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The Effects of Institution on Enterprise Growth in Nigeria

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Abstract:
Enterprise in Nigeria has not been growing very rapidly given that Nigeria has a population of about 185million. There are a number of institutional factors which may contribute to the slow enterprise growth in Nigerian economy. This study therefore utilized Nigeria Enterprise Survey data (2014) and apply the multinomial logistic regression model to examine the effects of institution on enterprise growth in Nigeria. It was therefore found by the study that with respect to the growth of partnership enterprises compared to sole proprietorship, enterprise growth is encouraged by corruption, improvement in rule of law, favourable customs trade regulation, and favourable labour regulation. It is however, negatively affected by political instability, crime, theft and disorder, bottlenecks in business license permit, and tax administration in Nigeria. The study however recommended among others that, there is need for sustained political stability, reduction in the crime, theft and disorder rates in the country.

Keywords: Effects, institution, enterprise growth, Nigeria, multinomial Logit

1. Introduction

Governments all over the world have increasingly initiated efforts to enhancing the economic welfare of their people through the facilitation of entrepreneurship (OECD, 2008). This is because, entrepreneurship is believed to be a crucial factor for economic growth and development. However, enterprise in Nigeria has not been growing very rapidly even with its estimated population of about 185million. There are a number of institutional factors which may have positive or negative effects on enterprise growth in Nigerian economy. Some of these institutional factors among others include; voice and democratic accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and corruption.

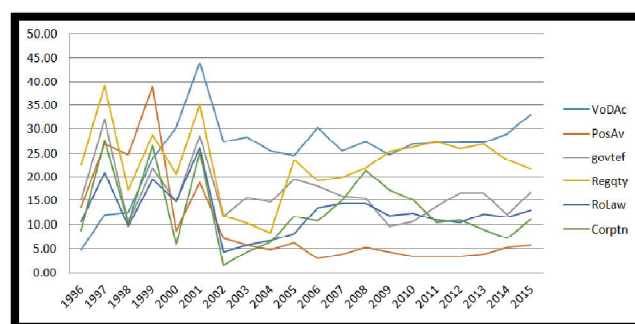These institutional factors measure the quality of institution in Nigeria. The factors can be seen in Figure 1 below:

Figure 1: Quality of Institution in Nigeria from 1996 - 2015

Figure 1 indicates that voice and democratic accountability (VoDAc), political stability and absence of violence (PosAv), government effectiveness (govtef), regulatory quality (Regqty), rule of law (RoLaw) and corruption (Corptn) in Nigeria fluctuated and were very high between 1996 and 2002. But between 2003 and 2015, their fluctuations were more stable. Hence, in Nigeria setting, the quality of institution can actually affect enterprise growth (Beck, Asliand Vojislav; 2001).

Voice and democratic accountability capture the perceptions of the extent to which a country's citizens are able to participate in electing their government, as well as freedom of expression, freedom of association, and a free media (Saliuand Lipede; 2008). When there are enhanced participation of the people in electing their government, freedom of expression, freedom of association, and a free media in any nation, it shows that there is good governance, accountability,

transparency and trust, which in turn brings about enterprise growth and hence, improvement in the living standard of the people (Gberevbie, Oyeyemi and Nchekwube; 2014).

Political stability and absence of violence/terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, and terrorism (World Bank, 2017). When there is political stability and/or absence of politically-motivated violence and terrorism, enterprises in the country would on the average thrive well and remain in the business.

Government effectiveness and regulatory quality have been shown by Chambers and Munemo (2017) to enhance enterprise growth by encouraging rise in new business activities. In addition, rule of law and justice sector also contribute significantly to sustainable enterprise growth. Entrepreneurs must be able to count on norms and procedures to make their businesses stable, workable, repairable, predictable, and equitable. As a result, the rule of law serves both as an anchor, ensuring predictability, and an engine, advancing conflicts towards resolutions in the enterprise and among employees, employers and governments.

Corruption as another institutional factor can lead to a diminished business climate when the public trust is put at risk. It can take many forms that can include graft, bribery, embezzlement and extortion, among others.

In view of the above, some studies in developed countries such as Snodgrass and Winkler (2004) have argued that favourable institutions enhance enterprise growth while unfavourable institutions discourage it. However, studies in the developing world have divergent views on effects of institutions on enterprise growth. While some studies such as Erastus, Stephen &Abdullai (2014), Gberevbie, Oyeyemi and Nchekwube (2014) and Wang (2016) argued that institutions in developing countries encourage enterprise growth, other studies such as Beck, Asli and Vojislav (2001), Hansen, Rand and Tarp (2009), among others argued that institutions in developing countries discourage enterprise growth. In Nigeria therefore, to the best of the researchers' knowledge, no study has been traced to have examined the effects of institution on enterprise growth. Hence, this study intends to utilize Nigeria Enterprise Survey data (2014) and apply the multinomial logistic regression model to examine the effects of institution on enterprise growth in Nigeria.

1.1. Conceptual Literature

Concepts	Meaning
Institution	Institution can be defined as that which embodies social purpose, transcending peoples and intentions through the rules that govern their living behaviours (Carter, 2016). It is also seen as stable, valued, recurring patterns of behavior, structures or mechanisms of social order which govern the behaviour of people in a given society or country.
Enterprise growth	Enterprise growth is defined as that which encourage enterprises to innovate, acquire more experience and knowledge in all areas of business including management, marketing, strategic planning, problem solving skills, and expansion planning and operations thereby, making businesses expand to full capacity (Wallas, 2016).

Table 1

2. Literature Review

The literature review of this study is divided in to two: theoretical and empirical literature. These can be seen as follows:

2.1. Theoretical Literature

This study is anchored on enterprise growth theory of Penrose (1959) which was later expanded by Greiner (1972), and popularized thereafter by Masurel and Montfort (2006) and Chaston (2010). The enterprise growth theory states that under the life cycle concept of an enterprise, a new chasm has to be crossed before the next stage of growth can be commenced. The chasms of enterprise growth include: launch capacity, expansion, organizational formalization, succession, and long-term growth. For Chaston (2010), crossing each chasm requires that the entrepreneur would acquire new skills and prioritize managerial task in the enterprise.

2.2. Literature Review

Beck, Asliand Vojislav (2001) utilised firm-level survey database of 54 countries and applied the multiple regression analysis based on OLS technique to study the effect of financial, legal, and corruption problems on firms' growth rates. It was found by the study that the smallest firms were the most constrained firms due to their sizes. More so, financial and institutional development weakened the constraining effects of financial, legal, and corruption obstacles to small firms and the quality of the courts affects firm growth. It was recommended by the study that corruption should not be encouraged since it inhibits firm growth.

Erastus, Stephen and Abdullai (2014) investigated the institutional framework that enhance small and medium-scale enterprises in Ghana using a cross-sectional survey of 157 SMEs and applying multiple regression analysis based on OLS technique. The study found that there exist formal institutions that enhance SMEs in Ghana but there is lack of national strategy resulting in poor coordination of government incentive support programmes which has made these institutions fail in terms of performance expectations.

Rand and Tarp (2009) tried to find out whether direct government assistance to business start-up and other forms of interaction with the state sector influences the performance of small and medium-sized manufacturing enterprises (SMEs) in Vietnam. Utilising survey data and multiple regression analysis, it was found by the study that there

exist strong effects on firm dynamics from interaction with state institutions. Hence, for survival and growth, enterprises that have the state sector as its major customer perform better. It was therefore recommended by the study that temporary tax exemptions during firm start-up should be encouraged.

Avnimelech, Zelekha and Sarabi (2011) used LinkedIn survey dataset on international entrepreneurial activity and applied multiple regression analysis to examine the impact of corruption on productive entrepreneurship following Baumol (1990) model. It was found by the study that corruption has a significant negative impact on entrepreneurship. It was recommended by the study that tight regulations aimed at reducing corruption should be encouraged to help enhance entrepreneurships.

Ayaydın and Hayaloglu (2014) tried to link corruption and firm growth in Turkey using survey data generated from 41 manufacturing firms and adopting static panel techniques. It was found among others by the study that there is significant positive relation between the growth of private firms and corruption level thereby implying that corruption could increase economic development due to the fact that illegal practices and payments as 'speed money' could surpass bureaucratic delays. The study therefore recommended among others that policy-makers should enhance the quality of public governance and encourage a level playing ground for firms in all business sectors to reduce corruption level.

In a similar study by Gbetnkom (2012) in Cameroon, a firm-level survey data was utilized to examine the types of public services for which small and medium-sized enterprises pay bribes, adopting multiple regression approach. It was found by the study that bribe payments significantly slow SMEs growth. It was recommended among others by the study that unofficial payments should be discouraged since they are very costly to SMEs in monetary terms and in terms of unfulfilled transactions.

A related study by Chakravorty (2015) examined the impact of the corrupt behaviour of government officials on firm growth in the manufacturing industrial sector of Bangladesh using survey data and, adopting OLS and IV regressions. It was found among others by the study that corruption has industry-specific impacts and a positive impact on firm growth in Bangladesh. It was recommended among others by the study that corruption should be discouraged.

Nyarku and Oduro (2017) also investigated the effect of corruption and bureaucracy on SMEs growth in the Kumasi Metropolis of Ghana utilizing survey data and employing the multiple regression approach based on OLS. It was found among others by the study that a 1% increase in corruption in the SMEs sector leads to 36.12% decline in SMEs growth (sales and employment), and 1% increase in bureaucracy leads to 28.76% decrease in the growth of SMEs. An interesting outcome of the study was that the excessive bureaucratic bottlenecks in the SMEs sector were implied by corruption. It was recommended by the study that the government takes a giant-step to fight corruption in the SMEs sector by ensuring transparency and accountability of public officials and also streamline its systems and activities in the sector to reduce the excessive administrative barriers.

World Bank (2007) used descriptive statistics and annual time series institutional data to look at corruption and economic growth. It was found by the study that corruption does have significant negative effects on a host of key transmission channels, such as investment, competition, entrepreneurship, government efficiency and human capital formation. It was recommended among others by the study that transparency and accountability, rule of law, regulatory quality, and other good practices should be encouraged to help countries strengthen their institutional environment and reduce the menace of corruption.

Williams and Martinez-Perez (2016) used World Bank enterprise survey firm-level data across 132 countries and adopted the multilevel modelling approach to reveal that paying corrupt public officials enhances firm performance. It was recommended by the study that public authorities should shift away from increasing the costs of corruption by improving the risks of detection and penalties, and focus more on formal institutional imperfections that encourage endemic corruption in the developing world.

In another different but related study on institution, Roe and Siegel (2011) used annual time series, applying country fixed effect regressions and an instrumental model to reveal that structural inequality to political instability, principally in nondemocratic settings, encourage financial backwardness of entrepreneurs. It was recommended by the study that enterprise development to occur, political instability should be discouraged because it has causes, cures, and effects quite different from other institutional variables capable of causing financial backwardness.

Willis (1990) in a similar study utilized time series data and multiple regression analysis based on neoclassical growth model to look at political instability and enterprise growth. It was found by the study that political instability negatively influences enterprise growth. It was recommended by the study that policy actions by policy makers in Sub-Saharan Africa should first of all be directed towards addressing political instability problem.

Kashala (2015) in a similar study used annual time series data and descriptive statistics to reveal that the growth of new enterprises and their strategies were influenced by factors such as economic conditions, technological changes, social and cultural forces, physical variables, international forces and political and legislative factors. It was recommended by the study that political instability should be discouraged since it has a deleterious effect on entrepreneurial activities in Africa at large.

In yet another but similar study, Chambers and Munemo (2017) used panel model and panel data of 119 countries between 2001 and 2012 to investigate the impact of start-up regulations and institutional quality on the level of new business activity. It was found that new enterprises were significantly lower in countries with excessive barriers to entry, a lack of high-quality governmental institutions, or both and countries with low institutional quality (i.e., political stability, regulatory quality, and voice and accountability) that discourage entrepreneurship. It was recommended by the study that promotion of higher levels of domestic entrepreneurship in both the short and long run should be a top priority of all and sundry to help reduce barriers to entry for new firms and encourage overall institutional quality (especially political stability, regulatory quality, and voice and accountability).

Aidis and Estrin (2006) in a similar study used probit model and Global Entrepreneurship Monitor (GEM) data to examine the effects of the weak institutional environment in Russia. It was revealed by the study that few individuals engage in productive entrepreneurial activity. It was recommended by the study that entrepreneurial activity should be encouraged by working ardently to reduce weak institutional environment since it supports limited effectiveness enterprise growth.

Hartog, Stel and Store (2010) also used time series data and SUR regression model to look at the changes that could occur in entrepreneurships across twenty developed countries. It was found by the study that countries with a better rule of law have lower entrepreneurship. It was recommended among others by the study that developed economies need the benefits of the rule of law accruing primarily to large enterprises hence, should be encouraged.

Smith and Ibrahim (2013) used no data and employed empirical method to examine the relationships that exist between law and entrepreneurial opportunities. It was revealed by the results of the study that the most influential factors relating to law and entrepreneurship revolve around market opportunities that involve some form of novelty or innovation. It was recommended by the study that there is need for innovations in the legal system to facilitate entrepreneurial activities.

Levie and Autio (2010) used panel data analysis and annual time series panel data of 54 countries to reveal that there existed lighter burden of regulation associated with a higher rate and relative prevalence of strategic entrepreneurial entry. When rule of law is strong, rule of law would moderate the significant effect regulation has on strategic entry into enterprises. It was therefore recommended by the study that there is need for governments across countries to understand institutional effects on strategic entrepreneurial activity and work on them to encourage enterprise growth.

3. Methodology

This study adopts the multinomial logistic regression model in order to examine the effects of institution on enterprise growth in Nigeria through the adoption of Nigeria Enterprise Survey data (2014).

The multinomial logistic regression model uses a linear predictor function $ln\frac{P(Y_i=k)}{P(Y_i=1)}$ to predict the probability that observation i, has outcome k. The probability of membership in other categories is compared to the probability of membership in the reference category. Dummy variable with K categories, this requires the calculation of K-1 equations, one for each category relative to the reference category.

Hence, if the first category is the reference, then, for k = 2,…,K, the multinomial logistic regression model can be specified as follows:

$$ln\frac{P(Y_i=k)}{P(Y_i=1)} = \lambda_k + \sum_{n=1}^{n} \alpha_{kn}X_{in} = Z_{ik} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots. \quad (1)$$

where i, is the ith individual and k, is the kth category of the dependent variable (in this case, enterprise growth). α_{kn} is a vector of regression coefficients associated with the kth explanatory variables and the nth outcome. λ_k is the constant term, while X_{in} is a vector of the explanatory variables.

For each case in equation (1), there will be K-1 predicted log odds, one for each category relative to the reference category. Since there are more than 2 groups of entrepreneurships (sole proprietorship, partnership and limited partnership), the probabilities for k = 2, …, K, yields:

$$P(Y_i = k) = \frac{\exp(Z_{ik})}{1 + \sum_{j=2}^{k} \exp(Z_{ji})} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (2)$$

While the reference category yields:

$$P(Y_i = 1) = \frac{1}{1 + \sum_{j=2}^{k} \exp(Z_{ji})} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (3)$$

Here, the K-1 log odds are computed and exponentiated making the calculation of the probabilities to be straightforward.

However, itemizing the variables of the model and re-specifying them in functional form yields equation (4):

$$enterpg = f(polinstab, corptn, crimet\ eftdisorder, rolaw,$$

$$buslicencepermit, customstraderegul, labourregulatn, taxadmin) \dots\dots(4)$$

where; the variables are as defined in the Table 2 below:

Variable Names	Definitions
Enterpg	Enterprise growth (sole proprietorship, partnership and limited partnership)
Corptn	Corruption
Crime theft disorder	Crime rate, theft and disorder
Rolaw	Rule of law
Bus licence permit	Business license permit to enterprises
Customs trade regul	Customs trade regulations
Labour regulatn	Labour regulations
Tax admin	Tax administration policy

Table 2: Definition of Variable Names in the Model

3.1. Data Sources

The data used in this study came from Nigerian enterprise survey data (2014). The survey is a firm-level survey of a representative sample of Nigerian economy's private sector. The survey covers a broad range of business environment topics including access to finance, corruption, infrastructure, crime, competition, and performance measures. This firm-level survey has been conducted since the 1990's by different units within the World Bank. Since 2005-06 till date, most data collection efforts have been centralized within the Enterprise Analysis Unit. The sampling methodology for this Enterprise Survey is stratified random sampling.

4. Results and Interpretations

The likelihood ratio (LR) chi-square (chi2 (19)) of 72.31 with a p-value of 0.0000 indicates that the model as a whole fit significantly better than an empty model (i.e., a model with no predictors). The base or reference category is the sole proprietorship hence, it forms the base to which other categories would be compared.

4.1. Comparing Partnership Enterprise and the Sole Proprietorship

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enterpg |    Coef.  Std. Err.    z   P>|z|   [95% Conf. Interval]
--------------------+----------------------------------------------------------
Sole_proprietorship |  (base outcome)
--------------------+----------------------------------------------------------
Partnership      |
polinstab |  -.0283301  .0450283  -0.63  0.529  -.1165839   .0599238
corptn |     .0493485  .0460801   1.07  0.284  -.0409668   .1396639
crimetheftdisorder |  -.0239788  .0413751  -0.58  0.562  -.1050725    .057115
rolaw |  .0213391  .0199693   1.07  0.285  -.0178001   .0604783
buslicencepermit |  -.1400812  .0451158  -3.10  0.002  -.2285065  -.0516559
customstraderegul |   .226106  .0451302   5.01  0.000   .1376525   .3145596
labourregulatn |  .1342358  .0613801   2.19  0.029   .0139331   .2545385
taxadmin |  -.0339831  .0457201  -0.74  0.457  -.1235927   .0556266
       _cons |  -1.897084  .0958345  -19.80  0.000  -2.084917  -1.709252
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Table 3: Summary Results of Mlogit Model Comparing Partnership Enterprise and the Sole Proprietorship

The results of the multinomial logistic regression model indicate that a unit increase in political instability (polinstab) is associated with a .0283301 insignificant decrease in the relative log odds of being in partnership enterprise with respect to those in sole proprietorship. The implication here is that when political instability continues to occur in Nigeria, people in partnership enterprises compared with those in sole proprietorship will tend to run away from the affected areas to a calmer area. Some may even try to move away from the country entirely. Political instability may even make already established businesses to fold as some enterprises may be burnt down through violence, enterprise owners may be killed, some enterprises could also be shut down by the government in power, and other risks associated with political instabilities could also occur thereby, posing a lot of challenge to enterprise growth in Nigeria. This finding is in line with the finding of Willis (1990), Roe and Siegel (2011), and Kashala (2015) who found by the study that political instability negatively influences enterprise growth

A rise in corruption (corptn) is associated with a .0493485 insignificant increase in the relative log odds of being in partnership enterprise against those in the enterprise of sole proprietorship. The implication here is that if corruption is the order of the day, many people in partnership businesses compared with those in sole proprietorship would be involved in bribery and other gifts outside their normal legal salary, hence making them to have more transitory income. This may make them to invest more in some income yielding enterprises hence, leading to enterprise growth. This is in line with the study of Chakravorty (2015) who found that corruption has positive impact on enterprise growth. However, it disagrees with the finding by Avnimelech, *et al.* (2011) and Nyarku and Oduro (2017) who found that corruption leads to a fall in enterprise growth.

The relative log odds of those in partnership business experiencing crimes, theft and disorder in their business areas (crime-theft disorder) compared to those in sole proprietorship insignificantly decreases by .0239788. The implication here is that when partnership enterprise owners compared with those in sole proprietorship experience crimes, theft and disorder often in their business areas, they will tend to close down their business in that area and move to a less prone area, or at worse, they can stop the business entirely if they have inadequate capital to move. This will actually lead to a fall in enterprise growth.

An improvement in rule of law (rolaw) is associated with a .0213391 insignificant rise in the relative log odds of being in partnership businesses compared to those in sole proprietorship. The implication here is that when the legal system treats everybody who wants to become a successful entrepreneur equal before the law, there is every tendency that those in partnership enterprises compared with those in sole proprietorship will grow more in Nigeria. The reverse will be the case if the legal system is corrupt, sectional, and practice nepotism. This finding agrees with the study by Levie and Autio (2010), who found that a strong rule of law would facilitate regulation and increase strategic entry into enterprises. The findings of this study disagree with the finding by Hartog, *et al.* (2010) who found that countries with a better rule of law have lower entrepreneurship.

It was further found that the relative log odds of being in partnership enterprise compared to those in sole proprietorship would decline very significantly by 0.1400812 if enterprises in Nigeria have favourable business license permit (bus licence permit). The implication here is that if government makes the operation of those in partnership enterprises compared with those in sole proprietorship difficult and inconvenient in terms of giving them business permit, it will definitely retard enterprise growth in Nigeria.

Improved and/or favourable customs trade regulation (customs trade regul) is associated with a .226106 significant rise in the relative log odds of being in partnership enterprise against people in the enterprise of sole proprietorship. The implication here is that if the way customs regulate trade of entrepreneurs in partnership businesses is favourable compared with those in sole proprietorship, it will definitely lead to enterprise growth. The reverse is the case when the customs trade regulation becomes unfavourable to partnership entrepreneurs.

More so, improved and/or favourable labour regulation (labour regulation) is associated with a .1342358significant rise in the relative log odds of being in partnership enterprise against people in the enterprise of sole proprietorship. The implication here is that if the labour regulation of those in partnership enterprises compared with those in sole proprietorship are favourable, it will enhance enterprise growth in partnership businesses. However, the reverse will be the case when the labour regulation becomes unfavourable to partnership enterprises.

It was further found that the relative log odds of being in partnership enterprise against those in sole proprietorship would fall insignificantly by 0.0339831 if Nigerian government's tax administration (tax admin) is not convenient to enterprises. The implication here is that when there are inconvenient tax administrations to partnership enterprises compared with those in sole proprietorship, they will tend to avert or avoid taxes. At worse, they will close down if government tax agent disturbances become unbearable by them. Therefore, the objective of tax administration here is collection of all due tax revenues in a fair and efficient way with limited costs for taxpayers and tax administration itself too (European Commission, 2018).

4.2. Comparing Entrepreneurship of Limited Partnership and the Sole Proprietorship

enterpg	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]	
Sole_proprietorship	(base outcome)					
Limited_partnership						
polinstab	.0277679	.0636237	0.44	0.663	-.0969322	.152468
corptn	.0592873	.0617689	0.96	0.337	-.0617776	.1803521
crimetheftdisorder	-.0924047	.0518467	-1.78	0.075	-.1940224	.0092131
rolaw	.0330817	.0291664	1.13	0.257	-.0240834	.0902468
buslicencepermit	-.1718209	.0556813	-3.09	0.002	-.2809543	-.0626875
customstraderegul	.0449339	.0487744	0.92	0.357	-.0506622	.14053
labourregulatn	.0793421	.07629	1.04	0.298	-.0701836	.2288677
taxadmin	-.0812244	.0559529	-1.45	0.147	-.1908901	.0284414
_cons	-2.558016	.1096317	-23.33	0.000	-2.77289	-2.343142

Table 4: Summary Results of Mlogit Model Comparing Limited Partnership Enterprise and the Sole Proprietorship

The results of the multinomial logistic regression model indicate that a unit increase in political instability (polinstab) is associated with a .0277679 insignificant increase in the relative log odds of being in limited partnership enterprise with compared with those in sole proprietorship. The implication here is that when political instability continues to occur in Nigeria, those in sole proprietorship enterprises will tend to run away more than those in limited partnership. This is because, those in limited partnership may only be limited to the amount of money they have contributed in the business but a sole trader will lose all in an event of mishap due to political instability. This finding disagrees with the finding of Willis (1990), Roe and Siegel (2011), and Kashala (2015) who found by the study that political instability negatively influences enterprise growth.

An increase in corruption (corptn) is associated with a .0592873 insignificant rise in the relative log odds of being in limited partnership enterprise against those in the enterprise of sole proprietorship. The implication here is that if corruption is the order of the day, many people in limited partnership would be involved in bribery and other gifts outside their normal legal salary, hence making them to have more transitory income compared to those in sole proprietorship. This may make them to invest more in some income yielding enterprises hence, leading to enterprise growth. This is in line with the study of Chakravorty (2015) who found that corruption has positive impact on enterprise growth. However, it disagrees with the finding by Avnimelech, *et al.* (2011) and, Nyarku and Oduro (2017) who found that corruption leads to a fall in enterprise growth.

The relative log odds of those in partnership business experiencing crimes, theft and disorder in their business areas (crimetheftdisorder) compared to those in sole proprietorship insignificantly decreases by 0.0924047. The implication here is that when enterprise owners in limited partnership experience crimes, theft and disorder often in their business areas, they will tend to remain in business more compared to those in sole proprietorship who may close down their business in that area and move to a less prone area, or at worse, they can stop the business entirely if they have inadequate capital to move. This will actually lead to a fall in enterprise growth.

An improvement in rule of law (rolaw) is associated with a .0330817 insignificant rise in the relative log odds of being in limited partnership businesses compared to those in sole proprietorship. The implication here is that when the legal system treats everybody who wants to become a successful entrepreneur equal before the law, there is every tendency that limited enterprises will grow more in Nigeria compared to those in sole proprietorship. The reverse will be the case if the legal system is corrupt, sectional, and practice nepotism. This finding agrees with the study by Levie and Autio (2010), who found that a strong rule of law would facilitate regulation and increase strategic entry into enterprises. The findings of this study disagree with the finding by Hartog, *et al.* (2010) who found that countries with a better rule of law have lower entrepreneurship.

It was further found that the relative log odds of being in limited partnership enterprise compared to those in sole proprietorship would decline very significantly by .1718209 if those in limited enterprises in Nigeria have favourable business license permit (bus licence permit) more than those in sole proprietorship. The implication here is that if government makes the operation of limited business enterprises difficult and inconvenient in terms of giving them business permit, it will definitely retard enterprise growth in Nigeria compared with those in sole proprietorship.

Improved and/or favourable customs trade regulation (customs trade regul) is associated with a .0449339insignificant rise in the relative log odds of being in limited partnership enterprise against people in the enterprise of sole proprietorship. The implication here is that if the way customs regulate trade of limited partners is favourable compared with those in sole proprietorship, it will definitely lead to enterprise growth. The reverse is the case when the customs trade regulation becomes unfavourable to limited entrepreneurs.

Furthermore, improved and/or favourable labour regulation (labour regulatn) is associated with a .0793421 insignificant rise in the relative log odds of being in limited partnership enterprise against people in the enterprise of sole proprietorship. The implication here is that if the labour regulation of those in limited partnership enterprises are favourable compared with those in sole proprietorship, it will enhance enterprise growth. However, the reverse will be the case when the labour regulation becomes unfavourable to those in limited partnership enterprises.

It was further found that the relative log odds of being in limited partnership enterprise against those in sole proprietorship would fall insignificantly by 0.0812244 if Nigerian government's tax administration (tax admin) is not convenient to them. The implication here is that when there are inconvenient tax administrations to limited enterprises compared to those in sole proprietorship, they will tend to avert or avoid taxes. In a worse situation where tax agent's disturbances become unbearable to them, they will close down and go to countries where the tax administration would be convenient to them.

5. Conclusion and Recommendations

The study tried to examine the effects of institution on enterprise growth in Nigeria. It was therefore found by the study that with respect to the growth of partnership enterprises compared to sole proprietorship, growth is encouraged by corruption, improvement in rule of law, favourable customs trade regulation, and favourable labour regulation. It is however, negatively affected by political instability, crime, theft and disorder, bottlenecks in business license permit, and tax administration in Nigeria.

Further, it was also found by the study that with respect to the growth of limited partnership enterprises compared to sole proprietorship, growth is encouraged by political instability, corruption, strong rule of law, favourable customs trade regulation, and favourable labour regulation. It is however, negatively affected by crime, theft and disorder, bottlenecks in business license permit, and tax administration in Nigeria.

Therefore, for sustained enterprise growth which will help the government to reduce overdependence on oil revenue and enhance creation of jobs, reduction of poverty, generation of income both to individuals and government, and bring about economic diversification that will lead to economic growth and development, there should be sustained political stability in the country. This will help already existing businesses to grow and new ones would be attracted into the county.

Further, the crime, theft and disorder rates need to be reduced and fought very well by the security agencies in the country. Hence, government need to beef up the security agencies in terms of good and incorruptible personnel, empower them with modern crime detection tools, and train them on the tools.

In addition to the above, business license permit should not be made difficult to be obtained by entrepreneurs. In fact, government should grant new local enterprises free license to establish in order to encourage enterprise growth. Government can as well encourage them by giving them other incentives to operate. For example, subsidy can be granted to young enterprises to help them in global competitiveness. This will encourage enterprise growth, lead to economic diversification and bring about economic growth and development.

Tax administration should also be looked at by government since it was found by the study that it retards enterprise growth. It should be made convenient to tax payers since the main objective of tax administration is the collection of all due tax revenues in a fair and efficient way with limited costs for taxpayers and tax administration itself (European Commission, 2018).

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