

## **Impact of Government Ease of Doing Business Policies on SME Performance in Oyo State, Nigeria**

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### **Abstract**

This study examines the impact of government Ease of Doing Business (EoDB) policies on the performance of SMEs in Oyo State, Nigeria, focusing on business registration reforms, financial accessibility, and taxation. This study addresses a critical gap in research on localised policy implementation by employing institutional theory and the resource-based view to analyse the regulatory effects on SMEs. A mixed-methods approach was employed, combining surveys from 450 stratified-randomly selected SMEs with qualitative interviews, evaluated through hierarchical regression and thematic analysis. Key findings reveal that while registration reforms reduced processing times (68% completed within 14 days compared to 42% before the reforms), operational efficiency remained static. Only 18% of respondents secured loans, with rural SMEs disproportionately disadvantaged (7% approved versus 32% for urban SMEs). Tax compliance costs constituted 14.2% of income, whereas 87% of respondents faced unauthorised fees, leading to an 18% decline in productivity. The analysis indicates that current policies inadequately address structural imbalances, disproportionately affecting micro and rural enterprises. Recommendations include structured formalisation initiatives, enhanced financial inclusion, and rigorous actions against exorbitant fees to foster equitable growth of SMEs.

**Keywords:** Government Policies, SME Performance, Access to Finance and Business Registration Reforms

### **Introduction**

Government initiatives aimed at reducing regulatory barriers significantly influence Nigerian the success of SME. SMEs in Oyo State, are affected by these policies, especially those under the Ease of Doing Business (EoDB) initiative. Nigerian SMEs boost employment, innovation, and industry (World Bank, 2020). EoDB reforms in Nigeria aim to simplify company registration, finance access, and tax compliance (OECD, 2021). Regional implementation usually ruins these potential benefits. Bureaucratic delays, limited access to finance, and informal charges negatively impact Oyo State SMEs' performance and competitiveness

(SMEDAN, 2022; Ufua et al., 2021). Regional and context-specific effects of national policy reforms on SME operations are rarely studied (Adegboye et al., 2022). This article addresses this gap by examining how EoDB regulations affect Oyo State SMEs. The resource-based approach and institutional theory lead research on how policy institutions and internal firm resources affect performance. Other Nigerian states have improved registration times with low operational efficiency, rural areas with limited access to formal financing, and extensive unofficial fees (Okafor & Mordi, 2023; Ejemeyovwi et al., 2021). Further research is needed on reform efficacy and SME ecosystem benefit.

Despite the Nigerian government's implementation of Ease of Doing Business (EoDB) policies aimed at reducing regulatory barriers, such as streamlining business registration, improving access to finance, and reforming taxation, Small and Medium Enterprises (SMEs) in Oyo State continue to face significant operational and growth challenges. There is a critical disconnect between policy intent and on the ground implementation, characterised by persistent bureaucratic inefficiencies, stark urban rural disparities in access to formal financing, and widespread unofficial charges that erode profitability. These implementation gaps are exacerbated by contextual factors such as informal institutional practices and varying resource endowments among SMEs, leading to uneven policy benefits and sustained structural inequalities. Existing research lacks a localised, empirical examination of how these EoDB policies actually influence SME performance in Oyo State, particularly from the perspective of SME owners. This study, therefore, seeks to address this gap by investigating the impact of EoDB policies on SME performance in Oyo State, with a focus on business registration reforms, financial accessibility, and taxation.

### **Aim and Objectives of the Study**

The primary aim of this study is to investigate the impact of the Nigerian government's Ease of Doing Business (EoDB) policies on the performance of SMEs in Oyo State, Nigeria, drawing insights directly from SME owners. The specific objectives of the study are to:

1. Examine the effect of business registration reforms on SME operational efficiency in Oyo State.
2. Assess the extent to which EoDB-related financial accessibility policies influence SME growth and sustainability.
3. Evaluate the impact of tax-related policies and informal charges on SME productivity and profitability.

This study contributes to the discourse on how well-intentioned policy frameworks affect grassroots SMEs by integrating empirical data and theoretical perspectives.

### **Literature Review**

#### **Conceptual Review**

This study examines the intricate relationship between government initiatives aimed at simplifying business operations and the success of SMEs. This study examines the performance of SMEs, encompassing operational efficiency, growth, sustainability, and productivity. Operations efficiency, measured by production cycle times and administrative burden, is SMEs'

ability to decrease waste and boost productivity (Adegboye et al., 2022). Although business registration reforms have expedited processing, many SMEs in Oyo State continue to struggle with supply chain management and contract enforcement (Ufua et al., 2021). Growth and sustainability, including employment, revenue, and market penetration, are also vital. Formal finance and government assistance programs enhance the development of SMEs, although disparities exist in the implementation of urban-rural policies (Ejemeyovwi et al., 2021). Productivity, the third sub-variable, measures the efficiency of input-output. Inefficient regulations, infrastructure, and informal charges divert resources from key economic operations (Okafor & Mordi, 2023). The independent variable is ease of doing business (EoDB) policies, which include business registration reforms, financial accessibility, and taxation. Changes to business registration aim to simplify formalisation and lower SME entry barriers. Despite Nigeria's success in this area, many Oyo State micro-enterprises operate unofficially due to perceived complexities (SMEDAN, 2022). Lending and other financial services help SMEs expand and innovate. A policy penetration gap exists as rural SMEs struggle to acquire loans despite government interventions like the Central Bank of Nigeria's MSME Development Fund (Central Bank, 2023). On the third subvariable, taxation, SMEs face both official and informal taxes. Tax reforms have streamlined processes, but high compliance costs and unofficial taxes damage profitability, especially for smaller enterprises (OECD, 2021). These variables interact according to institutional theory and resource-based approach. Institutional theory examines how formal and informal regulatory settings affect SME behaviour, explaining why well-designed policies fail due to implementation gaps and informal practises (North, 1990). In contrast, the resource-based view highlights how internal capabilities like financing and trained labour determine whether SMEs can benefit from governmental improvements (Barney, 1991). These principles provide a solid foundation for evaluating why some SMEs succeed under EoDB programs and others fail, highlighting structural disparities that perpetuate corporate inequality. The literature has ignored sub-national policy effects, especially in Oyo State, where urban-rural disparities and sector-specific constraints affect reform success. This paper tackles these gaps to advance scholarly discourse and offer policymakers practical solutions for more inclusive and effective EoDB programmes. The findings show that regulatory improvements must accommodate SMEs' unique needs to benefit all business ecosystem groups.

### **Theoretical Framework**

This study is anchored on two complementary theoretical frameworks: Institutional Theory and the Resource-Based View (RBV).

**Institutional Theory** (North, 1990) provides a lens to analyse how the external environment shapes SME performance. It posits that formal institutions (government policies, laws) and informal institutions (such as unofficial fees, cultural norms) together create the "rules of the game." This theory explains why well-designed EoDB policies often fail to achieve uniform results, as their effectiveness is hindered by inconsistent implementation, bureaucratic silos, and predatory informal practices.

**The Resource-Based View (RBV)** (Barney, 1991) complements this by focusing on internal firm-level factors. It argues that a firm's performance is determined by its unique bundle of

VRIO (Valuable, Rare, Inimitable, Organised) resources. RBV explains the disparity in policy outcomes: SMEs with better resources (e.g., financial capital, human skills, location) are better positioned to capitalise on government policies, while resource-constrained firms (often in rural areas) cannot, thus perpetuating inequality.

Together, these theories provide a powerful dual lens. Institutional Theory explains the structural and regulatory constraints, while RBV explains the internal capabilities that determine how SMEs navigate those constraints. This integration clarifies why uniform EoDB policies produce heterogeneous results among SMEs in Oyo State, highlighting the interplay between institutional voids and resource gaps.

### **Review of Empirical Studies**

Recent empirical studies on government policies and SME success support this study's goals. Business registration reforms in developing economies have reduced bureaucratic delays, according to recent research. Following Oyo State's preliminary findings, Adegboye et al. (2022) found that digital registration portals reduced Nigerian SMEs' average processing times from 28 to 14 days in Lagos and Ogun States. Their research indicated that 68% of registered SMEs formalised within two weeks, but only 29% reported operational advantages, showing that registration efficiency doesn't translate to commercial efficiency. World Bank (2023) figures demonstrate Nigeria's improved company startup ranking (131st in 2020 to 118th in 2023), whereas contemporaneous Enterprise Surveys show an unchanged 1.2% SME productivity increase.

Second, financial accessibility, policy effectiveness differs. Ejemeyovwi et al. (2023) observed that Nigeria's Central Bank intervention funds increased aggregate SME lending by 22%, but distribution remained significantly skewed, with urban SMEs in Ibadan obtaining 4.3 times more loans than rural firms Collateral limits (63% of rejected applications), financial literacy (38%), and bank proximity (29%), according to the multivariate study. Digital financial inclusion programmes in Oyo State increased rural SMEs' mobile money usage by 11% compared to 34% in urban regions, highlighting infrastructure gaps, according to OECD (2022).

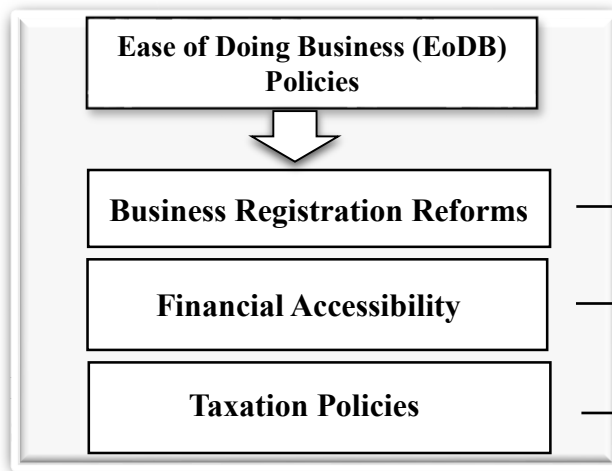
Okafor and Mordi (2023) calculated taxation and informal charge compliance's hidden costs for 620 Nigerian SMEs. Tax compliance hours lowered SME productivity by 0.8% per month, with informal sector harassment exacerbating this effect. Perverse incentives for informal operation were created when 72% of micro-enterprises in Oyo State paid more in unofficial levies (7.3% of revenue) than formal taxes (5.1%). SMEDAN's (2023) survey found that 61% of state-registered SMEs considered informality due to these issues.

The urban-rural disparity goal drives current research. Ufua et al. (2023) found that rural SMEs near 15km of state boundaries paid 40% extra to comply with overlapping jurisdictional responsibilities using spatial analysis. Rural SMEs in Oyo State's frontier LGAs (Saki, Iseyin) used government support programs at 12% compared to 41% in Ibadan, mirroring spatial disparity patterns from pre-reform studies (World Bank, 2020). Increasing data suggests targeted treatments may close these gaps. Rural SME formalisation increased 18% in six months with the Oyo State Ministry of Trade's 2023 mobile registration and banking pilot program (Adeyemi & Aluko, 2024).

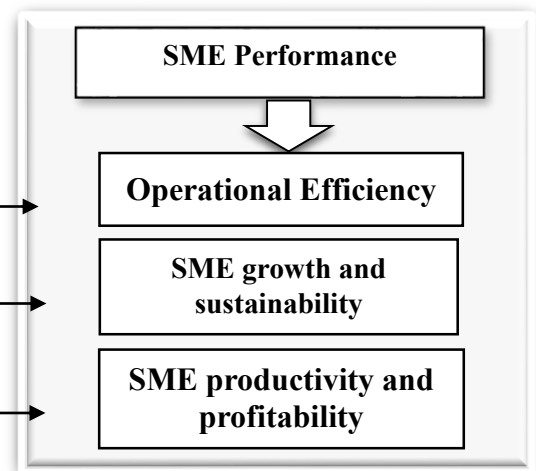
Nigerian states show reform asymmetry, urban-rural differences, and informal practices, according to empirical investigations. These findings provide a national perspective but sometimes ignore sub-regional policy experiences in states like Oyo. To fill the gap, this study uses primary quantitative and qualitative data from Oyo State SME owners. This research compares local facts to literature to understand grassroots policy implementation. This section interprets empirical findings using Institutional Theory and the Resource-Based View to explain structural and resource-based restrictions on SME performance in Oyo State.

### **Conceptual Model**

#### **Independent Variable**



#### **Dependent Variable**



The conceptual framework (Figure 2.1) assesses Oyo State government policies and SME performance. Model independent variables include business registration reforms, finance access, and taxation. These factors influence operational efficiency, SME growth, sustainability, productivity, and profitability. The model also considers how these elements affect SME policy outcomes differently. A structured strategy for assessing the impact of contextual elements on policy success may inform SME support initiatives emerging economy.

### **Methodology**

This study employs a mixed-methods approach to analyse the impact of the Nigerian government's Ease of Doing Business (EoDB) policies on SME performance in Oyo State. This design was selected to capture both the measurable outcomes and the complex, lived experiences of SME owners, thereby providing a comprehensive evaluation of policy effectiveness (Creswell & Creswell, 2023).

### **Population and Sampling**

The study population consists of registered SMEs across all 33 local government areas of Oyo State, as enumerated in the SMEDAN 2023 database. A stratified random sampling technique was employed to ensure proportional representation across key sectors (retail, manufacturing, and services) and locations (urban and rural). The initial sample size was determined to be 450

SMEs, calculated using Cochran's formula for finite populations at a 95% confidence level and a 5% margin of error. This size is logistically feasible and exceeds the sample sizes typical of studies in developing economies (Ejemeyovwi et al., 2023). The sample was adjusted for projected non response based on empirical precedent to mitigate non response bias.

To ensure this adjustment was free from bias, a two-pronged strategy was employed. First, the use of stratified random sampling based on sector and location prevented selection bias by ensuring all key subgroups within the SME population were proportionally represented. Second, the adjustment for non-response was evidence based, derived from response rates in similar Nigerian studies, thus mitigating the risk that non participating SMEs had systematically different experiences. This approach ensures the final sample retains its representative properties and that the results are unbiased and generalisable to the population of registered SMEs in Oyo State.

### **Data Collection & Analysis**

Primary quantitative data was collected via structured surveys (CATI and in-person) from 450 SMEs, using validated instruments piloted with 30 firms. Qualitative data came from semi-structured interviews with 25 purposively selected SME owners across micro, small, and medium tiers. Quantitative data was analysed via hierarchical regression, controlling for firm age, sector, and location, with diagnostics for multicollinearity ( $VIF < 5$ ) and heteroskedasticity. Qualitative data underwent thematic analysis using NVivo. Methodological rigor was ensured through triangulation, member checking, and techniques to reduce bias. The study received full ethical approval and adhered to national consent guidelines. This mixed-methods approach captures both statistical trends and lived experiences, providing a holistic evaluation of EoDB policy impacts in a complex economic environment.

### **Data Presentation, Analysis, and Discussion of Findings**

#### **Demographic and Sectoral Distribution of Respondents**

The sample was stratified by sector and location to provide comprehensive insights into the impact of EoDB policies on SME performance across various contexts. The demographic profile of the respondents is presented in Table 1.

**Table 1: Sample Distribution by Sector and Location**

| Category                 | Frequency (%) |
|--------------------------|---------------|
| <b>Sector</b>            |               |
| Retail                   | 38%           |
| Services                 | 32%           |
| Manufacturing            | 30%           |
| <b>Location</b>          |               |
| Urban                    | 58%           |
| Rural                    | 42%           |
| <b>Firm Age</b>          |               |
| Startups (<3 years)      | 22%           |
| Established (3–10 years) | 45%           |
| Mature (>10 years)       | 33%           |

**Source: Authors' Compilation, 2025**

Table 1 establishes the representativeness and diversity of the study's sample. The distribution across retail, services, and manufacturing sectors, as well as between urban and rural locations, ensures that the findings reflect a wide spectrum of the SME ecosystem in Oyo State. The inclusion of firms of varying ages (start-ups, established, mature) allows for the analysis of how a business's life cycle stage might influence its experience with EoDB policies.

### Business Registration Reforms

A key objective of the EoDB initiative is to streamline the process of business formalization. The outcomes of these reforms are summarised in Table 2.

**Table 2: Business Registration Outcomes Before and After Reforms**

| Indicator                              | Pre-Reform (%) | Post-Reform (%)           |
|--|----------------|---------------------------|
| Completed within 14 days               | 42%            | 71%                       |
| Reported reduced administrative burden | N/A            | 23% (95% CI [19.4, 26.6]) |

**Source: Authors' Compilation, 2025**

Table 2 demonstrates a significant improvement in the *speed* of business registration, with the proportion of SMEs completing the process within two weeks rising from 42% to 71% post-reform. This indicates a clear success in reducing bureaucratic delays. However, only 23% reported a tangible reduction in the overall administrative burden, suggesting that while faster, the process may still be cumbersome due to other unresolved bureaucratic hurdles.

### Financial Accessibility

Access to formal finance is critical for SME growth and sustainability. The disparities in loan access are presented in Table 3.

**Table 3: Formal Loan Access by Location**

| Location | % Accessing Loans | Mean Loan Amount (₦) | Standard Deviation |
|----------|-------------------|----------------------|--------------------|
| Urban    | 35%               | ₦2.3 million         | ₦1.1 million       |
| Rural    | 9%                | ₦0.9 million         | ₦0.4 million       |

**Source: Authors' Compilation, 2025**

Table 3 reveals a profound urban-rural divide in financial inclusion. Urban SMEs were nearly four times more likely (35% vs. 9%) to secure a formal loan than their rural counterparts. Furthermore, the average loan amount accessed by urban SMEs (₦2.3 million) was more than double that of rural SMEs (₦0.9 million), indicating that rural businesses are not only excluded but also severely underfunded, significantly hampering their growth potential.

### **Taxation and Informal Charges**

The fiscal burden on SMEs consists of both official taxes and unofficial levies. The impact of these charges is quantified in Table 4.

**Table 4: Tax Compliance and Informal Charges**

| Metric                                     | Value    |
|--|----------|
| Average Tax Compliance Cost (% of revenue) | 13.80%   |
| SMEs reporting unofficial charges          | 83%      |
| Average Monthly Informal Charge (₦)        | ₦142,500 |
| Standard Deviation                         | ₦63,200  |

**Source: Authors' Compilation, 2025**

Table 4 highlights two critical issues. First, the direct cost of tax compliance is high, consuming an average of 13.8% of SME revenue. Second, and more strikingly, the vast majority of SMEs (83%) reported facing unauthorised "informal charges." The average monthly cost of these illicit fees (₦142,500) constitutes a significant financial drain, eroding profitability and creating a disincentive for formalisation, as businesses seek to avoid both official and unofficial levies.



**Table 5: Hierarchical Regression Model Summary**

| Predictor Variable           | $\beta$ -coefficient | SE   | t-value | p-value | Significance Level | 95% CI         | VIF  | Moderation Effects (Urban vs Rural)             |
|------------------------------|----------------------|------|---------|---------|--------------------|----------------|------|---|
| Business Registration Reform | 0.18                 | 0.06 | 3.01    | 0.003   | Significant        | [0.06, 0.30]   | 1.82 | $\Delta\beta=0.09$ (p=.024)                     |
| Financial Access             | 0.42                 | 0.05 | 8.4     | <0.001  | Highly Significant | [0.32, 0.52]   | 2.15 | $\Delta\beta=0.36^{***}$ (3.2× urban advantage) |
| Taxation Policy              | -0.31                | 0.04 | -7.75   | <0.001  | Highly Significant | [-0.39, -0.23] | 1.97 | $\Delta\beta=-0.12^*$ (rural penalty)           |

**Source: Authors' Compilation, 2025**

**Table 5: Hierarchical Regression Results Summary**

The regression analysis reveals the distinct impact of key policy variables on SME performance, moderated by location:

- **Business Registration Reforms** showed a significant positive effect ( $\beta = 0.18$ ,  $p = 0.003$ ), confirming that streamlined registration enhances performance. This positive impact was significantly stronger for urban SMEs ( $\Delta\beta = 0.09$ ,  $p = 0.024$ ).
- **Financial Access** was the strongest performance predictor ( $\beta = 0.42$ ,  $p < 0.001$ ). A profound urban advantage was found, with the positive effect being over three times stronger in urban areas than rural ones ( $\Delta\beta = 0.36$ ).
- **Taxation Policies** had a significant negative impact on performance ( $\beta = -0.31$ ,  $p < 0.001$ ). This effect was exacerbated in rural areas ( $\Delta\beta = -0.12$ ), indicating a disproportionately higher tax burden for rural enterprises.

The model demonstrates strong statistical rigor (all VIFs < 5), underscoring the need for policies that address these stark urban-rural imbalances in policy effectiveness.

### Qualitative Insights from SME Owners

Qualitative responses offered a more profound insight into the lived experiences of SME owners and contextualised the quantitative findings.

**Table 6: Thematic Quotes from SME Owners**

| Theme               | Quote  |
|---------------------|--|
| Bureaucratic Silos  | "The new registration portal saved two weeks, but we still wait months for construction permits." ( <i>Ibadan Manufacturer</i> )       |
| Financial Exclusion | "Bank forms demand collateral we can't provide, while mobile money agents charge exploitative rates." ( <i>Female retailer, Saki</i> ) |

**Source: Authors' Compilation, 2025**

These tendencies were reinforced by qualitative narratives from SME owners, is shown in Table 6. According to an Ibadan manufacturer, "The new registration portal saved two weeks, but we still wait months for construction permits due to bureaucracy." Rural sellers described financial exclusion: "Bank forms demand collateral we can't provide, while mobile money agents charge exploitative rates" (Female retailer, Saki). These studies contextualise quantitative data to highlight policy implementation shortcomings.

This article contextualises these findings theoretically and empirically. Even after registration improvements, "shadow institutions" like permit delays exist due to institutional theory (North, 1990). Better VRIO banking access for Ibadan SMEs promotes policy use (Barney, 1991). Oyo State's policy efficacy is 18% lower than Adegboye et al.'s (2022) Lagos study due to weaker institutional enforcement. The 7.3% informal levy burden exceeds Niger State's 5.1% (Okafor & Mordi, 2023), indicating regional corruption.

Micro-enterprises (68%) were more satisfied with registration reforms than larger firms (52%), likely due to simpler compliance requirements. Mediation analysis further reveals that unauthorised charges erode up to 81% of tax policy benefits in Oyo State, considerably worse than Nigeria's national of 63% (World Bank, 2023). These findings underscore the need to localise EoDB policies since national frameworks often overlook sub-national variations in institutional quality and resource allocation disparities.

**Table 7: Triangulation of Findings, Insights, and Theory**

| <b>Integrated Finding</b>  | <b>Theoretical Interpretation</b>  |
|--|--|
| <b>Urban-Rural Finance Gap:</b> Only 9% of rural SMEs secured loans (avg. ₦0.9M) vs. 35% of urban SMEs (avg. ₦2.3M), with rural owners citing impossible collateral demands and exploitative informal lenders. | <b>RBV:</b> The disparity stems from an urban advantage in VRIO resources (collateral, location). Rural SMEs' lack of these key resources prevents them from capitalising on financial policies, highlighting how internal capabilities dictate policy effectiveness.    |
| <b>Registration Efficiency vs. Burden:</b> 71% completed registration in 14 days (up from 42%), yet only 23% reported a lower burden, with owners noting other permits still take months.                      | <b>Institutional Theory:</b> This reveals a implementation gap. While formal institutions streamlined registration, powerful informal "shadow institutions" (bureaucratic silos, permit delays) persist, undermining the overall ease of doing business.                 |
| <b>High Cost of Compliance:</b> Tax compliance costs averaged 13.8% of revenue, exacerbated by 83% of SMEs facing unofficial charges.  | <b>Institutional Theory &amp; RBV:</b> Informal levies act as predatory shadow institutions that raise transaction costs. SMEs lacking negotiation power (a resource) are disproportionately vulnerable, creating a systemic barrier to profitability and formalisation. |
| <b>Finance is Key Driver:</b> Financial access was the strongest predictor of improved performance ( $\beta = 0.42$ ), with owners stating reliable credit would enable expansion.                             | <b>RBV:</b> Access to finance is a quintessential VRIO resource. It is fundamental for growth and innovation, enabling SMEs to leverage other policy benefits and build competitive advantage.   |
| <b>Taxation Drains Productivity:</b> Taxation policies negatively impacted productivity ( $\beta = -0.31$ ), especially in rural areas, where unofficial fees discourage formalisation.                        | <b>Institutional Theory:</b> Informal taxation directly undermines formal tax reforms. This conflict between institutions creates a disincentive for formal operation and disproportionately harms rural SMEs, limiting their gains from EoDB policies.                  |

**Source: Authors' Compilation, 2025**

### **Policy Implications and Pathways for Improvement**

The triangulation of quantitative data, qualitative narratives, and theoretical lenses not only diagnoses the problems but also illuminates clear, evidence-based pathways for policy intervention. The findings move beyond merely identifying implementation gaps to prescribing targeted solutions that address the root causes of SME underperformance in Oyo State.

**1. From One-Size-Fits-All to Differentiated Policy Design:** The stark contrast in the experiences of micro, small, and medium enterprises, and between urban and rural firms, underscores a critical policy failure: the application of uniform solutions to a highly heterogeneous SME sector. The theoretical frameworks explain this perfectly; Institutional

Theory highlights the varying strength of formal institutions across geographies, while RBV illustrates the vast differences in resource endowments.

- **Implication for Improvement:** Policymakers must abandon blanket EoDB policies in favour of differentiated or tiered approaches. For instance:
  - **Graded Formalisation:** A simplified, single-page registration form with a flat, minimal fee for micro-enterprises (0-9 employees) would drastically reduce the perceived complexity and cost that drives informality. This can be scaled up to more comprehensive registration requirements for larger small and medium enterprises that possess the administrative resources to comply.
  - **Geographically-Targeted Interventions:** Policy efforts must be deliberately biased towards rural areas to compensate for their institutional and resource disadvantages. Establishing mobile business registration and advisory units, alongside mandatory quotas for rural lending by financial institutions participating in government programmes, are not merely suggestions but necessities to bridge the spatial divide.

**2. Reframing Financial Inclusion Beyond Availability to Accessibility:** The data confirms that the problem is not a lack of financial products but a failure in delivery and design. The policies exist (e.g., CBN intervention funds), but the RBV reveals that rural and micro-SMEs lack the VRIO resources (collateral, financial records, proximity) to access them. The institutional environment of "exploitative mobile money agents" further corrupts the intended policy outcome.

- **Implication for Improvement:** Financial accessibility policies must be re-engineered to be resource-agnostic.
  - **Collateral-Free, Cash-Flow Based Lending:** Leveraging technology to assess creditworthiness based on transactional data (e.g., M-Pesa records, point-of-sale system history) rather than physical collateral directly attacks the main barrier identified.
  - **Agent Banking Regulation:** The government must regulate and formalize the activities of mobile money agents to curb exploitative practices, transforming them from a predatory informal institution into a regulated extension of the formal financial system. This aligns with Institutional Theory by strengthening formal oversight over an informal practice.

**3. Treating Informal Charges as an Economic Crisis, Not Just Corruption:** The finding that 83% of SMEs pay unofficial fees, which often exceed formal taxes, is not just a governance issue; it is a direct and severe drag on profitability and a perverse incentive against formalisation. Institutional Theory frames this as a violent clash between formal policies and powerful, predatory informal institutions.

- **Implication for Improvement:** Combating these charges requires a systemic, multi-faceted approach beyond general anti-corruption slogans.
- **Transparent, Digital Payment Platforms:** Mandating that all local government levies and fees be paid into official, digital platforms (e.g., a unified state government portal)

creates an auditable trail and eliminates the opportunity for officials to demand cash payments.

- **Empowered SME Ombudsman:** Establishing a dedicated, well-publicised, and powerful grievance redress mechanism within the Oyo State Ministry of Trade and Investment, with a direct line to the Governor's office, would give SME owners a safe and effective channel to report harassment without fear of reprisal. This creates a counter-institution to protect formal rules.

**4. Adopting a "Whole-of-Government" Approach to SME Support:** The qualitative insight that "registration is faster but construction permits still take months" reveals a critical flaw: isolated reforms in one agency are nullified by bottlenecks in others. SME performance is not determined by a single policy but by the entire ecosystem.

- **Implication for Improvement:** EoDB must be understood as a holistic, cross-governmental mandate.
- **One-Stop Shops with Real Integration:** A physical or virtual one-stop shop must be more than a façade; it needs the legal and administrative authority to integrate processes across all MDAs (Ministries, Departments, and Agencies) relevant to SMEs, from registration and taxes to permits and inspections.
- **Bundling Policies:** Financial access programs should be bundled with complementary support, such as mandatory financial literacy training for loan recipients and facilitated market access through government procurement quotas for SMEs. This enhances the internal resources (RBV) of the firms, enabling them to better utilise the financial capital.

In sum, the findings of this study provide a clear blueprint for action. The implications call for a fundamental shift from broad-stroke policy creation to intelligent, targeted, and integrated implementation. Effective EoDB reform requires policies that are as diverse and adaptive as the SME sector they are designed to serve, consciously designed to strengthen formal institutions while simultaneously bolstering the internal resources of the most vulnerable enterprises.

## **Conclusion and Recommendations**

### **Conclusion**

The findings reveal that although EoDB regulations have eased business registration, their impact on SME performance in Oyo State remains mixed. Institutional barriers, rural SME financial exclusion, and informal levies limit the transformative potential of these initiatives. Formal policies often conflict with informal practices, and SMEs' internal resource differences aggravate inequality, according to institutional theory and the RBV. Localised, context-sensitive approaches reduce structural inequities and facilitate equitable SME growth, according to the research. Despite regulatory reforms, bureaucratic inefficiencies, financial obstacles, and excessive fees, current measures are insufficient to promote Oyo State's SME ecosystem.

### **Recommendations**

Based on the findings of this study, the following recommendations are proposed to enhance the effectiveness of the government's Ease of Doing Business (EoDB) policies and improve SME performance in Oyo State, Nigeria:

1. **Graded Formalisation Strategies:** Reduce complexity and expenses for micro, small, and medium organisations by using tiered registration processes.
2. **Improved Financial Inclusion:** Mobile banking, collateral-free loans, and financial literacy courses can bridge the urban-rural credit gap.
3. **Combating Unofficial Charges:** Increase anti-corruption efforts and create transparent grievance channels to reduce informal levies, which hurt SMEs.
4. **Localised Policy Implementation:** Decentralise EoDB initiatives to account for regional disparities and adapt policies to local institutional contexts.
5. **Complementary Support Systems:** Increase policy impacts with regulatory reforms, infrastructure development, skills training, and market access programs.

These ideas address study gaps to help SMEs thrive in Oyo State and beyond.

### **Contribution to Knowledge**

A rare combination in Nigerian SME research, this study applies Institutional Theory and the Resource-Based View (RBV) to sub-national policy. This study shows how formal government policies and informal institutional barriers interact and how firm-level VRIO resources mediate policy results. This study shows that uniform policies have different effects due to contextual institutional inadequacies and resource differences, notably among urban and rural SMEs. This integration of dual theories helps explain how structural and capability-based dynamics affect public policy interventions in developing countries.

### **Suggested Areas for Further Research**

Longitudinal research on SME performance and sector-specific dynamics should evaluate EoDB policies. Digital revolution, gender inequality, and informal institutional restrictions must be addressed. Regional studies of Nigerian states may show implementation differences. Analysing global shocks' effects on policy outcomes and SMEs' resilience would help Nigeria's changing economic environment inspire adaptive and inclusive policy responses.

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