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Investigation into the Impacts of Banditry on the Mortality Rates of Small and Medium Scale Enterprises (SMEs) and Potential Solutions in Northwestern Nigeria

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ABSTRACT

This scholarly article offers a thorough analysis of the significant consequences of banditry on the viability and expansion of Small and Medium-Sized Enterprises (SMEs) in Northwestern Nigeria. Banditry has emerged as a substantial menace to economic stability, profoundly disrupting commercial activities, deterring both domestic and international investments, and resulting in the involuntary cessation of numerous business operations. The ongoing climate of insecurity has not only impeded entrepreneurial endeavors but has also intensified unemployment and poverty, thereby further undermining the socio-economic structure of the region. This investigation explores the complex challenges faced by SMEs as a result of escalating insecurity, which encompasses operational interruptions, financial detriment, and psychological trauma among business proprietors. In addition, it identifies and assesses strategic initiatives aimed at alleviating these detrimental impacts. Through a qualitative examination of extant literature, field research, and stakeholder interviews, the paper offers data-informed insights into the resilience strategies employed by SMEs. Moreover, this study articulates well-substantiated policy recommendations aimed at bolstering business sustainability and resilience in areas susceptible to conflict. By highlighting the importance of governmental interventions, community participation, and technological advancements, the research advocates for a comprehensive strategy to mitigate the economic repercussions of banditry on SMEs. Ultimately, the conclusions drawn from this inquiry contribute to an enriched understanding of the vulnerabilities faced by businesses due to insecurity and propose pragmatic solutions for promoting economic stability in Northwestern Nigeria.

Keywords: - Banditry, Northwest, Challenges, Nigeria

INTRODUCTION

SMEs play a critical role in Nigeria's economic development by contributing to employment, innovation, and GDP growth. However, in Northwestern Nigeria, the rise in banditry has significantly threatened business sustainability. The escalating degree of insecurity in Nigeria has led to a surge in crime rate and terrorist attacks across various regions of the country, resulting in unfavorable implications for the nation's economy and corporate performance. The prevalence of insecurity in Nigeria has significantly impacted business operations, leading to the early closure of stores, business centers, and offices (Asogwa et al., 2022). This is mostly due to the heightened risks of armed robbery, banditry, kidnapping, and

terrorist strikes. Insecurities can interrupt operation management, resulting in the halt of production or exploitation of resources such as materials, manpower, and machinery (Danjuma et al., 2023). This inevitably impacts the output, capacity utilization, and value added to the Gross Domestic Product (GDP) by small and medium enterprises in Nigeria. Nigeria is now grappling with a multitude of obstacles that are impeding the progress and viability of small and medium enterprises (SMEs). An obstacle that greatly hinders their ability to survive and thrive in the country is the problem of kidnapping and banditry, particularly in the northwestern region. This issue has transformed into a societal dilemma that is impacting nearly every individual in Nigerian society to some extent. Many small and medium-scale enterprises are currently facing a decrease in production, underutilization of resources, and a lack of significant contribution to the Gross Domestic Product (GDP) (Mshelizah et al., 2021). This is primarily attributed to the prevalence of insecurity caused by terrorism, banditry, kidnapping, Boko Haram insurgency, armed robbery, and other related issues (Abdulyakeen, 2020; Danjuma et al., 2023; Onwuaro et al., 2017). However, every business organization operates in a dynamic, complex and competitive environment that is highly characterized by unpredictable economic, political, technological and socio-cultural orientations the environment (Asogwa et al., 2022). These elements are intricately connected in deciding the survival of SMEs in attaining their stated objectives/goals. SMEs rely on their environment for the resources they need and for the output they produce, operating as an open system. This study aims to investigate how insecurity affects SMEs, analyze the socio-economic consequences, and propose viable solutions.

2.1 Conceptual Framework

Small and Medium Enterprises (SMEs) are integral to the economic advancement of Nigeria, playing a crucial role in employment creation, income generation, and fostering innovation. In Nigeria, the classification of SMEs is determined by the workforce size, with micro enterprises defined as those with fewer than 10 employees, small enterprises comprising 10 to 49 employees, and medium enterprises consisting of 50 to 249 employees (Federal Republic of Nigeria, 2019). The evaluation of SME performance is conducted through various indicators such as financial stability, growth trajectories, and market share, all of which are influenced by internal determinants including management practices and financial accessibility. The attainment of success is contingent upon effective management, strategic foresight, and operational efficacy, whereas inadequate financial access can impede growth and innovative (Chinelo & Ejike, 2022; Danjuma et al., 2023). On an external level, the performance of SMEs is molded by overarching economic conditions, regulatory landscapes, and market dynamics. Economic stability engenders demand and opportunities, while regulatory environments influence costs and operational methodologies (Asogwa et al., 2022). Market-driven factors such as competitive forces and technological innovations also significantly influence the performance metrics of SMEs. Furthermore, resilience and adaptability are paramount for SMEs to navigate challenges posed by infrastructural deficits, security concerns, and economic volatility (Junaidu & Abuabdin, 2024)). In Nigeria, the enhancement of SME performance necessitates a concerted effort from governmental entities and stakeholders to improve financial access, facilitate capacity-building initiatives, and mitigate regulatory encumbrances (Chinelo & Ejike, 2022).

2.2 Empirical Review

Banditry refers to the incidence or widespread presence of armed robbery or violent crime. It entails the utilization of physical coercion or the threat thereof to instill fear in an individual with the intention of committing robbery, sexual assault, or murder. Crucially, it flourishes in the rural sector's 'social ecology' which is marked by significant governance deficiencies (Tahir & Bernard, 2021). Banditry causes significant upheaval in our daily lives (Dami, 2021). The inclination to evade conflict and its resulting repercussions results in the displacement and destruction of persons and properties. Armed banditry also instills a persistent sense of dread regarding potential attacks, which erode human dignity and hinder people's capacity to arrange, pursue, and participate in their means of subsistence (Olapaju & Peter,

2021). Armed robbery, kidnapping, livestock rustling, and village invasions are the prevailing manifestations of rural banditry in Nigeria. In recent years, the occurrence of rural banditry in the northwestern states of Zamfara, Kaduna, and Katsina has escalated to a concerning extent. Bandits are causing fear and distress in villages without facing any consequences. The group has established themselves in the Zamfara state, constructing fortified enclosures in the remote areas and along the borders, from whence they strategize and execute their activities (Dami, 2021; Olapeju & Peter, 2021). Banditry in Nigeria emerged because of long-standing disputes spanning almost forty years between sedentary farmers and nomadic herding populations that roam the elevated plains of northern Nigeria, specifically in the Northwest geopolitical zone (Tahir & Bernard, 2021). Banditry, which encompasses acts of theft and violence against rural residents mostly involved in farming, cattle rearing, and other food production activities, inevitably affects the survival and growth of small and medium-sized enterprises (SMEs).

Banditry in Nigeria is a significant problem caused by multiple factors, including high unemployment rates, widespread poverty, inadequate security measures, easily breached borders, pervasive systemic and governmental corruption, low levels of literacy, and a culture that values fast wealth accumulation (Olapeju & Peter, 2021). The high incidence of unemployment among Nigerians, especially the younger generation, has resulted in a surge in violent disputes and a notable absence of security. The police-population ratio in the country is 1:450, which is below the level set by the United Nations. As a result, the police force is facing difficulties in effectively combating crime. Permeable borders enable an unregulated influx of Small Arms and Light Weapons, encouraging both militancy and criminal activities. The country's permeable borders also enable the unmanageable influx of migrants from neighbouring nations, which contributes to criminal activities (Udama, 2013). The Nigerian state has been effectively controlled by systemic and political corruption, resulting in government failure and the destruction of institutional infrastructure. High levels of illiteracy contribute to and exacerbate poverty, resulting in the recruitment of young individuals into armed banditry and the Boko Haram cult. The prevalence of the get-rich-quick mentality among many Nigerians, who are unwilling to engage in productive employment, is another contributing factor to the occurrence of kidnapping (Kimenyi et al., 2014; Oladimeji, 2019). These reasons are responsible for the instability and absence of security in Nigeria, impeding substantial growth.

On the other hand, Small-scale enterprises, small-scale industries, and small-scale entrepreneurship are synonymous terms. The purpose was to refer to the operational definition. There is a lack of a precise and universally accepted definition of small businesses in Nigeria and globally. Various writers, scholars, and schools hold differing views on the disparities in capital expenditure, workforce size, sales volume, fixed capital investment, available infrastructure, market dominance, and level of economic advancement. These characteristics also vary across different countries. In Nigeria, the Third National Development Plan provides a specific definition for a small-scale firm. According to this plan, a small-scale business is a manufacturing establishment that employs fewer than ten individuals or has an investment in machinery and equipment that does not exceed six hundred thousand naira (Danjuma et al., 2023). Small and medium enterprises (SMEs) have a substantial impact on the global economic development sector (Emezie, 2017). Since the 1990s, researchers have been studying the impact of small and medium-sized enterprises (SMEs) on the development platform due to the process of economic globalization.

Business investors find investment unattractive due to insecurity. Consequently, it deters future corporate investment. This occurs due to the acceleration of company expenses, which can result from the direct loss of goods and properties or the implementation of precautionary measures to mitigate business risks and uncertainty. These expenses could potentially hinder corporate growth and advancement (Chinelo & Ejike, 2022). The World Bank's study on investment climate in nine African countries revealed that 29% of business operators and 36% in Nigeria perceive insecurity as a major constraint on investment. This situation signals Nigeria as unsafe and unsuitable for investment, causing foreign firms and entrepreneurs to decline, thereby disincentivizing business investment.

Existing businesses in Nigeria, specifically north are often compelled to cease operations during periods of violence caused by the country's insecurity situation. This has resulted in the complete closure of numerous enterprises, particularly in areas with frequent incidents of insecurity, to safeguard the lives of employees and business assets (Mshelizah et al., 2021; Okpalaojiego, 2021). Several businesses and manufacturing companies have recently had to relocate, from Northwestern to other regions of the country that are more tranquil. Non-indigenous individuals, particularly those of Igbo and Yoruba descent, must return to their respective home states to avoid the risk of being abducted and murdered by bandits.

2.2 Theoretical framework

In this segment, the Institutional theory is employed to substantiate the primary theoretical framework—Resource-Based View (RBV) Theory—in elucidating the correlation between banditry and the performance of small and medium-sized enterprises (SMEs). The RBV Theory, articulated by Barney (1991), posits that a firm's competitive edge and overall performance are fundamentally anchored in its distinctive resources and capabilities. The RBV presupposes that firms are endowed with heterogeneous resources, and those deemed valuable, rare, inimitable, and non-substitutable (VRIN) have the potential to engender sustained competitive advantage. Within the purview of this investigation, SMEs functioning in contexts adversely affected by banditry encounter substantial threats to their resources, encompassing physical assets, human capital, and supply chains. Incidents of banditry disrupt the logistics of goods and services, curtail market accessibility, and impose supplementary costs pertaining to security measures. From an RBV vantage point, the frequency, geographical distribution, and intensity of banditry assaults can detrimentally influence SMEs' access to vital resources, thereby undermining their performance. The application of RBV facilitates a comprehensive understanding of how resource depletion attributable to banditry compromises SME performance, as well as how certain SMEs may capitalize on internal capabilities or strategic innovations to navigate these adversities and maintain their operations despite the inhospitable milieu ((Duarte Alonso & Bressan, 2016). It is posited that institutional frameworks and stability are pivotal for the flourishing of businesses, as enterprises rely on a consistent environment for resource distribution, contract enforcement, and security assurances. In regions beset by banditry, such as Kaduna, Katsina, and Zamfara states, the inability of institutions to uphold law and order engenders an unstable milieu for SMEs. The prevalence, dispersion, and intensity of banditry serve as indicators of institutional frailties, and this instability impedes SME performance by heightening operational risks and disrupting business continuity. This study endeavors to investigate how institutional deficiencies exacerbate the ramifications of banditry on SMEs and how these enterprises adapt for survival in such contexts by formulating informal strategies or seeking alternative support frameworks (DiMaggio & Powell, 1983). Consequently, the theory elucidates the interplay between institutional inadequacies and SME mortality rate in the regions afflicted by banditry.

3. METHODOLOGY

This study adopts a mixed-method approach, including qualitative interviews with SME owners in Northwestern Nigeria and an analysis of secondary data from government reports, academic research, and news sources. The demographic cohort for this investigation comprised 79,582 officially registered Small and Medium Enterprises (SMEs) situated in the states of Kaduna, Katsina, and Zamfara, as delineated by SMEDAN (2021). A sample size of 422 was ascertained utilizing the Krejcie and Morgan (1970) formula, with an additional 10% incorporated to mitigate non-response bias.

3.1 Methods of Data Analysis

The empirical investigation conducted in this research encompasses descriptive statistics as well as pre and post-estimation analyses of the variables. Regression analysis was employed to evaluate the hypotheses. The ordinary least squares method was utilized due to its efficacy in performance estimation.

3.2 Specification of the Study Variables

In the context of this study, the independent variable is identified as insecurity, proxies by incidents of kidnapping and banditry. Conversely, the dependent variable pertains to the performance of Small and

Medium Enterprises, represented by output and capacity utilization. The independent variable is to be assessed qualitatively, while the dependent variable will be quantitatively evaluated through the application of regression models. The proposed model is delineated as follows.

$$OTP = \alpha + \beta_1 KNP + \beta_2 BD + \beta_3 ARB + \epsilon_1 \quad (1)$$

$$OTP = \alpha + \beta_1 KNP + \beta_2 BD + \beta_3 ARB + \epsilon_1 \quad (2)$$

Where KNP= Kidnapping, BD=Banditry and ϵ =error term, α = intercept, OTP= Output, CU=Capacity Utilization. β_1 , β_2 and β_3 are the regression coefficients which measure the degree of the responsiveness of the dependent variables to the independent variables.

4.0 DATA PRESENTATION AND ANALYSIS

This chapter provides a tabular representation of the data, along with pre and post-estimation analyses of the variables, as well as statistical tests and evaluations utilizing correlation and regression methodologies via the E-Views statistical software package, version 9.00. Furthermore, this chapter presents the findings and discussions pertaining to the results obtained.

4.1 Data Analysis and Results

Banditry and Mortality rates of Small and Medium Enterprises in Northwestern Nigeria

Table 1: Regression Result on Banditry and Mortality rates of SMEs

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.961026	0.508231	7.793746	0.0000
LBH	-0.062168	0.017454	-3.561896	0.0021
LARB	0.029442	0.068301	-0.431058	0.6713
R-squared	0.502026	Mean dependent var		4.013061
Adjusted R-square	0.407609	S.D. dependent var		0.131724
S.E. of regression	0.109607	Akaike info criterion		-1.427052
Sum squared resid.	0.228262	Schwarz criterion		-1.229575
Log likelihood	20.41110	Hannan-Quinn criter		-1.377387
F-statistic	4.257978	Durbin-Watson stat		1.996816
Prob.(F-statistic)	0.018476			

Source: E-View version 9.00

4.2 Decision Rule: 5% level of significance

The Fisher statistic (F) is computed to be 4.257978, accompanied by an associated p-value of 0.018, which indicates that the model demonstrates a satisfactory fit. Furthermore, the coefficient pertaining to kidnapping (LKNP) is both negative and statistically significant in relation to the output of Small and Medium Enterprises in Nigeria.

Similarly, the coefficient associated with Banditry (LBD) exhibits a negative and statistically significant relationship with the output of Small and Medium Enterprises in Nigeria. The linear equation $LOTP = 3.9 - 0.06LBD$ suggests that the output of Small and Medium Enterprises is projected to diminish by 6% with every 1% increase in incidents of Banditry. The p-value of 0.002 is greater than the t-statistic value of -0.43, and the standard error of 0.017 exceeds the t-statistic value, thereby implying a negative and statistically significant impact of Banditry on the mortality rate of Small and Medium Enterprises in Nigeria.

The coefficient of Kidnapping (LKNP) is also negative and statistically significant in its influence on the mortality rate of Small and Medium Enterprises in Nigeria. The linear equation $LOTP = 3.9 - 0.06LARB$ indicates that the output of Small and Medium Enterprises is expected to decrease by 6% for each 1% escalation in kidnapping activities. The p-value of 0.67 surpasses the t-statistic value of -3.56, and the standard error value of 0.06 is greater than the t-statistic value, which suggests that the effect of

kidnapping on the mortality rate of Small and Medium Enterprises in northwestern Nigeria is negative yet statistically insignificant.

The remaining 50% of the variance can be accounted for by other relevant factors that are not captured within the regression model. The f-statistic value of 4.257978 is statistically significant at a p-value of 0.00, leading to the conclusion that there is a significant effect of insecurity on the mortality rate of Small and Medium Enterprises in Northwestern Nigeria.

5.0 DISCUSSION OF FINDINGS

The results are consistent with the research conducted by Sani et al. (2021), Opusunju et al. (2019), Eme (2012), Adebisi et al. (2017), and Modu and Uba (2020), which indicates that insecurity exerts a substantial influence on the operational efficacy of Small and Medium Enterprises in Nigeria. Conversely, these findings are contradicted by the conclusions drawn by Sarki et al. (2021), whose results indicated the presence of a tenuous correlation between insecurity and the performance of Small and Medium Enterprises.

In the proposed hypothesis, it is apparent that insecurity exerts a significant impact on the mortality rate of Small and Medium Enterprises in Northwestern Nigeria. The phenomenon of kidnapping has been found to have a negative and statistically significant effect on the output of Small and Medium Enterprises in Nigeria. Additionally, banditry has been identified to have a negative and significant impact on the mortality rate of Small and Medium Enterprises in Northwestern Nigeria. Furthermore, armed banditry has also been shown to negatively and significantly affect the mortality rate of Small and Medium Enterprises in Northwestern Nigeria.

6.0 CONCLUSION AND RECOMMENDATIONS

The viability of small and medium-sized enterprises (SMEs) in Northwestern Nigeria is profoundly compromised by the ongoing prevalence of banditry. In order to mitigate this pressing issue, a comprehensive and multifaceted strategy is imperative, encompassing the enhancement of security protocols, the implementation of economic empowerment initiatives, and the adoption of innovative business adaptation techniques. Subsequent scholarly investigations ought to examine the enduring economic ramifications of insecurity on regional developmental trajectories as well as prospective recovery frameworks. In light of the findings presented in this study, it is advisable for policymakers and security entities to accord priority to initiatives aimed at diminishing both the frequency and intensity of banditry incidents within Kaduna, Katsina, and Zamfara states, as these variables exert a substantial influence on the operational efficacy of SMEs. This objective may be accomplished through the reinforcement of security protocols, the augmentation of community policing efforts, and the allocation of resources toward local intelligence networks to preemptively avert attacks. Furthermore, SMEs should be motivated to implement risk management methodologies, which may include the diversification of their business operations, the investment in security infrastructure, and the establishment of collaborative partnerships with local authorities to ensure the protection of their enterprises. Future academic inquiries should concentrate on the formulation of bespoke interventions that cater to the distinctive characteristics of banditry in these locales, thereby fostering SME resilience and promoting sustained economic advancement. The study further advocates for the establishment of sound governance practices, which would contribute to the de-escalation of herdsmen-related activities. To achieve enhanced security, accelerated development, and diminished corruption, it is incumbent upon the government to earnestly consider the restructuring of the economy (Asogwa et al., 2022). The armed forces should engage in ongoing orientation regarding both coercive and non-coercive measures. The adoption of modernized security management networking strategies, as evidenced by certain advanced nations, may prove beneficial (Okpalaojiego, 2021). Ultimately, there exists an urgent imperative for the government to confront and resolve the interconnected issues of crime, unemployment, underdevelopment, and corruption within both public and private sectors.

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