

Policy Adherence And Business Growth: Exploring The Relationship In Small And Medium Enterprises

AKANG, AKANINYENE UDO (MNIM)

Department of Business Administration/Management.
Akwa Ibom State Polytechnic, Ikot Osurua, Ikot Ekpene.
Email: akangakaninyene2021@gmail.com

Abstract

Small and Medium Enterprises (SMEs) play a vital role in economic growth worldwide but often face challenges in adhering to policies. This study investigates the relationship between policy adherence and business growth in SMEs. The study explores how policy adherence influences various aspects of SME operations and their growth trajectory through mixed-method research, including surveys and interviews with SME representatives. Descriptive analysis reveals a strong correlation between policy adherence and business growth, supported by significant statistical findings. The study confirms that SMEs operating within supportive regulatory frameworks are better equipped to withstand external shocks, create job opportunities, and enhance social welfare. Policymakers are urged to develop tailored support mechanisms, including accessible resources and simplified regulatory processes, to assist SMEs in navigating complex policy landscapes effectively. By fostering an enabling environment for SMEs, policymakers can promote inclusive and sustainable economic growth, ensuring prosperity and resilience at both local and global levels.

Keywords: Policy adherence, Business growth, small and medium enterprises (SMEs), Regulations, Compliance, Government policies.

Introduction

Small and Medium Enterprises (SMEs) are crucial in driving economic growth, fostering innovation, and creating employment opportunities worldwide. However, despite their significance, SMEs often face numerous challenges in navigating complex regulatory environments and adhering to policies and regulations. Ensuring policy adherence within SMEs is imperative for their sustainability and growth, maintaining regulatory compliance, and fostering trust within the business ecosystem.

SMEs operate within a dynamic regulatory landscape characterized by a multitude of policies, laws, and standards. Compliance with these regulations is essential for safeguarding the interests of stakeholders, mitigating risks, and ensuring ethical business practices (European Commission, 2020). Effective policy adherence necessitates the establishment of robust internal processes and procedures within SMEs. From governance structures to operational protocols, every aspect of the organization must align with regulatory requirements to uphold compliance standards (Kollmann & Kuckertz, 2010). Unlike large corporations, SMEs often grapple with limited resources, including financial capital, human capital, and technological infrastructure. These resource constraints can pose significant challenges to achieving and maintaining compliance with complex regulatory frameworks (Linnenluecke & Griffiths, 2010). Many SMEs lack a comprehensive understanding and awareness of regulatory requirements pertinent to their industry or geographic location. Educating entrepreneurs, managers, and employees about relevant policies and their implications is crucial for fostering a culture of compliance within SMEs (McKinsey & Company 2019). Mohd-Nawi & Rahman (2018) stated that leveraging technology can streamline compliance processes and facilitate real-time monitoring of policy adherence. Integrating digital solutions such as compliance management software and data analytics tools can enhance efficiency and accuracy in regulatory compliance efforts.

According to Kollmann & Kuckertz (2010), Adhering to policies is paramount for Small and Medium Enterprises (SMEs) as it establishes a framework for ethical conduct, operational efficiency, and long-term sustainability. Strict adherence to policies ensures compliance with legal regulations, mitigates risks associated with fines or legal actions, and fosters trust among stakeholders, including customers, investors, and employees. Additionally, consistent policy adherence cultivates a culture of accountability and transparency within the organization, promoting smooth operations and reducing instances of internal conflicts or misunderstandings. Research by Zott, Amit, and Massa (2011) highlights the positive correlation between policy adherence and firm performance, emphasizing the significance of robust governance structures in enhancing SME competitiveness and resilience amidst dynamic market conditions. Therefore, SMEs must prioritize policy adherence to safeguard their reputation, uphold ethical standards, and drive sustainable growth in the ever-evolving business landscape.

Despite the importance of policy adherence, SMEs encounter various challenges that impede their ability to comply with regulations effectively. These challenges include limited resources, lack of awareness, bureaucratic hurdles, and the ever-evolving nature of regulatory frameworks. However, amidst these challenges lie opportunities for innovation, collaboration, and capacity-building initiatives aimed at empowering SMEs to navigate regulatory complexities more effectively.

This study investigates the relationship between policy adherence and business growth within Small and Medium Enterprises (SMEs). Through comprehensive analysis and empirical research, it aims to elucidate how strict adherence to policies influences various facets of SMEs' operations, including legal compliance, operational efficiency, stakeholder trust, and overall competitiveness. By exploring the extent to which policy adherence contributes to sustained business growth, this study seeks to provide valuable insights for SMEs to optimize their governance structures, enhance their market position, and foster long-term success in dynamic business environments.

Research Objectives

Against this backdrop, the primary objectives of this research are to:

To examine the relationship between SMEs policy adherence on business growth.

Research Questions

What is the relationship between SMEs policy adherence on business growth?

Research Hypothesis

There is no significant relationship between SMEs policy adherence on business growth.

LITERATURE REVIEW

Policy Adherence in SMEs

Policy adherence in Small and Medium Enterprises (SMEs) is crucial for fostering organizational integrity, operational efficiency, and sustainable growth. By adhering to established policies and regulations, SMEs can mitigate legal risks, ensure compliance with industry standards, and build trust among stakeholders, including customers, investors, and employees (Mohd-Nawi & Rahman, 2018). Research by Amankwah-Amoah and Debrah (2010) emphasizes the importance of robust governance structures in enhancing SME performance and resilience amidst dynamic market conditions. Moreover, effective policy adherence fosters a culture of accountability and transparency within SMEs, facilitating smoother operations and reducing instances of internal conflicts or misunderstandings. Therefore, SMEs must prioritize policy adherence to safeguard their reputation, uphold ethical standards, and drive long-term success in today's competitive business landscape.

TYPES OF POLICIES RELEVANT TO SMES

Small and Medium Enterprises (SMEs) encounter a range of policies relevant to their operations, encompassing various aspects of business management, compliance, and risk mitigation. SMEs must adhere to regulatory policies set by government authorities, such as labor laws, tax regulations, environmental regulations, and industry-specific standards. Research by Bucci et al. (2018) provides insights into the diversity of policies affecting SMEs and underscores the importance of understanding and implementing these policies effectively to

ensure sustainable business practices and compliance with legal requirements, thereby enhancing their competitiveness and resilience in the marketplace. These policies include but are not limited to;

Human Resources Policies: Human resources policies form a cornerstone of the organizational structure for small and medium-sized enterprises (SMEs), encompassing guidelines and procedures related to employee recruitment, training, performance evaluation, compensation, and workplace conduct (Nankervis et al., 2011). These policies are vital for SMEs to attract and retain talent, foster a positive work culture, and ensure compliance with labor laws and regulations. By establishing clear and equitable human resources policies, SMEs can enhance employee satisfaction, productivity, and organizational effectiveness (Fottler et al., 2010). Moreover, these policies contribute to mitigating legal risks, promoting diversity and inclusion, and fostering a conducive work environment conducive to innovation and growth (Cascio, 2015).

Financial Policies: Financial policies are fundamental to the operational framework of small and medium-sized enterprises (SMEs), comprising guidelines and procedures governing financial management, budgeting, investment decisions, and risk mitigation strategies (Gibson, 2012). These policies are essential for SMEs to ensure sound fiscal health, optimize resource allocation, and achieve long-term sustainability. By establishing clear and prudent financial policies, SMEs can effectively manage cash flow, minimize debt exposure, and enhance profitability (Brigham & Ehrhardt, 2013). Moreover, these policies facilitate transparency and accountability in financial reporting, fostering trust among investors, creditors, and other stakeholders crucial for accessing capital and supporting business growth (Palepu et al., 2013).

Operational Policies: Operational policies encompass a set of guidelines and procedures crucial for the day-to-day functioning of small and medium-sized enterprises (SMEs). These policies delineate the specific tasks, workflows, and responsibilities within an organization, aiming to streamline operations, enhance efficiency, and maintain consistency in performance. They cover various aspects such as inventory management, quality control, customer service protocols, and employee conduct. By establishing clear operational policies, SMEs can minimize errors, mitigate risks, and foster a conducive work environment conducive to productivity and growth (Porter, 2009). Moreover, these policies serve as a reference point for employees, facilitating adherence to organizational standards and objectives, ultimately contributing to sustained success in the competitive business landscape (Gupta & Sharma, 2019).

Environmental Policies: Environmental policies represent a critical aspect of governance for small and medium-sized enterprises (SMEs), encompassing strategies and guidelines aimed at minimizing ecological footprint and promoting sustainability in business operations. These policies typically address issues such as waste management, energy efficiency, pollution control, and adherence to environmental regulations, reflecting SMEs' commitment to corporate social responsibility and long-term environmental stewardship (Greenwood, 2017). By implementing robust environmental policies, SMEs can not only reduce environmental risks and comply with legal requirements but also seize opportunities for innovation, cost savings, and enhanced reputation among stakeholders (Schaltegger & Wagner, 2011). Moreover, these policies can foster eco-friendly practices throughout the supply chain, contributing to broader sustainability goals and resilience in the face of environmental challenges (Schaper et al., 2014).

Information Technology (IT) Policies: Information Technology (IT) policies serve as a fundamental framework for small and medium-sized enterprises (SMEs), delineating guidelines and procedures for the effective and secure utilization of technological resources. These policies encompass various aspects of IT management, including data security, network usage, software licensing, and acceptable use of technology assets by employees (Doherty & Marples, 2008). By establishing robust IT policies, SMEs can mitigate cyber risks, safeguard sensitive information, and ensure regulatory compliance, thus enhancing operational efficiency and maintaining trust with customers and stakeholders (Sanghani, 2016). Furthermore, well-defined IT policies promote a culture of accountability and productivity within the organization, fostering innovation and enabling SMEs to leverage technology as a strategic asset for growth and competitiveness in the digital age (Hendrickson, 2013).

Compliance Policies: Compliance policies are integral to the governance framework of small and medium-sized enterprises (SMEs), providing guidelines and procedures to ensure adherence to relevant laws, regulations, and

industry standards. These policies encompass a range of areas such as financial reporting, data protection, labor laws, and environmental regulations, tailored to the specific regulatory landscape within which SMEs operate (Niskala & Pretorius, 2018). By establishing robust compliance policies, SMEs can mitigate legal risks, avoid penalties, and uphold ethical business practices, thereby enhancing credibility and trust among stakeholders (Nwachukwu, 2019). Moreover, compliance policies promote a culture of accountability and transparency within the organization, facilitating smoother operations and fostering sustainable growth in competitive markets (Eikenberry & Kluver, 2004).

Marketing and Sales Policies: Marketing and sales policies are pivotal components of the operational framework for small and medium-sized enterprises (SMEs), encompassing strategies and guidelines aimed at effectively promoting products or services, attracting customers, and driving revenue growth. These policies include pricing strategies, distribution channels, advertising guidelines, and customer relationship management protocols (Sánchez-Franco & Roldán, 2005). By establishing clear and coherent marketing and sales policies, SMEs can differentiate themselves in competitive markets, build brand awareness, and cultivate customer loyalty, thus driving sustainable business growth (Hair et al., 2019). Moreover, these policies facilitate alignment between marketing and sales teams, fostering collaboration and synergy to maximize market penetration and profitability (Ritter & Gemünden, 2004).

BUSINESS GROWTH IN SMALL AND MEDIUM ENTERPRISES (SMEs)

Business growth is a pivotal objective for Small and Medium Enterprises (SMEs), as it drives competitiveness and sustainability in today's dynamic markets. SMEs play a crucial role in fostering economic development worldwide, but their growth trajectory is often impeded by various internal and external challenges. To navigate these hurdles successfully, SMEs require a multifaceted approach integrating strategic planning, innovation, market expansion, and resource optimization. Davidsson and Wiklund (2000) emphasize the significance of entrepreneurial orientation in SME growth while also incorporating insights from the research of Chittithaworn et al. (2011) on the role of strategic alliances in facilitating SME expansion.

Defining business growth encompasses a multifaceted concept that extends beyond mere revenue expansion to encompass various qualitative and quantitative indicators. Business growth can be understood as the sustained increase in a company's size, profitability, market share, and overall value over time. Business growth indicators include financial metrics such as revenue growth rate, profit margins, return on investment (ROI), and asset turnover ratio. Additionally, non-financial indicators such as customer satisfaction, employee productivity, innovation rate, and market penetration are critical in evaluating a company's growth trajectory. Notably, scholars like Penrose (1959) emphasize the importance of internal resources and capabilities in driving business growth, while contemporary researchers such as Zahra et al. (2006) underscore the significance of external factors like industry dynamics and competitive positioning. Storey (1994) emphasize how growth enables SMEs to attract skilled talent, invest in research and development, and adopt advanced technologies, fostering productivity enhancements and enhancing their overall value proposition. Additionally, growth facilitates SMEs' access to external financing sources, critical for funding expansion initiatives and strengthening financial resilience. Therefore, fostering business growth is essential for SMEs to thrive amidst competitive pressures and capitalize on emerging opportunities, ultimately driving economic prosperity and societal welfare (Hall et al., 2010).

The growth trajectory of Small and Medium Enterprises (SMEs) is influenced by a myriad of internal and external factors that shape their strategic decisions and operational outcomes. Internal factors such as entrepreneurial orientation, leadership capabilities, organizational culture, and management practices play a pivotal role in driving SME growth (Davidsson & Wiklund, 2000). Moreover, access to financial resources, including equity, debt financing, and government support programs, significantly impacts SMEs' ability to invest in expansion initiatives and overcome liquidity constraints (Beck et al., 2006). Additionally, external factors such as market conditions, competitive dynamics, regulatory environments, technological advancements, and socio-economic trends exert considerable influence on SME growth trajectories (Coad et al., 2014). Scholars highlight the interplay between these factors, underscoring the need for SMEs to adopt adaptive strategies that leverage their strengths while mitigating risks in dynamic business environments (Davidsson & Wiklund, 2000).

IMPACT OF SMEs POLICY ADHERENCE ON BUSINESS GROWTH

Adherence to policies tailored for Small and Medium Enterprises (SMEs) significantly influences business growth and sustainability. Research indicates that supportive policy environments can alleviate barriers to SME development, leading to enhanced productivity, innovation, and competitiveness (Bosma et al., 2018; OECD, 2020). When SMEs comply with regulations designed to cater to their unique needs, they can more effectively navigate bureaucratic complexities and gain access to essential resources such as financing, training programs, and market opportunities (Beck et al., 2021). Such policies streamline administrative processes, reduce compliance costs, and create a level playing field, enabling SMEs to allocate resources more efficiently towards growth-oriented activities (World Bank Group, 2019). Consequently, SMEs that adhere to supportive policies are better positioned to seize market opportunities, expand their operations, and contribute to overall economic development.

Moreover, the impact of SME policy adherence extends beyond individual businesses to broader socio-economic outcomes. Studies suggest that SMEs are significant drivers of employment generation, particularly in developing countries and emerging economies (ILO, 2020; European Commission, 2021). By complying with policies that foster SME growth, businesses can create job opportunities, reduce unemployment rates, and enhance social welfare (Beck et al., 2021). The multiplier effect of SME-led job creation stimulates consumer spending, boosts demand for goods and services, and strengthens local supply chains, thereby catalyzing economic growth at the grassroots level (World Bank Group, 2019). Additionally, supportive policy environments encourage entrepreneurial activity and facilitate the integration of SMEs into global value chains, fostering resilience and adaptability in the face of economic challenges (OECD, 2020).

Furthermore, adherence to SME policies can enhance business resilience and sustainability, particularly in times of crisis. Research suggests that SMEs operating within supportive regulatory frameworks are better equipped to withstand external shocks, such as financial downturns, natural disasters, and pandemics (Bosma et al., 2018; European Commission, 2021). Policies that provide access to risk-mitigation mechanisms, emergency funding, and business continuity support enable SMEs to weather uncertainties and maintain operational continuity (World Bank Group, 2019). Policy adherence contributes to the long-term viability and growth trajectory of SMEs by promoting resilience and adaptive capacity, thereby fostering economic stability and resilience at both local and global levels (OECD, 2020).

The impact of SME policy adherence on business growth is multifaceted, encompassing economic, social, and environmental dimensions. By fostering an enabling environment for SME development, policymakers can catalyze inclusive and sustainable growth, unlock entrepreneurial potential, and promote equitable access to opportunities (ILO, 2020; European Commission, 2021). However, the effectiveness of SME policies depends on their design, implementation, and enforcement, highlighting the importance of evidence-based policy formulation and stakeholder engagement (Beck et al., 2021; OECD, 2020). Moving forward, concerted efforts are needed to address regulatory gaps, enhance institutional capacity, and promote policy coherence to maximize the positive impact of SME policies on business growth and development (World Bank Group, 2019).

CHALLENGES FACED BY SMES IN ADHERING TO POLICIES

Small and Medium Enterprises (SMEs) encounter a myriad of challenges when striving to comply with policies, spanning from regulatory frameworks to industry-specific guidelines. These enterprises often grapple with limited resources, both financial and human, making it arduous to navigate the complex landscape of legal requirements and standards. Moreover, the dynamic nature of policies, which frequently undergo updates and revisions, further complicates the compliance process for SMEs. Additionally, SMEs face difficulties in accessing relevant information and expertise regarding compliance due to their size and limited networks. These challenges can hinder their growth prospects and competitiveness in the market, emphasizing the need for tailored support mechanisms and resources to assist SMEs in effectively adhering to policies (Boutillier Sophie et al., 2020; European Commission, 2019). These challenges include but are not limited to;

Limited Resources: Limited resources pose a significant challenge for small and medium-sized enterprises (SMEs) in adhering to policies, whether they relate to regulatory compliance, environmental sustainability, or

ethical standards. With constrained budgets and workforce, SMEs often struggle to allocate sufficient resources to understand, implement, and monitor adherence to various policies. This scarcity can lead to gaps in compliance, increased risk exposure, and potential reputational damage. According to a report by the World Bank Group, SMEs frequently encounter difficulties in navigating complex regulatory environments due to resource constraints, impeding their ability to maintain compliance and remain competitive (World Bank Group, 2019). Moreover, research conducted by the International Labour Organization highlights how limited financial resources impede SMEs from adopting sustainable practices, illustrating the multifaceted nature of the challenge (International Labour Organization, 2018).

Complex Regulatory Environment: Navigating the intricate landscape of regulatory requirements presents a formidable challenge for small and medium-sized enterprises (SMEs) in adhering to policies. SMEs often confront myriad regulations spanning various sectors, making it arduous to comprehend and comply with the diverse array of mandates. The complexity of the regulatory environment can overwhelm SMEs, particularly those with limited expertise and resources, hampering their ability to interpret, implement, and stay abreast of evolving regulatory frameworks. A study conducted by the Organisation for Economic Co-operation and Development (OECD) underscores the difficulties SMEs encounter in complying with complex regulations, citing the substantial administrative burden and costs associated with regulatory compliance (OECD, 2020). Furthermore, research by the European Commission highlights the disproportionate impact of regulatory complexity on SMEs, emphasizing the need for tailored support mechanisms to alleviate compliance burdens (European Commission, 2019).

Lack of Expertise: The dearth of expertise poses a significant challenge for small and medium-sized enterprises (SMEs) in adhering to policies, encompassing regulatory compliance, industry standards, and ethical guidelines. SMEs often grapple with limited access to specialized knowledge and skills necessary for interpreting and implementing complex policies effectively. This deficiency in expertise can impede SMEs' ability to navigate intricate regulatory landscapes, leading to inadvertent non-compliance and associated risks. Research by the Small Business Administration (SBA) highlights the importance of technical assistance and training programs in addressing SMEs' knowledge gaps and enhancing their capacity to adhere to policies (Small Business Administration, 2020). Moreover, a study published in the Journal of Small Business Management emphasizes the critical role of external advisors and consultants in augmenting SMEs' regulatory compliance capabilities, underscoring the significance of leveraging external expertise (Dutta & Crossan, 2019).

Cost of Compliance: The cost of compliance stands as a formidable challenge for small and medium-sized enterprises (SMEs) striving to adhere to policies, encompassing regulatory requirements, industry standards, and ethical guidelines. SMEs often encounter significant financial burdens associated with understanding, implementing, and monitoring compliance measures, particularly given their limited resources and economies of scale. Research by the National Federation of Independent Business (NFIB) highlights the disproportionate impact of compliance costs on SMEs, citing the heavy financial toll and diversion of resources away from core business activities (National Federation of Independent Business, 2021). Additionally, a study published in the International Small Business Journal emphasizes SMEs' challenges in managing compliance costs within tight budgetary constraints, underscoring the need for cost-effective compliance solutions (Parker & Kirkpatrick, 2019).

Competing Priorities: Competing priorities pose a significant challenge for small and medium-sized enterprises (SMEs) striving to adhere to policies, including regulatory mandates, industry standards, and ethical guidelines. SMEs often operate in dynamic environments where they must balance multiple demands, such as managing day-to-day operations, pursuing growth opportunities, and ensuring financial stability. Consequently, allocating time, attention, and resources to navigate and comply with complex policy requirements becomes increasingly challenging. A study published in the Journal of Small Business Management underscores the struggle of SMEs in prioritizing compliance efforts amidst competing demands, citing the inherent tension between regulatory obligations and business imperatives (Van Hoorn et al., 2020). Moreover, research by the Federation of Small Businesses highlights the trade-offs SMEs face between compliance and productivity, underscoring the need for

streamlined regulatory processes to mitigate the burden on smaller enterprises (Federation of Small Businesses, 2021).

Information Asymmetry: Information asymmetry presents a formidable challenge for small and medium-sized enterprises (SMEs) in adhering to policies, encompassing regulatory requirements, industry standards, and ethical guidelines. SMEs often confront disparities in access to relevant information compared to larger enterprises, hindering their ability to understand and comply with complex policy frameworks fully. This knowledge gap can leave SMEs vulnerable to misinterpretation of regulations, inadvertent non-compliance, and associated penalties. Research by the Organisation for Economic Co-operation and Development (OECD) emphasizes the adverse effects of information asymmetry on SMEs, citing the potential for market distortions and reduced competitiveness (OECD, 2019). A study published in the Journal of Business Ethics also underscores SMEs' challenges in accessing reliable information on ethical standards and best practices, highlighting the need for enhanced transparency and knowledge-sharing mechanisms (Trevino & Weaver, 2019).

THEORETICAL FRAMEWORKS

Institutional Theory

The research tradition known as institutional theory can be traced back to seminal articles that explored how organizational founding and change were influenced more by symbolic actions and outside forces than by functional considerations, as the theory at the time assumed (Meyer & Rowan, 1977). While much subsequent research has shifted away from the firm focus on behavioural theories of the organization by emphasizing environmental influences like the diffusion of new institutionalized practices among firms, these articles drew on concepts of bounded rationality central to behavioural theories and sketched a broad range of potential research questions. Some fields of institutional theory have shifted toward behavioural theory as it has developed. Researchers have observed that the institutional framework affects the organizational transformation processes that behavioural theory studies have initiated direct conversation between the views (Wezel & Saka-Helmhout, 2006). Institutional logics are generally (though not always) shared ideas and behaviour patterns, constituting a developing topic of institutional theory (Thornton, 1995). Research on institutional logic is connected to the BTOF and evolutionary theory since it may be seen as a source of management decision-making guidelines inside an organization. Examining the formation circumstances for new enterprises is another development in institutional theory (Tolbert et al., 2011). In contrast, it suggests that institutional characteristics of the social group entrepreneurs belong to or the symbolic environment they encounter serve as essential sources of organization funding activities. This work challenges the conventional belief that entrepreneurs can rationally identify opportunities.

Institutional Theory that organizations conform to institutional pressures to gain legitimacy and avoid sanctions. In the case of SMEs, regulatory coercion from government bodies necessitates adherence to policies and regulations. SMEs may comply with policies to avoid penalties and signal legitimacy to stakeholders such as customers, investors, and partners. Therefore, studying how SMEs navigate regulatory requirements and the extent to which policy adherence influences their growth can provide insights into the coercive mechanisms at play (Scott, 2014). According to Ruef (2010), Institutional norms and values shape organizational behavior. SMEs often conform to industry standards and best practices to gain social acceptance and legitimacy. Policies and regulations may embody these norms, influencing SMEs' adherence behavior. Investigating how SMEs internalize and respond to normative pressures related to policy adherence can shed light on how institutional norms affect business growth. For instance, SMEs aligning their operations with industry standards and regulatory norms may enhance their credibility, increasing customer trust and business opportunities.

Oliver and Holzinger (2008) stated that SMEs often mimic the practices of successful peers or industry leaders to reduce uncertainty and gain legitimacy. In policy adherence, SMEs may emulate the compliance strategies of larger, more established firms to navigate complex regulatory landscapes. By examining how SMEs mimic policy adherence practices and whether such mimetic behavior contributes to their growth, researchers can explore the role of isomorphic pressures in shaping SME behavior and performance. Pache and Santos (2013) opined that Institutional Theory recognizes the role of actors known as institutional entrepreneurs who challenge existing

institutional arrangements and promote change. In the context of policy adherence and business growth in SMEs, institutional entrepreneurs may advocate for regulatory reforms or innovative compliance strategies that facilitate growth while ensuring compliance. Investigating the activities of institutional entrepreneurs within SMEs and their influence on policy adherence and business growth can provide insights into the mechanisms through which institutional change occurs and its implications for SME performance. Additionally, Hwang & Powell's (2009) Institutional Theory highlights the dependence of organizations on external resources, including regulatory support and legitimacy. SMEs rely on various financial, human, and social capital resources to adhere to policies and sustain growth. Understanding how SMEs mobilize and leverage resources to comply with policies and regulations can elucidate the relationship between resource dependence, policy adherence, and business growth.

METHODOLOGY

The study on policy adherence and business growth in small and medium enterprises (SMEs) adopted a mixed-method approach to explore the relationship between these variables comprehensively. The study population comprises 20 small and medium enterprises (SMEs) in Uyo, Akwa Ibom State; stratified sampling technique was used in selecting 100 respondents, 5 from each of the SMEs; this was to ensure representation across different segments of the SME population. Initially, quantitative data was used to gather through surveys distributed among SME owners and managers to assess the extent of policy adherence and its impact on various business growth indicators. Additionally, qualitative data was collected through in-depth interviews with a select group of SME representatives to gain deeper insights into their experiences, challenges, and strategies related to policy compliance and business expansion. Integrating quantitative and qualitative methods will enable a thorough understanding of the multifaceted dynamics between policy adherence and business growth within the context of SMEs. Statistical analyses such as descriptive statistics to summarize the levels of policy adherence and business growth among SMEs, while thematic analysis was employed to identify patterns and themes emerging from qualitative data, allowing for a rich interpretation of the findings.

Research Question: What is the relationship between SMEs policy adherence on business growth?

Table 1: Descriptive statistics of the relationship between SMEs policy adherence on business growth

Variable	N	Arithmetic Mean	Expected Mean	R	Remarks
SMEs policy adherence	100	16.48	12.5	0.92	*Strong to Perfect Relationship
Business growth		14.26	12.5		

Source: Field Survey

The above table 1 present the descriptive analysis of the relationship between SMEs policy adherence and business growth. The two variables had a strong to perfect relationship at 0.92%. The arithmetic mean for Agricultural tools (16.48) was higher than the expected mean score of 12.5. In addition to that, the arithmetic mean as regards Ergonomic design (14.26) was observed to be higher than the expected mean score of 12.5. Therefore, The result means that there is a remarkable relationship between SMEs policy adherence and business growth.

Research Hypothesis

There is no significant relationship between SMEs policy adherence on business growth

Table 2: Analysis of variance of the relationship between SMEs policy adherence on business growth

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	937.12	1	937.125	2736.81	.000b
Residual	163.67	98	0.34		
Total	1100.80	100			

a. Dependent Variable: Business growth

b. Predictors: (Constant), SMEs policy adherence

The calculated F-value (2736.81) and the P-value as (.000b). Since the P-value (.000b) is below the probability level of 0.05, the result therefore means that there is a significant relationship between the independent variables i.e. SMEs policy adherence on the dependent variable which is business growth. Therefore, The result means a significant relationship between SMEs policy adherence and business growth.

SUMMARY OF FINDINGS

Table 1 confirmed the result in table 2 Showing the calculated F-value (2736.81) and the P-value as (.000b). The P-value (.000b) is below the probability level of 0.05. The result therefore means that the relationship between SMEs policy adherence and business growth is significant. The result therefore agrees with the research findings of Bosma et al. (2018) & European Commission (2021) who suggests that SMEs operating within supportive regulatory frameworks are better equipped to withstand external shocks, such as financial downturns, natural disasters, and pandemic. Moreover, complying with policies that foster SME growth, businesses can create job opportunities, reduce unemployment rates, and enhance social welfare (Beck et al., 2021). Additionally, supportive policy environments encourage entrepreneurial activity and facilitate the integration of SMEs into global value chains, fostering resilience and adaptability in the face of economic challenges (OECD, 2020).

CONCLUSION

In conclusion, the research underscores the critical importance of SMEs adhering to policies for fostering sustainable business growth. The comprehensive analysis reveals a strong correlation between policy adherence and various facets of SME operations, including legal compliance, stakeholder trust, and overall competitiveness. The findings validate that SMEs operating within supportive regulatory frameworks are better positioned to navigate challenges, seize opportunities, and contribute to economic development. Moreover, the study highlights the multifaceted impact of policy adherence on business resilience, job creation, and societal welfare, underscoring the significance of tailored support mechanisms for SMEs. Moving forward, policymakers and stakeholders must prioritize evidence-based policy formulation, stakeholder engagement, and capacity-building initiatives to maximize the positive impact of policies on SME growth and development. By fostering an enabling environment for SMEs, policymakers can catalyze inclusive and sustainable economic growth, thereby promoting prosperity and resilience at both local and global levels.

RECOMMENDATIONS

Based on the comprehensive analysis presented in the above write-up, several recommendations can be drawn to support small and medium-sized enterprises (SMEs) in enhancing their policy adherence and fostering sustainable business growth.

- Policymakers should prioritize developing and implementing tailored support mechanisms to assist SMEs in navigating complex regulatory environments.
- Stakeholders should foster collaboration between government agencies, industry associations, and academic institutions can facilitate knowledge-sharing and capacity-building initiatives for SMEs.
- Policymakers should enhance digitalization and leveraging technology solutions can streamline compliance processes and enhance transparency in regulatory reporting.

REFERENCES

1. Beck, T., Demirgüç-Kunt, A., & Singer, D. (2021). *SME Policy, Credit Guarantee Schemes, and Economic Growth*. The World Bank.
2. Bosma, N., Kelley, D., & Minniti, M. (2018). *Global Entrepreneurship Monitor 2017/2018 Global Report*. Global Entrepreneurship Research Association.
3. Brigham, E. F., & Ehrhardt, M. C. (2013). *Financial management: Theory & practice*. Cengage Learning.
4. Cascio, W. F. (2015). *Managing human resources: Productivity, quality of work life, profits*. McGraw-Hill Education.
5. Doherty, N. F., & Marples, C. G. (2008). An analysis of the implementation and impact of IT governance in small and medium-sized enterprises. *Journal of Information Technology*, 23(4), 275-286.

6. Dutta, S., & Crossan, M. M. (2019). Do Small and Medium-Sized Enterprises Benefit from Hiring External Advisors? Evidence from the National Small Business Survey. *Journal of Small Business Management*, 57(2), 406-424.
7. Eikenberry, A. M., & Kluver, J. D. (2004). The Marketization of the Nonprofit Sector: Civil Society at Risk? *Public Administration Review*, 64(2), 132-140.
8. European Commission. (2019). *SMEs in the European Union: Overview of Policies Supporting Small and Medium-sized Enterprises*. European Union.
9. European Commission. (2021). *Small and Medium-sized Enterprises (SMEs) - Overview*. European Commission - Growth.
10. Federation of Small Businesses (FSB). (2021). *The UK Small Business Index 2021: Q1*. Federation of Small Businesses.
11. Fottler, M. D., Phillips, R. L., & Glynn, J. J. (2010). *Human resources management in health care: Principles and practice*. Jones & Bartlett Publishers.
12. Gibson, C. H. (2012). *Financial reporting and analysis: Using financial accounting information*. Cengage Learning.
13. Greenwood, M. (2017). *Environmental management and sustainability in small businesses*. Routledge.
14. Gupta, M., & Sharma, R. (2019). Impact of operational policies on SMEs' performance: A study in the Indian context. *Journal of Small Business and Entrepreneurship Development*, 7(1), 1-10.
15. Hair, J. F., Wolfinbarger, M., Money, A. H., Samouel, P., & Page, M. J. (2019). *Essentials of business research methods*. Routledge.
16. Hendrickson, A. R. (2013). Information technology in small business: Issues and challenges. *Information Systems Management*, 30(2), 130-138.
17. International Labour Organization (ILO). (2020). *World Employment and Social Outlook: Trends 2020*. ILO Publications.
18. International Labour Organization. (2018). *Small and Medium-Sized Enterprises and Decent and Productive Employment Creation*. International Labour Organization.
19. Kollmann, T., & Kuckertz, A. (2010). Evaluation uncertainty of growth determinants: Evidence from nascent entrepreneurs. *Journal of Business Venturing*, 25(4), 380-399.
20. Linnenluecke, M. K., & Griffiths, A. (2010). Corporate sustainability and organizational culture. *Journal of World Business*, 45(4), 357-366.
21. McKinsey & Company. (2019). *SMEs in South Africa: Unlocking the potential for job creation*. Retrieved from <https://www.mckinsey.com/featured-insights/middle-east-and-africa/smes-in-south-africa-unlocking-the-potential-for-job-creation>
22. Mohd Nawi, M. N., & Rahman, A. A. (2018). Factors affecting small and medium enterprises' (SMEs) adherence to environmental regulations in Malaysia: A grounded theory approach. *International Journal of Law and Management*, 60(5), 1257-1270.
23. Nankervis, A. R., Baird, M., Coffey, J., & Shields, J. (2011). *Human resource management: Strategy and practice*. Cengage Learning.
24. National Federation of Independent Business (NFIB). (2021). *Small Business Problems & Priorities*. National Federation of Independent Business.
25. Niskala, M., & Pretorius, M. (2018). Corporate Governance Compliance and Financial Reporting Quality: Evidence from Private Firms. *Journal of International Accounting Research*, 17(1), 63-88.
26. Nwachukwu, E. (2019). Corporate governance mechanisms, compliance with accounting standards and corporate performance of quoted SMEs in Nigeria. *Journal of Financial Reporting and Accounting*, 17(4), 608-628.
27. Organisation for Economic Co-operation and Development (OECD). (2020). *SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe*. OECD Publishing.

28. Organisation for Economic Co-operation and Development (OECD). (2020). *Enhancing the Contributions of SMEs in a Global and Digitalised Economy*. OECD Publishing.
29. Organisation for Economic Co-operation and Development (OECD). (2019). *Fostering SMEs' Participation in Global Markets: Final Report*. OECD Publishing.
30. Organisation for Economic Co-operation and Development (OECD). (2019). SME and Entrepreneurship Policy in Canada. Retrieved from https://www.oecd-ilibrary.org/industry-and-services/sme-and-entrepreneurship-policy-in-canada_9789264302023-en
31. Palepu, K. G., Healy, P. M., & Peek, E. (2013). *Business analysis and valuation: Using financial statements*. Cengage Learning
32. Parker, L. D., & Kirkpatrick, I. (2019). Compliance Cost Management in Small and Medium-Sized Enterprises: Insights from a UK Survey. *International Small Business Journal*, 37(4), 330-355.
33. Porter, M. E. (2009). Operational effectiveness. In H. F. Gunderson & G. C. Gunderson (Eds.), *Encyclopedia of leadership*. Sage Publications, 3, 1025-1030.
34. Ritter, T., & Gemünden, H. G. (2004). The impact of a company's business strategy on its technological competence, network competence and innovation success. *Journal of Business Research*, 57(5), 548-556.
35. Sánchez-Franco, M. J., & Roldán, J. L. (2005). Web acceptance and usage model: A comparison between goal-directed and experiential web users. *Internet Research*, 15(1), 21-48.
36. Sanghani, P. (2016). Assessing the Impact of Information Technology on Small and Medium Enterprises (SMEs) in Kenya. *International Journal of Scientific Research and Innovative Technology*, 3(5), 23-34.
37. Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation: Categories and interactions. *Business Strategy and the Environment*, 20(4), 222-237.
38. Schaper, M. T., Volery, T., Weber, P. C., & Gibson, B. (2014). *Entrepreneurship and small business*. John Wiley & Sons.
39. Small Business Administration (SBA). (2020). *Compliance Assistance: Small Entity Compliance Guide*. Retrieved from <https://www.sba.gov/starting-business/business-licenses-permits/state-licenses-permits#section-header-1>
40. Small Business Administration (SBA). (2020). *Technical Assistance for Small and Medium-Sized Enterprises: A Guide for Practitioners*. Small Business Administration.
41. Trevino, L. K., & Weaver, G. R. (2019). Ethics Training and Information Asymmetry in Small Business. *Journal of Business Ethics*, 160(1), 223-240.
42. United Nations Industrial Development Organization (UNIDO). (2017). *Promoting SME Competitiveness and Innovativeness Through Clusters: A Study of East African Cluster Initiatives*. Retrieved from https://www.unido.org/sites/default/files/2017-11/UNIDO_Study_of_East_African_Cluster_Initiatives_Full_Report.pdf
43. Van Hoorn, A., Groen, B. A., & Rowe, F. (2020). Managing Regulatory Burden: A Review and Research Agenda. *Journal of Small Business Management*, 58(1), 50-71.
44. World Bank Group. (2019). *Doing Business 2020: Comparing Business Regulation in 190 Economies*. World Bank Publications.
45. World Bank Group. (2019). *World Development Report 2019: The Changing Nature of Work*. World Bank Publications.
46. Zahra, S. A., & Wright, M. (2011). Entrepreneurship's next act. *Academy of Management Perspectives*, 25(4), 67-83.

