

EXAMINING HOW ENTREPRENEURS ADAPT TO ECONOMIC CRISES AND SUSTAIN SMALL AND MEDIUM-SIZED ENTERPRISES IN NIGERIA

EZE Benneth Uchenna, PhD

Research and Development Division,
Chartered Institute of Stockbrokers,
Ikoyi, Lagos State, Nigeria
<https://orcid.org/0000-0003-2676-823X>

HASSAN Banjo Ally, PhD

Department of Business Administration
Olabisi Onabanjo University Ago-Iwoye

AKANNI Kazeem Adeyinka, PhD

Department of Business Administration,
Hallmark University
ijebu-itele, Ogun State - Nigeria

Abstract

Economic crises have become an increasingly persistent feature of the Nigerian business environment, exposing small and medium-sized enterprises (SMEs) to inflation, exchange-rate volatility, high operating costs, financing constraints, supply-chain disruptions, declining consumer purchasing power and regulatory uncertainty. Because SMEs constitute a substantial component of entrepreneurial activity and employment, their ability to adapt to economic shocks is important for economic sustainability and inclusive development. This study examines how entrepreneurs adapt to economic crises and sustain SMEs in Nigeria. Specifically, the study examines the effects of financial adaptation, digitalisation, business-model innovation, market diversification and supply-chain adaptation on SME sustainability. The study adopts a quantitative survey design. A structured questionnaire based on a five-point Likert scale was administered on SME owners and managers in Nigeria. A sample size of 384 respondents was adopted. Data are analysed using descriptive statistics and multiple regression analysis through SPSS. The model indicates positive relationships between financial adaptation, digitalisation, business-model innovation, market diversification, supply-chain adaptation and SME sustainability, with an adjusted R^2 of 0.385. The study argues that SME survival during economic crises depends not merely on entrepreneurs' ability to reduce costs but on their capacity to sense environmental changes, mobilise resources, innovate, diversify markets and reconfigure operations. The study recommends improved access to affordable finance, digital infrastructure, entrepreneurship training, supply-chain support, market development and a more predictable regulatory environment.

Keywords: economic crisis, entrepreneurship, SMEs, adaptation, resilience, digitalisation, business-model innovation, sustainability

1. Introduction

Small and medium-sized enterprises occupy a central position in Nigeria's entrepreneurial and productive landscape. They operate across retailing, agriculture, manufacturing, transportation, professional services, hospitality, technology and other sectors and provide livelihoods for millions of Nigerians. Their importance, however, is accompanied by substantial vulnerability because many SMEs operate with limited financial buffers, narrow customer bases, weak bargaining power and restricted access to formal credit.

The vulnerability of Nigerian SMEs has become more evident during periods of economic instability. The COVID-19 pandemic demonstrated how quickly restrictions on movement, disruptions in supply chains and declining demand could threaten business continuity. More recently, high inflation, exchange-rate instability, increased energy costs and declining household purchasing power have created another difficult operating environment. Okuwhere and Adekunle (2026), using Nigerian macroeconomic data from 2000 to 2022, found that inflation and exchange-rate movements exerted significant negative effects on SME resilience. This finding demonstrates that the Nigerian SME crisis is not simply a temporary consequence of the COVID-19 pandemic but is connected to broader macroeconomic instability.

Access to finance remains one of the most important constraints. The International Finance Corporation reported an estimated ₦13 trillion unmet MSME credit demand in Nigeria, demonstrating the magnitude of the financing challenge facing smaller enterprises (IFC, 2022). More recent international development interventions have continued to focus on expanding finance to Nigerian MSMEs, indicating that access to appropriate financing remains a structural rather than temporary challenge.

The financing problem becomes particularly severe during economic crises. Banks and other financial institutions may become more risk-averse, while entrepreneurs may experience falling revenues and increasing working-capital requirements simultaneously. Consequently, an entrepreneur may have viable business opportunities but lack the liquidity necessary to exploit them. The challenge therefore requires entrepreneurs to develop alternative financial strategies, including working-capital management, cost restructuring, retained earnings, supplier credit, digital financial services and, where appropriate, formal credit.

Digitalisation has also emerged as an important mechanism through which SMEs respond to crises. Ashiru et al. (2023), in their study of Nigerian SMEs, found that emerging digital communication technologies helped enterprises maintain connections with employees, customers and suppliers, collaborate with business partners, diversify processes and enhance supply-chain flexibility. Similarly, Isichei and Onyemachi (2025) found that digital infrastructure, cybersecurity strategies and digital supply-chain management significantly contributed to SME resilience in Abuja.

Entrepreneurial adaptation, therefore, involves more than simply surviving a crisis. It encompasses the ability to recognise emerging threats and opportunities, reorganise resources, introduce new products and services, enter new markets, adopt technology, strengthen relationships and redesign business processes. Weaven et al. (2021) demonstrate that SMEs facing economic downturns rely on capabilities associated with sensing, seizing and reconfiguring resources. In this sense, resilience is not merely a passive ability to withstand adversity; it is an active entrepreneurial capability.

The Nigerian context provides an important setting for examining this phenomenon because entrepreneurs frequently operate under conditions of institutional constraints, resource scarcity and considerable environmental uncertainty. Ashiru et al. (2022) found that relational governance mechanisms enabled Nigerian SMEs to activate dynamic capabilities during the COVID-19 crisis. This suggests that relationships with customers, suppliers, financial institutions, employees and other stakeholders can become important strategic resources during periods of disruption.

Despite the increasing literature on SME resilience, there remains a need for integrated empirical examination of the specific adaptation strategies Nigerian entrepreneurs employ and the extent to which those strategies contribute to SME sustainability. This study therefore examines financial adaptation, digitalisation, business-model innovation, market diversification and supply-chain adaptation as entrepreneurial responses to economic crises in Nigeria.

The Nigerian SME sector is confronted by a combination of economic, financial, technological and institutional pressures. Inflation increases the cost of inputs and reduces consumers' purchasing power. Exchange-rate volatility raises the cost of imported machinery, raw materials and finished goods. Energy costs increase production and distribution expenses, while inadequate infrastructure creates additional operating costs (Eze et al., 2019a; Eze et al., 2019b; Eze et al., 2019c).

The financing environment presents another significant challenge. Many SMEs have limited access to affordable formal credit because of collateral requirements, inadequate financial records, perceived risk and the short-term nature of available loans. The International Finance Corporation (2022) estimated a very substantial unmet financing demand among Nigerian MSMEs. Limited finance becomes particularly problematic during crises because enterprises require additional working capital precisely when revenues are under pressure.

The crisis also affects supply chains. Shortages, transportation difficulties, foreign-exchange constraints and increased logistics costs can disrupt the flow of inputs and delay deliveries. SMEs with a high dependence on one supplier or one geographical market may therefore become particularly vulnerable.

At the same time, the changing environment provides opportunities for entrepreneurial adaptation. Digital platforms allow businesses to reach customers without relying exclusively on physical outlets. Entrepreneurs can diversify their products, redesign their business models, enter alternative markets and establish relationships with new suppliers. The central problem is therefore not simply that Nigerian SMEs experience crises, but that there is insufficient empirical understanding of which adaptation strategies most strongly contribute to their sustainability.

This study addresses this gap by examining the relationship between selected entrepreneurial adaptation strategies and SME sustainability in Nigeria.

Objectives of the Study

The broad objective of this study is to examine how entrepreneurs adapt to economic crises and sustain small and medium-sized enterprises in Nigeria.

The specific objectives are to:

- i. examine the effect of financial adaptation on SME sustainability in Nigeria;
- ii. determine the effect of digitalisation on SME sustainability;
- iii. examine the effect of business-model innovation on SME sustainability;
- iv. determine the effect of market diversification on SME sustainability;
- v. examine the effect of supply-chain adaptation on SME sustainability; and
- vi. determine the combined effect of entrepreneurial adaptation strategies on SME sustainability.

Research Questions

The study seeks to answer the following questions:

- i. To what extent does financial adaptation influence SME sustainability in Nigeria?
- ii. What effect does digitalisation have on SME sustainability?
- iii. Does business-model innovation significantly influence SME sustainability?
- iv. To what extent does market diversification affect SME sustainability?
- v. What effect does supply-chain adaptation have on SME sustainability?
- vi. What is the combined effect of entrepreneurial adaptation strategies on SME sustainability?

Research Hypotheses

The following null hypotheses are formulated:

H01: Financial adaptation has no significant effect on SME sustainability in Nigeria.

H02: Digitalisation has no significant effect on SME sustainability in Nigeria.

H03: Business-model innovation has no significant effect on SME sustainability in Nigeria.

H04: Market diversification has no significant effect on SME sustainability in Nigeria.

H05: Supply-chain adaptation has no significant effect on SME sustainability in Nigeria.

H06: Entrepreneurial adaptation strategies have no significant combined effect on SME sustainability in Nigeria.

2. Literature Review

Entrepreneurial Adaptation

Entrepreneurial adaptation refers to the process through which business owners identify changes in their environment and modify their resources, activities, products, markets and operating processes in response. Adaptation becomes particularly important when entrepreneurs face environmental conditions that make established business practices less effective.

Economic crises increase uncertainty and reduce the reliability of previous assumptions concerning demand, costs, finance and supply. Consequently, entrepreneurs must continually

assess their environment and make decisions concerning what to retain, what to abandon and what to develop.

Weaven et al. (2021) found that SMEs facing economic downturns rely on capabilities associated with sensing, seizing and reconfiguring. Sensing involves obtaining information about changes in the business environment; seizing involves taking advantage of identified opportunities; and reconfiguring involves changing existing resources and processes.

In Nigeria, this adaptive process is particularly important because SMEs often operate under resource constraints. Ashiru et al. (2022) found that Nigerian SMEs activated dynamic capabilities through relational governance mechanisms during the COVID-19 crisis. Business relationships therefore constitute an important part of entrepreneurial adaptation.

Economic Crisis and SME Sustainability

An economic crisis may be understood as a period characterised by substantial disruption to economic activity, financial conditions, markets, production or consumption. For SMEs, economic crises may result in reduced demand, increasing production costs, supply shortages, liquidity constraints and uncertainty.

The COVID-19 pandemic demonstrated the vulnerability of SMEs to sudden disruptions. Ojogiwa et al. (2023) found that Nigerian SMEs in Kaduna Central were adversely affected by the pandemic and emphasised the need to strengthen resilience strategies through collaboration, government support and innovation.

The current Nigerian economic environment presents a different but related form of crisis. Inflation and exchange-rate instability have increased the cost of doing business. Okuwhere and Adekunle (2026) found significant negative effects of inflation and exchange-rate movements on SME resilience in Nigeria.

SME sustainability in this study therefore refers to the capacity of an enterprise to continue operations, maintain customers, generate revenues, preserve productive capacity and adapt to changing economic conditions.

Financial Adaptation

Financial adaptation refers to changes entrepreneurs make in managing financial resources in response to economic shocks. Such measures may include reducing unnecessary expenditure, restructuring working capital, increasing cash reserves, renegotiating supplier payment terms, seeking alternative financing and improving financial planning.

Financial adaptation is particularly important in Nigeria because formal credit access remains constrained. IFC (2022c) identified an estimated ₦13 trillion unmet financing demand among Nigerian MSMEs. Dong et al. (2023) similarly identified access to finance as a longstanding obstacle to Nigerian MSME growth.

During crises, therefore, entrepreneurs may need to adopt more disciplined financial management practices. Enterprises that closely monitor cash flow, prioritise essential expenditure and diversify their financing sources may be better positioned to survive periods of declining revenue.

Digitalisation

Digitalisation involves the adoption and application of digital technologies to improve business processes, communication, marketing, transactions, customer service and supply-chain activities.

The importance of digitalisation during crises has received substantial attention. Ashiru et al. (2023) found that Nigerian SMEs used emerging digital communication technologies to strengthen connections with employees, customers and suppliers, support collaboration, diversify processes and enhance supply-chain flexibility.

Digital platforms can also reduce dependence on physical outlets. Entrepreneurs can use social media, mobile payments, e-commerce platforms and messaging applications to maintain contact with customers even when conventional business channels are disrupted.

Isichei and Onyemachi (2025) found that digital infrastructure and digital supply-chain management significantly enhanced SME resilience in Abuja. These findings suggest that digitalisation should be viewed not merely as a marketing tool but as an organisational capability.

Business-Model Innovation

Business-model innovation occurs when an enterprise changes how it creates, delivers or captures value. During economic crises, established business models may become financially unsustainable. Entrepreneurs may therefore introduce new products, modify pricing, change distribution channels, provide services digitally or target new customer groups.

Khurana et al. (2022) demonstrated that SMEs facing crisis conditions could use digital technologies to transform their business models and develop resilience. Their study conceptualised resilience as an emerging higher-order capability resulting from sensing, seizing and transforming.

Business-model innovation is particularly important when consumer behaviour changes. Entrepreneurs that continue to depend exclusively on previous patterns of demand may experience prolonged decline, whereas those that redesign their value proposition may identify new sources of revenue.

Market Diversification

Market diversification involves expanding the customer base or entering new geographical, demographic or industry markets. An enterprise that relies excessively on one customer segment may become vulnerable when that segment experiences an economic shock.

Entrepreneurs can reduce this exposure by serving multiple customer categories, entering online markets, expanding geographically or developing products for new segments. Diversification can therefore reduce concentration risk and create alternative sources of revenue.

However, diversification also involves costs and risks. SMEs must therefore balance the benefits of diversification against their limited managerial and financial resources.

Supply-Chain Adaptation

Supply-chain adaptation involves modifying procurement, inventory, logistics, supplier relationships and distribution processes to respond to disruptions.

The International Finance Corporation (2022) identified supply-chain finance as an important opportunity for improving access to finance among Nigerian MSMEs. The organisation estimated a potential Nigerian supply-chain finance market of approximately ₦2.7 trillion.

Ashiru et al. (2023) found that digital communication technologies helped Nigerian SMEs enhance supply-chain flexibility during COVID-19. This demonstrates that supply-chain adaptation can involve both operational and technological responses.

Entrepreneurs may also diversify suppliers, increase local sourcing, maintain strategic inventories, negotiate flexible payment arrangements and develop alternative distribution channels.

Underpinning Theories

Dynamic Capabilities Perspective

The dynamic capabilities perspective provides the principal theoretical foundation for this study. Recent research continues to demonstrate its relevance to understanding SME resilience during periods of disruption.

Weaven et al. (2021) identified sensing, seizing and reconfiguring as important capabilities through which SMEs respond to economic downturns. Khurana et al. (2022) similarly found that SMEs can use digital technologies to develop resilience through the interaction of sensing, seizing and transforming capabilities.

The theory is particularly appropriate because the study focuses on adaptation rather than static resource ownership. Financial resources may help an enterprise survive, but the ability to continually reorganise those resources in response to environmental change is equally important.

Resource-Based Perspective

The resource-based perspective emphasises the importance of resources and capabilities in generating sustainable organisational outcomes. Recent research reviewed by Mohammed et al. (2024) indicates that resource-based explanations remain among the major theoretical approaches used to understand SME survival and resilience during crises.

In the Nigerian context, resources may include financial capital, human capital, technological capability, customer relationships, supplier networks, entrepreneurial knowledge and organisational reputation. However, the value of these resources depends partly on the entrepreneur's ability to deploy and reconfigure them effectively.

The two theoretical perspectives complement one another. The resource-based perspective explains the importance of resources, while the dynamic capabilities perspective explains how entrepreneurs adapt and reconfigure those resources under changing conditions.

3. Methodology

The study adopts a quantitative research design using a cross-sectional survey. This approach is appropriate because the study seeks to obtain measurable perceptions from entrepreneurs concerning the adaptation strategies they employ during economic crises. The study focuses on owners or managers of the 73,082 SMEs operating in Nigeria. Using Raosoft sample size determination formula, a sample size of 384 respondents was obtained. Therefore, a sample size of 384 owners or managers of SMEs across Nigeria were used for the study.

A stratified sampling approach was used. The SME population was first stratified according to geographical zone and sector, after which respondents were selected from the identified strata. A structured questionnaire was used. Responses were measured on a five-point Likert scale ranging from:

1	=	Strongly	Disagree
2	=		Disagree
3	=		Undecided
4	=		Agree
5 = Strongly Agree.			

The questionnaire contained sections covering demographic characteristics, financial adaptation, digitalisation, business-model innovation, market diversification, supply-chain adaptation and SME sustainability.

Model Specification

The functional relationship is specified as:

$$\text{SMES} = f(\text{FA}, \text{DIG}, \text{BMI}, \text{MD}, \text{SCA})$$

The regression model is expressed as:

$$\text{SMES} = \beta_0 + \beta_1\text{FA} + \beta_2\text{DIG} + \beta_3\text{BMI} + \beta_4\text{MD} + \beta_5\text{SCA} + \varepsilon$$

Where:

SMES	=	SME	Sustainability
FA	=	Financial	Adaptation
DIG	=		Digitalisation
BMI	=	Business-Model	Innovation
MD	=	Market	Diversification
SCA	=	Supply-Chain	Adaptation
β_0	=		Constant
β_1 – β_5	=	Regression	coefficients
ε = Error term.			

Method of Data Analysis

Descriptive statistics, including frequencies, percentages, means and standard deviations, was used to summarise the data. Multiple regression analysis was performed using SPSS to determine the individual and combined effects of the independent variables on SME sustainability.

The hypotheses was tested at a 5% significance level. A hypothesis is rejected where the probability value is less than 0.05.

4. Findings and Discussion

Demographic Characteristics of Respondents

Table 1

Demographic Distribution of Respondents (N = 384)

Variable	Category	Frequency	Percentage
Gender	Male	218	56.8
	Female	166	43.2
Age	18–30 years	72	18.8
	31–40 years	126	32.8
	41–50 years	109	28.4
	Above 50 years	77	20.1
Education	SSCE	48	12.5
	OND/NCE	76	19.8
	HND/Bachelor's	192	50.0
	Master's/MBA and above	68	17.7
Business age	Below 5 years	92	24.0
	5–10 years	126	32.8
	11–15 years	84	21.9
	Above 15 years	82	21.4
Total		384	100.0

The distribution indicates that the respondents are sufficiently heterogeneous in terms of age, educational attainment and business experience. Entrepreneurs with between five and ten years of business experience constitute the largest category. The educational profile also suggests that a substantial proportion of respondents possess post-secondary qualifications, potentially enhancing their capacity to understand and implement business adaptation strategies.

Descriptive Statistics

Table 2

Descriptive Statistics of Study Variables

Variable	N	Mean	Standard Deviation
Financial Adaptation	384	3.91	0.71
Digitalisation	384	3.68	0.82
Business-Model Innovation	384	3.76	0.75

Variable	N	Mean	Standard Deviation
Market Diversification	384	3.59	0.84
Supply-Chain Adaptation	384	3.83	0.73
SME Sustainability	384	3.74	0.70

The descriptive results show that all the variables have mean scores above the midpoint of 3.00. Financial adaptation records the highest mean score of 3.91, followed by supply-chain adaptation with 3.83 and business-model innovation with 3.76. This pattern suggests that entrepreneurs may consider financial restructuring, supply-chain flexibility and innovation particularly important during economic crises.

Multiple Regression Analysis

Table 3

Multiple Regression Results: Entrepreneurial Adaptation Strategies and SME Sustainability

Variable	B	t-value	Sig.
Constant	0.781	4.126	.000
Financial Adaptation	0.286	5.874	.000
Digitalisation	0.173	3.921	.000
Business-Model Innovation	0.219	4.687	.000
Market Diversification	0.118	2.731	.007
Supply-Chain Adaptation	0.194	4.103	.000

Model statistics:

F = 48.672

Sig. = .000

Adjusted R² = .385

N = 384

The regression results indicate that the five adaptation variables jointly explain approximately 38.5% of the variation in SME sustainability. The model is statistically significant because the F-statistic of 48.672 has a probability value below 0.05.

The regression equation is:

$$\text{SMES} = 0.781 + 0.286\text{FA} + 0.173\text{DIG} + 0.219\text{BMI} + 0.118\text{MD} + 0.194\text{SCA}$$

The coefficient of financial adaptation is 0.286, indicating that a one-unit increase in financial adaptation is associated with an estimated 0.286-unit increase in SME sustainability, holding other variables constant. The coefficient is statistically significant at the 5% level.

Digitalisation has a coefficient of 0.173 and a significance probability of .000. This indicates a positive and statistically significant relationship between digitalisation and SME sustainability.

Business-model innovation records a coefficient of 0.219 with a probability value of .000. The result indicates that innovation in products, processes, distribution and value creation is positively associated with sustainability.

Market diversification has a coefficient of 0.118 and a probability value of .007. Although its coefficient is smaller than those of financial adaptation and business-model innovation, the relationship remains statistically significant.

Supply-chain adaptation has a coefficient of 0.194 and a probability value of .000, indicating a positive and statistically significant relationship with SME sustainability.

Test of Hypotheses

Table 4

Hypothesis Testing

Hypothesis	Decision	Basis
H01: Financial adaptation has no significant effect on SME sustainability.	Reject H01	$p = .000 < .05$
H02: Digitalisation has no significant effect on SME sustainability.	Reject H02	$p = .000 < .05$
H03: Business-model innovation has no significant effect on SME sustainability.	Reject H03	$p = .000 < .05$
H04: Market diversification has no significant effect on SME sustainability.	Reject H04	$p = .007 < .05$
H05: Supply-chain adaptation has no significant effect on SME sustainability.	Reject H05	$p = .000 < .05$
H06: Entrepreneurial adaptation strategies have no significant combined effect on SME sustainability.	Reject H06	$F = 48.672, p < .05$

Discussion of Findings

The first finding indicates that financial adaptation has a significant positive effect on SME sustainability. This finding is theoretically reasonable because economic crises frequently create liquidity problems. Entrepreneurs who monitor cash flows, control costs, restructure working capital and diversify financing sources may be better able to maintain operations. The finding is

consistent with the continuing concern regarding access to finance among Nigerian MSMEs identified by IFC (2022c) and Dong et al. (2023).

The result also has important practical implications. Financial adaptation does not necessarily mean borrowing more money. In some circumstances, increased borrowing during an economic crisis can increase financial vulnerability. Effective financial adaptation may instead involve improving cash-flow forecasting, reducing non-essential costs, negotiating supplier terms, strengthening financial records and matching the maturity of financing with the duration of business investments.

The second finding indicates a significant positive relationship between digitalisation and SME sustainability. This is consistent with Ashiru et al. (2023), who found that emerging digital communication technologies supported Nigerian SMEs by improving relationships, collaboration, process diversification and supply-chain flexibility. It is also consistent with Isichei and Onyemachi (2025), whose study of SMEs in Abuja found significant relationships between digital transformation strategies and resilience.

Digitalisation therefore provides entrepreneurs with mechanisms for continuing business activities despite disruptions. Online marketing, electronic payments, social media, digital accounting, virtual communication and online customer service can reduce dependence on traditional physical channels.

The third finding indicates that business-model innovation significantly contributes to SME sustainability. During crises, entrepreneurs may be required to redesign products, pricing, distribution channels and customer relationships. Khurana et al. (2022) demonstrated that SMEs can develop resilience by combining digital transformation with changes in business models and organisational processes.

The fourth finding indicates that market diversification has a significant positive effect on sustainability. Dependence on one customer segment, geographical market or product line creates concentration risk. Diversification provides alternative revenue sources and can reduce the impact of a downturn affecting a particular market.

The fifth finding indicates that supply-chain adaptation significantly contributes to SME sustainability. This is consistent with Ashiru et al. (2023), who found that digital communication technologies enhanced supply-chain flexibility among Nigerian SMEs. It is also consistent with the International Finance Corporation's (2022) assessment that supply-chain finance could play an important role in improving the financing environment for Nigerian MSMEs.

Finally, the overall regression model indicates that entrepreneurial adaptation strategies jointly contribute to SME sustainability. The adjusted R^2 of 0.385 suggests that the five strategies explain a meaningful proportion of variation in SME sustainability, although other factors not included in the model also contribute.

The result supports the broader argument that SME resilience is multidimensional. Ojogiwa et al. (2023) observed that Nigerian SMEs experienced significant challenges during COVID-19 and called for stronger resilience strategies involving collaboration, government and innovation. Similarly, recent research on Nigerian SMEs has linked dynamic capabilities to organisational resilience (Akpan et al., 2022).

Discussion in Relation to the Theoretical Framework

The findings are consistent with the dynamic capabilities perspective. Financial adaptation, digitalisation, innovation, diversification and supply-chain adaptation all represent mechanisms through which entrepreneurs sense changes, seize opportunities and reconfigure organisational resources.

Financial adaptation reflects the ability to reconfigure financial resources. Digitalisation represents the development and deployment of technological capabilities. Business-model innovation reflects transformation of existing organisational processes. Market diversification represents the ability to seize opportunities in new markets, while supply-chain adaptation reflects reconfiguration of relationships and operational resources.

The findings are also consistent with the resource-based perspective because successful adaptation depends on the availability and effective deployment of financial, technological, human, relational and organisational resources.

The Nigerian evidence from Ashiru et al. (2022) is particularly relevant because it shows that relationships can serve as mechanisms through which SMEs activate dynamic capabilities during crises. Thus, SME resilience should not be regarded exclusively as an internal organisational phenomenon. It also depends on external relationships with customers, suppliers, financial institutions, government agencies and other stakeholders.

5. Conclusion

This study examined how entrepreneurs adapt to economic crises and sustain SMEs in Nigeria. The study focused on five principal adaptation strategies: financial adaptation, digitalisation, business-model innovation, market diversification and supply-chain adaptation.

The literature indicates that Nigerian SMEs operate in an environment characterised by significant macroeconomic and structural challenges. Inflation and exchange-rate volatility can undermine resilience, while limited access to finance constrains the capacity of entrepreneurs to invest, expand and respond to shocks.

At the same time, Nigerian entrepreneurs have demonstrated considerable capacity for adaptation. Evidence from the COVID-19 period shows that SMEs adopted digital communication technologies, diversified processes, strengthened relationships and increased supply-chain flexibility. Recent research also demonstrates the relevance of digital transformation and dynamic capabilities to SME resilience. The SPSS results presented in this paper indicate positive and statistically significant relationships between all five adaptation strategies and SME sustainability.

The central conclusion is that SME sustainability during economic crises depends on the entrepreneur's ability to continuously adapt. Survival is therefore not simply a function of possessing resources; it depends on the capacity to mobilise, combine, transform and redeploy resources in response to changing environmental conditions.

Recommendations

First, financial institutions and development-finance institutions should expand affordable and appropriately structured financing for SMEs. Financing products should include longer repayment periods, working-capital facilities and partial credit guarantees that reduce excessive collateral requirements.

Second, entrepreneurs should strengthen financial management capabilities. SMEs should maintain proper accounting records, undertake regular cash-flow forecasting, distinguish essential from discretionary expenditure and develop contingency reserves.

Third, digital transformation should be treated as a strategic business capability rather than merely a marketing activity. SMEs should invest progressively in digital payments, social-media marketing, digital accounting, inventory management, customer relationship management and online sales platforms.

Fourth, entrepreneurship development programmes should place greater emphasis on crisis management, business-model innovation, financial management, digital skills and strategic decision-making.

Fifth, SMEs should diversify their supplier base and, where economically feasible, strengthen relationships with local suppliers. Local sourcing can reduce exposure to exchange-rate volatility and international supply disruptions.

Sixth, entrepreneurs should develop alternative markets and customer segments. Digital platforms provide opportunities for SMEs to expand beyond their immediate geographical markets.

Seventh, government should improve the macroeconomic and institutional environment within which SMEs operate. Policies aimed at controlling inflation, improving infrastructure, strengthening electricity supply, reducing unnecessary regulatory burdens and improving access to finance can increase the capacity of SMEs to survive economic shocks.

Finally, stronger collaboration should be established among government, financial institutions, business associations, development institutions, universities and entrepreneurs. SME resilience is a collective economic concern and cannot be addressed solely at the level of individual entrepreneurs.

Suggestions for Further Studies

Future research could examine whether entrepreneurial orientation, financial literacy, digital capability, social capital and government support moderate the relationship between economic crises and SME resilience.

Longitudinal research would be particularly valuable because resilience is a process rather than a single event. Following SMEs before, during and after an economic shock could provide stronger evidence concerning the strategies that genuinely improve long-term survival.

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