EFFECT OF GOVERNMENT POLICIES ON ENTREPRENEURSHIP DEVELOPMENT AMONG SMALL SCALE BUSINESS OWNERS.

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Abstract
This study investigated the effect of Government policies on entrepreneurship development among small scale business owners in Ndokwa West Local Government Area of Delta State. Three research questions were posed and three hypotheses formulated. The research design adopted for this study is the survey design. The population was made up of fifty three (53) respondents and census sampling was used due to the manageable number of the population. Fifteen (18) well-structured questionnairetitled “Government Policies and Entrepreneurship Development Questionnaire” (GPEDQ) was administered to the respondents to elicit information. The data collected was analyzed using Pearson Product Moment Correlation Coefficient (PPMC), at .05 level of significance. The result of the analysis revealed there was significant effect of tax imposition, bank loan and grant from government of entrepreneurship development in the research area. Based on the findings, it was recommended among others, that the government should make policies that new business owners should be given a period of tax exemption to enable them stabilize.

Introduction
In a desire to achieve economic growth and development, countries of the world have overtime adopted different strategies based on the nature of their economic system. The aim of any economic policy all over the world is for the improvement of the standard of living of its people. In this regard, the Federal Government directs most of its efforts towards execution of policies aimed at ensuring the economic empowerment of its populace in each local government area.

Local Government may be defined as a public organization authorized to decide and administer a limited range of public policies within a relatively small territory which is a subdivision of regional or national government. Local government has also served as a bridge between the federal government and state government to enhance the development of small scale business in communities.

Local government system in Nigeria has helped to improve social and economic development. Udo (2005) offers a list of factors that can constitute a barrier to entrepreneurship development which include shortage of capital, difficulties in economic environment of the Nigerian business, unavailability of real business opportunities in Nigeria and nature of government regulations.The number of market participants in any country have an important impact on economic development and this is recognized as another strand of evidence of the role of entrepreneurship in economy expansion (Chell, Nicolopoloulou and Ozkan, 2010).

Local government system has promoted the encouragement of entrepreneurship at both individual and community levels in policy formulation and implementation. Despite the contribution that taxation can make towards the Gross Domestic Product (GDP) of a country, there is need to pay attention to the side effects of taxation on the growth of entrepreneurship. This is due to the critical role entrepreneurship plays in driving economic growth in both developing and developed countries. They do not only generate new jobs than large firms or macro-enterprises but also introduce innovative ideas, products and business methods.

Entrepreneurship development refers to the process of enhancing entrepreneurialskills and knowledge through structured training and instructions. Davidson (2005) added that entrepreneurship development deals with the ability of an entrepreneur to run his or her business successfully.Specifically, entrepreneurship has a role in increasing prosperity and reducing unemployment. However, some government policies which come in the form of excessive imposition of tax payment on entrepreneurs,increase in the market rate on entrepreneurship business, availability of loans from bank to an entrepreneur and grant from government on entrepreneurship may not encourage the growth of these businesses. Business policies on entrepreneurship development refer to those principles or rules made for entrepreneurship development. Furthermore, the business policies provide security to safeguard life and property, maintaining law and order and freedom to do business.

Policy is a deliberate system of principles that guide decisions for the achievement of rational outcome. Policy is a statement of intent and it is implemented as a procedure or protocol. According to Paquette (2002), policy can also said to be norms of conduct characterized by consistency and regularity in some substantive action area. Therefore local government policies are norms or conducts set up by the local government to achieve a rational outcome in a community. Paquette (2007) assertes that, policy may also refer to the process of making important organizational decisions, including the identification of different alternatives such as programs or spending priorities, and choosing among them on the basis of the impact they will have. Local government policies are rules laid down by the local government.Entrepreneurship is considered the backbone of economic growth in all countries. Entrepreneurs should realize that business policies are very important for a successful entrepreneurship development.

Literature Review

Tax refers to levy imposed on citizens and business owners either directly or indirectly by a country or state. It is an obligatory payment which the country imposes on its citizens, firms and organizations not as a penalty for any offence but as income to enable government meet its expenditure. If tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-payingorganizations and eventually affecting the final consumer due to the shifting ability of tax.

Taxation has some adverse effect on young entrepreneurs who are struggling to raise capital and at the same time being faced with the challenges of tax payment. Hence, it is necessary to make policies taking into consideration, the plight of entrepreneurs. Atawodi and Oseka (2012) explained that the choice of tax policy to employ depends on the use of one or both groups of instruments; the first being the use of special tax preferences and the other incentives to support start-up and growth of small companies. These incentives comprise the lowering of corporate income tax rates, special tax exemptions or tax holidays and other tax relieves for small businesses. The underlying reason for all these relieve is to effectively help the entrepreneurs to build up their capital and breakeven before commencement of tax payment. The rationale behind the whole system of tax is consistent with two of the three major principles of tax namely: the ability-to-pay principle and the equal distribution principle.

The ability to pay principle views that an individual should be taxed based on the individuals ability to pay while on the other hand, the equal distribution principle proposes that the incomes, wealth as well as the monetary transaction of the individuals should be taxed as fixed percentage. This implies that, any individual who earn more and buy more should pay more taxes, but will not pay a higher rate of tax (Atawodi and Oseka 2012). Tax compliance in entrepreneurship business has been seen to be a complex issue to define. According to (Marti 2010), tax compliance can be definedas the fulfillment of tax obligations as specified by the law freely and completely. It has been found out that regulatory burden falls excessively on small and medium enterprises (Marti, 2010). The nature and size of small andmedium enterprise makes the issue of tax compliance one of particular importance in entrepreneurship business (Atawodi and Oseka, 2012).No matter how well entrepreneurship business functions, it depends on the economic environment to be healthy and prosperous. Economic environment influences such as interest rates can help the company or hold it back. Interest rate can be a signal for expansion or a business setback.

A market rate is normally expressed as a percentage describing the amount a lender charges a borrower for access to capital. According toBawuah, Yakubu and Salakpia, (2014), there are not enough and available financial opportunities for small businesses to access. Another contending issue suspected to conern small business is high interest rate. Research on credit channelsof monetary policy contends that higher interest rates lead to a decline in the availability of internal and external finance relative to credit needs of firms.In contrast, large firms have the ability to uphold debt levels, increase inventories, andexperience a considerably smaller decline in their turnover and growth as opined by Ehrmann (2000). The effect of higher interest rate on credit can be seen in the balance sheet of these small businesses. The balance sheet effect is that higher interest rates weaken firm balance sheet partially because small firms have long term physical assets but mainly short term liabilities. This maturity disparity implies that net current cash flows decline when interest rates increase, and also that the present value of assets decline relative to the present value of liabilities.

Saunders and Cornett (2007) added that the promise return on the credit may differ from the expected return on a credit due to presence of default risk. As a result, fluctuating interest rates can have a profound effect on your company‟s fiscal wellness. Effect of interest rates on small scale business include poor business planning, a change in interest can have a significant effect on a company‟s growth plans. This is because high interest reduces the overall corporate earnings, they may hinder business ability to expand or grow. On the other hand, falling interest make business loans more affordable. As a result, companies attempt to plan their expansion to coincide with periods of lower interest rates.In the long run, interest can have a profound effect on the economy by limiting business growth.

Availability of loan from bank involves the possibility or opportunity where entrepreneurs are able to borrow from bank when needed.The unfavourable macro-economic environment has been identified as one of the major constraints that most times encourage financial institutions to be risk-averse in funding small and medium scale businesses. The reluctance on the part of financial institution to fund SMES can be explained by the insufficient capitalbase of banks and information asymmetry that often exist between SMEs and lending institutions.Stiglite and Weis (1981) observed that small and medium scale enterprise with opportunities to invest in positive net present value projects may be blocked from doing so because of adverse selection and moral hazard problems.

Adverse selection problem arise when potential providers of external finance cannot readily verify whether the firms have access to qualify projects. Moral hazard problems are associated with the possibility of SMEs diverting funds made available to them to fund alternative projects or develop the propensity to take excessive risk due to some pervasive incentive structure in the system. Berger and Udell (2001) notes that shocks to the economic environment in which both banks and SMEs exist can significantly affect the willingness and capability of banks to lend to small and medium enterprises.As globalization proceeds, transition and developing countries and their enterprise face major challenges for strengthening their human and institutional capacities to take advantage of trade and investment opportunities. While government makes policies in trade and investment areas, it is enterprises that trade and invest. Therefore, supply-side bottleneck in the trade and investment areas and how governments, development partners and private sector itself address these constraints have direct implications on the economy growth potential of transition and developing countries.

Bannock, Gamser, Juhlin and McCann (2002), argue that when imposed at unrealistic levels and inadequately enforced, regulation divides the economy into informal and formal sectors and erect barriers between the two, which perpetuates the division. The passive acceptance by governments in transition and developing countries that regulation cannot be fully enforced in the informal sector is a recognition of the fact that the level of regulation is too high and too costly to be applied to all forms of economic activity i.e if enforced they would deprive a large proportion of the population from earning a living.

Obviously, policy coherence and a joined up government in the transition and developing country side are essential for the successful implementation of SME development strategies. Development partners need also to understand that trade and investment capacity building has to go hand in hand with market access and that improved coordination among donors, better attention to local conditions and further capacity building on their side are building blocks to success. Exchange of goods or services was solely based on trade by barter initially, until commodity money was introduced as a result of coming of our colonial master. Related to this, physical money or cash therefore replacer trade by barter system, this is popularly known as „colonization era‟ or „new stage‟ of entrepreneurship development. This process later transforms to trade of goods and services which brings about specialization among producers, and the communities came to realize that they can concentrate on the areas of production they are best fitted. With the aid of this policy economic opportunities have been made available toNigerian entrepreneurs to own and control the commanding heights of the economy. This objective has been translated into action by the indigenization laws, which not only reserved certain sectors of the economy to Nigerians, but also made mandatory for foreign entrepreneurs to involve her citizens in the ownership and management of their enterprises.

Apart from Nigerian‟s entrepreneurs, other entrepreneurs in both developing and developed countries also experience these similar challenges in doing business. In Nigerian context this situation is quite different and also difficult for a bank to give loan to a young talented entrepreneur without demanding collateral or high interest rate as Mambula (2002) put it that about 72% of entrepreneurs in the country, experienced financial constraint to develop and run their business. Apart from lack of credit facilities, entrepreneurship development in Nigeria is also affected by the following: lack of basic amenities or infrastructural facilities; lack of power supply; inconsistencies in governmentpolicies; unfriendly fiscal policies or excess taxes and duties; high cost of production as a result of inadequate infrastructure; insecurity of people and property; competition with foreign products or restricted access to market and absence of sustainable institutional mechanism.

Statement of the Problem

Entrepreneurship though identified as a necessity for reduction of unemployment and development in Nigeria has nonetheless been bedeviled by a number of factors. One of the major impediments to entrepreneurship development, growth and viability in Nigeria is inadequate capital. The success of every business is anchored on finance because to employ the services of business experts, expansion of the business, advertisement, strategic business location and employment of qualified personnel, need adequate finance. It is evidently clear that financial limitation constitutes serious setback to entrepreneurship.

In an attempt to solve this problem, entrepreneurs seek to obtain loan from banks but are faced with the challenge of not being able to provide the collateral facilities that is often required. Banks are reluctant to grant their request for fear of loosing their money if the business collapse.It is in recognition of this defective state of affairs that this study has been designed to evaluate the business policies on entrepreneurship development.

Purpose of the study

The purpose of this study is to ascertain the following:

1. The relationship between tax payment and small scale business
2. How bank loan relate with entrepreneurship development
3. How grants from government relatewith entrepreneurship development

Research Question

The following research questions are proposed to guide the study.

4. Is there any relationship between tax payment and small scale business?
5. What relationship does bank loan have with entrepreneurship development?
6. Grants from government does not relatewith entrepreneurship development?

Statement of hypotheses

The following hypotheses were formulated to guide the study.

1. Tax payment does not have any significant relationship with entrepreneurship development.
2. Loans from bank do not have any significant relationship with entrepreneurship development.
3. Grant from government does not have any significant relationship with entrepreneurship development.

Instrumentation

The research design adopted for this study is the survey design. The population of this study is drawn from all the six (6) communities that make-up the Ndokwa West local government of Delta State. These communities include: Utagbe Ogbe, Emu, Ogume, Abbi, Utagbe Uno and Onicha-Ukwuani. Simple random sampling technique was used to draw the sample for the study from the population of the study. The sample was fifty (50) respondents. A breakdown of the sample shows that ten (10) subjects each from the first two villages, eight (8) subjects each from the next two villages, and seven (7) subjects each from the last two villages.

Primary data were used for this study. The primary data were obtained through well-structured questionnaire which was administered to the respondents. The questionnaire was divided into two sections. Section, A and B. Section A consists of personal data, while section B. contains fifteen (15) items meant to elicit information from the respondents concerning the hypotheses formulated for the study, using four (4) points modified Likert scale ranging from strongly agree (SA) to strongly disagree (SD).

Result

Hypothesis 1: Tax payment does not have any significant relationship with entrepreneurship development. Pearson Product Moment Correlation Coefficient was used in analyzing the hypothesis, as presented in table 1.

TABLE 1: Pearson Product moment correlation analysis of tax payment and entrepreneurship development (N=50)

Variable	ΣX ΣY	ΣX_2 ΣY_2	ΣXY	Cal-r
Tax payment	1,909	14,375	14,693	0.498*
Entrepreneurship development	898	15,558		

Significant at .05 level; df=48; Critical r = .312

The result from Table 1 shows that calculated r-value of .498 is greater than the critical r-value of .312 at 0.5 level of significant with 48 degree of freedom. With this result the null hypothesis was rejected while the alternate hypothesis was accepted. Hence, there is a significant relationship between tax payment and entrepreneurship development in the research area.

Hypothesis two: Market rate does not have any significant relationship with entrepreneurship development. The hypothesis was analyzed using Pearson Product Moment Correlation Coefficient as presented in table 2.

Table 2: Pearson Product Moment Correlation analysis of market rate and entrepreneurship development (N=50)

Variable	ΣX ΣY	ΣX_2 ΣY_2	ΣXY	Cal-r
Market rate	1,909	14,300	14,500	0.419*
Entrepreneurship development	898	15,558		

Significant at .05 level; df=48; Critical r = .312

The result presented in Table 2 shows that the calculated r value of .419 is greater than the critical r value of .312 at .05 level of significance with 48 degree freedom. With this result, the null hypothesis was rejected, while the alternate hypothesis was accepted. Hence, there is a significant relationship between market rate and entrepreneurship development in the research area.

Hypothesis three: Loan policies do not have any significant relationship with entrepreneurship development. This hypothesis was analyzed using Pearson product moment correlation coefficient analysis as presented in table 3.

Table 3: Pearson Product moment correlation analysis of loans from bank and entrepreneurship development (N=50)

Variable	ΣX ΣY	ΣX2 ΣY2	ΣXY	Cal-r
Loan policies (x)	1,909	14,250	14,450	.395*
Entrepreneurship development (y)	898	15,558		

Significant at .05 level; df=48; Critical r = .312

The result from Table 3 shows that the calculated r-value of .395 is greater than the tabulated r-value of .312 at .05 level of significance with 48 degree of freedom. With this result, the null hypothesis was rejected while the alternate hypothesis was accepted, which states that there is a significant relationship between loan policies and entrepreneurship development in the research area.

Discussion

The first hypothesis which states that there is no significant effect on Tax payment on entrepreneurship development was rejected following the result that shows that at .05 level of significance, with 48 degree of freedom. The calculated r-value of 0.498 is greater than the critical r-value of 0.312. With this, the null hypothesis was rejected showing that there is significant effect on Tax payment on entrepreneurship development in Ndokwa West local government Area. Therefore the result is in line with the opinion of Atawodi and Ojeka (2012) which explain that, the choice of tax policy to employ depends on the use of one or both two groups of instruments. The first being the use of special tax preferences and the other incentives to support start up and growth of small companies (Atawodi & Ojeka, 2012). These incentives comprise of the lowering or corporate income tax rates, special tax exemptions or tax holidays and relieves for small businesses. The underlying reason for all these is to effectively raise revenue through measures that suit a country‟s circumstances and administrative capacity.

The result of the second hypothesis, which states that there is no significant relationship between market rate and entrepreneurship development was rejected following the result of the data analysis which revealed that at .05 level with 48 degree of freedom, the difference is significant. The calculated r-value 0.419 is greater than the critical r-value of 0.312. With this result, the null hypothesis was rejected, showing that there is a significant relationship between market rate and entrepreneurship development in the research area. Therefore, the result is in line with the result of the study carried out by Bannock, Gamser, Juhlin and McCann (2002), argue that when imposed at unrealistic levels and inadequately enforced, regulation divides that economy informal and formal sectors and erect barriers between the two, which perpetuates the division. The passive acceptance by governments in transition and developing countries that regulation cannot be fully enforced in the informal sector is a recognition of the fact that the level of regulation is too high and too costly to be applied to all forms of economic activity i.e if enforced they would deprive a large proportion of the population from earning a living. Obviously, policy coherence and a joined up government on the transition and developing country side are essential for the successful implementation of SME development strategies.

Development partners need also to understand that trade and investment capacity building has to go hand in with market access and that improved coordination among donors, better attention to local conditions and further capacity building on their side are building blocks to success. Exchange of goods or services was solely based on trade by barter initially, until commodity money was introduced as a result of coming of our colonial master. Related to this, physical money or cash therefore replacer trade by barter system, this is popularly known as „colonization era‟ or „new stage‟ of entrepreneurship development. This process later transforms to trade of goods and services which brings about specialization among producers, and the communities came to realize that they can concentrate on the areas of production they are best fitted. With the aid of this policy economic opportunities have been made available to Nigerian entrepreneurs to own and control the commanding heights of the economy.

The third hypothesis which states that there is no significant relationship between loan policies and entrepreneurship development was rejected following the statistical analysis as presented in table 3 that at .05 level of significance with 48 degree of freedom, the calculated r-value of .055 is greater than the critical r-value 0.312. with this findings, the null hypothesis was rejected showing that there is significant effects on loans policies on entrepreneurship development in the research area.

Therefore the result is in line with the result of the study earned out Stiglite and Weis (1981) observe that small and medium scale enterprise with opportunities to invest in positive net present value projects may be blocked from doing so because of adverse selection and moral hazard problems. Adverse selection problem arise when potential providers of external finance cannot readily verify whether the firms have access to qualify projects. Moral hazard problems are associated with the possibility of SMEs diverting funds made available to them to fund alternative projects or develop the propensity to take excessive risk due to some pervasive incentive structure in the system.

Berger and Udell (2001) further note that shocks to the economic environment in which both banks and SMEs exist can significantly affect the willingness and capability of banks to lend to small and medium enterprises. These shocks come in a variety of forms such as technological innovation, regulatory regime shifts, and shifts in competitive conditions and changes in the macro-economic environment. Financial institutions respond to these shocks in a number of ways, one of which is to develop stringent lending rules that not only avail them to full information about the firm and the owner, but also ensure that their investment in such firms are guaranteed in both the short and the long-run.

Conclusion

Based on the findings of this study, it is concluded that some government policies have negative effect on entrepreneurship development and the study has revealed that despite the benefits or advantages of government policies has on entrepreneurship business; it could impact negatively on their entrepreneurship development if not implemented favourably. The benefits that accrue from government policies include the provision of electricity, construction of roads, water supply etc. Despite the benefits, that come with the participation of business policies, if s misuse could affect the entrepreneurship development thereby reduce their participation in business policies.

Recommendations

Based on the findings and the conclusion of the study, the following recommendations were made:

1. Government should lighten tax burden on entrepreneurs especially the young/new businesses should be given a period of tax exemption to enable their business to stabilize. This should be so because businesses do not start making profits immediately they are set-up.
2. The banks should be encouraged to grant loan to the entrepreneurs to enhance their capital with less stringent rules which of course should not be detrimental to the bank"s continuity and existence.
3. Government may encourage entrepreneurship by giving grants to people to assist them in setting up their businesses.

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