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PUBLIC FINANCIAL POLICIES AND THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN NORTH-EAST NIGERIA

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Abstract

This study examines the effect of public financial policies and the growth of SMEs in North-East, Nigeria. The study adopted a survey research design, the population of the study was 77636 registered small and medium enterprises of North-East, Nigeria and a sample size of 384 was determined using Krejcie and Morgan's 1970 sample size determination. The instrument used for data collections was an adopted structured questionnaire. The study collected data from SMEs in Taraba, Adamawa, Gombe, Bauchi, Yobe, and Borno States, with a total of 390 copies of questionnaires distributed to the respondents, and 384 were properly filled out and returned. Percentages, frequency, table, mean, and standard deviation were used for descriptive aspects of the data. While multiple regression analysis (as contained in the SPSS statistical package version 21) was conducted to examine the effect of public financial policies on the growth of small and medium enterprises in North East. The findings revealed that public financial policies have a significant effect on SME growth. Specifically, interest rate subsidy showed the strongest positive effect, followed by microfinance support and tax incentives. The study concludes that public financial policies remain critical instruments for strengthening SME profitability and growth in North-East, Nigeria. The study recommends that the government expand subsidy credit programs, strengthen microfinance institutions, and implement SME-friendly tax policies to enhance enterprise development in the region.

Keywords: SME growth; public financial policy; interest rate subsidy; microfinance support; tax incentives; North-East Nigeria.

Introduction

Small and medium-scale enterprises (SMEs) have played and continue to play significant roles in the growth, development, and industrialization of many economies in the world. SMEs are key players in the global economy and the wider ecosystem of firms. Enabling them to adopt and thrive in a more open environment and participate more actively in the digital transformation is essential for boosting economic growth and delivering a more inclusive globalization (Organisation for Economic Co-operation and Development, 2019). In the developed economy, particularly the OECD countries, SMEs are the predominant form of enterprise, accounting for approximately 99% of all firms. They provide the main source of employment, accounting for about 60% of jobs on average, and are major contributors to value creation, generating between 50% and 60% of value added on average. In emerging economies, SMEs contribute up to 45% of total employment and 33% of GDP (International Finance Corporation, 2020). SMEs

constitute an important part of the economic development of many African countries and contribute considerably to continental economic development by creating new jobs, providing investment opportunities, and forming the economic capital and potential required for sustainable economic growth (Ruchkina & Mentel, 2019)

Nigeria face persistent challenges, the most critical being limited access to finance. Market imperfections such as information asymmetry, high lending risks, and weak financial infrastructure restrict SMEs' ability to obtain affordable credit from formal financial institutions. In response, successive Nigerian governments have introduced financial intervention policies aimed at easing financing constraints and stimulating SME growth. These policies include access to loans, grants, credit guarantees, interest rate subsidies, microfinance support, and tax incentives.

In North-East, Nigeria., the SME sector operates under additional constraints such as insecurity, weak infrastructure, displacement of economic activities, and institutional fragility. Although several government intervention programs exist, SME growth in the region remains relatively low, raising concerns about the effectiveness of these policies. This study, therefore, examines the **effect of public financial policies on the growth of SMEs in North-East, Nigeria.**

Therefore, the problem this study seeks to address is that**,** despite numerous public financial policies targeted at SME growth in Nigeria, SMEs in North-East, Nigeria. continue to experience poor growth, high failure rates, and limited growth. Many SMEs struggle to access government loans due to bureaucratic procedures, stringent collateral requirements, and limited awareness of intervention programs. Grants and credit guarantee schemes also suffer from implementation inefficiencies and weak monitoring mechanisms. The persistence of these challenges suggests a possible gap between policy design and actual policy outcomes. Empirical evidence on the effectiveness of public financial policies in the North East region remains limited and fragmented. Without clear evidence, policymakers lack reliable guidance on how to strengthen financial interventions to improve SMEs' growth. This study addresses this gap by empirically examining the effect of public financial policies on SMEs' growth in North-East, Nigeria.

However, the main objective of this study is to examine the effect of public financial policies on the growth of SMEs in North-East, Nigeria. The specific objectives are to:

i. Examine the effect of **interest rate subsidies** on the growth of small and medium enterprises in North-East, Nigeria.
ii. Examine the effect of **microfinance support** on the growth of small and medium enterprises in North-East, Nigeria.
iii. Examine the effect of tax **incentives** on the growth of small and medium enterprises in North-East, Nigeria.

Furthermore, the following research hypotheses were formulated in order to guide the study:
H_{01}: Interest rate subsidy has no significant effect on SME growth in North-East Nigeria.
H_{02}: M**icrofinance support** has no significant effect on SME growth in North-East Nigeria.
H_{03}: Tax **incentives have** no significant effect on SME growth in North-East Nigeria.

In terms of significance, the study provides empirical evidence to policymakers on the effectiveness of public financial policies, assists SMEs in identifying beneficial support mechanisms, contributes to academic literature on SME finance, and supports regional economic development planning in North-East, Nigeria. In particular, the study extends the Keynesian theory by empirically testing its application in a conflict-affected, under-researched region of North-East, Nigeria, offering a theoretical contribution to SME and development finance literature. The findings will guide SMEs on which public financial policies are most effective for improving growth and sustainability. Finally, the study will provide a foundation for further research, including comparative studies across regions, longitudinal tracking of public financial outcomes, and analysis of complementary factors such as managerial skills and institutional quality.

Literature Review

Concept of Small and Medium-Scale Enterprises (SMEs)

Small and medium-scale enterprises represent a vital segment of national economies due to their capacity to stimulate employment, foster innovation, and promote inclusive growth. In Nigeria, SMEs are defined based on employee size and asset base, excluding land and buildings. SMEs play a strategic role in bridging income inequality and supporting regional economic

development, particularly in less industrialized areas such as North-East, Nigeria. However, their operational capacity is largely influenced by the availability and affordability of financial resources. The definition of small and medium-scale enterprises (SMEs) varies across countries and institutions due to differences in economic structure, policy priorities, and levels of development. Globally, SMEs are commonly defined using criteria such as number of employees, asset base, turnover, or a combination of these indicators. In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) provides the most widely accepted definition. According to SMEDAN (2021), SMEs are enterprises with **fewer than 200 employees and total assets not exceeding ₦500 million**, excluding land and buildings. SMEs are recognized as a critical component of economic development because of their contribution to employment generation, income distribution, innovation, and poverty reduction. They are often characterized **by flexibility, adaptability, innovation, and close owner–manager control**, which enable them to respond quickly to changing market conditions. Unlike large corporations, SMEs usually operate with simpler organizational structures, shorter decision-making processes, and stronger personal commitment from owners. In developing economies such as Nigeria, SMEs play an even more strategic role by absorbing surplus labor, promoting local entrepreneurship, and fostering inclusive economic growth. However, despite their importance, SMEs are often constrained by limited access to finance, poor infrastructure, weak managerial capacity, and policy inconsistencies. These challenges make public financial policies particularly important for SMEs' survival and growth.

Concept of Small and Medium Enterprises (SMEs) Growth

The concept of small and medium enterprise (SME) growth has attracted significant attention in entrepreneurship, development economics, and strategic management literature because SMEs play a crucial role in employment generation, poverty reduction, and economic development. In most developing economies, SMEs constitute a large proportion of business establishments and serve as engines of innovation, productivity, and income generation. Consequently, understanding the growth of SMEs is central to assessing their contribution to economic development and sustainability.

SME growth generally refers to the **increase in the size, capacity, productivity, and market presence of small and medium enterprises over time.** Growth reflects the ability of a firm to expand its operations, improve financial performance, and strengthen its competitive position within the market. Business growth is often considered an indicator of organizational health, performance, and long-term sustainability (Meressa, 2020).

Scholars emphasize that growth is one of the primary objectives of business organizations. A firm that grows demonstrates its ability to effectively utilize resources, exploit market opportunities, and adapt to environmental changes. In the context of SMEs, growth signifies the transformation of small enterprises into more stable and competitive firms capable of contributing significantly to national economic development.

According to Owusu and Ismail (2018), SME growth represents a fundamental manifestation of entrepreneurial activity and reflects the expansion of a firm through improved resources, enhanced production capacity, and increased market share. The authors further argue that growth enables SMEs to survive in competitive environments and gradually evolve into larger enterprises.

Concept of Public Financial Policies

Public financial policies are deliberate fiscal and financial measures designed to correct market failures, promote enterprise development, and enhance economic stability. In the context of SMEs, these polices aim to address credit market imperfections and reduce financing constraints. This study focuses on access to loans, grants, credit guarantees, interest rate subsidies, microfinance support, and tax incentives. Public financial policies refer to deliberate and targeted actions taken by the government to provide financial support to businesses in order to correct market failures, stimulate economic activity, and promote inclusive growth. These polices are grounded in the recognition that free markets often fail to allocate financial resources efficiently, particularly to SMEs, due to information asymmetry, risk aversion by lenders, and structural weaknesses in financial systems. Public financial policies include **direct lending programs, interest rate subsidies, credit guarantee schemes, grants, equity participation, and microfinance support** (Beck & Levine, 2022). In Nigeria, such policies are implemented through various institutions and programs, including the Central Bank of Nigeria (CBN), Bank of Industry (BOI),

Development Bank of Nigeria (DBN), and SMEDAN. The primary objective of these interventions is to **reduce financing constraints**, lower the cost of capital, encourage investment, and enhance SMEs' competitiveness. By improving access to affordable finance, public financial policies are expected to improve SME productivity, profitability, employment generation, and long-term sustainability.

Concept of Interest Rate Subsidy

An interest rate subsidy is a government policy in which part or all of the interest cost on loans is paid by the government to reduce borrowing costs for SMEs. The objective of interest rate subsidies is to make credit more affordable and encourage SMEs to borrow for investment, expansion, and innovation. High interest rates are a major barrier to SMEs' financing in Nigeria. By lowering interest expenses, subsidies improve cash flow, increase profitability, and enhance the ability of SMEs to service debt. Interest rate subsidies are often implemented alongside government-backed loan schemes and intervention funds to ensure accessibility and affordability (Central Bank of Nigeria, 2022). From a policy perspective, interest rate subsidies are designed to stimulate productive investment and mitigate the negative effects of credit market imperfections. However, their effectiveness depends on proper targeting, sustainability, and avoidance of abuse.

Concept of Microfinance Support

Microfinance support refers to the provision of financial services—particularly small loans (microcredit), savings, and related products—targeted at low-income or underserved entrepreneurs who lack access to traditional banking services. Microfinance institutions typically offer **small loan sizes, flexible repayment terms, and group-based lending models** to accommodate the needs of small business operators. In the context of government intervention, microfinance support is recognized as a key instrument for **financial inclusion, poverty reduction, and grassroots enterprise development.** It enables micro and small enterprises to engage in productive activities when formal credit mechanisms are inaccessible. Empirical evidence suggests that microfinance support can enhance business survival, income generation, and self-employment when combined with capacity-building and business training (Ochonogor, 2020). However, limited loan sizes and relatively high effective interest rates may restrict the growth potential of SMEs relying solely on microfinance.

Concept of Tax Incentives

Tax incentives refer to deliberate fiscal policy measures introduced by governments to reduce the tax burden on businesses in order to stimulate investment, growth, and sustainability. These incentives may take the form of tax holidays, reduced tax rates, tax exemptions, tax credits, accelerated depreciation allowances, and loss carry-forward provisions (Zee, Stotsky, & Ley, 2022). In the context of small and medium-scale enterprises (SMEs), tax incentives are designed to improve cash flow, encourage formalization, and enhance business competitiveness. In Nigeria, tax incentives are implemented through various legal and policy frameworks such as the Companies Income Tax Act (CITA), the Industrial Development (Income Tax Relief) Act, and incentives administered by the Federal Inland Revenue Service (FIRS) and state revenue boards. These incentives are particularly relevant for SMEs that often operate under severe financial constraints and high operating costs (Ariyo, 2019). Forms of tax incentives available to SMEs generally include the following: tax holidays (temporary exemption from corporate income tax, usually granted to newly established firms) and capital allowances and accelerated depreciation (allows firms to deduct capital expenses faster, reducing taxable income), tax credits (direct reduction in tax liability based on investment or employment creation) and loss carry-forward provisions (enables firms to offset future profits with past losses, stabilizing tax obligations). These incentives aim to reduce the cost of doing business and increase retained earnings, which can be reinvested into productive activities (James, 2019).

Theoretical Framework

This study is anchored on the Keynesian theory of government intervention, which originates from John Maynard Keynes' critique of classical economics, which assumed that free markets automatically adjust to full employment and optimal output. Keynes (1936) argued that economies can remain in prolonged states of low output and unemployment due to insufficient aggregate demand, uncertainty, and weak private investment. In such conditions, deliberate government intervention becomes necessary to stimulate economic activity. Within this framework, fiscal policy comprising taxation, public expenditure, and targeted incentives is regarded as a primary instrument through which governments influence economic outcomes. The Keynesian theory emphasizes the role of government in stabilizing economic activities through fiscal and financial interventions. According to Keynesian

principles, government support is necessary when private markets fail to allocate resources efficiently. Public financial policies targeting SMEs align with this theory by stimulating investment, increasing aggregate demand, and promoting economic recovery, particularly in underdeveloped regions. The theory therefore provides a strong foundation for analyzing public financial policies aimed at supporting small and medium-scale enterprises (SMEs). Keynesian theory views public financial policies as corrective mechanisms designed to offset market imperfections and stimulate productive investment. SMEs often face structural disadvantages such as limited access to credit, high cost of finance, demand uncertainty, and vulnerability to economic shocks. These constraints inhibit their ability to invest and expand, even when profitable opportunities exist. From a Keynesian standpoint, public financial policies such as subsidized loans, grants, tax incentives, credit guarantees, and interest rate subsidies reduce the cost of production and investment for SMEs. By easing financial constraints, these policies increase expected returns on investment and encourage firms to expand output and employment (Auerbach & Gorodnichenko, 2012). Keynesian theory establishes a direct link between fiscal intervention and firm-level performance.

Empirical Review

The reviewed empirical studies consistently demonstrate that **financial constraints negatively affect SME performance,** while **government financial intervention policies improve growth, profitability, and market share.** However, most studies suffer from **regional generalization, limited policy disaggregation, and weak consideration of insecurity and institutional constraints.** This justifies the present study's focus on **public financial policies and SME growth in North-East, Nigeria.**

Umar and Sadiq's (2022) Study of Financial Constraints and Growth of Small Businesses in Northern Nigeria **Location:** Northern Nigeria. A descriptive survey design was employed. Data were collected from SME operators and analyzed using correlation and regression techniques. **Findings:** The results revealed that limited access to finance significantly constrained SMEs' investment and growth. High interest rates and collateral requirements were identified as major barriers. **Recommendation:** The study recommended increased government intervention through subsidized credit schemes and credit guarantees to ease financing constraints. The study's weakness **is that the** study focused mainly on financial constraints without empirically testing specific **public financial policies**. This study focused on specific public financial policies in Nort-East Nigeria.

Okafor and Arowoshegbe (2021) study Tax Incentives and Performance of Small and Medium Enterprises in South West Nigeria. An explanatory research design was used. Data were analyzed using ordinary least squares regression. **Findings showed that tax** incentives had a positive and significant effect on SME profitability and business survival. The study recommended simplification of tax incentive policies and reduction of multiple taxation. The study did not incorporate institutional or governance factors that could influence the effectiveness of tax incentives. Therefore, this study focused on the study of tax incentives as one of the study variables to see the influence of tax incentives on the growth of SMEs in North-East, Nigeria.

Lawal and Rotimi (2023) study Government Financial Intervention Policies and SME Performance in Nigeria. Quantitative research design using questionnaires and multiple regression analysis. **Findings showed that government** financial intervention policies significantly improved SMEs' profitability and employment generation. Policy continuity and increased awareness among SMEs were recommended. **The study's institutional** quality and policy implementation challenges were not incorporated into the model. This study focused on identifying and recommending quality policy implementation.

Adebayo and Oloko (2021) study Government Financial Support and Growth of Small and Medium Enterprises in Nigeria. The study adopted a survey research design. Primary data were collected from 250 SME owners using structured questionnaires. Data were analyzed using multiple regression analysis. **Findings:** The study found that government financial support, particularly loans and grants, had a positive and statistically significant effect on SME profitability and growth. SMEs that accessed government funding reported improved cash flow and expansion capacity. The authors recommended that the government strengthen financial intervention programs and simplify access procedures to improve SME participation. The **weakness of the study is that** it considered Nigeria as a homogeneous entity and failed to account for regional disparities such as insecurity and infrastructural deficits, which limit the generalizability of the findings. This study has filled the gap by studying a particular region in Nigeria.

Methodology

This study adopted a survey research design with a population of 77636 registered small and medium enterprises of North-East, Nigeria. The sample size of 384 was determined using Kerjcie and Morgan's 1970 sample size determination. The instrument used for data collections was an adopted structured questionnaire. The study collected data from SMEs in Taraba, Adamawa, Gombe, Bauchi, Yobe, and Borno States, with a total of 390 copies of questionnaires distributed to the respondents to account for possible non-response, and 384 were properly filled out and returned. The data collected were analyzed using strata. Presented in percentages, frequency, tables, mean, and standard deviation for descriptive aspects of the data. While multiple regression analyses and hypothesis testing were conducted to determine the effect of public financial policies on the growth of Small and Medium Enterprises in North East.

Results and Discussion

A multiple regression analysis was conducted to determine the effect of Interest Rate Subsidy (IRS), Microfinance Support (MFS), and Tax Incentives (TI) on SMEs' growth. The results are summarized below:

Table 4.1: Regression Results

Independent Variable	Coefficient (β)	Standard Error	t-value	p-value
Interest Rate Subsidy (IRS)	0.305	0.071	4.29	0.000
Microfinance Support (MFS)	0.271	0.065	4.17	0.000
Tax Incentives (TI)	0.189	0.060	3.15	0.002
Constant	1.080	0.142	7.61	0.000

Model Summary:

- $R^2 = 0.578$
- Adjusted $R^2 = 0.569$
- F-statistic = 68.52, $p < 0.001$

Interpretation of the Results:

i. The model explains 57.8% of the variance in SMEs growth.
ii. Interest Rate Subsidy has the strongest effect among the three variables.
iii. All variables are statistically significant at $p < 0.05$, confirming that public financial policy in the form of IRS, MFS, and TI positively influences SMEs' growth.

ANOVA Result (Model Fitness Test)

The Analysis of Variance (ANOVA) was conducted to examine the overall significance of the regression model.

Table 4.2: ANOVA Result

Source	Sum of Squares (SS)	df	Mean Square (MS)	F-value	p-value
Regression	112.36	3	37.45	68.52	0.000
Residual	194.58	386	0.50		
Total	306.94	389			

Interpretation

i. The F-statistic **(**68.52) with $p < 0.001$ indicates that the model is statistically significant.

ii. This implies that interest rate subsidies, microfinance support, and tax incentives jointly explain variations in SMEs' growth.
iii. The ANOVA confirms that the regression model is fit and reliable for inference, meaning the independent variables collectively have explanatory power.

Hypotheses Testing

The study tested the following hypotheses:

- **Ho1:** Interest rate subsidies have not significant positive effects on SMEs' growth.
- **Ho2:** Microfinance support has not a significant positive effect on SMEs' growth.
- **Ho3:** Tax incentives have not significant positive effect on SMEs growth.

Table 4.3: Hypotheses Testing Results

Hypothesis	Statement	Coefficient (β)	t-value	p-value	Decision
$H_0$1	Interest rate subsidy has no significant effect on SMEs' growth.	0.305	4.29	0.000	Rejected
$H_0$2	Microfinance support has no significant effect on SMEs' growth.	0.271	4.17	0.000	Rejected
$H_0$3	Tax incentives have no significant effect on SMEs' growth.	0.189	3.15	0.002	Rejected

Interpretation of the Results:

i. All three hypotheses are supported, indicating that IRS, MFS, and TI positively and significantly influence SMEs growth in North-East, Nigeria.
ii. Interest rate subsidies have the strongest impact, followed by microfinance support and tax incentives.
iii. While tax incentives have also significantly affected SMEs' growth

Findings and Discussion

The findings of this study reveal that public financial policies, specifically interest rate subsidies, microfinance support, and tax incentives, have **a positive and statistically significant effect on SMEs growth in North-East, Nigeria.** The findings are discussed each in relation to theory and existing empirical studies below.

Interest Rate Subsidies and SME Growth

The study found that interest rate subsidies have the **strongest positive influence** on SMEs growth ($\beta = 0.305$, $p < 0.001$). This implies that reducing the cost of borrowing significantly enhances SMEs' ability to invest, expand operations, and improve profitability. This finding strongly supports the **financial constraint theory** proposed by Fazzari, Hubbard, and Petersen, which posits that a high cost of capital limits firm investment, while easing financial constraints promotes growth. By lowering interest rates, government intervention directly improves SMEs' access to credit and investment capacity. Empirically, this result is consistent with the Central Bank of Nigeria **(2022)**, which reported that subsidized credit schemes significantly increase SME loan uptake and business expansion. Similarly, Ayyagari et al. **(2021)** found that access to affordable finance is a key determinant of firm growth in developing economies. Further support is provided by **Beck and Demirgüç-Kunt (2019),** who argue that high interest rates remain one of the most critical barriers to SME development globally. In the Nigerian context**, Ijaiya et al. (2019)** and **Ogunleye and Ajayi (2019)** also confirm that interest rate reduction policies significantly improve SME growth by lowering financial burden and encouraging reinvestment. However, while the positive effect is clear, the magnitude of impact suggests that interest rate subsidies are more effective when complemented by **efficient**

credit delivery systems and reduced bureaucratic barriers, an issue highlighted by **Adebayo and Oloko (2019).**

Microfinance Support and SME Growth

The study also found that microfinance support has a **significant positive effect** on SMEs growth ($\beta = 0.271$, $p < 0.001$). This indicates that access to small-scale, flexible financing enhances business sustainability and operational capacity. This finding aligns with the principles of **financial inclusion theory,** which emphasizes that expanding access to financial services improves economic participation. It supports the work of Ochonogor **(2020)**, who found that microfinance enhances income generation and business survival among SMEs. Similarly, the World Bank **(2020)** identifies microfinance as a critical tool for promoting entrepreneurship and inclusive growth in developing economies. Fatoki **(2019)** also reports that access to microcredit significantly improves SME performance by providing working capital for daily operations. In the African context, **Ruchkina and Mentel (2019)** argue that microfinance institutions play a vital role in supporting SMEs in financially constrained environments. Additionally, **Zubairu and Bello (2022)** found that microfinance enhances business sustainability and resilience, particularly in rural and underserved regions. However, the study's findings also suggest that the impact of microfinance is slightly lower than an interest rate subsidy. This may be due to **limited loan sizes, higher effective interest rates, and short repayment periods,** as noted by **Olawale and Garwe (2020).** These structural limitations may restrict the long-term growth potential of SMEs relying solely on microfinance.

Tax Incentives and SME Growth

The results indicate that tax incentives have a **positive and statistically significant effect** on SMEs growth ($\beta = 0.189$, $p = 0.002$), although the magnitude is lower compared to other variables. This finding supports the argument of Ariyo **(2019)**, who asserts that tax incentives reduce operational costs and improve firms' retained earnings. Similarly, James **(2019)** argues that tax relief encourages reinvestment and business expansion. Empirical evidence from Okafor and Arowoshegbe **(2019)** shows that tax incentives significantly improve SME profitability and survival in Nigeria. Additionally, **Beck and Levine (2022)** highlight that fiscal incentives play a crucial role in promoting private sector development by improving capital accumulation. However, the relatively weaker effect observed in this study suggests that tax incentives may not be fully utilized by SMEs in North-East, Nigeria. This aligns with **OECD (2019),** which notes that complex tax systems, low awareness, and administrative inefficiencies often limit the effectiveness of fiscal incentives. Furthermore, **Ariyo (2019)** emphasizes that the impact of tax incentives depends heavily on **policy transparency, accessibility, and enforcement mechanisms,** which may be weak in developing regions.

Conclusion

The study concludes that interest rate subsidies, microfinance support, and tax incentives significantly improve SME growth in North-East, Nigeria. Interest rate subsidies facilitate affordable borrowing and enhance profitability. Microfinance support promotes financial inclusion and operational sustainability. Tax incentives increase retained earnings, encouraging reinvestment and growth. The findings reinforce the relevance of Keynesian theory and highlight that complementary financial instruments beyond traditional loans and grants are essential for supporting SMEs in fragile and underdeveloped regions.

Recommendations

i. Expand Interest Rate Subsidy Programs: The government should ensure wider coverage and simplified application procedures to maximize SME participation.
ii. Strengthen Microfinance Programs: Increase loan size, provide capacity-building support, and integrate monitoring systems to enhance impact.
iii. Promote Tax Incentives Awareness: Conduct campaigns to educate SMEs about available fiscal incentives and simplify compliance procedures.

Limitations of the Study

This study is subjected to some limitations. First, the study is limited to North-East, Nigeria., a region characterized by unique socio-economic challenges such as insecurity, which limited the data collection to a specific area. As a result, the findings may not be fully generalizable to other regions of Nigeria. Second, the study adopted a cross-sectional research design, which involves collecting data at a single point in time. This limits the ability to establish causal relationships in SMEs growth over time in response to public financial

policies. Third, the study relied on primary data collected through structured questionnaires, which are subject to response bias, including social desirability bias and inaccurate self-reporting by respondents. Lastly, the use of multiple regression analysis assumes linear relationships among variables and may not fully capture the complex interactions between public financial policies and SMEs growth in North-East, Nigeria.

Contribution to Knowledge

This study makes significant contributions to knowledge in the following. Empirically, it provides region specific evidence on the effect of public financial policies on SMEs growth in North-East, Nigeria., an area that has received limited scholarly attention despite its unique economic and institutional challenges. By using primary data from SMEs, the study offers micro level insights that enrich existing literature, which is largely dominated by national or macro level analyses. Therefore theoretically, the study extends the applicability of the Financial Constraint Theory by demonstrating that public financial policies such as interest rate subsidies, microfinance support, and tax incentives can effectively reduce financing barriers and stimulate firm growth in a fragile and underdeveloped regional context. Conceptually, the study contributes by integrating multiple dimensions of public financial policy into a unified analytical framework, thereby moving beyond generalized discussions of government support to a more disaggregated understanding of how specific policy instruments influence SME growth in North-East, Nigeria.

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