World Journal of Applied Research
worldappliedjournal.com
Online ISSN: 3107-8885
Received: 11-07-2026, Accepted: 11-08-2026, Published: 26-08-2026
Volume 2, Issue 3, 2026, Page No. 22-29

Impact of kidnapping and insecurity on the performance and survival of small businesses in South-East Nigeria

Dr. Igatta Evangeline Amaka[1], Dr. Olachi Chuks Ronnie[1], Dr. Onodugo Chinwe Felicia[2], Dr. Igatta Thomas Ogbonna[3]
[1] Department of Business Administration and Management, Charisma University, Montana, USA
[2] Department of Forensic Accounting and Audit, Charisma University, Montana, USA
[3] Department of Education Management, Charisma University, Montana, USA

Abstract
The escalating incidence of kidnapping and insecurity in South-East Nigeria has created substantial socioeconomic challenges, with potentially severe consequences for the performance, continuity, and survival of small businesses. This study examined the impact of kidnapping and insecurity on the performance and survival of small businesses across Abia, Anambra, Ebonyi, Enugu, and Imo States. The study utilized data from 500 small businesses distributed across the five states. Business performance and survival were assessed using monthly revenue, profit margin, business growth rate, and survival status, while insecurity was measured through kidnapping exposure, perceived insecurity, business attacks, ransom payments, and monthly security expenditure. Potential transmission mechanisms, including changes in customer traffic, supply-chain disruption, and employee absenteeism, were also examined. Descriptive and multivariate analytical techniques were employed to evaluate the relationships among the variables. The findings demonstrated substantial exposure to insecurity: 38% of businesses reported kidnapping exposure and 23% had experienced an attack within the preceding 12 months. Perceived insecurity was high ($M = 3.78$), while average monthly security expenditure was ₦84,700. Customer traffic declined by an average of 28.4%, employee absenteeism averaged 18.2%, and the mean business growth rate was -9.3%. A one-unit increase in the insecurity perception index was associated with a 4.2 percentage-point decline in business growth ($p < .001$). Direct victims of kidnapping had 62% lower odds of business survival than businesses without kidnapping exposure ($OR = 0.38$). Furthermore, each ₦100,000 increase in security expenditure was associated with a 1.1 percentage-point reduction in profit margin. Supply-chain disruption mediated approximately 41% of the relationship between insecurity and revenue, while digital presence reduced the adverse impact of insecurity by approximately 34%. The study concludes that kidnapping and insecurity constitute significant threats to small-business performance, investment sustainability, and enterprise survival in South-East Nigeria. Strengthened security architecture, targeted SME support, improved access to credit, digitalization, and resilient supply-chain strategies are recommended.

Keywords: Kidnapping, insecurity, small businesses, business performance, enterprise survival, supply-chain disruption, South-East Nigeria

Introduction

Small businesses are widely recognized as critical components of economic development because of their contributions to employment generation, household income, innovation, entrepreneurship, local production, poverty reduction, and the development of domestic value chains. Their importance is particularly pronounced in developing economies such as Nigeria, where formal-sector employment opportunities remain insufficient relative to the size and growth of the labour force. Micro, small and medium enterprises (MSMEs) provide opportunities for individuals and households to engage in productive activities with relatively modest capital requirements and therefore constitute an important mechanism for economic inclusion. Nevertheless, their ability to perform these functions depends considerably on the quality of the business environment, including access to finance, infrastructure, markets, supportive institutions, political stability, and the security of lives and property.

Nigeria's small-business environment has historically been characterized by several structural constraints, including inadequate financing, unreliable electricity supply, deficient transportation infrastructure, multiple taxation, limited managerial capabilities, regulatory uncertainty, and macroeconomic instability. More recently, insecurity has emerged as an additional and increasingly consequential constraint. The PwC MSME Survey 2024 identified insecurity among the important factors limiting MSME growth in Nigeria, alongside inadequate access to finance, infrastructure deficiencies, taxation, skills shortages, and government policies (PricewaterhouseCoopers Nigeria [PwC], 2024) [11]. These challenges are mutually reinforcing because enterprises already operating with narrow profit margins may have limited capacity to absorb additional expenditures arising from private security, transportation disruptions, employee absenteeism, ransom payments, property losses, and reduced customer patronage.

Security is fundamental to economic activity because businesses require predictable conditions within which entrepreneurs, workers, customers, suppliers, and investors can interact. Persistent insecurity increases uncertainty and raises transaction costs, potentially discouraging investment and reducing entrepreneurial risk-taking. From an enterprise perspective, insecurity may therefore be conceptualized not merely as a social or law-enforcement problem but as an economic shock capable of affecting operating costs, market access, labour availability, investment decisions, profitability, growth, and ultimately business survival.

Kidnapping represents one of the particularly disruptive manifestations of insecurity in contemporary Nigeria. Although kidnapping is not entirely new to the country, its changing frequency, geographical spread, organization, and commercialization through ransom demands have transformed it into an important socioeconomic concern. Kidnapping creates direct consequences for victims and their families, but its economic effects can extend substantially beyond those directly abducted. Fear of kidnapping can alter travel patterns, discourage consumers from visiting particular markets, cause employees to avoid high-risk locations, constrain business operating hours, interrupt transportation and distribution networks, and discourage entrepreneurs from expanding operations in areas perceived as unsafe.

The South-East geopolitical zone, comprising Abia, Anambra, Ebonyi, Enugu, and Imo States, presents an especially important context for examining this relationship. The region has a strong tradition of entrepreneurship, commerce, manufacturing, transportation, distributive trade, agriculture, and informal-sector enterprise. Small businesses constitute an important component of economic life across major commercial centres as well as semi-urban and rural communities. Consequently, disturbances that restrict the movement of people, goods, capital, and services can generate effects extending beyond individual firms to households, communities, markets, supply networks, and regional economic development.

The consequences for small businesses can occur through several interconnected pathways. Direct exposure occurs when an owner, employee, customer, or supplier becomes a victim. Ransom payments can divert working capital that would otherwise have been used to purchase inventories, pay employees, service debts, invest in equipment, or expand operations. Persistent insecurity can also impose substantial preventive costs as enterprises hire security personnel, install surveillance systems, reinforce buildings, pay for secure transportation, restrict travel, or relocate operations.

Insecurity can also adversely affect customer traffic. Consumers are less likely to travel to markets or commercial centres perceived as unsafe, particularly during periods of heightened kidnapping or violent crime. Businesses may consequently experience reduced sales volumes even when they are not directly attacked. This highlights an important distinction between actual exposure to insecurity and perceived insecurity. Entrepreneurs do not necessarily have to experience kidnapping personally before changing their economic behaviour.

Supply-chain disruption provides another important pathway. Small enterprises depend on the regular movement of raw materials, finished goods, agricultural produce, spare parts, and other inputs. When transporters avoid particular routes because of kidnapping risks or armed attacks, delivery times may increase and transportation costs may rise. Suppliers may demand risk premiums, restrict credit arrangements, or cease servicing locations perceived as dangerous. Employee behaviour can also change, as workers may become reluctant to report to work, travel at particular times, or remain employed in businesses situated in vulnerable communities.

Existing evidence supports the proposition that insecurity can have significant consequences for enterprise performance. Studies in Nigeria have associated insecurity with reduced sales, higher operating costs, lower profitability, constrained expansion, supply-chain disruption, and deterioration in commercial activities (Chibueze, 2023; Emegha, 2023; Mamman *et al*., 2025) [5, 6]. These findings reinforce the proposition that kidnapping has implications extending beyond immediate victimization to the wider functioning of regional markets.

Despite the growing literature on insecurity in Nigeria, important empirical gaps remain. Much of the available literature approaches insecurity from political, criminological, national-security, or broad socioeconomic perspectives. Other studies aggregate several forms of insecurity without isolating the mechanisms through which kidnapping and perceived insecurity affect enterprise-level outcomes. Relatively limited attention has been devoted simultaneously to business performance and business survival, particularly among small enterprises across all five South-East states.

The present study addresses these gaps by examining the impact of kidnapping and insecurity on the performance and survival of small businesses in South-East Nigeria. The study covers 500 businesses across Abia, Anambra, Ebonyi, Enugu, and Imo States and incorporates enterprises operating in trade, services, manufacturing, and agriculture. It adopts a multidimensional approach to insecurity by considering kidnapping exposure, perceived insecurity, business attacks, ransom payments, and security expenditure. Business outcomes are assessed through monthly revenue, profit margin, growth rate, and survival status, while customer traffic, supply-chain disruption, and employee absenteeism are considered as potential transmission mechanisms. Access to credit, government support, digital presence, and business-association membership provide additional enterprise-level characteristics relevant to resilience.

Accordingly, the broad objective of the study is to determine the impact of kidnapping and insecurity on the performance and survival of small businesses in South-East Nigeria. Specifically, the study seeks to examine the effects of perceived insecurity and kidnapping exposure on business growth, revenue, profitability, and survival; determine the economic implications of security expenditure; investigate the mediating roles of customer traffic, supply-chain disruption, and employee absenteeism; and establish whether enterprise-level resilience factors such as digital presence can moderate the adverse effects of insecurity.

Ultimately, the sustainability of small businesses in South-East Nigeria cannot be separated from the security environment within which entrepreneurial activity takes place. When insecurity restricts mobility, reduces customer patronage, disrupts supply networks, increases operating costs, and encourages business relocation or closure, its consequences extend beyond individual entrepreneurs. They affect employment, household welfare, internally generated revenue, local production, investment, and regional economic development.

Review of Related Literature

Conceptual Review

Small Businesses and Their Role in Economic Development

Small businesses constitute an important component of contemporary economies because they promote employment creation, innovation, entrepreneurship, household income, local production, and economic diversification. In Nigeria, micro, small and medium enterprises represent the overwhelming majority of business establishments and contribute substantially to employment and national output. PwC (2024) emphasizes the strategic importance of MSMEs to national development and also identifies insecurity among the constraints confronting their growth. The economic relevance of small businesses is particularly evident in South-East Nigeria, a region characterized by extensive entrepreneurial, trading, manufacturing, agricultural, and service activities. Despite their contributions, small businesses are especially vulnerable to adverse business-environment conditions because they often have limited capital reserves, weak insurance coverage, restricted access to formal credit, modest technological capabilities, and high dependence on the personal involvement of their owners.

Concept of Kidnapping

Kidnapping refers to the unlawful seizure, confinement, transportation, or detention of an individual against his or her will, commonly for ransom or other concessions. Within a business environment, kidnapping can affect firms through direct and indirect channels. Direct exposure occurs where business owners, employees, customers, suppliers, or other stakeholders are abducted. An owner-manager who becomes a victim may be unable to coordinate business activities, approve transactions, supervise employees, or maintain supplier relationships. Ransom payments may also reduce working capital and weaken the firm's capacity to replace inventory, pay workers, meet loan commitments, or fund expansion. Even without direct victimization, repeated reports of kidnapping can generate fear that changes consumer and entrepreneurial behaviour.

Concept of Insecurity

Insecurity describes a condition in which individuals, businesses, or communities are exposed to actual or perceived threats to life, property, economic activity, or freedom of movement. Business-related insecurity does not necessarily require a firm to experience an actual attack. Perception is important because entrepreneurs and consumers make decisions on the basis of both actual incidents and their assessment of possible danger. Chibueze (2023) found that the South-East had experienced various forms of insecurity, including kidnapping and armed attacks, with adverse implications for regional economic development. The distinction between objective insecurity and subjective insecurity is particularly important in the present study. Objective insecurity is represented by actual kidnapping exposure, attacks, and ransom payments, whereas subjective insecurity is captured through the insecurity perception index.

Business Performance

Business performance refers to the extent to which an enterprise achieves its financial, operational, and strategic objectives. Financial indicators commonly include revenue, profitability, return on investment, and profit margins, while non-financial indicators include market share, customer retention, employment growth, and business expansion. The present study conceptualizes performance primarily in terms of monthly revenue, profit margin, and business growth rate. Mamman *et al*. (2025) [6] found that insecurity involving kidnapping and other forms of violence reduced SME performance through decreased sales, increased operating costs, and lower profitability. These mechanisms are particularly relevant to small enterprises with limited capacity to absorb recurrent shocks.

Business Survival

Business survival represents the ability of an enterprise to remain operational over time despite internal and external challenges. Survival is conceptually distinct from short-term performance. A business may experience declining profitability yet remain operational, while another may close or relocate after prolonged disruption. Ojiagu and Nzewi (2019) [8] linked physical security conditions to SME survival in South-East Nigeria, emphasizing the vulnerability of small firms to criminal threats. In the context of insecurity, survival can be threatened by recurrent attacks, ransom losses, declining customer patronage, increased security expenses, loss of employees, supply interruptions, and deterioration in the local investment environment.

Security Costs and Business Profitability

One of the clearest economic channels linking insecurity to business outcomes is the cost of protection. Businesses operating within insecure environments often allocate additional resources to guards, surveillance cameras, secure transportation, reinforced premises, communication systems, and other preventive measures. These expenditures increase operating costs but do not necessarily increase productive output. Emegha (2023) [5] identified increased cost of doing business as one of the principal consequences of security challenges for trade and commerce in South-East Nigeria. This relationship supports the expectation that rising security expenditure will be inversely related to enterprise profitability.

Customer Traffic as a Transmission Mechanism

Customer traffic refers to the volume of existing and potential customers who interact with a business over a specified period. For small businesses relying heavily on face-to-face transactions, reductions in customer movement can directly affect revenue. Kidnapping and insecurity can influence customer traffic by generating fear of travelling to markets, commercial centres, or communities considered unsafe. Consumers may postpone purchases, use alternative locations, avoid evening shopping, or shift toward online transactions. Customer traffic may therefore function as an intervening mechanism through which insecurity reduces sales revenue and business growth.

Supply-Chain Disruption

Supply-chain disruption refers to interruptions in the flow of materials, products, information, and services between businesses and their suppliers or customers. Small businesses frequently depend on transporters, wholesalers, distributors, and regional markets for inventory and inputs. Security problems along transportation corridors therefore have the potential to affect enterprises that have never themselves experienced an attack. Emegha (2023) [5] identified supply-chain disruption as a major consequence of insecurity for commerce in South-East Nigeria. Supply-chain disruption can therefore mediate the relationship between insecurity and financial performance.

Employee Absenteeism and Labour Productivity

Employees constitute another pathway through which insecurity may influence business outcomes. Workers exposed to kidnapping risk may avoid particular routes, refuse late-hour duties, report irregularly to work, or relocate from high-risk locations. Employers may consequently face increased absenteeism, reduced productivity, and higher labour replacement costs. The implications are especially substantial for small businesses because they generally employ relatively few workers. Higher absenteeism decreases productive labour hours, causes delays, and increases the burden on remaining employees.

Digital Presence and Enterprise Resilience

The growth of digital technology has created opportunities for businesses to reduce dependence on physical customer traffic. Digital presence includes the use of social media, online marketplaces, websites, electronic ordering, digital payments, and other technology-enabled channels. For businesses operating under conditions of insecurity, digitalization can function as a resilience mechanism. PwC (2024) identifies digital transformation as a critical strategy for increasing Nigerian MSME productivity, profitability, and adaptability. Digital presence can therefore be conceptualized as a moderating variable that may weaken the relationship between insecurity and poor performance.

Theoretical Review

Routine Activity Theory

Routine Activity Theory, developed by Cohen and Felson (1979) [4], explains criminal victimization through the convergence of a motivated offender, a suitable target, and the absence of capable guardianship. The theory provides an appropriate framework for understanding kidnapping and business vulnerability because commercial activities necessarily involve the movement of entrepreneurs, employees, customers, and money. From this perspective, investment in security can be viewed as an attempt to increase capable guardianship, although these measures impose additional costs on enterprises.

Transaction Cost Economics

Transaction Cost Economics, associated primarily with Williamson (1985) [14], argues that firms incur costs when organizing and conducting economic exchanges, particularly under conditions of uncertainty. Insecurity increases transaction costs because businesses must spend more on protection, transportation, information gathering, and alternative supply arrangements. This perspective helps explain why security costs and supply-chain disruptions are expected to affect profit margins, revenue, and business growth in the present study.

Dynamic Capabilities and Enterprise Resilience

Dynamic Capabilities Theory, associated with Teece, Pisano, and Shuen (1997) [13], emphasizes the ability of firms to integrate, adapt, and reconfigure resources in response to changing environments. In an insecure environment, some businesses may adapt by developing digital sales channels, changing suppliers, adjusting operating hours, diversifying transportation routes, or joining business associations. In the present study, digital presence, access to credit, business-association membership, and government support represent factors that may increase the ability of firms to adapt to insecurity.

Empirical Review

Empirical Evidence

A growing body of Nigerian research has examined the relationship between insecurity and economic or entrepreneurial outcomes. Mboto *et al*. (2021) [7] examined insecurity and entrepreneurship in South-East Nigeria and reported a significant negative influence on entrepreneurial activities. Chibueze (2023) [5] identified kidnapping and other forms of violent insecurity as important constraints on regional economic activities. Emegha (2023) [5] found that insecurity increased the cost of doing business, disrupted supply chains, and threatened commercial operations. At the interregional level, Mamman *et al*. (2025) [6] found that kidnapping, armed robbery, theft, and communal violence reduced SME sales and profitability while increasing operational costs. The consistency of these findings suggests that insecurity is a material business-environment variable. However, much of the existing evidence focuses on direct effects and generalized measures of enterprise performance, leaving limited firm-level evidence on mediation and resilience mechanisms.

Gap in the Literature

Research Gap

The reviewed literature establishes that insecurity has adverse implications for entrepreneurship, trade, investment, and business performance. Nevertheless, several gaps remain. Many existing studies combine kidnapping with other forms of insecurity, making it difficult to establish the distinctive effect of kidnapping exposure on business survival. Many rely on generalized perceptions of SME performance rather than indicators such as monthly revenue, profit margin, growth rate, closure, and relocation. Relatively few studies examine mediating mechanisms such as customer traffic, supply-chain disruption, and employee absenteeism, or moderating factors such as digital presence. The present study addresses these gaps by examining 500 businesses across Abia, Anambra, Ebonyi, Enugu, and Imo States and integrating direct exposure, perceived insecurity, operational disruption, financial performance, survival, mediation, and resilience within one empirical framework.

Methodology

Research Design

The study adopted a cross-sectional quantitative research design to examine the impact of kidnapping and insecurity on the performance and survival of small businesses in South-East Nigeria. The design permitted enterprise-level analysis of kidnapping exposure, insecurity perception, security expenditure, operational disruptions, business performance, and survival status at a defined period. The analytical framework incorporated direct effects, mediation, and moderation.

Area of the Study

The study was conducted in South-East Nigeria, comprising Abia, Anambra, Ebonyi, Enugu, and Imo States. The geopolitical zone was selected because of its high concentration of entrepreneurial and commercial activities and increasing concern regarding kidnapping and other forms of insecurity. Businesses from both urban and rural locations were incorporated to capture geographical variations in exposure and enterprise outcomes.

Population and Sample

The target population consisted of owners and managers of micro, small, and medium-sized businesses operating within the five states. A total sample of 500 businesses was used. Anambra contributed 120 businesses, Abia 100, Enugu 100, Imo 100, and Ebonyi 80. Of the total, 280 operated in urban areas and 220 in rural areas. Trade accounted for 200 enterprises, services 150, manufacturing 100, and agro-based businesses 50. The mean years in operation was 6.4, the mean number of employees was 8.7, and mean startup capital was ₦3.8 million.

Sampling Procedure

A multistage sampling procedure was adopted. The five states constituted geographical strata, after which businesses were selected from urban and rural local government areas and stratified by major business sector. Eligible businesses were subsequently selected within the respective strata until the predetermined sample allocation was achieved.

Instrument for Data Collection

Data were obtained using a structured Small Business Insecurity, Performance and Survival Questionnaire (SBIPSQ). The instrument covered business and owner characteristics, kidnapping and insecurity exposure, operational disruption, enterprise performance, business survival, and resilience factors. The five-item Insecurity Perception Index used a five-point scale and demonstrated excellent internal consistency (Cronbach's $\alpha = .91$). Supply-chain disruption was assessed using four items and demonstrated good reliability (Cronbach's $\alpha = .86$).

Variables and Measurement

The principal explanatory variables were kidnapping exposure, insecurity perception, business attacks, ransom expenditure, and monthly security costs. The mediating variables were customer traffic change, supply-chain disruption, and employee absenteeism rate. The dependent variables were monthly revenue, profit margin, business growth rate, and business survival status. Access to credit, government support, digital presence, business-association membership, state, location, sector, years in operation, employment size, and startup capital were incorporated as control or resilience variables where appropriate.

Method of Data Analysis

Data were analyzed using descriptive and inferential statistical techniques. Frequencies, percentages, means, and standard deviations summarized the sample. Multiple linear regression models were used for continuous outcomes such as monthly revenue, profit margin, and business growth rate. Logistic or multinomial logistic regression was applied as appropriate to survival status, with odds ratios used to express relative survival likelihood. Mediation analysis examined whether customer traffic, supply-chain disruption, and employee absenteeism transmitted part of the insecurity effect, while moderation analysis assessed whether digital presence reduced the adverse association between insecurity and business outcomes. Statistical significance was evaluated at the 5% level ($p < .05$).

Ethical Considerations

Participation was voluntary, and respondents were informed about the purpose of the study. Identities and business information were treated confidentially and used solely for research purposes. No personally identifying information was required in the analytical dataset. Respondents were free to decline sensitive questions concerning kidnapping experiences, ransom payments, or security incidents, and findings were reported in aggregate form.

Results and Discussion

Results

Characteristics of the Businesses

Variable	Category/Statistic	Frequency	Percentage
State	Abia	100	20.0
	Anambra	120	24.0
	Ebonyi	80	16.0
	Enugu	100	20.0
	Imo	100	20.0
Location	Rural	220	44.0
	Urban	280	56.0
Sector	Trade	200	40.0
	Services	150	30.0
	Manufacturing	100	20.0
	Agro-based	50	10.0
Owner gender	Female	210	42.0
	Male	290	58.0
Enterprise size	Micro	300	60.0
	Small	175	35.0
	Medium	25	5.0
Years in operation	Mean	6.4 years	—
Employees	Mean	8.7	—
Startup capital	Mean	₦3.8 million	—

The sample provided representation across all five South-East states and major business sectors. Trade constituted the largest sector (40%), followed by services (30%), manufacturing (20%), and agro-based enterprises (10%). The predominance of micro and small enterprises is important because businesses of this scale generally possess smaller financial reserves and may consequently have limited capacity to absorb prolonged insecurity-related shocks.

Exposure to Kidnapping and Insecurity

Indicator	Result
No kidnapping exposure	310 (62.0%)
Witnessed kidnapping	95 (19.0%)
Direct kidnapping victim	55 (11.0%)
Employee kidnapping victim	40 (8.0%)
Any kidnapping exposure	190 (38.0%)
Business attacked in previous 12 months	115 (23.0%)
Mean insecurity perception index	3.78/5
Reliability of insecurity index	$\alpha = .91$
Mean ransom among victims	₦620,000
Mean monthly security expenditure	₦84,700

The results demonstrate substantial exposure to kidnapping and insecurity. Thirty-eight percent of businesses had some form of kidnapping exposure, while 23% had experienced an attack during the preceding 12 months. The mean insecurity perception score of 3.78 indicates relatively high perceived insecurity. Average monthly security expenditure was ₦84,700, representing a substantial defensive cost for small enterprises.

Operational Consequences of Insecurity

Indicator	Mean/Result
Change in customer traffic	-28.4%
Supply-chain disruption index	3.64/5
Reliability of supply-chain scale	α = .86
Employee absenteeism rate	18.2%

Customer traffic declined by an average of 28.4%, while the supply-chain disruption score of 3.64 out of 5 indicates considerable difficulty in obtaining or distributing products and inputs. Employee absenteeism averaged 18.2%, demonstrating that the broader security environment influenced customers, employees, suppliers, and transportation networks.

Business Performance and Survival

Indicator	Result
Mean monthly revenue	₦1.24 million
Mean profit margin	16.8%
Mean business growth rate	-9.3%
Operating businesses	387 (77.4%)
Closed businesses	68 (13.6%)
Relocated businesses	45 (9.0%)

The average monthly revenue was ₦1.24 million and the mean profit margin was 16.8%. The mean growth rate of -9.3% indicates contraction across the sampled businesses. Overall, 22.6% of businesses were either closed or relocated.

Summary of Main Empirical Effects

Relationship	Effect	Statistical conclusion
Insecurity → business growth	-4.2 percentage points per 1-unit increase	$p < .001$
Direct kidnapping victimization → survival	OR = 0.38	62% lower odds of survival
₦100,000 increase in security cost → profit margin	-1.1 percentage points	Negative effect
Supply-chain mediation	41% of insecurity effect on revenue	Partial mediation
Digital presence × insecurity	34% reduction in adverse effect	Buffering effect

A one-unit increase in the Insecurity Perception Index was associated with a 4.2 percentage-point reduction in business growth ($p < .001$). Direct kidnapping victims had approximately 62% lower odds of survival than enterprises reporting no exposure (OR = 0.38). Every additional ₦100,000 in monthly security expenditure was associated with a 1.1 percentage-point reduction in profit margin. Supply-chain disruption mediated 41% of the insecurity effect on revenue, while digital presence reduced the adverse impact of insecurity by approximately 34%.

Discussion of Findings

The significant negative relationship between perceived insecurity and business growth provides strong evidence of the economic consequences of insecurity in South-East Nigeria. The finding agrees with Chibueze (2023) and Emegha (2023) [5], who reported adverse effects of insecurity on economic activities, commercial operations, and operating costs. Comparable evidence from Mamman *et al*. (2025) [6] suggests that the insecurity-performance relationship extends across different Nigerian business environments.

The finding that direct kidnapping victims had 62% lower odds of survival than businesses without exposure is especially significant. Small businesses in South-East Nigeria are frequently owner-managed; consequently, kidnapping of the proprietor can interrupt decision-making and operations. In addition, ransom expenditure may deplete working capital. The mean ransom expenditure of ₦620,000 among victims represents a potentially substantial financial shock relative to the mean startup capital of ₦3.8 million.

The finding that every ₦100,000 increase in monthly security expenditure corresponded with a 1.1 percentage-point reduction in profit margin confirms that insecurity imposes a significant defensive cost on businesses. This result supports Transaction Cost Economics: entrepreneurs must spend additional resources protecting premises, employees, inventory, and transportation, thereby diverting funds from expansion, inventory, advertising, employee training, and technology.

The finding that supply-chain disruption accounted for 41% of the insecurity effect on revenue is a major contribution of the study. Businesses depend on networks of suppliers, transporters, distributors, and customers. Kidnapping risks along transportation routes can increase transport charges, cause drivers to avoid particular roads, delay deliveries, and reduce access to raw materials. This result corroborates Emegha's (2023) [5] identification of supply-chain disruption as a consequence of insecurity affecting commerce in South-East Nigeria.

The mean employee absenteeism rate of 18.2% further demonstrates the human-resource consequences of insecurity. This is particularly consequential because sampled firms employed an average of only 8.7 workers. An absenteeism rate of this magnitude can therefore represent a significant reduction in effective labour availability.

The finding that digital presence reduced the negative impact of insecurity by approximately 34% suggests that digitalization can enhance enterprise resilience under adverse security conditions. The result is consistent with the Dynamic Capabilities perspective and with PwC's (2024) emphasis on digital transformation as an important strategy for improving the competitiveness and adaptability of Nigerian MSMEs. Digitalization should therefore be understood not only as a marketing or productivity tool but increasingly as a business-continuity mechanism in insecure environments.

Taken together, the findings reveal a multidimensional relationship between kidnapping, insecurity, and small-business outcomes. Kidnapping and insecurity increase fear and security costs, reduce customer traffic, disrupt supply chains, increase employee absenteeism, and ultimately reduce revenue, profitability, growth, and survival. Digital presence provides a partial resilience mechanism, but it cannot substitute for effective public security. The evidence therefore demonstrates that kidnapping is not solely a criminal-justice problem; it is also an enterprise-development and regional economic-development problem.

Conclusion

This study examined the impact of kidnapping and insecurity on the performance and survival of small businesses in South-East Nigeria using evidence from 500 enterprises across Abia, Anambra, Ebonyi, Enugu, and Imo States. The findings demonstrate that kidnapping and insecurity constitute significant threats to small-business development. Thirty-eight percent of sampled businesses reported some form of kidnapping exposure and 23% had experienced an attack within the preceding 12 months. Customer traffic declined by an average of 28.4%, employee absenteeism averaged 18.2%, and mean business growth was -9.3%. A one-unit increase in perceived insecurity was associated with a 4.2 percentage-point decline in business growth ($p < .001$), direct kidnapping victims had 62% lower odds of survival (OR = 0.38), and each additional ₦100,000 in monthly security expenditure was associated with a 1.1 percentage-point reduction in profit margin. Supply-chain disruption accounted for approximately 41% of the insecurity effect on revenue, while digital presence reduced the adverse impact by approximately 34%. The study therefore concludes that kidnapping and insecurity should not be viewed exclusively as criminal-justice or national-security problems. They constitute serious business-development, employment, and regional economic-development challenges. Sustainable small-business development requires an integrated policy approach that combines improved security with enterprise financing, digitalization, infrastructure development, supply-chain resilience, and targeted assistance for businesses directly affected by insecurity.

Recommendations

Federal and state governments should strengthen intelligence-led security, inter-agency coordination, rapid-response capacity, and community-based information networks, with particular attention to kidnapping corridors, commercial centres, and transportation routes.

Security interventions should prioritize major commercial and supply-chain corridors. Given that supply-chain disruption mediated 41% of the insecurity effect on revenue, improved security along highways, feeder roads, and logistics routes could reduce transport risks, delivery delays, and logistics costs.

State governments, development institutions, and SME agencies should establish targeted recovery programmes, concessional financing, or transparent business-recovery support for enterprises directly affected by kidnapping and attacks.

Governments should improve public policing around commercial clusters and markets to reduce the disproportionate burden of private security expenditure on small enterprises.

SME digitalization programmes should be expanded. Entrepreneurs should be supported to adopt online marketing, electronic ordering, digital payments, social-commerce platforms, and other remote transaction systems.

Small-business owners should develop resilient and diversified supply chains through alternative suppliers, transportation routes, appropriate buffer inventories, and technology-enabled supply-chain visibility.

Enterprises should establish basic employee-security and business-continuity protocols covering travel, emergency communication, operating hours, incident reporting, and alternative work arrangements.

Business associations and chambers of commerce should strengthen lawful public-private security partnerships, verified information sharing, collective advocacy, and coordinated preventive strategies.

Financial institutions and development agencies should expand access to affordable credit and explore appropriate insurance and business-interruption products for viable enterprises operating in high-risk areas.

State governments should provide transparent support for businesses compelled to relocate because of insecurity, including access to secure commercial clusters, infrastructure, streamlined registration, and legally permissible temporary relief.

Security enforcement should be complemented by employment creation, vocational development, education, infrastructure, and legitimate economic opportunities in vulnerable communities.

SME-development policies should institutionalize periodic security-impact assessment covering enterprise formation, investment, employment, profitability, relocation, and closure.

Contribution to Knowledge

The study contributes to the literature by demonstrating that the relationship between insecurity and small-business outcomes is not exclusively direct. It identifies supply-chain disruption as a substantial mediating mechanism, accounting for approximately 41% of the insecurity effect on revenue, while establishing digital presence as an important resilience factor that reduces the adverse effect by approximately 34%. It also integrates direct kidnapping exposure, perceived insecurity, security expenditure, operational disruption, financial performance, and enterprise survival within a single analytical framework across the five states of South-East Nigeria.

Suggestions for Further Research

Future studies should employ longitudinal designs to track businesses over several years and determine whether persistent insecurity predicts subsequent closure, relocation, or recovery. Comparative studies could examine differences between South-East Nigeria and other geopolitical zones. Further research should investigate additional resilience mechanisms, including access to credit, insurance, government support, business-association membership, geographic diversification, enterprise size, sector, gender of the owner, and urban-rural location. Qualitative studies involving kidnapping-affected entrepreneurs, employees, transporters, and business associations could complement quantitative evidence by providing deeper insight into survival, investment, and relocation decisions.

References

1. Achumba IC, Ighomereho OS, Akpor-Robaro MOM. Security challenges in Nigeria and the implications for business activities and sustainable development. Journal of Economics and Sustainable Development,2013:4(2):79–99.
2. Amah E, Okoisama T. Risk taking and survival of small and medium scale enterprises in Nigeria. Archives of

Business Research, 2017, 5(11). https://doi.org/10.14738/abr.511.3769

3. Chibueze CN. Insecurity and economic development in South-East Nigeria since 2020. Nigerian Journal of Arts and Humanities, 2023, 3(2).
4. Cohen LE, Felson M. Social change and crime rate trends: A routine activity approach. American Sociological Review,1979:44(4):588–608.
5. Emegha KN. Security challenges and their strategic impacts on trade and commerce in South East Nigeria. South East Journal of Political Science, 2023, 9(1).
6. Mamman MM, Isyaka MS, Haruna D. Insecurity and the performance of small and medium enterprises (SMEs) in North Eastern Nigeria. Global Journal of Research in Business Management, 2025, 5(2). https://doi.org/10.5281/zenodo.14955940
7. Mboto HW, Abeng CO, Okoi IO. Insecurity and entrepreneurship in Nigeria: The South East experience. International Journal of Research in Arts and Social Sciences, 2021, 14.
8. Ojiagu NC, Nzewi HN. Physical security and survival of small and medium scale enterprises (SMEs) in Southeast, Nigeria. American Journal of Industrial and Business Management,2019:9:1284–1300. https://doi.org/10.4236/ajibm.2019.95085
9. Olaore GO, Adejare BO, Udofia EE. The gains and pains of small and medium-scale enterprises (SMEs): The way forward for entrepreneurship development in Nigeria. Rajagiri Management Journal,2021:15(1):53–68. https://doi.org/10.1108/RAMJ-09-2020-0056
10. Prasanna R, Jayasundara J, Gamage SKN, Ekanayake E, Rajapakshe P, Abeyrathne G, *et al*. Sustainability of SMEs in the competition: A systemic review on technological challenges and SME performance. Journal of Open Innovation: Technology, Market, and Complexity,2019:5(4):100. https://doi.org/10.3390/joitmc5040100
11. PricewaterhouseCoopers Nigeria. PwC's MSME survey 2024: Building resilience-Strategies for MSME success in a changing landscape. PwC Nigeria, 2024.
12. Small and Medium Enterprises Development Agency of Nigeria, National Bureau of Statistics. MSME survey 2021: Micro, small and medium enterprises survey-Key findings and statistics. SMEDAN/NBS, 2021.
13. Teece DJ, Pisano G, Shuen A. Dynamic capabilities and strategic management. Strategic Management Journal,1997:18(7):509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z
14. Williamson OE. The economic institutions of capitalism: Firms, markets, relational contracting. Free Press, 1985.
15. World Bank. Nigeria development update: From policy to people-Bringing the reform gains home. World Bank, 2025.