International Journal of Entrepreneurship and Business Innovation
ISSN: 2689-9493
Volume 8, Issue 4, 2025 (pp. 101-109)
www.abjournals.org

FINANCIAL IMPLICATIONS OF INSECURITY ON SMEs AND CONSEQUENCES FOR ENTREPRENEURIAL GROWTH AMONG FARMERS IN OYO TOWN

Michael Adeolu Akano[1*] and Paul Ayobami Akanbi[2].

[1]Department of Business Administration, Ajayi Crowther University,
Oyo, Oyo State, Nigeria.
Email: micros.pecfaith2012@gmail.com

[2]Department of Business Administration, Ajayi Crowther University,
Oyo, Oyo State, Nigeria.
Email: pa.akanbi@acu.edu.ng

[*]Corresponding Author's Email: micros.pecfaith2012@gmail.com

Cite this article:

M. A., Akano, P. A., Akanbi (2025), Financial Implications of Insecurity on SMEs and Consequences for Entrepreneurial Growth among Farmers in Oyo Town. International Journal of Entrepreneurship and Business Innovation 8(4), 101-109. DOI: 10.52589/IJEBI-ONG6M1FF

Manuscript History

Received: 20 Oct 2025

Accepted: 24 Nov 2025

Published: 17 Dec 2025

ABSTRACT: *This study investigates the financial implications of insecurity on small medium enterprise (SME) development among farmers in Oyo Town, Nigeria. Persistent insecurity – manifested through theft, banditry, and herder–farmer conflicts – has imposed severe financial and operational constraints on agricultural entrepreneurs. Using a survey research design, data were collected from 240 small-scale farmers across various subsectors, including poultry, livestock, crop farming, fishery, and piggery. A structured questionnaire with a Cronbach's Alpha above 0.70 ensured instrument reliability. Descriptive and inferential statistics, including regression and ANOVA analyses, were employed to test the research hypothesis. Findings revealed that insecurity-related financial pressures significantly influence entrepreneurial development ($R = 0.505$, $R^2 = 0.365$, $F (1,240) = 19.94$, $p < 0.001$). Rising insecurity costs were found to limit farmers' investment, innovation, and business sustainability, affirming that insecurity acts as a financial determinant of entrepreneurial performance in Oyo Town. It was concluded that insecurity imposes measurable economic burdens while shaping adaptive responses among rural entrepreneurs. The study recommends collective insurance schemes, subsidized security interventions, and insecurity-sensitive credit programs to mitigate these negative effects. Local governments and development agencies should collaborate to strengthen community security systems and provide tailored financial support.*

KEYWORDS: Insecurity, Entrepreneurial Development, Small and Medium Enterprises (SMEs), Financial burden, Farmers, Agricultural Entrepreneurship.

INTRODUCTION

The growing wave of insecurity across Nigeria has posed serious challenges to the country's socioeconomic fabric, especially for small and medium enterprises (SMEs) engaged in agriculture. In Oyo Town – a key agricultural hub in Oyo State – frequent cases of theft, banditry, and herder–farmer conflicts have amplified uncertainty for local businesses, dampening both investment and entrepreneurial confidence. For farmer-led SMEs that rely on stability and predictability, these disruptions have created a fragile operating environment. Studies from other regions of Nigeria echo this reality, showing that insecurity halts production, inflates operational costs, restricts market access, and weakens entrepreneurial drive (Asogwa & Onyekwelu, 2023).

Empirical evidence indicates that insecurity generates both direct and indirect financial strains on SMEs. These include increased spending on security infrastructure, loss of assets, and reduced productivity resulting from restricted mobility and fear-driven absenteeism. Business owners in areas such as Benin City and parts of Northern Nigeria have reported higher expenses on private security, relocation, and recovery from attacks (Oriazowanlan & Erah, 2019; Omeje, Mba, & Anyanwu, 2023). For small-scale farmers in Oyo Town – many of whom already operate on thin margins – these additional costs often erode their ability to reinvest, thereby constraining growth and sustainability. Such realities make a strong case for localized studies that explore how insecurity-induced financial pressures shape entrepreneurial outcomes among farming SMEs.

Farming communities remain integral to Nigeria's SME environment, supporting national food security, rural livelihoods, and employment generation. Yet, persistent insecurity deepens their vulnerabilities by curbing access to credit, fragmenting supply chains, and deterring younger generations from entering agribusiness (Okpalaojiego, 2021). Musa and Idris (2025) further demonstrate that insecurity significantly undermines SME development by affecting capital flow and heightening risk perception. These observations mirror the situation in Oyo Town, where rising security expenses and disrupted farming cycles continue to stifle innovation and entrepreneurial expansion among smallholder farmers. Therefore, this study aims to investigate the financial implications of insecurity challenges on SME development among farmers in Oyo Town. The research will test the following null hypothesis:

H0: Insecurity-related additional financial burdens borne by farmers in Oyo Town have no statistically significant effect on entrepreneurial development.

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

LITERATURE REVIEW

Theoretical Framework

This study draws primarily on two theoretical perspectives: the Resource-Based View (RBV) and Transaction Cost Economics (TCE).

The Resource-Based View (RBV) suggests that firms achieve sustainable competitive advantage through the strategic use of resources that are valuable, rare, difficult to imitate, and non-substitutable (Barney, 2001). In the context of farmer-run SMEs, assets such as land, financial capital, social networks, and technical know-how function as critical drivers of entrepreneurial performance. However, insecurity threatens these assets, inflates operational costs, disrupts access to key resources, and discourages reinvestment. Earlier studies have used RBV to explain how insecurity-induced resource scarcity weakens innovation capacity and overall productivity within SMEs (Nwadighoa & Nwadighoha, 2024; Adetoyinbo *et al.*, 2025). Within agricultural settings, insecurity results in the loss of farm inputs, market disruptions, and forced migration – factors that restrict efficient resource utilization and hinder the development of smallholder enterprises.

In contrast, Transaction Cost Economics (TCE) focuses on the expenses associated with market exchanges, particularly those linked to information asymmetry, contract enforcement, and coordination challenges (Williamson, 2010). In insecure environments such as Oyo Town, farmers encounter theft, extortion, and movement restrictions, which drive up transaction costs. Entrepreneurs often spend more on private security, pay informal levies, or relocate production to safer areas; these adjustments reduce profit margins and constrain long-term business sustainability (Ograh *et al.*, 2023).

Combining RBV and TCE provides a broader framework for interpreting the financial implications of insecurity. RBV explains the depletion of essential internal resources, while TCE exposes the rising external costs of conducting business amid uncertainty. Together, these two perspectives reveal how insecurity erodes both the productive foundation and transactional efficiency of farmer-led SMEs in Oyo Town.

Empirical Review

Empirical evidence consistently indicates that insecurity undermines the performance of small and medium enterprises (SMEs) through a range of financial, operational, and even psychological pathways. For instance, Abolade (2022) observed that insecurity – alongside high lending rates and herder–farmer conflicts – significantly constrains the productivity of agribusinesses in Ogun State. In a similar vein, Igwe *et al.* (2020) revealed that persistent insecurity and resource depletion often push farmers toward pluri-activity and diversification, not necessarily as expansion strategies, but as survival mechanisms. Collectively, these studies suggest that insecurity compels many farmers to divert limited resources away from productive reinvestment into coping strategies.

Furthermore, Salau's (2019) study on agribusiness clusters in North Central Nigeria found that mounting transaction costs, largely driven by insecurity, erode collective efficiency and weaken cluster competitiveness. Correspondingly, Olaoye (2019) examined poultry farms in Kwara State and discovered that heightened financial risks linked to insecurity discouraged

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

investment and even forced some business closures – an outcome that underscores the practical implications of transaction cost economics (TCE).

Similarly, Odunze (2019) reported that horizontal linkages and cooperative frameworks among Nigerian farmers helped reduce transaction costs and cushion the financial impacts of insecurity, illustrating the importance of network-based resource sharing as proposed by the resource-based view (RBV). At a broader scale, Auwalu (2021) explored entrepreneurs operating in Nigeria's informal economy and found that insecurity disproportionately constrained those with weaker financial buffers, thereby reinforcing RBV's argument that firms with limited resources face unequal survival capacities. Hamzat (2023) added to this discussion by linking insecurity and globalization pressures to declining SME productivity, pointing to a dual strain of local and external shocks that distort investment flows.

Findings from Omeje, Mba, and Anyanwu (2023) as well as Asogwa and Onyekwelu (2023) further confirm that insecurity disrupts business continuity through higher insurance premiums, delayed logistics, and mounting emotional distress among entrepreneurs. Complementing this evidence, Onyeizugbe and Orogbu (2018) traced the long-term relationship between Nigeria's security challenges and SME failure rates from 2008 to 2017, revealing that conflict-prone regions experienced steeper declines in new business creation. Likewise, Daniel and Hindatu (2024), examining SMEs in Zamfara State, found a strong negative correlation between herder–farmer conflicts and firm performance indicators such as revenue growth and employment generation.

In addition, Musa and Idris (2025) demonstrated that SMEs operating in conflict zones tend to exhibit lower capital reinvestment rates due to escalating transaction costs associated with insecurity. Taken together, these studies provide compelling evidence that insecurity inflates operational expenses, discourages entrepreneurial expansion, and steadily erodes the financial resilience of SMEs across Nigeria.

Despite the expanding body of research on this subject, studies focusing specifically on farmer-run SMEs within localized contexts – such as Oyo Town – remain scarce. Most existing works emphasize national or regional patterns, often overlooking the micro-level realities of how insecurity-induced financial pressures – like farm gate theft, insurance burdens, and logistics disruptions – directly influence entrepreneurial reinvestment and innovation. This study, therefore, seeks to bridge that gap by examining the financial implications of insecurity on SMEs among farmers in Oyo Town, with a particular focus on their sustainability and prospects for growth.

METHODOLOGY

The study was conducted in Oyo Town, a prominent semi-urban settlement located in the southwestern part of Nigeria. Oyo Town is situated in Oyo State, one of the 36 states in Nigeria. This research work adopted a survey research design to investigate the financial implications of insecurity challenges on SME development among Farmers in Oyo Town. This study population comprises all types of small and medium-scale farmers who specialize in poultry business, livestock production, crop farmers, fish farmers, and piggery. The study targeted a total population of approximately 1,500 small-scale farmers in Oyo Town. A sample size of 240 respondents was selected using a convenience sampling technique, as no comprehensive

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

list of farmers was available. Efforts were made to include farmers from different locations in Oyo town and categories to enhance representativeness. Data collection relied on both primary and secondary sources. Primary data were gathered through a structured questionnaire, which consisted of three sections: Section A for respondents' demographic information and Sections B and C sought information on research-related questions. The reliability of the questionnaire was assessed using Cronbach's Alpha, which resulted in significance levels greater than 0.70 for each construct. The data collected were analyzed using simple frequency count and percentage for respondents' demographic information, mean and standard deviation were used to analyze the research questions, while inferential statistics were used to test the research hypothesis.

Findings and Discussion

Demographic Data

Table 1: Demographic Characteristics of Respondents

Gender	**Frequency**	**Percentage**
Male	145	60.4%
Female	95	39.6%
Total	240	100
Age group		
18 - 28 years	60	25.0%
29 – 39 years	80	33.3%
40 years and above	100	41.7%
Total	240	100
Educational Qualification		
Primary school level	70	29.2%
Secondary school level	130	54.2%
Tertiary institution level	40	16.6%
Total	240	100
Marital status		
Single	65	27.1%
Married	140	58.3%
Divorced	20	8.3%
Widowed	15	5.3%
Total	240	100
Religion		
Christianity	80	33.3%
Islam	110	45.8%
Traditional	50	20.8%
Total	240	100

Source: *Field Survey (2025)*

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

International Journal of Entrepreneurship and Business Innovation
ISSN: 2689-9493
Volume 8, Issue 4, 2025 (pp. 101-109)
www.abjournals.org

Table 1 summarizes the demographic characteristics of the respondents who participated in the study. The data revealed that most of the respondents were male (60.4%), while females constituted 39.6%, suggesting that men tend to be more actively engaged in the farming and entrepreneurial activities assessed. In terms of age, a considerable proportion of participants were 40 years and above (41.7%), followed by those aged 29–39 years (33.3%), and the youngest group aged 18–28 years (25%). This pattern indicates that the sector is dominated by middle-aged and older individuals who may possess greater farming experience and resource control.

Educationally, more than half of the respondents (54.2%) had completed secondary school, 29.2% had only primary education, and 16.6% attained tertiary-level qualifications. These figures suggest a moderately literate population, reflecting the educational realities of many rural farming communities in Nigeria. In terms of marital status, the majority were married (58.3%), followed by singles (27.1%), with smaller proportions identified as divorced (8.3%) or widowed (5.3%). This points to a relatively stable, family-oriented demographic.

Religious affiliation also varied across the sample: 45.8% of respondents identified as Muslims, 33.3% as Christians, and 20.8% as adherents of traditional belief systems. This distribution reflects the area's religious diversity, though with a slight predominance of Islam among participants.

Test of Hypothesis

H0: Insecurity-related additional financial burdens borne by farmers in Oyo Town have no statistically significant effect on entrepreneurial development.

Table 2: Descriptive Statistics

	Mean	**Std. Deviation**	**N**
Additional financial burdens incurred due to insecurity challenges	3.7202	0.9453	240
Entrepreneurial development	3.7063	0.9843	240

Table 3: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.505[a]	.365	.242	1.02163

a. Predictors: (Constant): Additional financial burden

Table 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	20.034	1	20.034	19.94	0.000[b]
	Residual	58.449	229	1.044		
	Total	78.483	240			

a. Dependent: ***Entrepreneurial development***
b. Predictors: ***Additional financial burden***

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.412	.286		4.939	.000
		.475	.108	.505	4.381	.000

a. Dependent Variable: Entrepreneurial development

The regression analysis explored the connection between insecurity-related financial pressures and entrepreneurial development among farmers in Oyo Town. Descriptive statistics (Table 2) showed moderately high mean scores for both additional financial burdens (M = 3.72, SD = 0.95) and entrepreneurial development (M = 3.71, SD = 0.98). This suggests that insecurity challenges and entrepreneurial activities are both widespread within the farming community. The model summary (Table 3) reported an R^2 value of 0.365, indicating that about 36.5% of the variation in entrepreneurial development is explained by the financial pressures linked to insecurity. This reflects a meaningful association between the two variables, suggesting that insecurity-related costs play a significant role in shaping entrepreneurial outcomes.

The ANOVA results (Table 4) reinforced this finding, with $F (1, 240) = 19.94$ and $p < 0.001$ – well below the 0.05 significance level. The coefficient table (Table 5) further showed that the unstandardized regression coefficient ($B = 0.475$, $t = 4.381$, $p < 0.001$) was positive and statistically significant. This means that as insecurity-related financial burdens rise, entrepreneurial development also changes in a substantial way – often through constraints or adaptive shifts in business behaviour. Since the p-value was below 0.05, the null hypothesis (H0) was rejected, confirming that insecurity-induced financial burdens exert a statistically significant impact on entrepreneurial development. In essence, insecurity imposes direct financial pressures on farmers while simultaneously influencing their capacity to invest, innovate, and sustain business growth. These findings are consistent with those reported by Salau (2019), Olaoye (2019), and Abolade (2022).

CONCLUSION

This study examined the financial impact of insecurity on entrepreneurial development among farmers in Oyo Town and found a statistically significant relationship between insecurity-related financial pressures and entrepreneurial performance. The regression results showed that 36.5% of the variation in entrepreneurial development was explained by insecurity-induced financial burdens ($R^2 = 0.365$). The significant F-statistic ($F (1, 240) = 19.94$, $p < 0.001$) and positive coefficient ($B = 0.475$, $t = 4.381$, $p < 0.001$) confirm that rising insecurity costs directly affect farmers' ability to innovate, expand, and sustain their businesses. In conclusion, insecurity imposes clear economic constraints on farmer-run SMEs while shaping adaptive behaviours such as diversification and informal collaboration. The rejection of the null hypothesis (H0) highlights insecurity as a financial determinant of entrepreneurial performance within Oyo's agricultural economy.

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

RECOMMENDATIONS

- For Farmers: Farmers' associations should adopt collective cost-sharing and cooperative insurance schemes to ease security-related expenses. Community-based initiatives – such as joint watch programs, pooled surveillance funds, and collaborations with local/state vigilante groups (for example, Amotekun) – can lower individual costs and enhance protection. Training in financial literacy and record-keeping would also help farmers better assess insecurity costs and plan adaptive strategies.

- For Local Government: Authorities in Oyo Town and Oyo State should support subsidized agricultural insurance and microcredit tailored to insecurity risks. Establishing a local security trust fund through public–private partnerships could ensure dedicated financing for rural safety programs and post-conflict recovery.

- For Development Agencies and Financial Institutions: Development partners and microfinance institutions should integrate insecurity-adjusted risk models into credit products, offering flexible repayment options and partial risk guarantees. Capacity-building programs focusing on resilient entrepreneurship, digital marketing, and value-chain diversification would further strengthen farmers' adaptive capabilities.

Limitations and Suggestions for Future Research

The study's cross-sectional design limits causal inference, as data were collected at a single point in time. Self-reported measures may also introduce bias, and findings may not fully generalize beyond Oyo Town due to regional differences. Future studies should employ longitudinal or mixed-method approaches to capture changes over time and explore regional variations. Experimental or simulation-based research could further assess the effectiveness of interventions such as community security funding and targeted credit support.

REFERENCES

Abolade, A. P. (2022). *Entrepreneurial Ecosystem and Agric-Business Performance of Rice Farmers Association of Nigeria (Rifan), Ogun State, Nigeria* (Master's thesis, Kwara State University (Nigeria)).

Adetoyinbo, A., Harrison, R., & Mithöfer, D. (2025). The contingent interplay between resources, entrepreneurship and agribusiness performance among small-scale agri-food actors. *International Journal of Entrepreneurial Behavior & Research*.

Asogwa, O. S., Onyekwelu, N. P., & Azubike, N. U. (2023). Effects of security challenges on business sustainability of SMEs in Nigeria. *International Journal of Business and Management Research*, *3*(2).

Auwalu, B. (2021). *Exploring the financial resources of entrepreneurs in the informal economy: insights from North West Nigeria* (Doctoral dissertation, University of Sheffield).

Barney, J. B. (2001). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of management*, *27*(6), 643-650.

Daniel, D., & Hindatu, D. (2024). *Insecurity and small and medium-scale enterprises performance in Zamfara State. Abuja Journal of Business and Management, 2*(4).

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF

ISSN: 2689-9493
Volume 8, Issue 4, 2025 (pp. 101-109)

Hamzat, I. B. (2023). *Globalization and Performance of Small and Medium-Scale Businesses of Selected States in North-Central, Nigeria* (Doctoral dissertation, Kwara State University (Nigeria)).

Igwe, P. A., Rahman, M., Odunukan, K., Ochinanwata, N., Egbo, O. P., & Ochinanwata, C. (2020). Drivers of diversification and pluriactivity among smallholder farmers – evidence from Nigeria. *Green Finance*, *2*(3), 263.

Musa, I., & Idris, B. (2025). *Impact of insecurity on the development of small and medium enterprises (SMEs) in Nigeria. MRS Journal of Accounting and Business Management, 2*(6), 34–43.

Nwadighoa, E. E., & Nwadighoha, C. E. (2024). *Management accounting system as a key driver for sustainable agricultural value chain and food security in Nigeria. Nigerian National Anthem,* 80.

Odunze, D. I. (2019). Horizontal linkages as drivers of entrepreneurship in agribusiness value chains: Evidence from the cassava, yam and plantain value chains of Nigeria. *International Journal of Small Business and Entrepreneurship Research*, *7*(2), 30-43.

Ograh, T., Kyeremeh, E., Mensah, A. O., Asante, D., & Brako, S. (2023). *Barriers to the sale of vegetables by women SMEs: A perspective of grounded theory. ISAR Journal of Arts, Humanities and Social Sciences, 3*(6), 123–135.

Okpalaojiego, E. C. (2021). Causes and implications of insecurity on entrepreneurial development and small business operations in Nigeria: The panacea. *Academic Journal of Current Research*, *8*(6), 95-109.

Olaoye, G. O. (2019). *Impact of Entrepreneurial Financing on Business Performance of Poultry Farms in Kwara State* (Master's thesis, Kwara State University (Nigeria)).

Omeje, A. N., Mba, A. J., & Anyanwu, O. C. (2023). Impact of insecurity on enterprise development in Nigeria. *Journal of Entrepreneurship in Emerging Economies*, *15*(6), 1416-1437.

Onyeizugbe, C. U., Orogbu, O. L., & Ewans, C. (2018). Security Challenge and Performance of SMEs in Nigeria (2008-2017). *Leadership, Security and National Development*, 109.

Oriazowanlan, A. O., & Erah, D. O. (2019). Effect of insecurity on micro, small and medium enterprises (MSMEs) development in Benin-City, Edo State. *International Journal of Business Management*, *4*(3-2019), 75-86.

Salau, A. A. (2019). *Page Entrepreneurial Initiatives and Performance of Agribusiness Clusters in North Central, Nigeria* (Doctoral dissertation, Kwara State University (Nigeria)).

Williamson, O. E. (2010). Transaction cost economics: The natural progression. *American Economic Review*, *100*(3), 673-690.

Article DOI: 10.52589/IJEBI-ONG6M1FF
DOI URL: https://doi.org/10.52589/IJEBI-ONG6M1FF