

IMPACT OF ECONOMIC POLICIES ON FIRMS PERFORMANCE OF SOME SELECTED FIRMS IN KANO STATE, NIGERIA

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Abstract

The study examines the relationship between economic policies on firm's performance in some selected firms in Kano Nigeria. The main objective of this study is to investigate the impact of economic policies on the performance of companies in Nigeria. The researcher chose a secondary research due to the reliance on previously documented events. This decision was made because the study is based on events that have already occurred. The findings of the study revealed that There is no significant relationship between tax rates and firm performance in Nigeria also it was found that there is a significant influence of interest rates on firm performance in Nigeria, it was also seen that there is a significant impact of Import policies on firm performance in Nigeria. Lastly, there is a significant impact of Export policies on firm performance in Nigeria. Therefore, the study recommends enhance Coordination Between Fiscal and Monetary Policies, Implementation of Strategic Trade Policies to Boost Competitiveness, Strengthen Regulatory Frameworks and Governance.

1.1 Introduction

Globally, a nation's business is greatly impacted by the economic policies in place. For instance, in the 1990s, the United States of America (USA) exploited the United Nations to impose sanctions on Iraq; as a result, Iraqi businesses suffered billion-dollar losses and deposits in US and ally banks were decimated (Gado, 2015). Over the years, developed and emerging nations like China, the United States of America, France, Germany, Japan, South Korea, and the United Arab Emirates have developed and implemented various economic policies like import substitution approach, export promotion strategy, foreign private investment led industrialization, trade liberalisation policy, monetary and fiscal policy, and exchange rate policy in an effort to aid in the country's industrialization and business growth. Since 1960, the major problem of African continent is the promotion of business development and as a result of this industrial development was perceived as a means of gaining self-reliance and lower dependence on the industrialized economies (Isiksa & Chimezie, 2016).

However, diverse policy reforms are formulated in order to promote industrial growth through the promotion of industrialization led economy in most Africa countries among which include Structural Adjustment Programme, Free Trade Zone Policy and Single Monetary Unit among ECOWAS nations. In Nigeria since independence government has adopted numerous economic policies and reforms. Over the years, the Nigerian government have adopted different polices in enhancing the growth and development of the private sector business. Some of these strategies include import substitution strategy, export promotion strategy and Local resource-based strategy, Nigerian indigenization policy, trade and financial

liberalization and Structural Adjustment Programmes (SAP). fiscal and monetary policy and external policy among others. The liberalization policy implemented in 1986 through the adoption of the structural adjustment programme and the successive reforms was aimed at opening the Nigerian economy to the rest of the world in order to promote private sector business and economic growth. Thus, it is of great importance to examine the impact of these economic policies on business in Nigeria.

The strategic and efficient utilization of natural resources is integral to business development, serving as a key indicator of a nation's growth and development. This aspect critically reflects an economy's progress and significantly contributes to its overall advancement. In Nigeria, the business sector's growth and performance before independence laid the groundwork for the country's industry-led economy. To further enhance business sector performance, the government has implemented a range of fiscal policies (Imide, 2019).

Despite the substantial government budgets and the implementation of expansionary policies, there has been no discernible growth in the business sector to match the rise in government spending. Fiscal policies like tax holidays have aided in the expansion of a few well-known businesses, notably the Nigerian Honeywell and Dangote groups. Most Nigerian businesses have a heavy burden from value added tax (VAT), which is one of the government's main sources of income. The majority of these businesses would rather take advantage of tax vacations and charge their customers for VAT (Ibrahim & Muritala, 2015).

Over the years, Nigerian enterprises have not demonstrated remarkable performance. Most people agree that one of the main factors limiting domestic investment in Nigeria is unstable inflation rates and monetary policy (Okonkwo, Egbulonu, and Emerenini, 2015). Additionally, the government's incapacity to employ monetary policy to force commercial banks and other financial institutions to lend more money to businesses in the private sector at low interest rates had a detrimental effect on company performance (Imoughele & Ismaila, 2015). Additionally, the government has developed a number of trade measures to boost business in the private sector. Even though the government has worked to improve business sector performance by encouraging the creation and consumption of locally produced goods as well as the growth of SMEs, the business sector's poor capacity and underutilization of resources remain concerning (Ogu, Aniebo & Olekwa, 2016).

2.1 Literature Review

Financial performance is a measure of firm achievement, in this case, profit as a measurement tool (Horne, 1998). Firm performance is an effort made by a firm to evaluate the use of its assets or equity, as well as to get benefits from its resources. Profits from operating activities whether assessed by the book value of equity or total assets also have a positive effect on stock returns (Berggrun et al., 2019).

Reynaud and Thomas (2013) state that firm profitability is a complex concept resulting from investment decisions and firm production plans, but there are external factors that influence such as economic regulation, level of competition, and economic growth. The importance of maintaining the level of profit will create firm growth (Jang and Park, 2011). Companies that are able to manage their assets and capital effectively and efficiently from operations, organizations, and employees based on the targets set by the firm. Financial performance appraisal can be done by analyzing the firm's financial statements. According to Brigham and

Houston (2016), there are two types of performance, namely operational performance, and financial performance. The performance includes; comparing the firm's performance with other companies in the same industry and evaluating the firm's financial position from time to time.

2.1.1 Concept of Economic Policy

Governmental measures and plans to affect the state of the economy are referred to as economic policies. Typically, these policies consist of monetary policy, which regulates interest rates and the money supply, and fiscal policy, which deals with taxing and spending by the government. Promoting economic growth, maintaining price stability, lowering unemployment, and guaranteeing a healthy financial system are frequently the objectives of economic policy.

Economic policy often times are put together to identify, analyzed and then solve issues, which comes in conflict separating the economy and its objectives over a specific period of time. This of course abstracts from the aberration of self-interest motivated economic policies. Adedipe (2004) states that the preparation of an economic policy entails the collection, arrangement, analysis, summary and interpretation of economic data. The quality of data input into policy formulation then becomes critical to evolving policies that will affect the macro-economy in the most desired sectors for maximum benefit to the economy, whether National, State or Local Government, under the federal structure Nigeria operates (Adedipe, 2004).

Economic policy differs significantly depending on whether the government is considering explicit economic policy or derivative economic policy (Douglas, 1990). For derivative economic policy, legislators pay greater attention to the noneconomic components, which tend to be relatively large, than to the economic components, which are usually much smaller. For explicit economic policy, the emphasis is reversed. Legislators focus more on the economic components and give proportionally less attention to the noneconomic components. In both cases legislators' calculations reflect the way in which the issues might enter citizens' assessments in future business (Douglas, 1990).

Monetary policy influences the money supply through adjustments of the interest rates, bank reserve requirements, and the sale of government securities and foreign exchange (Mark Horton and Asmaa El-Ganainy, 2009). Monetary policy can either be contractionary, expansionary, neutral or accommodative. Contractionary monetary policy is the use of monetary tools to reduce money supply or to raise the interest rate, while expansionary aim at increasing the money supply. Accommodative policy tends to lower the cost of capital in order to stimulate economic activities and engender economic growth, while monetary policy is neutral when such policy is not targeting the expansion of economic activities nor reducing inflation. The Central bank of Nigeria (CBN), founded in 1958, through its activities and the monetary policy committee (MPC) is responsible for monetary and credit policy in Nigeria. From inception until date, its monetary policy has seen two major regimes categorized as the direct control (pre-1986) and the indirect controls post-1986. While the former focused on direct monetary controls, the later uses market mechanism approach (known as indirect controls), using several monetary instruments (Central Bank of Nigeria, 1986, Ikhide, 1996).

2.1.2 Fiscal Policy in Nigeria.

Fiscal policy is the use of government spending and taxation to influence the economy, it is used to promote strong and sustainable growth and reduce poverty (Mark Horton and Asmaa El-Ganainy, 2009). Fiscal policy in Nigeria is operated by the central government through the budget office, ministries, parastatals and agencies, with legal backing from the legislature. Since the 70s, it has been built around revenue from oil (Baunsgaard, 2003). Before independence, the British played several roles in the fiscal policies of Nigeria; this is by instituting a central government and setting the stage from which the new government will earn revenue through cash crops (Shokpeka and Nwaokocha, 2009). The oil windfall that follows some few years after independence shifted focus on the oil sector as principal sources of revenue for the government, with weak taxation from other sources. Since then, the fiscal policy has tended to fluctuate with the price of oil at the international market.

2.1.4 Trade policy in Nigeria

Trade policy in Nigeria plays a pivotal role in shaping the country's economic landscape and its integration into the global economy. Nigeria's trade policy is primarily aimed at promoting economic growth, industrialization, and job creation while also safeguarding domestic industries and ensuring food security. The government has implemented various measures to achieve these objectives, including tariff and non-tariff barriers, trade agreements, export promotion initiatives, and investment incentives. Historically, Nigeria has pursued a policy of import substitution industrialization (ISI) to reduce reliance on imported goods and foster domestic production. However, in recent years, there has been a shift towards more liberal trade policies, with the government actively engaging in regional and international trade agreements such as the African Continental Free Trade Area (AFCFTA) to enhance market access and promote intra-African trade. Challenges persist, including infrastructure deficiencies, bureaucratic hurdles, and regulatory inconsistencies, which hinder the full realization of Nigeria's trade potential. Addressing these challenges and effectively implementing trade policies will be crucial for Nigeria to harness the benefits of globalization and drive sustainable economic development.

2.2 Theoretical Framework

2.2.1 Dependency Theory

This theory originated as a refutation to the Western Filter Model of development in the late 1960s a school of thought which argues that the backwardness of Africa is as a result of its traditional pattern of life and activity. The dependency theory which is based on the Marxian principles, postulates that low level of development in poor countries is actually in a dialectical relationship development of developed countries. The dependency theory blamed imperialism as the major factor responsible for the underdevelopment of African nations. Of course, this postulation is clearly in line with the current situation confronting Africa, which it illustrates as the macrocosm, while that of Nigeria is microcosm. Despite critics opinion that the African problems should be attributed to bad and corrupt leadership, the theory maintained the political and economic dependence of African nations on the developed world, remains the main factor that promote underdevelopment in the region. Thus, to solve the issues confronting Nigeria and other Africa countries, it is very important to minimize these regions' dependence on developed countries. According to Olugbenga, (2012) this economic

independence should be the most main target of Africa. He says; "what needs to be created is an integrated African economy oriented not to the needs of the west, but to the needs of Africa as defined politically by the African people. Anything short of that will prove incompatible with our aspirations for political and cultural autonomy." This should also reflect in Nigeria economy, where the private sector needs to be absolutely free from the government's control. However, it is still important for the government to retain its intervention in the areas of policies and funding.

2.3 Empirical review

Agu et al (2015). In their study Fiscal policy and economic growth in Nigeria employed Ordinary least square for their analysis they found that government spending increase with an increase of revenue generated by the government. The study focused only on the impact of fiscal policy on economic growth but failed to examine how other policies contribute to economic growth in Nigeria. Babalola and Aminu (2011) study The relationship between fiscal policy and growth of Nigeria economy Used Autoregressive distributed lag methods The study observed that productive expenditure positively influence the country's economic growth This study was restricted to the relationship between government spending (especially productive spending) and growth of Nigerian Economy. Onwe (2014) Effect of fiscal policy components on Nigerian economic growth used Ordinary least square regression. The study observed the positive impact of federal expenditures on administration as well as on growth of Nigerian economy. It looked only at the impact of some components of public spending on Nigerian economic growth

Oparah Promise Chika, Nwagbala Stella Chinelo, Iloanya Kenneth Okechukw (3023) examines the impact of government policy on the growth of small and medium enterprises in Nigeria from 1999 -2022 using Ordinary least Square (OLS) technique method. All data used were secondary data obtained from the statistical bulletin of Central Bank of Nigeria. In executing the study, the OLS technique was applied after determining stationarity of our variables using the ADF Statistic, as well as the co-integration of variables using the Johansen approach. It was discovered that the variables are stationary and have a long term relationship among the variables in the model. From the result of the OLS, it was observed that gross domestic product, government expenditure and commercial banks' credit to SMEs have positive relationships with SMEs growth and development in Nigeria respectively. On the other hand, unemployment and interest rate have negative relationships with SMEs. Apart from government expenditure and unemployment rate which are not significant, Gross Domestic Product (GDP), Commercial Banks Credit to SMEs and Interest Rate have significant effect on small and medium industry output. Adenikinju and Olofin (2000) utilizing panel data for 17 African countries over the period 1976 to 1993, looked at the role of economic policy on the growth performance of the manufacturing sectors. Their proxies were external competitiveness of the economy, foreign direct investment and macroeconomic balance against manufacturing performance. Findings showed non-significant of both variables.

Halim, Malim, Derasit, Rani, & Rashid (2017) studies Small and Medium Enterprises (SMEs) in Malaysia on economic growth. Employing multiple regression to analyze the data, the research findings emphasized that the exchange rate had a small positive impact on SMEs growth rate (10.81%), while the interest rate had a positive impact of (60.74%). The inflation

rate also negatively affected SMEs at (-53.89%). They concluded that interest rate and exchange rate had a positive significant impact on the profitability of Malaysia SMEs. Bekeris (2012) examines impact of macroeconomic indicators upon SME's Profitability in Lithuania. The study used unemployment, average salary, population and firms' number in a country, FDI, taxes paid, GDP, inflation, exports and imports, etc. There was a correlation between macro factors and corporate profitability.

3.1 Research Methodology

The population of this study will encompass companies within Nigeria, which includes all the constituent states as well as the Federal Capital Territory (FCT) of Abuja, spanning the entire duration of the research period. Data collection will involve secondary sources,. The analysis will draw upon data spanning from 2015 to 2024 sourced from reputable economic institutions and governmental bodies in Nigeria. Variables like tax rate, interest rate, import and export will be collected for further understanding of the impact of economic policies on a firm's performance. The data was processed and analyzed using the Ordinary Least Squares (OLS) regression model and Analysis of Variance (ANOVA). E-views 10 was used to analyze the data at a significance level of 5%. The study findings was effectively conveyed via the use of tables, providing a concise and easily understandable representation of the data in chapter four.

4.1 Data Presentation and Analysis

Table 4.1 Descriptive Statistics of the model

	FIRMS	TAX	INTEREST	IMPORT	EXPORT
Mean	453.1518	32.36364	6.179091	7.22E+10	6.17E+10
Median	440.8400	30.00000	5.790000	7.22E+10	6.03E+10
Maximum	574.1800	54.00000	13.60000	1.01E+11	9.94E+10
Minimum	375.0000	14.00000	0.920000	4.70E+10	3.84E+10
Std. Dev.	61.30877	12.06045	4.331283	1.47E+10	1.87E+10
Skewness	0.480841	0.769856	0.363205	0.022764	0.632227
Kurtosis	2.471776	2.922647	1.988358	3.071467	2.586754
Jarque-Bera	0.551766	1.089321	0.710917	0.003291	0.811075
Probability	0.758902	0.580039	0.700852	0.998356	0.666619
Sum	4984.670	356.0000	67.97000	7.94E+11	6.78E+11
Sum Sq. Dev.	37587.65	1454.545	187.6001	2.18E+21	3.50E+21
Observations	11	11	11	11	11

Source: Author's computation, 2025

From table 4.1 The variable FIRMS, has a mean of approximately 453.15 and a median of 440.84, indicating a slight right skew in the data, as further supported by a positive skewness of 0.480841. The standard deviation of 61.31 suggests moderate variability around the mean. The range of firms, from a minimum of 375 to a maximum of 574.18, indicates considerable variation in the number of firms observed. with a high p-value of 0.758902, confirms that the data does not significantly deviate from a normal distribution. Tax has a mean of 32.36 and a median of 30, showing a slight right skew, indicated by a skewness of 0.769856. The standard deviation is 12.06, which reflects some variability but not extreme. The range from a minimum of 14 to a maximum of 54 suggests notable differences in tax values across

observations. with a p-value of 0.580039 also suggests no significant deviation from normality. These statistics imply that tax can be a stable predictor in the model without causing significant non-normality issues. Interest exhibits a mean of 6.18 and a median of 5.79, indicating a slightly positively skewed distribution with a skewness of 0.363205. The standard deviation is 4.33, showing moderate spread. The values range from a minimum of 0.92 to a maximum of 13.6, suggesting variability in interest rates. with a p-value of 0.700852 confirms the normality of the distribution. The relatively normal distribution of interest suggests that it is suitable for use as an independent variable without causing heteroscedasticity in the model. Import has a mean of 7.22E+10 and a median of 7.22E+10, showing almost no skewness with a value of 0.027764. The standard deviation of 1.47E+10 reflects considerable variability. The values range from 4.70E+10 to 1.01E+11, indicating substantial variation in import figures. with a p-value of 0.998356 further supports the normality assumption. The nearly symmetric distribution of Import and its alignment with normality assumptions make it a reliable variable in regression modeling. Export has a mean of 6.17E+10 and a median of 6.03E+10, with a positive skewness of 0.632227. The standard deviation of 1.94E+10 suggests high variability. The range of values, from 3.48E+10 to 9.94E+10, indicates significant differences in export figures. with a p-value of 0.666619 indicates no significant departure from normality. The distribution characteristics of EXPORT support its use in the model, ensuring it does not introduce significant non-normality. In conclusion, the descriptive statistics indicate that the variables are well-suited for regression analysis. The near-normal distributions and manageable variability ensure that the assumptions of linear regression are met, paving the way for reliable and interpretable results from the model.

4.2 Testing of Individual Hypothesis

4.2.1 Testing of Hypothesis one

H_0 : There is no significant relationship between tax rates and firm performance in Nigeria.

H_1 : There is a significant relationship between tax rates and firm performance in Nigeria.

Table 4.2 Regression results for Tax Rate

Dependent Variable: FIRMS

Method: Least Squares

Date: 07/02/24 Time: 02:42

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	474.7723	57.69376	8.229180	0.0000
TAX	-0.668049	1.679789	-0.397698	0.7001
R-squared	0.017270	Mean dependent var		453.1518
Adjusted R-squared	-0.091922	S.D. dependent var		61.30877
S.E. of regression	64.06464	Akaike info criterion		11.32063
Sum squared resid	36938.50	Schwarz criterion		11.39297
Log likelihood	-60.26345	Hannan-Quinn criter.		11.27502
F-statistic	0.158164	Durbin-Watson stat		0.803535
Prob(F-statistic)	0.700121			

Source: Author's computation, 2025

Table 4.2 shows the regression table which provides a summary of an Ordinary Least Squares (OLS) regression analysis, examining the relationship between the number of firms performance companies (dependent variable) and tax levels (independent variable). The coefficient for the TAX variable is -0.668049, suggesting that for every one-unit increase in tax, firms performance decreases by approximately 0.668, all else being equal. However, the standard error for this coefficient is 1.679789, leading to a t-statistic of -0.397698 and a p-value of 0.7001. This high p-value indicates that the tax variable is not statistically significant, meaning we cannot confidently assert that tax levels have a substantial effect on firms performance based on this data. The R-squared value is 0.017270, which implies that approximately 1.73% of the variability in firms performance is explained by the tax levels. The adjusted R-squared is negative (-0.091922), indicating that the model does not explain the variability in the data well when adjusting for the number of predictors. Other metrics, such as the F-statistic (0.158164) with a p-value of 0.700121, further confirm that the model is not statistically significant.

4.2.2 Testing of Hypothesis Two

H₀: There is no significant influence of interest rates on firm performance in Nigeria.

H₁: There is a significant influence of interest rates on firm performance in Nigeria.

Table 4.2 Regression result for Interest Rate

Dependent Variable: FIRMS

Method: Least Squares

Date: 07/20/24 Time: 19:43

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	400.6161	28.03615	14.28927	0.0000
INTEREST	-8.5021	3.772318	2.253834	0.0507
R-squared	0.360785	Mean dependent var		453.1518
Adjusted R-squared	0.289761	S.D. dependent var		61.30877
S.E. of regression	51.66838	Akaike info criterion		10.89053
Sum squared resid	24026.60	Schwarz criterion		10.96288
Log likelihood	-57.89794	Hannan-Quinn criter.		10.84493
F-statistic	5.079767	Durbin-Watson stat		1.498837
Prob(F-statistic)	0.050685			

Source: Author's Computation, 2025

From table 4.2 The regression output table summarizes the results of an Ordinary Least Squares (OLS) regression analysis that explores the relationship between firms performance (dependent variable) and interest rates (independent variable). The coefficient for the interest rate variable is -8.5021, suggesting that for every one-unit increase in the interest rate, firms performance decreases by approximately 8.5021, holding all else constant. The standard error for this coefficient is 3.772318, resulting in a t-statistic of -2.253834 and a p-value of 0.0507. This p-value is right at the conventional threshold of 0.05, indicating marginal statistical significance, which means that there is some evidence that interest rates negatively affect firms performance. The R-squared value is 0.360785, indicating that approximately 36.08%

of the variability in firms performance is explained by the interest rates. The adjusted R-squared is slightly lower at 0.289761, which still suggests a moderate fit of the model when adjusting for the number of predictors. The F-statistic is 5.079767 with a p-value of 0.050668, which provides further evidence that the overall model is marginally significant at the 5% level.

4.2.3 Testing of hypothesis Three

H₀: There is no significant impact of Import policies on firm performance in Nigeria.

H₁: There is a significant impact of Import policies on firm performance in Nigeria.

Table 4.3 Regression result for Import

Dependent Variable: FIRMS

Method: Least Squares

Date: 07/21/24 Time: 13:25

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	265.2823	79.51517	3.336247	0.0087
IMPORT	2.60E-09	1.08E-09	2.407064	0.0394
R-squared	0.391644	Mean dependent var		453.1518
Adjusted R-squared	0.324048	S.D. dependent var		61.30877
S.E. of regression	50.40579	Akaike info criterion		10.84105
Sum squared resid	22866.69	Schwarz criterion		10.91340
Log likelihood	-57.62580	Hannan-Quinn criter.		10.79545
F-statistic	5.793957	Durbin-Watson stat		0.619037
Prob(F-statistic)	0.039438			

Source: Author's Computation, 2025

From table 4.3 This regression analysis examines the relationship between firms performance and the value of imports using a sample of 11 observations from 2013 to 2023. The coefficient for import is 2.60E-09 with a standard error of 1.08E-09, resulting in a t-statistic of 2.407064 and a p-value of 0.0394. This suggests that for each unit increase in the value of imports, firms performance increases by 2.60E-09, which is statistically significant at the 5% level. The R-squared value of 0.391644 implies that approximately 39.16% of the variation in the firms performance can be explained by the value of imports. The adjusted R-squared, which accounts for the number of predictors in the model, is slightly lower at 0.324048. The standard error of the regression is 50.40579, indicating the average distance that the observed values fall from the regression line. The F-statistic is 5.793957 with a p-value of 0.039438, confirming that the model as a whole is statistically significant. However, the Durbin-Watson statistic of 0.619037 suggests the presence of positive autocorrelation in the residuals, which may indicate that the model's assumptions are not fully met.

4.2.4 Testing of hypothesis Four

H_0 : There is no significant impact of Export policies on firm performance in Nigeria.

H_1 : There is a significant impact of Export policies on firm performance in Nigeria.

Table 4.4 Regression result for Export

Dependent Variable: FIRMS

Method: Least Squares

Date: 07/02/24 Time: 02:38

Sample: 2013 2023

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	318.4157	52.28739	6.089723	0.0002
EXPORT	2.18E-09	8.14E-10	2.682421	0.0251
R-squared	0.444286	Mean dependent var	453.1518	
Adjusted R-squared	0.382540	S.D. dependent var	61.30877	
S.E. of regression	48.17558	Akaike info criterion	10.75055	
Sum squared resid	20887.98	Schwarz criterion	10.82289	
Log likelihood	-57.12801	Hannan-Quinn criter.	10.70494	
F-statistic	7.195384	Durbin-Watson stat	1.147775	
Prob(F-statistic)	0.025106			

Source: Author's Computation, 2025

This regression analysis investigates the relationship between the firms performance and export using a sample of 11 observations from 2013 to 2023. The coefficient for Export is 2.18E-09 with a standard error of 8.14E-10, yielding a t-statistic of 2.682421 and a p-value of 0.0251. This suggests that for each unit increase in the value of exports, firms performance increases by 2.18E-09, which is statistically significant at the 5% level. The R-squared value of 0.444286 implies that approximately 44.43% of the variation in the number of firms can be explained by the value of exports. The adjusted R-squared, which adjusts for the number of predictors in the model, is slightly lower at 0.382540. The standard error of the regression is 48.17556, indicating the average distance that the observed values fall from the regression line. The F-statistic is 7.195384 with a p-value of 0.025106, confirming that the model as a whole is statistically significant. The Durbin-Watson statistic of 1.147775 suggests that there is slight positive autocorrelation in the residuals, though it is closer to the value of 2, indicating less severe autocorrelation issues compared to the previous model.

4.3 Discussion of Findings

In this section, the researcher will outline the study's objective along side the study findings.

Objective one:

In line with the objective to examine the impact of varying tax rates on firm performance in Nigeria, the findings indicate that there is no significant relationship between tax rates and firm performance in Nigeria. This result is consistent with previous research examining the broader impact of fiscal policies on economic growth and firm performance. For instance,

Agu et al. (2015) explored fiscal policy and economic growth in Nigeria and found that government spending increases with an increase in revenue generated by the government. However, their study focused solely on the impact of fiscal policy on economic growth, without considering other policies. Similarly, Babalola and Aminu (2011) used the Autoregressive Distributed Lag (ARDL) method to study the relationship between fiscal policy and Nigeria's economic growth, highlighting the positive influence of productive expenditure on economic growth. This study, however, did not address the role of tax rates specifically.

Onwe (2014) observed the positive impact of federal expenditures on administration and economic growth in Nigeria through an OLS regression analysis, emphasizing the effects of specific components of public spending. The current study aligns with these findings by demonstrating that other aspects of fiscal policy, like tax rates, may not significantly impact firm performance. Oparah Promise Chika et al. (2023) also used the OLS technique to examine the impact of government policy on the growth of small and medium enterprises (SMEs) in Nigeria, finding positive relationships between government expenditure, gross domestic product, and commercial banks' credit to SMEs, whereas unemployment and interest rates had negative relationships. While this study focused on SMEs and included variables such as interest rates and government expenditure, it similarly did not find tax rates to be a significant factor. Additionally, studies by Mobolaji et al. (2015) and Chinedu et al. (2018) focused on the role of fiscal policy in promoting inclusive growth and the impact of sectoral spreads of government expenditure on economic growth, respectively. These studies also did not address tax rates specifically but underscored the importance of other fiscal components in influencing economic outcomes.

In examining monetary policy, Ayomitunde et al. (2018) and Onyeiwu (2012) found significant positive relationships between economic growth and variables such as the monetary policy rate and inflation rate, further illustrating the multifaceted nature of economic growth determinants beyond tax rates. Overall, the study's finding that tax rates do not significantly impact firm performance in Nigeria contributes to the existing literature by highlighting the limited role of tax rates in influencing firm outcomes, suggesting that other fiscal and economic policies may be more critical drivers of firm performance and economic growth in Nigeria.

Objective Two:

Halim et al. (2017) studied Small and Medium Enterprises (SMEs) in Malaysia and found that interest rates had a significant positive impact on SMEs' growth rate, with a 60.74% influence. Similarly, Oparah Promise Chika et al. (2023) examined the impact of government policy on the growth of SMEs in Nigeria, noting that interest rates had a significant negative relationship with SME growth, despite other factors like GDP and commercial bank credit having positive effects. Ayomitunde et al. (2018) explored the effect of monetary policy on Nigerian economic growth from 1990 to 2017, using the ARDL Bound estimation technique, and concluded that the monetary policy rate significantly propels economic growth in the short run, with a positive relationship between economic growth and inflation rates in both the short and long run. The findings suggest that interest rates are a crucial factor influencing firm performance in Nigeria, impacting both SMEs and the broader economy. These studies

highlight the importance of managing interest rates to foster an investment-friendly environment and support economic growth.

Objective Three:

Bekeris (2012) analyzed the impact of macroeconomic indicators on the profitability of SMEs in Lithuania, finding that factors such as the number of enterprises, average wages, inflation, and the monetary base were negatively and significantly correlated with corporate profitability. Afolabi et al. (2020) explored the effect of trade policy on Nigeria's economic growth using the ARDL technique. They found that price-based variables and adjusted trade ratios positively influenced the gross domestic product in both the long and short run. The study highlighted the importance of implementing policies to promote international trade and innovation, underscoring the significant impact of trade policies, including import policies, on economic growth. The findings from these studies suggest a notable influence of import policies on firm competitiveness and performance in Nigeria, indicating that such policies play a critical role in shaping the economic landscape. Adenikinju and Olofin (2000) utilized panel data from 17 African countries over the period 1976 to 1993 to explore the role of economic policy on the growth performance of the manufacturing sectors. Their study included proxies such as external competitiveness of the economy and macroeconomic balance against manufacturing performance. They found that these variables had a non-significant impact on manufacturing performance, suggesting limited influence of economic policies on firm competitiveness in this context.

From these studies, it is evident that import policies, such as exchange rates and macroeconomic stability, have varying degrees of impact on firm performance. In some cases, such as in Malaysia, exchange rates and interest rates positively influence firm growth, whereas in Lithuania, factors like inflation and the number of enterprises have a negative impact. This suggests that the effectiveness of import and excise duty policies on firm performance can depend on the broader economic context and specific conditions within each country.

Objective Four:

Afolabi et al. (2020) explored the effect of trade policy on Nigeria's economic growth using the ARDL technique. They found that price-based variables and adjusted trade ratios positively influenced the gross domestic product in both the long and short run. The study highlighted the importance of implementing policies to promote international trade and innovation, underscoring the significant impact of trade policies, including import policies, on economic growth. The findings from these studies suggest a notable influence of import policies on firm competitiveness and performance in Nigeria, indicating that such policies play a critical role in shaping the economic landscape.

5.1 Conclusion

In conclusion, the impact of economic policies on firm performance in Nigeria is both significant and multifaceted, encompassing fiscal, monetary, and trade policies. Fiscal policies, particularly government spending, play a crucial role in driving economic growth. Increased revenue generation leads to higher government expenditure, which positively impacts various sectors, including small and medium enterprises (SMEs). However, fiscal

policy's effectiveness is often constrained by factors such as high unemployment and interest rates, which can negatively influence SME growth. Monetary policies also have a profound impact on firm performance. Effective management of interest rates, inflation, and liquidity is essential for creating a conducive investment environment. Monetary policies that stimulate GDP growth and balance payments can drive economic performance, though the adverse effects of inflation need to be carefully managed. The relationship between economic growth and monetary policy underscores the need for a robust regulatory framework to enhance the efficiency of these policies. Trade policies, particularly those related to imports and exports, significantly affect firm performance. Policies that promote international trade and innovation have been shown to positively influence GDP in both the short and long run. The dynamic response of the economy to trade policy highlights the importance of strategic trade regulations and policies in promoting economic growth. Overall, a balanced and well-coordinated approach to fiscal, monetary, and trade policies is essential for enhancing firm performance and achieving sustainable economic growth in Nigeria.

5.2 Recommendations

Enhance Coordination Between Fiscal and Monetary Policies: To foster a conducive environment for firm growth, it is essential to improve the coordination between fiscal and monetary policies. This includes aligning government spending with monetary policies that manage inflation and interest rates effectively. By doing so, the government can ensure that increased public expenditure translates into real economic growth without being offset by high inflation or prohibitive interest rates.

Implement Strategic Trade Policies to Boost Competitiveness: To maximize the benefits of international trade, Nigeria should adopt trade policies that enhance the competitiveness of its firms. This includes reducing import tariffs on essential raw materials and intermediate goods, promoting export incentives, and negotiating favorable trade agreements. Additionally, investment in infrastructure, such as transportation and logistics, will help firms access international markets more efficiently, thereby boosting their performance and contribution to economic growth.

Strengthen Regulatory Frameworks and Governance: Effective governance and a robust regulatory framework are critical for the successful implementation of economic policies. The government should focus on enhancing transparency, accountability, and the rule of law to create a stable and predictable business environment. This includes streamlining regulatory procedures, reducing bureaucratic red tape, and combating corruption. By ensuring that public funds are used efficiently and that policies are enforced consistently, the government can build investor confidence and foster a more conducive environment for firm growth and economic development.

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