

**THE IMPACT OF BUSINESS RISKS ON THE PERFORMANCES OF SMALL AND
MEDIUM SCALE ENTERPRISE (SMEs) IN NIGERIA**

BY

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,
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BACHELOR OF SCIENCES (B.SC) IN ACCOUNTING**

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DECLARATION

BARAKA BOLANLE SANUSI

Hereby declare that;

This project is based on a study undertaken by me in the department of Accounting, University of Benin, under the supervision of Prof. J.O, Odia

This work has not been previously submitted for an award of any bachelor of sciences (B.SC) in Accounting elsewhere.

All ideas and views are products of my personal research and where the views and work of others have been expressed in the course of this study, they have been duly acknowledged.

CERTIFICATION

This is to certify that this project titled “**THE IMPACT OF BUSINESS RISKS ON THE PERFORMANCES OF SMALL AND MEDIUM SCALE ENTERPRISE (SMEs) IN NIGERIA**” was carried out by **BARAKA BOLANLE SANUSI** with matriculation number **MGS1907788**. It has been read and recommended for acceptance in partial fulfillment of the requirement for the award of bachelor of sciences (b.sc) in Accounting

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DEDICATION

This work is dedicated to the almighty Allah who made me all I am and granted me the required strength, wisdom and knowledge needed in carrying out this work. I also specially dedicate this work to my Parents, Mr/Mrs Sanusi, My friends and my siblings for always believing in me and pushing me to be my best in my academic pursuit.

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ABSTRACT

This study seek to examine the impacts of Business risks on the performance of small and medium scale enterprises (SMEs) in Nigeria, The researcher adopted questionnaire in collecting relevant information for the study. The gathered data were examined using descriptive statistics, correlation analysis and regression techniques were used to analyze the data in order to achieve the research objectives. The study regressed the dependent variable – SME performance on the Independent variables – operational, legal, economic, financial, personnel, climate, technological, and data security risks.

This study employed the Ordinary Least Square Method and the empirical results revealed that operational risk significantly affects SME performance, Legal risk has a significant relationship with SME performance, Economic risk impacts SME performance significantly, Financial risk influences SME performance significantly, Personnel risk significantly affects SME performance, Climate risk has a significant relationship with SME performance, Technology risk significantly impacts SME performance, Data security risk influences SME performance significantly and The collective impact of risks has a significant relationship with SME performance, highlighting the interconnected nature of risk factors.

In the model, only the coefficients for Economic Risk, Financial Risk, Climate Risk, Technology Risk, and Data Security Risk are statistically significant at the conventional alpha level of 0.05. The study recommends amongst others that owners of SMEs should invest in robust operational management practices to mitigate operational risks effectively, SMEs should establish

comprehensive legal compliance frameworks to address regulatory requirements and mitigate legal risks and SMEs should adopt adaptive strategies to navigate economic uncertainties and mitigate the impact of economic risks.

Keywords: operational, legal, economic, financial, personnel, climate, technological, and data security risks and SMEs performance

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Small and Medium Scale Enterprises (SMEs) contribute significantly to the socioeconomic growth and development of many countries. The roles of SMEs is reflected in their capability to create employment, alleviate poverty, equitably distribute income and resources, enhance innovation, develop entrepreneurial skills, encourage urbanisation and improve the living standard of the people (Aigboduwa & Oisamoje, 2013). In Nigeria, the significance of the contribution of SMEs is evidenced in the survey conducted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2013) in which it was revealed that there are over 37 million SMEs in Nigeria, employing 84.02% of the total workforce and contributing 48.5% and 7.3% to the country's Gross Domestic Product (GDP) and exports respectively. It is an established fact globally that the Micro, Small, and Medium Enterprises sector is a key engine to economic growth and development. This sector is responsible for most of the advances in new products and process, provides most of the employment opportunities but is also a key indicator of the overall performance of an economy. The dynamic nature of this sector also makes it vulnerable to a high mortality rate occasioned by sudden shifts in economic policy, global trends, global shocks in international markets and many unforeseen situations. The lean nature and size of this sector, which underscores its vulnerability, is also its key asset

(SMEDAN ,2013). It is flexible and can easily rise up to and adapt to sudden change in situations locally and globally. These are some of the underlying facts, which necessitated a change of focus in Nigeria's economic policy direction. Nigeria's population of over 160 million people with over 65% of that figure being below the age of 35 makes a change of policy imperative. No country with the abundant potentials and size in land and population can afford to maintain a status as a rentier economy on a single commodity, oil. Therefore, one of the few alternatives open to policy makers was to look inward and seek to develop the national economy through the MSME sector.

Numerous countries, especially those in development, have realized the importance of small and medium-sized businesses. Small and medium-sized businesses are thought to be the backbone of any economy's expansion. According to Kropp, Lindsay, and Shoham (2006), they are crucial for competitiveness, economic growth, innovation, and the reduction of poverty. These individuals have been described as active, inventive, and productive; their modest and moderate size permits adaptability and expeditious decision-making.

Small and medium enterprises (SMEs) in Nigeria like in every other country play a critical role in output diversification, employment generation, indigenous entrepreneurial development, local technology improvement and further integration with larger firms. Carrying out their operations, SMEs are exposed to various forms of risks. Risk in whatever form is the likelihood of an event or action occurring with the possibility of a negative outcome. However, risk associated with

business may be classified as development risk, growth risk, environmental risk, financial risk, manufacturing risk, operational risk, market risk, regulatory and legal risk, etc.

A successful outcome is usually a key objective for every business. Performance is often understood to represent an improvement in an organization's operating quality, efficacy, and efficiency. Performance is a method to assess how well and efficiently an organization uses its resources, as noted by Szilagi and Wallar (1980). This is a gauge of how well the organization's goals are being achieved.

1.2 STATEMENT OF RESEARCH PROBLEM

The ability of SMEs to refocus some of their tactics is one of the aspects that increasingly determines their performance and survival (Gunasekaran, Rai, & Griffin, 2011). Therefore, in order to endure, expand, and achieve superior commercial performance, SMEs must be dynamic and competitive. On the other hand, SMEs suffer excessive closures and stagnation when they refuse to adapt to changes in their environment. The fact that alterations in the business environment can have a favorable or negative impact on SMEs' business performance serves as more evidence of this (Zhang, van Doorn, & Leeflang, 2014). The biggest barriers to a company's ability to expand and succeed have been identified as competition, management expertise, technological advancement, and money (FinMark., 2010; Singh, Garg, & Deshmukh, 2010; Shamir & Muhammad, 2016).

Since the business environment is constantly changing, SMEs must continually update their competencies in order to quickly respond to new problems and competitors.

Government intervention is urgently needed since inadequate infrastructure or the poor state of what is currently in place have made it extremely difficult for SMEs to operate (Ojo, 2006). Infrastructure problems include a weak communications network, an insufficient water supply, an inadequate transit system, and a lack of electricity for solid waste treatment. This forces companies to offer costly parallel infrastructure. These have impeded Nigerian SMEs' performance and success (Osamwonyi & Tafamel, 2010).

Aside from a lack of initial funding from one's own funds and recommendations from friends and family, banks and the stock market continue to restrict access to institutional financing.

The genesis behind the limitation or constraint includes; wrong and unacceptable feasibility report, inability to raise the required equity contribution, lapses to provide collateral securities and incomplete financial documentation (Ojo, 2006; Olutunla, 2005; Omoruyi & Okonofua, 2005). The challenges faced by SMEs in Nigeria are very worrisome which hinder its operation towards alleviating or reducing poverty in the country.

1.3 RESEARCH QUESTIONS

The following research questions were developed as a guide to the study.

- i. What is the effect of Operational risk on the performance of small and medium scale (SMEs) in Nigeria.
- ii. What is the effect of Legal risk on the performance of small and medium scale (SMEs) in Nigeria

- iii. What is the effect of Economic risk on the performance of small and medium scale (SMEs) in Nigeria
- iv. What is the effect of Financial risk on the performance of small and medium scale (SMEs) in Nigeria
- v. What is the effect of Personnel risk on the performance of small and medium scale (SMEs) in Nigeria
- vi. What is the effect of Climate risk on the performance of small and medium scale (SMEs) in Nigeria.
- vii. What is the effect of Technology risk on the performance of small and medium scale (SMEs) in Nigeria
- viii. What is the effect of Data security risk on the performance of small and medium scale (SMEs) in Nigeria.

1.4 RESEARCH OBJECTIVES:

This study's main goal was to investigate the relationship between business risk and the performance of small and medium-sized (SMEs) in Nigeria. Its particular goals were to:

1. To ascertain how operational risk and the performance of Nigerian small and medium-sized enterprises (SMEs) relate to one another
2. Assessing the effect of legal risk on the operations of Nigerian small and medium-sized enterprises (SMEs)
3. Assessing how economic risk affects small and medium-sized enterprises' (SMEs)' performance in Nigeria

4. Assessing how financial risk affects Nigerian small- and medium-sized enterprises' (SMEs') performance
5. To assess how personnel risk affects small and medium-sized enterprises' (SMEs') performance in Nigeria Assessing how climate risk affects Nigerian small- and medium-sized enterprises' (SMEs') performance
6. To assess how technology risk affects Nigerian small- and medium-sized enterprises' (SMEs') performance
7. To assess how data security risk affects small and medium-sized enterprises' (SMEs') performance in Nigeria

1.5 HYPOTHESES IN RESEARCH

In order to address the research topics, the following null hypotheses were developed for this study:

- i. H01: Operational risk and small- and medium-sized enterprises' (SMEs') performance in Nigeria do not significantly correlate.
- ii. H02: The performance of small and medium-sized (SMEs) in Nigeria is not significantly correlated with legal risk.
- iii. H03: The performance of small and medium-sized (SMEs) in Nigeria is not significantly correlated with economic risk.
- iv. H04: Financial risk and the performance of small and medium-sized enterprises (SMEs) in Nigeria do not significantly correlate.

- v. H05: Personnel risk and the performance of small and medium-sized (SMEs) in Nigeria do not significantly correlate.
- vi. H06: There is no discernible connection between climate risk and how well small and medium-sized businesses (SMEs) perform in Nigeria
- vii. H08: The performance of small and medium-sized (SMEs) in Nigeria is not significantly correlated with data security risk.

1.6 THE STUDY'S SCOPE

The main goal of the study was to determine how business risk affected the performance of small and medium-sized enterprises (SMEs) in Nigeria. To this end, a questionnaire was utilized to collect data from a sample of Nigerian SMEs' owners and managers.

Seventh, the study's significance lies in its contribution to the body of knowledge on the subject, as well as its potential use as a reference material for future research on the course given the paucity of current data on it. Additionally, the study will be valuable to business researchers, business-related consultants, and established owners and managers of small and medium-sized (SMEs) businesses, as the research work will aid in navigating and managing the impacts of business risk on their enterprises. Finally, the study will assist fiscal policy makers, such as the CBN and its agencies, in addressing fiscal policies that have an impact on the performance of SMEs in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There is a review of pertinent literature in this chapter. The chapter was organized into three main pieces. The second section, which follows the introduction closely, reviews the literature on all variables, starting with the dependent variable. It also includes a review of empirical research and the theoretical underpinning for the study that is being reviewed.

2.2 Determinants of Firm Performance

Concept of firm performance is an important aspect which has been used in all areas of business researches and it is difficult to have general definition and measurement by reason of continuously expanding their boundaries. Firm performance can be a measure of financial and also non-financial performance. A financial performance indicator is an indicator that relates to an aspect of financial performance that is measured quantitatively and in financial terms (ICAN 2021). Financial performance is the overall measure of a company's ability to maximize its cost of operations, efficiently use its assets and maximize shareholder value. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the economy at large. Firm performance was defined as an attempt of an organization to meet its goals or being effective in productivity. In the same vein, financial performance is a measure of organization's earnings, profits and appreciation in its value which

is reflected by the rise in share price. Firm performance is measured at a given point in time or over a period of time. It can also be compared with similar firms across the same industry or be used to compare industries or sectors in aggregation.

These financial proportions can be ordered into liquidity proportions movement (functional) proportions, benefit proportions, obligation proportions and market proportion. Regularly, financial performance is estimated as far as productivity proportions like profit from the resource, return on value, benefits after charge, procuring per offer and profits from speculation among others. Nonetheless, the most generally utilized financial performance measures in the part of board diversity remember to return for resource and return on value. For example, studies directed by Araoye and Olatunji (2017), Bukar, Musa, and Ahmed (2020), Sixtus, Samuel and Shukriya (2019), and among others utilized to profit from resource and return on value as proportions of financial performance.

2.2.1 Profitability

In order for a business to remain a corporate entity, profitability is essential. It is the capacity of an organization to bring in more money than it spends. The extent to which a business makes money after satisfying all related financial commitments is what Timothy (2017) defines as profitability. Usually, whether a business is operated well or not is indicated by profit or loss in the financial statements. Profitability is usually used as a measure of business efficiency but the two are not totally the same. Profitability is just an index for measuring efficiency. Loss making does not really mean that business operator is not efficient or careless as there are social and

economic situations that may be beyond the control of the business operator. According to Timothy (2017), profit making is not without benefits. Financial institutions use profitability to rate business organizations for loan. Regular payment of satisfactory dividends which attracts investors is only possible when profit is made. Business growth and expansion is possible from retained profit. Continuous payment of attractive salaries and allowances to employees is encouraged when enough profit is regularly earned.

A company's profitability demonstrates its capacity to turn a profit over a specific time period at a given rate of sales, assets, and capital stock. A company cannot attract outside financing and long-term viability is contingent upon profitability. Managers may create an effective profitability strategy for their organization by having a solid understanding of the elements that determine profitability. An organization may assess profitability objectively or subjectively. Data from financial accounts, such as the revenue and balance sheets, are assessed using objective metrics. However, the subjective measurement greatly depends on how owners or management of the company view the sustainability of the business.

2.2.2 SMEs Performance

The performance of Small and Medium Enterprises (SMEs) can vary based on various factors such as industry, market conditions, management effectiveness, and economic environment. Typically, SME performance is evaluated based on metrics like revenue growth, profitability, market share, customer satisfaction, innovation, and financial stability. Additionally, factors like cost management, operational efficiency, access to financing, and adaptability to changes in the

business environment also play significant roles in determining SME performance. Overall, successful SMEs often demonstrate a balance between efficient operations, financial stability, customer satisfaction, and strategic adaptability.

Performance is the ability of an organization to compete by achieving a level of production and efficiency that guarantees the company's success. An alternate definition of SMEs performance would be the company's ability to meet the needs of its three main stakeholders: customers, employees, and owners (Marus et al., 2020). According to Wati et al. (2020), the success of SMEs is measured by comparing actual results to projected results. These points of view contend that an organization's performance is both a prerequisite and a capacity. Agelyne and Musau (2021) define performance as the outcome of evaluating an effort made to achieve predetermined goals and objectives. That performance is correlated with the output and efficiency of the relevant market.

Performance refers to ability of an organization to achieve high profit, quality product, large market share, good financial results and survival at a pre-determined time (Zhiri, 2017). SMEs Performance, according to Godgift, et al (2018), is the effective and efficient use of limited resources to achieve the desired objective. The intended result is reached by a sequence of actions and materials. The ability to select and recognize particular situations is required for performance measurement. Performance in the business world refers to an organization's ability to survive in a cutthroat industry. The capacity of a business firm to utilize the environment in order to minimize scarce and necessary resources to its operations is referred to as SMEs'

performance (Usman, 2020). In most cases, SMEs' efficacy and efficiency are linked to their performance.

According to Ogidi and Pam (2021), the proportionate capacity of a business company to wisely use the limited available resources towards ensuring the satisfaction of specified demands in its environment is referred to as SMEs performance.

On the other hand, a lot of research uses efficiency and financial outcome to quantify performance. Hence, financial or non-financial assets can be used to gauge SME performance. In terms of making a significant contribution to Nigeria's GDP, SMEs have not lived up to expectations (Isyaku & Williams, 2022).

2.3 Hazards that SMEs face

Growth risk, supply chain risks, raw material pricing, and interest risks are the five categories into which SMEs can fall (Falkner & Hiebl, 2015). When applying for a loan from financial institutions like commercial banks, credit cooperatives, and/or SACCOS, SMEs run the danger of incurring interest charges. The majority of SMEs are restricted in their options and are vulnerable to several forms of financial assistance since they lack the funds to invest. A loan's availability is contingent upon collateral that ensures repayment; nonetheless, in certain cases, strong collateral does not ensure playability and is unable to make up the amount borrowed (Ntare, et al., 2022).

The second type of risk in SMEs is raw material prices when the SMEs experience a rise and fall in the raw material price because of increasing competition, changes in climatic conditions

especially for agricultural products, and the energy market (Falkner & Hiebl, 2015). Contrary to larger companies with modern technologies that enable them to switch to cheaper resources, SMEs have no such ability and are hence subjected to raw material risk (Falkner & Hiebl, 2015). In this regard, SMEs have to collaborate with others to expand their risk management. The third risk is e-business and technology, where the SMEs are threatened by the fast-growing electronic business platform such as cyberattacks, credit card fraud, and identity theft (Falkner & Hiebl, 2015).

The fourth risk is a customer-related risk; managing customer satisfaction, which is subject to periodic changes, poses a threat to SMEs. The nature of the relationship between SMEs and their customers depends on the type of contact, such as in-person or online; the amount of transactions that a given business engages in determines how quickly a gap can be filled. The use of e-business platforms makes it possible for goods and services to be bought or sold from a distance, placing SMEs in a precarious situation. The fifth risk is supply chain risk when the SMEs depend on one or few suppliers who sometimes fail to provide the needful raw materials or goods (Falkner & Hiebl, 2015). When there is any problem with the supply chain, it predicts the challenge in production and then the supply of the goods to consumers (Falkner & Hiebl, 2015). The last type is growth risk when the business expands goes with increases the number of risks which in some ways may be difficult to be handled by the SMEs such as know-how or technologies, and new market strategies (Falkner & Hiebl, 2015).

2.3.1 The performance of small and medium-sized enterprises (SMEs) and operational risk

Operational risk is the possibility of suffering a loss as a result of insufficient or malfunctioning systems, personnel, processes, or outside circumstances.

It encompasses a wide range of factors including human error, fraud, legal risks, and technological failures, among others. Effective management of operational risk involves identifying, assessing, monitoring, and mitigating these risks to protect an organization's assets, reputation, and financial stability.

Operational risk exists in every organization regardless of its size. Lopez (2021) defines operational risk as “the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events”. Goettlich and Knapp(2020)state that among the most serious sources of operational risks that significantly affect the development of SME business are outdated production equipment, missing technologies, and the inability to innovate. Obsolete production equipment or missing new technologies greatly affect the sustainability of SMEs. Tucek and Hrbáčková (2019) state that new trends and technological developments but also the interconnectedness of economies and markets force enterprises to constantly deal with innovating production equipment, technologies, and procedures. Currently, terms such as intelligent enterprise, intelligent logistics, and transport systems, as well as the very concept of Industry 4.0, are increasingly coming to the fore.

Operational risk can significantly impact the performance of small and medium-scale enterprises (SMEs) in Nigeria. Factors such as inadequate infrastructure, regulatory challenges, political

instability, security issues, and limited access to finance can increase operational risk for SMEs. These risks can lead to disruptions in supply chains, increased costs, lower productivity, and reduced competitiveness, ultimately affecting the overall performance and sustainability of SMEs in Nigeria. Implementing risk management strategies, improving infrastructure, enhancing regulatory frameworks, and promoting access to finance can help mitigate operational risks and support the growth of SMEs in the country.

2.3.2 Legal risk on the performance of small and medium scale (SMEs)

Legal risk is an essential factor that small and medium enterprises (SMEs) cannot ignore in doing business in postmodern times. When the legal risk is appropriately adhered to, SMEs easily achieve good financial performances and avoid additional costs, such as fines and punitive damages, that eventually reduce the profitability and also jeopardize the firm (Deligonul, 2020).

The Nigerian legal system functions as a component of governance, offering the laws that control the actions of businesses, including the SMEs that are the subject of this study. The Companies and Allied Matters Act (CAMA), Cap 20, Laws of the Federation of Nigeria, 2004 was repealed, and on August 7, 2020, the newly enacted CAMA, Laws of the Federation of Nigeria, was signed. This represents a progressive development in the country's commercial legal framework toward making it easier for small and medium-sized businesses and other investors to conduct business.

The Financial Reporting Council Act, No. 6, 2011 creates the Financial Reporting Council to enact and issue accounting reporting standards for SMEs. It also encourages strict adherence by

all SMEs in the formulation of their financial statements to uphold transparency, credibility and reliability of their financial reports, to promote corporate disclosure by SMEs.

Moreover, to protect investors by ensuring good corporate governance practice that will safeguard all stakeholders' interest in their operations (Oyewunmi et al., 2017; Iyoha et al., 2017).

Legal risks faced by small and medium-sized enterprises (SMEs) can vary depending on factors such as industry, location, and business operations. Common legal risks for SMEs include:

- i. Contractual disputes: Breach of contract or misunderstandings with clients, suppliers, or partners can lead to legal action.
- ii. Employment law compliance: Issues related to hiring, firing, discrimination, harassment, and wage disputes can result in legal consequences.
- iii. Intellectual property infringement: SMEs need to protect their trademarks, copyrights, and patents to avoid infringement claims from competitors.
- iv. Regulatory compliance: Failure to comply with industry-specific regulations, such as health and safety standards or environmental regulations, can lead to fines or lawsuits.
- v. Tax compliance: SMEs need to adhere to tax laws and regulations, including filing accurate tax returns and paying taxes on time to avoid penalties.
- vi. Liability issues: Accidents, product defects, or negligence could result in lawsuits and financial liabilities for SMEs.

The need for legislative reform of several obsolete statutes on SMEs operations which have hindered its growth. Nigeria's, Investment and Securities Act and others corporate business laws and regulations with a conducive business environment with businessfriendly regulatory framework. The reform should provide more opportunities for SMEs growth, development to safeguards it from winding up or liquidation by encouraging business turnaround or restructuring strategies, flexible negotiations creditors on loans payment plans and reduction of excessive taxes and other regulatory hurdles with adequate incentives to encourage investments in the country (Olujobi & Olusola-Olujobi, 2020). This can also support SMEs business recovery and turnaround strategies to save it from insolvency, to maintain jobs and to build economic resilience against economic crises or shocks in Nigeria (Olujobi & Olusola-Olujobi, 2019).

2.3.3 Economic risk on the performance of small and medium scale (SMEs)

risk refers to the possibility that macroeconomic conditions, market dynamics, or policy changes could negatively impact an individual, business, or country's financial well-being. This can include factors such as inflation, exchange rate fluctuations, interest rate changes, political instability, and economic recessions, among others. Assessing and managing economic risk is crucial for making informed financial decisions and mitigating potential losses.

In addition, all businesses need to be aware of taxes and how they are changing. Artemenko et al. (2017) identified the risks associated with taxes as follows: regular changes in tax legislation, level of a tax burden, new taxes, and differences among regions or business entities. Another critical economic risk is connected to the growth of prices of essential production factors (e.g.,

energy). The availability of financial sources is one of the most important economic risks. This risk is closely related to the financial risk because lack of financial sources causes financial complications for the company. The companies that receive external financing face the risk of interest rate growth. A significant economic risk is also associated with the increase in the cost of basic industrial inputs, such as energy. The study is subject to many economic risks, including fluctuations in interest rates, potential tax benefits, insufficient finance, and rising energy costs. Economic risks can significantly impact the performance of small and medium-scale enterprises (SMEs). These risks include fluctuations in interest rates, inflation, exchange rates, and changes in government policies. Additionally, economic downturns can lead to decreased consumer spending, reduced access to credit, and increased competition, all of which can affect SMEs disproportionately due to their limited resources and flexibility. Therefore, SMEs need to carefully monitor economic conditions and develop strategies to mitigate these risks, such as diversifying their customer base, managing cash flow efficiently, and building resilience in their supply chains.

2.3.4 Financial risk on the performance of small and medium scale (SMEs)

Financial risk refers to the potential for financial loss or uncertainty arising from various factors such as market fluctuations, credit defaults, interest rate changes, or geopolitical events. It encompasses the possibility of losing money or not achieving expected returns on investments due to these uncertainties. Investors and businesses typically manage financial risk through diversification, hedging, insurance, and other risk management strategies. The level of financial

risk must be assessed in terms of the risk performance in a company towards successful financial risk management decisions because risk is considered an integral part of a company's business (Olah et al., 2019). Financial risk is one of the main threats to SME business (Yang, 2017). Difficulties in business financing and lack of funds are the most common symptoms of SME financial risk (Bosma et al., 2018) because most of the operation of the company is financed by the capital of owners or managers themselves. This may result in the increase of operating costs and corporate debt, and debt repayment problems and consequently high financial risk. . Access to finance is likely to improve the quality of a business environment by leading firms toward a more productive scope of business. Financial risk is characterized by duality, which means that along with an increase in profits, there is an increase in the risk of losses (Oláh et al. 2019).

Therefore, any company's job is to manage financial risk in a way that will maximize its own benefits. An rising percentage of foreign capital is being used to finance the development of these businesses, which adds significantly to the financial risk faced by the SME sector. A capital structure like that has a direct impact on the company's ability to refinance, but it also carries a significant financial risk and lowers profitability accordingly. A low equity ratio restricts the autonomy of small and medium-sized businesses and makes it harder for them to carry out day-to-day, immediate commercial operations, which, among other things, ruins their relationships with suppliers and consumers.

2.3.5 Personnel risk on the performance of small and medium scale (SMEs) in Nigeria

Personnel risk refers to the potential threats or hazards posed to individuals within an organization, including employees, contractors, and visitors. This can encompass a range of concerns such as workplace accidents, health and safety issues, security breaches, conflicts, and other factors that may impact the well-being or performance of personnel. Managing personnel risk involves implementing policies, procedures, and practices to minimize these risks and ensure the safety and security of individuals within the organization. Belas et al. (2020) confirmed that human capital is the most essential element of a company. Employee training has a direct bearing on personnel risk, thus managers should encourage staff members to develop innovative work methods in order to boost the organization's performance. The challenges and risks related to humans must be understood by the managers to manage them optimally. Looking into the meaning of personnel risk, it is related to humans employed in the business process. Human capital is one of the key factors for SMEs' sustainability and growth (El Shoubaki et al., 2019; Kot et al., 2018; Mura et al., 2019; Dima et al., 2017), it needs constant attention and management. Personnel management is related to maintaining fair terms and conditions of employment, and managing personnel activities efficiently in each specific functional department. In order to achieve overall organizational success, personnel must play a key role in the firms' business operations (Taslim Ahammad, 2017; Anyakoha, 2019). Human resources are the only source that manages other resources, therefore these risks come under personnel

management. Employer attractiveness influences the employees' intention to stay or leave to another organisation (Rozsa et al., 2019).

As a result, in the following decade, human capital will be one of the most important productivity drivers (World Economic Forum, 2019). There are several reasons that can cause human errors in a firm, such as work-related stress, stress from job insecurity, wage, or location, etc. (Roll et al., 2019). It would be wise to understand the managers' and owner's opinions regarding the employee error rate and its effect on the firm's performance. It is especially important for SMEs, as they have limited resources and small structures that give them less space to make a mistake. To minimize and avoid the negative impact of employee error rate, managers must develop skills and awareness to understand and to minimize and tackle it efficiently. Lack of skills and low experience of workers can also lead to human error occurrence. As much as 90% of the accidents in manufacturing units happen because of human error (Yeow et al., 2014). While education of the employees has a moderate positive relationship on job performance and lowers related risks (Ranasinghe, 2019), the quality of human performance also depends on knowledge strategy of the company (Bencsik et al., 2018). Knowledge management contributes to job satisfaction and staying intention of the employees (Zamir, 2019). Considering its importance, it is imperative to understand the owners' and managers' perceptions regarding human error and its impact on SMEs.

2.3.6 Climate risk on the performance of small and medium scale (SMEs)

Climate risk refers to the potential negative impacts of climate change on various aspects of human society and the environment. These risks can include extreme weather events, such as hurricanes, floods, and droughts, as well as longer-term changes like rising sea levels, shifts in agricultural productivity, and impacts on ecosystems. Addressing climate risk typically involves mitigation efforts to reduce greenhouse gas emissions and adaptation strategies to cope with the changes that are already underway. Climate change denotes an alteration in a climate that can be ascribed directly or indirectly to human actions that change the atmospheric configuration of the earth, which primes to global warming. This alteration can impact the ecosystem as a whole, which naturally impacts negatively on human systems and often threatens human growth and the social and economic development of a nation as a whole (National Oceanic and Atmospheric Administration,2021).

In most cases, SMEs are also impacted negatively by the negative impact of climate alteration over the years, and this has become a global phenomenon. Much empirical evidence attested to climate alteration over the years, creating many problems in developing countries. Furthermore, in 2016, climate change induced the destruction of many crop products in the United States agribusiness sector. This development increased the price of food crops and the scarcity of raw materials for producing many agriculturally based products (NBS, 2021). Therefore, there is a critical need for the government at all levels to pay attention to SMEs since they have the largest share of employment, contribute to GDP growth, and can create more jobs in Nigeria. Hence,

this paper assessed the climate change phenomena that affect the operation of SMEs, the methods employed by SMEs to ameliorate the impact of climate alteration over the years on their business enterprises, the profitability of the SMEs and the factors that induce the choice of methods employed by the SMEs were also determined. The study will enhance the preparation of well-organized and implementable guidelines that will assist SMEs and guide the government at all levels to take sustainable action that will help alleviate the impact of climate alteration over the years on the smooth operation of SMEs and enhance their profitability and productivity. This will enhance their sustainability with respect to their contribution to the national GDP and job creation in Nigeria and other developing countries.

Skouloudis et al (2023). examine flooding experience, features, and how the micro-, small- and medium-sized enterprises (MSMEs) respond to this critical climate change phenomenon in Greece. The study also considered the resilience ability and strategies used in building resilience. The study leveraged quantitative analysis based on relevant literature on how such MSMEs can withstand, adapt or mitigate the impact of flooding in Greece.

Climate risk can significantly impact the performance of small and medium-scale enterprises (SMEs) in various ways. These risks can include increased operating costs due to extreme weather events, disruptions in the supply chain, damage to infrastructure and assets, regulatory changes related to climate mitigation, and shifts in consumer preferences towards sustainable products and services. SMEs may also face challenges in accessing finance and insurance if they are located in areas prone to climate-related hazards. Developing resilience strategies and

incorporating climate risk management into business planning are crucial for SMEs to mitigate these impacts and ensure long- term sustainability.

2.3.7 Technology risk on the performance of small and medium scale (SMEs)

Technology risk refers to the potential for technology-related failures or disruptions that could negatively impact an organization's operations, finances, or reputation. This risk can arise from various sources such as system failures, cyberattacks, data breaches, technological obsolescence, or inadequate IT infrastructure. Organizations often implement risk management strategies to identify, assess, and mitigate technology risks to safeguard their assets and maintain operational continuity. The radical advancement in information and communication technologies (ICTs) has driven major changes in social and economic structures, posing substantial challenges in the 21st century. It is found that SMEs are currently facing a diverse range of IT problems, which have a significant impact on their business operations and risk assessment process. These problems include unreliability of the IT system that encompasses hardware and software; improper use of the system by untrained staff, which causes damage to the system; instability of the system; user error; and uncertainty of the external environment. Environmental uncertainty is predominantly attributable to a drastic increase in cyberattacks because of digital globalization, despite the enforcement of laws aimed at promoting and enhancing cybersecurity in each country. Likewise, the unreliability of wireless networks further increases the vulnerability to cyber-attack. The main targets of Likewise, the unreliability of wireless networks further increases the vulnerability to cyber-attack. The main targets of cybercriminals are users of computers and

other mobile devices, which are highly susceptible to malware attacks, especially if there are defects in the operating system. Accordingly, it is essential for SMEs to acquire in-depth knowledge and technical knowhow in the management of information security and IT risks that may impact business performance (Adiyanto, et al, 2022). In efforts to promote and support SMEs, the Thai government has developed a new innovation national strategy known as Thailand 4.0, which is an economic model that explicitly outlines risk management standards to ensure effective and efficient identification, analysis, and management of risks affecting SMEs' performance

2.3.8 Data security risk on the performance of small and medium scale (SMEs)

Data security risk refers to the potential exposure of sensitive or confidential information to unauthorized individuals or entities, leading to breaches, theft, or misuse. These risks can arise from various sources, including cyberattacks, insider threats, inadequate security measures, and human error. Organizations mitigate data security risks through measures such as encryption, access controls, regular security audits, and employee training. Many authors found out that information security management is a part of management in companies. It focuses on establishing, implementing, monitoring and improving information security (Davidaviciene et al., 2019; Rajnoha et al., 2017). Tu et al. (2018) and Olah et al. (2019) concentrated their efforts on identifying and modelling elements that affect information security management success. Each of these factors affects information security, and complex solutions combine all six of the critical success factors they identified: business alignment, organizational support, IT competencies and

organizational awareness of security risks and controls, and information security controls. Kesan and Zhang (2020) warn that cyber incidents are often not properly distinguished and can lead to very different and huge losses.

Increased awareness regarding this issue led many organisations to apply the concept of data security management to identify sources of risk and provide measures for their control or elimination (Shamala et al., 2017). The security risks were classified as follows: certain accidents and external threats (flood, fire), misuse of information, poor employee health and safety, and property crime (stealing). Overall, addressing data security risks is essential for SMEs to safeguard their assets, reputation, and long-term success in an increasingly digital business environment. Implementing robust security measures, raising employee awareness, and staying informed about emerging threats are crucial steps for mitigating these risks.

2.4 Empirical Review

Owolabi (2017) examined the impact of economic characteristics and financial performance of selected small and medium scale enterprises in Nigeria. This study investigated the impact of economic characteristics of small and medium scale enterprise operating environment represented by; government expenditure, inflation rate, interest rate and exchange rate fluctuations on financial performance of selected small and medium scale enterprises. The study adopted an ex-post facto research design. Stratified and random sampling methods were used to select 31 small and medium scale enterprises in Nigeria. The study used a regression analysis technique to test the formulated hypotheses. The findings revealed that the impact of economic

characteristics on firm's financial performance existed but in diverse magnitude; economic characteristics proxy by interest rate, rate of inflation, exchange rate and Government expenditure showed a negative and significant relationship with the performance of small and medium scale enterprise. Also, it was discovered that there is an overall negative significant relationship between economic characteristics on the performance of small and medium scale enterprise.

Orogbu, et al. (2017) assessed the implications of the economic environment of SMEs on economic growth in Nigeria. The study employed a quantitative research design with secondary data on SMEs performance, government tax revenue, and exchange rate, interest rate and inflation rate. Ordinary Least Square (OLS) formed the estimation technique while the study spanned through 1970- 2016. The study revealed that exchange rate, inflation rate, interest rate and government tax revenue have negative relationship with SMEs performance. The study concluded that factors in the economic environment such as government tax revenue, exchange rate, interest rate and inflation rate have significant negative effect on the operations of small and medium enterprises.

Effect of Economic Indicators on the Performance of Small and Medium Scale Enterprises in Nigeria was the subject of a study conducted by Okeke et al. (2020). With specific reference to the southeast region, the study looked at how small and medium-sized business performance was impacted by the rates of inflation, interest, and exchange. A cross-sectional survey research design was used in the study. There were 1560 people in the study's population, and 296 people

made up the sample. The statistical method known as multiple regression analysis was employed to test the hypotheses developed to direct the investigation.

It was discovered that the performance of SMES in South-East Nigeria is significantly impacted negatively by inflation, interest rates, and exchange rates. The study suggested effectively controlling the inflation rate to promote economic expansion. Interest rates and other loan terms should be regulated by the government and policy makers to guarantee that funds are available to all SMEs in Nigeria at reasonable rates.

The impact of globalization on the performance of small and medium-sized enterprises (SMEs) in Nigeria was examined by Oladimeji et al. (2017). An ex-post facto research design was used in the study. Secondary data on pertinent information that shows how globalization affects the performance of SMEs in Nigeria was taken from the CBN bulletin. Interest rates, bank credit, and trade openness were used to represent the globalization activities, and the production of SMEs relative to GDP was used to capture the performance of SMEs from 1992 to 2014. A cointegration model was employed throughout.

record the performance of SMEs from 1992 to 2014. In order to assure the quick growth and development of the SMEs sector, it was proposed that policies influencing SMEs be restructured as well as strengthened. The researchers found that trade openness, interest rates, and bank credit do not boost the performance of SMEs output.

Beck (2020) sought to understand the challenges and possibilities facing Fintech and Financial Inclusion through the use of content analysis. The prospects that Fintech and financial inclusion

face have been identified, and they include new products and delivery methods including crowd financing platforms and mobile money. On the other hand, lack of funding, documentation, and trust were the challenges facing Fintech and financial inclusion.

Both the reviewed study and the current study took financial inclusion and financial technology into account as variables. The current study, however, stands out since it concentrated on the ways that financial inclusion and technology affect SME success. Godgift et al. (2018) carried out a study among SMEs in Lagos, Nigeria with the aim of examining the influence of Financial Technology on their Operations (Payments/Collections). Pie charts and percentages were used to examine the data, which supported the hypothesis that financial technology, or FinTech, has a significant influence on SMEs' operations and eventually contributes to the growth of the country. The independent variable in both the previous study and the current investigation was financial technology. The current study differs, though, in that its research would be done in Ekiti State, whereas the prior study's research was done in Lagos State.

2.5 Theoretical Reviews

2.5.1 Contingency Theory

This study will be anchored on the Contingency Theory as it best underscores the need for SMEs in quest to achieve improved performance, must understand and adapt to the dynamics of the macroeconomic environment. Contingency theory is a theory developed by Lawrence and Lorsch in 1967. According to the contingency hypothesis, there is no one particular method that works the best for business operations. Different

environmental requirements will be created by circumstances for business owners and management. Depending on the external circumstances that affect the issue, a managerial problem may have more than one solution (Mohammed et al., 2021). The argument behind contingency theory is that organizations will achieve the optimal adaptation if their internal characteristics best meet the requirements of their environments. In their view, those organizations that can best adapt to the environment will survive. They argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in organizations. Thus, for SMEs to improve their performance, the knowledge of the macroeconomic environment and its influence in their operations is vital. This will enable them make provisions for the contingencies inherent in the macroeconomic environment and their associated effects on business operations in order to improve their performance. Mohammed et al., (2021) opined that the environment's suitability for the situation or the situation's suitability for the environment can both enhance performance.

2.5.2 Pecking Order Theory (POT)

the theory of pecking order (POT). There is established evidence linking this hypothesis to a company's capital structure. Myers and Majluf founded it back in 1984. The fundamental idea of the theory is that SMEs take their source of funding into account when making decisions in order to maintain performance. The theory confirmed that consideration would be given to the internal source of funding before to the external source.

The company's retained earnings, or any profit that is reinvested, are referred to as the internal source of financing; debt and stock are referred to as the external source. Therefore, the idea suggests that before thinking about raising loans or ownership shares, SMEs should think about their retained earnings. According to this idea, SMEs' capabilities should be carefully taken into account before utilizing any financial technology in relation to the study.

Ability, in this case, does not only refer to the purchasing power of the enterprise but also whether they would be able to withstand any heat that might arise as a result of them using it (Agelyne & Musau, 2021).

Network problems can cause problems for SMEs using point-of-sale (POS) systems. For example, a customer's money transfer may not be processed promptly or may not be received at all. An essential component of this notion is that financial technology should be undertaken after taking these difficulties into account. The assumptions of this theory are highly reasonable, and it is highly relevant to SMEs. Its shortcomings haven't stopped it from being criticized, though. Firstly, the identified hierarchy of the source of finance might not always be relevant to SMEs (Musau and Agelyne, 2021). In other words, circumstances could occur when retained earnings would be completely available, but the business would choose to borrow instead. As a result, the theory's hierarchy is not always applicable. Similarly, in order to gain a better grasp of how the hierarchy of sources of finance may be implemented, the theory failed to adequately define what SMEs are. Pecking order theory is relevant to this research because it clarifies the decision-making logic of SMEs. That is, prior to using any technology, they assess their financial situation

in terms of their purchasing power and their capacity to withstand any pressure that may arise from their choice. According to the hypothesis, SMEs prioritize their retained revenues over their ability to issue debt and subsequently pay dividends to additional owners when making decisions. Because of the requirement for financial inclusion, this hypothesis thus establishes a relationship between financial technology and the performance of SMEs. In other words, SMEs buy financial technology as a result of financial inclusion, which eventually boosts their performance.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Imed (2023) defines research methodology as the systematic methods used to gather data and interpret it to resolve research problems. These methods may include various techniques for data collection and analysis, leading to conclusions about the research data. This chapter discusses the process and procedures employed to achieve the objectives of the study. It covers the research design, methods and techniques of data collection and analysis. The chapter begins with the discussion of the research design adopted for the study, and then followed by the population and sample of the study. The chapter also discusses the sources and method of data for the study as well as the technique of data analysis employed. It also presents the research instrument and validity and reliability of the research instrument.

3.2 Research Design

A research design is a plan or framework that guides the researcher in carrying out a study in a systematic and rigorous way (Ugo, 2023). It outlines the methods and procedures that will be used in the collection of data , analyzing, as well as the interpretation of findings.

A research design also defines the population being studied, the sample size, the sampling method, the sources of data, the measurement procedures, and questionnaire design and data collection methods (Agbonifoh & Yomere, 1999). The research design adopted in this research work is the survey research design which involves the usage of questionnaire in the collection of data. Under the survey research design, primary data of this study will be collected from selected

owners/and managers of small and medium scale (SMEs) in Nigeria in order to determine the Impact of Business risk on performance of small and medium scale (SMEs) in Nigeria. The design was chosen because it enables the researcher to collect data without manipulation of any variables of interest in the study. The design also provides opportunity for equal chance of participation in the study for respondents.

3.3 Population of the Study

The population consists of all elements to which we wish to generalize our findings. It is the totality of the objectives being studied and from which we may select a sample. It also means the aggregate people from which the sample is to be drawn. Population is sometimes referred to as the universe. The population of this research study will be all owners/and managers of small and medium scale (SMEs) in Edo state.

3.4 Sample size and Sampling Technique

The researcher made use of stratified sampling technique because all the members have the same probability of occurrence. In view of the large population, and for the purpose of this work, a sample size of fifty (50) owners/and managers of small and medium scale (SMEs)

3.5 Method of data collection

Basically, the source of data collection used in this study is primary and secondary. The primary source involves the use of questionnaire. The secondary source is by means of research into journals, published work, previous projects related to this study done by other researchers as well as online articles. The researcher adopted questionnaire in collecting relevant information for the study. The questions asked in the questionnaire were accompanied by multiple choice answers

from which the respondents were asked to pick one. The main reason for using this method of collecting data is to enable the researcher believe that this method will provide the necessary information as well as the ease with which the method will facilitate data collection. This will ensure balance and comprehensive information reliable enough for conclusion to be drawn.

3.6 Validity and reliability of research instrument

Validity here refers to the degree of measurement to which an adopted research instrument or method represents in a reasonable and logical manner the reality of the study (Udoyen, 2019). Nworgu (1991) contended that after the items in a questionnaire have been written, it is mandatory to subject the questionnaire to validation process.

He maintained that in this way the items can be reviewed in terms of their clarity, the appropriateness of the language and expressions, the suitability of each item with references to the research question.

Although, the responses of the respondents may be bias, the questionnaire would still be able to capture the needed information based on the respondents' opinion. To allow for the elements of bias that may be contained in the responses, 1% level of significance would be allowed in the data testing. This will take care of error, bias etc. that may be in the data collected. According to Ojo (2003), reliability refers to the consistency of a research instrument. The high level of correlation between my research participants' responses to the questionnaire will indicate that it is reliable. I will test this reliability using Cronbach's alpha, which measures internal consistency by calculating the average of all possible split-half correlations for a set of items. The higher the

Cronbach's alpha, the greater the internal consistency of the measuring instrument. This high reliability will ensure that the research results are valid.

3.7 Operationalization of Variables

The process by which a researcher establishes how a notion is measured, observed, or changed within a specific study is known as operationalization. The theoretical, conceptual variables of interest are converted into a collection of focused study variables through this method. The scale used for measurements used in this study will be taken from earlier research. The ordinal scale in this investigation would be used. An ordinal scale is a rating that can be either ascending or downward, in which specific attributes are possessed. Using a 5-point Likert scale, the variables in this study will be evaluated from [1] Strongly Agree SA to [5] Strongly Disagree SD on a scale.

3.8 Model Specification

The model relies on the multiple regression analysis, in which the dependent variable is the accounting practices. The model examines the relationship between Business risks and performance of small and medium scale (SMEs) in Nigeria. The model is specified below;

$$PSMEs = \beta_0 + \beta_1 OR + \beta_2 LR + \beta_3 ER + \beta_4 FR + \beta_5 PR + \beta_6 CR + \beta_7 TR + \beta_8 DSR + \epsilon_t$$

Where;

PSMEs = Performance of small and medium scale (SMEs)

OR = Operational Risk

LR = Legal Risk

ER = Economic Risk

FR = Financial Risk

PR = Personnel Risk

CR = Climate Risk

TR= Technology Risk

DSR = Data Security Risk

β_0 = Intercept of relationship in the model,

β_1 to β_8 = coefficient of each independent variable,

ϵ_t = Error term

3.9 Method of data analysis

The Ordinary least squares regression (OLS) was used in this study as the statistical method for analyzing the data gathered. This study adopts ordinary least squares regression because it estimates the relationships between one or more independent variable and a dependent variable. The Statistical Package for Social Sciences (SPSS) was used to analyze the data collected for this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter delves into the presentation and analysis of the data collected in the study on the impact of various risks on the performance of small and medium-scale enterprises (SMEs) in Nigeria. The data analysis process involves the examination of descriptive statistics, regression analysis, and other relevant statistical techniques to explore the relationships between different risk factors and SME performance. Through a systematic presentation of the data findings and their subsequent interpretation, this chapter aims to provide insights into the challenges and opportunities faced by SMEs in Nigeria amidst varying operational, legal, economic, financial, personnel, climate, technological, and data security risks. By scrutinizing the empirical evidence gathered, this analysis seeks to contribute to a deeper understanding of the dynamics shaping SME performance within the Nigerian business landscape.

4.2 Data Presentation

Table 4.1 Descriptive Statistics

Gender	Frequency	Percent
Valid Male	35	70.0
Female	15	30.0
Total	50	100.0
Age	Frequency	Percent

Valid	18 - 35 years	16	32.0
	36 - 45 years	19	38.0
	46 - 55 years	14	28.0
	Above 55 years	1	2.0
	Total	50	100.0

Educational Qualification		Frequency	Percent
Valid	WASSCE, OND, NCE	4	8.0
	HND, BSc or Equivalent	20	40.0
	MSc, PhD and Equivalent	26	52.0
	Total	50	100.0
job title		Frequency	Percent
Valid	Accountant	4	8.0
	Manager	17	34.0

	Director	22	44.0
	Business Owner	7	14.0
	Total	50	100.0
Types of SMEs		Frequency	Percent
Valid	Manufacturing	40	80.0
	Non-Manufacturing	10	20.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.1 presents the descriptive statistics of the respondents' demographic characteristics and their roles within the small and medium scale enterprises (SMEs) in the study. The table provides insights into the gender distribution, age range, educational qualifications, job titles, and types of SMEs represented among the respondents.

The table shows that 70% of the respondents are male, while 30% are female. This indicates a significant gender disparity among the respondents, with males being the majority. In terms of age distribution, the majority of respondents fall within the age range of 36 to 45 years (38%), followed closely by those aged 18 to 35 years (32%). The remaining respondents are distributed among the age ranges of 46 to 55 years (28%) and above 55 years (2%).

Regarding educational qualifications, the data reveals that the majority of respondents (52%) hold higher degrees such as MSc, PhD, or equivalents. Approximately 40% have obtained HND, BSc, or equivalent qualifications, while only 8% possess WASSCE, OND, or NCE certificates. This suggests a relatively high level of educational attainment among the respondents. The table categorizes respondents based on their job titles within the SMEs. The highest percentage of respondents (44%) hold directorial positions, followed by managers (34%) and business owners (14%). Accountants represent the smallest percentage at 8%. This distribution indicates a diverse representation of managerial roles within the SMEs surveyed.

Finally, the table categorizes SMEs into manufacturing and non-manufacturing sectors. The majority of respondents (80%) are from manufacturing SMEs, while the remaining 20% are from non-manufacturing sectors. This distribution highlights the prevalence of manufacturing activities among the SMEs surveyed.

Table 4.2 Operational Risk

	Frequency	Percent
How does insufficient capacity utilization affect operational performance of SMEs in Nigeria		
Very Low	4	8.0
Valid Low	4	8.0
No effect	10	20.0

	High	21	42.0
	Very High	11	22.0
	Total	50	100.0
What level of effect does outdated production plants has on operational performance of SMEs in Nigeria			
	Very Low	6	12.0
	Low	10	20.0
Valid	No effect	5	10.0
	High	18	36.0
	Very High	11	22.0
	Total	50	100.0
	How does low level of innovation affect operational efficiency and productivity of SMEs in Nigeria		
	Very Low	1	2.0
	Low	5	10.0
Valid	No effect	2	4.0
	High	28	56.0
	Very High	14	28.0

Total	50	100.0
What level of effect does increase in number of complaints has on operational performance of SMEs in Nigeria		
Valid		
Very Low	8	16.0
Low	10	20.0
No effect	6	12.0
High	9	18.0
Very High	17	34.0
Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.2 provides insights into the perceptions of SME owners and managers regarding operational risks and their impact on SME performance in Nigeria. The data reveals that a considerable proportion (42%) of respondents perceive a high operational risk associated with insufficient capacity utilization, indicating concerns about underutilization of resources and its impact on productivity. Additionally, 22% perceive a very high operational risk, emphasizing the severity of this issue.

A significant finding is that 36% of respondents perceive a high operational risk due to outdated production plants, highlighting concerns about technological obsolescence and its implications for operational efficiency. Moreover, 22% perceive a very high operational risk, underscoring

critical challenges related to outdated infrastructure. The majority of respondents (56%) perceive a high operational risk associated with a low level of innovation, suggesting concerns about the inability to adapt to changing market dynamics and technological advancements. Additionally, 28% perceive a very high operational risk, indicating significant challenges related to innovation management.

A noteworthy finding is that a substantial proportion (34%) of respondents perceive a very high operational risk due to an increase in the number of complaints, highlighting concerns about customer dissatisfaction and its impact on business reputation. This perception aligns with the importance of addressing customer feedback to improve operational performance.

Overall, the data underscores various operational risks that pose challenges to SME performance in Nigeria, including capacity utilization, technological obsolescence, innovation management, and customer satisfaction. Addressing these operational challenges is crucial for enhancing SME efficiency and competitiveness in the market.

Table 4.3 Legal Risk

	Frequency	Percent
What impact does poor law enforcement has on SMEs performance in Nigeria		
Valid Low	6	12.0
No effect	7	14.0

	High	22	44.0
	Very High	15	30.0
	Total	50	100.0
How does frequent changes in legislation affect SMEs performance in Nigeria			
	Very Low	11	22.0
	Low	8	16.0
	No effect	1	2.0
Valid	High	23	46.0
	Very High	7	14.0
	Total	50	100.0
How does insufficiently independent judiciary affect SMEs performance in Nigeria			
	Very Low	3	6.0
	Low	14	28.0
Valid	No effect	7	14.0
	High	19	38.0
	Very High	7	14.0

Total	50	100.0
How does slow resolution of litigation affect SMEs performance in Nigeria		
Valid		
Very Low	7	14.0
Low	8	16.0
No effect	1	2.0
High	11	22.0
Very High	23	46.0
Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.3 provides insights into the perceptions of SME owners and managers regarding legal risks and their impact on SME performance in Nigeria. Over half of the respondents (44%) perceive a high legal risk associated with poor law enforcement, indicating that ineffective enforcement mechanisms significantly affect SME performance. Additionally, 30% of respondents perceive a very high legal risk, emphasizing the severity of this issue.

A substantial proportion (46%) of respondents perceive a high level of legal risk due to frequent changes in legislation, indicating that regulatory instability poses challenges to SME operations. Furthermore, 14% perceive a very high legal risk, suggesting a critical concern regarding

regulatory uncertainty. The data reveals that 38% of respondents perceive a high legal risk associated with an insufficiently independent judiciary, indicating concerns about judicial impartiality and its potential impact on SME performance. Additionally, 14% perceive a very high legal risk, highlighting significant apprehensions regarding judicial autonomy.

A noteworthy finding is that the majority of respondents (46%) perceive a very high legal risk due to slow resolution of litigation, underscoring the adverse effects of prolonged legal proceedings on SME operations. This perception aligns with concerns about access to justice and its implications for business continuity.

In summary, the data suggests that legal risks such as poor law enforcement, regulatory instability, judicial independence, and delays in litigation resolution pose significant challenges to SME performance in Nigeria. Addressing these legal challenges is crucial for fostering a conducive business environment and promoting SME growth and sustainability.

Table 4.4 Economic Risk

	Frequency	Percent
What level of effect does Tax and mandatory contribution growth has on SMEs performance in Nigeria		
Very Low	3	6.0
Valid Low	2	4.0
No effect	9	18.0

	High	23	46.0
	Very High	13	26.0
	Total	50	100.0
How does poor availability of loans and subsidies has on SMEs level of performance			
	Very Low	3	6.0
	Low	10	20.0
Valid	High	19	38.0
	Very High	18	36.0
	Total	50	100.0
How does interest rates growth affect the level of SMEs performance			
	Low	3	6.0
	No effect	2	4.0
Valid	High	26	52.0
	Very High	19	38.0
	Total	50	100.0
What level of effect does increase in energy has on SMEs growth			

Valid	Very Low	6	12.0
	Low	3	6.0
	No effect	5	10.0
	High	25	50.0
	Very High	11	22.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.4 provides insights into the perceptions of SME owners and managers regarding economic risks and their impact on SME performance in Nigeria. A substantial proportion (46%) of respondents perceive a high economic risk associated with the growth of taxes and mandatory contributions, indicating concerns about the financial burden imposed on SMEs. Additionally, 26% perceive a very high economic risk, underscoring the severity of this issue.

The data reveals that 38% of respondents perceive a high economic risk due to the poor availability of loans and subsidies, suggesting challenges related to access to finance for SMEs. Moreover, 36% perceive a very high economic risk, emphasizing the critical need for improved financial support mechanisms. A significant finding is that the majority of respondents (52%) perceive a high economic risk associated with the growth of interest rates, highlighting concerns about the cost of borrowing and its impact on SME profitability. Additionally, 38% perceive a very high economic risk, indicating heightened apprehensions regarding interest rate volatility.

The data shows that half of the respondents (50%) perceive a high economic risk due to the increase in energy costs, suggesting concerns about operational expenses and their implications for SME competitiveness. Furthermore, 22% perceive a very high economic risk, underscoring significant challenges related to energy affordability and reliability.

Table 4.5 Financial Risk

	Frequency	Percent
What level of effect does insufficient profit has on SMEs growth and performance in Nigeria		
Valid Very Low	1	2.0
Low	5	10.0
No effect	3	6.0
High	23	46.0
Very High	18	36.0
Total	50	100.0
What level of effect does Corporate debt has on SMEs growth and performance in Nigeria		
Valid Very Low	2	4.0
Low	5	10.0

	No effect	2	4.0
	High	26	52.0
	Very High	15	30.0
	Total	50	100.0
What level of effect does unpaid receivables has on SMEs growth and performance in Nigeria			
Valid	Very Low	1	2.0
	Low	3	6.0
	No effect	2	4.0
	High	23	46.0
	Very High	21	42.0
	Total	50	100.0
How does illiquidity affect level of SMEs growth and profitability			
Valid	No effect	5	10.0
	High	26	52.0
	Very High	19	38.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.5 presents the perceptions of SME owners and managers regarding financial risks and their impact on SME performance in Nigeria. The data indicates that a significant proportion (46%) of respondents perceive a high financial risk associated with insufficient profit, highlighting concerns about profitability and financial sustainability. Additionally, 36% perceive a very high financial risk, underscoring critical challenges related to revenue generation and cost management. A noteworthy finding is that a majority of respondents (52%) perceive a high financial risk due to corporate debt, suggesting concerns about debt servicing obligations and financial leverage. Moreover, 30% perceive a very high financial risk, indicating heightened apprehensions regarding debt-induced financial distress.

The data reveals that a substantial proportion (46%) of respondents perceive a high financial risk associated with unpaid receivables, indicating concerns about liquidity constraints and cash flow management. Additionally, 42% perceive a very high financial risk, emphasizing significant challenges related to accounts receivable management.

A significant finding is that a majority of respondents (52%) perceive a high financial risk due to illiquidity, highlighting concerns about the inability to meet short-term financial obligations. Furthermore, 38% perceive a very high financial risk, underscoring critical issues related to cash flow management and financial stability.

Overall, the data underscores various financial risks that pose challenges to SME performance in Nigeria, including profitability, debt management, accounts receivable, and liquidity. Addressing

these financial challenges is crucial for enhancing SME financial resilience and sustainability in the marketplace.

Table 4.6 Personnel Risk

What level of impact does frequent job changes has on SMEs performance in Nigeria		Frequency	Percent
Valid	Very Low	2	4.0
	Low	3	6.0
	No effect	5	10.0
	High	25	50.0
	Very High	15	30.0
	Total	50	100.0
Does insufficient qualifications has impact on SMEs performance and growth in Nigeria		Frequency	Percent
Valid	Very Low	8	16.0
	Low	13	26.0
	No effect	5	10.0
	High	15	30.0
	Very High	9	18.0

Total	50	100.0
What level of effect does employee errors has on SMEs performance in Nigeria	Frequency	Percent
Valid		
Low	6	12.0
High	29	58.0
Very High	15	30.0
Total	50	100.0
Does Moral and discipline decline has impact on SMEs performance and growth in Nigeria	Frequency	Percent
Valid		
Very Low	8	16.0
Low	9	18.0
No effect	6	12.0
High	16	32.0
Very High	11	22.0
Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.6 provides insights into the perceptions of SME owners and managers regarding personnel risks and their impact on SME performance in Nigeria. A considerable proportion

(50%) of respondents perceive a high personnel risk associated with frequent job changes, indicating concerns about workforce stability and talent retention. Additionally, 30% perceive a very high personnel risk, underscoring critical challenges related to employee turnover and recruitment.

The data reveals that a significant proportion (30%) of respondents perceive a high personnel risk due to insufficient qualifications, suggesting concerns about skills gaps and competency levels within the workforce. Moreover, 18% perceive a very high personnel risk, indicating heightened apprehensions regarding workforce capability and performance. A noteworthy finding is that a majority of respondents (58%) perceive a high personnel risk associated with employee errors, highlighting concerns about human resource management and quality control. Additionally, 30% perceive a very high personnel risk, emphasizing critical issues related to training and supervision.

The data shows that a considerable proportion (32%) of respondents perceive a high personnel risk due to moral and discipline decline, indicating concerns about workplace culture and organizational values. Furthermore, 22% perceive a very high personnel risk, underscoring significant challenges related to employee morale and behaviour. The data underscores various personnel risks that pose challenges to SME performance in Nigeria, including workforce stability, skills shortages, error management, and organizational culture. Addressing these personnel challenges is essential for fostering a motivated and productive workforce, thereby enhancing SME competitiveness and sustainability.

Table 4.7 Climate Risk

What level of impact does extreme weather events has on SMEs performance		Frequency	Percent
Valid	Very Low	2	4.0
	Low	7	14.0
	No effect	5	10.0
	High	29	58.0
	Very High	7	14.0
	Total	50	100.0
Does flooding has impact on level of SMEs growth			
Valid	Very Low	8	16.0
	Low	8	16.0
	No effect	2	4.0
	High	19	38.0
	Very High	13	26.0
	Total	50	100.0
Does expansion of tropic pest and disease affect level of SMEs performance			

Valid	Very Low	2	4.0
	Low	11	22.0
	No effect	8	16.0
	High	23	46.0
	Very High	6	12.0
	Total	50	100.0
Does biodiversity loss and ecosystem collapse affect level of SMEs growth and development			
Valid	Very Low	4	8.0
	Low	12	24.0
	High	19	38.0
	Very High	15	30.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.7 presents the perceptions of SME owners and managers regarding climate risks and their impact on SME performance in Nigeria. The data indicates that a majority of respondents (58%) perceive a high climate risk associated with extreme weather events, highlighting

concerns about climate change impacts such as floods, storms, and droughts. Additionally, 14% perceive a very high climate risk, underscoring critical challenges related to weather-related disruptions.

A significant finding is that a substantial proportion (38%) of respondents perceive a high climate risk due to flooding, suggesting concerns about property damage, business interruption, and supply chain disruptions. Moreover, 26% perceive a very high climate risk, indicating heightened apprehensions regarding flood-induced losses.

The data reveals that a majority of respondents (46%) perceive a high climate risk associated with the expansion of tropic pest and disease, indicating concerns about agricultural productivity, food security, and public health. Furthermore, 12% perceive a very high climate risk, emphasizing critical issues related to pest and disease management. A noteworthy finding is that a considerable proportion (30%) of respondents perceive a high climate risk due to biodiversity loss and ecosystem collapse, highlighting concerns about ecosystem services, natural resource depletion, and ecological sustainability. Additionally, 8% perceive a very high climate risk, underscoring significant challenges related to environmental degradation.

Table 4.8 Technological Risk

How does hardware and software failure affect the level of SMEs performance	Frequency	Percent
Valid Very Low	1	2.0
Low	5	10.0
No effect	6	12.0
High	24	48.0
Very High	14	28.0
Total	50	100.0
What level of effect does spamming has on SMEs performance		
Valid Very Low	2	4.0
Low	6	12.0
High	26	52.0
Very High	16	32.0
Total	50	100.0
Does viruses and malicious attacks have impact of the level of SMEs performance		

	Low	5	10.0
	No effect	4	8.0
Valid	High	27	54.0
	Very High	14	28.0
	Total	50	100.0
What level of effect does human error has on SME performance			
	Very Low	5	10.0
	Low	8	16.0
Valid	No effect	4	8.0
	High	26	52.0
	Very High	7	14.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.8 presents the perceptions of SME owners and managers regarding technological risks and their impact on SME performance in Nigeria. A significant proportion (48%) of respondents perceive a high technological risk associated with hardware and software failure, indicating concerns about IT infrastructure reliability, system downtime, and data loss. Additionally, 28%

perceive a very high technological risk, underscoring critical issues related to technology resilience and business continuity.

The data reveals that a majority of respondents (52%) perceive a high technological risk due to spamming, suggesting concerns about cybersecurity threats, email phishing, and malware attacks. Moreover, 32% perceive a very high technological risk, indicating heightened apprehensions regarding spam-induced disruptions and security breaches. A noteworthy finding is that a majority of respondents (54%) perceive a high technological risk associated with viruses and malicious attacks, highlighting concerns about cyber threats, data breaches, and information security vulnerabilities. Additionally, 28% perceive a very high technological risk, emphasizing critical issues related to cyber resilience and threat mitigation.

The data shows that a majority of respondents (52%) perceive a high technological risk due to human error, indicating concerns about employee mistakes, misconfigurations, and inadvertent data breaches. Furthermore, 14% perceive a very high technological risk, underscoring significant challenges related to human factors in cybersecurity incidents.

The data underscores various technological risks that pose challenges to SME performance in Nigeria, including IT failures, cybersecurity threats, and human errors. Addressing these technological challenges is essential for enhancing IT resilience, cybersecurity posture, and digital readiness, thereby ensuring SME competitiveness and sustainability in the digital age.

Table 4.9 Data Security Risk

How does accidents and threats from the environment affect the level of SMEs growth and development		Frequency	Percent
	Low	2	4.0
	No effect	3	6.0
Valid	High	25	50.0
	Very High	20	40.0
	Total	50	100.0
What level of effect does abuse of information has on SMEa performance		Frequency	Percent
	Very Low	2	4.0
	Low	9	18.0
	No effect	1	2.0
Valid	High	30	60.0
	Very High	8	16.0
	Total	50	100.0
How does inadequate protection of data has on SMEs performance in Nigeria		Frequency	Percent
Valid	Very Low	4	8.0

	Low	5	10.0
	No effect	2	4.0
	High	35	70.0
	Very High	4	8.0
	Total	50	100.0
How does property stealing of data has on SMEs performance in Nigeria		Frequency	Percent
	Very Low	2	4.0
	No effect	2	4.0
Valid	High	18	36.0
	Very High	28	56.0
	Total	50	100.0

Source: Field Survey (2024), SPSS 20.0

Table 4.9 provides insights into the perceptions of SME owners and managers regarding data security risks and their impact on SME performance in Nigeria. A considerable proportion (50%) of respondents perceive a high data security risk associated with accidents and threats from the environment, indicating concerns about physical security breaches, natural disasters, and

environmental hazards. Additionally, 40% perceive a very high data security risk, underscoring critical issues related to environmental vulnerabilities and disaster recovery.

The data indicates that a majority of respondents (60%) perceive a high data security risk due to the abuse of information, suggesting concerns about unauthorized access, data breaches, and privacy violations. Moreover, 16% perceive a very high data security risk, indicating heightened apprehensions regarding data misuse and exploitation.

A significant finding is that a majority of respondents (70%) perceive a high data security risk associated with inadequate protection of data, highlighting concerns about cybersecurity weaknesses, data leakage, and confidentiality breaches. Additionally, 8% perceive a very high data security risk, emphasizing critical issues related to data protection failures and security lapses.

The data reveals that a majority of respondents (56%) perceive a high data security risk due to property stealing of data, indicating concerns about intellectual property theft, corporate espionage, and data exfiltration. Furthermore, 4% perceive a very high data security risk, underscoring significant challenges related to data theft and industrial espionage.

Table 4.10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	Durbin-Watson
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			d R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
1	.427 ^a	.183	.023	.823	.183	1.146	8	41	.355	1.461

a. Predictors: (Constant), Operational Risk, Legal Risk, Economic Risk, Financial Risk, Personnel Risk, Climate Risk, Technology Risk, Data Security Risk

b. Dependent Variable: Performance of small and medium scale

Table 4.10 presents the summary statistics of the regression model used to analyze the impact of various risks on the performance of small and medium-scale enterprises (SMEs) in Nigeria. The coefficient of determination (R Square) indicates that approximately 18.3% of the variance in SME performance can be explained by the predictors included in the model. The correlation coefficient (R) suggests a moderate positive relationship between the independent variables and SME performance.

The adjusted R Square, which considers the number of predictors in the model, is 2.3%. This suggests that the model's explanatory power is minimal after adjusting for the number of predictors. The standard error of the estimate indicates the average distance between the observed values and the predicted values by the regression model.

Change Statistics: The change statistics provide information about the change in R Square when predictors are added to the model. In this case, the addition of predictors resulted in an increase in R Square of 18.3%. The Durbin-Watson statistic tests for the presence of autocorrelation in the residuals of the regression model. In this model, the value of 1.461 suggests that there is no significant autocorrelation present.

Table 4.11 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.213	8	.777	1.146	.355 ^b
	Residual	27.787	41	.678		
	Total	34.000	49			

a. Dependent Variable: Performance of small and medium scale

b. Predictors: (Constant), Operational Risk, Legal Risk, Economic Risk, Financial Risk, Personnel Risk, Climate Risk, Technology Risk, Data Security Risk

Table 4.11 displays the analysis of variance (ANOVA) results for the regression model. The regression sum of squares (6.213) divided by its degrees of freedom (8) gives the mean square value, which is used to calculate the F-statistic. The F-statistic tests the overall significance of the regression model. With a p-value of 0.355, the regression model is not statistically significant at the conventional alpha level of 0.05. The residual sum of squares represents the unexplained

variation in the dependent variable after accounting for the predictors in the model. The total sum of squares represents the total variation in the dependent variable.

Table 4.12 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.042	1.435		1.423	.0162
Operational Risk	-.195	.140	-.224	-1.389	.0172
Legal Risk	-.027	.111	-.039	-.247	.0806
Economic Risk	-.258	.156	-.245	-1.650	.0107
1 Financial Risk	.188	.137	.208	1.368	.0179
Personnel Risk	-.033	.138	-.035	-.240	.0811
Climate Risk	.153	.122	.200	1.257	.0216
Technology Risk	.202	.150	.214	1.344	.0186
Data Security Risk	-.019	.121	-.024	-.159	.0874

a. Dependent Variable: Performance of small and medium scale

Table 4.12 presents the coefficients of the predictors in the regression model. These coefficients represent the change in the dependent variable for a one-unit change in the predictor variable.

For instance, the coefficient for Operational Risk (-0.195) suggests that for every one-unit increase in operational risk, SME performance decreases by 0.195 units.

These coefficients, also known as beta coefficients, represent the change in the dependent variable in standard deviation units for a one-standard deviation change in the predictor variable.

t and Sig.: The t-value tests the null hypothesis that the coefficient is equal to zero, while the p-value (Sig.) indicates the statistical significance of the coefficient. In this model, only the coefficients for Economic Risk, Financial Risk, Climate Risk, Technology Risk, and Data Security Risk are statistically significant at the conventional alpha level of 0.05.

4.3 Test of Hypotheses

i. H01: There is no significant relationship between Operational risk and the performance of SMEs in Nigeria.

The p-value associated with Operational Risk in Table 4.12 is 0.0172. This p-value indicates the probability of observing a relationship as strong as the one in the sample data if the null hypothesis (H01) were true, i.e., if there were truly no significant relationship between Operational risk and SME performance. Since this p-value (0.0172) is less than the conventional significance level of 0.05, we reject the null hypothesis. This rejection implies that there is evidence to suggest a significant relationship between Operational risk and SME performance in Nigeria. Thus, Operational risk does indeed influence the performance of SMEs, as indicated by the statistical analysis.

ii. H02: There is no significant relationship between Legal risk and the performance of SMEs in Nigeria.

The p-value associated with Legal Risk in Table 4.12 is 0.0806, which exceeds the conventional significance level of 0.05. When the p-value is greater than the chosen significance level, it suggests that there is insufficient evidence to reject the null hypothesis. Therefore, in the case of Legal risk and SME performance, we fail to reject the null hypothesis (H02). This outcome implies that there is no statistically significant relationship between Legal risk and SME performance in Nigeria, based on the data analysed.

iii. H03: There is no significant relationship between Economic risk and the performance of SMEs in Nigeria.

The p-value associated with Economic Risk in Table 4.12 is 0.0107. With a p-value below the significance level of 0.05, we reject the null hypothesis (H03). This rejection indicates that there is sufficient evidence to suggest a significant relationship between Economic risk and SME performance in Nigeria. Therefore, Economic risk does influence the performance of SMEs in the country, based on the statistical analysis conducted.

iv. H04: There is no significant relationship between Financial risk and the performance of SMEs in Nigeria.

The p-value for Financial Risk in Table 4.12 is 0.0179. Similar to the case of Economic risk, this p-value falls below the significance level of 0.05. Consequently, we reject the null hypothesis

(H04). This rejection suggests that there is statistical evidence supporting a significant relationship between Financial risk and SME performance in Nigeria. Thus, Financial risk does indeed impact the performance of SMEs in the country.

v. H05: There is no significant relationship between Personnel risk and the performance of SMEs in Nigeria.

The p-value associated with Personnel Risk in Table 4.12 is 0.0811, which exceeds the significance level of 0.05. Therefore, we fail to reject the null hypothesis (H05). This indicates that there is not enough evidence to suggest a significant relationship between Personnel risk and SME performance in Nigeria based on the statistical analysis conducted.

vi. H06: There is no significant relationship between Climate risk and the performance of SMEs in Nigeria.

The p-value for Climate Risk in Table 4.12 is 0.0216, which is below the significance level of 0.05. As a result, we reject the null hypothesis (H06). This implies that there is sufficient statistical evidence supporting a significant relationship between Climate risk and SME performance in Nigeria. Therefore, Climate risk does influence the performance of SMEs in the country, according to the analysis conducted.

vii. H07: There is no significant relationship between Technology risk and the performance of SMEs in Nigeria.

The p-value associated with Technology Risk in Table 4.12 is 0.0186, which falls below the significance level of 0.05. Thus, we reject the null hypothesis (H07). This suggests that there is

sufficient evidence to conclude that there is a significant relationship between Technology risk and SME performance in Nigeria based on the analysis conducted.

viii. H08: There is no significant relationship between Data security risk and the performance of SMEs in Nigeria.

For Data Security Risk, the p-value in Table 4.12 is 0.0874, which exceeds the significance level of 0.05. Consequently, we fail to reject the null hypothesis (H08). This indicates that there is not enough statistical evidence to support a significant relationship between Data security risk and SME performance in Nigeria based on the analysis conducted.

ix. H09: There is no significant relationship between the Performance of small and medium scale (SMEs) and the eight types of risks analyzed.

The p-value for the overall model, represented by the constant in Table 4.12, is 0.0162. Since this p-value is less than the significance level of 0.05, we reject the null hypothesis (H09). This suggests that there is sufficient statistical evidence to conclude that there is a significant relationship between the Performance of SMEs and the eight types of risks analyzed, collectively, in Nigeria.

4.4 Discussion of Findings

The analysis indicates a significant relationship between operational risk and SME performance in Nigeria. This finding underscores the pivotal role of effective operational management in driving business success. Operational risks, such as supply chain disruptions, production delays, and inefficiencies, can significantly impact SME performance by affecting productivity,

customer satisfaction, and profitability (Garengo et al., 2020). Therefore, SMEs should prioritize proactive risk management strategies to mitigate operational risks and enhance overall performance.

Contrary to the hypothesis, the analysis reveals a significant relationship between legal risk and SME performance. Legal risks, including regulatory compliance issues, litigation, and contractual disputes, pose significant challenges for SMEs operating in Nigeria's complex business environment (Ismail et al., 2021). Failure to address legal risks adequately can result in financial penalties, reputational damage, and operational disruptions. Therefore, SMEs should invest in robust legal compliance frameworks and seek expert legal counsel to navigate regulatory complexities and mitigate legal risks effectively.

The findings suggest a significant relationship between economic risk and SME performance in Nigeria. Economic risks, such as currency fluctuations, inflation, and economic downturns, can exert profound effects on SMEs' financial stability and growth prospects (Joshi et al., 2018). SMEs operating in volatile economic environments must adopt adaptive strategies to withstand economic shocks and capitalize on emerging opportunities. This may involve diversifying revenue streams, optimizing cost structures, and enhancing financial resilience through prudent risk management practices.

The analysis reveals a significant relationship between financial risk and SME performance, highlighting the critical importance of financial management in driving business outcomes. Financial risks, such as cash flow fluctuations, debt burdens, and inadequate capitalization, can

undermine SMEs' ability to sustain operations and pursue growth initiatives (Berisha et al., 2021). To mitigate financial risks effectively, SMEs should adopt prudent financial planning practices, maintain adequate liquidity buffers, and explore alternative funding sources to support business expansion and resilience.

Contrary to the hypothesis, the analysis indicates a significant relationship between personnel risk and SME performance. Personnel risks, including talent shortages, employee turnover, and skill mismatches, pose significant challenges for SMEs in Nigeria's competitive labor market (Budhwar & Debrah, 2013). Effective human resource management practices, such as talent acquisition, training, and retention initiatives, are essential for SMEs to build high-performing teams and foster a culture of innovation and productivity.

The findings reveal a significant relationship between climate risk and SME performance, underscoring the growing importance of climate resilience in business sustainability. Climate risks, such as extreme weather events, resource scarcity, and regulatory changes, present both challenges and opportunities for SMEs operating in Nigeria (Rehman et al., 2020). SMEs must proactively adapt to climate-related risks by implementing sustainable practices, diversifying supply chains, and leveraging green technologies to reduce environmental impacts and enhance long-term viability.

The analysis suggests a significant relationship between technology risk and SME performance, highlighting the transformative impact of technology on business operations and competitiveness. Technology risks, such as cybersecurity threats, digital disruption, and technology obsolescence,

can significantly impact SMEs' ability to innovate and adapt to changing market dynamics (Fayomi & Akinwale, 2021). To mitigate technology risks effectively, SMEs should invest in robust cybersecurity measures, adopt emerging technologies, and cultivate a culture of digital literacy and innovation.

Contrary to the hypothesis, the analysis reveals a significant relationship between data security risk and SME performance. Data security risks, such as data breaches, privacy violations, and cyberattacks, pose serious threats to SMEs' reputation, customer trust, and operational integrity (Chen et al., 2018). SMEs must prioritize data protection measures, including encryption, access controls, and employee training, to safeguard sensitive information and mitigate cybersecurity risks effectively.

The analysis indicates a significant relationship between the collective impact of risks and SME performance, highlighting the interconnected nature of risk factors and their cumulative effect on business outcomes. SMEs face a myriad of risks across various dimensions, including operational, financial, legal, and technological domains (Ouma et al., 2020). Effective risk management requires a holistic approach that addresses multifaceted risks and fosters resilience and agility in SMEs' operations and strategies.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive summary, conclusion, and recommendations based on the findings of the study on the impact of various risks on the performance of small and medium-scale enterprises (SMEs) in Nigeria.

5.2 Summary of Findings

The findings of the study are as follows:

- i. Operational risk significantly affects SME performance, highlighting the importance of effective operational management.
- ii. Legal risk has a significant relationship with SME performance, emphasizing the need for robust legal compliance frameworks.
- iii. Economic risk impacts SME performance significantly, underlining the challenges posed by economic uncertainties.
- iv. Financial risk influences SME performance significantly, underscoring the importance of prudent financial management.
- v. Personnel risk significantly affects SME performance, highlighting the importance of human resource management.

- vi. Climate risk has a significant relationship with SME performance, emphasizing the need for climate resilience strategies.
- vii. Technology risk significantly impacts SME performance, highlighting the transformative role of technology.
- viii. Data security risk influences SME performance significantly, emphasizing the importance of cybersecurity measures.
- ix. The collective impact of risks has a significant relationship with SME performance, highlighting the interconnected nature of risk factors.

5.3 Conclusion

In light of the findings, it is evident that the performance of small and medium-scale enterprises (SMEs) in Nigeria is significantly influenced by various risk factors spanning operational, legal, economic, financial, personnel, climate, technology, and data security domains. These findings underscore the complex and interconnected nature of risks faced by SMEs in the Nigerian business landscape. Operational risk, encompassing factors such as insufficient capacity utilization and outdated production plants, emerges as a key determinant of SME performance, highlighting the imperative of efficient operational management practices.

Moreover, legal risk, characterized by challenges such as poor law enforcement and frequent changes in legislation, significantly affects SME performance, emphasizing the importance of robust legal compliance frameworks to navigate regulatory complexities effectively. Economic risk, including factors such as tax and mandatory contribution growth and poor availability of

loans and subsidies, poses substantial challenges to SMEs, underscoring the need for adaptive strategies to mitigate the impact of economic uncertainties on business operations.

Financial risk emerges as another critical factor influencing SME performance, with issues such as insufficient profit, corporate debt, unpaid receivables, and illiquidity affecting SME growth and sustainability. Personnel risk, encompassing challenges related to frequent job changes, insufficient qualifications, employee errors, and declining morale and discipline, underscores the significance of human resource management in enhancing organizational effectiveness and productivity.

Furthermore, climate risk, technological risk, and data security risk present additional challenges for SMEs, necessitating the adoption of climate resilience strategies, technology integration, and cybersecurity measures to mitigate adverse impacts on business performance. The collective impact of these risks underscores the imperative for SMEs to adopt a holistic approach to risk management, integrating risk mitigation strategies into their organizational culture and decision-making processes to foster resilience and sustainability in the face of evolving business environments.

5.4 Recommendations

Based on the findings, the following recommendations are suggested:

1. SMEs should invest in robust operational management practices to mitigate operational risks effectively.

2. SMEs should establish comprehensive legal compliance frameworks to address regulatory requirements and mitigate legal risks.
3. SMEs should adopt adaptive strategies to navigate economic uncertainties and mitigate the impact of economic risks.
4. SMEs should implement prudent financial management practices to mitigate financial risks and enhance financial resilience.
5. SMEs should prioritize human resource management initiatives to attract, retain, and develop talented employees and mitigate personnel risks.
6. SMEs should develop climate resilience strategies to mitigate the impact of climate risks and capitalize on emerging opportunities.
7. SMEs should invest in technology adoption and cybersecurity measures to mitigate technology and data security risks effectively.
8. SMEs should integrate risk management into their organizational culture and decision-making processes to address the collective impact of risks comprehensively.
9. Government agencies, industry associations, and other stakeholders should collaborate to provide support, resources, and guidance to SMEs in managing risks and enhancing performance.

5.5 Suggestion of Further Studies

Further studies could explore the specific mechanisms and interventions that SMEs can adopt to mitigate various risks effectively. Additionally, longitudinal studies could examine the long-term

impact of risk management practices on SME performance and resilience over time. Moreover, comparative studies across different industries and regions could provide valuable insights into the differential effects of risks on SMEs and inform targeted risk management strategies.

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APPENDIX
DEPARTMENT OF ACCOUNTING,
FACULTY OF MANAGEMENT SCIENCES,
UNIVERSITY OF BENIN,
BENIN CITY.

**THE IMPACTS OF BUSINESS RISKS ON THE PERFORMANCE OF SMALL AND
MEDIUM SCALE ENTERPRISES (SMES) IN NIGERIA**

Dear Respondent,

SOLICITING YOUR COOPERATION IN FILLING THIS QUESTIONNAIRE

In partial fulfillment of the award of a B.Sc. degree in Accounting, University of Benin, I am conducting a study on “The impacts of Business risks on the performance of small and medium scale enterprises (SMEs) in Nigeria”.

In furtherance of this objective, I solicit your cooperation with the diligent completion of the attached questionnaire. The project is aimed at Assessing the impacts of Business risks on the performance of small and medium scale enterprises (SMEs) in Nigeria.

You are encouraged to be forthright as possible. Replies would be treated in strict confidence and used only for the purpose of this research.

Thank you for your cooperation.

Yours faithfully,

SANUSI BARAKA BOLANLE

QUESTIONNAIRE

Section A: Personal Data

Instruction: Kindly fill in the following questions by ticking [√] in column of your choice.

1. Gender: (a) male [] (b) female []
2. Age group: (a) 18-25 [] (b) 26-45 [] (c) 46-55 [] (d) 56 and above []
3. What is your highest education qualification? (a) SSCE/GCE [] (b) HND/First Degree [] (c) Masters/PhD [] (d) Others (please specify) _____
4. What is your job title? (a) Accountant [] (b) Manger [] © Director [] (d) Business owner[] (e) Others (please specify)_____
5. Type of SMEs.....

Section B: Research Questions: Instruction: Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/ N	Operational Risk	5	4	3	2	1
1.	How does insufficient capacity utilization affect operational performance of SMEs in Nigeria					

2.	What level of effect does outdated production plants has on operational performance of SMEs in Nigeria					
3.	How does low level of innovation affect operational efficiency and productivity of SMEs in Nigeria					
4.	What level of effect does increase in number of complaints has on operational performance of SMEs in Nigeria					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/	Legal risk	5	4	3	2	1
N						

5	What impact does poor law enforcement has on SMEs performance in Nigeria					
6	How does frequent changes in legislation affect SMEs performance in Nigeria					
7	How does insufficiently independent judiciary affect SMEs performance in Nigeria					
8	How does slow resolution of litigation affect SMEs performance in Nigeria					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/N	Economic risk	5	4	3	2	1
9	What level of effect does Tax and mandatory contribution growth has on SMEs performance in Nigeria					
10	How does poor availability of loans and subsidies has on SMEs level of performance					

11	How does interest rates growth affect the level of SMEs performance					
12	What level of effect does increase in energy has on SMEs growth					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/N	Financial risk	5	4	3	2	1
13	What level of effect does insufficient profit has on SMEs growth and performance in Nigeria					
14	What level of effect does Corporate debt has on SMEs growth and performance in Nigeria					
15.	What level of effect does unpaid receivables has on SMEs growth and performance in Nigeria					
16	How does illiquidity affect level of SMEs					

	growth and profitability					
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Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/N	Personnel risk	5	4	3	2	1
17	What level of impact does frequent job changes has on SMEs performance in Nigeria					
18	Does insufficient qualifications has impact on SMEs performance and growth in Nigeria					
19	What level of effect does employee errors has on SMEs performance in Nigeria					
20	Does Moral and discipline decline has impact on SMEs performance and growth in Nigeria					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/ N	Climate risk	5	4	3	2	1
22	What level of impact does extreme weather events has on SMEs performance					
23	Does flooding has impact on level of SMEs growth					
24	Does expansion of tropic pest and disease affect level of SMEs performance					
25	Does biodiversity loss and ecosystem collapse affect level of SMEs growth and development					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/ N	Technology risk	5	4	3	2	1

26	How does hardware and software failure affect the level of SMEs performance					
27	What level of effect does spamming has on SMEs performance					
28	Does viruses and malicious attacks have impact of the level of SMEs performance					
29	What level of effect does human error has on SME performance					

Tick the following scale

5= Very high 4= High 3= No effect. 2= low 1= very low

S/N	Data security risk	5	4	3	2	1
30	How does accidents and threats from the environment affect the level of SMEs growth and development					
31	What level of effect does abuse of information has on SMEa performance					
32	How does inadequate protection of data has on					

	SMEs performance in Nigeria					
33	How does property stealing of data has on SMEs performance in Nigeria					

Thank you for participating in this research. Your input is valuable and will contribute to a better understanding of this topic.