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Role of Perceived Ease of Doing Business on Profitability of Small Business in Sub-Saharan Africa: An Empirical Investigation

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ABSTRACT
Small businesses play a pivotal role in the major portion of the global economy and academic research on it and their profitability has continued to evolve significantly. Yet in Nigeria, these businesses are challenged in many areas such as in market failures, ease of doing business and many other obstacles. This study therefore aims to investigate the effect of ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) on profitability, of selected SMEs in Lagos state, Nigeria the most populous and biggest consumer market in Africa. The research population consisted of registered small companies in Lagos, Nigeria, and the research design was a descriptive survey. Seven hundred and one responses, or 95% of the total, were obtained using a closed-ended questionnaire. The result revealed that there is no significant positive relationship between the ease of doing business and profitability in selected SMEs in Lagos State, Nigeria ($R=0.092$, $R2 = 0.009$, $t = 1.871$, $p<0.05$). Thus, the null hypothesis was accepted and not rejected, which is a novel finding, considering the difficulty in connection to constant and stable electricity, unfriendly regulatory environment, poor foreign exchange regime and difficulty of trading across the border etc. However, advances in ease of doing business can positively and significantly impact economic expansion and business progress. Therefore, this study recommends the absence of corruption in governance infrastructure which is a robust determinant for creating conducive business atmosphere, and business growth. More so SMEs require government effectiveness and holistic approach in addressing various challenges in the business environment which paradoxically can decrease economic growth in Nigeria.

Keywords: Business environment, Governance, Regulatory quality, Nigeria, SMEs, World Bank

Introduction

The efforts to establish a conducive business environment drives scholars, international organizations, and policymakers to explore substitutes for enhancing the economic growth and business continuity process. Reports that assess the environmental conditions surrounding companies and the facilitation of ease of doing business represent a key initiative in this area. Many multinational companies and large firms understand that ease of doing business ranking is very vital while taking decisions in business but less is noticed in small businesses. The businesses with a streamlined ease of doing business will entice both local and foreign investors to allocate resources to the business sector (Hossain, et. al., 2018). However challenging economic conditions constitute one of the numerous issues confronting the small businesses in Africa and the poor growth of SMEs in developing economies constitute a source of concern (Olubiyi, 2022). The Ease of Doing Business (EODB) framework, developed by the World Bank Group, assesses the ease of conducting business within an environment conducive to economic growth and business development (Olagunju, & Ikeolumba, 2019). A lot of findings abound from SME industry reports and the perspectives of experts in the field unveil some extraordinary challenges that have adversely impacted the SME growth. Okpara (2011) identified some typical obstacles that SME profitability and survival face in Nigeria such as inadequate funding, bad leadership, corruption, a lack of education and expertise, inadequate infrastructure, low revenue, and a lack of consumer demand for goods and services. Asongu, and Odhiambo, (2019) agreed that the critical challenges restraining SME performance in Nigeria are limited access to credit and high cost of doing business. Others include inconsistence economic policies, and multiple taxations which all revolve round the ease of doing business.

The World Bank's ease of doing business index measures a nation's business environment and its prospects for economic success. Increased scores on this measure indicate a favourable climate for business operations Hossain, et. al., (2018). Prior studies acknowledged that business regulations play a major role in determining wealth and sustained expansion, and they also verified that nations with stronger legal systems have higher rates of economic growth (Tehmina, 2021 *et al*; Asongu, & Odhiambo, 2019; Djankov *et al*., 2006; Acemoglu *et al.,* 2001; Hall & Jones, 1999). Numerous authors have utilized the Doing Business indicators to infer economic and business consequences (Adhana, & Gulati, 2019; Bonga, & Mahuni, 2018; Adepoju, 2017; Ani, 2015). Prior research likewise concentrated more on how a nation's economic performance is impacted by the business climate or ease of doing business. There were conflicting findings from the study of the overall and ease of doing business. According to some studies, some measures of a nation's ease of doing business have a significant effect on business profitability, while other examinations find them to be negligible. It is still unknown, nevertheless, how ease of doing business indices accurately represent an economy's actual business environment. Thus, the conceptualization of this study. Therefore, this study seeks to understand the impact of ease of doing business measured by trading across borders, business registrations, taxes, business regulatory environment and electricity availability, on the profitability of small businesses in developing economies and Nigeria is the focus. In light of the theoretical and practical significance of ease of doing business and their impact on the profitability of small businesses which still have inconclusive evidence the researchers are compelled to reexamine the issues within the framework of emerging economies, particularly Nigeria. Therefore, this paper's objective is to close the gap in Nigeria, Africa's most populated and largest economy by logistic. Therefore, the objective of this study is to identify the impact of ease of doing business on the profitability of small businesses post-pandemic in Nigeria the most populous and biggest consumer market in Africa.

Literature Review

Historical Background and Ease of Doing Business trend in Sub Saharan Africa

Small and Medium-sized Enterprises (SMEs) are crucial to the growth and development process in all countries; however, the effectiveness and efficiency of their operations largely depend on the level of government involvement. The historical background of small and medium-scale enterprises in Nigeria has existed since the period before independence in 1960. The origins can be traced to 1946, when the significant document No. 24 of 1945 concerning a Ten-Year Plan for the Development and Welfare of Nigeria was presented, as noted by Arapasopo and Adekoya (2021). The simplicity and the ease of doing business in Sub-Saharan Africa has always been a topic of examination because to its possible influence on economic growth and development. This area, comprising 48 nations south of the Sahara Desert, has experienced several initiatives to enhance the business climate and attract investment (Adepoju, 2017). The notion of ease of doing business in Africa includes the regulatory framework governing corporate operations throughout the continent. This environment is influenced by several elements, including governmental policies, legal frameworks, bureaucratic processes, and infrastructural development. The World Bank's "Doing Business Report," which evaluates business policies and their enforcement across 190 economies, reveals that Africa exhibits a varied environment marked by considerable differences in the ease of conducting business (Bétila, 2021). It is crucial to acknowledge that although enhancements in the ease of doing business might facilitate economic growth, they represent only one of several contributing elements. Countries in Sub-Saharan Africa have enacted changes to improve their business conditions (Adepoju, 2017). Rwanda is a country that has optimized registration procedures, hence decreasing the time and expense associated with initiating a business. In 2021, the nation was positioned 38th worldwide for ease of doing business, reflecting the beneficial effects of pro-business policies (IMF, "Regional Economic Outlook: Sub-Saharan Africa," 2021). Togo stands out as a positive exception within Sub-Saharan Africa. Nonetheless, the Sub-Saharan African area overall exhibits a position of underachievement regarding the ease of doing business, with the average score of 51.8%.

Ease of doing business

The ease of doing business, as defined by the World Bank (IBRD, 2020), refers to a country's regulatory environment that supports the initiation and operation of local enterprises. This concept encompasses the role of public policies, the legal framework, and bureaucratic processes, which collectively enhance the nation's global competitiveness in entrepreneurship. "Ease of Doing Business" (EODB) may be characterized as the aggregate result of streamlined laws, regulations, and taxation processes that enable efficient business operations, supported by robust infrastructure such as transportation, law enforcement, and a stable banking and financial system, alongside a favourable demographic that serves as both consumers and human resources for enterprise Hossain, et. al., (2018). EODB' simply means the simplification of rules and regulations for doing business. Kumar and Kumar (2020) characterized EODB as the aggregate result of streamlined laws, regulations, and taxation processes that promote efficient business operations, supported by developed infrastructure such as transportation, law and order, and banking systems, alongside a favorable population that serves as both consumers and human resources for businesses. Ease of Doing Business pertains to the state's administration of regulations that serve the public interest, including commercial operations within the private sector (Rhodes, 1997). It encompasses the government's power to formulate policies that facilitate the growth of corporate entities (World Bank Institute, 2009).

Superior regulatory quality mitigates obstacles to growth, including governmental price control, inadequate finance access, and convoluted regulations (Olagunju, & Ikeolumba, 2019). Ease of Doing Business is assessed based on governmental initiatives aimed at abolishing market policies detrimental to business organizations, including market controls, restrictions on capital mobility, and government interference (Okri, 2020). The quality of rules, trustworthy governmental public responsibility and institutions are acknowledged as essential determinants of economic growth success (Bétila, 2021; Adhana, & Gulati, 2019; Bota Avram, 2014). Businesses assess the clarity and predictability of regulations when making investment decisions (OECD, 2011). Government policies that encourage innovation, competitiveness, and a business-friendly atmosphere to boost company profitability. (OECD, 2011). The Ease of Doing Business ranking, created and disseminated by the World Bank, aids both private and public decision-makers in evaluating the regulatory performance of nations across time. It delineates the disparity among economies based on the optimal regulatory performance recorded for each indicator constituting the index. Performance gaps between countries can be evaluated through an analysis of the temporal alterations in their regulatory frameworks (IBRD, 2020).

Profitability

Profitability refers to a business's capacity to generate profit. Amoa-Gyarteng and Dhliwayo (2022) assert that in the realms of industrial economics, business organization, and finance, the size of firms is regarded as a pivotal characteristic in elucidating profitability. A profit represents the remainder of the revenue that a business accrues after settling all expenses directly associated with generating that revenue, including costs related to product production and other expenditures pertinent to the operation of business activities (Igwe, 2016). In addition to the potential options of concentrating on small, medium, or large family SMEs, as well as the decision to emphasize management, control, ownership, or a combination thereof, a researcher must also determine appropriate performance metrics for their study when contrasting family enterprises with non-family counterparts. Within this domain, the predominant metrics employed are Tobin's q and return on assets and/or equity (Isik & Tasgin, 2017). Amoa-Gyarteng and Dhliwayo (2022), along with Olagunju, & Ikeolumba, (2019) contend that for firms operating within the industry, the imperative of survival hinges upon profitability, which stands as a fundamental concern for any profit-driven entity, with the maximization of this profitability being the primary objective of the firm. To attain enhanced profitability, it is essential for each organization to develop a strategy that aligns with the swiftly evolving business landscape. Shareholders prioritize the enhancement of EBIT or EBITDA, as these metrics are fundamental in driving enterprise value and facilitating a return on their investment. The net profit of a company represents the revenue remaining after the deduction of all expenses associated with the manufacture, production, and sale of its products (Cong, & Thu, 2021). It is allocated directly to the proprietors of a corporation or the stakeholders, or it is reinvested into the enterprise. For any corporation, the pursuit of profit stands as the foremost objective. In instances where a company lacks initial investors or financing, profit may constitute its sole capital. The deficiency of adequate capital or the requisite financial resources to maintain and operate a business inevitably precipitates its impending failure. Based on the findings and empirical results, this study hypothesized that:

H_{01}: Ease of doing business have no significant effect on the profitability of selected SMEs in Lagos State Nigeria.

Theoretical Review

Theory of High Achievement/Achievement Motivation (McClelland, Clark, Roby, & Atkinson, 1958)

The notion of the need for achievement (nAch) was articulated in the 1950s (McClelland, Clark, Roby, & Atkinson, 1958). McClelland and his colleagues posited that individuals with a high need for achievement are more inclined than those with a low need for achievement to participate in dynamic and creative endeavors that necessitate foresight and involve personal accountability for the results of their efforts. McClelland (1961) posited that individuals with a high need for achievement are inclined to favor tasks that require skill and effort, offer explicit performance feedback, and present a moderate level of challenge or risk. McClelland (1961) posited that entrepreneurial roles exhibit a greater prevalence of these characteristics compared to other types of roles. The need for achievement encompasses the desire for challenges that foster personal accomplishment and success in competitive contexts. An individual with a pronounced drive for accomplishment exhibits three notable traits. The primary trait is personal responsibility, indicating that the individual undertakes most tasks independently rather than relying on others to accomplish them. He seeks to assume personal accountability for his achievements or setbacks, preferring not to attribute responsibility to others or to fate for his actions. The second aspect involves the pursuit of feedback, through which he aims to gauge his performance; he would actively seek out contexts where tangible feedback can be obtained. The third characteristic is his inclination towards moderate risks, as he tends to establish goals of moderate difficulty for himself and favors taking calculated risks to attain these objectives. Individuals of exceptional capability tend to thrive in environments characterized by competition. They have a preference for assignments that present a challenge. They demonstrate a strong commitment to diligent effort and seek positions that fully challenge their capabilities. They are not driven by monetary gain in itself; rather, they utilize money as a means to quantify their accomplishments. The implications of McClelland's theory for managers are substantial. When the requirements of employees are assessed with precision, organizations have the potential to enhance their selection and placement methodologies. Individuals possessing a pronounced drive for achievement are often assigned to demanding roles, while those with a strong desire for power may receive training tailored for leadership positions. Should the organization successfully align the intensities of needs with the characteristics of the job, enhanced performance is assured. McClelland posits that, alongside infusing jobs with achievement characteristics, individuals ought to be educated and provided with training in achievement motivation.

In the vocational choice framework, Holland (1985) posited that individuals are drawn to careers that provide environmental attributes aligning with their personality traits. Furthermore, both Goh (2003) and Lopez (2005) contended that performance and career satisfaction tend to be elevated when there exists a harmonious alignment between the characteristics of the work environment and individual personality traits. Consequently, as proposed by McClelland (1961), it appears that individuals with a high need for achievement are inclined to gravitate towards and excel in entrepreneurial roles. Despite the extensive literature surrounding achievement, motivation, and entrepreneurship, there remain significant issues that warrant further exploration. For instance, Johnson (1990), Goh (2003), and Lopez (2005) undertook a conventional examination of this body of literature and arrived at the conclusion that there exists evidence supporting a connection among achievement, motivation, and entrepreneurial activity. Nevertheless, a thorough analysis of Johnson's review prompts certain inquiries regarding the robustness of this conclusion. Initially, due to the narrative structure of this review, the extent of the relationship between achievement motivation and entrepreneurial activity remains ambiguous. Indeed, numerous studies examined by Johnson revealed a lack of significant correlations between achievement motivation and entrepreneurial endeavors.

The concept of high achievement motivation was introduced by McClelland. In this context, he delineated two fundamental attributes of entrepreneurship: the pursuit of innovative and improved methodologies, alongside the capacity to make decisions amidst uncertainty. He further articulated that individuals possessing elevated achievement motivation are predisposed to entrepreneurship, asserting that such individuals are not swayed by monetary gain or external rewards; rather, they regard profit generation in any endeavor as a benchmark of success or competence. The measurement of achievement motivation can be conducted through the achievement motivation inventory, which represents a drive emerging from an emotional state. One might experience an intrinsic motivation to attain success while simultaneously evading the specter of failure. As articulated by Goh (2003) and Lopez (2005), the Theory of High Achievement encompasses the aggregation of individual and collective learning, which is cultivated through training programs, experiential engagement, and collaborative interactions within an organization, alongside the acquisition of knowledge and skills. Moreover, within his framework of Acquired Needs Motivation, McClelland posited that the pursuit of achievement is fundamental to the success of emerging entrepreneurship. He advanced his analysis by classifying an individual's needs into three distinct categories: the need for achievement, which pertains to success derived from one's own efforts; the need for power, characterized by the desire to dominate and influence others; and the need for affiliation, which focuses on fostering amicable relationships with others. McClelland conducted an experiment that has come to be recognized as the Kakinada studies. The research was carried out in an industrial town located in Andhra Pradesh during the period from January to March 1964. In the aforementioned study, a cohort of young adults was meticulously chosen and subsequently engaged in a comprehensive three-month training program at the Small Industry Extension Training Institute (SIETI). The program was meticulously crafted to foster achievement motivation among the trainees by encouraging them to regulate their thoughts and engage in positive self-dialogue, envision themselves as individuals seeking challenges for success, establish well-defined and attainable goals, pursue consistent and tangible feedback, and emulate their role models. The experiment yielded the following findings: traditional beliefs do not impede an entrepreneur or undermine entrepreneurial orientation; sustainable training can provide the necessary motivation for an entrepreneur; and achievement motivation positively influences the performance of participants. A notable limitation of the Theory of High Achievement lies in its exclusive focus on the process of coordinated system alteration, viewing individuals or employees as the sole resources in this endeavor. Stewart (1996) and Lopez (2005) observed that achieving high performance necessitates a focus on continuous learning, encouraging employees to acquire new skills, gain fresh knowledge, and learn from those with experience. The development of distinctive human capital, characterized by intricate skills and knowledge that are challenging to replicate, can be achieved through the principles of high achievement theory. It was further disclosed that individuals with elevated nAch levels are more inclined than their lower nAch counterparts to participate in dynamic and inventive endeavors that necessitate foresight and involve personal accountability for the results of their tasks.

Empirical Review

Relationship of Ease of Doing Business and Profitability

The literature review is crucial for conducting subsequent research of this nature. So, relevant studies have been reviewed to demonstrate the specific objectives of the current research but there is paucity of empirical studies around the variables within the research context of small business. While there is empirical evidence that the ease of doing business is a significant predictor of business profitability some authors still argue on the contrary. Largely according to empirical studies, ease of doing business have positive impacts on business performance and also enhance business profitability (Bétila, 2021; Asongu, & Odhiambo, 2019; Jerbashian, & Kochanova, 2016). An illustration of this scenario is the study conducted by Kofarbai and Bambale (2016). The authors evaluated the mediating role of ease of doing business indicators in the relationship between investment climate and foreign direct investment (FDI), considering them as potential determinants influencing the shift of FDI from developed to developing countries. The research indicated that the ease of doing business significantly influences higher foreign direct investment inflows, while a poor business environment exacerbates investment constraints and notably elevates the cost of doing business. The authors advocate for enhancements in energy supply, robust anti-corruption measures, tax simplification, and effective investment policies to foster substantial economic growth. Khan (2020) examined the mediating role of business regulations in the relationship between governance and international trade. The author determined that a country's business regulations significantly affect its international trade, while the country's control instruments have an indirect impact on its trade performance. The findings indicated complete mediation, with the indirect effect of governance on international trade being mediated by trade regulations. Rensburg (2021) posits that the interplay between innovation and the ease of doing business presents challenges for legislators, as technological innovations encounter rules and regulations that create barriers limited to the physical environment. Technological advancements diminish governmental control as dictated by existing legislation, necessitating a reevaluation of concepts and regulations to align with the virtual landscape, thereby ensuring continued benefits in international business contexts (López-Gonzalez & Ferencz, 2018; López-González & Jouanjean, 2017; Shuaib, 2020; Smirnov & Karelina, 2020). The literature review indicates that the variables of ease of doing business and small business profitability warrant examination in conjunction. Research on the ease of doing business, as measured by the World Bank's Ease of Doing Business score, has been conducted in various contexts; however, studies focusing on small businesses are limited. Prior studies yield diverse results across various fields. As a result, this study aimed to address the existing gap and proposed the following hypothesis:

H_{01}: There is no significant effect of ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) on profitability of selected SMEs in Lagos State Nigeria.

Conceptual Model

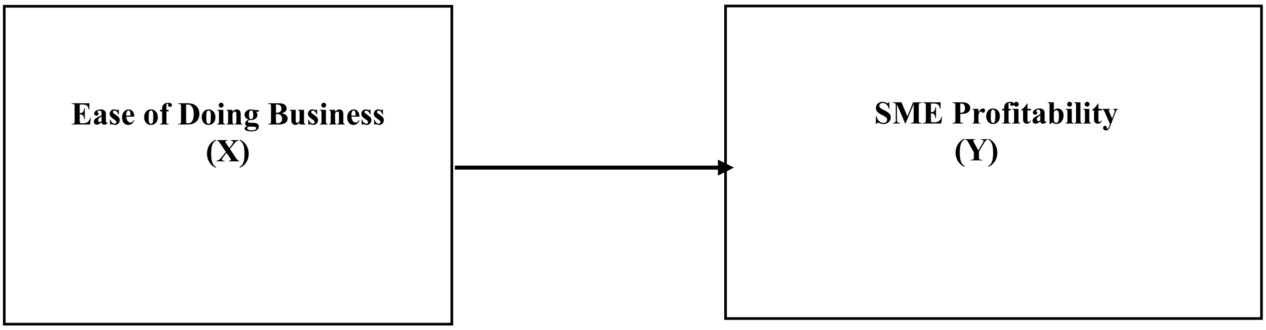

Figure 1: Author's Conceptual framework (2022)

The framework sheds light on ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) in SME profitability, which is the research framework. The predictor and outcome variables for this research are ease of doing business (X) and SME profitability (Y) respectively.

Material and Methods

This study focuses on the small business sector, specifically small and medium-sized enterprises (SMEs) in Lagos State, Nigeria, which employ between ten and two hundred staff and generate revenue below 200 million Naira, all of which are registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Lagos State. The study employed a cross-sectional survey research approach, justified by its efficacy in evaluating the ideas, views, and emotions of diverse groups, hence facilitating more valid and candid comments on the subject matter. This paper relied on the prior study methodology of Ukabi, Uba, Ewum, and Olubiyi, (2022a), Olubiyi, (2022b), Olubiyi, Lawal, and Adeoye, (2022), Olubiyi, Egwakhe, and Egwuonwu, (2019), Olubiyi, Egwakhe, Amos, and Ajayi (2019), Olubiyi, Lawal, and Adeoye, (2022). Olubiyi (2019), Olubiyi, (2022c), Olubiyi, Jubril, Sojinu, and Ngari, (2022), and Uwem, Oyedele, and Olubiyi (2021) employed a cross-sectional method in their studies and found it to be effective. The research population includes five divisions in Lagos State as stated below in Table 1

Table 1. The Five Divisions of Lagos State with employees and proportionate numbers

S/N	Five Divisions in Lagos State	Population Size in each division	Whole Population	Sample Size	Proportionate Sample Size	Sample %
1	Ikorodu	783			50	6.74%
2	Epe	593	11,663	742	38	5.12%
3	Ikeja	4,446			282	38.15%
4	Badagry	468			30	4.04%
5	Lagos Island	5,373			340	46.00%
TOTAL					**742**	**100%**

Source: Researchers' Computation (2022)

The sum of 571 and non-response rate of 171 is used to get the sample size, which comes out to 742. Thus, 742 people make up the sample size. In order to analyze the data, the current study uses descriptive and inferential statistics. Conducting a descriptive analysis is the initial stage in testing the study's hypothesis. The data is organized into tables that show the distribution of percentages, the mean, and the standard deviation as part of this study. Inferential analysis employing the Pearson Correlation method of analysis, basic linear and multiple regression procedures, and IBM SPSS Software Version 22.0 for help is the last phase.

Data Analysis

A total of 701 out of 742 distributed questionnaires were completed and returned for analysis, resulting in a response rate of 95%. The response rate refers to the proportion of individuals who completed and returned the questionnaire in the survey. The remaining questionnaires were either unreturned or had incomplete responses; however, the total number of completed questionnaires received was adequate to represent the SMEs in Lagos State, Nigeria, and they were subsequently analyzed. Table 3 presents the details of the responses.

Table 3: Response Rate

	Frequency	Percentage %
usable questionnaire	701	95
Incomplete &unusable	41	5
Total	742	100

Source: Researchers' survey (2022)

Objective: Find out the effect of ease of doing business on the profitability of SMEs in Lagos State, Nigeria.

Research Question: What is the effect of ease of doing business on the profitability of SMEs in Lagos State, Nigeria?

The aim was to investigate the impact of the ease of doing business on the profitability of small and medium enterprises in Lagos State, Nigeria. Respondents were asked to evaluate their perceptions regarding various aspects of the ease of doing business and the profitability of SMEs in Lagos State, Nigeria, using a six-point Likert Scale. The results were articulated and subsequently accompanied by a thorough analysis and interpretation.

Table 4: Linear regression table showing the effect of ease of doing business on profitability in selected SMEs in Lagos State, Nigeria.

Model0.0	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.0	0.092[a]	0.009	0.006	4.344

a. Predictors: (Constant), Ease of doing business

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1.0	Regression	66.062	1,00	66.062	3.501	0.062[b]
	Residual	7679.048	407	18.867		
	Total	7745.110	408			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Ease of doing business

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1.0	(Constant)	12.896	0.798		16.151	0.000
	Ease of doing business	0.100	0.053	0.092	1.871	0.062

Source; Researchers' Table on Linear regression table showing the effect of ease of doing business on profitability in selected SMEs in Lagos State, Nigeria, (2022)

Interpretation

Dependent Variable: Profitability

The result in Table 4 reports effect of ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) on profitability in selected SMEs in Lagos State, Nigeria. Ease of doing business was the independent variable and profitability in selected SMEs was the dependent variables of the study. The findings indicate that the coefficient of determination, R2, was measured at 0.009, suggesting that a mere 0.9% of the variance in the ease of doing business can be attributed to the variances in the profitability of the selected SMEs. This suggests that there exists no substantial positive correlation between the ease of conducting business and profitability among selected SMEs in Lagos State. The correlation coefficient R indicates a degree of relationship between the independent variable, ease of doing business, and profitability in selected SMEs, with a value of 0.092. This suggests a positive relationship between ease of doing business and the profitability of these SMEs, albeit one that is not statistically significant. The unstandardized coefficient of recognition stands at 0.100, indicating that an increase of one unit in the ease of doing business correlates with a 0.100 unit increase in the profitability of SMEs. The regression coefficient of 0.100 is not statistically significant ($t = 1.871$, $p<0.05$), suggesting that the ease of doing business adversely impacts the profitability of SMEs. The estimated coefficient of (R) was 0.092, indicating that recognition exerts a significant and adverse influence on profitability within the selected SMEs. The comprehensive importance of the model, as indicated by the F-statistic, reveals a calculated value of 3.501 ($p=0.62$), which does not achieve statistical significance at the $p<0.05$ threshold. Consequently, we dismiss the alternative hypothesis and uphold the null hypothesis, which posits that the ease of doing business does not exert a significant influence on the profitability of the selected SMEs in Lagos State, Nigeria.

Discussion of Findings

The null hypothesis was confirmed by the data, showing that the ease of doing business has no significant effect in profitability of selected SMEs in Lagos state, Nigeria. This finding agrees, both conceptually and experimentally, with the current research. The empirical data confirmed the hypothesis that ease of doing business do not affect profitability, supporting the work of Okri, (2020) and Olagunju, and Ikeolumba, (2019). The findings of the study suggest that ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) had no positive significant effect on the profitability of SMEs in Nigeria. According to Muya & Gathogo (2016), to be profitable, SME obligation is to possess the capability to produce revenue from its core economic activities. Profit is what drives SME owners to make investments, and it is important to remember that that cannot just be wish away because SME exist to make money. Thus, everyone involved in a business venture is driven by the prospect of profit. Solomon (2012) reports that businesses that are not profitable are viewed negatively and, in the long term, are often shut down completely. hence profits are an important metric for evaluating a company's success. However, Adewale *et al.* (2020) suggest that government should provide basic infrastructure for SME as Poor power supply has presented a significant challenge to the advancement and evolution of small business enterprises in Nigeria. The researchers further conclude that multiple taxation is also another source of concern in developing countries like Nigeria as many times taxes are not streamlined. Nigerian enterprises are obligated to remit numerous taxes to a range of governmental bodies across federal, state, and local levels. This situation invariably leads to the imposition of double taxation, rampant corruption, and a plethora of unnecessary levies and duties. Additionally, it creates bureaucratic bottlenecks within various governmental agencies such as the Corporate Affairs Commission (CAC) and the National Agency for Food and Drug Administration and Control (NAFDAC). The high costs associated with acquiring business licenses, along with the diverse surcharges imposed by different governmental bodies on the same enterprises, serve to undermine these organizations even prior to their ability to generate profit (Adewale & Ibitoye, 2020).

Conclusion and Recommendation

The principal conclusions of the research indicated that ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) on SME profitability had no significant positive effect on SME profitability ($R=0.092$, $R2 = 0.009$, $t = 1.871$, $p<0.05$). The finding of the study further revealed that ease of doing business (trading across borders, business registrations, taxes, business regulatory environment and electricity availability) have no significant effect on the profitability of SMEs in Lagos State, Nigeria. The study concludes that regulatory reforms and government interventions are pivotal for economic growth in Nigeria challenging the assumed positive impact of ease of doing business on economic expansion and business profitability. This study adds to the body of knowledge in small business by shedding light on the complex relationships between ease of doing business and small business profitability, which are crucial for promoting novel insights for policymakers in Nigeria and indeed developing economies. This study is important as it contributes to governance by facilitating effective policymaking to enhance the ease of doing business. This study is valuable for investors as it may contribute to an improved environment conducive to business growth. This study serves as a foundation for further research, benefiting both academics and students. This study could provide the World Bank with insights into additional areas of concern related to the ease of doing business. This study provides valuable insights for business owners and practitioners regarding the issues and potential challenges faced in business operations in Nigeria. This study contributes to the existing body of knowledge through its methodology, with data analysis outcomes specifically tailored for business decision-making. This study also gathers practitioners' perspectives on the ease of doing business. The study recommends that government fiscal and other policies must demonstrate continuity to facilitate the ease of doing business. The World Bank should consider the need for synergy between the Governments in Sub Saharan Africa and private sector operators for a robust ease of doing business ranking of their economies.

Study Limitations and Future Direction

This research has acknowledged several limitations. Some of these are considered to be useful precursors for future study. This study's focus only on small businesses in Lagos State, Nigeria, restricts the applicability of its results. This article presents findings and implications that are particularly relevant to Nigeria, with a primary emphasis on small business sectors., which might restrict the generalizability of the results. Although limited, the findings of the current study should inspire scholars to do more comprehensive research on ease of doing business in small and medium-sized enterprises. The paper's cross-sectional design limits the author's ability to assert causation. In this research, SMEs should prioritize organizational structure, technology capacity, and innovation culture to enhance performance and gain a competitive edge. Possible future research may include conducting a replication of the study within the public sector and large private enterprises.

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