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IMPLICATIONS OF GOVERNMENT POLICIES AND INFLATION RATES ON THE PROFIT GENERATION OF HOTELS IN IKORODU EAST METROPOLIS

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Abstract

The negative impact of bad government policies and incessant increase of inflation on business including the hotel business, calls for urgent attention of researchers. This study hereby examines the effect of government policies and inflation rates on the profit generation of some selected Hotels in Ikorodu East Metropolis. The researcher employed both expo – facto research design and exploratory research design. The population of this study is senior staff of Two (2) hotels in Ikorodu East Metropolis of Lagos state. Secondary data was used in this study using documentation method of data gathering. A designed structured questionnaire was one of the instruments of data collection in this regard. Both Inferential and descriptive methods of analysis was employed for data analysis for this research study. Ordinary Least Square (OLS) regression model was employed to test hypotheses one to three respectively. This study revealed that bad government policies and inflation rate has significant negative effect on the profit of hotels. Arisen from the findings of the study, the following recommendations were made: Government should ensure that they avoid issuing bad policies because bad government policies have significant negative effect on business operations of hotels; Government should put in place adequate measures that can help mitigate against inflation because increase in inflation rates have significant negative effect on business operations of hotels; and Management of hotel business should ensure that they rise to the occasion of continuous price increment by looking better and cheaper alternative of meeting their business operations.

Keywords: *Government Policies, Inflation Rates, Profit Generation, Hotels*

INTRODUCTION

The Nigerian economy has not been stable over the years as it depended mainly on international economic system in the early 1980s. This unfortunately, became increasingly hostile especially on the hotel industry coupled with inconsistency in the government policies (Koleoso, 2018). The economy had been seriously affected by massive devaluation of the national currency, the Naira, by the Structural Adjustment Programme introduced by the military. Coupled with this is the instability in the prices of crude oil in the international market, crude oil being the major source of foreign exchange earnings for the country. Corruption in high and low places also took its toll on the national economy.

The hospitality industry is important to the development of many parts of the world. In some regions, income from it is one of the main sources of foreign exchange e.g. Fiji, the Caribbean and Hong Kong (Baker, 2017). The industry is important because it contributes to the growth of an economy by providing a lot of employment opportunities for the people, funding a large percentage of a country's Gross Domestic Product, thereby helping to raise the national income and by earning foreign currencies through the goods and services provided to foreign visitors, thus improving the balance of payments (Baker, 2005).

There is no doubting that hospitality industry is the livewire of tourism at all levels. The United Nations World Tourism Organization (UNWTO) confirms that between 70% and 75% of international tourists' expenditure goes to hospitality services on annual basis (Akpabio, 2018). This confirms the strategic importance of the sector to tourism.

It is estimated that there are over a million hotels in the United States of America. But in Nigeria, there are only about 12 internationally branded hotels (Amadi, 2019a). Nigeria has so few internationally branded hotels due to the former perception of the country as a high – risk destination for investments, especially in hotel businesses, which are capital intensive and require long – term for the investor to recoup his money.

Investors in hotels hardly look towards Nigeria due to exorbitant cost of landed property and high lending rates in Nigerian banks. It is a lot easier and cheaper to acquire land and build a hotel in USA than it is in Nigeria (Amadi, 2019). Lending rate in USA is about 6 percent with mortgage of about 25 years in which investor has to pay back the money. But in Nigeria, the lending rate could go as high as 25 per-cents, depending on who is borrowing and for what purpose. Additionally, Nigerian banks will only give the investor about three years to pay back.

An analysis of any industry must at some stage take into account the context in which that industry exists. In more specific terms, it is important to examine the relationship of that industry to the government of the nation in which it functions. Government policies will determine many of the directions the industry will take and will also have an effect on the relationship of the industry to other industries in that nation (Gale & Odgers, 2017) as well as the economy of the nation as a whole. It is in the light of the above that the Nigerian economy over the years will be considered.

Hotel industry just like every other industry suffers from negative effect of bad government policies and inflation rates. Dues to the continuous increase in price of things in the market and also, due to the continuous devaluation of Nigeria currency, exchange rates have continued to increase astronomically and as a result, Naira value cannot be compared to other international currencies such as Dollar, Pounce, Euro etc., as at October 2021, Naira to Dollar stood at $1 to ₦570, hence, it become very expensive for the hotel business owners to import fabrics and other items needed to enhance their business operations. It can clearly be seen that bad government policies and hyperinflation (economic factor) can negatively affect the business operations of hotel industry. This study hereby examines how government policies and Inflation Rate affects business operation of hospitality industry some selected hotels in Ikorodu metropolis.

Objectives of the Study

The aim of this study is to examine how government policies and Inflation Rate on business operation of hospitality industry some selected hotels in Ikorodu metropolis. Specific objectives are to:

1. Determine the extent to which bad government policies affect business operations of hotel in Ikorodu Metropolis.
2. Ascertain how inflation rates affect business operations of hotel in Ikorodu Metropolis.
3. Examine the effect of bad government policies and inflation rate on the profit of hotel in Ikorodu Metropolis.

Hypotheses of the Study

H_{01}: Bad government policies do not have significant effect on business operations of hotel in Ikorodu Metropolis.

H_{02}: Inflation rates do not have significant effect on business operations of hotel in Ikorodu Metropolis.

H_{03}: Bad government policies and inflation rate does not have significant effect on the profit of hotel in Ikorodu Metropolis.

REVIEW OF RELATED LITERATURE

Hospitality Industry

The constant growth in the U.S hospitality market is due to stable economy. The economy is enjoying a rare mix of low inflation, low unemployment, and stable GDP. Despite the fears of over development and another downturn for the hospitality industry, almost all prognosticators are projecting hotel profitability to continue to grow in the market. The continued productivity gains, constant demand growth and moderate supply will dramatically strengthen the industry's profitability (Su, 2019).

An aggressive hospitality industry will be active in pricing its products and services due to the increasing demand for such products and services. PKF Consulting (2017) established that the mid-price and the economy segments would have the lead in demand and supply growth, and the leisure travellers are expected to provide most of the stimulus for demand growth over the next few years. The operating efficiency also significantly improves the industry's profitability. The number of employees per 100 rooms declined sharply (in the U.S) since 1991(Ader & LaFleur, 2017). Although this factor is not related to the occupancy or average daily rate growth, the low guest-employee ratio had effectively lowered the economic break-even in the industry (Ader and Lafleur, 2017).

When an economy pulls out of a recession, the investments in real estate grow significantly. In a research conducted by Coopers & Lybrands (2018), the new room openings reached an estimated 92,500 rooms in 1996, a 45 percent increase from 2018. The United States pulled out of an economic recession in 1996. The researchers at Smith Travel Research also found out that in 1996, out of every 31 hospitality properties (with 20 rooms or more), one was a new built in the U.S, down from one out of every 77 properties in 1992 (Su, 2019). Of interest is the fact that when hotel companies could not use all the newly acquired funds to build hotels, they went out to buy. According to Hospitality Magazine published in May 1996, there were 2, 784 hospitality properties sold (in U.S) from 1991 to 2018 and 378 were in excess of $10 million each (Su, 2019).

It could be argued that the sector most hit by the current (2019) global financial crisis is the hospitality industry. This is because entertainment, leisure and tourism are vulnerable to economic uncertainty and volatility (Amadi, 2019b). Most travel and tourism activities involve optional expenses. During times of economic recessions, people like to conserve money to cover the essentials of life such as food, shelter and family necessities. This, however, does not mean that entertainment and tourism will be endangered species.

Government Policies

Policy is an institutionalized proposal to solve relevant and real-world problems, guided by a conception and implemented by programs as a course of action created and/or enacted, typically by a government, in response to social issues. A government policy is a rule or principle that hopefully better guides decisions, resulting in positive outcomes that enhance the community or unit. Government policies contain the reasons things are to be done in a certain way and why. This leads to the development of procedures and protocols to see that policies are conducted in an appropriate manner. Procedures and protocols dictate the "how," "where," and "when" of how policies will be executed (Ader, & LaFleur, 2017).

Government policy describes a course of action, creating a starting point for change. They can influence how much tax the community pays, immigration status and laws, pensions, parking fines, and even where you go to school. While policies are driven to be non-discriminatory, they can affect specific groups of individuals. Policies are not laws, but they can lead to laws (Amadi, 2019).

Government bodies are constantly looking to develop and implement ways that change the lives of residents and communities for the better. Not surprisingly, it's a daunting task, striving to harness ideas and resources that will effectively address society's problems of which there can seemingly be no end. The degree of the issue can seem miniscule in the large scheme of things, but government is required to deal with them. This is why governments are always looking at a range of situations.

Policies have to be prepared carefully. Even in the smallest enterprise, creating policy can seem like an endless strip of red tape (Dlakwa, 2021). That's a necessary evil. Government policy will have a dynamic impact. While it may seem frustrating, everyone involved wants to be absolutely sure these changes will improve and not deter the community (Downs, 2017).

Inflation

Inflation is a measure of the rate of rising prices of goods and services in an economy. Inflation can occur when prices rise due to increases in production costs, such as raw materials and wages. A surge in demand for products and services can cause inflation as consumers are willing to pay more for the product (Gale, & Odgers, 2017). Inflation can occur in nearly any product or service, including need-based expenses such as housing, food, medical care, and utilities, as well as want expenses, such as cosmetics, automobiles, and jewellery. Once inflation becomes prevalent throughout an economy, the expectation of further inflation becomes an overriding concern in the consciousness of consumers and businesses alike (Latham, 2017).

Inflation can be a concern because it makes money saved today less valuable tomorrow. Inflation erodes a consumer's purchasing power and can even interfere with the ability to retire. For example, if an investor earned 5% from investments in stocks and bonds, but the inflation rate was 3%, the investor only earned 2% in real terms. In this article, we'll examine the fundamental factors behind inflation, different types of inflation, and who benefits from it.

Nigeria's inflation rate fell for the sixth consecutive month in September amid decelerating food prices, the National Bureau of Statistics has said. The statistics office said Friday that the prices of goods and services, measured by the Consumer Price Index (CPI), rose by 16.63 per cent. This is 0.38 per cent points lower than the rate recorded in August 2021 (17.01) per cent (CBN, 2020).

On a month-on-month basis, the headline index increased by 1.15 per cent in September 2021, a 0.13 per cent rate higher than the rate recorded in August 2021 (1.02) per cent.

The bureau said the Composite Food Index rose 19.57 per cent in September 2021 compared to 20.30 per cent in August 2021.

According to the NBS, this rise in the food index in September was caused by increases in prices of oils and fats, bread and cereals, food product, fish, coffee, tea and cocoa, potatoes, yam and other tuber and milk, cheese and egg. It added that on a month-on-month basis, the food sub-index increased by 1.26 per cent in September 2021, up by 0.20 per cent points from 1.06 per cent recorded in August 2021. "The average annual rate of change of the Food sub-index for the twelve months ending September 2021 over the previous twelve-month average was 20.71 per cent, 0.21 per cent points from the average annual rate of change recorded in August 2021 (20.50) per cent," (CBN, 2021).

Institutional Theory

One of the oldest concerns of political science and public administration is the study of government institutions since political life generally revolves around them. These institutions include legislatures, executives and judiciary; and public policy is authoritatively formulated and executed by them. Traditionally, the institutional approach concentrates on describing the more formal and legal aspects of government institutions: their formal structure, legal powers, procedural rules, and functions. Formal relationships with other institutions might also be considered, such as legislative-executive relations. Usually, little was done to explain how institutions operated as opposed to how they were supposed to operated, to analyse public policies produced by the institutions and to discover the relationships between institutional structure and public policies.

Subsequently, social scientists turned their attention in teaching and research to the political processes within government or political institutions, concentrating on the behaviour of participants in the process and on political realities rather than formalism. In the study of legislators, attention shifted from simply describing the legislature as an institution to analysing and explaining its operation over time, from its static to its dynamic aspects. Thus, in the academic curriculum the course on the legislature usually came to be about the legislative process.

Incremental Theory

Charles Lindblom is associated with this model. He contends that incrementalism is the typical policy-making in pluralist societies such as the United States and even Nigeria. Decisions and policies are the product of give and take and mutual consent among numerous participants in the policy process. Incrementalism is politically expedient because it is easier to reach agreement when the matters in dispute among various groups are only limited modifications of existing programmes rather than policy issues of great magnitude or of an all-or-nothing character. Because policy makers operate under conditions of uncertainty about the future consequences of their actions, incremental decisions tend to reduce the risks and cost of uncertainty. Incrementalism is also realistic because it recognises that policy makers lack the time, intelligence, and other resources needed to engage in comprehensive analysis of all alternative solutions to existing problems. Moreover, people are essentially pragmatic seeking not always a single best way to deal with a problem but, more modestly, something that would work. In a nut-shell, incrementalism utilises limited analysis to yield limited, practical, acceptable decisions.

METHODOLOGY

Research Design

The researcher employed both expo – facto research design and exploratory research design. The population of this study is senior staff of Two (2) hotels in Ikorodu East Metropolis of Lagos state. Secondary data was used in this study using documentation method of data gathering. A designed structured questionnaire was one of the instruments of data collection in this regard. This enabled the respondents to actively participate in the study due to the simple design and format of the questionnaires. This instrument will be adequately subjected to reliability and validity test.

Population of the Study

The Hotels considered in this study are: Lukham Crown Hotel and Jaftel Hotels & Suites. The total number of staff strength for the Hotels is about sixty-five (65). This study employed both primary and secondary sources. Data relating to inflation and government policies were sourced from the record of Nigerian Bureau of Statistics Nigeria, State Internal Revenue Service (SIRS) records and other relevant records that contain facts about the economy of Nigeria. Data relating to the performance of the Hotels were primarily sourced from the employees (especially senior staff) of the Hotels.

Sampling Techniques

The sampling technique adopted in this research was Simple Random Sample (SRS) which is aimed at giving every respondent an equal chance of being selected. For the purpose of this study, Taro Yamane will be employed to determine the sample size.

$$ss = \frac{N}{(1 + N(e)^2)}$$

$$ss = \frac{65}{(1 + 65\,(0.05)^2)}$$

ss = 56 employees.

Data Collection Instruments

Since it is practically difficult to collect the actual profit of the hotel business, coupled with the fear that the hotel owners can trust the negative impact releasing their real actual profits may have on them, the researcher has to design a template that can assist the hotel management to scale their level of profit within the period of 2016 to 2021 respectively being the period of the study. A scale of A, B, C, and D was designed to enable the respondents spelt out the range of the profit realized between this period from Less than ₦500,000; Between ₦500,000 - ₦1,000,000; Between ₦1,000,000 – ₦2,000,000; Between ₦2,000,000 – ₦5,000,000; and Above ₦5,000,000. Structured questionnaire was used to solicit information relating to how inflation and government policies affect their performances in terms of profitability. This study made use of secondary data. The secondary data relating to inflation and government policies were collected from the office of the Security and Exchange Commission (SEC) market Bulletins.

Method of Data Analysis

Both Inferential and descriptive methods of analysis was employed for data analysis for this research study. Ordinary Least Square (OLS) regression model was employed to test hypotheses one to three respectively.

The procedure for analysing the data was econometric procedure. The technique to be used was the regression analysis to test whether the tax evasion and avoidance contributed to the decline in Nigeria of economy.

Model Specification

Ordinary Least Square Regression Model

BusOp = α + β (Gov Pol) + e … 1

BusOp = α + β (Inf) + e … 2

Prof = α + β (Inf) + (Gov Pol) + e … 3

Where:

Int = Business operations of hotel in Ikorodu Metropolis

Gov Pol = Government Policies

BusOp = Hotel Business Operations.

Prof = Profitability of the Hotel

α = Intercepts

β = Beta

Regression model was employed to test hypothesis one to three respectively. This model is considered appropriate because it has the ability to predict the effect of independent variables on the dependent variables. The decision rule is to reject null hypotheses if $p < 0.05$.

DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

Secondary Data Presentation

Table 1 Inflation Rate, Government Policy Index for the period of 6 years (2016 – 2021).

Year	Inflation Rate (%)	Gov. Policy Index on Ease of Doing Business
2016	8	169
2017	19	145
2018	15	146
2019	12	131
2020	11	130
2021	18	130

Source: National Bureau of Statistics (2022)

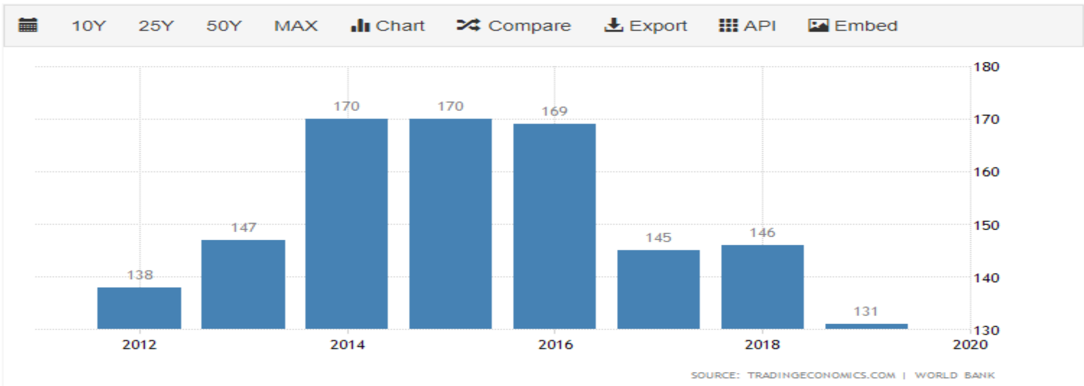
The data presented above was employed for the analysis of the study. In 2016, the inflation rate was just 8%, the inflation rates grow to 19% in 2017, however, inflation rate drops to about 15% in 2018, and further dropped to 12% and 11% in 2019 and 2020 respectively. However, an abnormal increase was recorded in 2022 when the inflation rates increased to about 18%.

Looking at government policy in the area of ease of doing business in Nigeria. The rate of ease of doing business in 2016 was 169 which was positive. However, the rate of ease of doing business dropped to 145 in 2017. It increased to 146 in 2018. However, a continuous decline was recorded in 2019 to 2021 from 131 to 130 respectively. This implies that the rate of ease of doing business in Nigeria is not favourable to business operators.

Figure 1: Inflation Rate in Nigeria from 2016 to 2021

The inflation rate in Nigeria from 2016 to 2021 was reviewed in the course of this study. The graph above revealed that a tremendous and abnormal inflation rate was recorded in the year 2016 to 2017 from 8% to 19%. The inflation rate dropped from 15% to about 115 in 2018 to 2011 respectively. Unfortunately, abnormal increasement was recorded in the year 2021 when an inflation rate grows to about 18%.

Figure 2: Government Policy on Ease of Doing Business



The graph above shows government policy index in the area of ease of doing business (i.e., how easy it is to run a business successfully in Nigeria). This graph shows that government policy on ease of doing business in 2016 was 169. A continuous drop was recorded from 2016 to 2021 respectively. This implies that government policy on ease of doing business has not being favourable since 2016 to 2021.

Primary Data Presentation

Table 2 Showing administered, returned and non-returned questionnaires

	Freq.	%
Administered	56	100%
Return	54	96%
Non-Returned	2	4%

Source: Compiled by Researcher (2022)

Total number of questionnaire administered was 56, out of which, 96% was returned meanwhile, only 4% of the administered questionnaire were not returned.

Table 3 Government Policies and Inflation Rate on Business Operation of Hospitality Industry

s/n		SA		A		UD		D		SD	
	Questions	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
1	Bad government policies affect business operations of hotel in Ikorodu Metropolis	19	35	5	10	5	10	11	20	14	25
2	Inflation rates has significant negative effect on business operations of hotel in Ikorodu Metropolis	22	40	8	15	3	5	14	25	8	15
3	Bad government policies and inflation rate have significant effect on the profit of hotel in Ikorodu Metropolis	27	50	14	25	0	0	8	15	5	10
4	Poor government policies on ease of doing business has effect on the profit of hotels	16	30	14	25	3	5	16	30	11	20
5	Due to high price of items in the market (inflation), there is decline in the profit of hotel businesses	22	40	8	15	3	5	5	10	16	30

Source: SPSS 25 Output

The opinion of the respondents revealed that 35% of the respondents strongly agreed that bad government policies has significant negative effect on business operations of hotel in Ikorodu Metropolis, in the same light, 10% of the respondents also agreed that bad government policies has significant negative effect on business operations of hotel in Ikorodu Metropolis. However, 25% of the respondents strongly disagreed that bad government policies have significant negative effect on business operations of hotel in Ikorodu Metropolis. 40% of the respondents strongly agreed that Inflation rates have significant negative effect on business operations of hotel in Ikorodu Metropolis. 15% of the respondents similarly agreed with this assertion. However, 15% of the respondent strongly agreed that Inflation rates have significant negative effect on business operations of hotel in Ikorodu Metropolis.

Half of the respondents (50%) strongly agreed that Bad government policies and inflation rate have significant effect on the profit of hotel in Ikorodu Metropolis, meanwhile, only 10% of the respondent strongly disagreed that Bad government policies and inflation rate have significant effect on the profit of hotel in Ikorodu Metropolis. However, 30% of the respondents strongly agreed that Poor government policies on ease of doing business has effect on the profit of hotels, meanwhile, about 20% of the respondent strongly disagreed that Poor government policies on ease of doing business has effect on the profit of hotels. 40% of the respondent strongly agreed that due to high price of items in the market (inflation), there is decline in the profit of hotel businesses and 30% of the respondents strongly disagreed that due to high price of items in the market (inflation), there is decline in the profit of hotel businesses.

Data Analysis

Data for this study was analysed in line with the objectives of the study. Ordinary Least Square Regression model was employed to test the hypotheses.

Hypothesis One

H_{01}: Bad government policies do not have significant effect on business operations of hotel in Ikorodu Metropolis.

Table 4 Model Summary for Hypothesis One

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.739[a]	.546	.704	10328547.67438	.546	7.217	1	6	.036	.766

a. Predictors: (Constant), Government policies
b. Dependent Variable: Business operations of hotel in Ikorodu Metropolis

Table 4 revealed that there is about 75% relationship between Government policies and Business operations of hotel in Ikorodu Metropolis, the study revealed that Government policies can influence Business operations of hotel in Ikorodu Metropolis up to 55%. Considering the effect of Government policies on Business operations of hotel in Ikorodu Metropolis, the study revealed that Government policies have significant effect on Business operations of hotel in Ikorodu Metropolis at 0.05 level of significance.

Table 5 Coefficients for Hypothesis One

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1608836840.892	144545043920.169		1.113	.308		
GovPol	-7.265	36.205	.139	2.686	.036	1.000	1.000

a. Dependent Variable: Business operations of hotel in Ikorodu Metropolis

Table 5 revealed that a negative beta value of -7.265 is the resultant effect of bad government policies on Business operations of hotel in Ikorodu Metropolis. This simply means that bad government policies have a significant negative effect on business operations of hotel in Ikorodu Metropolis. Table 5 also shows that a unit change increase in bad government policies will result to about 13% unit decline in business operations of hotel in Ikorodu Metropolis. The p value of $0.005 < 0.05$, null hypothesis is hereby rejected and conclude that bad government policies has significant negative economic effect on Business operations of hotel in Ikorodu Metropolis in Nigeria.

Hypothesis Two

$H0_2$: Government policies have not contributed significantly to the growth in Business operations of hotel in Ikorodu Metropolis in Nigeria.

Table 6 Model Summary for Hypothesis Two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.868[a]	.754	.713	9690809.87	.754	18.366	1	6	.005	1.081

a. Predictors: (Constant), Inflation rate
b. Dependent Variable: business operations of hotel in Ikorodu Metropolis

As shown in table 6, R explains the relationship between variable. As shown in the model summary, the relationship between business operations of hotel in Ikorodu Metropolis and Inflation rate is about 87%. R square explains the extent to which the independent variable could explain the dependent variable. R square as shown in model summary is about 75%, this implies that Inflation rate can predict or determine business operations of hotel in Ikorodu Metropolis up to 75%. Adjusted R square explains the ability of the model to predict the effect of independent variable on the dependent variable. The adjusted R square for this model is 71%, which implies that the model is good enough to predict the relationship.

Table 7 Coefficients for Hypothesis Two

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-55646644205	14270261559		.390	.710		
Inflation rate	-10.633	25.815	.211	4.286	.005	1.000	1.000

a. Dependent Variable: business operations of hotel in Ikorodu Metropolis

Table 7 shows that a unit change in Beta value of Inflation rate account for about -10 unit change in business operations of hotel in Ikorodu Metropolis (Beta = -10.633), this represent about 2% decrease in business operations of hotel in Ikorodu Metropolis. The p value of 0.005 < 0.05, null hypothesis is rejected and conclude that Inflation rate has negative significant effects on the economy in Nigeria.

Hypothesis Three

H_{03}: Bad government policies and inflation rate does not have significant effect on the profit of hotel in Ikorodu Metropolis.

Table 8 Model Summary for Hypothesis Three

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.712[a]	.75	.411	54149.65741	2.151

a. Predictors: (Constant), Bad government policies and inflation rate
b. Dependent Variable: Profit of Hotel Businesses
Source: SPSS Version 23 Output

Table 9 Coefficients for Hypothesis Three

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5412143.034	2145507.032		3.117	.000
Bad government policies and inflation rate	-564516	641.402	-.142	1.245	.001

a. Dependent Variable: Profit of Hotel Businesses
Source: SPSS Version 23 Output

R Square explains the relationship between variables. As shown in the model summary, the relationship between rate of Bad government policies, inflation rate and Profit of Hotel Businesses is 75%. R being the determinant of correlation explains the extent to which the independent variable could explain the dependent variable. R square as shown in model summary is about 71%, this implies that the independent variables can predict or determine dependent variables up to 71%. In other word, continuous increase in bad government policies and inflation rate contributes about 71% to Profit of Hotel Businesses in Nigeria.

This study revealed that a unit change (increase) in continuous bad government policies and inflation rate in Lagos state account for about -14%-unit decrease in Profit of Hotel Businesses. This study revealed that bad government policies and inflation rate contributes significantly to the reduces the Profit of Hotel Businesses.

The p value (0.000) < 0.05, therefore, the null hypothesis is rejected conclude that Bad government policies and inflation rate has negative significant effect on the Profit of Hotel Businesses.

Discussion of Findings

This study is consistent with study conducted by Awoseyin (2018), where they concluded that Government policies plays significant role in reducing government capital and revenue expenditures. This study also affirmed that Government policies contributed significantly to the reduction recorded in both revenue generation and business operations of hotel in Ikorodu Metropolis of the nation. the study revealed that Government policies have negative significant effect on consumption pattern.

The findings of this study are also in line with study conducted by Dlakwa (2021) who investigated the effect of bad government policies in the area of income tax revenue on the economic growth of Nigeria as proxied by the Business operations of hotel in Ikorodu Metropolis (business operations of hotel in Ikorodu Metropolis). The study adopted the ordinary least square (OLS) regression analysis technique to explore the relationship between the business operations of hotel in Ikorodu Metropolis (the dependent variable) and a set of federal government income tax revenue heads over the period 1981-2018. The regression result indicated a very positive and significant relationship between the tax evasion and the growth of the Nigeria economy.

The findings of this study are also in line with the study conducted by Gale and Odgers (2017) studied Government policies and economic growth in Nigeria. His findings revealed that the ratio of Government policies Revenue to business operations of hotel in Ikorodu Metropolis averaged 1.3% compared to 4.5% in Indonesia, though Government policies accounts for as much as 95% significant variations in business operations of hotel in Ikorodu Metropolis in Nigeria. A positive and significant correlation exists between Government policies Revenue and business operations of hotel in Ikorodu Metropolis. Both economic variables fluctuated greatly over the period though Government policies Revenue was more stable. No causality exists between the business operations of hotel in Ikorodu Metropolis and Government policies Revenue, but a lag period of two years exists.

Summary of Findings

This study revealed that:

1. Bad government policies have significant negative effect on business operations of hotel in Ikorodu Metropolis.
2. Inflation rates have significant negative effect on business operations of hotel in Ikorodu Metropolis.
3. Bad government policies and inflation rate has significant negative effect on the profit of hotel in Ikorodu Metropolis.

Conclusion

Hotel industry just like every other industries suffers from negative effect of bad government policies and inflation rates. Dues to the continuous increase in price of things in the market and also, due to the continuous devaluation of Nigeria currency, exchange rates have continued to increase astronomically and as a result, Naira value cannot be compared to other international currencies such as Dollar, Pounce, Euro etc., as at October 2021, Naira to Dollar stood at $1 to ₦570, hence, it become very expensive for the hotel business owners to import fabrics and other items needed to enhance their business operations. It can clearly be seen that bad government policies and hyperinflation (economic factor) can negatively affect the business operations of hotel industry. This study hereby examines how government policies and Inflation Rate affects business operation of hospitality industry some selected hotels in Ikorodu metropolis.

This study concluded that bad government policies have significant negative effect on business operations of hotel in Ikorodu Metropolis; Inflation rates have significant negative effect on business operations of hotel in Ikorodu Metropolis; and bad government policies and inflation rate has significant negative effect on the profit of hotel in Ikorodu Metropolis.

Recommendations

Arisen from the findings of the study, the following recommendations were made:

1. Government should ensure that they avoid issuing bad policies because bad government policies have significant negative effect on business operations of hotel in Ikorodu Metropolis.
2. Government should put in place adequate measures that can help mitigate against inflation because increase in inflation rates have significant negative effect on business operations of hotel in Ikorodu Metropolis.
3. Management of hotel business should ensure that they rise to the occasion of continuous price increment by looking better and cheaper alternative of meeting their business operations.

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