119	0.906	Accept
H2	ETH -> SUSG	0.412	0.073	5.706	0.000	Reject
H3	FSR -> SUSG	0.195	0.075	2.515	0.012	Reject

Source: (SEM-PLS, 2025)

The result in table 4.6 presents the direct relationships between the exogenous variables and

the endogenous variable, the interpretation of each of the three hypotheses is presented as follows;



H₀₁: Devaluation of naira has no significant effect on sustainable growth of SMEs in Kaduna State?

In H₀₁, it was predicted that the construct devaluation of naira will not influence sustainable growth of SMEs growth in Kaduna. As predicted, the findings in Table 4.6 confirmed that devaluation of naira has no significant effect on sustainable growth of SMEs ($\beta= 0.010$, $T = 0.119$ $p > 0.906$). These results imply that when devaluation of naira increases by one-unit, sustainable growth of SMEs in Kaduna will increase by only 0.010 units when other factors are held constant. Therefore, the study accepts H₀₁ indicating that devaluation of naira has insignificant effect on sustainable growth of SMEs in Kaduna. This finding is in line with the studies conducted by (Adeyemi& Ajibola, 2019) but disagreed with the studies of(Lavallière, Molina &Chaudhar, 2023; Nwagbala, Ezeanokwasa& Johnson, 2023) that found a significant effect between devaluation of naira and sustainable growth of SMEs.

H₀₂: Electricity tariff hike has no significant effect on sustainable growth of SMEs in Kaduna State?

In H₀₂, it was predicted that the electricity tariff hike will not significantly influence sustainable growth of SMEs. As predicted, the findings in Table 4.6 reveal that electricity tariffs significantly influenced sustainable growth of SMEs ($\beta= 0.412$, $T = 5.706$ $p > 0.000$). These results imply that when devaluation of naira increases by one-unit, sustainable growth of SMEs in Kaduna will increase by 0.412 units while other factors are held constant. Therefore, the study rejects H₀₂ indicating that electricity tariff hike has significant effect sustainable growth of SMEs in Kaduna. The result of this study concurs with the works of (Adie, Inim& Udoh, 2019; Ayivi, etal, 2022) however, the study differs with the findings of the studies conducted in Canada and South Africa by (Fei, 2014) (Polemis&Dagoumas, 2013), whose results indicates that electricity does not have significant effect on sustainable growth of SMEs.

H₀₃: Subsidy removal on fuel has no significant effect on sustainable growth of SMEs in Kaduna State.

Finally, it was predicted that subsidy removal on fuel will not significantly and positively influence sustainable growth of SMEs in Kaduna State. As predicted, the findings in Table 4.6 revealed that subsidy removal on fuel have significant effects on sustainable growth of SMEs in Kaduna ($\beta= -0.195$, $T = 2.515$, $p > 0.012$). These results imply that when subsidy removal on fuel increases by one-unit, sustainable growth of SMEs in Kaduna will increase by 0.195 units when other factors are held constant.

Therefore, the study accepts H₀₃ indicating that subsidy removal on fuel has significant and positive effect on sustainable growth of SMEs. This finding coincides with the studies of (Dodo, Salisu & Isiyaku, 2024; Bello, 2024). Thus, the outcome dissents from study carried out by Wengi, Rauf & Calin, (2022) which indicated that subsidy removal on fuel have no significant effect on the sustainable growth on SMEs.

V. Conclusion and Recommendations

The aggregate findings of this study reveal a positive and significant relationship among the independent variables (devaluation of naira, electricity tariff hike and subsidy removal on fuel), and the dependent variable (sustainable growth of SMEs). However, the nature of the relationships reveals that two (2) variables are significant while one variable is insignificant. Specifically, the direct relationship between electricity tariff hike and sustainable growth of SMEs is strongly positive and significant, electricity tariff hike and sustainable growth of SMEs have positive and significant relationship while, devaluation of naira has negative and insignificant relationship with sustainable growth of SMEs in Kaduna State.

Based on the above findings, therefore, this study made the following recommendations.

- i. Government should not consider official devaluation of naira because of its effect on cost of goods and inflation rate however; government can allow naira to depreciate freely through market forces and efficient money market system since it has no significant influence on changes in trade balance.
- ii. As a matter of urgency, this paper recommends that government should immediately provide tax relief for all the GENCOs (Generation Companies) and the DISCOs (Distribution Companies) by so doing, it will reduce the cost of power generation and distribution which its benefit could be transferred to the end users which includes SMEs at affordable prices.
- iii. Government should deliberately initiate more palliatives for SMEs, such as one digit interest loan through the bank of industry (BOI) and provide them with tax-exemption within reasonable period of time.

References

- [1]. Adeyemi, O. J., & Ajibola, A. (2019). Naira devaluation and trade balance in Nigeria. *An international Journal*. Vol. 125(1), 181-192.
- [2]. Adie, J. A., Inim, V. E., & Udoh, F. S (2019). Effect of Electricity Tariff on the



- Performance of Small – Medium Enterprises in North Central Nigeria. *International Journal of Innovative Research in Social Sciences and Strategic Management Techniques*. Vol. 6(1), 256 - 273.
- [3]. Ahmadu, A. S., Joshua, B. O., Udo, G. &Ediuku, E. (2025). Effect of Government Policies on Small and Medium Enterprises (SMEs) Support Programs in FCT Abuja. *International Journal of Small Business and Entrepreneurship Research*, Vol.13(1), 33-50.
- [4]. Amoah, J., Jibril, A. B., Luki, B. N., Odei, M. A., &Yawson, C. (2021). Barriers of SMEs' sustainability in sub-saharan Africa: A plsem approach. *International Journal of Entrepreneurial Knowledge*, Vol. 9(1), 10–24.
- [5]. Arora, S., Kumar, O.L., & Thapar, P. (2018). Impact of business environment on the survival of small scale businesses in Nigeria. *International Journal Management Business Resources*, 4 (3), 165-170
- [6]. Ayivi, W., Amouzou, E. K., Sam, F., Sekley, M. S., Yemissola, N. K., & Ansah, P.O., (2022). Impact Of Electricity Prices On Growth And Development Of Smes In Ghana: A Case Of Selected Pharmaceutical Industries In Ashanti Region. *International Journal of Economics, Commerce and Management*. Vol. 10(2), 257- 272.
- [7]. Bendickson, J., Ligouri, E., & Midgett, C. (2017). High Performance Work Systems: A Necessity for Startups. *Journal of Small Business Strategy*, Vol. 27(2), 1- 12
- [8]. Bello, A. A. (2024). Effect of Fuel Subsidy Removal on Livelihoods of Small and Medium Scale Enterprise Owners in Nigeria. A Case Study of Michika Local Government Area of Adamawa State. *International Journal of Research Publication and Reviews*, Vol 5(12), 4824-4830.
- [9]. Chunelo, N. S., Ezeanokwasa, F., & Joelin, J. O., (2023). Naira Devaluation and its effects on the Performance of Small and Medium Enterprises in Awka-South, Anambra State, Nigeria. *International Journal of Capacity Building in `Education and Management*, Vol. 6(1), 1 - 9.
- [10]. Desai, V. (2010). *Fundamentals of Entrepreneurship and Small Business Management*; India, Mumbai: Himalaya Publishing House.
- [11]. Dodo, F. I., Salisu, M., & Isiyaku, M. (2024). Assessing the Impact of Petroleum Subsidy Removal on the Performance of Small and Medium Scale Enterprises in Katsina Senatorial Zone. *International Journal of Research Publication and Reviews*, Vol. 5(4), 3539-3546.
- [12]. European Commission Report, (2023). User Guide to the SME Definition. Luxembourg: *Publications Office of the European Union*.
- [13]. Ezeilo, F.I. & Ike, R. C, (2024). Government Policies And Performance of Smes in Nigeria : A Study Of Selected Smes in Asaba Delta State, Nigeria. *Advance Journal of Management, Accounting and Finance*, Vol, 9(6), 49-70.
- [14]. Ezeilo, F. I & Okolobi, A.N. (2022); Entrepreneurship Education and Sustainable Security in Nigeria. *Himalayan Economics and Business Management*, 3(4), 24-32.
- [15]. Fauzi, A. A., & Sheng, M. L. (2020). The digitalization of micro, small, and medium-sized enterprises (MSMEs): An institutional theory perspective. *Journal of Small Business Management*, Vol, 4(1), 1-26,
- [16]. Fei, Q. (2014). *The impacts of energy prices and technological innovation*. 25(3), 46–60
- [17]. Hami, F A. Malim, M R., Derasit, Z. Rani, R M. & Rashid, S S. (2016). The impact of macroeconomic variables on SMEs in Malaysia. IOP Conf. Series: *Journal of Physics: Conf. Series* 890.
- [18]. Ibrahim, T. M. & Murtala, T. A., (2015). Does Government Policies Improve Business Performance? Evidence from Nigeria. *Journal of Studies in Socia Sciences*, Vol.11(2), 143-159.
- [19]. Ilodigwe, A. O. (2023). Fuel subsidy removal and its negative impact on small and medium scale enterprises in Anambra state. *Journal of Education, Humanities, Management and Social Sciences*, Vol. 6(2), 25-36.
- [20]. Javadov, U., Feyzullaev, K. & Jabbarov, G. (2021). The role of government in development of small-scale business in Enugu metropolis. *International Journal of Academic Research economics and management sciences*, Vol. 8 (1), 88-102.
- [21]. Kraft, M.E. & Furlong, S.R. (2007). *Public Policy: politics, analysis, and alternatives*. CQ; London: Eurospan [distributor], Washington, D.C,
- [22]. Lavalliere, H. F., Molina, F. T., & Chaudhary, S. M. (2023). Effect of Currency Devaluation on Performance of Small and Medium Firms in Beirut, Lebanon. *Journal of Economics*, Vol. 7(1), 12-21.
- [23]. Lawson, A. (2012), "Fuel Subsidy Removal: The Challenge before House Committee on



- Petroleum Downstream”, retrieved from <http://www.themaceonline.com/house-of-reps-news/241-fuel-subsidy-removal-thechallenge-before-house-committee-on-petroleum-downstream>
- [24]. Martinsons, M.G. (1993). Strategic innovation, *Management Decision Review*, Vol, 31(8), 4 – 11.
- [25]. Mekwunye, U. (2018). Small And Medium Scale Enterprises in Nigeria. An Overview of Initial Set up. Retrieved from <https://www.mondaq.com/nigeria/directors-and-officers/757432/small-and-medium-scale-enterprises-in-nigeria-an-overview-of-initial-set-up>.
- [26]. Nwagbala, N. K. & Johnson, P. (2023). Assessing the role of government in promoting small scale businesses in Kogi State: The Kabba/Bunu Experience. *IOSR Journal of Business and Management*. Vol. 16, (11), 86-92
- [27]. Obananya, C. G. (2022). Government Policies and the Growth of Small and Medium Enterprises (SMEs) in Anambra State. *International Journal of Multidisciplinary Research And Analysis*. Vol. 5(2), 458-465.
- [28]. Ogbede, M.O., Ihemeje, J.C., &Ikoro, E. I, (2024). Effect of Government Policies on the Performance of Small and Medium Scale Enterprises in Imo State. *International Journal of Economics and Business Management*. Vol. 10(2), 222.239
- [29]. Olaoye, C. O., & Talabi, A. M., (2018). The Effect of Electricity Tariff and Self-Generated Power Supply on Business Performance in Nigeria. *Research Journal of Finance and Accounting*. Vol. 9(20), 74 - 80.
- [30]. Polemis, M. L., &Dagoumas, A. S. (2013). The electricity consumption and economic growth nexus: Evidence from Greece. *Energy Policy*, 62, 798–808. <https://doi.org/10.1016/j.enpol.2013.06.086>.
- [31]. PWC, (2023). Fuel Subsidy in Nigeria – issues, challenges and the way forward. <https://www.pwc.com/ng>
- [32]. Rochon, L.P.& Docherty, P.(2012). Engagement with the Mainstream in the Future of Post Keynesian Economics, *Review of Political Economy*.Taylor&Francis Journals, Vol. 24(3), 503-518.
- [33]. Rosenzweig, P & Singh. J. (1991). Organizational environments and the multinational enterprise. *Academy of Management Review*, Vol, 16(2), 340-361
- [34]. Sathe, V. (2006). *Corporate entrepreneurship: Top managers and new business creation*. Cambridge: Cambridge university press
- [35]. Shibin, K. T., Dubey, R., Gunasekaran, A., Hazen, B., Roubaud, D., Gupta, S., & Foropon, C. (2020). Examining sustainable supply chain management of SMEs using resource based view and institutional theory. *Annals of Operations Research*, Vol, 290(1), 301-326
- [36]. SMEDAN-NBS, (2021). Think Big Start Small, 2021 MSME Survey Report. Small &Medium Enterprises Development Agency of Nigeria and National Bureau of Statistics. <https://doi.org/www>.
- [37]. Srisathan, W. A., Ketkaew, C., &Naruetharadhol, P. (2020). The intervention of organizational sustainability in the effect of organizational culture on open innovation performance: A case of Thai and Chinese SMEs. *Cogent business and management*, Vol. 7(1), 1-28.
- [38]. Wengi, D. Khurshid, A. Rauf, F. A. & Calin, A. C. (2022). Government subsidies influence on corporate social responsibility of private firms in a competitive environment. *Journal of innovative and knowledge*, 7(2): 100-18
- [39]. Wikipaedia (2025). Institutional theory. Retrieved from <https://en.wikipedia.org/wiki/Institutionaltheory>.
- [40]. World Bank (2000). Small and Medium Enterprises (SMEs) Fin Small and Medium Enterprises (SMEs) Finance; Improving SMEs’ access to finance and finding innovative solutions to unlock sources of capital. Retrieved from <https://www.worldbank.org/en/topic/sme/finance>
- [41]. World Bank Report, (2023). *Ease of doing business rank*. <https://data.worldbank.org/indicator/>
- [42]. Yusoff, E. A., Orga, J.I. &Okoene, C.N. (2018). The role of government in development of small-scale business in enugu metropolis. *International Journal of Academic Research economics and management sciences*. 8 , (1),88-102.