ANALYZING THE IMPACT OF TAX INCENTIVES AND REGULATORY REFORMS ON THE ENTREPRENEURSHIP DEVELOPMENT OF SELECTED SMES IN FCT, ABUJA

[1]AHMED Yakubu Chiroma
Federal Ministry of Finance, Federal Capital Teritory, Abuja
email:ahmedyakubuchiroma81@gmail.com

Abstract
This study investigates the impact of tax incentives and regulatory reforms on the entrepreneurship development of selected Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja. Despite the crucial role of SMEs in economic growth, there is limited empirical research focusing on the effectiveness of government interventions in this specific context. Utilizing quantitative research design, data was collected from 300 SMEs through a structured questionnaire, employing stratified random sampling to ensure representation across various sectors. The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that both tax incentives and regulatory reforms significantly contribute to enhancing the entrepreneurial environment for SMEs in FCT, Abuja. Tax incentives were found to reduce operational costs and encourage reinvestment, while regulatory reforms simplified business processes, thereby promoting innovation and reducing compliance burdens. Based on these results, the study recommends that policymakers enhance the design and implementation of tax incentive programs and streamline regulatory frameworks to further support SME growth. These measures are essential for fostering a more conducive environment for entrepreneurship, ultimately driving economic development in the region.
Keywords: *Tax Incentives, Regulatory Reforms, Entrepreneurship Development and Small and Medium Enterprises (SMEs)*

INTRODUCTION

Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth, fostering innovation, and creating employment opportunities in many developing economies, including Nigeria. In the Federal Capital Territory (FCT), Abuja, SMEs constitute a significant component of the local economy, contributing to both poverty alleviation and the enhancement of social welfare. Government policies, particularly those related to tax incentives and regulatory reforms, are critical levers that can significantly influence the growth and sustainability of these enterprises. Despite the recognized importance of SMEs, there remains an ongoing debate about the effectiveness of government interventions in fostering entrepreneurship development. This study seeks to examine and elucidate the impact of tax incentives and regulatory reforms on the entrepreneurship development of selected SMEs in FCT, Abuja.

Over the years, numerous studies have highlighted the importance of conducive regulatory environments and financial incentives in promoting SME growth. For instance, research by Fatoki (2014) indicates that tax incentives can reduce the operational costs of SMEs, thereby enhancing their profitability and growth potential. Similarly, other scholars have emphasized the role of regulatory reforms in simplifying business procedures and reducing bureaucratic bottlenecks, which are often cited as significant barriers to SME development (World Bank, 2020). However, despite the extensive body of literature on the subject, there is a paucity of empirical studies that specifically focus on the context of FCT, Abuja. This gap in the literature underscores the necessity of this study, which aims to provide a localized understanding of how government policies impact the entrepreneurial activities of SMEs in this region.

One of the critical challenges facing SMEs in FCT, Abuja, is the high cost of compliance with regulatory requirements. These costs often encompass licensing fees, taxes, and the expenses associated with meeting various administrative obligations. Studies have shown that excessive regulatory burdens can stifle innovation, deter business formation, and lead to the informalization of the economy (Beck & Demirguc-Kunt, 2006). Conversely, well-implemented regulatory reforms can create a more business-friendly environment, encouraging entrepreneurship and fostering the growth of SMEs. Therefore,

understanding the specific effects of these reforms on the entrepreneurial landscape in FCT, Abuja, is essential for policymakers aiming to create a more supportive environment for SMEs.

Furthermore, tax incentives are a widely used policy tool intended to stimulate entrepreneurial activity. These incentives can take various forms, including tax holidays, reduced tax rates, and investment allowances. While the theoretical benefits of tax incentives are well-documented, their practical effectiveness remains a subject of debate. Some studies suggest that tax incentives can provide critical financial relief to SMEs, allowing them to reinvest in their businesses and expand their operations (Todaro & Smith, 2015). Others argue that the benefits of tax incentives are often unevenly distributed, with larger firms and more established businesses reaping the most significant advantages. This study aims to contribute to this debate by empirically examining the specific effects of tax incentives on the entrepreneurship development of SMEs in FCT, Abuja.

The objectives of this study are twofold:
Firstly, it seeks to examine the effect of tax incentives on the entrepreneurship development of selected SMEs in Abuja.

Secondly, it evaluates the impact of regulatory reforms on SME entrepreneurship development in Abuja. The remaining structure of this paper is organized as follows. The next section provides a review of the relevant literature, highlighting key theories and empirical findings related to the impact of tax incentives and regulatory reforms on SME development. Following this, the research methodology is outlined, detailing the study's design, data collection methods, and analytical techniques. The subsequent section presents the study's findings, followed by a discussion that interprets the results in the context of existing literature. Finally, the paper concludes with policy recommendations and suggestions for future research.

LITERATURE REVIEW

Tax incentives

Tax incentives are fiscal measures designed to encourage specific economic activities by providing tax benefits or reductions. These incentives aim to stimulate investment, innovation, and other desirable outcomes that align with government objectives. Klemm (2009) from the International Monetary Fund (IMF) defines tax incentives as policies that reduce tax payments to incentivize economic activities. These incentives can take various forms, such as tax deductions, credits, exemptions, and rebates, each designed to lower the financial barriers and risks associated with targeted activities. Klemm emphasizes that while tax incentives can attract investment and foster economic growth, they must be well-designed to avoid potential revenue losses and ensure they achieve the desired outcomes.

The United Nations Economic and Social Council (2015) describes tax incentives as preferential tax treatments that deviate from the general tax structure and are provided only to a selected group of taxpayers. These incentives are often used to attract foreign direct investment (FDI), promote research and development (R&D), and support small and medium-sized enterprises (SMEs)2. The framework for assessing tax incentives involves a cost-benefit analysis to determine their effectiveness and impact on economic growth.

Regulatory reforms

Regulatory reforms refer to the process of reviewing, modifying, or eliminating regulations to enhance efficiency, reduce costs, and promote innovation in industries. These reforms aim to create a more conducive environment for businesses by streamlining outdated or overly complex rules, thereby improving competitiveness and adaptability in rapidly changing economic landscapes.

The World Bank (2017) defines regulatory reforms as efforts to improve the quality of government regulation by removing unnecessary obstacles to competition, innovation, and growth while ensuring that regulations efficiently serve important social objectives. This involves developing "smart" regulations that balance the need for oversight with the benefits of reduced bureaucratic burdens. The

World Bank emphasizes that effective regulatory reforms require not only one-off changes but also sustained efforts to maintain and improve regulatory quality over time.

The Organization for Economic Co-operation and Development (OECD) describes regulatory reforms as initiatives aimed at enhancing regulatory quality by simplifying administrative procedures and reducing regulatory burdens on businesses. The OECD's Regulatory Reform Programme focuses on helping governments improve their regulatory frameworks to foster a more competitive and innovative business environment. This includes measures such as streamlining business registration and licensing procedures, reforming inspections, and implementing integrated services to facilitate government-to-business interactions.

Empirical Reviews

Empirical research on the impact of government policies on SMEs has yielded insightful findings, shedding light on the effectiveness of tax incentives and regulatory reforms. For instance, a study by Oluwaremi et al. (2022) examined the role of tax incentives in the growth of SMEs in Nigeria. The researchers employed a descriptive design and collected primary data through questionnaires and interviews from a sample of 100 SMEs in Osun State. Their findings revealed a significant positive correlation between tax incentives and SME growth, suggesting that favorable tax policies can enhance the financial performance and sustainability of SMEs. However, the study also highlighted the need for a more streamlined and transparent tax system to avoid the burden of multiple taxation on SMEs.

Similarly, Obafemi et al. (2021) examined the impact of tax incentives on SMEs in Kwara State. The study employed descriptive design and collected data from 260 SMEs through questionnaires and interviews. The findings indicated that tax incentives significantly contributed to SME growth, recommending a friendly tax policy for all start-up businesses, including tax holidays or growth limits to sustain tax payments.

Another study by Kwara and Lawal (2024) focused on the impact of diverse tax policies on SME performance in Nigeria. Using content analysis, the researchers examined legislative documents, government reports, and interviews with SME owners to identify patterns in tax imposition practices2. The findings indicated significant discrepancies between the official tax list and the actual taxes collected, leading to additional financial burdens on SMEs. The study recommended policy reforms to streamline tax collection and enhance the business environment for SMEs2.

In the context of regulatory reforms, a study by the World Bank (2017) assessed the impact of regulatory quality on SME development. The research emphasized the importance of removing unnecessary regulatory obstacles to competition and innovation while ensuring that regulations efficiently serve important social objectives. The findings suggested that well-designed regulatory reforms can create a more business-friendly environment, fostering SME growth and sustainability.

In a related study, the Financial Stability Board (FSB) evaluated the effects of financial regulatory reforms on SME financing (2019). The evaluation found no material and persistent negative effects on SME financing in general, although there was some differentiation across jurisdictions. The study highlighted that SME lending growth has resumed in recent years, although volumes remain below pre-crisis levels in some jurisdictions. Access to external finance for SMEs also appears to have improved, particularly in advanced economies.

Theoretical Framework

The theoretical framework for this study is grounded in three interrelated theories: Neoclassical Economics, Institutional Theory, and the Theory of Planned Behavior. These theories collectively provide a comprehensive lens through which the relationship between government policies and entrepreneurial activities can be analyzed.

Neoclassical Economics, propounded by economists such as Alfred Marshall in the late 19th century, focuses on how market forces operate to allocate resources efficiently. The theory posits that individuals and firms act rationally to maximize their utility and profits, respectively (Marshall, 1890). In the context of this study, Neoclassical Economics underscores the rationale behind tax incentives as a policy tool. By reducing the tax burden on SMEs, tax incentives enhance the potential return on investment, thereby encouraging entrepreneurial activities and business expansion. These incentives can lower operational costs, increase profitability, and stimulate innovation, making the economic environment more conducive for SMEs (Smith, 2020). Thus, tax incentives, through the lens of Neoclassical Economics, are seen to correct market failures and promote efficient resource allocation.

Institutional Theory, which was advanced by Douglass North in the early 1990s, offers a complementary perspective by emphasizing the role of institutions—both formal and informal—in shaping economic behavior and performance (North, 1990). Institutions are defined as the rules, norms, and enforcement mechanisms that structure interactions within a society. According to this theory, regulatory reforms are critical in creating a stable and predictable business environment. Effective regulatory frameworks reduce uncertainty, lower transaction costs, and mitigate the risks associated with business operations. By simplifying administrative procedures and removing bureaucratic obstacles, regulatory reforms can enhance the ease of doing business, thereby fostering entrepreneurship development among SMEs (Scott, 2014). Institutional Theory highlights the importance of regulatory quality in ensuring that the business environment supports rather than hinders entrepreneurial activities.

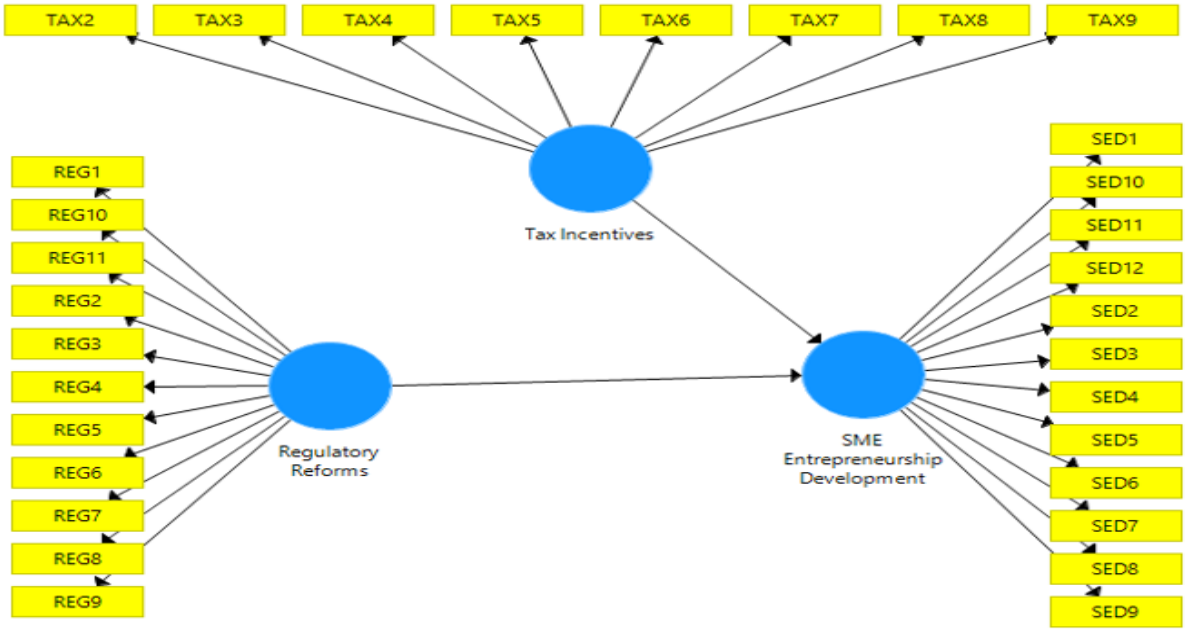
The Theory of Planned Behavior (TPB), developed by Icek Ajzen in 1991, provides insights into the behavioral aspects of entrepreneurship. TPB posits that individual intentions to engage in specific behaviors are influenced by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). In the context of this study, TPB suggests that tax incentives and regulatory reforms can shape entrepreneurs' intentions and actions by altering their perceptions of the business environment. For instance, tax incentives can improve perceived financial feasibility, while regulatory reforms can enhance the perceived ease of starting and running a business. By positively influencing entrepreneurial intentions, these policies can contribute to the overall development and growth of SMEs in FCT, Abuja.

METHODOLOGY

This study employs quantitative research design, specifically utilizing a survey method to examine the impact of tax incentives and regulatory reforms on the entrepreneurship development of selected SMEs in the Federal Capital Territory (FCT), Abuja. The survey design is appropriate for this research as it allows for the collection of a large amount of data from a substantial population, facilitating the analysis of relationships between the variables of interest.

The population for this study comprises all SMEs operating within FCT, Abuja. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are approximately 2,500 registered SMEs in this region. Given the extensive number of SMEs, it is impractical to survey the entire population. Therefore, a representative sample is drawn using a stratified random sampling technique. Stratification ensure that different sectors within the SME population, such as manufacturing, services, and trade, are adequately represented in the sample. A total sample size of 300 SMEs were selected for this study using Yamane formula, which is deemed sufficient to provide reliable and generalizable results. Data collection was conducted using a structured questionnaire, which was designed based on the objectives of the study. The questionnaire includes closed-ended questions to capture quantitative data. Closed-ended questions were used to measure specific variables, such as the extent of tax incentives received and the perceived impact of regulatory reforms, using a Likert scale. The questionnaire was pre-tested on a small sample of SMEs to ensure its validity and reliability before the main survey is conducted. The data collected from the survey was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM is a robust multivariate analysis technique that allows for the examination of complex relationships between multiple independent and dependent variables (Hair et al., 2017). This technique is particularly suitable for this study as it can handle small sample sizes and

does not require the data to follow a normal distribution, making it an ideal choice for analyzing survey data from SMEs. The analysis involves two stages: measurement model assessment and structural model assessment. The measurement model assessment evaluates the reliability and validity of the constructs, while the structural model assessment test the hypothesized relationships between the variables.



RESULTS AND DISCUSSIONS

Assessment of Measurement Model

Indicators' Loadings

The table of loadings presented reflects the strength and relevance of the individual items (indicators) in their respective constructs, namely Regulatory Reforms (REG), SME Entrepreneurship Development (SED), and Tax Incentives (TAX). These loadings, which result from a Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis, provide a crucial understanding of the relationship between the indicators and their latent variables.

Table 1: Loadings

Items	Loadings	Items	Loadings
REG1	0.847	SED2	0.755
REG10	0.755	SED3	0.781
REG11	0.755	SED4	0.773
REG2	0.888	SED6	0.875
REG3	0.799	SED7	0.779
REG4	0.839	SED8	0.832
REG5	0.829	SED9	0.832
REG6	0.852	TAX2	0.717
REG7	0.894	TAX3	0.845
REG8	0.801	TAX4	0.736
REG9	0.861	TAX5	0.811
SED1	0.809	TAX6	0.817
SED10	0.841	TAX7	0.754
SED11	0.804	TAX8	0.804
SED12	0.863	TAX9	0.798

A loading value above 0.7 is typically considered acceptable, indicating that the item has a substantial contribution to its respective construct (Hair et al., 2017). In this context, all the indicators exhibit

loadings well above the 0.7 threshold, underscoring their significant relevance in measuring the constructs.

For Regulatory Reforms (REG), indicators such as REG1 (0.847), REG2 (0.888), and REG7 (0.894) demonstrate particularly strong loadings. These high values suggest that these specific aspects of regulatory reforms are strongly perceived by the SMEs and are crucial in understanding the overall construct of regulatory reforms. This aligns with previous studies that have emphasized the importance of regulatory quality and efficiency in creating a conducive business environment (World Bank, 2017).

Similarly, the loadings for SME Entrepreneurship Development (SED) range from 0.755 to 0.875, indicating a strong association between the indicators and the construct. For example, SED6 has a loading of 0.875, which is exceptionally high, suggesting that this particular measure is highly representative of SME entrepreneurship development. The strength of these loadings is indicative of the critical elements that drive SME growth and sustainability, such as innovation, market expansion, and access to finance (Fatoki, 2014).

The loadings for Tax Incentives (TAX) also show strong values, with TAX3 (0.845) and TAX6 (0.817) being particularly notable. These values illustrate the significant impact of specific tax incentives on SMEs, reinforcing findings from previous research that highlight the role of tax reliefs in reducing operational costs and fostering business expansion (Todaro & Smith, 2015).

Validity and Reliability

The results presented in Table 2 indicate the validity and reliability of the measurement models for Regulatory Reforms, SME Entrepreneurship Development, and Tax Incentives. These metrics are crucial in assessing the consistency and quality of the constructs used in this study.

Table 2: Validity and Reliability

	Cronbach's Alpha	**rho_A**	**Composite Reliability**	**Average Variance Extracted (AVE)**
Regulatory Reforms	0.955	0.957	0.961	0.689
SME Entrepreneurship Development	0.952	0.954	0.958	0.657
Tax Incentives	0.911	0.913	0.928	0.618

Cronbach's Alpha is a measure of internal consistency, reflecting how well the items in a construct are positively correlated with one another. A value above 0.7 is generally considered acceptable, indicating a high level of reliability. In this study, the Cronbach's Alpha values for all constructs are well above this threshold: Regulatory Reforms (0.955), SME Entrepreneurship Development (0.952), and Tax Incentives (0.911). These values suggest that the items used to measure each construct are highly consistent and reliable.

The rho_A coefficient, also known as Dijkstra-Henseler's rho, provides an additional measure of construct reliability. Like Cronbach's Alpha, values above 0.7 are considered indicative of good internal consistency. The rho_A values for Regulatory Reforms (0.957), SME Entrepreneurship Development (0.954), and Tax Incentives (0.913) further confirm the high reliability of the measurement models. This consistency supports the robustness of the constructs in representing the underlying theoretical concepts (Dijkstra & Henseler, 2015).

Composite Reliability (CR) is another indicator of internal consistency, reflecting the shared variance among the indicators measuring a construct. Values above 0.7 are deemed satisfactory. The CR values for Regulatory Reforms (0.961), SME Entrepreneurship Development (0.958), and Tax Incentives

(0.928) demonstrate that the constructs exhibit excellent reliability. Composite Reliability is particularly useful in evaluating the reliability of latent constructs in structural equation modeling (Hair et al., 2017).

Convergent Validity

The Average Variance Extracted (AVE) measures the amount of variance that a construct captures from its indicators relative to the amount of variance due to measurement error. An AVE value above 0.5 indicates that the construct explains more than half of the variance in its indicators, suggesting good convergent validity. In this study, the AVE values for Regulatory Reforms (0.689), SME Entrepreneurship Development (0.657), and Tax Incentives (0.618) are all above the 0.5 threshold, indicating that the constructs have adequate convergent validity. This means that the indicators are well-represented by their respective constructs (Fornell & Larcker, 1981).

Discriminant Validity

The Heterotrait-Monotrait (HTMT) ratio is a measure of discriminant validity, which assesses the extent to which a construct is truly distinct from other constructs by comparing the correlations between different constructs (heterotrait) with the correlations within the same construct (monotrait). A rule of thumb for HTMT is that values should be below 0.90 for concepts that are distinct from each other (Henseler, Ringle, & Sarstedt, 2015).

Table 3: HTMT

	Regulatory Reforms	**SME Entrepreneurship Development**
SME Entrepreneurship Development	0.863	
Tax Incentives	0.796	0.694

In Table 3, the HTMT values for the constructs are presented. The value of 0.863 between Regulatory Reforms and SME Entrepreneurship Development indicates that these two constructs are distinct yet moderately correlated. This suggests that while they are related, they measure different aspects of the entrepreneurial environment. The observed HTMT value below 0.90 confirms adequate discriminant validity between these two constructs, meaning they are conceptually different and do not overlap significantly.

The HTMT value between Tax Incentives and Regulatory Reforms is 0.796, and the value between Tax Incentives and SME Entrepreneurship Development is 0.694. Both values are well below the threshold of 0.90, indicating good discriminant validity. The lower HTMT value between Tax Incentives and SME Entrepreneurship Development suggests a slightly weaker correlation compared to the relationship between Regulatory Reforms and SME Entrepreneurship Development. This implies that Tax Incentives and SME Entrepreneurship Development are more distinct from each other than Regulatory Reforms and SME Entrepreneurship Development, highlighting the unique influence of tax policies on SMEs.

Assessment of Structural Model

Hypotheses Test

The table of path coefficients presented provides critical information regarding the relationships between the constructs in this study, namely Regulatory Reforms, Tax Incentives, and SME Entrepreneurship Development. These relationships are assessed using the Original Sample (O) values, T Statistics, and P Values to determine the significance and strength of these pathways.

Table 4: Path Coefficient

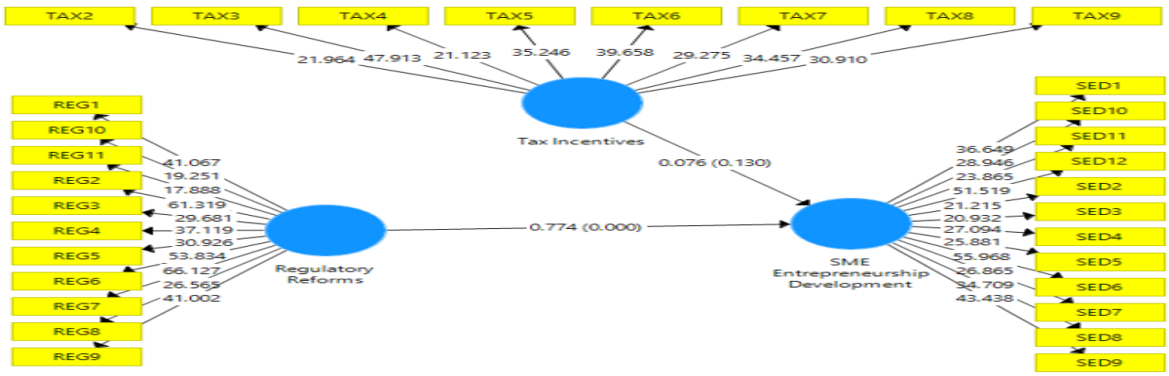
	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decisions
Regulatory Reforms -> SME Entrepreneurship Development	0.774	17.205	0.000	Rejected
Tax Incentives -> SME Entrepreneurship Development	0.076	1.515	0.130	Accepted

The path coefficient for the relationship between Regulatory Reforms and SME Entrepreneurship Development is 0.774, with a T Statistic of 17.205 and a P Value of 0.000. These results indicate a strong and statistically significant positive relationship between Regulatory Reforms and SME Entrepreneurship Development. The high T Statistic, well above the threshold of 1.96, confirms the robustness of this relationship, while the P Value, being less than 0.05, indicates that the null hypothesis can be rejected with high confidence. This suggests that regulatory reforms significantly contribute to the entrepreneurship development of SMEs in FCT, Abuja. These findings align with previous studies that have highlighted the importance of effective regulatory frameworks in fostering a conducive business environment and promoting entrepreneurial activities (World Bank, 2017; North, 1990).

On the other hand, the path coefficient for the relationship between Tax Incentives and SME Entrepreneurship Development is 0.076, with a T Statistic of 1.515 and a P Value of 0.130. Unlike the previous relationship, these results do not indicate a statistically significant relationship between Tax Incentives and SME Entrepreneurship Development. The T Statistic is below the threshold of 1.96, and the P Value is greater than 0.05, leading to the acceptance of the null hypothesis. This suggests that tax incentives, in isolation, do not have a significant impact on the entrepreneurship development of SMEs in FCT, Abuja. This finding is somewhat unexpected, given the theoretical and empirical support for the positive effects of tax incentives on SME growth (Fatoki, 2014; Todaro & Smith, 2015). However, it may indicate the need for a more nuanced understanding of how tax incentives are implemented and perceived by SMEs, or it might suggest that other factors, such as the adequacy and accessibility of these incentives, play a more critical role in their effectiveness.

The divergence in the significance of these relationships underscores the complexity of policy impacts on entrepreneurship development. While regulatory reforms appear to have a clear and positive effect, the impact of tax incentives may be contingent on other variables or the broader policy environment. These findings contribute to the ongoing debate about the most effective policy measures for supporting SME growth and highlight the importance of a holistic approach that considers both regulatory and fiscal interventions.

Figure 2: Structural model results



Coefficient of Determinations

The R Square and Adjusted R Square values are key metrics in assessing the explanatory power of your model. In this study, these values indicate how well the independent variables (Tax Incentives and

Regulatory Reforms) explain the variation in the dependent variable (SME Entrepreneurship Development).

Table 5: R square

	R Square	R Square Adjusted
SME Entrepreneurship Development	0.692	0.69

The R Square value of 0.692 implies that approximately 69.2% of the variance in SME Entrepreneurship Development is explained by the independent variables included in your model. This is a substantial proportion, suggesting that the model has a strong explanatory power. In other words, the combination of tax incentives and regulatory reforms accounts for a significant portion of the changes observed in the entrepreneurship development of SMEs in FCT, Abuja. This finding aligns with previous studies that have highlighted the importance of government policies in shaping the entrepreneurial landscape (World Bank, 2017; Fatoki, 2014).

The Adjusted R Square value of 0.69 is a modified version of the R Square that adjusts for the number of predictors in the model. It provides a more accurate measure of the explanatory power by penalizing the inclusion of non-significant variables. The slight decrease from 0.692 to 0.69 indicates that the model is well-fitted and that the independent variables are relevant in explaining the dependent variable.

Effect Size

The f Square values, also known as effect sizes, indicate the extent to which each independent variable contributes to the explained variance in the dependent variable, which in this case is SME Entrepreneurship Development. The f Square values help in assessing the impact of removing an independent variable from the model.

Table 6: f Square

	SME Entrepreneurship Development
Regulatory Reforms	0.862
Tax Incentives	0.008

The f Square value for Regulatory Reforms is 0.862, which is considered a large effect size according to Cohen's (1988) guidelines, where 0.02 is considered small, 0.15 is medium, and 0.35 is large. This high value suggests that Regulatory Reforms have a substantial impact on SME Entrepreneurship Development. In other words, removing Regulatory Reforms from the model would result in a significant decrease in the explanatory power for SME Entrepreneurship Development. This finding is consistent with previous studies that emphasize the critical role of effective regulatory frameworks in fostering an entrepreneurial environment (World Bank, 2017; North, 1990). The large effect size highlights the importance of continuous regulatory improvements to support SME growth and sustainability.

Conversely, the f Square value for Tax Incentives is 0.008, which is considered a negligible effect size. This low value indicates that Tax Incentives have a minimal impact on SME Entrepreneurship Development. Removing Tax Incentives from the model would not significantly affect the explanatory power for SME Entrepreneurship Development. This result aligns with the earlier path coefficient analysis, which showed a non-significant relationship between Tax Incentives and SME Entrepreneurship Development. It suggests that, while tax incentives may provide financial relief, their overall impact on entrepreneurship development may be limited, possibly due to implementation issues or other contextual factors that were not captured in this study. This finding contrasts with some theoretical expectations and calls for a deeper investigation into the specific mechanisms through which tax incentives influence SMEs (Fatoki, 2014; Todaro & Smith, 2015).

Multicollinearity test

The Variance Inflation Factor (VIF) is a measure used to detect multicollinearity in a regression model. Multicollinearity occurs when two or more independent variables are highly correlated, which can distort the estimated coefficients and compromise the statistical significance of the variables. VIF values above 10 are typically considered indicative of high multicollinearity, while values between 5 and 10 suggest moderate multicollinearity (Hair et al., 2017).

In Table 7, the VIF values for both Regulatory Reforms and Tax Incentives are 2.25. These values are well below the threshold of 10, indicating that there is no significant multicollinearity among the independent variables in the model. This suggests that Regulatory Reforms and Tax Incentives are sufficiently distinct from each other and do not exhibit problematic levels of correlation that would affect the stability and interpretability of the regression coefficients.

Table 7: Inner VIF

	SME Entrepreneurship Development
Regulatory Reforms	2.25
Tax Incentives	2.25

The low VIF values indicate that the estimation of the effects of Regulatory Reforms and Tax Incentives on SME Entrepreneurship Development is reliable. The absence of multicollinearity enhances the confidence in the results obtained from the regression analysis, ensuring that the relationships between the variables are accurately represented.

CONCLUSION AND RECOMMENDATIONS

This study sought to analyze the impact of tax incentives and regulatory reforms on the entrepreneurship development of selected SMEs in the Federal Capital Territory (FCT), Abuja. By employing a quantitative survey design and utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM) for data analysis, the study provided comprehensive insights into the relationships between these government policies and SME growth.

The findings revealed a significant positive impact of regulatory reforms on SME entrepreneurship development. The high path coefficient and large effect size for regulatory reforms underscore their critical role in fostering a conducive business environment. These reforms simplify administrative processes, reduce bureaucratic obstacles, and enhance regulatory quality, thereby creating a stable and predictable framework that supports SME growth and innovation. This aligns with previous research highlighting the importance of effective regulatory frameworks in promoting entrepreneurial activities and economic development (World Bank, 2017; North, 1990).

Conversely, the study found that tax incentives did not have a statistically significant impact on SME entrepreneurship development. Despite theoretical expectations and some empirical support for the benefits of tax reliefs, the negligible effect size for tax incentives suggests that their practical implementation may be less effective than anticipated. This finding calls for a re-evaluation of the design and execution of tax incentive policies to ensure they meet the specific needs of SMEs and provide meaningful financial relief. The lack of significant impact highlights the complexity of fiscal policies and the need for a more nuanced understanding of the mechanisms through which tax incentives influence SME growth (Fatoki, 2014; Todaro & Smith, 2015).

Based on the findings of this study, here are the recommendations:

1. The findings strongly indicate that regulatory reforms have a significant positive impact on the entrepreneurship development of SMEs in FCT, Abuja. Therefore, policymakers should prioritize the enhancement of regulatory frameworks to create a more conducive business

environment. This can include streamlining administrative procedures, reducing bureaucratic barriers, and ensuring transparency in regulatory processes.

2. The study found that tax incentives, in their current form, do not have a statistically significant impact on SME entrepreneurship development. It is essential for policymakers to re-evaluate and optimize these tax incentive policies to ensure they are effectively designed and targeted. This may involve conducting a comprehensive review of existing tax incentives, identifying areas for improvement, and implementing changes that address the specific needs and challenges faced by SMEs. Policymakers should consider providing targeted tax reliefs that are accessible and beneficial to SMEs, ensuring that these incentives deliver meaningful financial support and encourage business expansion and innovation.

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