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EASE OF DOING BUSINESS REFORMS AND BUSINESS GROWTH AMONG SELECTED MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) IN PRESENT DAY NIGERIA: A HIERARCHICAL MULTIPLE REGRESSION MODELLING APPROACH

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Abstract

This article examines how operators of Micro, Small and Medium Enterprises (MSMEs) in the Lagos, Nigeria perceives the impact of the ease of doing business reforms, as crafted by the Presidential Enabling Business Environment Council (PEBEC) on their businesses. This article utilises the survey approach and the hierarchical linear modelling technique for analysis. Measures of ease of doing business topics used in this study include starting a business, getting credit, getting electricity and registering property. Others are, tax payment, entry and exit of people and construction permits. These components of ease of doing business reforms were analysed from the perception of the MSME operators, with a view to determining the factors to be considered by government for improving the business regulatory environment. Results revealed that whilst operators are confident that the reforms have impacted revenue growth and cost reduction, particularly through getting credit, getting electricity and registering property, the same could not be said for employment generation. From these findings the authors suggest that whilst government may yet find plenty of room to operate in to improve the modalities for starting businesses, tax payment, movement of business persons into and out of the country, and processing of construction permits, MSME operators, just as much as government, still have

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their bit to do by ensuring that as businesses are empowered, they become more socio-economically responsible

Keywords: Nigeria, ease of doing business, revenue growth, cost reduction, employment generation, MSMEs

INTRODUCTION

Business benefits a lot when the enabling regulatory environment functions in such a way that economic freedom, transparency, efficiency and accessibility are enshrined in the rules that dictate how businesses come to life and live (Djankov, 2016). On a global perspective the ease of doing business (EDB) targets regulations that brings about more freedom and efficiency for the Medium, Small and Micro Enterprises (MSMEs) and how they are able to survive. The institution of a global performance indicator by the World Bank, in the mid-2000s to rank countries on the basis of certain standardised parameters that measure the ease of doing business, has become a major influence on government policies that affect MSMEs in many countries of the world (World Bank, 2020). In Nigeria, the Presidential Enabling Business Environment Council (PEBEC) had, on April 24, 2017, announced that it had completed a set thirty-one reforms spanning the eight priority areas of focus (Proshare, 2017). The thrust of the reforms was to dismantle the bureaucratic slowdowns in the regulatory environment of business and to move Nigeria twenty places upward in the global ease of doing business rankings.

The challenges faced by MSME operators in Nigeria is further amplified within the context of the need to reduce, if not eliminate, unnecessary encumbrances and factors that seek to emasculate businesses. Outside Africa, studies have sufficiently underlined the causal link between growth and economic freedom of MSMEs, in terms of power to negotiate prices, wages and property rights, which is now reflected in the need for MSMEs to accelerate profits, increase market share and generally perform well (Heckelman, 2000; Lisi & Malo, 2017). The business operator's experience in the top ranked economies and the bottom ranked one is so gaping and diverse that businesses would need to spend six times the time needed to register a business in the top ranked economies, in those economies at the bottom. This was confirmed in earlier studies carried out by Djankov, Simeon, La Porta, López-de-Silanes and Shleifer (2002) and Klapper, Laeven and Rajan (2006), where they pointed out that entrepreneurs found registration and start-up costs as significant factors that made doing business more difficult.

In the present day, the ability of businesses to survive has become very dependent on the ease of doing business. This is so because business has become encumbered by a highly heterogeneous environment, a shortened life cycle for products and vertical integration (Lisi and Malo, 2017). The required capability in this sense may depend on the improved and friendly regulatory conditions. Businesses, generally find that the turbulent nature of their environment necessitates that they harness, reconstruct and reconfigure resources continually in order to survive. Meanwhile, this capability in itself becomes herculean when failure of MSMEs remain dominant in the literature. Owing to these, it is the authors' interest here to find out whether or not the efforts of government at accelerating the ease of doing business is being felt by MSME operators and whether they perceive these efforts as a vehicle for business growth in Nigeria. Extending this further, this study is concerned about how MSMEs in Nigeria can achieve employment generation, revenue growth and business costs, given the current policies aimed at easing regulatory bottlenecks. In sum, the study intends to answer the question of whether or not the EDB policies of government is perceived as having the potential to positively influence MSME evolution in Nigeria. The study focuses on seven EDB performance indicators; starting a business (SB), getting credit (CR), getting electricity (EL) and registering property (RP). Others are, tax payment (TP), entry and exit of people (EEP) and construction permits (CP).

The relevance of this article resides in unveiling some of the many untapped opportunities for national economic development, inherent in the MSME environment, for government and business operators to harness. This supports government initiatives and actions world over, to continue to focus on MSMEs because of its central role in economic growth and development. In Nigeria, the PEBEC reforms are intended as a form of interventionism aimed at addressing the emergencies in the MSME sector of the economy. One may suggest that the quantum of empirical studies, in countries with similar resource profiles as Nigeria, are pointers to the positive results that friendly regulation of MSME systems can deliver for the purpose of achieving economic prosperity (Ates and Bititci, 2007). However, there remains the undying worry that the results attained by MSMEs in advanced economies have been difficult to replicate in Nigeria and many African countries, and policy statements by government have yielded very little (Tafamel, 2019). In sum, the overriding impetus for engaging in a study of this nature is the perception that the ambience of business in Nigeria is still very unsavoury and excruciating for small business operators.

LITERATURE REVIEW AND HYPOTHESES

Ease of doing business

Singh (2015) referred to this concept as a legal and economic dispensation that allows for "simpler regulations for businesses and stronger protection of property rights". To put it succinctly, 'ease of doing business refers to the seamless procedure for getting involved in business and conducting business activities within a jurisdiction. It is also the extent to which business creation and operation is simplified in an economy such that the easier it is to do business, the more conducive the regulatory ambience of business is perceived to be. In 2003, the World Bank group deployed a global ranking index, which identified the major encumbrances and challenges to smooth business creation and growth in 189 economies around the world. The World Bank Ease of doing business rankings is widely accepted as the standard for rating how pro-business the regulations in various countries are (Singh, 2015). Although the ranking index used is computed as the simple mean of the percentile ranking based on ten topic areas, there are actually twelve topic areas overall, as shown in table 1 below. In the 2019 rankings, 190 economies where studied and Nigeria was adjudged 131st, and this was despite the ease of doing business reforms put in place by the Nigerian government.

The essence of the Ease of doing business index and the conversations around it is to remove as much impediments as possible from the path of business operators and potential entrepreneurs. The obstacles in the path of business has a well-documented chronology. In the area of minimum capital base for instance, the upper house of the British parliament was among the first to put in place this requirement in 1855 when they suggested that businesses should have a minimum capital of £20,000 (World Bank, 2020). In Germany, by 1870, they had promulgated the Corporation Act that had created conditions for the emergence of joint stock companies, and this started a quick evolution such that by 1892 a law on limited liabilities firms was passed, which required the firms to have a minimum paid-in capital of DM20,000 (Hoffmann, Grumbach, and Hesse 1965). As it turned out the minimum paid-in capital failed to achieve the security and solvency which it was supposed to equip businesses with (Dreher and Gassebner, 2013). Rather than being a plus to the economy, this requirement only served as a major reason why small businesses were not increasing in numbers or enduring beyond their gestation period (Djankov et al., 2002). The space for small businesses will naturally continue to be there as all businesses cannot be large corporates or corporations. The evidence which followed capital requirement regulations is such that it has stifled businesses and threatened to create monopolistic and oligopolistic markets which threaten true wealth creation and economic empowerment for majority of the people. In the view of Fairlie and Robb (2009), it further emasculates some sections of society, particularly women, who most times struggle to raise such huge capital.

The inevitability of providing credit opportunities also led to the establishment of credit bureaus and registries all around the world. These credit bureaus and registries help to ensure that there is reliable information on potential borrowers and they can be analysed and profiled, so as to be able to predict how credit worthy they are (Ibrahim and Alagidede, 2017). Of course this led to the development of credit profile database which businesses all over the world can benefit from and the first formal arrangement for compiling and sharing credit information was seen in the decade beginning from 1840 in the US (Lauer, 2017). What was then an innovation, has since served the business world so well that it has become a universal main stay. Bringing this to Africa, and particularly sub-Saharan Africa, credit bureaus and registries have become quite popular and well patronised. However, it should be noted that it was not until 2008 that credit bureaus gained traction in Africa because financial markets were still too primitive to structure out a lending segment that could do without collateralisation of credit lines and facilities (Tchamyou and Asongu 2017).

The market looks a lot different today, and as World Bank (2020) puts it "…92% of economies in Sub-Saharan Africa have an operational credit bureau or registry. Seventeen of the 62 new credit bureaus and 15 of the 39 new credit registries launched since the first *Doing Business* study (published in 2003) were established in Sub-Saharan Africa". Nigeria was not left out of this development, as the country saw the formation and licensing of four credit bureaus in 2008. However, while it is true that the credit bureaus started springing up across the continent and Nigeria, in particular, a worrying trend was easily found in the rate of subscription per population. For instance, in 2010, the largest credit bureau company in Nigeria had a customer subscription of just 4.1% of the target market, and this contributed to the difficulties encountered by business people in getting credit. By 2011, there had been some development in the Nigeria credit bureau market when the largest of the firms – CRC Credit Bureau Limited and managed to come about a collaborative arrangement which saw it get supplies of market data from some firms, and by 2018, the firm had grown its market share to 14% of the target market (World Bank, 2018).

Table 1

Ease of doing business topics

S/N	Indicator	How it is measured
1.	Starting a business	"Procedures, time and cost incurred in starting a business".
2.	Processing construction permits	"Procedures, time, and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system"
3.	Electricity	"Procedures, time, and cost to get connected to the electrical grid; the reliability of the electricity supply; and the transparency of tariffs"
4.	Registering property	"Procedures, time, and cost to transfer a property and the quality of the land administration system for men and women"
5.	Getting credit	"Movable collateral laws and credit information systems"
6.	Protecting minority investors	"Minority shareholders' rights in related-party transactions and in corporate governance"
7.	Paying taxes	"Payments, time, and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes"
8.	Trading among borders	"Time and cost to export the product of comparative advantage and to import auto parts"
9.	Enforcing contracts	"Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women"

10.	Resolving insolvency	“Time, cost, outcome, and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency”
11.	Employing workers	“Flexibility in employment regulation”
12.	Contracting with the government	“Procedures and time to participate in and win a works contract through public procurement and the public procurement regulatory framework”

Source: World Bank (2020)

2017 reforms on ease of doing business in Nigeria

Several efforts and programmes had been made in the past by government to lighten the burden of small business owners as part of ease of doing business initiatives which had produced very little. These efforts were reinforced in 2016 and is currently under the purview of the Presidential Enabling Business Environment Council (PEBEC), which is chaired by Vice President, Professor ‘yemi Osibajo. PEBEC had embarked on the implementation of a sixty-day action plan, between February 21 and April 21, 2017, and thereafter unveiled a report that thirty-one reforms had been implemented across the eight priority areas for Ease of Doing business in Nigeria. The eight areas selected include all the seven predictor variables of this study (and trading across borders which is not included in this study). Proshare (2017) identified the areas of reforms implemented as follows:

1. Reforms on starting a business

In order to reduce the time involved in registering a business, an online portal for company name search was deployed and legal practitioners were no longer required as a do-it-yourself (DIY) approach was encouraged by virtue of removing complex documentation which used to require experts in law or persons vast in the process to do. There was now to be only one incorporation form and the documents were also to be submitted electronically as against the protracted method of filing paper documents, which took days unend to process. The incorporation forms once submitted, were to be certified by staff lawyers of the Corporate Affairs Commission (CAC) after carrying out the mandatory compliance checks for a fixed fee of five hundred naira. To round up this aspect of the reforms, a 24 hours turn-around time was set for the processing of applications with complete documents. This reform also removed the requirement of physical inspection of proposed business locations.

2. Getting credit

The reform also targeted the area of entrepreneurs’ access to credit through the digitalisation of the National Collateral Registry. This was to enable the parties to a credit facility or application confirm the authenticity of claims to ownership of movable assets. The use of this platform was encouraged through awareness activities to lenders and seekers of funds for MSMEs. Credit reports and scoring of individuals were to be built into the system such that the credit worthiness of fund seekers could be electronically ascertained within few minutes.

3. *Getting electricity*

Having identified that there were nine stages in the procedure for getting connected to the national electricity grid, PEBEC examined the procedure and reduced it to five stages. Consequently, the Nigerian Electricity Regulatory Commission (NERC) has issued a policy which outlined the five stages which processing of applications for connection to electricity should take for businesses. The new policy further mandates that once an application is approved, the time line for a new connection, which was previously an average of 198 days, should not exceed 61 days. The policy also enabled certified engineers to inspect sites for new connections.

4. *Registering property*

This reform applied particularly to businesses in Lagos and aims to reduce the processing period from 77 days to 30 days. In the past, sworn affidavit used to be required by the Land Registry before a title search could be carried out but that has now been abolished. For lands owned by the state government, the process for stamping of Deeds of Assignment and final registration of property has been merged. According to World Bank (2020) a new geographic information system was also put in place to.

5. *Paying taxes*

The completed reforms, with regard to paying of taxes, centred on the digitalisation of federal tax payment platform and the roll out of electronic taxpayers' self-service help desks at all offices of the Federal Inland Revenue Service (FIRS). Furthermore, there was the introduction of a one-for-all tax schedule on the online platform. Like many other areas of the reforms, the target was to drive down the time taken to file tax returns and for payment.

6. *Entry and exit of people*

To facilitate the easy movement of business persons into the country a simplified visa-on-arrival was put in place by the Nigeria Immigration Service (NIS), along with the use of consolidated documentation, both for arrival and departure. The Nigeria foreign missions were also mandated to operate within a 48 hour time line for processing business and tourist visas. Some amenities in the Abuja and Lagos airports were also improved upon, especially the escalators, air-conditioners and baggage carousels.

7. *Construction permits*

The reforms also sought to reduce the duration for processing construction permits from 42 days to 20 days, and in a bid to achieve this, electronic platforms were also introduced to receive and treat applications and upload of architectural designs. The requirement for Environmental Impact Assessment and Soil Investigation Report are now only required where there is a high likelihood that there will environmentally impact or when it involves construction of high-rise buildings (above three storeys). There was also to be more transparency by the Lagos State Physical Planning and Permit Authority (LASPPPA) as formulas and rates for determining payable fees were to be made available on the website. Laws guiding the processing and regulation of construction permits were also to be well publicised using web enabled platforms and other media.

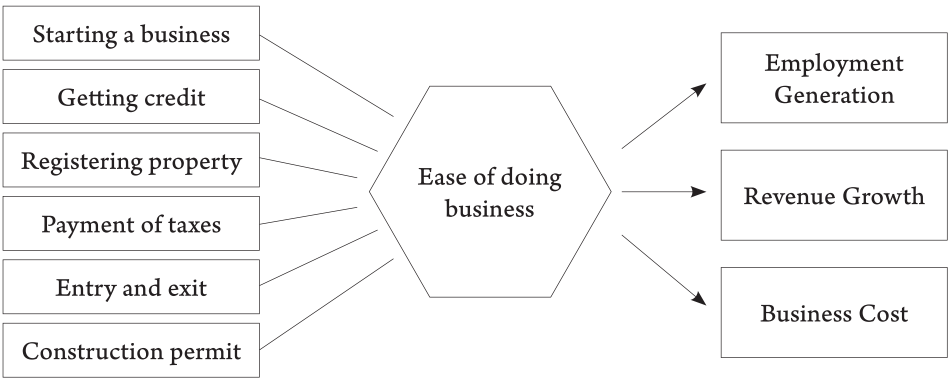

Figure 1. **Conceptual Framework of the Study**
Source: Author

Ease of doing business and business growth

Leal-Rodriguez and Sanchis-Pedregosa (2019) suggested there is no sufficient evidence upon which to assert that there is a causal link between the ease of doing business indices and actual growth of businesses and socio-economic wealth. The scepticism expressed in their study was a complete departure from dominant strands in the literature on ease of doing business, where a good number of studies had held that ease of doing business significantly impacts business and economic growth (Djankov, McLeaish and Ramalho, 2006; Busse and Groizard, 2008). Djankov et al (2006) supported the position that the higher the economy was on the ease of doing business ranking, the higher the level of economic growth and also there was positive influence on business growth and entrepreneurial activities. In similar vein, Busse and Groizard reached the conclusion that countries who allowed greater economic freedom for entrepreneurs, were found to also witness higher levels of economic growth. In some other group of studies, as seen in (Alfaro, 2003; Basu & Guariglia, 2007) a high ranking will lead to attraction of foreign direct investments, which ultimately translates to availability of funds, technology and opportunities for businesses.

There is also a depth of studies that hold that there is indeed a reverse relationship between economic growth and ease of doing business rankings

(Alfaro, Chanda, Kalemli-Ozcan & Sayek, 2009; Blonigen, 2011). These set of studies have argued that countries invariably climb up the ranking if they have strong economic indicators. The point they make is that a high and growing gross domestic product (GDP) is often reflective of high income and consumption levels, which simply presents more opportunities for business. What is clear from these works is that there is a significant relationship between the ease of doing business index and the direction of the economy, however, these studies have not made clear differentiation as to determine whether economic growth also reflects in business growth for medium, small and micro businesses. For instance, in the Nigerian context, there is the curiosity to investigate and reconcile one of the fastest rates of the economic growth in the world recorded by Nigeria between 2011 and 2015, and the country's unimpressive ranking of 137th, 133rd, 131st, 147th and 150th respectively in those years. Consequently, the perspectives and clear delineation of the impact of ease of doing business on economic growth, on one hand, and business growth, on the other hand, needs to be established. Hence, the gap that this present study hopes to address is in investigating the impact of ease of doing business reforms on business growth as a stand-alone, rather than as a subset of economic growth.

This paper will focus on the employment generation, revenue growth and business cost reduction as constructs of business growth and how they react to ease of doing business reforms. In order to investigate this relationship, the hypotheses of this study are:

H1: Ease of doing business reforms will impact employment generation of MSMEs in Nigeria.

H2: Ease of doing business reforms will impact revenue growth of MSMEs in Nigeria.

H3: Ease of doing business reforms will impact business costs of MSMEs in Nigeria.

METHODS

Sample and procedures

The purposive sampling technique was used to draw a sample size of 200 operators of MSMEs in the Lagos state comprising clusters in Ikeja, Apapa, Lagos Mainland and Lagos Island business districts. This technique was favoured because of the high number of operators, their diversity and the limited time allowed for the study. Of this number, 128 questionnaires were properly completed and returned. This indicated a response rate of 64%. Survey was conducted using the self-administered questionnaires with a total of 30 items, with each construct being measured by 3 items. The study adopts the seven point Likert scale questionnaire with responses ranging from "Strongly Disagree" to "Strongly Agree", representing values 1 to 7, respectively. The instrument, which has a Cronbach's Alpha of 0.766, measured the perception of MSME operators about how well the ease of doing business reforms was impacting their business objectives. To enable the respondents understand the questions being asked, the contents of the questionnaire were supplemented to aid easy understanding.

Survey tool

Table 2

Demographic characteristics

Variable	Number (%)
GENDER	
Male	79 (61.7)
Female	49 (38.3)
AGE OF BUSINESS	
0–3 Years	46 (35.9)
4–5 Years	38 (29.7)
6–10 Years	28 (21.9)
11–15 Years	6 (4.7)
Above 15 Years	10 (7.8)
EDUCATION	
FSLC	5 (3.9)
Secondary School	31 (24.2)
HND/Bachelors Degree	57 (44.5)
Masters & Above	35 (27.3)
BUSINESS CATEGORY	
FMCG Store	16 (12.5)
Services	51 (39.8)
Food	41 (32.0)
Technical Sales / Equipment	20 (15.6)
ANNUAL INCOME EST.	
0–10 Million	60 (46.9)
11–50 Million	30 (23.4)
51–100 Million	25 (19.5)
100 Million & Above	13 (10.2)
TOTAL	128 (100)

Outcome and explanatory variables of the study

The study measured ten variables in all – three outcome variables (MSME aspirations) and seven explanatory variables. The outcome variables are Employment Generation (EMGN), Revenue Growth (RVGR) and Business Cost (BUCO). The explanatory variables on the other hand include Starting a business (SB), getting credit (CR), getting electricity (EL), registering property (RP), payment of taxes (PT), entry and exit of people (EEP) and Construction permits (CP).

Model specification

The Hierarchical Multilevel Linear modelling technique used in this study is presented as follows:

Hypothesis I: The Ease of doing business reforms will generate more employment in Nigerian MSMEs.

Model 1

EMGN = β0 + β1SB + β2CR + ε

Model 2

EMGN = β0 + β1SB + β2CR + β3EL + β4RP + β5PT + ε

Model 3

EMGN = β0 + β1SB + β2CR + β3EL + β4RP + β5PT + β6EEP + β7CP + ε

Hypothesis II: The Ease of doing business reforms will impact revenue growth of Nigerian MSMEs.

Model 1

RVGR = β0 + β1SB + β2CR + ε

Model 2

RVGR = β0 + β1SB + β2CR + β3EL + β4RP + β5PT + ε

Model 3

RVGR = β0 + β1INTF + β2NCOL + β3LNSZ + β4ACFN + + β5AGLI + β6LNTN + β7GDLN + ε

Hypothesis III: The Ease of doing business reforms will impact business costs of Nigerian MSMEs.

Model 1

BUCO = β0 + β1SB + β2CR + ε

Model 2

BUCO = β0 + β1SB + β2CR + β3EL + β4RP + β5PT + ε

Model 3

BUCO = β0 + β1SB + β2CR + β3EL + β4RP + β5PT + β6EEP + β7CP + ε

Results and analyses: hierarchical regression analyses on the effects of ease of doing business reforms on employment generation, revenue growth and business cost of MSMES

This study utilises the hierarchical linear modelling technique, also known as the hierarchical multiple linear regression model of the Ordinary Least Squares technique for its analysis. In performing the analysis, the authors' carried out a three-step regression on each of the outcome variables. In step one, starting a business and getting credit are regressed, in step two, starting a business, getting credit, getting electricity, registering property and payment of taxes are regressed, and in step three, starting a business, getting credit, getting electricity, registering property, payment of taxes, entry and exit of people and construction permits are all regressed. These three steps are carried out while regressing against each of Employment Generation, Revenue Growth and Business Cost.

Table 3

The effects on employment generation

		Employment generation				
Model	**Variable**	**Standardised coefficient (β)**	**T**	**P-value**	**Adjusted R^2**	**F**
1	Starting a business (SB)	-0.037	-0.413	0.680	-0.007	0.550
	Getting credit (CR)	-0.084	-0.948	0.345		
2	Starting a business (SB)	-0.054	-0.622	0.535	0.71	2.950
	Getting credit (CR)	0.102	0.732	0.466		
	Getting electricity (GE)	-0.093	-0.690	0.492		
	Registering property (RP)	0.231	2.365	0.020*		
	Payment of taxes (PT)	0.213	2.371	0.019*		
3	Starting a business (SB)	-0.094	-1.146	0.254	0.184	5.103
	Getting credit (CR)	0.431	2.464	0.015*		
	Getting electricity (GE)	-0.398	-2.743	0.007*		
	Registering property (RP)	0.177	1.859	0.065		
	Payment of taxes (PT)	0.054	0.586	0.559		
	Entry & exit of people (EEP)	0.096	0.748	0.456		
	Construction Permits (CP)	-0.471	-4.340	0.000*		

*p has a statistical significance at <.05

This result shows that in the first instance, with a negative adjusted r square of (-0.007) the starting a business and getting credit do not explain the variation in the employment generation rate in MSMEs. Neither of them has turned out as a good predictor of employment generation. In step two, after the addition of getting electricity, registering property and payment of taxes, we find that there is now a 71% power of explanation, which is quite high. Here we also see that getting credit (0.732), registering property (2.365) and payment of taxes (2.371) now become good predictors of employment generation, especially the registering property and payment of taxes, who also turn out to be significant predictors. In the third step, the explanatory power (18%) of the model is negatively affected by the addition of entry and exit of people and construction permits. Of the seven predictor variables, only getting credit (2.464), registering property (1.859), payment of taxes (0.586) and entry and exit of people (0.748) remain good predictors of employment generation but only getting credit is statistically significant. In conclusion though, it must be pointed out that the perception of MSME operators about the ease of doing business reforms with regard to employment generation rate shows that the reforms have had significant influence on the employment generation of MSMEs, as a result of the ease in registration of properties and payment of taxes, where only the first five reforms apply. But when the seven reforms are applied, the study finds that only getting credit indicates a significant influence on employment generation. In testing the hypothesis (H1) that the reforms will impact employment generation of Nigerian MSMEs, the null hypothesis is accepted in all first and second hierarchies of the modelling here, that is, the reforms will not have impact on employment generation of MSMEs in Nigeria as F(0.550 and 2.950) are all below the acceptable F ratio of 3.07, however, null hypothesis is rejected at the third hierarchy (5.103) which accommodates all seven predictor variables, confirming that the reforms will have a significant impact on employment generation, if applied together. In reality, all seven reforms are being implemented simultaneously. Therefore, the only acceptable model for employment generation is the third model, and it suggests that employment generation will improve if more reforms are carried out and implemented simultaneously.

Table 4

The effects on revenue growth

		Revenue growth				
Model	**Variable**	**Standardised coefficient (β)**	**T**	**P-value**	**Adjusted R^2**	**F**
1	Starting a business (SB)	-0.221	-2.765	0.007*	0.187	15.642
	Getting credit (CR)	0.397	4.963	0.000*		
2	Starting a business (SB)	-0.218	-3.195	0.002*	0.417	19.147
	Getting credit (CR)	0.449	4.069	0.000*		
	Getting electricity (GE)	0.198	1.854	0.066		
	Registering property (RP)	0.425	5.488	0.000*		
	Payment of taxes (PT)	-0.258	-3.627	0.000*		
3	Starting a business (SB)	-0.195	-2.815	0.006*	0.423	14.315
	Getting credit (CR)	0.482	3.278	0.001*		
	Getting electricity (GE)	0.248	2.036	0.044*		
	Registering property (RP)	0.409	5.112	0.000*		
	Payment of taxes (PT)	-0.209	-2.686	0.008*		
	Entry & exit of people (EEP)	-0.174	-1.608	0.110		
	Construction Permits (CP)	0.114	1.249	0.214		

*p has a statistical significance at <.05

This result shows that when two predictor variables (SB and CR) are used, only getting credit indicates that it is a good predictor criterion (4.963) and this is equally statistically significant. Both variables also have a 18% explanatory power of revenue growth. The model is also strong at F = 15.642 > 3.07. Attempts were made to improve the model, by adding other variables in model 2 and the result was a marked improvement on the first model (F = 19.147 > 3.07) and 42% power of explanation. The findings show that getting credit (4.069), getting electricity (1.854) and registering property (5.488) are good predictors of revenue growth, although getting electricity was not statistically significant. Subsequently, two more variables were then added (EPP and CP) and thus a new model emerged. The result showed that in addition to CR, GE and RP, which were good predictors in the model 2, CP also turned out a good predictor – each with 3.278, 2.036, 5.112 and 1.249 respectively. However, only CR, GE and RP are statistically significant predictors. Model 3 was found to be strong with F = 14.315 > 3.07, with 42% of the variation explained. It is worth mentioning though that all three models on revenue growth proved to be acceptable. In testing the hypothesis (H2) that the ease of doing business reforms will impact revenue growth of MSMEs in Nigeria, the null hypothesis is only rejected in all three levels of the modelling. This is very instructive and it shows that, although getting credit, getting electricity and registering property are the most important predictors of MSME revenue growth, when all the reforms are considered together, every effort at reforming business regulations in Nigeria has positively impacted revenue growth of MSMEs.

Table 5

The effects on business cost

		Business cost				
Model	**Variable**	**Standardised coefficient (β)**	**T**	**P-value**	**Adjusted R^2**	**F**
1	Starting a business (SB)	-0.369	-4.712	0.000*	0.222	19.072
	Getting credit (CR)	-0.299	-3.811	0.000*		
2	Starting a business (SB)	-0.349	-5.332	0.000*	0.464	22.979
	Getting credit (CR)	-0.432	-4.079	0.000*		
	Getting electricity (GE)	0.352	3.442	0.001*		
	Registering property (RP)	0.284	3.819	0.000*		
	Payment of taxes (PT)	-0.307	-4.502	0.000*		
3	Starting a business (SB)	-0.282	-4.868	0.000*	0.597	27.830
	Getting credit (CR)	-0.451	-3.670	0.000*		
	Getting electricity (GE)	0.562	5.505	0.000*		
	Registering property (RP)	0.263	3.922	0.000*		
	Payment of taxes (PT)	-0.144	-2.214	0.029*		
	Entry & exit of people (EEP)	-0.437	-4.844	0.000*		
	Construction Permits (CP)	0.408	5.350	0.000*		

*p has a statistical significance at <.05

Looking at the impact of these reforms on business cost, the authors' findings show that neither SB nor CR, which were used in model 1 were good predictors of business cost reduction. In model 2, it was found that out of the five predictors only GE and RP were good predictors and statistically significant, and the model accounted for 46% of the variation in the business cost reduction. The model had F = 22.979 > 3.07, which implied that the model is a strong one. In model 3, GE (5.505), RP (3.992) and CP (5.350) were able to predict business cost reduction out of the seven applied. The model was able to explain 59% of the variation in business cost reduction. Also at F = 27.830 > 3.07, the null hypothesis was also rejected, indicating that the business reforms has been able to positively impact business cost. Attention should, however, be paid to the getting electricity, registering property and construction permit as the three significant inputs that have yielded this result.

DISCUSSION AND CONCLUSION

In conclusion, results show that the ease of doing business reforms in Nigeria is fast gaining traction, especially with regard to revenue generation and reduction of business cost among micro, small and medium enterprises (MSMEs) in Nigeria, particularly in the Lagos business metropolis. However, the study could not find evidence strong enough that the same reforms has had positive impact on employment generation capability of MSMEs in the country. In another vein, it is apparent that more still needs to be done in order to extract positive contributions from all the reforms because on the whole, this study recorded that out of the seven areas of reforms considered, only three (getting credit, getting electricity and registering property) consistently contributed to revenue generation and reduction in business cost. Government should therefore put in more effort in the other areas of the reform and also craft reforms that will positively and significantly impact the ability of businesses to generate employment. Without this, the exponential potential in these reforms cannot be realised.

Policy implications

As seen in the findings of this study, the ease of doing business reforms in Nigeria has, so far, weighed in heavily on how MSMEs can be assisted to access credit, electricity and registration of business properties. Other elements of good business regulation such as the fundamental matter of starting or registering a business, paying taxes, entry and exit of persons, and processing of construction permit. Policy crafters should deepen the benefits of regulatory reforms, particularly those that affect MSMEs, by deliberately designing the reforms in such a way that able to impact the areas that have not witnessed improvements yet.

Managerial implications

The only way that MSMEs grow and become the pillars of the economy is when the pursuit for economic growth and socio-economic development is not left to government. Business owners, managers and operators must put in their own shifts as well. They must take up for responsibilities for the economy. One of the findings here show that employment creation is not likely to respond to the business regulatory reforms as presently designed and being implemented because government does not take business decisions for the MSMEs. The reforms are intended to be interconnected and synergistic, such that revenue growth and reduction in business cost are able to give rise to employment creation and other expansionary effects, and vice versa. But where business owners decide to ignore their power to employ more hands and rather continuing with same manpower despite increase in volume of business, then it will be difficult to achieve the objectives of such reforms.

Limitations and future research

One limitation of this article that the sample was majorly drawn from Lagos and this may pose a drawback regarding external validity. Kano and Port Harcourt are some of the other big business hubs in Nigeria – they were not covered in this study. Future research may be carried out using a more nationally representative sample, if not larger. The authors' urge further empirical work on the influence of ease of doing business reforms on the growth and development of MSMEs in Nigeria, using samples from the core north and other southern markets outside Lagos. The authors' therefore offer this as a basis for further research which will lead to the accumulation and extension of representative samples and strong empirical evidence which can give more comfort and confidence to policy makers. Lastly, future research may employ the structural equation modelling (SEM) technique because of its capacity to simultaneously test the relationship among the variables in this paper. By using SEM, we will be able to better ascertain the direct and indirect relationships among our constructs even when presented as multiple items.

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