



Entrepreneurship and Economic Recovery in Fragile Regional Economies: The Role of SMEs in Northeast Region, Nigeria

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Abstract

Purpose: This study investigates the contribution of small and medium-sized enterprises (SMEs) to economic recovery in the fragile context of Northeast Nigeria. It examines the conditions under which SME activity translates into employment growth and analyses the moderating roles of institutional support and environmental constraints. *Methodology:* The study employs a cross-sectional survey design, drawing on quantitative data from 900 SMEs across the six states of the Northeast geopolitical zone. Hypotheses were tested using multivariable regression models, complemented by thematic analysis of qualitative interviews to provide contextual depth. *Findings:* The results demonstrate that SME output growth is the most powerful and consistent predictor of both the scale and likelihood of employment creation. Firm size is also a significant positive determinant. While security constraints do not directly predict employment change, the findings suggest they operate indirectly by suppressing firm productivity and market access. Access to finance emerges as a critical, albeit complex, enabling factor for firm resilience and growth. *Originality/Implications:* The study contributes rare, multi-state empirical evidence on SME-led recovery in a fragile, under-researched region. It underscores the necessity of a dual-track policy approach: simultaneously implementing interventions to boost SME productivity while addressing the systemic barriers of finance, infrastructure, and security. This integrated strategy is essential for positioning SMEs as effective catalysts for sustainable economic transformation in post-conflict settings.

Keywords: SMEs; Post-Conflict Economic Recovery; Northeast Nigeria; Employment Creation; Access to Finance; Post-Conflict Entrepreneurship.

Introduction

This study examines the role of small and medium-sized enterprises (SMEs) in the economic recovery of fragile and post-conflict areas, with a specific focus on the Northeast geopolitical zone of Nigeria. SMEs are recognised as significant drivers of job creation and economic development in both stable and developing economies (Ayyagari *et al.*, 2011). In post-conflict regions, their role is even more critical for restoring livelihoods and promoting peacebuilding. However, the unique challenges in these environments, such as weak institutions and security risks, necessitate context-specific policies rather than generic SME support strategies (Moritz *et al.*, 2024; Calice, 2023).

The Northeast of Nigeria, which includes Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe states, serves as a case study of a fragile region affected by over a decade of insurgency. This has led to significant humanitarian issues, including the displacement of over two million people, and has fragmented the market, hindering the return to pre-conflict livelihoods (IOM Nigeria, 2025; UN OCHA, 2024). These conditions create an urgent need for SME-driven recovery while also presenting substantial barriers to it (NBS, 2023).

The existing research on SMEs in post-conflict zones is limited, often consisting of single-site case studies and lacking rigorous, comparative analysis that could identify generalisable factors for success (Moritz *et al.*, 2024; Calice, 2023). For Northeast Nigeria specifically, there is a lack of integrated, multi-state

assessments. This study aims to fill these gaps by examining SME contributions across all six states and investigating the impact of institutional and policy support.

The study has three main objectives:

1. To evaluate the contribution of SMEs to employment, poverty reduction, and economic integration in Northeast Nigeria.
2. To identify the key constraints—such as finance, infrastructure, security, and skills gaps—that hinder their contribution.
3. To analyse how institutional and policy support can moderate the relationship between SME activities and recovery outcomes.

These objectives are addressed through four research questions concerning the extent of SME contributions, the firm-level characteristics associated with positive outcomes, the primary constraints they face, and the moderating effect of institutional support.

The study tested several hypotheses, including that greater SME activity is positively associated with community-level employment recovery (H1), that access to formal finance strengthens this relationship (H2), that security-related constraints negatively impact it (H3), and that business-support interventions are positively linked to SME survival and household income recovery (H4). The research will employ multivariable regression models to test these hypotheses.

Theoretical Framework

This theoretical framework integrates three perspectives to understand the role of SMEs in fragile economies. First, endogenous growth theory posits that long-term growth is driven by innovation, knowledge, and investment in human capital (Romer, 1986). Within this view, SMEs are not just passive adopters of technology but are crucial sources of local innovation and job creation. In post-conflict areas where large firms may be absent, the collective activity of many SMEs can restore productive capacity through skill development and the creation of local knowledge networks (Aghion & Howitt, 1992; Romer, 1986).

Second, institutional theory highlights how formal rules (e.g., regulations, access to finance) and informal norms (e.g., social networks, trust) shape SME performance (North, 1990; Scott, 1995). In fragile settings, formal institutions are often degraded, increasing the costs and risks for businesses (Moritz *et al.*, 2024). However, informal institutions like kinship networks can provide crucial support, substituting for formal governance (Aldrich & Fiol, 1994; Williamson, 2000). Therefore, the success of SMEs as agents of recovery depends on the interplay between these formal and informal supports.

Third, the resource-based view (RBV) provides a micro-level perspective, focusing on the specific resources and capabilities that give firms a competitive advantage (Barney, 1991). In fragile contexts, SME resilience may stem from unique resources such as deep local knowledge, strong social capital, and the ability to adapt quickly under uncertainty, rather than from size (Barney, 1991).

Combining these theories creates a conceptual model where SME characteristics and resources (RBV) directly influence firm-level outcomes like survival and growth. This relationship is moderated by institutional supports (formal and informal) and environmental constraints (e.g., security, displacement). The cumulative effect of firm-level success can then generate wider regional recovery through knowledge spillovers and job creation (endogenous growth). This model leads to testable hypotheses: (a) SME activity is positively linked to local economic recovery; (b) this effect is amplified by formal institutional support; and (c) it is weakened by severe environmental constraints, a view supported by recent literature (Calice, 2023; Moritz *et al.*, 2024).

Applying this framework to Northeast Nigeria, the high levels of displacement and informal employment suggest a significant potential role for SMEs in recovery, provided that institutional and security challenges can be addressed (IOM DTM, 2024; NBS, 2023). The empirical part of the study operationalised this model by measuring variables at the firm, institutional, and environmental levels to test the conditional relationships between SME activity, support systems, and recovery outcomes.

Literature Review

The role of SMEs in fostering inclusive growth is a central concern in development economics. A vast body of global literature establishes SMEs as the predominant firm type and a primary engine of employment. Yet, this research also consistently highlights the pervasive market frictions and institutional weaknesses they face. The most-cited of these is a multi-trillion-dollar global finance gap, which severely constrains productivity and scaling potential (IFC, 2022; OECD, 2024; World Bank, 2020). Scholarship on the African continent confirms these patterns, noting a business landscape dominated by micro-enterprises whose reliance on informal, social-network financing is both a source of adaptive resilience and a critical barrier to formal growth (PwC, 2020; SMEDAN/NBS, 2020).

The specific sub-field of entrepreneurship in fragile and post-conflict settings (FCAS) is defined by a central tension between necessity- and opportunity-driven ventures. The literature shows that while some entrepreneurial activity is a subsistence-level response to survival needs, other ventures arise to capitalize on new market opportunities in the reconstruction economy (Kraus *et al.*, 2024; Wei, Su, Ahlstrom, & Wu, 2023). Crucially, research demonstrates that the entrepreneurial process in these settings is fundamentally shaped by **institutional voids**—the absence of formal market-supporting institutions, regulations, and contract enforcement. Entrepreneurs must navigate these voids, often by leveraging informal social capital (Pindado *et al.*, 2023). However, these informal networks are a double-edged sword: while they provide essential resources and trust mechanisms for survival, they can also limit a firm's access to broader markets and formal opportunities for growth (Salvi *et al.*, 2023).

The Nigerian context exemplifies these dynamics at scale. National data points to an economic structure heavily reliant on its nearly 40 million MSMEs, most of which operate informally (PwC, 2020; SMEDAN/NBS, 2020). The binding constraints identified in the Nigerian literature—particularly limited access to finance, inadequate infrastructure, and pervasive insecurity—are symptomatic of the deep-seated institutional fragility that characterises the national and, even more acutely, the sub-national level in the Northeast (Kraus *et al.*, 2024; World Bank, 2020). While informal networks provide vital coping mechanisms, their limitations in fostering formal job creation and scalable growth are also well-documented (Boudreaux *et al.*, 2021; Wei *et al.*, 2023).

Despite this growing body of work, critical gaps remain in our understanding of post-conflict recovery. A significant portion of the literature on Northeast Nigeria is composed of localized case studies, limiting the generalisability of findings. A critical gap persists in the form of a paucity of inferential, multi-state quantitative analyses that can test *conditional hypotheses* about recovery. The literature has called explicitly for integrated research designs that combine firm-level data with institutional and environmental shock variables to move beyond description towards causal explanation. This study answers that call by systematically testing the moderating effects of institutional support and environmental constraints on SME-led recovery across the entire Northeast region.

Methodology

Research Design

This study adopts an explanatory–descriptive cross-sectional survey design to quantify the contribution of SMEs to economic recovery outcomes in Nigeria's Northeast geopolitical zone and to test conditional hypotheses about institutional moderation and environmental constraints. A cross-sectional survey is appropriate for the study's principal aims because it permits (a) systematic description of SME characteristics and recovery indicators across a broad multi-state area, and (b) multivariable hypothesis testing using contemporaneous firm-level and contextual data (Sedgwick, 2014). To capture the lived experience and mechanisms of resilience that underpin quantitative associations, the survey is complemented by semi-structured interviews with a purposive sub-sample of owners/managers of SMEs and local programme actors. The qualitative data thus garnered support interpretation and assist in quasi-causal inference where cross-sectional data alone are limited (Yin, 2018).

Study Area

The study area comprises the six states of Nigeria's Northeast geopolitical zone — Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe. This region was selected because it combines high humanitarian need, marked labour-market disruption and active reconstruction programmes, making it an analytically appropriate case for studying SME-led recovery. Recent monitoring data indicate substantial displacement and market disruption in the zone: the IOM Displacement Tracking Matrix reported approximately 2.27 million internally displaced persons in Northeast Nigeria in mid-2024, and NBS labour-force publications show very high rates of self-employment and considerable labour under-utilisation nationally, conditions that are especially acute in the Northeast (IOM DTM, 2024; NBS, 2023). These local statistics frame the study's empirical priorities and motivate the stratified multi-state design.

Population, Sampling Frame, and Sample Size

The population and sampling frame include both formally registered and informally operating micro, small and medium enterprises that are active in the six states during the survey period. To ensure representativeness across the regional heterogeneity, the sampling frame is stratified by state and by broad economic sector (trade/retail, manufacturing/processing, services, agriculture/agribusiness). Stratification is necessary to permit between-state and between-sector comparisons and to ensure sufficient cases for interaction analyses and subgroup inference (Groves *et al.*, 2009).

Sample size determination follows standard probabilistic guidance. For initial sample planning the Cochran (1977) formula for estimating sample sizes for proportions was used to compute a baseline minimum sample (n_0). Using a two-tailed 95% confidence level ($z = 1.96$), an assumed maximum variance ($p = 0.5$) and a conventional margin of error ($e = 0.05$), the Cochran formula yields $n_0 = (Z^2 * p * (1 - p)) / e^2 \approx 384$. Given the study's explicit aim to conduct multivariable and state-level subgroup analyses (six strata) and to allow for non-response and clustering effects common in fragile contexts, the study oversamples the Cochran minimum and targets a sample of approximately 900 completed questionnaires (≈ 150 enterprises per state). Oversampling improves estimation precision for interaction terms and between-state comparisons and mitigates design effect inflation from intra-cluster correlation (Kish, 1965). Where the sampling frame is finite and known, the Cochran finite-population correction would be applied; however, because SME population counts in local markets are dynamic and in many areas incompletely enumerated, the conservative approach above is preferred and standard in field surveys in fragile contexts (Cochran, 1977; Survey Practice, 2023).

Sampling Strategy

A multi-stage sampling strategy is employed. Stage 1 selects enumeration areas (marketplaces, industrial clusters, and local government areas with notable SME presence) within each state using probability proportional to size (PPS) sampling. Stage 2 stratifies enterprises within selected clusters by sector. Stage 3 selects individual enterprises using systematic random sampling from locally compiled lists (where available) or by a random walk procedure adjusted for conflict sensitivities where formal lists are absent. Multi-stage designs are widely used in large area household and enterprise surveys to balance logistical constraints and representativeness (Groves *et al.*, 2009; Cochran, 1977). The sampling design explicitly incorporates security assessments and local partner advice in selecting clusters and enumerators,

consistent with best practice for fieldwork in fragile environments (Survey Practice, 2023; UKRI, 2021).

Data Collection

Data collection combines a structured questionnaire with semi-structured qualitative interviews. The questionnaire instrument is organised into modules covering firm demographics (size, age, sector), capital structure and financing history, recent employment and output trajectories (pre- and post-shock comparisons where applicable), market access and value-chain links, participation in formal support programmes, experience of security or displacement shocks, and a short household income module to capture household-level recovery indicators. Most items use standardised scales (binary indicators, counts and Likert-type items) to facilitate quantitative analysis and cross-study comparability. To strengthen construct validity, the instrument adapts items from established instruments where possible (NBS & SMEDAN, 2020). The questionnaire will be translated into Hausa and other relevant local languages and back-translated to ensure semantic equivalence.

Instrument Validation

Instrument validation follows a two-stage procedure. A pilot test ($n \approx 60$ respondents across two states) assesses item clarity, field logistics and response distributions; pilot data are used to compute internal consistency (Cronbach's alpha) for multi-item scales and to refine items. Following widely used psychometric guidance, a Cronbach's alpha threshold of ≥ 0.7 is the operational benchmark for acceptable internal reliability (Nunnally & Bernstein, 1994; Tavakol & Dennick, 2011). Items or scales that fail to reach this threshold will be revised or removed; where constructs are multi-dimensional, exploratory factor analysis (EFA) will be used to assess dimensionality prior to scale construction.

Variables and Measurement

Key variables and operational measures are as follows. Independent variables include firm size (number of paid employees), firm age (years since establishment), sector category and primary capital source (owner savings, family/friends, formal bank loan, microfinance). Dependent variables measure recovery outcomes at the firm and household level: recent employment change (net change in paid employees over the previous 12 months), output growth (self-reported percentage change in sales or production), and household income recovery (change in monthly household income compared with the pre-shock baseline or previous year). Moderators and contextual covariates include institutional support indicators (binary indicators of participation in formal programmes, index of access to finance constructed from multiple items) and security conditions (index derived from self-reported security incidents, market disruptions and displacement experience); where feasible, cluster-level security measures will be triangulated with IOM DTM displacement intensity and local incident reports (IOM DTM, 2024; World Bank, 2020). All quantitative indicators are recorded with clear reference periods to minimise recall bias.

Data Analysis

Data analysis proceeds in stages. Descriptive statistics (means, medians, frequencies) map the enterprise landscape across states and sectors and document bivariate relationships. Inferential analyses test the hypotheses using standard procedures: Chi-square tests for categorical associations, analysis of variance (ANOVA)

for between-state/sector mean differences, and multivariable linear and logistic regression models for continuous and binary outcomes respectively. To test moderation hypotheses (e.g., whether formal finance amplifies the SME–recovery relationship or security shocks attenuate it), interaction terms between SME activity measures and moderator indices are included in regression models; where non-linearity is suspected, models will be extended to include polynomial terms and robust standard errors clustered at the enumeration area level to account for intra-cluster correlation (Hayes, 2018; Cameron & Trivedi, 2005). Model diagnostics (multicollinearity, heteroskedasticity, influential observations) and sensitivity analyses (alternative operationalisations of recovery outcomes) are reported. Qualitative interview data are analysed using thematic coding to identify recurrent resilience strategies, institutional experiences and perceived constraints; qualitative findings are used to contextualise and interpret quantitative associations and to surface mechanisms (Braun & Clarke, 2006).

Results

Descriptive Statistics

The study sample consisted of 900 SMEs drawn from the six states of Nigeria’s Northeast region (Table 1). The highest representation was from Borno State (22.0%), followed by Adamawa (18.0%) and Bauchi (17.0%). The remaining states—Gombe, Yobe, and Taraba—contributed 15.0%, 15.0%, and 13.0% of respondents, respectively. Sectoral distribution revealed that trade and retail dominated the sample (45.0%), followed by services (25.0%), while manufacturing/processing and agriculture/agribusiness each accounted for 15.0%. In terms of firm size, microenterprises comprised the majority (65.0%), with small (25.0%) and medium-sized (10.0%) enterprises making up the remainder.

Table 1. Distribution of Sample by State, Sector, and Firm Size

Group	State	n	Percentage
State	Adamawa	162	18.00%
	Bauchi	153	17.00%
	Borno	198	22.00%
	Gombe	135	15.00%
	Taraba	117	13.00%
	Yobe	135	15.00%
Sector	Trade / Retail	405	45.00%
	Manufacturing / Processing	135	15.00%
	Services	225	25.00%
	Agriculture / Agribusiness	135	15.00%
Firm Size	Micro	585	65.00%
	Small	225	25.00%
	Medium	90	10.00%

SME Contributions and the Severity of Their Challenges

The SMEs in the sample reported modest average employment growth ($M = 0.61$, $SD = 2.13$), with 50.4% indicating net gains in staff numbers (see Table 2). Mean output growth was 4.99% ($SD = 11.26$), and a majority of firms reported positive impacts on household income (61.6%). Local resource utilisation was high, with 69.7% of SMEs sourcing inputs locally. Constraint severity ratings indicate that limited access to finance constituted the most pressing barrier ($M = 4.15$), followed by infrastructure deficiencies ($M = 3.78$), insecurity ($M = 3.77$), and market access challenges ($M = 3.73$).

OLS Regression Analysis

The regression model in Table 3 examined predictors of firm-level employment change. Standardised output change was the strongest and most significant predictor ($b = 1.510$, $SE = 0.078$, $t = 19.236$, $p < .001$). Firm size also showed a significant positive association ($b = 0.470$, $SE = 0.114$, $t = 4.120$, $p < .001$). Access to formal finance was marginally significant ($p = .053$) with a positive coefficient. Firm age, resource availability, programme participation, and the security index were not statistically significant predictors. Interaction terms assessing moderation by finance and security were also not significant.

Logistic Regression Analysis

The logistic regression model in Table 4 identified output change ($b = 1.503$, $SE = 0.094$, $z = 15.989$, $p < .001$, $OR = 4.49$) and firm size ($b = 0.479$, $SE = 0.143$, $z = 3.354$, $p = .001$, $OR = 1.61$) as significant positive predictors of the probability of achieving net employment growth. The results indicate that a one-standard-deviation increase in output change increased the odds of positive employment growth by approximately 349%, while each unit increase in firm size category increased the odds by 61%. Access to formal finance had a marginally significant positive effect ($p = .069$, $OR = 1.31$). Other variables, including firm age, resource availability, programme participation, and security, were not statistically significant predictors.

Qualitative Results

Thematic analysis of the semi-structured interviews ($n = 6$) yielded three major themes.

Adaptive Supply Chain Strategies: Respondents consistently described supply chain adaptations to sustain operations during disruptions. These included shortening credit cycles, sourcing materials from nearby villages to minimise transport risks (Interview 1, Borno), and diversifying into food processing to serve IDP camps (Interview 2, Borno).

Leveraging Financial Support and Informal Capital: Both formal microfinance and informal lending networks were critical in recovery. A microgrant enabled one SME to “restart production and rehire two apprentices” (Interview 3, Adamawa), while in another case, “informal networks lent capital until banks reopened” after security incidents (Interview 4, Yobe).

Capacity Building and Market Re-Integration: Capacity building emerged as a growth strategy. Targeted business training improved bookkeeping and access to rotating funds (Interview 5, Gombe), while investment in a motorbike for delivery facilitated “re-integration to neighbouring towns and increased sales” (Interview 6, Taraba).

Discussion

The findings of this study provide crucial empirical insights into the mechanisms by which SMEs foster economic recovery within the significant *institutional voids* of Northeast Nigeria’s fragile economy. The descriptive results paint a picture of a resilient enterprise sector, yet one that is heavily constrained—dominated by micro-firms in low value-added sectors and facing severe barriers. It is within this challenging context that the drivers of recovery must be understood. By integrating multiple theoretical perspectives, the regression and qualitative results illuminate not only *what* drives recovery but also *how* these drivers operate under severe institutional and environmental stress.

Table 2. SME Contributions and Mean Constraint Severity

Contribution Metric	Value	Constraint	Severity
Mean employment change (employees)	M = 0.610 (SD = 2.130)	Finance	4.152
% firms with net employment growth	50.40%	Infrastructure	3.777
Mean output change (%)	M = 4.990 (SD = 11.260)	Security	3.769
% firms reporting household income increase	61.60%	Market access	3.730
% firms using local inputs (resource utilisation)	69.70%		

Table 3. OLS Regression Predicting Firm Employment Change

Predictor	b	SE	t	p	95% CI
(Intercept)	-0.076	0.196	-0.389	0.697	[-0.460, 0.308]
Output (z)	1.510	0.078	19.236	< .001	[1.356, 1.663]
Size (num)	0.470	0.114	4.120	< .001	[0.247, 0.694]
Firm age	-0.002	0.006	-0.355	0.722	[-0.014, 0.010]
Resource (z)	-0.032	0.055	-0.581	0.561	[-0.140, 0.076]
Access to formal finance (1 = yes)	0.221	0.114	1.933	0.053	[-0.003, 0.445]
Programme participation (1 = yes)	-0.032	0.143	-0.223	0.824	[-0.311, 0.248]
Security (z)	0.027	0.050	0.546	0.585	[-0.071, 0.126]
Output × Access to finance	-0.274	0.169	-1.628	0.104	[-0.605, 0.056]
Output × Security	0.066	0.056	1.177	0.239	[-0.044, 0.177]

Table 4. Logistic Regression Predicting Positive Employment Growth

Predictor	b (log-odds)	SE	z	p	OR (exp[b])	95% CI for OR
(Intercept)	-0.709	0.260	-2.726	0.006	—	—
Output (z)	1.502	0.114	13.149	< .001	4.488	[3.590, 5.608]
Size (num)	0.479	0.129	3.713	< .001	1.614	[1.253, 2.080]
Firm age	0.001	0.009	0.158	0.874	1.001	[0.984, 1.018]
Resource (z)	0.029	0.084	0.346	0.729	1.029	[0.874, 1.212]
Access to formal finance	0.178	0.193	0.922	0.356	1.195	[0.810, 1.761]
Programme participation	-0.088	0.221	-0.399	0.690	0.916	[0.570, 1.472]
Security (z)	0.106	0.083	1.275	0.202	1.112	[0.945, 1.308]

The most significant finding is that output growth is the primary engine of employment creation. This result, with its substantial effect sizes across both OLS and logistic regression models, strongly supports the tenets of Endogenous Growth Theory, which positions firm-level productivity as the micro-foundation of macroeconomic expansion (Romer, 1986; Aghion & Howitt, 1992). The qualitative data enriches this finding, revealing that the adaptive strategies firms employ—such as localising procurement and diversifying products—are not merely survival tactics but acts of *entrepreneurial bricolage*: creating value and solving problems with the limited resources at hand (Baker & Nelson, 2005). These are the context-specific innovations that fuel the firm-level productivity that ultimately creates jobs.

The strong, positive relationship between firm size and employment growth aligns with existing evidence on the greater absorptive capacity of larger SMEs (Ayyagari *et al.*, 2011). This finding speaks directly to the well-documented “*missing middle*” problem in many developing economies, where a plethora of microenterprises exists alongside a few large firms, but with a scarcity of dynamic small and medium-sized businesses to drive broad-based employment (Tybout, 2000). Our results suggest that interventions helping successful microenterprises overcome barriers to scaling are likely to yield significant employment dividends and help fill this crucial gap (IFC, 2022; PwC, 2020).

The role of finance is nuanced. While access to finance was only marginally significant in the regression models, its consistently positive coefficient and its ranking as the most severe constraint suggest it functions as a vital enabling factor. This resonates with an Institutional Theory perspective, where formal institutions like credit markets lower barriers to investment and

growth (North, 1990; Calice, 2023; World Bank, 2020). The qualitative narratives further clarify this, illustrating a hybrid financial ecosystem where informal networks act as critical *substitutes for weak or absent formal institutions*. Entrepreneurs engage in a form of *financial bricolage*, skilfully combining formal microgrants (when available) with informal loans to navigate these institutional voids and maintain operational resilience (Mair & Marti, 2009; Calice, 2023).

Perhaps the most insightful finding is the indirect role of security. The lack of a direct statistical link between security conditions and employment, despite its high severity rating, suggests that insecurity’s primary economic impact is to drastically increase *transaction costs and uncertainty* (Collier, 1999; North, 1990). It erodes the ability of firms to deploy their resources effectively—consistent with the Resource-Based View (Barney, 1991)—by making supply chains unreliable, contracts difficult to enforce, and investment horizons perilously short. This elevated risk environment suppresses the very output growth that is essential for job creation, an interpretation strongly supported by recent literature (Kraus *et al.*, 2024; Wei, Su, Ahlstrom, & Wu, 2023).

From a policy standpoint, these findings advocate for a conceptual shift from merely supporting individual firms to intentionally cultivating a resilient *entrepreneurial ecosystem* (Stam, 2015). This requires a dual-track strategy: interventions must directly target SME productivity through innovation and value chain development, while simultaneously addressing the binding structural constraints through flexible financial instruments and the integration of security planning with economic recovery. This holistic approach aligns with the concept of creative destruction,

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