

Insurance Penetration and Small and Medium Enterprises in Edo State

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Abstract

This empirical research investigates the Insurance companies and how it has impacted business operations of Small and Medium Scale Enterprises (SMEs) in Edo State, Nigeria, with a focus on Taxation (TAX), Interest rates (INT), Competition (COM), and Finance (FIN). The objective of this study is to identify opportunities for Improving Insurance penetration among SMEs in Edo State and to identify the barriers and challenges faced by SMEs in accessing insurance products and risk management services as well as evaluating the potential for tailored insurance solutions to address the specific needs of SMEs in Edo State. A sample of 50 insurance workers and 50 SME operators were selected within Edo State using judgmental sampling technique. Data analysis employed was conducted with Statistical Package for Social Sciences (SPSS) Version 25.0 and was analyzed using regression models. The results indicate weak relationships between the independent variables and SMEs' business operations, with only a small portion of the variation in business performance explained by the model. Competition (COM), representing market competition, was found to have a minimal and statistically insignificant impact on SMEs operations, as did the other variables. Finance (FIN) had the largest negative effect, though it was not statistically significant. These findings suggest that factors beyond Taxation, Interest rates, Competition, and Finance play a more substantial role in determining SME performance in Edo State. Based on these results, it is recommended that future research explore additional factors influencing SMEs, while financial institutions develop more tailored solutions for the sector. Policy reforms should also be considered to reduce financial burdens on SMEs and support their growth.

Keywords: Insurance Companies, SMEs, Business Operations, Competition, Finance

Introduction

Given the critical role SMEs play in the state's economic growth, research on the link between insurance firms and SMEs in Edo State, Nigeria, is essential. Edo State, Nigeria's third-largest economy, is home to a wide variety of SMEs in industries including manufacturing, services, and agriculture. These SMEs play a major role in reducing poverty, creating jobs, and boosting the economy as a whole. Nonetheless, they often encounter several obstacles, such as insufficient availability of financial services and a deficiency of risk mitigation tactics (Obaseki, 2019). At this point, insurance firms play a crucial role in assisting SMEs in achieving long-term success. Given their capacity to spur economic change and lower unemployment, the Nigerian government has launched a number of programs in recent years to encourage the growth of SMEs.

Many SMEs in Edo State still have difficulty obtaining suitable insurance plans and risk management services in spite of these initiatives. As a result, there is a lack of knowledge about the

unique requirements and difficulties that SMEs in the state confront, as well as the part that insurance firms may play in resolving these problems. A comprehensive study that takes into account the financial landscape, the regulatory environment, and the operational difficulties that both SMEs and insurance firms experience is necessary to comprehend the dynamics of the connection between these two groups in Edo State. (Nigerian Small and Medium Businesses Development Agency, 2021). This research intends to clarify the possible advantages of a stronger collaboration between insurance firms and SMEs in Edo State by exploring this intricate interaction, thereby promoting the resilience and sustainable development of the SME sector. In 2018, Adegbite and Nakajima A wide variety of sources, including scholarly works, official documents, trade journals, and primary data gathered via surveys and interviews, will be consulted in this thorough examination. By combining these sources, the

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study aims to give a comprehensive picture of the insurance uptake situation among Edo State's SMEs, the obstacles they encounter, and the chances for insurance providers to modify their offerings to better suit the demands of this crucial industry.

One of the major issues facing the relationship between insurance companies and SMEs in Edo State, Nigeria, is the low level of knowledge and comprehension among SME owners regarding insurance products and their advantages, as well as the affordability of insurance premiums for SMEs. These have an impact on the region's SMEs' operations and expansion. The efficient cooperation between insurance providers and SMEs in Edo State is hampered by enduring problems, despite the potential advantages of insurance for SMEs, including risk reduction, financial security, and business continuity. There is a poor adoption of insurance goods and services in Edo State since many SMEs are unaware of the value and advantages of insurance (Ojo, 2020). This ignorance increases SMEs' susceptibility to a number of hazards, such as liability problems, property damage, and company disruption. In Edo State, finding appropriate insurance solutions that meet the demands of SMEs is still difficult (Adeyemi, 2020). SMEs seeking insurance protection are also hindered by the perceived value of insurance coverage in comparison to the cost and the affordability of insurance premiums (Ogbeide, 2021). Concerns about claim settlement procedures, policy terms' openness, and the dependability of insurance providers are just a few of the trust problems that have been shown to be major barriers to SMEs' readiness to work with insurance firms (Ogbe, 2022). Both insurance businesses and SMEs may face difficulties as a result of Edo State's regulatory framework controlling insurance activities, which might have an impact on the acceptability and accessibility of insurance products for SMEs (Ogbeifun, 2021). Resolving these problems is essential to improving Edo State's SMEs' sustainability and resilience as well as to building a win-win partnership between insurance providers and SMEs.

Objective of the Study

The objective of this study is to identify opportunities for Improving Insurance penetration among SMEs in Edo State. It is also aimed at identifying the barriers and challenges faced by SMEs in accessing insurance products and risk management services as well as evaluating the potential for tailored insurance solutions to address the specific needs of SMEs in Edo State.

Review of Literature

Conceptual Framework

Small and Medium-sized Enterprises (SMEs)

The National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) have established criteria for defining small and medium-sized businesses (SMEs) in Nigeria. The asset base, yearly sales, and staff size of SMEs in Nigeria are determined by these factors. In 2010, the CBN defined SMEs in Nigeria based on the number of employees and their asset base. A staff headcount ranging from 11 to 100 people and an asset base between 5 million Naira (\$15,400) and 500 million Naira (\$1,538,000) are the standards established by the CBN. Small and medium-sized businesses, or SMEs, are vital to the global economy because they greatly boost employment, innovation, and economic expansion. However, SMEs face a number of hazards that might jeopardize their long-term viability. As a measure for risk minimization, insurance provides monetary security against unforeseen circumstances. Natural catastrophes, supply chain interruptions, market swings, and legal responsibilities are just a few of the many risks that SMEs must deal with. Due to the serious financial ramifications of these hazards, SMEs are at danger of going bankrupt. According to the Organization for Economic Cooperation and Development (2020), insurance serves as a safety net that helps SMEs in managing and recovering from unanticipated occurrences. Innovation and risk management are two other areas where insurance and SMEs interact. According to recent studies, insurance can help SMEs develop a risk-aware culture, promote proactive risk management techniques, and provide incentives for investments in creative ways to handle new risks like supply chain interruptions, cybersecurity threats, and climate change. SMEs with insurance are better able to handle difficult economic conditions. SMEs may more readily get loans and investments by shifting risks to insurance providers, which promotes the expansion and improvement of their businesses. Because of improved knowledge, legal frameworks, and financial literacy, SMEs in developed economies often embrace insurance at greater rates. On the other hand, SMEs in underdeveloped nations could have trouble obtaining and paying for insurance (World Bank, 2019).

Globally, SMEs' uptake of insurance is greatly influenced by cultural perspectives on risk and legal frameworks. Certain cultures could favor self-insurance or depend on unofficial risk-sharing systems. Governments are essential in promoting insurance adoption among SMEs. Subsidies, tax breaks, and public awareness

campaigns are a few examples of initiatives that might strengthen SMEs' resilience and promote economic stability (International Labour Organization, 2021). As technology develops, risk environments change, and the world economy changes, the connection between insurance and SMEs is probably going to change as well. To ensure the resilience and expansion of SMEs globally, cooperation among governments, insurers, and financial institutions will be essential (Ward, 2022). The mutually beneficial partnership between insurance and SMEs is essential to their long-term, worldwide growth. A more robust and vibrant SME sector will result from creating a supporting environment via government efforts, cutting-edge insurance products, and increased financial literacy, as SMEs continue to confront a variety of risks. For SMEs to flourish and make a substantial contribution to economic development, cooperation between the public and private sectors is crucial. Small and medium-sized businesses, or SMEs, are essential for stimulating innovation, expanding the economy, and generating job opportunities. This thorough analysis will explore the characteristics of SMEs, their significance in the world economy, and the difficulties they encounter. SMEs are usually characterized by the size and scope of their activities. Although the precise standards used to classify SMEs may differ from one nation to the next, typical indications include total assets, yearly turnover, and staff count. For instance, businesses with less than 250 workers are considered SMEs in the European Union (European Commission, 2020). SMEs may operate their businesses with more flexibility and agility because to this size difference. Entrepreneurial people who provide novel concepts to the market are often the driving forces behind SMEs. They are renowned for their capacity to swiftly embrace new technology and adjust to shifting market circumstances. SMEs have a major role in innovation and technical breakthroughs, which boost economic growth and competitiveness.

In both established and emerging countries, SMEs play a significant role in employment creation and economic development. According to a research by the International Finance Corporation (IFC, 2018), SMEs are essential for reducing poverty and promoting equitable economic growth, and they provide a significant share of job possibilities worldwide. Because they support supply chains, encourage community involvement, and encourage entrepreneurship, SMEs are essential to local and regional development. They support the growth of regional industries as well as the establishment of robust and varied economies. SMEs are important contributors to regional economic development and are essential in

mitigating regional inequities, according to a research by Dohse (2017). Small and medium-sized businesses, or SMEs, are an essential part of the global economy because they stimulate innovation, create jobs, and drive economic progress. They are nimble and responsive to changing market conditions because of their scale, inventiveness, and entrepreneurship. SMEs, however, have difficulties navigating legal systems and obtaining financing. By tackling these obstacles, stakeholders and policymakers can unleash SMEs' full potential and provide an atmosphere that supports their expansion and prosperity.

Insurance Penetration

The proportion of a population with insurance policies in relation to the whole population is known as insurance penetration. The total amount of life and non-life insurance premiums paid over a certain time period divided by the GDP of that same period is the measure of insurance penetration. The result is then converted to a percentage by multiplying it by 100. For instance, the insurance penetration rate would be 5% ($500 \text{ million} / 10 \text{ billion} \times 100$) if the GDP was \$10 billion and the insurance premiums were \$500 million (Insurance Regulatory and Development Authority of India, 2019). For people, companies, and societies to manage risks and provide financial security, insurance penetration is essential. Health crises, property damage, liability claims, and loss of income due to disability or death are just a few of the risks that insurance plans cover. Higher insurance penetration rates result in better risk management, which lessens personal financial burdens and fosters economic stability, according to research by Liedekerke et al. (2018). By lessening the effect of unforeseen catastrophes, insurance penetration promotes resilience and overall economic stability. It assists people and companies in rebuilding assets, recovering from losses, and carrying on with business as usual. Higher insurance penetration rates improve a nation's capacity to withstand economic shocks and preserve stability during emergencies, according to an International Monetary Fund assessment (IMF, 2020). The degree of economic progress in a nation is directly correlated with the prevalence of insurance. Businesses and people have more discretionary money when economies expand, which they may use to pay for insurance premiums. Insurance penetration is significantly shaped by the regulatory environment. Trust and confidence in insurance products are fostered by effective laws, such as those pertaining to consumer protection, solvency requirements, and market behavior norms. The Organization for Economic Co-operation and Development

(OECD, 2017) found that greater insurance penetration rates are more likely to occur in a well-regulated insurance market. By providing insurance coverage to previously disadvantaged communities, higher insurance penetration rates support financial inclusion. It guarantees that people and companies have access to the right risk management resources and aids in closing the protection gap. Financial inclusion and insurance penetration are positively correlated, according to 2019 World Bank Group research. When it comes to mobilizing funds and directing them toward profitable investments, insurance firms are essential. Increased insurance penetration rates provide insurers access to a bigger pool of cash that they may use to invest in capital markets, enterprises, and infrastructure projects. Consequently, this promotes economic expansion and advancement (Swiss Re Institute, 2020). One important measure of a population's degree of insurance coverage and its effect on the economy is insurance penetration. It encourages economic stability, risk control, and financial security. Insurance penetration rates are influenced by a number of factors, including the regulatory environment and economic growth. Countries may improve financial inclusion, encourage investment, and create robust economies by acknowledging the significance of insurance penetration and putting policies in place that support its expansion.

Insurance Coverage

In order to safeguard people, companies, and assets from possible dangers and uncertainties, insurance coverage is essential. By shifting the risk of losses to an insurance provider, it offers both financial stability and peace of mind. We will examine the many kinds of insurance coverage, their significance, and the elements to take into account when choosing the right coverage in the sections that follow. The purpose of health insurance is to safeguard against unforeseen medical expenditures and to pay medical bills. Hospitalization, medicines, procedures, and preventative care are usually included. 2019 research by Smith found that having health insurance greatly lowers people's out-of-pocket costs and facilitates access to high-quality medical treatment. Many nations need auto insurance, which protects car owners against losses or injuries brought on by collisions. In addition to collision and comprehensive coverage, which safeguard the insured vehicle, it also contains liability coverage, which pays third parties for harm or property damage brought on by the insured driver. According to a Jones (2018) research, comprehensive vehicle insurance coverage is crucial for preventing theft, vandalism,

and natural catastrophes. Homeowners insurance guards against natural catastrophes, theft, vandalism, and fire damage to a home's structure and belongings. Additionally, it offers liability protection for mishaps that take place on the property. Homeowners insurance coverage is essential for protecting one's most precious asset and guaranteeing financial security in the face of unforeseen circumstances, said a 2020 research by the Insurance Information Institute. In the case of the insured's death, life insurance offers their beneficiaries financial security. Funeral costs, missed wages, debt repayment, and future costs like children's schooling may all be covered with it. According to a Johnson (2017) research, life insurance coverage is crucial for dependents' financial stability and general well-being. The highest sum that an insurer will pay for a claim is determined by insurance coverage limits. It is crucial to evaluate one's requirements and choose coverage limits that provide sufficient defense against possible dangers. According to a research by Smith and Brown (2016), while deciding on suitable coverage limits, people should take their assets, income, and possible liabilities into account. The costs that policyholders must pay out of pocket prior to receiving insurance coverage are known as deductibles. Although people must assume a larger amount of the risk, higher deductibles often bring with cheaper rates. Finding a balance between reasonable deductibles and reasonably priced premiums is essential. A key element of risk management and financial planning is insurance coverage. It ensures financial stability and peace of mind by protecting people and companies against unanticipated occurrences. People may choose the right insurance by being aware of the many kinds of coverage that are available and taking into account variables like deductibles and coverage limitations. Insurance plans should be reviewed often to make sure they still reflect evolving requirements and situations.

Insurance Practice in Nigeria

Traditional risk-sharing systems were common in communities before to colonization, which is when the oldest records of insurance practices in Nigeria can be found. These unofficial agreements were founded on the idea of mutual aid, when people banded together to help one another during difficult times like crop failure, natural catastrophes, or medical emergencies. (Nonetheless, during the colonial era, Nigeria's official insurance sector started to take shape. The necessity for organized insurance systems became evident with the entrance of British colonial administrators, especially in high-risk industries like marine trading. Western-style insurance

methods were first introduced in Nigeria in 1921 with the establishment of the Royal Exchange Assurance Agency, the first insurance firm in the country's history. Eke (2019)

Nigeria's insurance industry had substantial expansion and diversification after gaining independence in 1960. By passing laws to control insurance operations and safeguard policyholders, the government significantly contributed to the growth of the sector. Nigeria's current insurance market has been greatly influenced by the Insurance Act of 2003 and its follow-up revisions, which provide a thorough framework for consumer protection and insurance company operations. The insurance sector in Nigeria has been adapting to shifting social and economic conditions in recent years. Increased competition, technological developments, and a greater emphasis on microinsurance to meet the requirements of low-income people and vulnerable groups have all been seen in this market. The stability and transparency of the insurance market have also been improved by the adoption of risk-based supervision and the application of the National Insurance Commission's (NAICOM) rules. (NAICOM, 2022). Global trends including the increased focus on sustainability, climate risk management, and digital innovation have also had an impact on recent changes in the Nigerian insurance industry. Emerging insurtech companies use technology to improve client experience and provide cutting-edge insurance solutions. Furthermore, the COVID-19 pandemic has brought attention to the value of insurance in reducing unforeseen risks, sparking conversations about pandemic risk insurance and the industry's ability to withstand systemic shocks. Nigeria's insurance history is a complex tapestry of colonial influences, post-independence reforms, modern dynamics, and traditional risk-sharing customs. From unofficial community-based agreements to a contemporary, regulated business, the sector has changed to accommodate both internal and external demands. The insurance sector is well-positioned to play a significant role in providing financial security, fostering stability, and fostering equitable development as Nigeria continues to manage economic and social problems. Ojo (2020).

The Evolution of SMEs in Edo State

A combination of historical, economic, and social variables have influenced the development of SMEs in Edo State. The growth of small businesses, especially in the fields of arts, crafts, and traditional industries, has been aided by Edo State's rich cultural legacy and artisan history. (Obaseki, 2021). The state's industrial

environment has changed economically, and the rise of SMEs has been a major factor in promoting job creation and economic expansion. SMEs have proliferated in a number of industries, including manufacturing, commerce, services, and agriculture, which has helped to diversify the state's economy. By putting laws and programs in place to encourage small enterprises, the government has also been instrumental in the development of SMEs in Edo State. These consist of infrastructural development, capacity building, company development assistance, and financial accessibility. Furthermore, the creation of special economic zones and industrial clusters has created an atmosphere that is favorable for the growth of SMEs. (NASME, 2023). Global trends including digital innovation, technical developments, and the increased focus on entrepreneurship and innovation have impacted the development of SMEs in Edo State in recent years. The state's economy is becoming increasingly diverse and knowledge-driven, as seen by the growth of tech startups, creative sectors, and knowledge-based businesses. Additionally, the government has made the growth of SMEs a top priority by putting policies in place that support innovation, entrepreneurship, and market accessibility. The state's SMEs have grown and remained sustainable because to initiatives including mentoring programs, talent development, and access to global trade possibilities. The development of SMEs in Edo State has also been greatly aided by recent initiatives to enhance access to financing, expedite company registration procedures, and solve infrastructural issues. Additionally, SMEs now have additional ways to support sustainable growth and environmental preservation because to the growing emphasis on sustainability, green technology, and value addition. Government of Edo State, 2022 The development of SMEs in Edo State is indicative of a dynamic and varied environment influenced by global forces, economic shifts, historical legacies, and governmental actions. The growth of SMEs is anticipated to continue to be a major force behind innovation, job creation, and socioeconomic change as long as the state pursues equitable economic development and entrepreneurship. Insurance is a financial tool that helps SMEs in Edo State manage and reduce a variety of operational risks by offering protection against possible hazards and uncertainties that both persons and organizations may encounter. This covers hazards including loss of revenue, liability lawsuits, property damage, and business disruption. SMEs may more confidently concentrate on their main business operations by shifting these risks to insurance firms.

Challenges Faced by SMEs in Edo State

For SMEs, Edo State's economic climate poses difficulties, including as insufficient infrastructure for marketplaces, transportation, and electricity supplies. Production, distribution, and SMEs' overall operational efficiency may all be hampered by these infrastructural shortcomings (Obaseki, 2020). Accessing reasonably priced funding choices from financial institutions is a common challenge for SMEs in Edo State. The capacity of SMEs to engage in working capital, technology adoption, and company development may be restricted by high lending rates, collateral restrictions, and a lack of credit history (Igbinedion, 2019).

The competitiveness and development potential of SMEs in Edo State may be hampered by limited access to digital infrastructure, technology, and innovation support services. For SMEs to be relevant in a business environment that is changing quickly, they must embrace current technology and undergo digital transformation (Egharevba, 2020). It might be difficult for SMEs in Edo State to find and keep qualified workers. Productivity and innovation inside SMEs may be impacted by the mismatch between the skills that are in demand in the labor market and their unique requirements (Nwagboso, 2022). For SMEs in Edo State, regulatory complexity, bureaucratic procedures, and compliance expenses present difficulties. The ease of doing business for SMEs may be impacted by the time and expense required to navigate company registration, taxes, permits, and licensing.

Impact of Insurance on SMEs

Small and medium-sized businesses (SMEs) in a variety of sectors are greatly impacted by insurance in terms of their operations, resilience, and expansion. The complex effects of insurance on SMEs, including risk management, financial stability, regulatory compliance, and innovation, have been brought to light by recent research and industry publications. Insurance is essential to SMEs' ability to successfully manage and reduce risks. Insurance strengthens SMEs' resilience by offering protection against possible losses brought on by property damage, business disruption, liability claims, and other unanticipated circumstances. According to a research by the International Finance Corporation (IFC), this in turn enables SMEs to overcome obstacles, bounce back from failures, and preserve operational continuity (IFC, 2021).

Insurance has an effect on SMEs' access to financing and financial stability. By improving their creditworthiness, insurance coverage may

increase SMEs' appeal to lenders and investors. This in turn makes it easier to get funding for innovation, new technology investment, and corporate development. The importance of insurance in enhancing SMEs' credit profiles and facilitating their access to capital has been highlighted by World Bank research (World Bank, 2019). For SMEs, insurance also directly affects business continuity and regulatory compliance. SMEs may fulfill their legal and contractual commitments by adhering to insurance requirements, such as property, professional liability, and workers' compensation insurance. According to the Organization for Economic Co-operation and Development (OECD), this helps SMEs maintain operations and market credibility in addition to protecting them from any legal and financial penalties (OECD, 2020). Additionally, insurance has an impact on SMEs' risk management and innovation strategies. Insurance enables SMEs to invest in creative ways to handle new risks by encouraging a risk-aware culture and providing incentives for proactive risk management. This covers topics including supply chain interruptions, cybersecurity risks, and climate change. Swiss Re's recent findings have emphasized how insurance helps SMEs become more innovative and risk-aware. Insurance has a wide range of effects for SMEs, including financial stability, risk management, innovation, and regulatory compliance. Insurance continues to play a crucial role in SMEs' resilience and expansion as they negotiate a changing business climate.

Theoretical Review

The institutional theory, which serves as the foundation for this study, offers a prism through which we may analyze the interactions between insurance providers and the activities of SMEs in Edo State, Nigeria. Richard Scott developed the Institutional Theory. He is renowned for his contributions to the field and has highlighted the significance of legitimacy, ethics, and productivity in organizations. This theory places a strong emphasis on how official and informal institutions—such as laws, customs, and cultural practices—affect how organizations behave and interact in a given setting. By using this theory, the study seeks to understand how institutional factors impact the interaction between Edo State's SMEs and insurance providers, affecting the SMEs' adoption of risk management strategies and insurance products. The insurance industry's dynamics and how they affect small and medium-sized businesses (SMEs) in the area may be better understood by using institutional theory. The impact of institutions, such as norms, practices, and regulatory frameworks, on organizational

behavior and decision-making is the main emphasis of institutional theory, especially in the fields of organizational sociology and economics. The importance of institutional theory in comprehending the relationships between insurance firms and SMEs in particular geographical settings has been brought to light by recent studies.

According to the Institutional Theory, external institutional influences impact companies, particularly SMEs, and mold their practices and behavior. These pressures may include social expectations, industry conventions, and legal obligations in the context of Edo State's insurance businesses and SMEs. Organizations seek legitimacy by adhering to institutional norms and expectations, according to the Institutional Theory. Adopting insurance coverage may be seen as a means for SMEs in Edo State to show their dedication to risk management and ethical business practices, as well as to increase their credibility. The importance of regulatory institutions in influencing how firms behave is emphasized by institutional theory. The National Insurance Commission (NAICOM) and other pertinent agencies have built a regulatory framework that affects the operations and interactions between insurance firms and SMEs in Edo State. A particular industry or sector's norms and practices are also taken into account by institutional theory. The established norms and practices, including risk assessment methodologies, claims processing procedures, and product offerings, have an impact on SMEs' interactions with insurance companies and their choices about insurance coverage in the Edo State insurance market (Jones, 2020). The conduct of SMEs and insurance businesses in Edo State's institutional environment may be better understood by using institutional theory. This entails being aware of how insurance firms modify their plans and offerings to conform to regional institutional standards as well as how SMEs negotiate the institutional environment to decide on risk management and insurance acquisitions (Brown, 2022). The paper can provide a nuanced understanding of how institutional factors shape the interactions, practices, and outcomes within the insurance market for SMEs by incorporating institutional theory into the analysis of the relationship between insurance companies and SME business operations in Edo State. Policymakers, industry participants, and SMEs attempting to negotiate the institutional complexity of Edo State's insurance market may find this strategy to have useful ramifications.

The resource dependency hypothesis sheds light

on how insurance firms and SMEs are interdependent, especially in terms of the exchange of knowledge, resources, and skills. According to this idea, companies engage in strategic exchanges to get the inputs they need for operations in an effort to reduce their reliance on outside resources. Based on this paradigm, the study will examine how insurance firms rely on SMEs as a market for their goods and services, while SMEs in Edo State, Nigeria, rely on insurance companies to reduce risks and get financial protection. The interdependence of organizations and their external environment, especially with regard to the acquisition and use of resources, is the main emphasis of resource dependency theory. Insights into the dynamics of resource dependencies and power dynamics between insurance firms and SMEs in Nigeria may be gained from recent studies in the area of resource dependency theory. Furthermore, a study published by the Nigerian Small and Medium Enterprises Development Agency (SMEDAN) described the resource difficulties that Edo State's SMEs encountered, providing insight into the usefulness of resource dependence theory in the context of SME operations. Critics contend that the idea overemphasizes the need for companies to comply with institutional demands, which may restrict their capacity for innovation and situational adaptation. The idea is also critiqued for failing to sufficiently take into consideration how organizations and people may influence institutional change. It ignores the importance of deliberate action and strategic decision-making, according to critics. According to some academics, power dynamics and how they affect institutional processes are not well covered by the theory. They contend that disparities in power have the ability to influence how institutional norms are adopted and maintained.

Empirical Framework

The effect of insurance coverage on the financial resilience of small and medium-sized businesses (SMEs) in Edo State was investigated by Johnson et al. (2019). A sample of 200 SMEs from the state's different sectors were used in the research. Using structured questionnaires, the researchers gathered primary data, which they then examined using regression analysis. The study's conclusions showed a favorable correlation between SMEs' financial resiliency and insurance coverage. It was shown that SMEs with insurance coverage were more resilient to unforeseen circumstances and monetary losses. The researchers came to the conclusion that insurance is essential to improving the sustainability and financial stability of SMEs in Edo State.

Omoregie and Osagie (2020) looked at how insurance coverage affected small and medium-sized businesses' (SMEs') ability to get credit in Edo State. In addition to analyzing secondary data from insurance and financial organizations, the researchers interviewed 150 SME owners. According to the survey, SMEs that had insurance had a higher chance of obtaining bank loans. It has been discovered that insurance coverage improves SMEs' creditworthiness and increases their appeal to lenders. The researchers came to the conclusion that insurance is crucial in helping SMEs get financing, which in turn promotes their development and expansion.

The effect of insurance coverage on the investment choices of small and medium-sized businesses (SMEs) in Edo State was investigated by Okonkwo and Eze (2018). A sample of 250 SMEs from different industries in the state were used in the research. Structured questionnaires were used to gather primary data, and both descriptive and inferential statistics were used to evaluate the data. The study's conclusions showed that insurance coverage and SME investment choices were positively correlated. It was shown that SMEs having insurance coverage were more inclined to make investments and grow. The researchers concluded that insurance reduces uncertainty and provides SMEs with the confidence to make long-term investment decisions.

Methodology

The study employed a quantitative research design with a survey approach. A questionnaire was used as the primary instrument to gather data from insurance workers of Insurance Companies in Edo State as well as Small and Medium Scale Enterprises (SMEs) in Edo State. The study selected 50 insurance workers and 50 SME operators within Edo State making a total of 100 respondents using judgmental sampling technique.

Presentation and Analysis of Data

Table 1: Response on Insurance Companies business operations

Statement	SA	A	Un	D	SD	Total
The rate of inflation has a huge influence on insurance companies in Edo State	68	21	2	6	3	100
Location of Insurance companies determines their business operations in Edo State	65	22	3	7	3	100
Advancement in Technology can impact on Insurance companies in Edo State	61	17	7	4	11	100
Government regulations affects the business operations of Insurance companies in Edo State	58	24	1	4	13	100
Total	252	84	13	21	30	400
Average	63	21	3	5	8	100
Percentage	63	21	3	5	8	100

Source: Field Survey, 2024

Based on the data in Table 1 above, 89 respondents agree that the rate of inflation has a major influence on Edo State's insurance companies, while 9 disagree and 2 are not sure. This suggests that this claim is supported by the majority of respondents to the poll. Furthermore, it was observed that 87 respondents agreed, 10 disagreed, and 3 were neutral about the claim that the location of insurance companies in Edo State affects their business operations. This implies that a significant percentage of respondents agree with the statement. Following that, it was discovered that 78 respondents agreed, 15 disagreed, and 7 were unsure about the claim that technology improvements may have an influence on Edo State insurance industry. This suggests that the majority of respondents agree with the statement. Eighty-two respondents agreed with the assertion that government regulations affect the operations of insurance companies in Edo State, while seventeen disagreed and one was unsure. This suggests that a significant percentage of participants agree with this claim. Eighty-four percent (84) of the respondents agreed with the assertions about the operations of Edo State's insurance firms. Meanwhile, 13 respondents, or 13%, disagreed, and 3 respondents, or 3%, are still unsure. The findings indicate that the majority of respondents accepted the assertions.

Table 2: Model Summary^b

Model	R	R Square	Adjusted R square	Std. Error Of the estimate	R Square change	F change	Change Statistics		Sig. of Change	Durbin-Watson
							df1	df2		
1	.292 ^a	.085	.047	1.300	.085	2.210	4	95	.074	1.730

SPSS 25.0 Version Data Output

a. Predictors(Constant): REG,LOC,INF,TEC

b. Dependent Variable: Insurance Business Operations

The model explains only 8.5% of the variance in Insurance Business Operations (IBO), with an adjusted R square of 4.7%. The F-test and significance level suggest that the model is not statistically significant, meaning the predictors (REG, LOC, INF, TEC) do not strongly predict IBO. The Durbin-Watson statistic indicates no serious issues with autocorrelation in the model. The results suggest that the model may need to be improved, possibly by including other relevant predictors or exploring non-linear relationships.

Table 3: Anova^a

Model	Sum of Squares	Df	Mean	F	Sig.
1 Regression	14.929	4	3.732	2.210	0.074 ^b
Residual	160.431	95	1.689		
Total	175.360	99			

Source: SPSS 25.0 Data Output

a. Dependent Variable: INSURANCE BUSINESS OPERATIONS (IBO)

b. Predictors (Constant) REG, LOC, INF, TEC

The ANOVA results in the Table 4.3 indicate that the model with predictors (REG, LOC, INF, TEC) does not significantly explain the variation in

Insurance Business Operations (IBO). While the regression accounts for some of the variance (14.929), most of the variance is due to residual error (160.431). The F-statistic (2.210) and p-value (0.074) show that the model is not statistically significant, suggesting that the predictors are not strong determinants of IBO.

Table 4: Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Standard Error			
Constant	6.260	1.065		5.879	0.000
INF	-0.115	0.137	-0.087	-0.836	0.405
LOC	-0.342	0.127	-0.268	-0.2683	0.009
TEC	-0.019	0.103	-0.020	-0.186	0.853
REG	-0.022	0.100	-0.023	-0.218	0.823

Source: SPSS Data Output 25.0 Version

Dependent Variable: INSURANCE BUSINESS OPERATIONS

In Table 4.4, the regression analysis presents both the unstandardized and standardized coefficients for four independent variables (INF, LOC, TEC, and REG) and their effect on the dependent variable. Here's an interpretation of the results:

1. Constant (6.260, $p < 0.001$): The Constant represents the value of the dependent variable when all the independent variables (INF, LOC, TEC, and REG) are zero. The significant p-value (0.000) indicates that this constant is statistically significant.
2. INF (Inflation, $B = -0.115$, $p = 0.405$): The unstandardized coefficient (B) of -0.115 suggests that for every unit increase in INF, the dependent variable decreases by 0.115 units. However, the p-value of 0.405 is above the standard significance level (0.05), indicating that this effect is not statistically significant. The standardized coefficient of -0.087 shows the relative impact of INF compared to other variables, and it's relatively small.
3. LOC (Location, $B = -0.342$, $p = 0.009$): The unstandardized coefficient (B) of -0.342 indicates that for every unit increase in LOC, the dependent variable decreases by 0.342 units. The p-value of 0.009 shows that this effect is statistically significant, meaning LOC has a meaningful impact on the dependent variable. The standardized coefficient (-0.268) suggests a moderate negative influence.
4. TEC (Technology, $B = -0.019$, $p = 0.853$): The unstandardized coefficient (B) of -0.019 indicates a very small negative relationship between TEC and the dependent variable, but the p-value of 0.853 indicates that this relationship is not statistically significant. The standardized coefficient (-0.020) also shows a very

small effect.

5. REG (Regulation, $B = -0.022$, $p = 0.823$): The unstandardized coefficient (B) of -0.022 suggests a minimal negative impact of REG on the dependent variable. However, the p-value of 0.823 shows that this effect is not statistically significant. The standardized coefficient (-0.023) also shows a very weak influence.

In Summary, Location (LOC) is the only variable with a statistically significant effect on the dependent variable ($p = 0.009$). Inflation (INF), Technology (TEC), and Regulation (REG) do not have statistically significant impacts based on their p-values. Among the variables, Location (LOC) has the strongest influence, while the effects of the other variables are minimal and not statistically significant.

Table 5: Response on SMEs business operations

Statement	SA	A	Un	D	SD	Total
Government's tax policies influence SMEs' ability to invest properly, thereby influencing their business operations in Edo State	79	7	3	8	3	100
Interest rate and Inflation rate affects SMEs business operations in Edo State	65	9	5	3	18	100
Market competition is another important factor considered by SMEs as it can to a large extent determine their success or failure in Edo State	58	14	2	5	21	100
Access to finance is one of the major problems plaguing SME business operations in Edo State	68	26	1	3	2	100
Total	270	56	11	19	44	400
Average	67	14	3	5	11	100
Percentage	67	14	3	5	11	100

Source: Field Survey, 2024

Based on the data analyzed in the Table 4.5 above, 86 respondents agree with the statement that government's tax policies influence SMEs' ability to invest properly, thereby influencing their business operations in Edo State, 11 respondents disagree with this statement while 3 remain undecided. This shows that majority of the respondents agree with this statement. It was also observed that 74 respondents agreed with the statement that interest rate and Inflation rate affects SMEs business operations in Edo State, 21 respondents disagreed with this statement while 5 respondents are neutral. This indicates that a large part of the respondents agree with the statement. It was then observed that 72 respondents agree with the statement that market competition is another important factor considered by SMEs as it can to a large extent determine their success or failure in Edo State, 26 respondents disagreed with the

statement, while 2 respondents are indecisive. This shows that majority of the respondents agree with the statement. It was also noted that 94 respondents agreed with the statement that access to finance is one of the major problems plaguing SME business operations in Edo State, 5 respondents disagreed with this statement while 1 respondent was undecided regarding the statement. This indicates that most of the respondents agreed with the statement.

Generally, Table 4.5 illustrates that 81 respondents representing 81%, agreed with the statements regarding SMEs business operations in Edo State. Meanwhile, 16 respondents representing 16% disagreed, while 3 respondents representing 3% are indecisive. The outcome indicates that the majority of the respondents agreed with the statements.

Table 4.6: Model Summary^b

Model	R	R Square	Adjusted R square	Std. Error of the estimate	R Square change	Change Statistics			Sig. of Change	Durbin-Watson
						F change	df1	df2		
1	.238 ^a	.057	0.017	1.101	0.057	1.427	4	95	0.232	0.859

SPSS 25.0 Version Data Output

a. Predictors: (Constant): FIN, INT, COM, TAX

b. Dependent Variable: SMEs Business Operations

The relationship between Finance, Interest, Competition, and Taxation and SMEs Business Operations is weak ($R = 0.238$). The model explains only 5.7% of the variation in SMEs Business Operations ($R^2 = 0.057$), and after adjusting for the number of predictors, it explains only 1.7% (Adjusted $R^2 = 0.017$). The model is not statistically significant ($p = 0.232$), meaning that these predictors do not significantly impact SMEs Business Operations. The Durbin-Watson statistic indicates positive autocorrelation in the residuals (0.859), suggesting that there might be some unexplained structure in the data.

In conclusion, the model does not provide significant evidence that Finance, Interest, Competition, and Taxation have a meaningful impact on SMEs Business Operations. The low R^2 values and the lack of statistical significance indicate that these predictors do not explain the variability in the operations of SMEs in a meaningful way.

Table 4.7: Anova^a

Model		Sum of Squares	Df	Mean	F	Sig.
1	Regression	6.907	4	1.727	1.452	0.232 ^b
	Residual	115.133	95	1.212		
	Total	122.040	99			

Source: SPSS 25.0 Data Output

a. Dependent Variable: SMEs Business Operations (SBO)

b. Predictors(Constant) : FIN, INT, COM, TAX

The table 4.7 provides information about the

statistical significance of the overall regression model, examining the relationship between the independent variables (FIN, INT, COM, TAX) and the dependent variable (SMEs Business Operations (SBO)). Here's an analysis and summary of the provided data.

The total variation in SMEs Business Operations (SBO) is 122.040, of which only 6.907 (or about 5.7%) is explained by the model (regression sum of squares).

The model does not significantly explain the variability in SMEs Business Operations, as indicated by the F-statistic of 1.452 and the p-value of 0.232, which is greater than the conventional threshold of 0.05. The large residual sum of squares (115.133) indicates that a substantial portion of the variance in SMEs Business Operations remains unexplained by the independent variables (FIN, INT, COM, TAX).

In conclusion, the ANOVA analysis shows that the regression model does not provide a statistically significant fit to the data, meaning Finance, Interest, Competition, and Taxation do not have a significant impact on the variability in SMEs Business Operations based on this model.

Table 4.8: Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Standard Error			
Constant	5.479	0.860		6.638	0.000
TAX	-0.002	0.107	-0.002	-0.015	0.988
INT	-0.121	0.073	-0.171	-0.651	0.102
COM	-0.036	0.069	-0.054	-0.524	0.601
FIN	-0.217	0.135	-0.163	-1.605	0.112

Source: SPSS Data Output 25.0 Version

a. Dependent Variable: SMEs BUSINESS OPERATIONS (SBO)

Table 4.8 presents the Coefficients for a regression analysis where the dependent variable is SMEs Business Operations (SBO) and the independent variables are TAX (Taxation), INT (Interest), COM (Competition), and FIN (Finance). Here's an analysis and summary of the provided output:

Analysis of Coefficients:

1. Constant (5.479): The constant (5.479) represents the intercept of the regression equation. It indicates the predicted value of SMEs Business Operations (SBO) when all independent variables (TAX, INT, COM, FIN) are set to zero. The t-value of 6.638 and a p-value of 0.000 show that the constant is statistically significant, meaning the intercept has a meaningful impact on the model.
2. TAX (Taxation): The unstandardized coefficient for TAX is -0.002, meaning that

for each unit increase in Taxation, SMEs Business Operations decreases by 0.002 units, holding all other variables constant. The standardized coefficient (Beta) is -0.002, indicating that TAX has an almost negligible impact on SMEs Business Operations. The t-value of -0.015 and p-value of 0.988 suggest that TAX is not statistically significant, as the p-value is far greater than 0.05. This means there is no evidence that Taxation affects SMEs Business Operations in this model.

3. INT (Interest): The unstandardized coefficient for INT is -0.121, indicating that for every unit increase in Interest, SMEs Business Operations decreases by 0.121 units, holding all other variables constant. The standardized coefficient (Beta) is -0.171, meaning Interest has a relatively small, negative impact on SMEs Business Operations compared to the other variables. The t-value of -0.651 and p-value of 0.102 suggest that INT is not statistically significant at the 5% level ($p > 0.05$). While there is a modest effect, it is not strong enough to be statistically meaningful in this context.
4. COM (Competition): The unstandardized coefficient for COM is -0.036, meaning that for each unit increase in Competition, SMEs Business Operations decreases by 0.036 units, holding all other variables constant. The standardized coefficient (Beta) is -0.054, suggesting that COM has a very small negative effect on SMEs Business Operations. The t-value of -0.524 and p-value of 0.601 show that COM is not statistically significant ($p > 0.05$), indicating that Competition does not have a meaningful impact on SMEs Business Operations in this model.
5. FIN (Finance): The unstandardized coefficient for FIN is -0.217, indicating that for every unit increase in Finance, SMEs Business Operations decreases by 0.217 units, holding other variables constant. The standardized coefficient (Beta) is -0.163, suggesting that FIN has a moderate negative impact on SMEs Business Operations relative to the other predictors. The t-value of -1.605 and p-value of 0.112 show that FIN is also not statistically significant ($p > 0.05$), meaning Finance does not have a statistically meaningful impact on SMEs Business Operations in this model.

Discussion of Findings

Based on the analyses of Hypotheses 1 and 2 regarding the impact of insurance companies on Small and Medium Scale Enterprises (SMEs) business operations in Edo State, several important insights have emerged:

1. **Weak Relationships Between Variables and SMEs Operations:** The regression analysis reveals weak relationships between the independent variables (Taxation, Interest rates, Competition, Finance) and SMEs business operations. The low R-values and R^2 values show that only a small portion of the variance in SMEs business operations is explained by these predictors. This implies that other factors, beyond those captured in the model, are likely more critical in determining SMEs' performance in Edo State.
2. **Non-significant Impact of Competition (COM):** Competition (COM) was found to have a minimal and statistically insignificant impact on SMEs business operations. The low coefficient for competition suggests that the intensity of competition faced by SMEs is not a significant factor in determining their operational success. This may indicate that SMEs in Edo State either operate in less competitive environments or that competition is not a major constraint on their business operations.
3. **Moderate Influence of Finance:** As with the initial findings, Finance (FIN) exhibited the strongest negative impact on SMEs business operations, although the effect was not statistically significant. This suggests that while finance plays a role in SME performance, it is not substantial enough in this model to explain significant changes in their operations.
4. **Overall Non-significant Effects:** Similar to the earlier analysis, none of the variables, including Taxation (TAX), Interest rates (INT), Competition (COM), and Finance (FIN), were statistically significant. This suggests that these factors, in isolation, do not meaningfully influence SMEs business operations in Edo State.

Conclusion

The findings suggest that Taxation, Interest rates, Competition, and Finance have a limited and non-significant impact on the business operations of SMEs in Edo State. While finance appears to have a moderate influence, the overall effect of competition and other variables is minimal. This

indicates that other external factors or internal SME dynamics likely play a larger role in determining their success.

Recommendations

1. **Investigate Other Critical Determinants:** Future research should focus on identifying other factors influencing SMEs business operations, such as market conditions, access to resources, infrastructure, or government policies.
2. **Tailored Financial Products:** Finance remains an important aspect of SME operations, despite its moderate influence. Therefore, insurance companies and financial institutions should design customized financial solutions for SMEs, improving access to affordable loans and providing risk mitigation strategies.
3. **Enhance Competitive Strategies:** SMEs should develop strategies to strengthen their competitive edge, even though competition does not currently appear to play a significant role in operations. Policies promoting innovation, quality improvement, and customer satisfaction could help SMEs better navigate competitive environments.
4. **Policy Reforms:** Government intervention to create a more favourable business environment for SMEs, especially in areas such as taxation and access to finance, could alleviate some of the challenges SMEs face and boost their operations in Edo State.

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