



Entrepreneurial dynamism and public policy actions for sustainable development in Nigeria

Modesta Chinwe Akunede¹, Geraldine Ejiaka Nzeribe², Bernard Ojonugwa Anthony³ & Uju Regina Ezenekwe⁴

^{1,2&4} Department of Economics, Nnamdi Azikiwe University, Awka, Nigeria.

³ Department of Economics and Statistics, Kampala International University, Kampala, Uganda.

Corresponding Author: bernard.ojonugwa@kiu.ac.ug, Phone: +256700484396

Abstract

This study investigates the impact of public policy on entrepreneurial dynamism and its consequent effect on sustainable development in Nigeria. International development institutions such as the World Bank and United Nations agencies underscore the importance of a robust entrepreneurial ecosystem for employment generation, innovation, poverty reduction, improved living standards, and economic growth. Despite increased policy attention and financial support, business enterprises in Nigeria continue to emerge, decline, or undergo transformation—a process referred to as entrepreneurial dynamism. This phenomenon is shaped by public policy and other contextual factors, and it exerts varying effects on the entrepreneurial ecosystem. Employing the Autoregressive Distributed Lag (ARDL) bounds testing approach and time series data spanning 2000 to 2023, the study examines the influence of selected public policy variables—taxation, human capital, lending interest rate, government effectiveness, and broad money supply—on entrepreneurial dynamism, and how these interactions affect sustainable development. Findings reveal a positive and significant relationship between broad money supply (M2) and entrepreneurial dynamism (ENTD), indicating that expansionary monetary policies enhance entrepreneurial activities. In contrast, a negative and significant association is observed between lending interest rate (INT_{rL}) and ENTD, suggesting that high borrowing costs discourage entrepreneurship. Furthermore, entrepreneurship (ENT_r) demonstrates a strong and positive impact on sustainable development (SD), underscoring its critical role in national development. The paper recommends that policymakers integrate entrepreneurship considerations into the design and implementation of public policies to foster a dynamic entrepreneurial ecosystem capable of advancing sustainable development goals.

Keywords: Entrepreneurship, Entrepreneurial Dynamism, Public Policy, Sustainable Development, Nigeria

JEL Classification Codes: L26; O25; O55; Q01

Introduction

Entrepreneurship is the process of starting and running a business with the goal of making profit and creating wealth. It entails the launching of new companies or reviving established ones in reaction to opportunities that have been discovered (Potekar, 2009). Whereas, entrepreneurial dynamism refers to the birth, growth and death of business enterprises. It is a system which drives job creation, increase in wage rate, innovation and economic prosperity. As stated by Decker et al. (2014) & Hathaway and Litan (2014), entrepreneurial dynamism provides avenues for entrepreneurs to effectively reallocate labour and capital resources from less productive to more productive. It features two distinct parts which are creation and destruction (Bennett, 2019). Many types of environmental and external factors such as Infrastructural Investment (Bennett, 2019; Davidsson, 2015), Innovation and Technology, etc, influence entrepreneurial dynamism. Davidsson (2015) describes these factors as external enablers. Public policy initiatives, however, are crucial because they have the potential to undermine the presence of an external enabler or its enabling capacity, turning a growth-oriented entrepreneurial opportunity into a disabling one, particularly when it fails to adapt to changing environmental conditions (Wood & McKinley, 2017).

Public policy is an interdisciplinary concept often considered from different perspectives with respect to the environment, geography, economy and other situations that may necessitate the use of the concept. Public policy making, according to Robert and Clark (1982), is the set of actions a government takes to address issues, make decisions, distribute resources or values, implement policies, and serve the populace. Sequel to this context, public policy can therefore be described as a body of laws, actions, regulations made and executed by the government in order to achieve social, political and economic goals, it has the potential to both stimulate entrepreneurial creation as well as adversely affect existing businesses as an external enabler (Davidsson, 2015). Sharkansky (1978) in the definition of public policy, equally recognized

the in-actions of the government as policies. An economy's ability to adapt to adverse changes and generate new jobs signals the presence of a healthy entrepreneurial ecosystem.

In order to promote entrepreneurship and attain sustainable development in Nigeria, the government set up organisations such as the Entrepreneurship Development Centre (EDC) 2006, the Nigerian Bank for Commerce and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND) now merged to form the Bank of Industry (BOI) in 2001. Also, organizations and programmes like the Tony Elumelu Foundation 2010 and the Aguka Ideation Entrepreneurship Programme play pivotal role in supporting entrepreneurs across Africa through capacity building and seed capital funding. Fiscal and monetary policies such as; capital allowance, tax relief, export promotion incentives and others were equally made and implemented to boost entrepreneurial activities in Nigeria.

However, government bureaucracy, corruption, trade restrictions, and regulatory compliance issues were identified by Ajuwon et al. (2024) as factors that undermine the Nigerian entrepreneurial ecosystem. They also noted that effective institutional mechanisms are essential for businesses to succeed because they facilitate opportunities for microbusiness development (Nwagbara et al., 2024). Majority of small enterprises in Nigeria have very small chances of expansion and longevity since they are solely owned, rarely have external or government support and die off as soon as the owner is no longer able to manage the enterprise or dies. Also, Momoh (2009) and Ogbojafor et al. (2011) assert that inconsistent government policies and a lack of domestic industry protection have resulted in a steady increase in operating costs and, consequently, in the price of finished goods and services.

Statement of the Problem

Achieving sustainable development has become a global priority, with countries adopting various

strategies to create inclusive and resilient economies. Among these, entrepreneurship consistently emerge as a vital driver, given its role in employment creation, innovation, and poverty reduction. Sustainable entrepreneurship, by fostering a healthy cycle of business births, transformations, and exits facilitated by effective policy frameworks can significantly contribute to sustainable development (Aswathy & Suresh, 2023).

Despite numerous public and private policy measures in Nigeria ranging from the establishment of the Bank of Industry in 2001 to the Nigeria Start-up Bill (NSB) 2022 the country's entrepreneurial ecosystem remains fragile. Atakpa and Ayogu (2023) attribute this to policy duplications, high administrative costs, and poor policy targeting. According to the Nigerian Economic Summit Group (NESG, 2025), factors such as an unstable policy environment, reform-driven disincentives to investment, and weak public-private collaboration have led to the closure of about 30% (7.2 million) of Nigeria's estimated 24 million Micro, Small, and Medium Enterprises (MSMEs) between 2023 and 2024, resulting in an estimated ₦94 trillion loss from business shutdowns and multinational divestments.

Contrastingly, the tech sector shows promise, attracting substantial investment and supportive reforms, with projections suggesting it could contribute 40% to GDP by 2025 (NBS, 2022). Digital unicorns like Flutterwave, Jumia, and Opay demonstrate the catalytic role of sound policy in entrepreneurial success. There is a concentration of studies on the contribution of sustainable entrepreneurship towards sustainable development (Aswathy & Suresh, 2023; Ashari, 2021) and on the relationship between entrepreneurial development and infrastructure (Odeyemi et al., 2024; Ajide, 2020; Ubom & Ubom, 2014). There are equally many studies on the challenges of entrepreneurship in Nigeria (Obot et al., 2023; Oyinlola et al., 2024). While global studies (e.g., Bradley et al., 2021; Kuhn & Teodorescu, 2021; Murtinu, 2021; Wang et al., 2021) explore public policy's role in

entrepreneurial ecosystems, there is a paucity of such research in Africa—particularly Nigeria.

This study addresses this gap by examining the influence of public policy on entrepreneurial dynamism and its effect on sustainable development in Nigeria, using ARDL bounds testing and time series data from 2000 to 2023. This is achieved using the ARDL bounds testing approach and time series datasets from the WDI and GII on taxation, human capital, interest rate, government effectiveness, broad money supply, sustainable development, entrepreneurship and entrepreneurial dynamism in Nigeria.

Conceptual Literature

Entrepreneurship

Being a multi-disciplinary concept, there is a variety of literature on entrepreneurship and its determinants, motivated by diverse research gaps and purposes but aimed at achieving similar goals which involves wealth creation, prosperity and a desirable economy. Newo et al. (2023) define entrepreneurship as any type of self-employment in which the business owner is viewed as a risk-taker who makes investments in products or services despite uncertainties related to pricing, the market, and resources. Categorically, entrepreneurship has been defined as business creation (Brockhaus, 1980; Gartner, 1988), as acting under uncertainty (Cantillon, 1734; Knight, 1921), as innovation (Schumpeter, 1934; Bruyat & Julien, 2001), as opportunity identification/creation (Davidsson, 2015) and as value creation (Lackeus, 2018; Lackeus et al., 2016). However, Brockhaus (1987) and (Welter et al., 2017) asserted that as company concepts and ownership structures evolve, so too will definitions of entrepreneurship. Entrepreneurship has recently been defined as the act of generating and developing an idea for validation (Prince et al., 2021).

Entrepreneurial Dynamism

Entrepreneurial dynamism is a market mechanism whereby entrepreneurs efficiently and favourably

reallocate labour and capital resources (Decker et al., 2014; Hathaway & Litan, 2014). Therefore, it is a crucial characteristic of the entrepreneurial ecosystem, reflecting how well entrepreneurship adjusts to changes in the global economy which is becoming more and more competitive (Economic Innovation Group (EIG), 2017). The fundamental component of capitalism, according to Schumpeter (1942), is the process of creative destruction, which permits the reallocation of resources to their most advantageous use.

Studies show that certain enablers or drivers (Davidsson, 2017; Van De Ven, 1993) have an impact on entrepreneurial activities. These factors can result in the establishment of new businesses (Dimov, 2011; Wood & McKinley, 2010), the extinction of existing ones, the establishment of new businesses by existing firms, or the expansion of existing firms into new markets through new establishments (branches) in new locations (Kirchhoff, 1994). Additionally, the entry and exit of establishments can create and destroy jobs (Barnatchez & Lester, 2017).

Public Policy

The entrepreneurial ecosystem is greatly influenced by public policy, it is believed that investors are more concerned with policy stability than exchange rate volatility because they are prepared to participate in any market, regardless of currency value, provided that policies are stable (NESG, 2025). However, according to Klein et al. (2021), certain specific policy initiatives run the risk of encouraging cronyism, in which politically preferred establishments benefit at the expense of those without such ties, causing politics to control resource allocation rather than market forces. Since public officials imitate one another while making new policy decisions, rapid policy changes may also have an effect on entrepreneurship (Murtinu et al., 2021). Studies support a public policy that focusses on creating a stable institutional environment, functioning legal system, open markets, and limited political favouritism in order to facilitate targeted policy interventions that positively impact on entrepreneurship (Acemoglu

et al., 2018). The institutional gaps in emerging economies, however, are well-known (Palepu & Khanna, 1998) and impede economic growth by making it more difficult to carry out the basic tasks required for profitable entrepreneurship (Bradley et al., 2021).

Sustainable Development

The 1987 Brundtland Report, *Our Common Future*, defined sustainable development as progress that meets current needs without compromising the ability of future generations to meet their own. It is expected to promote social equity in the distribution and enjoyment of resources created by society, safeguard natural resources for future use, and enhance the overall quality of life (Fischer & Comini, 2012). When business strategies and activities are designed, such that they are beneficial and harmless to and create wealth for the entrepreneur and other stakeholders, the society and the economy at present and in the future, such entrepreneurial activities will yield sustainable development. (International Institute for Sustainable Development (IISD), 1992). However, SMEs are mostly short-term centred, featuring high average costs and weak socio-economic agenda thereby contributing to both the creation and destruction of jobs (Mamingi & Barbados, 2011).

Theoretical Framework

Entrepreneurial dynamism launches innovation into the world and innovation catalyses sustainable development (Stam, 2015; Many, 2020). The World Bank recognizes the importance of a vibrant and balanced entrepreneurial ecosystem in creating jobs and addressing developmental challenges thus encourage countries to invest in SME development programs backed by evidence-based policy choices in order to hinder the failure of the SME investments (World bank, 2019). While the operational processes of such policies remain uncertain, it is nonetheless anticipated that carefully crafted government interventions can stimulate entrepreneurship and foster vibrant entrepreneurial activity as researchers have described the creative and destructive nature of

policy reforms (Schumpeter, 1934; 1942, Detienne & Wennberg, 2014).

In his theory of economic development, Schumpeter (1934) emphasized the entrepreneur as the "man of action" and a central driver of economic transformation. The theory defines economic development through entrepreneurial actions, including the creation of new products, the adoption of innovative production techniques, the entry into new markets, the identification of new sources of raw materials, or the establishment of new enterprises or industries. In an effort to characterise the nature of the entrepreneurial process, Sarasvathy (2001) developed the theory of effectuation. According to this theory, the entrepreneur uses the limited means at their disposal to choose between potential effects that are consistent with a predetermined level of affordable loss. Based on Becker's (1975) human capital entrepreneurship theory, entrepreneurship is influenced by both experience and education. Research also indicates that the presence of a balanced entrepreneurial ecosystem is favourably correlated with human capital indicators (Davidson & Honing, 2003; Korunka et al, 2003; Eniola, 2020).

While it is in the nature of entrepreneurs to neglect regulatory compliance, policy reforms and competition, Schumpeter's 1934 Austrian Market Process model, however, maintains that entrepreneurship is not synonymous to owning resources, a distinction that highlights the inherent uncertainty and risk entrepreneurs face (Knight, 1921). Furthermore, entrepreneurial activity is influenced by a variety of regional factors cultural, demographic, economic, political, and social (Spigel, 2017) that operate independently of individual control (Fritsch & Storey, 2014). Therefore, entrepreneurial activities not guided and promoted through appropriate policies stands a risk of yielding an unproductive, unsustainable and destructive entrepreneurship (Baumol, 1990). And even when public policies are present, unintended outcomes cannot be avoided (Stevenson et al., 2020; Oduro, 2021).

Empirical Review of Related Literature

Empirical studies have increasingly focused on the interaction between entrepreneurial activity and public policy as a pathway to achieving sustainable development, particularly in developing economies.

Aswathy and Suresh (2023) examined the role of sustainable entrepreneurship in promoting sustainable development across emerging economies. Using panel data and regression techniques, they found that policy interventions that support innovation and access to finance significantly enhance entrepreneurial outputs, which in turn positively impact environmental and social development indicators.

Wang et al. (2021) used firm-level data from Asia and Africa to examine how policy restructuring influences entrepreneurial activity. The study found that consistent and inclusive policy reforms, particularly those aimed at reducing credit constraints and simplifying tax regulations, led to higher levels of firm creation and innovation. In another dimension, Murtinu (2021) provided cross-country evidence from developing nations, including Nigeria, and found that foreign direct investment (FDI) positively affects entrepreneurship only in environments with effective public policies and robust institutional frameworks.

In the Nigerian context, Oyinlola, Oladipo, and Ogundipe (2024) investigated the nexus between entrepreneurship development and economic transformation using a vector error correction model (VECM). Their study revealed that government expenditure on entrepreneurship programs had a delayed but significant effect on business innovation and job creation. However, inconsistencies in policy implementation weakened long-term impacts. Obot et al. (2023) also analysed the constraints facing MSMEs and the extent to which public policy interventions have been effective. Through survey data and econometric modelling, they concluded that many government policies were either duplicative or

short-lived, thereby limiting their capacity to promote sustained entrepreneurial growth. They also highlighted the absence of strong monitoring frameworks to evaluate policy outcomes.

Ajide (2020) explored how infrastructure interacts with entrepreneurial activity in Nigeria. Using time-series data, the study showed that inadequate transport and energy infrastructure constrained entrepreneurial dynamism. It also revealed that government effectiveness moderates this relationship, emphasizing the importance of sound governance structures. In another study, Atakpa and Ayogu (2023) evaluated Nigeria's Start-up Bill 2022 and other MSME support programs using a qualitative case study approach. They found that most programs failed to reach target beneficiaries due to overlapping mandates, limited funding, and poor inter-agency coordination.

While there is a growing body of work on sustainable entrepreneurship, there remains a paucity of empirical studies linking entrepreneurial dynamism specifically with public policy instruments and sustainable development outcomes in Nigeria. Existing studies treat these themes in isolation or descriptively rather than using econometric modelling. This gap justifies the current study's focus on empirically analysing the influence of selected public policy variables such as taxation, human capital, interest rates, money supply, and government effectiveness on entrepreneurial dynamism and the resultant impact on sustainable development in Nigeria using the ARDL bounds testing framework.

Research Methods

To ascertain the role of public policy actions on entrepreneurial dynamism and their resultant impact on sustainable development in Nigeria, this study employs the ARDL bounds testing approach of Pesaran, Shin and Smith (2001) and time series datasets on taxation, human capital, interest rate, government effectiveness, broad money supply, sustainable development, entrepreneurship and entrepreneurial dynamism in Nigeria from a period covering the year 2000 to 2023 sourced from the

World Development Indicators (WDI) and Global Innovation Index (GII).

Description of Variables

Entrepreneurial Dynamism (Ento): This accounts for the rate at which new businesses are born and the rate at which the existing ones die or are transformed. It is measured with proxy variables such as growth rate of new firms, new business density and number of new firms (Bjuggren et al., 2012)

Entrepreneurship (Entr): This is used to describe the process of creating and managing new and existing businesses for the purpose of profit generation and value creation. It is measured with proxy variables such as self-employment rate and number of new firms (Bjuggren et al., 2012)

Sustainable Development (SD): This is an economic situation achieved when the welfare of the people is improved without compromising the welfare of future generations. It is measured with Adjusted net savings, GDP growth rate and Government expenditure on research and development.

Lending Interest Rate (INTrL): This is the percentage a lender charges a borrower usually expressed as a percentage of the principal amount.

Taxation (TX): This is a financial obligation imposed on citizens or residents of a country by the government.

Government Effectiveness Measure (GEM): This is a composite measure for the quality of public services, civil services, policy formulation and implementation (Kaufmann et al., 2007). Data on this variable is sourced from the Worldwide Governance Indicators (WGI) data base.

Broad Money Supply (M₂): This measures the amount of money circulating in an economy including other assets convertible to cash for the purpose of purchasing goods and services.

Human capital (HC): This refers to the health, education, skills, and self-improvement pursuits that people make throughout their lives in order to reach their full potential as contributing members of society. It is measured using the human development index (HDI)

Model Specification

The general functional representation of the relationship between the variables as adapted from Bennett (2019) is expressed econometrically as follows:

$$ENT_D = \alpha_0 + \beta_1 TX + \beta_2 INTrL + \beta_3 GEM + \beta_4 M2 + \beta_5 HC + \mu \dots\dots\dots (3.1)$$

$$SD = \alpha_0 + \beta_1 ENT_D + \beta_2 ENTr + \beta_3 TX + \beta_4 INTrL + \mu \dots\dots\dots (3.2)$$

Equation (3.1) estimates the role of public policy actions on entrepreneurial dynamism in Nigeria while equation (2) estimates the impact of entrepreneurial dynamism on sustainable development in Nigeria. This paper has incorporated Human Capital (HC) because it reflects the capabilities of the entrepreneurs.

TX =Taxation, INTrL=Lending interest rate,

GEM=Government effectiveness measure

M2 =Broad money supply, ENTr

=Entrepreneurship (Self-employment rate),

HC =Human capital (Human Development Index),

ENT_D=Entrepreneurial Dynamism (New business

density), SD =Sustainable development (Adjusted net savings).

Here, α denotes the intercept of the function, while β_1 , β_2 , β_3 , β_4 , and β_5 represent the regression coefficients. The error term, μ , captures the influence of other variables not included in the study—either because they are irrelevant or are not measurable estimates of the dependent variable.

Linear ARDL Model

Equations (3.1) and (3.2) being static models do not capture the dynamic impact of these variables on entrepreneurial dynamism and sustainable development in Nigeria. They will therefore be represented as;

$$ENT_{Dt} = \alpha_0 + \beta_1 TX_{t-1} + \beta_2 INTrL_{t-1} + \beta_3 GEM_{t-1} + \beta_4 M2_{t-1} + \beta_5 HC_{t-1} + \varepsilon_t \dots\dots\dots (3.3)$$

$$SD_t = \alpha_0 + \beta_1 ENT_{Dt-1} + \beta_2 ENTr_{t-1} + \beta_3 TX_{t-1} + \beta_4 INTrL_{t-1} + \varepsilon_t \dots\dots\dots (3.4)$$

Results Presentation and Analysis

Unit Root Test

The random nature of the variables is examined by testing for stationarity using the Philip Perron (PP) test (Table 4.1), while adopting the unit root assumption that the variables have both constant and trend. The result revealed that all the variables are stationary at first difference I(1).

This study therefore employs the ARDL bounds testing approach of Pesaran et al. (2001) which is suitable for time series data where variables are integrated of I (1) or a mix of I (0) and I (1).

Co-integration Test: ARDL Bound Test

Having established that the variables in our model are of I (1) process, and other assumptions of ARDL Bound test met, we then proceed to perform a cointegration.

The result of the co-integration test for equation 3.3 reveals that, at the 5% level of significance, the calculated f-value of 5.66 is more than the upper limits critical value of 3.38. This implies that there is a long-term equilibrium relationship between entrepreneurial dynamism and its fundamentals, as indicated by the co-integration of all the variables.

Table 4.3: Long-run estimate for equation 3.3

Levels Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GEM	0.039983	0.16688	0.239593	0.8113
HC	-0.1407	1.121211	-0.12549	0.0005
INTRL	-1.25725	0.413609	-3.0397	0.0032
M2	0.851254	0.281612	3.022784	0.0034
TX	-0.06528	0.191487	-0.3409	0.0341
C	1.844056	4.897224	0.376551	0.7075

$$EC = ENT_D - (0.0400 \cdot GEM - 0.1407 \cdot HC - 1.2572 \cdot INTRL + 0.8513 \cdot M2 - 0.0653 \cdot TX + 1.8441)$$

R-squared 0.996134

F-statistic 669,0810

Prob(F-statistic) 0.000000

Durbin-Watson stat 2.367744

Source: Researchers computation using (2025) E-views 10

Table 4.3 features the variables of study and the relationships existing among them. A unit rise in GEM and M2 is shown to enhance ENT_D by 0.04 and 0.85 percent respectively while a unit increase in HC, INTRL and TX will reduce ENT_D by 0.14, 1.26 and 0.07 percent respectively.

Table 4.4: Short-run estimate for equation 3.3

ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(ENTD(-1))	-0.116054	0.063051	-1.840626	0.0694
D(ENTD(-2))	-0.116054	0.063051	-1.840626	0.0694
D(HC)	3.122612	0.680644	4.587733	0.0000
D(INTRL)	-0.425123	0.119179	-3.567106	0.0006
D(M2)	0.448617	0.073967	6.065124	0.0000
D(TX)	0.127442	0.055799	2.283961	0.0250
CointEq(-1)*	-0.169434	0.025968	-6.524610	0.0000
R-squared	0.661064			
Adjusted R-squared	0.637418			
Durbin-Watson stat	2.367744			

Source: Researchers' computation using (2025) E-views 10

As seen in Table 4.4, GEM has demonstrated no short-run relationship with ENT_D while HC exhibits a positive and significant relationship with ENT_D in the short-run. This is contrary to the long-run outcome where HC demonstrates a negative relationship with ENT_D .

Co-integration test for equation (3.4)

The co-integration test for equation 3.4 reveals that at the 5% significance level, the calculated f-value of 3.86 is higher than the upper bound critical value of 3.49, suggesting that there is a long-term connection between Sustainable Development and its components.

Table 4.6: Long-run estimates for equation 3.4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ENTD	-1.17436	1.027638	-1.14278	0.2565
ENTR	25.4922	11.05765	2.305391	0.0237
TX	-0.32873	0.538435	-0.61052	0.5432
INTRL	-6.38248	1.417754	-4.50182	0.0000
C	-86.7568	51.49247	-1.68484	0.0958

$$EC = SD - (-1.1744 \cdot ENT_D + 25.4922 \cdot ENTR - 0.3287 \cdot TX - 6.3825 \cdot INTRL)$$

-86.7568)

R-squared 0.812331
 Prob(F-stat) 0.000000

F-statistic 39.43783
 Durbin-Watson 1.777326

Source: Researchers' computation using (2025) E-views 10

Table 4.6 features the long-run estimates for equation (3.4). The estimates show that an additional unit rise in Entrepreneurship (ENTr) brings about a 25.5 percent increase in SD while a

unit increase in ENT_D, INTrL, and TX yields 1.17, 6.38 and 0.33 percent decline in SD respectively.

Table 4.7: Short-run estimate for equation 4

ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(INTRL)	-0.14023	0.644568	-0.21755	0.8283
D(INTRL(-1))	1.507754	0.699442	2.155651	0.034
D(INTRL(-2))	1.507754	0.699442	2.155651	0.034
D(INTRL(-3))	1.507754	0.699442	2.155651	0.034
CointEq(-1)*	-0.31566	0.06361	-4.96246	0.0000
R-squared	0.225497			
Adjusted R-squared	0.189888			
Durbin-Watson stat	1.777326			

Source: Researchers' computation using (2025) E-views 10

The short-run estimate on table 4.7 shows that only INTrL has both long and short-run relationship with SD while other variables of study in equation (3.4) can only influence SD in the long-run.

Discussion of Findings

This study set out to achieve two main objectives: to evaluate the influence of public policy actions on entrepreneurial dynamism, and to examine the impact of entrepreneurial activities on sustainable development in Nigeria. Both objectives have been met through empirical analysis using the ARDL bounds testing approach. The findings are discussed hereunder in light of their policy implications and in relation to existing literature.

The study reveals that broad money supply (M2) has a positive and significant effect on ENT_D, implying that expansionary monetary policies enhance entrepreneurial activity. This supports the view of Murtinu (2021) and Ajide (2020), who noted that increased liquidity and improved access

to financial resources stimulate business formation and innovation. Enhanced money supply fuels aggregate demand, creates a conducive environment for entrepreneurship, and consequently increases the potential for sustainable development. Conversely, INTrL showed a negative and significant relationship with entrepreneurial dynamism, indicating that high borrowing costs discourage entrepreneurs. This aligns with Wang et al. (2021), who found that lower lending rates facilitate firm creation and growth, particularly in emerging economies. Furthermore, INTrL also negatively influenced SD, underscoring the broader economic cost of tight credit conditions. Policymakers must therefore ensure that the Monetary Policy Rate (MPR) is tailored to support entrepreneurial borrowing.

Interestingly, TX exhibited a positive short-run but negative long-run impact on entrepreneurial dynamism. This dual effect suggests that while initial tax incentives may encourage

entrepreneurship, excessive or poorly structured tax regimes eventually discourage long-term business sustainability, echoing the findings of Obot et al. (2023). Therefore, tax policy must strike a balance between revenue generation and entrepreneurship promotion. Human capital (HC) was found to positively influence entrepreneurial dynamism in the short run but negatively in the long run, an unexpected but insightful outcome. This may reflect a context where skill acquisition initially supports entrepreneurship, but over time, underemployment or emigration of skilled labor dilutes entrepreneurial outcomes. The finding resonates with Fischer and Comini (2012), who emphasized the role of skill relevance and retention in supporting sustainable entrepreneurship. Thus, investment in entrepreneurial-specific education and mentorship is critical for long-term impact.

Further, ENTr was found to have a strong, positive, and significant effect on sustainable development, confirming that entrepreneurial activities are a major driver of progress across the SDGs, including poverty reduction, employment, and innovation. This supports empirical evidence from Aswathy and Suresh (2023), Ashari (2021), and Oyinlola et al. (2024), who all emphasize entrepreneurship as a pathway to inclusive and resilient economic growth.

Overall, the study confirms that public policy actions whether fiscal, monetary, or institutional, individually and collectively influence entrepreneurial dynamism, which in turn determines the success and sustainability of business enterprises in Nigeria. The results affirm that entrepreneurship is a critical lever for achieving sustainable development objectives such as poverty eradication, gender equality, reduced inequalities, and economic transformation.

Conclusion and Recommendations

Being that in an ideal situation, carefully crafted policies aid entrepreneurship and provide the right kind of support to the right category of entrepreneurs (Acemoglu et al., 2018) and based on the findings, it is recommended that policymakers

adopt inclusive, corruption-free, and data-driven policy frameworks that prioritize entrepreneurship. Policies should be well-coordinated, free from tribalism or sectionalism, and structured to support the birth, growth, and transformation of enterprises. Moreover, lending terms must be made affordable, tax regimes should be entrepreneur-friendly, and human capital policies should focus on building entrepreneurial competence and retention within the ecosystem.

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