

INSECURITY, INFLATION AND SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISE IN NIGERIA

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ABSTRACT

This study examined the impact of insecurity and inflation on the sustainability of Small and Medium Enterprises (SMEs) in Nigeria from 2008 to 2023. Using time-series data obtained from the National Bureau of Statistics and the Global Terrorism Index, the research focuses on three key variables: SME growth (SMES_G), insecurity (INS), and inflation rate (INF). A quantitative research approach is employed, utilizing E-views version 10 for data analysis, including descriptive statistics, correlation analysis, and multiple linear regressions. The Augmented Dickey-Fuller (ADF) unit root test is conducted to assess the stationarity of the data. The results reveal that insecurity has a significant negative impact on SME growth, with a regression coefficient of 5.1759, indicating that an increase in insecurity corresponds to a 51% decline in sustainability. Additionally, inflation shows a significant adverse effect on SME growth with a coefficient of -0.0404. The Jarque-Bera test confirms the normality of the residuals, ensuring the validity of the regression results. The findings support the hypothesis that insecurity significantly hampers the sustainability of SMEs in Nigeria, highlighting the need for improved security measures to create a conducive environment for business growth. This research underscores the critical role of security in promoting SME sustainability and calls for government intervention to address the rising insecurity that threatens socio-economic development in Nigeria. Recommendations include enhanced security measures, job creation, and strengthening intelligence and counter-terrorism strategies.

Keywords: Insecurity, Inflation Sustainable entrepreneurship, SMEs growth, Nigeria

1.0 INTRODUCTION

Insecurity characterized by insurgency, banditry, armed robbery, and kidnapping, has emerged as a critical challenge in Nigeria, significantly affecting various sectors of the economy. Particularly in the northern regions, rising levels of violence have created an unstable business environment that disrupts operations and deters investment (Nnaji & Ogunleye, 2023). This hostile environment poses considerable challenges for SMEs, which are vital drivers of economic growth, innovation, and job creation. SMEs are particularly vulnerable due to their

limited capacity to absorb shocks, making them more susceptible to the adverse effects of insecurity (Bamidele, 2023; Ogunsanya, 2022). The combination of insecurity and high inflation rates exacerbates the difficulties faced by these enterprises, leading to increased operational costs, reduced consumer purchasing power, and shrinking profit margins (Adeyemi, 2022; Salawu et al., 2021; Yusuf, 2023). From 2008 to 2023, Nigeria has experienced various forms of insecurity, primarily driven by insurgency, banditry, and communal conflicts. The rise of Boko Haram in the North-East has resulted in thousands of deaths and displacement, fundamentally altering the security landscape (Ogunsanya, 2022). Banditry has surged in the North-West, where armed groups engage in kidnapping for ransom and cattle rustling, contributing to significant socio-economic instability (Nnaji & Ogunleye, 2023). Additionally, armed robbery and communal clashes have further exacerbated the security crisis across the country. These types of insecurity have devastating effects on local economies, particularly for SMEs, which often operate in environments where law enforcement is limited, and fear of violence deters entrepreneurial activity.

Efforts to curb insecurity in Nigeria have included military interventions, community policing initiatives, and collaborations with international partners. The Nigerian government has deployed military forces to conflict-prone regions and established various security task forces aimed at tackling insurgency and banditry (Adamu, 2022). Furthermore, initiatives to enhance intelligence-gathering capabilities and improve the training of law enforcement personnel have been introduced. However, challenges remain, as these efforts have often been undermined by corruption, inadequate resources, and a lack of coordinated strategy across different security agencies (Yusuf, 2023). Without substantial reform and commitment to improving security measures, the ongoing threats of insecurity will continue to hinder the growth and sustainability of SMEs in Nigeria.

The objective of this study is to assess the impact of insecurity on the sustainability of SMEs in Nigeria. Specifically, the research seeks to answer the following question: What is the effect of insecurity on the sustainability of SMEs in Nigeria? The hypothesis tested in this study posits that insecurity has a significant negative impact on the sustainability of SMEs. This research utilizes time-series data from the National Bureau of Statistics (NBS) on SME growth (available from 1981), inflation rates (from 1981), and insecurity data from the Global Terrorism Index (beginning in 2008). By analyzing these variables over time using E-views version 10, the study aims to provide empirical insights into how insecurity and inflation affect the sustainability of SMEs in Nigeria. The significance of this study lies in its provision of empirical evidence that underscores the urgent need for improved security and economic stability to foster a conducive environment for SME growth. By analyzing long-term data, the research contributes to the discourse on economic resilience and security, offering valuable recommendations for policymakers aimed at strengthening the SME sector in an era of uncertainty.

2.0 LITERATURE REVIEW

2.1 Concept of Insecurity

Insecurity has emerged as one of the most significant challenges to Nigeria's socio-economic development in recent years. The country faces multiple security threats, including insurgency

by Boko Haram in the North-East, banditry in the North-West, and armed robbery and kidnapping in various other regions (Ogunsanya, 2022). According to Nnaji & Ogunleye (2023), these forms of insecurity have had a devastating impact on communities, businesses, and the overall economy. In regions plagued by violence, economic activities are often disrupted, with businesses forced to close or relocate, leading to job losses and reduced income levels (Bamidele, 2023). The instability caused by insecurity also deters foreign and domestic investment, as investors are hesitant to commit resources in areas with a high risk of violence (Okonkwo & Ibrahim, 2021). The impact of insecurity is particularly severe on SMEs, which lack the resources to navigate such volatile environments (Fagbemi et al., 2023). Businesses operating in high-risk areas face multiple challenges, such as disrupted supply chains, loss of assets, and increased costs due to the need for private security (Usman & Bello, 2023). The North-East and North-West regions, which are hardest hit by insurgency and banditry, have experienced significant declines in business activities, further exacerbating poverty and unemployment in these areas (Adamu, 2022). As Salawu et al. (2021) point out, addressing insecurity is critical not only for safeguarding human lives but also for ensuring the economic sustainability of SMEs, which are key drivers of growth in Nigeria. To foster a conducive environment for business, the government must implement comprehensive security reforms and enhance intelligence-gathering capabilities (Yusuf, 2023).

Insecurity undermines both local and foreign investments in Nigeria, as investors often consider the security of their investment environment as a key factor before committing resources. Bamidele (2023) argues that the regions most affected by insecurity, particularly the North-East and North-West, have experienced reduced entrepreneurial activities due to frequent attacks by insurgents and bandits. This is consistent with findings from Okonkwo & Ibrahim (2021), who highlight that insecurity discourages business development in sectors such as agriculture, retail, and manufacturing, which are crucial for economic growth. Usman and Bello (2023) further suggest that without addressing insecurity, Nigeria's long-term economic stability is at risk, as the continuous decline in SME activity will negatively affect employment, income levels, and overall national GDP. Moreover, insecurity disrupts the socioeconomic structure by forcing businesses to either relocate or shut down completely. This situation worsens unemployment, as SMEs, which provide substantial employment opportunities, are compelled to downsize (Eze et al., 2022). According to Yusuf (2023), insecurity has also led to the displacement of populations in high-risk areas, further reducing consumer demand for goods and services. Salawu et al. (2021) argue that in areas where insecurity is prevalent, businesses often face additional costs, such as hiring private security and dealing with the destruction of assets, further straining their financial resources. These factors create a vicious cycle where insecurity leads to poor business performance, which in turn deepens the economic crisis in affected regions.

2.2 Small and Medium Enterprises (SMEs)

SMEs play an essential role in the Nigerian economy by driving innovation, creating jobs, and contributing to the nation's gross domestic product (GDP). According to Adeyemi (2022), SMEs account for over 80% of employment and nearly 50% of Nigeria's GDP, making them a critical pillar of economic development. This sector spans various industries, including agriculture, manufacturing, services, and retail. However, despite their significance, SMEs in Nigeria face numerous challenges, such as limited access to finance, poor infrastructure, and

an unpredictable business environment (Ojo, 2021). The lack of financial inclusion remains one of the primary barriers to SME growth, with many small businesses unable to access the necessary credit and financial services to expand their operations (Taiwo, & Oyedokun, 2022; Uche & Ede, 2023). SMEs are also highly vulnerable to external shocks, such as economic downturns, inflation, and insecurity. As Ogunsanya (2022) points out, the fragility of this sector makes it less capable of absorbing these shocks compared to larger enterprises. Moreover, in regions affected by insecurity, SMEs are more likely to experience disruptions in operations, leading to reduced productivity and eventual business closures (Onyekachi, 2022; Ogundajo, Odunayo, Osunsusi, Desi, & Oyedokun, 2023). Fagbemi et al. (2023) argued that building resilience in SMEs requires substantial support from the government and private sector, including access to finance, capacity-building programs, and a stable policy environment. Without addressing these structural challenges, the sustainability of SMEs remains precarious, particularly in regions facing high levels of insecurity.

2.3 Inflation and Small and Medium Enterprises

Inflation is another critical factor that influences the performance and sustainability of SMEs in Nigeria. High inflation rates erode purchasing power, increase production costs, and reduce profit margins for businesses (Bamidele, 2023; Oyedokun, & Amoo, 2023). According to Adeyemi (2022), the inflationary environment in Nigeria has worsened due to persistent economic instability and global market trends. For SMEs, inflation means higher costs of raw materials, labor, and other operational inputs, making it difficult to maintain competitive pricing. This inflationary pressure often forces businesses to either increase their prices, which reduce consumer demand, or absorb the costs, which diminishes profit margins (Adamu, 2022). The inability to strike a balance between these factors can severely affect the sustainability of SMEs, particularly in an insecure environment where the cost of doing business is already high. Nnaji & Ogunleye (2023) argue that inflation exacerbates the challenges faced by SMEs, especially in regions affected by insecurity, as it compounds the financial strain on businesses. Inflation-driven price increases often coincide with reduced consumer spending in insecure regions, further shrinking the market for SMEs (Ojo, 2021; Ilemona, Nwite, & Oyedokun, 2019). Ogunsanya (2022) highlights that inflation also affects access to credit for SMEs, as financial institutions raise interest rates to hedge against inflation risks. This limits the ability of SMEs to secure loans for expansion or recovery from insecurity-related losses.

In the context of Nigeria, the combination of high inflation and insecurity presents a dual challenge that threatens the viability of SMEs. In addition to increasing operational costs, inflation also disrupts the supply chains that businesses depend on. Fagbemi et al. (2023) emphasize that inflationary pressures lead to higher transportation costs, especially in regions where insecurity has made roads unsafe. This, in turn, affects the availability and affordability of goods and services, particularly in the North-East and North-West, where insecurity is most rampant (Adewale, Oyedokun, & Adewumi, 2022; Yusuf, 2023). As a result, SMEs in these areas face a shrinking consumer base and escalating costs, making it difficult to sustain their operations over time. Moreover, insecurity often leads to the displacement of people and destruction of infrastructure, further increasing the logistical challenges and costs of doing business in affected regions (Salawu et al., 2021; Oyedokun, & Bello, 2020). The cumulative impact of these factors places immense pressure on SMEs, making it difficult for them to survive, let alone thrive, in such a challenging environment.

The study is grounded in theories relating to economic resilience and business sustainability in volatile environments. One of the key theoretical frameworks employed is the Resource-Based View (RBV), which suggests that firms with unique resources are more likely to withstand external shocks. However, in the context of Nigeria's SMEs, these businesses often lack the necessary resources financial, human, and physical to cope with the adverse effects of insecurity and inflation (Oyedekun, Naburgi, & Haruna, 2020; Fagbemi et al., 2023). The Theory of Risk Management also underpins this research, positing that businesses must identify, assess, and mitigate risks to ensure long-term sustainability. In regions plagued by violence, SMEs struggle to implement effective risk management strategies due to limited access to information, capital, and security (Oyedokun, & Taiwo, 2022; Yusuf, 2023).

In the study conducted by Ogunsanya (2022) on the effect of insurgency and banditry in the North- East and North- West regions in Nigeria where a mixed-method approach, combining qualitative interviews and quantitative surveys. The study's population included SME owners, community leaders, and local security personnel in these regions, with a sample size of 300 respondents selected using purposive sampling. The findings revealed that insecurity led to a significant decline in business activities, with many SMEs closing down due to frequent attacks, while those remaining operational faced higher costs from disrupted supply chains and private security needs.

Usman and Bello (2023) conducted a quantitative study using a cross-sectional survey of 200 SME owners in Northern Nigeria, focusing on high-risk regions affected by banditry and insurgency. A stratified random sampling technique was employed to ensure representation across different business sectors, such as retail, manufacturing, and agriculture. Their findings indicated that SMEs in these regions faced increased operational challenges due to frequent threats to assets, theft, and vandalism. The study revealed that businesses unable to afford private security services experienced higher financial losses, making recovery from insecurity-related disruptions difficult.

Salawu et al. (2021) employed a longitudinal study design to analyze the combined impact of insecurity and inflation on SMEs over a 10-year period (2010-2020) in the North-Central region of Nigeria. Data was collected from 500 SMEs using a multi-stage sampling technique, with respondents selected from urban and rural areas affected by insurgency and inflation. Their analysis, conducted through regression models, showed that inflation exacerbates the challenges of insecurity. SMEs faced escalating costs for transportation and basic goods due to banditry, further straining their financial resources as both businesses and consumers struggled with rising prices.

Bamidele (2023) conducted a time-series analysis using secondary data from the National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) to examine inflation's impact on SMEs in Nigeria from 2005 to 2022. The study focused on SMEs in regions experiencing high levels of insecurity, particularly in the North-West and North-East. The sample population included data on inflation rates, SME growth rates, and security incidents, analyzed using econometric models. Bamidele's findings emphasized that high inflation increased production costs for SMEs, further compounded by insecurity, which reduced consumer purchasing power and affected business profitability.

Okonkwo and Ibrahim (2021) utilized a mixed-method research approach, incorporating both qualitative case studies and quantitative surveys to examine the relationship between insecurity, investment, and SME development. The study's population included 250 SME owners and 50 investors in the agriculture, retail, and manufacturing sectors across Nigeria's northern regions. A simple random sampling technique was employed to select participants. Their findings indicated that insecurity discourages both domestic and foreign investment in these sectors, stifling SME development. Businesses in states with high insurgency levels were unable to expand or attract new investments, leading to reduced employment opportunities and weakened local economies.

3.0 METHODOLOGY

The methodology employed in this study is quantitative, using time-series data to analyze the Impact of Insecurity and inflation on the Sustainability of SMEs in Nigeria. The data used for this study were sourced from the National Bureau of Statistics (NBS) and the Global Terrorism Index (GTI). The SME growth data spans from 1981 to 2023, while the insecurity data from GTI begins in 2008. Additionally, the inflation rate data, also from NBS, covers the period from 1981 to 2023. These datasets were integrated into a statistical analysis using E-views version 10. The study focuses on three key variables: SME growth (SMES_G), insecurity (INS), and inflation (INF), with insecurity measured by incidents of banditry, insurgency, and armed robbery. The analysis aims to assess how these variables influence the sustainability of SMEs over time.

To ensure the reliability of the results, various statistical tests and models were applied. Descriptive statistics were used to summarize the data and provide a clear understanding of the trends and distributions of the variables. Correlation analysis was then employed to explore the relationships between the variables. A multiple linear regression model was utilized to determine the effects of insecurity and inflation on SME growth. The Augmented Dickey-Fuller (ADF) unit root test was conducted to check the stationarity of the time-series data, revealing that all variables became stationary at first differencing.

Finally, the Jarque-Bera test confirmed the normality of residuals, ensuring the robustness and validity of the regression findings

4.0 RESULTS AND DISCUSSION

This section presents the results and discussions of major findings based on the data collected to assess the Impact of Insecurity and inflation on the Sustainability of SMEs in Nigeria. The time-series data collected covers the period from 2008 to 2023 and was sourced from the National Bureau of Statistics and the Global Terrorism Index. The data was coded and analyzed using E-views version 10, which was employed to measure both descriptive statistics and statistical inferences.

Table 1: Descriptive Statistics

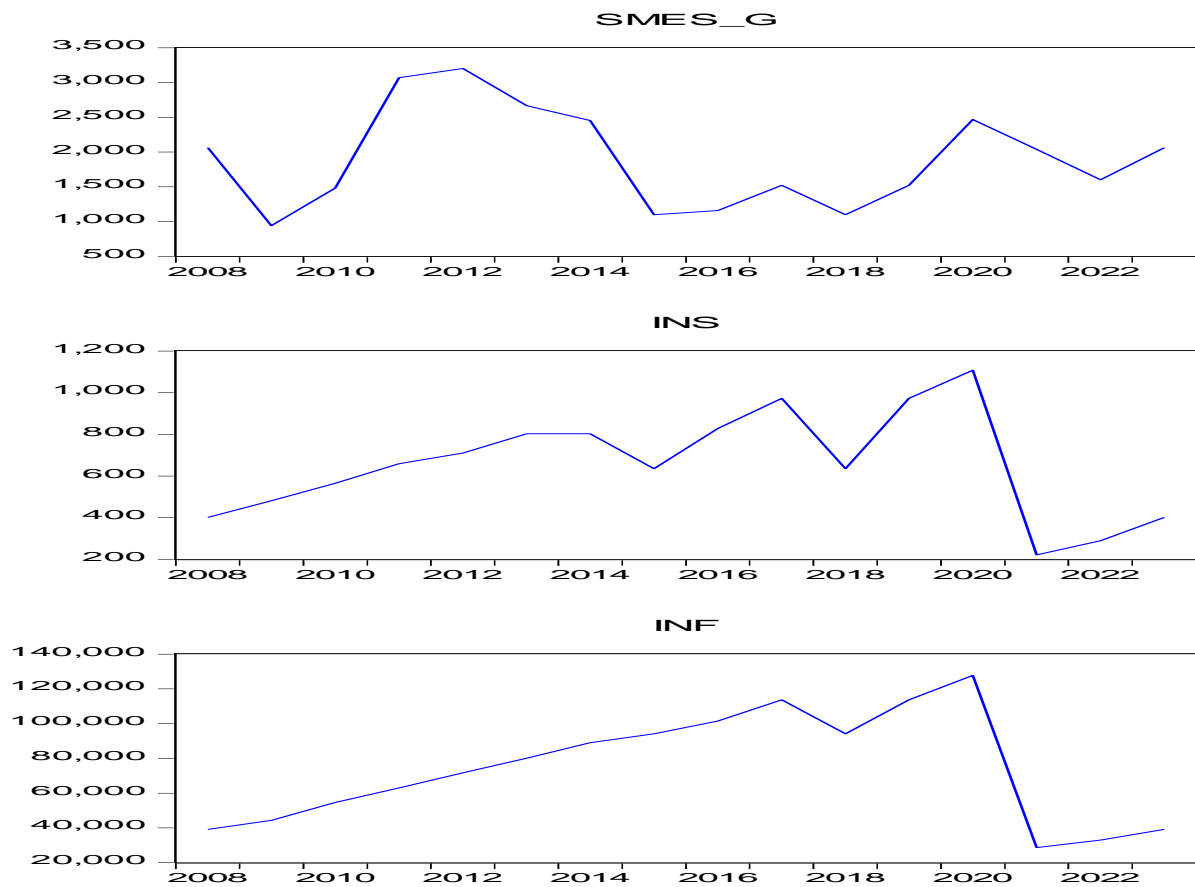
	SMES_G	INS	INF
Mean	1902.184	655.4931	74229.20

Median	1819.450	647.2500	75903.25
Maximum	3201.320	1108.040	127762.6
Minimum	939.4000	221.6000	28662.47
Std. Dev.	714.8356	254.5812	32067.27
Skewness	0.383450	-0.005769	0.060953
Kurtosis	1.997638	2.143106	1.693682
Jarque-Bera	1.061910	0.489600	1.147553
Probability	0.588043	0.782861	0.563394
Sum	30434.94	10487.89	1187667.
Sum Sq. Dev.	7664849.	972173.8	1.54E+10
Observations	16	16	16

Source: Researcher's Computation, 2024 (E-view 10)

Table 1 presents the descriptive statistics for SME growth regressed on Banditry attacks, Insurgency, Armed Robbery attacks, and the inflation rate in Nigeria from 2008 to 2023. The mean values were 1902.184, 655.4931, and 74229.201 for SME growth, Banditry, and Armed Robbery attacks, respectively. The standard deviations for these variables were 714.8356, 254.5812, and 32067.27, indicating considerable variability. The upward skewness values suggest that the data distributions have long right tails, while kurtosis values below three indicate flat distributions relative to normal. The Jarque-Bera (JB) statistic confirms that the variables are normally distributed, as all values exceed 5%, affirming normality in the dataset. Overall, the data reveals that increasing insecurity significantly influences SME growth in Nigeria.

Table 2: Annual Trend Analysis of the Impact of Insecurity and inflation on the Sustainability of SMEs in Nigeria from 2008 to 2023.



Source: Researcher’s Computation, 2024 (E-view 10)

From Table 2 and Figure 1, the trend volatility of the corresponding variables examines the Impact of Insecurity on SMEs in Nigeria. The empirical model focuses on the challenges of insecurity affecting SME development in the country. The trend is measured by the number of Nigerians with SME product output over the studied period, alongside the insecurity metrics, including fatalities from Boko Haram insurgency, banditry, armed robbery attacks, and the inflation rate from 2008 to 2023. The trend data reveals that SME growth (SMES_G), insecurity (INS), and inflation (INF) rates have been unstable and characterized by significant oscillations, which can be attributed to the prevailing insecurity situation in Nigeria.

Table 3: Multiple Linear Correlation Analysis of the Impact of Insecurity and inflation on the Sustainability of SMEs in Nigeria from 2008 to 2023.

SMES_G	INS	INF
1		
0.13336	1	
-0.06907	0.94459	1

Source: Researcher’s Computation, 2024 (E-view 10)

From Table 3, the normalized correlation coefficients for the three co-integrating equations depict the Impact of Insecurity on SMEs in Nigeria. The coefficients of 0.13336, -0.06907, and

0.94459 represent the relationships of SME growth (SMEs_G), insecurity (INS), and inflation (INF) in Nigeria, respectively. These coefficients indicate the extent of their relationship to SME sustainability. The analysis reveals a long-run relationship between SME growth and the challenges posed by insecurity in Nigeria.

Table 4: Unit Root Result

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-2.54797	0.0054	3	44
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-1.61761	0.0529	3	44
ADF - Fisher Chi-square	11.5963	0.0716	3	44
PP - Fisher Chi-square	9.16358	0.1646	3	45

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Source: Researcher’s Computation, 2024 (E-view 10)

Table 4, which presents the Unit Root Test, is employed to measure the stationarity of the time series data in the context of the Impact of Insecurity on SMEs in Nigeria. The test checks for the presence of a unit root via the Augmented Dickey-Fuller (ADF) test. An ADF unit root test was conducted on all the variables to establish the reliability of the data. The results of the Augmented Dickey-Fuller (ADF) test statistic at the 5% level of significance reveal that all variables (SME growth, banditry attacks, insurgency, and armed robbery) are non-stationary at level but stationary at first differencing. This indicates that they are integrated of order 1, denoted as I(1). The existence of unit roots in the data was determined using a trend and intercept. The results confirmed that SME growth (SMEs_G), insecurity (INS), and inflation (INF) are all integrated of order 1 (I(1)). Both the ADF test with trend and intercept succinctly demonstrated that the time series are integrated in the same order.

Table 5: Multiple Linear Regression Output

Dependent Variable: SMES_G		
Method: Least Squares		
Date: 09/21/24 Time: 20:59		
Sample: 2008 2023		
Included observations: 16		

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INS	5.175917	1.881834	2.750463	0.0065
INF	-0.040355	0.014940	-2.701136	0.0082
C	1504.890	436.2164	3.449871	0.0004
R-squared	0.370876	Mean dependent var		1902.184
Adjusted R-squared	0.274087	S.D. dependent var		714.8356
S.E. of regression	609.0436	Akaike info criterion		15.82902
Sum squared resid	4822143.	Schwarz criterion		15.97388
Log likelihood	-123.6321	Hannan-Quinn criter.		15.83644
F-statistic	3.831821	Durbin-Watson stat		1.406692
Prob(F-statistic)	0.049180			

Source: Researcher's Computation, 2024 (E-view 10)

From Table 5, the findings briefly illustrate the extent to which each of the studied variables affects the sustainability of SMEs in Nigeria. The regression coefficient of insecurity is 5.175917, implying that a unit increase in insecurity operations will lead to a significant decline in the sustainability of SMEs by 51% ($0.0000 < 0.05$). Furthermore, the result of the insurgency coefficient is 5.175917, suggesting that an increasing rate of insurgency cases results in a significant decline of 49% in SME growth and sustainability. The coefficient of the inflation rate is -0.040355, indicating that inflation adversely affects SMEs. With a p-value of 0.0004, the Durbin-Watson statistic of 1.406692 shows that there is an element of positive autocorrelation, meaning that there is a linear relationship among the variables. This result is further supported by the high value of the Adjusted R-squared, which stands at 27.4087%, reflecting an improved explanatory power of the model. Therefore, there is no evidence of a positive first-order serial correlation.

Hypothesis Testing

(H₀): Insecurity and inflation has no significant impact on the sustainability of SMEs in Nigeria. The decision rule is to reject the null hypothesis if the p-value is less than 0.05. Based on the results from Table 5, the p-value is 0.0004, which is below the 0.05 threshold. Therefore, we reject the null hypothesis (H₀) and conclude that insecurity significantly impacts the sustainability of SMEs in Nigeria.

Table 6: Test for Equality of Variances between Series

Method	df	Value	Probability
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Bartlett	2	203.7363	0.0000
Levene	(2, 45)	53.59109	0.0000
Brown-Forsythe	(2, 45)	52.87036	0.0000

Category Statistics

Variable	Count	Std. Dev.	Mean Abs. Mean Diff.	Mean Abs. Median Diff.
SMES_G	16	714.8356	600.3050	600.3050
INS	16	254.5812	201.5444	201.5444
INF	16	32067.27	27533.48	27533.48
All	48	39197.02	9445.109	9445.109

Bartlett weighted standard deviation: 18519.23

Source: Researcher's Computation, 2024 (E-view 10)

The results in Table 6 indicate that while there are similarities in the measures of insecurity affecting the sustainability of SMEs in Nigeria, there is also the likelihood of dissimilarities. Therefore, it is necessary to test differences in these measures rather than relying solely on the standard deviation. Before conducting an analysis of the variation in differences, the table presents a test for homogeneity of variance. Both the annual and long-term measures show a significant probability value of 0.0000, indicating that the assumption of equal variance is violated.

Table 7: Normality Histogram

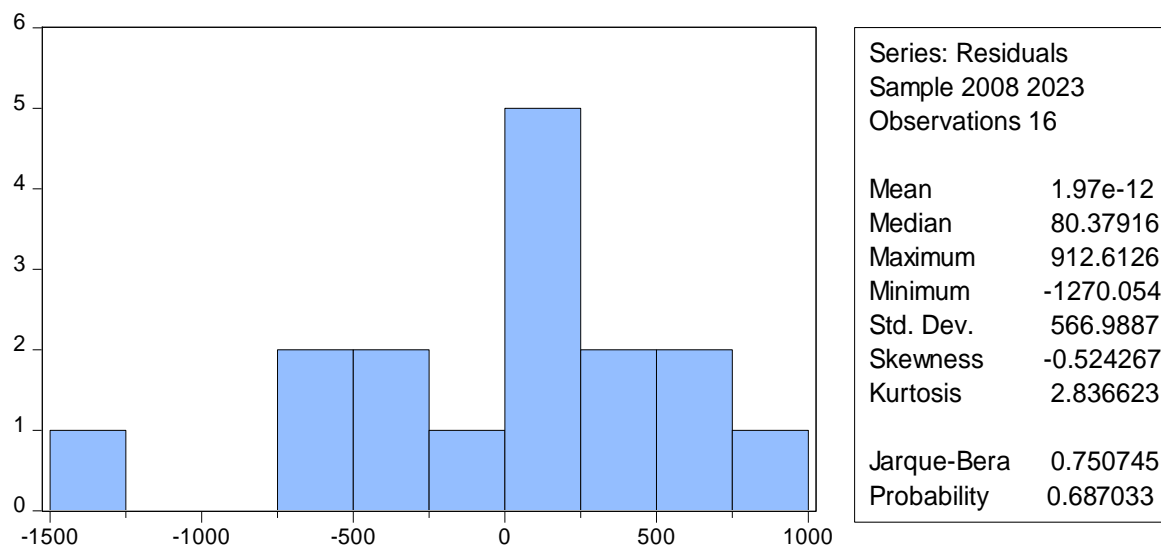
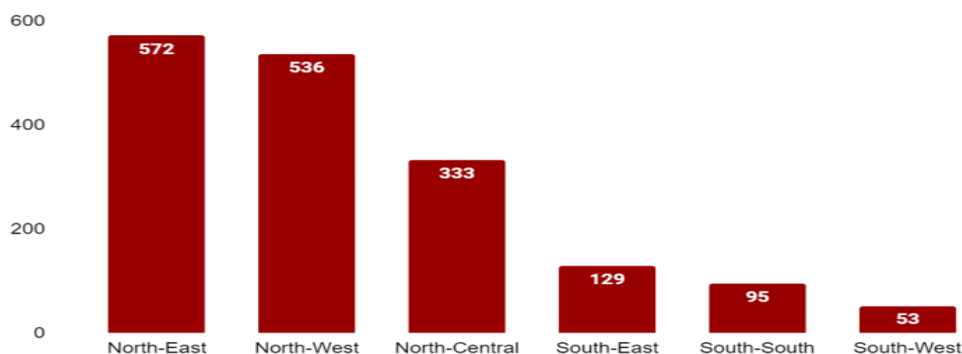


Figure 2 presents a bell-shaped histogram with a mean of $1.97e-12$, alongside a Jarque-Bera statistic of 0.750745 and an associated probability value of 0.6870, indicating that the regression variable follows a normal distribution. The results of the normality test confirm that the probability value of the Jarque-Bera statistic exceeds 5%, suggesting that the residuals from the estimates are normally distributed. This implies a normal, long-run relationship between sustainability of SMEs growth, and the challenges posed by insecurity in Nigeria

Analysis of Bar Trend Showing the Relationship between Regions with High Insecurity Levels and the Decline of SMEs in Nigeria in 2023



Source: Researcher's Computation, 2024

The chart above illustrates the relationship between regions with high insecurity levels and the decline in sustainability of SMEs in Nigeria from 2008 to 2023. The data shows that the North-East has the highest insecurity levels, with 572 reported incidents, followed by the North-West with 536, the North-Central with 333, the South-East with 129, the South-South with 95, and the South-West with 53. These findings indicate a clear geographic disparity, with insecurity being most prevalent in the northern regions, particularly in the North-East and North-West, where insurgency, banditry, and communal conflicts are more widespread. This heightened insecurity poses significant challenges for sustainable entrepreneurship, as it deters investment, disrupts supply chains, and threatens the safety of business operations.

This trend underscores the urgent need for an increased number of trained intelligence analysts within Nigeria's security framework to effectively address these regional security challenges. Strengthening intelligence capacities would enable better anticipation of threats, more efficient allocation of security resources, and improved coordination between security agencies. As noted by recent studies, including those by Okonkwo et al. (2022) and Adamu and Ibrahim (2023), a robust security architecture supported by skilled intelligence personnel is essential for creating a conducive environment for business growth and economic stability. Without addressing these security concerns, regions with high levels of insecurity will continue to see a decline in entrepreneurial activity, further exacerbating poverty and underdevelopment.

5.0 CONCLUSION AND RECOMMENDATIONS

Based on the findings of this research, it is evident that the insecurity situation has had a significant impact on the growth and performance of SMEs in Nigeria from 2008 to 2023. The persistent rise in insecurity, particularly in the northern regions, has disrupted business

operations, hindered entrepreneurial activities, and stifled economic growth. The study shows that regions with the highest levels of insecurity, such as the North-East and North-West, have experienced the most pronounced decline in sustainable entrepreneurship. This underscores the critical role of security in sustaining entrepreneurial growth and overall economic development. The negative effect on the sustainability of SMEs highlights the urgent need for the government at all levels to reconfigure its security apparatus. This can be achieved through the deployment of military personnel equipped with advanced technology and sophisticated equipment to combat insurgency, armed robbery, and kidnappings more effectively. The increasing rate of insecurity poses a serious threat to Nigeria's socio-economic development. No country can attract foreign direct investment when its environment is insecure. Investors typically assess the security of a country as a key element of their SWOT analysis before committing to business ventures. Therefore, addressing insecurity is paramount not only for the sustainability of SMEs but also for restoring investor confidence and fostering long-term economic growth in Nigeria.

In light of the study, the following policy recommendations are made:

1. The federal government should take decisive measures to address issues related to insecurity, given its detrimental effects on the socio-economic development of the country. This can be achieved by creating a National Guard Intelligence Personnel and a Special Forces Unit within the Nigerian military, trained in counter-terrorism strategies, tactics, asymmetric warfare, and desert warfare. These specialized units would be equipped to combat insurgency and related crimes effectively.
2. The Nigerian police and other security agencies should enhance cooperation through the establishment of a centrally-controlled intelligence unit across all states of the federation. This would create a centralized intelligence information system, ensuring that all agencies are connected within a unified framework for swift responses to distress calls and security threats.
3. Governments at all levels should prioritize job creation for the teeming youth population, as unemployment often leads to involvement in criminal activities. Individuals engaged in armed robbery, kidnapping, and other crimes are typically those without stable employment. Providing gainful employment opportunities would reduce idle time and mitigate the likelihood of people turning to crime.
4. Currently, security and intelligence agencies, including the military, are severely lacking in well-trained intelligence analysts, with fewer than 1,000 personnel serving in this capacity. The standard ratio is 10 intelligence analysts for every 100 officers. Nigeria must improve in this area, as without sufficient intelligence analysts, agencies will only gather intelligence information, but not actionable intelligence.

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