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Government Roles and Environmental Sustainability of Selected SMEs in Ogun State, Nigeria

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Abstract

The sustainability of Small and Medium Enterprises (SMEs) in Africa contribute significantly to the economic wellness of the nations. Despite this advantage, lack of government intervention in the development of business infrastructures may hinder the desired objetives. A number of studies have investigated the roles of government on business sustainability in varried sectors, less attention has been given to the impact of government roles on environmental sustainability, particularly in Small and Medium Enterprises (SMEs) in Ogun State, Nigeria. Thus, this study examined the effect of government roles on environmental sustainability of selected SMEs in Ogun state, Nigeria. The study adopted survey research design. The population comprised 1557 owners/managers of selected SMEs in Ogun state, Nigeria. A sample size of 403 was adopted using the Krejcie and Morgan (1970) sample size determination method, with a well-structured adapted questionnaire, having a Cronbach's alpha reliability coefficients ranging from 0.719 to 0.823. Four hundred and three questionnaires were administered on the survey participants, with response rate of 93.6.9%. Collected data was analyzed using descriptive and inferential statistics. Multiple regression analysis was used for this study. Findings revealed that government roles had positive significant effect on environmental sustainability in selected SMEs in Ogun State, Nigeria (Adj.R2 = 0.310; $F(4, 381) = 43.662$; $p < 0.05$). The study concluded that government roles enhanced environmental sustainability in selected SMEs in Ogun State, Nigeria. The study recommended that to ensure environmental sustainability of SMEs, the government decision makers should place precedence on investment of infrastructure to create a competitive and conducive environment that encourages innovation, promote accessible financial support mechanisms, and support innovation and technology adoption among SMEs.

Keywords: *Government roles and environmental sustainability*

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Background to the Study

Globally, the SMEs environmental problems have not yet been resolved due to limited enforcement of environmental regulations by the government agencies despite efforts adopted on number of legal documents aimed at regulating the environmental sphere and solving problems. This has resulted in unchecked pollution, improper waste management, and other environmentally harmful practices which are detrimental to SMEs environmantal sustainability (Akhrorov, 2022). In Asia, particularly in China, SMEs are the driving force behind economic growth, making up about 97 percent of all enterprises in the country, however, there is growing adoption of business sustainability measures and practices by SMEs to respond to the country's environmental protection needs (Liu, 2019). In spite of this tremendous economic growth since 1980s, China's environmental performance has attracted more attention for business sustainability, of which the negative consequences of lack of response to such expansion are becoming significant. In order to address these problems, China has taken several measures, including issuing new laws and regulations in support of SMEs, developing infrastructural facilities, security on goods and services with the most recent being the ban on plastic waste imports and development of perfect financing system and education (Dongyong et al., 2019).

In Nigeria, government intervention is essential if SMEs are to be encouraged to utilize sustainable resources. The need to implement environmental regulations to achieve sustainable and environmental friendly outcomes depend on available environmental policies (Birkland, 2019). The policies can increase SMEs access to affordable new sustainable technology and provide new resources that function to reduce adverse environmental outcomes. The implication is that the government has a strategic role to play in establishing various policies to create a healthy competitive environment focused on honing the ability of SMEs to compete more competitively, develop their independency in facing challenges and opportunities and prepare them for sustainability practices (Sofyan et al., 2019).

Studies on government roles and environmental sustainability has been examined by different researchers with varied results (Kulin & Johansson, 2019; Liao et al., 2019; Kim, 2019; Martinez, 2020). However, there is a significant gap in research focusing on government roles on the environmental sustainability of SMEs in Ogun State, Nigeria. The inadequate and unreliable infrastructure in Nigeria, including energy, transportation, and waste management systems, poses major challenges to SMEs' adoption and implementation of eco-friendly practices and technologies (Babalola et al., 2024). Additionally, without adequate government measures, SMEs become more vulnerable to environmental crimes such as illegal dumping, pollution, or resource theft. These activities are harmful to the sustainability efforts of businesses striving to minimize their ecological footprint (Carney, 2019). Furthermore, the existing environmental problems have not yet been resolved due to limited enforcement of environmental regulations despite efforts adopted on number of legal documents aimed at regulating the environmental sphere and solving problems. In the absence of government agencies playing their roles in enforcing environmental regulations and compliance with policies by SMEs, this can result in unchecked pollution, improper waste management, or other environmentally harmful practices which are detrimental to SMEs business sustainability (Akhrorov, 2022). This study investigates the effect of government roles on environmental sustainability of selected SMEs in Ogun State, Nigeria.

Several authors have explored the link between government roles and environmental sustainability. Abubakar et al. (2022) argue that government policies play a vital role in promoting environmental sustainability by setting goals and targets for reducing greenhouse gas emissions and supporting sustainable practices. Similarly, Li et al. (2020) found that government policies positively influence firms' environmental performance by providing incentives and penalties for sustainable practices. They suggest that effective government activities can drive businesses to adopt sustainable practices, reducing negative impacts on the environment. Furthermore, Haibo et al. (2020) found that government regulations and policies promote sustainable tourism practices by incentivizing tourism businesses to adopt environmentally friendly practices. However, Kim (2019) posits that government mismanagement of natural resources, including inadequate environmental regulations, leads to environmental degradation and negatively affects economic sustainability. Martinez (2020) correspondingly concurred with Kim that lax enforcement of environmental laws and regulations allows businesses to engage in environmentally harmful practices, undermining sustainability. The inconsistency in findings produce by the authors create an assumption leading to the hypothesis formulated as follow:

H_o: Government roles have no significant effect on environmental sustainability.

Review Of Literature

The conceptual, empirical as well as the theoretical reviews were done in this section

Environmental Sustainability

According to Sachs (2020) environmental sustainability refers to actions and strategies that avoid depletion or degradation of natural resources and ecosystems, ensuring their long-term viability for current and future generations. Additionally, Oladimeji and Adelekan (2019) defined environmental sustainability as the maintenance of the factors and practices that contribute to the quality of the environment on a long-term basis. According to Lélé and Norgaard (2019) environmental sustainability encompasses the long-term maintenance of ecosystem functions, services, and processes to ensure the continued provision of benefits to human societies. Further, Elkington (2020) opines that environmental sustainability is the ability to meet the needs of the present generation without compromising the ability of future generations to meet their own needs, by maintaining the natural systems that support life. According to Bekele (2021) the environmental sustainability is characterized both internally and externally. Internally, the environmental sustainability of a business often refers to practices related to the use of natural resources, waste, toxicity, and pollution. However, externally, the environmental sustainability considers the impact of suppliers in terms of services and products as well as the transportation of goods by seeking out suppliers of services and products that are environmentally friendly. This involves the selection of local suppliers, when possible, in order to reduce the environmental impact caused by the transportation of goods. Moldan et al. (2021) also defines four specific criteria for environmental sustainability, regeneration, substitutability, assimilation and avoiding irreversibility.

Since consumers are increasingly valuing environmentally responsible companies, and sustainable practices can attract and retain customers, these will lead to increasing market share for the business (Wang & Zuo, 2020). Environmental sustainability help companies to forecast and measure the impacts their operational activities have on the environment and start to take actions to significantly reduce waste and environmental pollution in advance and to take positive business opportunities (Bekele, 2021). Authors like Simbula et al. (2019); Luque-Cortina et al. (2022) also suggest that involving employees in environmental sustainability practices increase job satisfaction, motivation, and productivity. In addition, SMEs that adopt environmental sustainability practices are better equipped to adapt to future challenges, such as resource scarcity, climate change, and evolving customer expectations (Demirel & Kesidou 2021; Carter et al., 2022). Implementing environmental sustainability helps businesses meet regulatory requirements and ensures long-term compliance. Despite the enormous advantages associated with environmental sustainability, according to Bhaduri et al. (2019); Sivarajah et al. (2020) the lack of awareness of environmental sustainability and its implications for business operations hinders many SMEs the ability to adopt business sustainability practices. Some of the SMEs with little knowledge, they often operate on tight budgets, making it challenging for them to invest in environmentally sustainable technologies, equipment, and processes. Similarly, meeting compliance requirements often requires additional investments and expertise, therefore, SMEs with traditional organizational cultures may resist adopting environmentally sustainable practices (Sarkis et al., 2020). This resistance to change from employees and management hinder the implementation of environmental sustainability initiatives (He et al., 2019).

Government Roles

The government refers to those actors who have exclusive authority over legitimate force in a specific territory (Kourula et al., 2019). The term role was originally used to describe actors as characters in a drama. When extended to the field of management, it refers to the relationship between the action of actors and society. Indeed, there is a crucial role for governments in facilitating the transition to an economy that is much more efficient, much fairer, and much less damaging. Governments that lead will be in a stronger position to set the agenda and establish advanced positions for their industries and their citizens (Yang et al., 2019). Moreover, the role of government support is important for the sustainability of SMEs and promotes the confidence of business actors. These indicate that government support is needed in building business sustainability so that it can be a pillar for economic development (Wijaya & Nuringsih, 2022).

According to Taneo et al. (2022) the government's proper function is to act as a catalyst i.e., to strengthen or even encourage businesses to increase their competitive performance. The government's role is more as a facilitator than directly carrying out all operational activities. These are carried out using methods such as infrastructural development, tax incentives, security, subsidies, financial support, training, and so on. The government, according to

Ndiaye et al. (2018) plays an essential role in boosting SMEs performance by enacting policies to improve infrastructure and energy services, stimulate formal registration of SMEs, and increase financial access for SMEs, and ensure adequate security of lives and properties for SMEs. Furthermore, according to Fassin (2019) the concept of government roles in business refers to how governments intervene in the operations of businesses through regulations, policies, basic amenities, financial support, laws and security. Governments play a crucial role in creating a conducive environment for businesses to operate in and promoting economic growth. They also regulate business activities to protect consumers, employees, and the environment. These interventions aim to protect the public interest, promote fair competition, and ensure a level playing field for businesses in order to ensure their sustainability.

Government roles are characterized to include the establishment of policies and laws to ensure businesses operate fairly, safely, and responsibly (Kulin & Johansson, 2019). Enforcement of laws and regulations through agencies, such as the Securities and Exchange Commission, to protect consumers, investors, and businesses (Hitt et al., 2019). Protection of businesses from external threats, such as piracy, cyber-attacks and terrorism (Lee, 2021). Provisions of funding, such as loans or grants, to support business growth and development, and promoting economic development by attracting and retaining businesses, encouraging entrepreneurship, and investing in infrastructure (Crawford et al., 2023).

Johnson and Lee (2020) noted that the government is responsible for protecting public health and safety by enforcing laws, regulations, and standards. Williams et al. (2022) argue that government officials promote economic growth and development by providing incentives, funding, and support for businesses and industries. However, Ongaro and Massey (2019) reported that one of the main challenges of government roles is the complexity of modern governance. As societies become more complex, with increased demands from citizens, businesses, and other stakeholders, governments must respond with more intricate policies and regulations. This complexity leads to challenges such as bureaucratic inefficiencies, coordination problems between different government agencies, and difficulty in implementing policy decisions effectively. Another challenge highlighted by Alzahrani and Alzahrani (2021) is the difficulty in striking a balance between government regulation and business innovation. While government regulations provide important protections for citizens and the environment, they can also stifle innovation and competitiveness. Finding the right balance between regulation and innovation is crucial for ensuring that businesses can thrive while still meeting the needs of society (Ogunkan, 2022).

Empirical Review

Government roles and Environmnetal Sustainability

Several published research studies have established a relationship between government roles and environmental sustainability of SMEs with different conclusions (Lamoureux et al., 2019; Siyabola, 2020; Aslam et al., 2023). Abubakar et al. (2022); Roos et al. (2023) found that efficient governance and enabling legal and regulatory frameworks are positively significant to environmental management. Rakhmawati et al. (2020) found that there is a significant positive effect of Green Supply Chain Management on environmental performance and financial performance. Because of the green purchasing and production indicators on avoidance regarding the use of hazardous substances, such as the hazardous chemicals in products, low usage of electricity and fuel, will reduce the reduce costs and increase profits. Oruonye and Ahmed (2020) also found that enforcing environmental regulations have positive impacts on environmental sustainability by creating new job opportunities and environmental protection. Joo et al. (2019) in their study on examining the effects of government intervention on the firm's environmental and technological innovation capabilities and export performance found that the government's institutional support for the environment-friendly practices had positive effects on its environmental and export performances.

Additionally, the study by Fredrika et al. (2019) found a significant positive relationship between the environment and the growth of informal businesses. Asim et al. (2019) in their study showed that technological opportunism and government regulations both contribute to achieving the environmental, social and economic performance of the SME sector of Pakistan. The result of Jawabreh et al. (2021) revealed that environmental sustainability helps to build distinction and competitive advantages through cost savings such that the sustained success of economic operations is of utmost importance to companies, whether in the production or service sectors. In the same vein, Li et al. (2020) in their study found that green innovation had a significant effect on business sustainability in the energy-intensive industry. More specifically, the findings showed that recycling has more impact on social performance when compared with green publicity. However, green publicity has a large effect on environmental performance; moreover, green product innovation has more impact on financial performance than green publicity. Also, environmental performance has a positive effect on financial and social performance results. On contrary, Kim (2019) revealed that government mismanagement of natural resources, including inadequate environmental regulations, leads to environmental degradation and negatively affects economic sustainability. Martinez (2020) also found that lax enforcement of environmental laws and regulations allows businesses to engage in environmentally harmful practices, undermining sustainability.

Theoretical Review

Resource-Based View Theory

Resource-Based View (RBV) Theory was first put forward by Penrose (2009) who proposed a model for the effective management of firms' resources, diversification strategy, and productive opportunities. The publication was the first to propose conceptualising a firm as a coordinated bundle of resources to address and tackle how it can achieve its goals and strategic behaviour. The resource-based view theory is a managerial framework used to determine the strategic resources of a firm. The core idea of the theory is that instead of looking at the competitive business environment to get a niche in the market or an edge over competition and threats, the organisation should instead look at the resources and potential it already has within the environment of business. (Chigara, 2021).

The RBV theory was supported by Rakhmawati et al. (2020) in their study on the role of government regulation on sustainable business and its influences on performance of medium-sized enterprises. According to Putra et al. (2021), the study supported the RBV theory stating that the successful growth and sustainability of the company will depend on the development of new resources as well as exploiting old resources. El Baz & Ruel (2021) also supported the study using the RBV theory with emphasis on the resources and capabilities to mitigate risks along supply chains. Similarly, the RBV theory used by Islam et al. (2021) argued that resources should be prioritized within organizational strategy development. The proponents resolved that, it is much more feasible to exploit external opportunities i.e. environment, using existing resources in a new way rather than trying to acquire new skills for each different opportunity (Chigara, 2021).

Varadarajan (2020) mentioned that there are four categories of resources in the RBV theory, namely: physical capital (technology, equipment, business location), financial capital (equity), human capital (training, performance, motivation, intelligence), and organizational capital (formal reporting system and the relationship between the business and the surrounding environment). The RBV theory assumption is that the company competes based on resources and capabilities. Differences in company resources and capabilities with competing firms will provide competitive advantages. Ability to show what the company can do with its resources (Putra et al., 2021). The RBV theory also states that its competitive advantage sustainability relies on highly precious, scarce, inaccurate, and non-substitutable organizational resources (VRIN) in business settings that implement policies and procedures for exploiting resources (Hitt et al., 2020; Rantanen, 2021; Furr et al., 2021)

The theory despite its criticisms emphasizes the internal environmental resources and capabilities relevance to firms in formulating strategies to achieve sustainable business environment. Yang et al. (2020) argue that the resource-based theory can be used to explain the relationship between a firm's resources and its infrastructural corporate social responsibility (CSR) performance to the government, which is important for long-term business sustainability. Consequently, the RBV theory to business sustainability posits that a firm's asset position depends on its internal environmental resources (Orisa et al., 2020), hence the relevance of the theory to the study. The focal point is that when firms have resources that are valuable, rare, inimitable, and non-substitutable, it enables firms to develop value-enhancing strategies that are not easily copied by competing firms (Kennedy, 2020). According to RBV theory, the resources possessed by a firm are the primary determinants of its performance and contribute to a sustainable competitive advantage of the firm. These resources include assets, capabilities, organizational processes, firm attributes, information, and knowledge that are under the control of the firm. These resources enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Sabourin, 2020).

Methodology

The study adopted survey research design. The population comprised 1557 owners/managers of selected SMEs in Ogun state, Nigeria. A sample size of 403 was determined using the

Krejcie and Morgan (1970) sample size determination method, with a well-structured adapted questionnaire, having a Cronbach's alpha reliability coefficients ranging from 0.719 to 0.823. Four hundred and three questionnaires were administered on the survey participants, with a response rate of 93.6.9%. Collected data was analyzed using descriptive and inferential statistics. Multiple regression analysis was used for this study.

Findings Analysis

Restatement of Hypothesis

H_0: Government roles strategies have no significant effect on environmental sustainability of selected SMEs in Ogun State, Nigeria. Air freshner

Multiple linear regression analysis was employed to test the hypothesis. The independedent variables were government roles dimensions (infrastructure, government policy, seuriry and financial support), while the dependednt variable was environmental sustainability. In the hypothesis analysis, data for government broles dimensions were created by adding together responses of all items under the various dimensions to generate independent scores foreach dimension. Dta for environmental sustainability was generated by adding together responses of all items under the variable to create index on environmental sustainability. The results of the analysis and parameter estimates obtained are presentable in Table 1.

Table 1: Summary of multiple regression between Government roles and environmental sustainability of selected SMEs in Ogun State, Nigeria.

<table>
<tr><th>N</th><th>Model</th><th>B</th><th>T-value</th><th>Sig.</th><th>R</th><th>Adjusted R^2</th><th>F (4,381)</th><th>ANOVA (Sig.)</th></tr>
<tr><td rowspan="7">381</td><td>(Constant)</td><td>5.374</td><td>3.852</td><td>0.000</td><td rowspan="5">0.563[a]</td><td rowspan="5">0.310</td><td rowspan="5">43.662</td><td rowspan="5">0.000[a]</td></tr>
<tr><td>Infrastructure</td><td>0.061</td><td>0.968</td><td>0.333</td></tr>
<tr><td>Security</td><td>0.192</td><td>3.104</td><td>0.002</td></tr>
<tr><td>Government Policy</td><td>0.391</td><td>5.668</td><td>0.000</td></tr>
<tr><td>Financial Support</td><td>0.083</td><td>1.248</td><td>0.213</td></tr>
<tr><td colspan="8">Predictors: (Constant), Infrastructure, Security, Government Policy, Financial Support</td></tr>
<tr><td colspan="8">Dependent Variable: Environmental Sustainability</td></tr>
</table>

Source: Author's Computation, 2024

Interpretations

Table 1 above shows the multiple regression analysis results to examine the effect of government roles on environmental sustainability of selected SMEs in Ogun State, Nigeria. The results showed that security ($\beta = 0.192$, $t = 3.104$, $p < 0.05$) and government policy ($\beta = 0.391$, $t = 5.668$, $p < 0.05$) exerted a positive and significant value on environmental sustainability of selected SMEs in Ogun State, Nigeria. Infrastructure ($\beta = 0.061$, $t = 0.968$, $p > 0.05$) and financial support ($\beta = 0.083$, $t = 1.248$, $p > 0.05$) shows a positive but insignificant effect on environmental sustainability of selected SMEs in Ogun State, Nigeria. This implies that, security, and government policy are important factors in selected SMEs in Ogun State, Nigeria which in turn yields an increase in environmental sustainability.

The R value of 0.563% supports this result and it indicates that government roles component has a strong positive relationship with environmental sustainability of selected SMEs in Ogun State, Nigeria. The coefficient of multiple determination Adj.R^2 = 0.310 indicates that about 31% variation that occurs in the environmental sustainability can be accounted for by the government roles while the remaining 69% changes that occurs is accounted for by other variables not captured in the model.

The predictive and prescriptive multiple regression models are thus expressed:
$CMT = 5.374 + 0.061IE + 0.192SY + 0.391GY + 0.083FS + U_i$---Eqn (i) (Predictive Model)

$CMT = 0.192SY + 0.391GY + U_i$ --------- Eqn(ii) (Prescriptive Model)

Where:
IE = Infrastructure
SY = Security
GY = Government Policy
FS = Financial Support

The regression model shows that holding government roles to a constant zero, environmental sustainability would be 5.374 which is positive. In the predictive model it is seen that of all the variables, infrastructure and financial support are positive and insignificant, so the management of the selected SMEs in Ogun State can downplay these variables and that is why they were not included in the prescriptive model. The results of the multiple regression analysis as seen in the prescriptive model indicate that when all other variables of government roles components (security and government policy) are improved by one unit, environmental sustainability would also increase by 0.192 and 0.391 respectively and vice-versa. This implies that an increase in security and government policy would lead to an increase environmental sustainability of the selected SMEs in Ogun State, Nigeria. Also, the F-statistics (df = 4, 381)= 43.662 at p = 0.000 ($p < 0.05$) indicates that the overall model is significant in predicting the effect of government roles on environmental sustainability which implies that government roles components except infrastructure and financial support are important determinants in the environmental sustainability of selected SMEs in Ogun State, Nigeria. The result suggests that such of selected SMEs in Ogun State should pay more attention towards developing the components of the government roles especially security and government policy to increase environmental sustainability. Therefore, the null hypothesis (H_02) which states that government roles have no significant effect on environmental sustainability of selected SMEs in Ogun State, Nigeria was rejected.

Discussion of Findings

The result of the study in hypotheses two found that government roles have significant effect on environmental sustainability of selected SMEs in Ogun State. This result is in alignment with different empirical results. Joo et al. (2019) in their study on the effects of government intervention on the firm's environmental and technological innovation capabilities and export performance found that the government's institutional support for the environment-friendly practices had positive effects on its environmental and export performances.

Also, the result is in line with the study of Asim et al. (2019) which showed that technological opportunism and government regulations both contribute to achieving the environmental, social and economic performance of the SME sector of Pakistan. Similarly, the result of the study aligns with that of Jawabreh et al. (2021) which revealed that environmental sustainability helps to build distinction and competitive advantages. In the same vein, the result of the study corroborates the study of Li et al. (2020) on green innovation and business sustainability which found that recycling has positive effect on green publicity and environmental performance.

Furthermore, the result of the study is in agreement with Ilyas et al. (2020) on unleashing the role of top management and government support in green supply chain management and sustainable development goals which showed that government support significantly strengthens the relationship between top management support and green supply chain management. Similarly, the result of the study agreed with Okafor-Yarwood (2018); Roos et al. (2020) which found that efficient governance and enabling legal and regulatory frameworks are positively significant to environmental management. Additionally,the result align with the result of the study of Rakhmawati et al. (2020) whichj revealed that there is a significant positive effect of green supply chain management on environmental performance and financial performance. This also aligns with the result of the study of Oruonye and Ahmed (2020) which revealed that the roles of government in enforcing environmental regulations have positive impacts on environmental sustainability. However, the result of the study negates the result of Kim (2019) which revealed that government mismanagement of natural resources, including inadequate environmental regulations, leads to environmental degradation and negatively affects environmental sustainability. Sililarly, the result of Martinez (2020) also disapproves the result of the study that lax enforcement of environmental laws and regulations allows businesses to engage in environmentally harmful practices, undermining sustainability.

Conclusion and Recommendations

This study investigates the effect of government roles on environmental sustainability and the empirical finding specifically indicates that government roles had a significant positive effect on environmental sustainability in selected SMEs in Ogun State, Nigeria. The result reveals that government roles dimensions (infrastructure, government policy, security and financial support) improve environmental sustainability of selected SMEs in Ogun State, Nigeria.
Based on the result of the findings, the following are recommended:

i. The government policy makers should ensure coherence and stability in policies affecting SMEs to provide a conducive business environment. This can be achieved by avoiding frequent policy change and contradictions that could disrupt SMEs operations and long-term planning.

ii. The government policy makers should support innovation and technology adoption among SMEs through incentives, funding, and technical assistance. This can be achieved through encouragement of the use of digital technologies, e-commerce platforms, and innovation hubs to enhance productivity, competitiveness, and resilience to technological disruptions.

Suggestion(s) for Further Studies

i. Further studies may combine quantitative data, such as surveys or questionnaires, with qualitative data, such as interviews or case studies may allow for a deeper exploration of contextual factors, individual experiences, and organizational dynamics that influence the relationship;

ii. Future studies could investigate the mediating and moderating factors that influence the relationship between government roles and business sustainability. Factors such as subsidies, capacity building, public-private partnerships, or innovation and technological support could be explored to understand their impact on the observed relationship.

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