International Journal of Accounting Research

Kehinde et al., Int J Account Res 2017, 5:2
DOI: 10.4172/2472-114X.1000165

Research Article Open Access

Enterprise Risk Management and the Survival of Small Scale Businesses in Nigeria

Kehinde A*, Opeyemi A, Benjamin A, Adedayo O and Abel OA

Department of Accounting, Covenant University, Ota, Nigeria

Abstract

Small scale enterprises are catalysts and engine room for economic growth and development as demonstrated by the achievements recorded by Chinese industrialists and other developed nations. Over the years, the rate at which small scale businesses are collapsing in Nigeria is quite alarming due to poor approach to risk management. The economic development of any nation most especially developing economies is instituted on the survival of small scale industries. Small scale industries in Nigeria are fundamentally different from other nations of the world in terms of nature and structure. Many researchers have identified various risks such as financial, strategic, hazard etc. risks militating against the growth of small scales industries which the implementation of enterprise risk management has helped in addressing without due consideration to risk oversight of an appointed risk expert. This paper which employed secondary data sourced from various journals and other publications and used Ordinary Least Square (OLS) in the analysis and testing of hypotheses identified and advocated for the implementation of risk oversight as panacea for enduring and survival of small scale businesses in Nigeria. It has been recommended that in order to appropriate the full benefits of risk oversight concept, the SMEs managers must embrace transparency, adequate maintenance of proper books of account and readiness to implement all the recommendations of the professional or risk experts.

Keywords: Enterprise risk management; Small scale business/ enterprise; Risk oversight

Introduction

Every business manager must have the necessary assurance on the possible growth and survival of enterprises being embarked upon after all the risks must have been factored in and adequately evaluated [1-3]. The setting up of a business enterprise in Nigeria calls for proper evaluation of the peculiarity of risks facing the country which can only be appreciated through the clear understanding of the structure of her economy [4]. Nigeria is the most populous country in the continent of Africa. She is the major and largest exporter of oil in the continent and her economy is basically agrarian irrespective of the achievement recorded in oil sector. It is not an understatement that agriculture has been the dominant sector of the Nigerian economy for decades. During the pre-independence the contribution of agriculture to Gross Domestic Product (GDP) was more than 80%. In 1960s agriculture contributed 64% to GDP but suffered a setback in 1970s to 48%. The trend continued in the 80s when the average contribution was 20% which was premised on oil glut. In fact, the crisis in the Nigerian economy up to the present time is hinged on the total neglect of agricultural sector in favor of mono-product economy based on oil [5-8].

Nigeria is also characterized with the challenge of economic policies instability, security issues, poor infrastructure most especially road network, transportation system and electricity and host of others. So, would be investors or entrepreneur either domestic or international must take into cognizance the Nigeria 'country risks' into consideration with a view to leveraging on them for the benefits of their enterprises [9,10]. Small scale businesses are fundamental and pivotal to the economic development and transformation of any nation [11]. The economy giants of the world such as China and Japan leveraged on the small and medium businesses to launch their economies to greatness [12]. In Nigeria, the global economic meltdown which started in 2007 of which the effect is still biting hard, had led to the untimely collapsed of many businesses with the attendant huge losses of jobs. Currently, the Nigerian economy is in recession and businesses most especially small scale businesses are finding it difficult to survive. The business gurus, professionals and scholars opined that one of the difficult tasks to engage in is the establishment of small scale businesses most especially in a harsh environment like Nigeria and its survival in the first five years. They therefore concluded that short and long term strategies should be developed with a view to guiding against failures [13,14]. In 2016, the Central Bank of Nigeria (CBN) foreign exchange policy placed restrictions on forty-one items which forced 272 firms, 50 manufacturing companies inclusive, out of business. The remaining 222 firms are small scale businesses which led to 180,000 job losses [15]. The affected manufacturers relocated to neighboring countries according to the Manufacturers Association of Nigeria (MAN) and this development actually paints gloomy picture for economic growth of Nigeria [16].

Many industrialists, business experts and professionals are of the opinion that businesses failure in Nigeria were orchestrated by inconsistent economic policy most especially fiscal and monetary policies, epileptic power supply with attendant high cost of doing business, poor infrastructural facilities, insecurity, lack of access to loan facilities and the likes [17]. Though, the enumerated factors are part of ingredients to facilitate conducive environment for business to strive but most of the times, businesses failed as a result of poor or non-existence knowledge or failure to implement enterprise risk management strategy [18]. The understanding and evaluation of enterprise risk management is fundamental to business success even

***Corresponding author:** Kehinde A, Department of Accounting, Covenant University, Ota, Nigeria, Tel: +2347062626776; E-mail: kenadesina@yahoo.co.uk

Received June 02, 2017; **Accepted** July 03, 2017; **Published** July 13, 2017

Citation: Kehinde A, Opeyemi A, Benjamin A, Adedayo O, Abel OA (2017) Enterprise Risk Management and the Survival of Small Scale Businesses in Nigeria. Int J Account Res 5: 165. doi:10.4172/2472-114X.1000165

in the midst of economic challenges. This is because ERM does not only look at the threat but the potentials and opportunities a firm can leverage upon to survive and grow [19,20].

The researcher is of the opinion that many scholars have come up with many researches which dwell so much on the effect or contributions of market, strategic, human, hazard, financial, operational, and of course, technological risks on the untimely collapse of small and medium businesses in Nigeria. One of the areas they have not been able to address is 'risk oversight', an aspect of corporate governance which still falls within the purview of enterprise risk management. One of the challenges of SMEs in Nigeria is the inability to engage or employ the right caliber of staff such as internal auditor or control officer, professional financial accountants etc. as a result of cost. The absence of risk manager in an organization such as SMEs exposes such SMEs to risks. Therefore, in order to reduce cost and at the same time control or reduce risks, such a role can be entrusted into the capable hands of a professional accountant or risk expert for timely assessment of risks and advice on how to avert risk for a fee.

This paper therefore is aimed at emphasizing the need for business managers in Nigeria to take risk oversight initiative into consideration in the running and management of their enterprises in order to avert untimely collapse.

Literature Review

The size and modus operandi of Small and medium scale enterprises (SMEs) have made them vulnerable to various risks. Mwaniki was of the opinion that Small medium scale enterprises are exposed to risks as a result of lack of adequate finance, poor accounting record system, obsolete technology, inexperience, policy instability on the part of the government, insufficient capital base, lack of managerial and entrepreneurial capacity and relatively low capacity utilization [21]. It has also been pointed out that SMEs without the necessary and sufficient resources couple with relatively small size would not have the capacity to manage and control risk thus susceptible to early collapse [22].

Enterprise risk management

It is fundamental in this 21st century for every business organization to embrace an integrated approach to risk management in order to reduce or mitigate risk. This is based on the fact that risks increase as businesses evolve and promoters must be strategic in their approaches to leverage on the opportunities bring about by the risks for the benefits of their enterprises [3]. According to David and Desheng, Enterprise Risk Management (ERM) was coined in the mid-1990s to provide solution for business growth through effective risk management. The Casualty Actuarial Society (CAS) maintained that Enterprise Risk Management is a process through which risks can be measured, exploited, governed, financed and monitored from all sources by business organizations operating in any sector of the economy with a view to increasing the value of shareholders or owners. The Enterprise Risk Management views risks as opportunity exemplified in the overall business strategy of an enterprise which must be identified, measured, responded to, prevented and monitored. This position is different from the traditional risk management which considers risk as a threat [20].

The term risk can be described as the likelihood of an event impacting positively or otherwise on the realization of an organization's objectives [23]. According to Ayinde et al. [24] risk is seen, to a large extent as, unavoidable and ubiquitous. It is therefore important for SMEs to consciously assess the risks peculiar to their businesses on regular basis [25]. This position was equally maintained by Peterson where he reiterated that risks are embedded in every business venture and that their effective management will dictate the success of the business.

Enterprise Risk Management (ERM) deals with how risks and opportunities firms are being exposed to are identified, measured, evaluated, controlled, monitored, reviewed, handled and reported in order to ensure their continuity. It has to do with how business managers are able to manage the past and current risks and opportunities which may be internal or external to project the future of their enterprises for the benefits of the owners and all stakeholders [26]. According to Jacobus, ERM enables managers of small businesses to craft innovative business strategy that encapsulate quality operational planning: that will give birth to efficient and effective management of the firms free from all exceptions [27].

The benefit of ERM is further exemplified by its ability to guard against the crystallization of expected and unexpected losses thus providing solid platform for enduring healthy performance in an organization. The recent global financial meltdown which is still yet unabated in Nigeria has actually brought to light the managerial deficiency and poor risk management practices of business enterprises most especially the SMEs [28]. The managers of SMEs ironically believe that risk management practices are meant for large corporations. Likewise, Baker corroborates that ERM initiative is not being leveraged on by SMEs which view it (ERM) as being complex and abstract in nature meant only for big corporation with expertise to manage [28]. In Nigeria and other developing or emerging economies, the owners or managers of SMEs should be encouraged and motivated to embrace ERM concept in order to mitigate avoidable risks likely bringing their business enterprises to a halt or untimely death [29]. The establishment of a good risk management system particularly, ERM, is fundamental to the success of any business enterprise and sustainability most especially in a recessionary economic period [30]. As postulated by Havenga, the ERM as a good risk management system provides the following benefits [31]:

- It ensures that all the necessary laws and regulations are strictly complied with.
- It helps in the identification and management of various enterprise risks fundamental to the success of an enterprise.
- It serves as barometer through which risks can be understood, recognized, measured and reported throughout an organization for those responsible to take appropriate actions.
- It provides an avenue for business firms to reduce, minimize and or avoid outright financial losses.

ERM is paradigm shift from traditional management of risks being faced by the 21st century enterprise which intends to improve the quality of corporate governance and risk management practices of a firm [32]. Beasley, Chen, Nune and Wright are of the opinion that ERM is very germane in the identification of risks as it affects the efficient and effective management of a firm holistically rather than being managed independently [33]. As a result of the different sizes, nature and complexities of an organization couple with different forms of risks being exposed to, it is essentially required that management of risks in an organization should be orderly, transparent and wholly coordinated for the entire benefits of the organization [20]. It has also been argued that ERM is not only a platform for reducing or minimizing risks or losses but a veritable avenue for identifying new business ideas and opportunities that will not only guarantee profitability but also enhance the survival of a firm [34].

Building block of enterprise risk management (ERM)

The term ERM as proposed by COSO, is divided into eight interrelated modules which are expected to be integrated with the management process [35]. The interrelated elements are as detailed and explained below:

Internal environment: It comprises mainly the core philosophy of an enterprise which indicates the risk awareness of its staff and forms the basis upon which the enterprise risk management is measured. It spelt out the firm's values, culture and ethical issues. Internal environment therefore contains the management attitude to risk, its risk appetite, the responsibility of the board of directors, the allocation of responsibilities and the welfare and development of all the stakeholders within an organization.

Objective setting: All organizations irrespective of their sizes or operational complexities are faced with various risks either from internal or external environment. Therefore the establishment of clear objectives set at the strategic level is not a condition but a requirement for risks identification, assessment and response to risk for its efficient management. The objectives must state the goals and objectives of the organization's management of risks as it affects its operations, reporting, and compliance. Objectives state the firm's risk appetite and define its risk tolerance level within the organization.

Event identification: It is the responsibility of the management to recognize the likely occurrence of events that are capable of affecting the operational efficiency of an organization. These events must be evaluated in order to appreciate its implication on the business strategy and accomplishment of the organizational goals. Any event with an adverse effect possesses a risk and requires the management's assessment and response. On the other hand, events with positive impact which portend opportunity require the attention of the management to optimize its benefits.

Risk assessment: Risk assessment is the ability of the management of an organization to measure the vulnerability of an event and the impact it would have on the accomplishment of its goals. Management evaluates events from two viewpoints - probability of occurrence and the effect it will create. It normally uses a combination of qualitative and quantitative methods for evaluation. Risks are measured on both an in-built and a residual basis. The positive and negative impacts of potential events should be scrutinized, on individual aspects and on group, and also across the organization.

Risk response: The ability of a firm's management to evaluate risks affecting the success or otherwise of their enterprise determines its level of response to it. Responses may consist of risk evasion, risk minimization, risk sharing, and risk acceptance. Before finalizing its response, management evaluates the consequences of the response in terms of: probability and impact, costs-benefits analysis, possibility of crafting residual risk. Management also tries to identify any opportunity that might be existing, and formulates an organization-wide, opinion of risk, to decide whether overall residual risk is within the organization`s risk appetite.

Control activities: This represents the measures the management will take in order to ensure that adequate and effective risk responses are carried out. Control activities take place all over the organization, at all levels and in all functions. They include a wide range of activities as varied as approvals, sanctions, authentications, settlements, appraisals of operating performance, security of assets, and classification and allocation of duties and responsibilities.

Information and communication: This is to ensure that timely and relevant information are sourced and made available within an organization in order to enable people, units and departments carry out their functions. Information system procures data both from the internal and external sources, makes available necessary information for managing risks and making informed decisions. Effective communication occurs only when there is free flow of information from top to bottom, from bottom to top and across all departments. It is necessary that all personnel understand their own role in enterprise risk management, and also how their functions within the organization affect others. The importance of effective communication with external institutions or persons such as customers, creditors, shareholders and other stakeholders cannot be overemphasized for effective management of relationship and risks.

Monitoring: The gains of enterprise risk management can be improved upon through continuous monitoring and evaluations of risks and opportunities. Continuous monitoring is necessary in the day to day operation of an organization. The continuous monitoring processes and techniques guarantee the timely assessment of risks and its effectiveness. It must be noted that any deviation in the procedures could portend serious risk to the management which must be proactively reported to top management and the board of directors for immediate action.

The Concept of small and medium scale enterprises

In the post Nigeria's independence, considerable attention has been paid to the growth and development of small and medium scale industries in order to fight poverty and unemployment. Nigeria has witnessed various economic reforms since 1986 which has necessitated a shift from large scale industrial or capital intensive to small scale industries targeted towards the development of domestic economy for sustainable industrial take-off.

It has been emphasized that such enterprises in an emerging economy such as Nigeria will bring about the much needed entrepreneurial development, re-distribution of income and wealth, economic self-sufficiency and host of other economic benefits [16]. The embracement of SME has been a veritable venture for ameliorating the rural-urban drift thus contributing substantially to increase in gross domestic product (GDP), export earnings and generation of employment opportunities. Globally, there is no specific definition of small and medium scale enterprises. The various researchers and scholars have attempted to define and classify SME but there have not been any form of uniformity in its basis and concept. Several effort have been geared towards defining and classifying SMEs in terms capital base, number of employees, turnover, fixed assets, product market share and so on which vary from one country to another.

SMEs have been classified in Nigeria in various ways:

- Third National Development plan viewed SMEs as a manufacturing outfit having less than ten staff in its employment and which its investment in fixed asset did not exceed N 600,000.
- The Federal Government Small Scale Industry Development Plan of 1980 defined a small scale business in Nigeria as any manufacturing process or service industry, with a capital not exceeding N 150,000.
- The association of small scale industries of Nigeria (1973) put it as investment in capital, land, building, and equipment valued up to N 60, 000 and has a work force not exceeding fifty

persons. This position was held when the exchange rate was N 0.658 to $1.

- The Federal Ministry of Industries during the pre-Structural Adjustment Programme (SAP) defined SME as enterprises with initial investment not more than N 500,000 including working capital.
- The Centre for Management Development (CMD) in the policy proposal submitted to the Federal Government in 1982 viewed small and medium industry as a manufacturing or service oriented industry with up to 50 employers in its employment.

In today economic dispensation in Nigeria, the above categorization of Small and Medium Enterprises (SMEs) is not visible in view of the monumental devaluation of Naira. Most of the SMEs in Nigeria are into hotel business, restaurant, fast food, home equipment, block industry, fishery and other agro-allied businesses. We cannot compare the SMEs in Nigeria with that of United States, United Kingdom, South Africa or any country in Europe or Asia in view of classification, capital base, nature of the enterprise and other operational or performance indicators.

As earlier emphasized, small and medium scale industry plays fundamental roles in the industrial revolution or take-off of any country (Ahmed). Therefore, SMEs have evolved to develop Nigeria domestic economy through the production of essential goods and services [36]. The need to promote small and medium scale industry in Nigeria becomes inevitable in view of its attendant benefits in such areas as job creation, import substitution, effective and efficient utilization of local raw materials and veritable avenue for the implementation of local content act [36]. The focus of small and medium businesses has shifted from providing only social goods but as a vehicle to entrepreneurship [37]. It is on the strength of this laudable importance of SMEs that the policy makers in the Nigerian economy should pay a closer attention to it through the necessary support and development for sustainability.

The Institution of risk oversight

The risk oversight function as depicts here is different but akin to that of big corporation or limited liability companies. This is because many SMEs in Nigeria have not grown to the height considered for the formation of boards where directors or audit committee are charged with the responsibility of risk oversight [38].

The financial crises that have bedeviled many business enterprises in the past few years have actually called for caution even in the light of new regulations to comply with and the need for implementation of good risk management [39]. Business owners are always frustrated when it comes to the intensity requirement or compliance with regulatory and financial matters couple with the decisions that have to do with the future of their businesses, progress achieved in business strategic objectives and timely risk mitigation activities [40]. As earlier mentioned many SMEs owners are not experienced in identifying, managing or mitigating risks fundamental to the success of their businesses which stem from the business philosophy of the owners [41]. In order to give their businesses a leap and sustain continuity, there is need for management of SMEs to appoint a professional or an expert to on continuous basis assess risks facing their enterprises.

There is an increased need for SMEs entrepreneurs to ensure that risk oversight is embedded in the operation of their enterprise as part of their business strategy in ensuring that all risks capable of leading to untimely collapse of their businesses are sufficiently safeguarded most especially in the current economic crisis. This important function can only be carried out by an independent third party who is not involved in the daily operations of the firm and at the same time an expert in the nature of the business concerned. This is because most of the SMEs are not big enough to have boards as many of them are being managed by sole proprietors or partners. So, these business owners can engage the services of professionals depending on the areas of operations who will from time to time evaluate and analyze the trends, progress or otherwise of their businesses and offer advices based on the current realities.

The advices and recommendations of the experts will assist the SMEs to design governance structures and practices that will support the businesses in determining priorities, the necessary information needs, and assisting in focusing on areas that would impact positively to the success of their ventures [42]. The recommendations of the professional experts will help to mitigate risks that are peculiar to the individual businesses through the implementation of effective strategy. This is achieved through active assessment of an organizations' risk appetite which can be viewed from the perspective of all stakeholders. It will also help the SMEs owners to know when it is inevitable to change their strategic goals in the light of changes in risk exposure and vice versa, help them identify potential risks and continually monitor risks, ensuring sound crisis response, and the sourcing of vital information essential to their going concern as an entity.

It has been said that only 30% of small and medium scale enterprises survive in business most especially in recessionary period [43]. Therefore, in order to ensure sustainability and development of SMEs, risk identification procedures need to be improved. This is because there are two top identified challenges in providing risk oversight:

- The SMEs manager's capacity to define and explain the firm's risk management structure and process,
- The capacity to identify and assess various risks being faced by the organization.

Therefore, risk identification is very fundamental through the clear understanding of smaller high-risk operations within the firm that could impact the whole enterprise. The business managers should evaluate risk models used and learn and understand their limitations with a view to properly applying judgment regarding their output. There is equally a need for improved information flow since relevant, accurate, timely information is critical to risk oversight and these qualities can be enhanced through the culture of open and effective information flow.

This will assist the appointed professional or experts to manage the quantity and quality of information received, and the risk of asymmetrical information from the management so as to make informed and relevant decisions to the benefits of the enterprise.

Additionally, in order to maximize the usefulness of risk oversight, there is need for the SMEs owners to be transparent in dealing with the appointed professional or expert and to ensure the timely implementation of his or her recommendations. The benefits that will accrue to SMEs for implementation of risk oversight include:

- Proper recording of business transactions, keeping proper books of account and timely generation of financial statements,
- Cordial relationship with the law enforcement agencies such as Local, State and Federal Inland Revenue Services,

- Timely identification of business and financial risks and their management in order to enhance the value of the entire business enterprise [44,45].
- Provide an opportunity to manage uncertainty in advance through planned response to risks and at the same time reduces waste and stress.

Current Status to risk

Though the concept of risk is universal but its vulnerability is different from nation to nation. The degree of risk cannot be fully appreciated without first understand the nature and structure of a country economy where such an enterprise is located. Enterprise Risk Management (ERM) has shown through literature to be an effective and useful tool for managing risks in business firms. Sadly, few firms in Nigeria embraced, adopted and implemented ERM which is basically due to ignorance and lack of substantial benefits to the growth and sustainability of such an enterprise. It is therefore necessary to understand ERM and how it can impact or support firms in their bid to accomplish their business objectives.

Though ERM adoption and implementation is a veritable option to business enterprises success in Nigeria but there is an aspect which has not really been adequately exposed. Many researchers have extensively addressed the various risks inhibiting the success of many business enterprises which have actually led to their permanent death. This situation most of the time is caused by the inability of the business owners to identify and nip the risk in the bud. As earlier noted, SMEs in Nigeria cannot afford to engage the right caliber of personnel in the area of risk management thus a reason such important function should be sourced outside the firm for a fee. In order to guarantee the going concern of SMEs, this paper intends to look at the relationship between the SMEs survival measured in terms of profitability and effective risk management. We will also investigate the relationship between financial adequacy and good accounting systems which are major challenges of SMEs in Nigeria and profitability.

Development of Hypotheses

In this study, the following are the hypotheses to be tested and are stated in null form:

H_1: There is no significant relationship between profitability and effective risk management in SMEs in Nigeria,

H_2: There is no significant relationship between profitability and financial adequacy in SMEs in Nigeria.

H_3: There is no significant relationship between profitability and good accounting system in SMEs in Nigeria.

Research methodology

In order to achieve the objectives of this study, secondary data were extracted from different previous researches on the effectiveness of risk management, financial adequacy and good accounting system as a measure of survival for 50 Small Scale Enterprises (SME). The measure of survival is expressed as profitability. The extracted data were responses of respondents to copies of questionnaire administered on each of the variables. The ordinary least square (OLS) was employed in the testing of the research hypotheses (Table 1).

Model specification

We formulated the following model to examine the relationship between independent and the dependent variables.

Variable	Predicted sign	Type	Scale
ERM	+	Independent	Control and management of risks
FINA	+	Independent	Capital employed in the business
GAS	+	Independent	Keeping of relevant books of account.

Table 1: Proxies and predicted signs for explanatory variables.

$PROF_{it}=\beta_0+\beta_1 ERM_{it}+\beta_2 FINA_i t+\beta_3 GAS_{it}+e_{it}$

Where:

$PROF_i t$-Profitability which the excess of revenue over expenses

ERM_{it}-Effe

β_0-Constant or Intercept.

ctive Risk Management. The assessment of the priority given to risk management by the SME. This is measured by standard deviation.

$FINA_{it}$-Financial Adequacy representing the capital base of the enterprise

$GAS_i t$-Good Accounting System i.e. the keeping of appropriate books of accounts.

e-Stochastic or disturbance term.

t-Time dimension of the Variables

β_{1-3}-Coefficients to be estimated or the Coefficients of slope parameters.

The expected signs of the coefficients (a priori expectations) are such that β_1-β_3>0.

Discussion of Results

The results from the descriptive statistics as presented in Table 2 indicate a mean profitability of 0.43137 for the SMEs under consideration. It represents an average percentage (%) distribution of approximately 43% for the period. On the other hand; effective risk management, financial adequacy and good accounting system maintain an average mean distribution value of 0.33465, 0.14945 and 0.28020 respectively for the sampled SMEs. Conversely, the review of empirical results from the Pearson correlation analysis on the relationship between survival (profitability) and enterprise risk management shows that there is a positive correlation between effective risk management (ERM) and profitability of SMEs and it is significant at 1% probability level with a correlation coefficient (r) of approximately 0.44. Also, the result shows that there is a positive correlation between financial adequacy (FINA) and profitability which is also significant at 1% probability level with a correlation coefficient (r) of about 0.589. Again, findings from Table 3 further depicts that there is a significant positive correlation between good accounting system (GAS) and survival of SMEs. This is evident with a correlation coefficient of about (r) 0.815 and it is significant at 1% level.

In the first instance, the test for multicollinearity was carried out before analysis of the regression model. According to Field, this test is necessary because multicollinearity can affect the parameters of a regression model. Menard, Adeyemi and Fagbemi suggested that a tolerance value less than 0.1 indicates a serious multi-colinearity problem between the independent variables [46,47]. Nevertheless, since all values are more than 0.10, there is no issue of multicollinearity between the independent variables. Also, Myers suggested that a variance inflation factor (VIF) value greater than 10 calls for concern, however, for this study, the VIF values are less than 10 [48].

	N Statistics	Minimum Statistics	Maximum Statistics	Mean Statistics	Std. Statistics	Skewness Statistics	Kurtosis Statistics
PROF	50	0	0.995	0.43137	0.3156455	0.379	-1281
ERM	50	-0.379	0.955	0.33465	0.274578	0.0811	0.287
FINA	50	0.001	0.981	0.14945	0.285754	2.386	4.089
GAS	50	0.01	600	0.2802	0.150378	0.387	-0.987
Valid N	50						

Table 2: Descriptive statistics.

	PROF	GAS	FINA	ERM
PROF				
Pearson Correlation	1			
Sig. (2-tailed)				
N	50			
ERM				
Pearson Correlation	.439**	1		
Sig. (2-tailed)	0.001			
N	50	50		
FINA				
Pearson Correlation	.589**	.159**	1	
Sig. (2-tailed)	0	0.273		
N	50	50	50	
GAS				
Pearson Correlation	.815**	.259	.472**	1
Sig. (2-tailed)	0	0.067	0.001	
N	50	50	50	50

**Correlation is significant at the 0.01 level (2-tailed).

Table 3: Pearson correlations for selected SMEs.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F change	df1	df2	Sig F Change
1	.873[a]	.759	.748	.158693	.761	49.189	3	46	.000

Predictors: (Constant), GAS, ERM, FINA.

Table 4: Model summary.

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	3.691	3	1.240	49.189	.000[a]
Residual	1.161	46	.025		
Total	4.876	49			

Predictors: (Constant), GAS, ERM, FINA.
Dependent Variable: PROF.

Table 5: ANOVA.

Also, the results from the regression analysis result for the selected SMEs as depicted in Table 4 depicts that R2 which is often referred to as the coefficient of determination of the variables was 0.759. The R-Squared as a measure of the overall fitness indicates that the model is capable of explaining approximately 76% of the variability of the SMEs profitability. It implies that the model explains nearly 76% of the systematic variation in the dependent variable. It means about 24% of the variations in profitability of the sampled SMEs are accounted for by other factors not captured by the model.

This result is corroborated by the adjusted R2 (adjusted R-squared) of about 0.748, which is in essence the proportion of total variance that is explained by the model. Similarly, findings from the Fishers ratio (i.e. the F-Statistics which is a prove of the validity of the estimated model) as reflected in Table 5, presents a p value that is less than 0.05 (p-value<0.05); this invariably suggests clearly that simultaneously the explanatory variable (i.e. effective risk management, financial adequacy and good accounting system) are significantly associated with the dependent variable, profitability.

Similarly, consistent with our apriori expectations ($\beta_1>0$), further empirical findings provided in Table 6 shows that there is a significant positive association between effective risk management and profitability of the sampled SMEs. This is evident in the t-statistics value of 3.215 and a p-value=0.002. This outcome basically implies that the higher the risk faced by SMEs, the more the owners will seek for more returns in terms of profitability. In essence, the more profitable a SME is, the more such SME will be exposed to risk. Correspondingly, consistent with our apriori expectations (i.e. $\beta_2>0$), empirical findings from the regression analysis on the second hypothesis indicates clearly that a significant positive relationship does exist between financial adequacy and profitability. This is evident in the t-statistics value of 3.348 and a p-value equaled 0.002. This implies that financial adequacy of SME has a direct impact on profitability. The implication is that the more capital a SME is exposed to, the more the business opportunities to leverage on to increase profitability. Consequently, this result corroborates the propositions of Cofie [49], Abor and Biekpe [50], Gbandi and Amissah [51], Abor and Quartey [52]. They revealed that larger firms with

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-0.071	0.052		.1.339	0.185		
	ERM	0.273	0.087	0.238	3.215	0.002	0.9301	1.069
	FiNA	0.296	0.091	0.279	3.348	0.002	0.778	1.278
	GAS	.1.287	0.174	0.617	7.428	0	0.745	1.353

Dependent Variable: PROF.

Table 6: Coefficients.

capital adequacy leverage on viable project opportunities for more earnings thus allowing them to pay higher dividends to shareholders.

Lastly, result on the third hypothesis shows that there is significant relationship between good accounting system and profitability; and this is evident with the t-statistics value of 7.428 and a p-value <0.000. This outcome implies that SMEs with good accounting system will be more profitable that SMEs with poor accounting records. This is because waste, unreasonable tax assessment and other avoidable losses will be safeguarded. This result corroborates the work of Onaolapo and Adegbite [53], Ikechukwu [54], Oladejo [55], Ezejiofor et al. [56] where the fundamental importance of good accounting records to the success of any business enterprise was emphasized.

Conclusion

This study basically looked at enterprise risk management and the survival of SMEs n Nigeria. Based on the first hypotheses, the study observed that effective risk management has a significant impact on profitability of SMEs in Nigeria. That is, an increase in profitability will of necessity lead to increase in risk because the higher the returns the higher the risk expected. Also, findings from the second hypothesis assert that there is a significant positive relationship between financial adequacy and profitability of SMEs.

Finally, the result from the third hypothesis authenticates the submissions of Onaolapo and Adegbite [53] Ikechukwu [54], Oladejo [55], Ezejiofor et al. [56] where they suggested that SMEs tend to make more profit due to their ability to maintain good accounting system. Consequently, the paper concludes that while the financial adequacy appears to have a visible and significant effect on profitability of SMEs, equally, good accounting system tend to have a significant positive impact on SMEs profitability. In addition, the ability of SMEs to remain profitable and at the same time withstand the test of time for survival depend on their responses to risk issues in view of increased in business complexities, weak control in monitoring operational activities, development in high technology and other vices that are making SMEs susceptible to risks. This is very fundamental to the success of SMEs in Nigeria.

An important limitation to this paper is the sample size in view of the numerous numbers of SMEs operating in Nigeria. In order to address this limitation, future research can increase the sample size. Again, it would be of great interest if future research can investigate how SMEs performances in different sectors can be affected by constant change in economic policy most especially the monetary policy of the Central Bank of Nigeria (CBN).

Recommendations

In order to enhance the adoption and implementation of ERM and most importantly risk oversight in the running of SMEs in Nigeria, the following recommendations are proffered:

- The SMEs managers should learn and appropriate the concept of risk oversight by leveraging on the expertise of the professionals not only in the management of risks but in identifying opportunities for the benefits of their enterprises.
- The managers must ensure that every individual in the organization receives necessary training and understands specific risk peculiar to their various job functions. This is to ensure that every individual in the organization is responsible for managing some aspect of risk through acquisition of basic risk management skills and appreciation of the organization's risk tolerance as spelt out by the management.
- It is equally important that SMEs management should clearly define its risk appetite and fashion out effective and efficient risk culture. This will assist the organization in determining and evaluating its performance and financial health.
- In order to fully appropriate the benefits of ERM particularly risk oversight; the business manager must ensure the understanding, trends and working of the domestic economy so as to identify risks and opportunities emanating from the fiscal and monetary policies of the government. All the issues or factors affecting a particular sector in which the organization is operating must be considered before implementing risk oversight framework.
- For effective implementation of risk oversight, the managers must ensure that all necessary books of account are maintained and that there is transparency in all their dealings most especially with the appointed expert.

It is believed that the trends at which businesses collapse in Nigeria will be ameliorated if the risk oversight concept is implemented and embraced by SMEs managers. It is not doubtful that if the concept is adopted, it will not only assist in the proper identification of risks peculiar to the success of an organization but it will go a long way in enhancing the performance of the business. It therefore requires that the managers of SMEs must be transparent, improve their knowledge capacity and strictly adapt and implement the suggestions or recommendations of the appointed expert. Through this innovation, the SMEs roles as catalysts of economic growth and development will be enhanced and the result or improvement will be evident in Gross Domestic Product or any other economic indicator.

References

1. Inang EE, Ukpong GE (2002) A Review of Small-Scale Enterprises Credit Delivery Strategies in Nigeria. Economic and Financial Review. CBN 30.
2. Aruwa SAS (2004) Financing Options for Small and Medium-Scale Enterprises in Nigeria. The Nigerian Journal of Accounting and Research 1-15.
3. Azende T (2012) Risk Management and Insurance of Small and Medium Scale Enterprises (Smes) in Nigeria. International Journal of Finance and Accounting 1: 8-17.

4. Agarwal I, Priya S, Bhuvaneswai S (2005) Contract Farming Venture in Cotton: A Case Study in Tamilnadu. Indian Journal of Agricultural Marketing 19: 153-161.

5. Woolf SS, EI Jones (1969) Agrarian Change and Economic Development: The Historical Problem Methuen, London.

6. Oluwasanmi HA (1966) Agriculture and Nigeria's Economic Development. Ibadan: Oxford University Press, London.

7. Eicher C, Witt L (1964) Agriculture in Economic Development. Mcgraw Hill Book Company, US.

8. Ukeje RO (2003) Macroeconomics: An Introduction, Port Harcourt Davidson Publication.

9. Fernandez-Arias E (1996) The New Wave of Capital Inflows: Push or Poll? Journal of Development Economics 48: 389-418.

10. Aremu JA (1997) foreign private investment: Issues, Determinants and Performance. Paper presented at a workshop on Foreign Investment Policy and Practice, organized by the Nigeria institute of Advance legal studies, Lagos.

11. Harris ML, Gibson SG (2006) Determining the Common Problems of Early Growth of Small Businesses in Eastern North Carolina. SAM Advanced Management Journal 71: 39-45.

12. Arinaitwe JK (2006) Factors Constraining the Growth and Survival of Small Scale Businesses. A Developing Countries Analysis. Journal of American Academy of Business 8: 167-178.

13. Sauser WI Junior (2005) Starting Your Own Business? Prepare for Success. SAM Management in Practice 3: 1-4.

14. Monk R (2000) Why Small Businesses Fail?. CMA Management 74: 12-13.

15. Onuba I, Okon A (2016) 272 Firms Shut Down in One Year-MAN. Lagos: The Punch Newspaper.

16. Nwanze C (2016) Nigeria in 2017, Stratfor.

17. Aremu MA (2004) Small Scale Enterprises: Panacea to poverty problem in Nigeria, Journal of Enterprises Development, International Research and Development Institute, Uyo, Akwa Ibom, Nigeria.1-5

18. Ishola SA, Olaleye SO, Ajayi EO, Femi E (2013) Why Small Scale Businesses Failed as a Remedy to Unemployment Problem in Nigeria. IOSR Journal of Humanities and Social Science 8: 56-61.

19. Casualty Actuarial Society (2003) Overview of Enterprise Risk Management 1-46.

20. D'arcy SP, Brogan JC (2001) Enterprise Risk Management. Journal of Risk Management of Korea 12: 1-24.

21. Mwaniki R (2006) Supporting SMEs Development and the Role of Microfinance in Africa. Nairobi: INAFI Africa Trust.

22. Raghavan RS (2005) Risk Management in SMEs. Institute of Chartered Accountants of India.

23. Manu C (2005) Risk Management in the Context of Public Sector Reforms.

24. Ayinde OE, Omotesho OA, Adewumi MO (2008) Risk Attitudes and Management Strategies of Small Scale Crop Producer in Kwara State, Nigeria: A Ranking Approach. African Journal of Business Management 2: 217-221.

25. Shahzad B, Al-Ohali Y, Abdullah A (2011) Trivial Model for Mitigation of Risks in Software development Life Cycle. International Journal of Physical Sciences 6: 2072-2082.

26. IRMSA (2005) Enterprise Risk Management for Small, Medium and Micro Enterprises.

27. Jacobus D (2010) Enterprise Risk Management for Small Business: Implementation of ISO 31000:2009 International Risk Management Standard (Part Two).

28. Baker N (2011) Managing the Complexity of Risk: the ISO 31000 Framework Aims to Provide a Foundation for Effective Risk Management within the Organization. Internal Auditor 68: 35-40.

29. Eslyn I (2007) Role of Support Organizations for SMMEs in a Global Environment: A Study from the Western Cape, South Africa. Industry and Higher Education 21: 31-42.

30. Henschel T (2008) Risk Management in Small and Medium Sized Enterprises: Assessing and Improving Risk Management Practices Erich Schmidt Verlag, Berlin.

31. Havenga A (2006) Value of Enterprise Risk Management in South African business environment. UNISA, Pretoria.

32. Beasley M, Clune R, Hermanson D (2005) Enterprise risk management: An empirical analysis of factors Journal of Accounting and Public Policy 24: 521-531.

33. Beasley M, Chen A, Nune K, Wright L (2006) Working Hand in Hand: Balanced Scorecards and Enterprise Risk Management. Strategic Finance 87: 49-55.

34. Yilmaz A, Flouris T (2010) Managing Corporate Sustainability: Risk Management Process based Perspective. African Journal Business Management 4: 162-171.

35. COSO (2004) Enterprise Risk Management- Integrated Framework: Application Techniques 1-105.

36. Ojo O (2009) Impact of Micro Finance on Entrepreneurial Development: A Case Study of Nigeria. Paper presented at the International Conference on Economic and Administration. Organized by the Faculty of Administration and Business, University of Bucharest, Romania, 14th -15th November.

37. Thurik R, Wennekers S (2004) Entrepreneurship, Small business and Economic growth. Journal of Small Business and Enterprise Development 11: 140-149.

38. William C (2002) The Rise and Fall of Enron. Journal of Accountancy.

39. Duckert GH (2010) Practical Enterprise Risk Management: A Business Process Approach. Wiley publisher, New jersey

40. Paape L, Spekle RF (2012) The Adoption and Design of Enterprise Risk Management-Practices: An Empirical Study. European Accounting Review 21: 533-564.

41. Yolande S, Watkins JA (2012) A Literature Review of Small and Medium Enterprises (SME) Risk Management Practices in South Africa. African Journal of Business Management 6: 6324-6330.

42. Akgün A, Baycan-Levent T, Nijkamp P, Poot J (2010) Roles of Local Newcomer Entrepreneurs in Rural Development. Regional Studies 45: 1207-1223.

43. Rebecca EO, Benjamin JI (2009) Entrepreneurial Competencies: The Missing Links to Successful Entrepreneurship in Nigeria. International Business Research 2: 62-71.

44. Meulbroek L (2002) The Promise and Challenges of Integrated Risk Management. Risk Management and Insurance Review 5: 55-66.

45. Protiviti Inc. (2006) Guide to Enterprise Risk Management: Frequently Asked Questions.

46. Menard S (1995) Applied Logistic Regression Analysis. Sage University Paper Series on Qualitative Applications in the Social Sciences: 07-106.

47. Adeyemi SB, Fagbemi TO (2010) Audit Quality, Corporate Governance and Firm Characteristics in Nigeria. International Journal of Business and Management 5: 169-179.

48. Myers R (1990) Classical and Modern Regression with Applications (2nd ed.), Duxbury press, Boston, MA.

49. Cofie AA (2012) The Challenges of Financing Small Medium Enterprises (SMEs) in Ashanti Region, Ghana. Kwame Nkrumah University of Science and Technology, Ghana.

50. Abor J, Biekpe N (2006) SMEs' Access to Debt Finance: A Comparison of Male-Owned and Female-Owned Businesses in Ghana. International Journal of Entrepreneurship and Innovation 7: 105-112.

51. Gbandi EC, Amissah G (2014) Financing Options for Small and Medium Enterprises (SMEs) in Nigeria. European Scientific Journal 10: 327-340.

52. Abor J, Quartey P (2010) Issues in SME Development in Ghana and South Africa. International Research Journal of Finance and Economics 1: 218-228.

53. Onaolapo AA, Adegbite TA (2014) The Analysis of the impact of Accounting Records Keeping on the Performance of the Small Scale Enterprises. International Journal of Academic Research in Business and Social Sciences 4: 1-17.

54. Ikechukwu C (1993) Success Key Point Book Keeping and Accounts Onitsha: Hybrid Publisher Limited.

55. Oladejo M (2008) Essentials of Management and Accounting (2nd ed.) Ikeja, Peace Concept.

56. Ezejiofor R, Emmanuel E, Olise M (2014) The Relevance of Accounting Records in Small Scale Business: The Nigerian Experience. International Journal of Academic Research in Business and Social Sciences 4: 69-82.