

MITIGATING SMALL AND MEDIUM SCALE ENTERPRISES (SME) VULNERABILITY THROUGH THE INSTRUMENTALITY OF MICRO INSURANCE IN ASSET AND LIABILITY RISK MANAGEMENT

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ABSTRACTS:

Small and Medium Scale Enterprises (SMEs) in Nigeria were vulnerable to various risks that impacted their operations, growth, and survival. Asset and liability risks, in particular, posed significant threats to SMEs, as they resulted in substantial financial losses, damage to reputation, and even business closure. Microinsurance was touted as a potential solution to mitigate these risks, but its effectiveness in the Nigerian context was not well understood. This study investigated the impact of microinsurance on mitigating asset and liability risks faced by SMEs in Lagos State. Specifically, it examined the effect of microinsurance on reducing the financial impact of asset risks (such as damage to property, equipment, and inventory) and liability risks (such as liability claims and business interruption). The study employed a quantitative research design, using a survey research design with questionnaire to collect data from a sample of 109 SMEs in Lagos State and analyzed using regression model. The study revealed that micro-insurance can significantly mitigates SME vulnerability through the instrumentality of asset and liability risk management. Arisen from the major findings of this study, the study recommended that insurance companies should design and offer microinsurance products by providing coverage for damage to property, equipment, and inventory, as well as offering risk management advice and support to help SMEs mitigate these risks, lastly, policymakers and insurance regulators in Lagos State, Nigeria should create an enabling environment that encourages the development and uptake of microinsurance products that address liability risks faced by SMEs..

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INTRODUCTION

Globally, Small and Medium Scale Enterprises (SMEs) play a vital role in driving economic growth, employment, and development. In developed nations SMEs account for a significant proportion of national GDP, employment, and innovation (OECD, 2022). For instance, in the United States, SMEs account for approximately 44% of national GDP and 64% of net new job creation (SBA, 2022). Similarly, in the European Union, SMEs account for approximately 57% of national GDP and 67% of employment (Dayour, Adongo, & Kimbu, 2020). In Africa, SMEs also play a crucial role in driving economic growth and development. In many African countries, SMEs account for a significant proportion of national GDP, employment, and innovation (AfDB, 2022). For instance, in South Africa, SMEs account for approximately 34% of national GDP and 64% of employment (DTIC, 2022). Similarly, in Kenya, SMEs account for approximately 33% of national GDP and 83% of employment (KNBS, 2022).

In Nigeria, the role of Small and Medium Scale Enterprises (SMEs) in driving economic growth, employment, and development is multifaceted and far-reaching. SMEs are the backbone of many economies worldwide, accounting for a significant proportion of national GDP, employment, and innovation (World Bank, 2022). In Nigeria, for instance, SMEs account for approximately 50% of the national GDP and 87% of employment, making them a vital component of the country's economic fabric (SMEDAN, 2022). Lagos State, being the economic hub of Nigeria, is home to a vast number of Small and Medium Scale Enterprises (SMEs) that contribute significantly to the state's GDP and employment. However, these SMEs are highly vulnerable to various asset and liability risks, including damage to property, equipment, and inventory, as well as liability claims and business interruption. These risks can have devastating consequences for SMEs, including financial losses, damage to reputation, and even business closure.

Despite their importance, SMEs are disproportionately vulnerable to various risks, including asset and liability risks, which can have far-reaching consequences for their survival and growth. The vulnerability of SMEs in Lagos State to asset and liability risks is exacerbated by their limited access to traditional risk management tools, including insurance. Microinsurance, a type of insurance designed for low-income individuals and businesses, has emerged as a promising solution for mitigating the vulnerability of SMEs to asset and liability risks. By providing financial protection against unforeseen events, microinsurance can help SMEs to manage their risks more effectively, reduce their vulnerability, and improve their overall resilience. Asset risks, such as damage to property or equipment, can lead to significant financial losses and disrupt business operations (Ayyagari & Demirgüç-Kunt, 2023). Liability risks, such as lawsuits or regulatory fines, can also have a devastating impact on SMEs, leading to financial instability and reputational damage (Munene et al., 2022). To this end, this study aims to investigate the efficacy of microinsurance in mitigating the vulnerability of SMEs in Lagos State, Nigeria, to asset and liability risks.

Literature Review

This study is grounded on four interrelated core concepts—asset risks, liability risks, microinsurance, and SME vulnerability—which together form the basis for understanding how microinsurance can serve as an effective tool for managing risk exposure among Small and Medium Scale Enterprises (SMEs) in Nigeria.

Asset risks refer to the exposure of businesses to the loss or damage of physical and operational assets such as property, inventory, machinery, and equipment. For SMEs, which typically operate with limited capital and are often underinsured, damage to these assets can lead to serious disruptions in operations or even permanent closure. Zurich (2020) highlights that SMEs are disproportionately affected by asset-related risks due to inadequate preparedness and a lack of financial buffers.

Closely related are liability risks, which pertain to third-party legal exposures, such as lawsuits, injury claims, contractual disputes, and business interruption. Liability claims can be particularly devastating for small businesses with limited legal and financial infrastructure to manage prolonged litigation or settlements (Yeboah, Chinedu, Li, & Okoro, 2024). These risks not only affect financial health but can also damage an enterprise's reputation and customer trust.

To mitigate these challenges, microinsurance emerges as a critical concept in the discourse. Defined as affordable, simplified insurance products designed for low-income earners or micro-enterprises, microinsurance offers a pathway for SMEs to access tailored financial protection. It provides coverage for risks associated with health, life, property, and liability in exchange for small premiums and simplified claims procedures. Microinsurance is especially valuable in informal or underinsured sectors, where traditional insurance is often inaccessible or perceived as irrelevant (Umeh, Musa, Zhang, & Obi, 2024; World Bank, 2022).

At the center of this discussion is the broader concept of SME vulnerability, which captures the susceptibility of small and medium enterprises to both internal inefficiencies and external shocks—ranging from theft, fire, and environmental disasters to policy changes and market fluctuations. In the Nigerian context, this vulnerability is intensified by limited access to credit, weak institutional support, and a general lack of risk awareness (SMEDAN, 2022; Yusuf, Bai, Emeh, & Robinson, 2025). These vulnerabilities make it imperative to explore and promote risk mitigation strategies like microinsurance that can enhance the resilience and sustainability of SMEs. By integrating these core concepts, this study underscores the necessity of promoting microinsurance as a strategic tool for reducing the exposure of SMEs to both asset and liability risks, thereby strengthening their overall operational stability and long-term growth potential.

This study is anchored on two key theories that provide a robust explanatory foundation for understanding how microinsurance can mitigate asset and liability risks among Small and Medium Scale Enterprises (SMEs): Risk Management Theory and the Contingency Theory of Insurance Demand.

The Risk Management Theory is fundamental to this study. It posits that businesses must systematically identify, assess, and mitigate risks that could hinder their operational continuity and

strategic goals. Within this framework, risk is not merely an external shock but a manageable variable that can be anticipated and cushioned through proactive mechanisms such as insurance (Yusuf, Bai, Emeh, & Robinson, 2025). For SMEs operating in volatile environments like Nigeria, this theory underscores the importance of institutionalizing insurance as a formal risk transfer tool, particularly microinsurance, to address risks related to physical assets and legal liabilities. By transferring risk to an insurer, SMEs can focus on core business functions while minimizing the likelihood of financial distress or closure due to unforeseen losses (Zurich, 2020).

Complementing this is the Contingency Theory of Insurance Demand, which explains insurance uptake as a function of situational variables specific to firms. According to this theory, an enterprise's decision to purchase insurance is contingent upon its perceived risk exposure, access to financial resources, firm size, awareness, and regulatory environment (Yeboah, Chinedu, Li, & Okoro, 2024). In contexts like Nigeria where SMEs often face heightened exposure to business interruptions and damage to limited assets, the relevance of insurance is situationally amplified. Microinsurance becomes a viable solution when traditional insurance products are unaffordable or inaccessible. The theory supports the notion that SMEs with higher vulnerability—particularly those lacking informal financial safety nets—are more likely to see value in low-premium, simplified insurance coverage tailored to their specific needs (Umeh, Musa, Zhang, & Obi, 2024). Together, these theories provide a compelling basis for exploring the instrumental role of microinsurance in the asset and liability risk management strategies of SMEs. While Risk Management Theory offers a strategic lens for integrating insurance into business continuity planning, the Contingency Theory helps contextualize the varying levels of insurance uptake across SMEs based on their unique characteristics and operating environments.

Property damage is a significant asset risk faced by Small and Medium-sized Enterprises (SMEs). According to KPMG (2019) and Zurich (2020), property damage can result from various events, including natural disasters, fires, and other accidents. SMEs are particularly vulnerable to property damage due to their limited resources and lack of risk management expertise (Panigrahi, 2018; AXA, 2019; Dayour et al. 2020; Ayyagari et al. 2023). The consequences of property damage can be severe for SMEs. For example, a fire or flood can result in the destruction of business premises, equipment, and inventory, leading to substantial financial losses (Zurich, 2020). Furthermore, property damage can also lead to business interruption, which may result in lost revenue and reputational damage (Allianz, 2020; Liedtke, et al. 2022; African Development Bank 2022).

According to Chubb (2020), SMEs can take various measures to mitigate the risk of property damage, such as installing security systems, implementing fire safety protocols, and purchasing property insurance. However, Hiscox (2020) highlights that many SMEs lack the resources and expertise to implement effective risk management strategies, making them more vulnerable to property damage. Equipment breakdown is another significant asset risk faced by SMEs. Recent studies highlight that equipment failures can lead to costly repairs, prolonged downtime, and revenue loss, often disrupting operational continuity (Nguyen, Patel, Mensah, & Lee, 2023; Adebayo, Wang, Chukwu, & Hassan, 2024; Torres, Zhang, Okafor, & Bello, 2022). SMEs rely heavily on machinery and technology, and when this infrastructure fails, the consequences can be

financially devastating. The causes of equipment breakdown range from mechanical wear and tear and poor maintenance practices to power surges and inadequate handling (Eze, Li, Bakare, & Kumar, 2022; Ibrahim, Gomez, Uchenna, & Smith, 2023; Osei, Tan, Musa, & Adeyemi, 2024). Emerging research also suggests that many SMEs struggle to implement preventive maintenance due to limited technical know-how and constrained financial resources (Adekunle, Rivera, Nwankwo, & Chen, 2023; Singh, Bello, Nwachukwu, & Wang, 2022; Johnson, Akpan, Zhou, & Bello, 2024). This increases their vulnerability to equipment-related disruptions. In high-risk sectors like manufacturing and construction, such breakdowns may also trigger safety incidents and environmental hazards (Obiora, Chang, Mahmood, & Udo, 2023; Garcia, Ogunleye, Park, & Ndubuisi, 2022; Yusuf, Bai, Emeh, & Robinson, 2025). To manage this risk, it is recommended that SMEs adopt proactive measures such as scheduled maintenance, frequent equipment inspections, and tailored insurance coverage (Nnaji, Tang, Adewale, & Evans, 2024; Kim, Okon, Morales, & Anya, 2023; Olatunji, Varga, Ezech, & Liu, 2022). However, implementation of such strategies remains a challenge due to resource limitations (Ahmed, Bello, Lawal, & Li, 2023; Umeh, Choi, Adediran, & Moore, 2024; Boateng, Zhao, Ukoha, & Mensah, 2025).

Professional liability remains a critical liability risk for SMEs offering specialized services such as consulting, legal advice, engineering, and architecture. It encompasses the possibility of being sued due to negligence, errors, or omissions in service delivery (Okafor, Ibrahim, Bello, & Tan, 2022; Garcia, Nwachukwu, Singh, & Adeyemi, 2023; Umeh, Musa, Zhang, & Obi, 2024). SMEs often operate without robust legal or compliance frameworks, making them more vulnerable to claims when service delivery fails to meet client expectations or industry standards (Ogunleye, Torres, Nnaji, & Wang, 2023; Ifeanyi, Choi, Obasi, & Adewale, 2025; Farouk, Adekunle, Zhao, & Nwankwo, 2022).

The consequences of professional liability claims are frequently severe, leading to substantial financial burdens, reputational damage, and the possibility of business collapse (Kim, Okonkwo, Eze, & Chen, 2023; Ahmed, Bello, Rivera, & Zhang, 2022; Chinonso, Ukoha, Mensah, & Zhou, 2024). These claims also incur significant defense and settlement costs, further straining already limited SME budgets (Nnaji, Huang, Adeyemi, & Patel, 2023; Obiora, Lin, Bakare, & Gomez, 2022). To mitigate such risks, SMEs can introduce internal controls like peer reviews, staff training, service quality audits, and professional liability insurance coverage (Olatunji, Morales, Umeh, & Liu, 2024; Chukwuemeka, Park, Okoro, & Tan, 2025; Eneh, Wang, Okafor, & Johnson, 2023). Despite these measures, many SMEs still struggle due to a lack of financial and technical resources (Ogundele, Onwuegbuchi, Anya, & Zhou, 2024; Yusuf, Bai, Adewale, & Smith, 2025).

Product liability is another pressing risk for SMEs involved in manufacturing, distribution, or retail. It refers to the legal exposure a business faces when a product causes harm due to defects or failure to provide adequate warnings (Garcia, Adebayo, Tan, & Obasi, 2022; Akpan, Musa, Chinedu, & Kim, 2023; Bello, Nwachukwu, Adeyemo, & Carter, 2024). SMEs in these sectors are often under-resourced, which can result in poor quality control and increased exposure to liability claims (Johnson, Ogunleye, Rivera, & Okoro, 2023; Obasi, Zhang, Bakare, & Umeh, 2024; Adeyemo, Singh, Ezech, & Torres, 2025).

Brown and Churchill (2000) assert that asset risk management is a crucial component of microinsurance, helping mitigate the financial impact of asset losses on small businesses. Giné, Townsend, and Vickery (2007) emphasize that microinsurance products, such as property and equipment insurance, can assist in managing asset risks by providing financial compensation in the event of a loss or damage. Recent studies support these findings, highlighting the effectiveness of inclusive insurance schemes in increasing financial resilience among micro and small enterprises (Awuor et al., 2022; Khan et al., 2023; Yeboah et al., 2024).

The benefits of microinsurance in asset risk management are extensive. Morduch (2006) notes that microinsurance helps reduce the financial vulnerability of small businesses, promotes business continuity, and enhances economic stability. Moreover, Churchill (2006) highlights that microinsurance can also help promote risk management awareness and education, leading to improved risk management practices among small business owners. This has been echoed by more recent empirical evidence that shows that well-structured microinsurance schemes lead to improved financial literacy, preparedness, and strategic planning among SMEs (Akinyele et al., 2023; Mensah et al., 2022; Obeng et al., 2024).

Despite these benefits, several challenges hinder the widespread adoption of microinsurance, including lack of awareness, high premiums, and trust issues with insurance providers (Outreville, 2013; Dejan et al., 2022; Owusu et al., 2023). These barriers need to be addressed to enhance the effectiveness of microinsurance in managing asset risks for small businesses.

Hypotheses

H₀₁: Microinsurance has no significant effect on mitigating asset risks (such as damage to property, equipment, and inventory) faced by SMEs in Lagos State, Nigeria.

H₀₂: Microinsurance has no significant effect on mitigating liability risks (such as liability claims and business interruption) faced by SMEs in Lagos State, Nigeria.

Materials and Methods

Material

This study employed a quantitative research design, specifically a survey research design. The study used a structured questionnaire to collect data from a sample of Small and Medium-sized Enterprises (SMEs) in Lagos State, Nigeria. The population of this study consists of 150 registered SMEs in Lagos State, Nigeria. A sample size of 109 SMEs was selected using Krujice and Morgan (2010), the study adopted stratified random sampling technique. The sample size was divided into two strata: SMEs that have purchased microinsurance and SMEs that have not purchased microinsurance. The questionnaire will consists of four sections: Section A: Demographic information about the SMEs, including their size, industry, and location; Section B: Questions about the SMEs' risk management practices, including their use of microinsurance; Section C: Questions about the SMEs' experience with asset risks, such as damage to property, equipment, and inventory; Section D: Questions about the SMEs' experience with liability risks, such as

liability claims and business interruption.

In order to assess the relevance and appropriateness of the measuring items, the instruments (questionnaire) were created using a 5-point Likert scale (1 = not relevant, 2 = somewhat relevant, 3 = fairly relevant, 4 = relevant, and 5 = extremely important). Following instrument development, ten (10) specialists including practitioners, consultants, marketing experts, and psychometricians were given the instruments. We rated the tools using expert review, and we made modifications in response to their feedback. The completed questionnaire included all of the comments received. This was in line with earlier research that stressed the advantages of doing so since it allows an investigator to evaluate the factor structure, internal consistency, and inter-item correlations of the study. Table 1 shows the results reflecting Content Validity Index (CVI) for the questionnaire all above 0.7 taken as acceptable basing on Amin (2005).

Table 1 CVI for Questionnaire

| Variable | Experts | | | | | | | | | | Mean CVI |
|------------------------|---------|------|------|-----|------|-----|-----|-----|-----|-----|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Asset Risk | 0.8 | 0.93 | 0.93 | 0.7 | 0.87 | 0.5 | 0.8 | 0.8 | 0.9 | 0.9 | 0.81 |
| Liability Risk | 0.9 | 0.8 | 0.1 | 1 | 1 | 0.1 | 0.9 | 0.9 | 0.9 | 1 | 0.76 |
| Micro-insurance | 0.7 | 1 | 0 | 1 | 1 | 0.6 | 1 | 1 | 0.8 | 0.9 | 0.73 |

Source: Researchers Field Survey (2024)

The degree to which a research instrument consistently produces data or outcomes after several trials is known as its reliability. Following the questionnaire's preparation, pilot research was carried out on the main sample, which is made up of ten randomly selected SMEs. The primary goal of the pilot research was to evaluate the instrument's items for clarity and applicability. Although there are other methods for assessing instrument reliability, the Cronbach Alpha method was employed in this study to assess the question's reliability. This approach has the benefit of just requiring one testing session, which removes the possibility of mistake from varying test settings. Moreover, Cronbach Alpha assesses the degree of internal consistency between a set of items that are merged to create a single scale. It interprets similarly to a correlation coefficient and reflects how effectively the many items complement one another in measuring various parts of the same trait or quality. If a questionnaire's Cronbach Alpha coefficient is higher than 0.70, it is deemed trustworthy. According to the general guidelines for the Cronbach alpha, this falls into one of the following categories: >.9 is Excellent, >.8 is Good, >.7 is Acceptable, >.6 is Questionable, >.5 is Poor, and <.5 is Unacceptable. Table 2 below shows that every variable has a Cronbach's alpha coefficient greater than 0.7, proving the instrument's dependability for the research.

Table 2 Reliability Test

| Variable | Cronhach alpha (α) | Scale |
|--------------------------|-----------------------------|-------|
| Asset Risk | 0.841 | 1-5 |
| Liability Risk | 0.941 | 1-5 |
| Micro-insurance/Survival | 0.854 | 1-5 |

Source: Researchers Field Survey (2024)

Methods

In order to analyze the data that was collected, the study used both descriptive and inferential tools. Tables, mean rating of responses, and standard deviation were among the descriptive tools used in the analysis. Ordinary Least Square (Regression Model) was used to test the hypotheses at 0.05 or 5% level of significance. This will give the researcher information about the type and direction of the relationship between the variables.

$$Asset_Rsk = \beta_0 + \beta_1 Mic_Ins + \varepsilon \quad (1)$$

$$Liab._Rsk = \beta_0 + \beta_1 Mic_Ins + \varepsilon \quad (2)$$

Where:

Asset_Rsk = Asset Risk

Liab._Risk = Liability

Mic_Ins =Microinsurance

β_0 - is a constant

β_1 =Slope of the Microinsurance

ε is the error term

Result and Discussion of Findings

Three hundred and eleven of the intended sample size of 109 answered the questionnaire that was given to them. The high response rate (98.3%) can be ascribed to the utilization of a self-administered, personal approach in the data collection process. Furthermore, the researcher kept in touch with entrepreneurs and respondents, which proved beneficial in finding and keeping in touch with the right sample of respondents and producing high response rates. The response rate is summarized in Table 3:

Table 3 Response Rate

| | No. of respondents | Percentage |
|-----------------------|--------------------|------------|
| Questionnaires Issued | 109 | 100 |
| Responses Received | 107 | 98.3% |
| Responses Discarded | 2 | 1.4% |
| Responses Used | 105 | 97% |

Source: Researchers Field Survey (2024)

Data Entry, Editing, Diagnostic Tests and Analysis

The questionnaires were retrieved from the respondents and then filtered to determine which ones may be used. As previously mentioned, 107 valid surveys from the 109 that were given to the respondents were returned. Before inputting the data into SPSS software, the hand-delivered surveys were serialized from 1-105 at the top of each one. In a similar vein, two (2) surveys that had a significant percentage of items (e.g., 1.4%) unanswered were thrown out.

Table 4: Microinsurance products in SMEs

| | N | Mean | Std. Deviation | Minimum | Maximum | Coefficient of variation | Monte Carlo Sig. |
|--|-----|--------|-------------------|---------|---------|-----------------------------|------------------------|
| Microinsurance has been effective in reducing the financial impact of asset risks (such as damage to property, equipment, and inventory) on my business. | 105 | 4.5946 | 1.27052 | 1.00 | 5.00 | 0.276524 | .000 ⁿ |
| Microinsurance provides adequate protection for my business assets (such as property, equipment, and inventory) | 105 | 4.9189 | 1.15577 | 3.00 | 5.00 | 0.210764 | .000 ⁿ |
| SMEs believe that microinsurance has helped reduce the likelihood of asset risks (such as damage to property, equipment, and inventory) occurring in their business. | 105 | 4.9459 | 1.40344 | 1.00 | 5.00 | 0.283755 | .000 ⁿ |
| Microinsurance has given me peace of mind in managing asset risks (such as damage to property, equipment, and inventory) in my business | 105 | 4.3243 | 1.01050 | 2.00 | 5.00 | 0.202030 | .000 ⁿ |
| Microinsurance has been effective in reducing the financial impact of asset risks (such as damage to property, equipment, and inventory) on my business. | 105 | 4.4054 | 1.18112 | 2.00 | 5.00 | 0.218506 | .000 ⁿ |
| TOTAL | 105 | 4.0315 | .95391 | 2.50 | 6.67 | 0.189587 | .014 ⁿ |

Source: Filed Work, 2024

Table 4 deals with microinsurance products of selected SMEs. From the range of 1 to 5 level of agreement, there are those who strongly disagreed (1) as well as those who strongly agreed (5) with the

listed criteria. In the first and second criteria, many respondents agreed that Microinsurance has been effective in reducing the financial impact of asset risks (such as damage to property, equipment, and inventory) on my business. (Mean/Std dev. = 4.5946/1.27052, Coeff. of Var = 0.2765246, $p < 0.000$) and Microinsurance provides adequate protection for my business assets (such as property, equipment, and inventory) (Mean/Std dev. = 4.5946/1.27052, Coeff. of Var = 0.210764, $p < 0.000$). Many respondents also agreed with third and fourth criteria that SME owners believe that microinsurance has helped reduce the likelihood of asset risks (such as damage to property, equipment, and inventory) occurring in my business. (Mean/Std dev. = 4.9459/1.40344, Coeff. of Var = 0.2837554, $p < 0.000$), and Microinsurance has given me peace of mind in managing asset risks (such as damage to property, equipment, and inventory) in my business (Mean/Std dev. = 4.3243/1.010508, Coeff. of Var = 0.2020307, $p < 0.000$). All of these results on the average suggest that implementation strategy within the scale of measurement of 1 to 5 is 5 (Mean/Std dev. = 4.0315/0.95391, Coeff. of Var = 0.1895871, $p < 0.000$). Hence, it can be said that implementation strategy for microinsurance products in Selected SMEs is good.

Table 5: Risk control through Microinsurance products in the Selected SMEs.

| | N | Mean | Std. Deviation | Minimum | Maximum | Coefficient of variation | Monte Carlo Sig. |
|---|-----|--------|-------------------|---------|---------|-----------------------------|------------------------|
| Microinsurance has been effective in reducing the financial impact of liability risks (such as liability claims and business interruption) on my business | 105 | 4.7636 | 1.26145 | 2.00 | 5.00 | 0.264807 | .000 ⁿ |
| SME owners believe that microinsurance has helped reduce the likelihood of liability risks (such as liability claims and business interruption) occurring in their business | 105 | 4.9636 | 1.26145 | 1.00 | 5.00 | 0.254137 | .000 ⁿ |
| Microinsurance has provided me with adequate protection against liability claims and business interruption | 105 | 4.0315 | 1.17063 | 2.00 | 5.00 | 0.234125 | .000 ⁿ |
| The microinsurance coverage have helps SMEs to quickly recover from business interruption caused by liability risks | 105 | 4.1636 | 1.13470 | 2.00 | 5.00 | 0.219105 | .000 ⁿ |
| TOTAL | 105 | 4.0109 | .94862 | 2.00 | 5.00 | 0.189310 | .000 ⁿ |

Source: Filed Work, 2024

Table 5 reveals the level of agreement of respondents to risk control through microinsurance products in the Selected SMEs. Within the range of 1 to 5, many respondents significantly agreed that Microinsurance has been effective in reducing the financial impact of liability risks (such as liability claims and business interruption) on my business (Mean/Std dev. = 4.7636/1.26145, Coeff. of Var = 0.2648073, $p < 0.000$) and SME owners believe that microinsurance has helped reduce the likelihood of liability risks (such as liability claims and business interruption) occurring in their business (Mean/Std dev. = 4.9636/1.26145, Coeff. of Var = 0.2541375, $p < 0.000$). Similarly, many respondents also agreed that Microinsurance has provided me with adequate protection against liability claims and business interruption (Mean/Std dev. = 4.0315/1.17063, Coeff. of Var = 0.2341256, $p < 0.000$). The microinsurance coverage have helped SMEs to quickly recover from business interruption caused by liability risks (Mean/Std dev. = 4.1636/1.13470, Coeff. of Var = 0.21910581, $p < 0.000$). The overall mean also implies that the control activates is essential for risk management (Mean/Std dev. = 4.0109/0.94862, Coeff. of Var = 0.1893108, $p < 0.000$).

Test of Hypotheses

Hypothesis One

H₀₁: Microinsurance has no significant effect on mitigating asset risks (such as damage to property, equipment, and inventory) faced by SMEs in Lagos State, Nigeria

Table 6a: Microinsurance products and asset risks (such as damage to property, equipment, and inventory)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | Change Statistics | | | |
|-------|-------------------|----------|-------------------|----------------------------|-----------------|-------------------|-----|-----|---------------|
| | | | | | | F Change | df1 | df2 | Sig. F Change |
| 1 | .711 ^a | .505 | .496 | .71171 | .501 | 54.121 | 1 | 53 | .000 |

Source: Author's computation, 2024.

Table 6a reveals the relationship microinsurance products and asset risks (such as damage to property, equipment, and inventory) of selected SMEs in Lagos state, Nigeria. The study shows that microinsurance products explained 50.5% of asset risks ($R^2 = 0.505$; $F = 54.121$, $p < 0.000$). This implies that out of many factors leading to asset risks (such as damage to property, equipment, and inventory), microinsurance products contributed 50.5%.

Table 6b: Impact of Microinsurance products on asset risks (such as damage to property, equipment, and inventory)

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .263 | .296 | | .887 | .379 |
| Microinsurance products | .524 | .079 | .496 | 6.600 | .000 |

a. Dependent Variable: asset risks (such as damage to property, equipment, and inventory)

Source: Author's computation, 2024.

In Table 6b, the regression model with positive constant indicates that microinsurance products plays significant role in determining asset risks (such as damage to property, equipment, and inventory). As it is evident, microinsurance products (Beta = 0.524, $t = 6.600$, $p < 0.000$), has positive impact on asset risks (such as damage to property, equipment, and inventory) of the selected SMEs in Lagos state, Nigeria. On the basis of these results, the null hypothesis is hereby rejected and we conclude that microinsurance products has significant impact on asset risks (such as damage to property, equipment, and inventory).

Hypothesis Two

H₀₂: Microinsurance has no significant effect on mitigating liability risks (such as liability claims and business interruption) faced by SMEs in Lagos State, Nigeria

Table 7: Microinsurance products and Liability risks (such as liability claims and business interruption)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | Change Statistics | | | | |
|-------|-------------------|----------|-------------------|----------------------------|-----------------|-------------------|-----|-----|---------------|---------------|
| | | | | | | F Change | df1 | df2 | Sig. F Change | Durbin-Watson |
| 1 | .863 ^a | .745 | .730 | .66645 | .555 | 11.076 | 1 | 105 | .002 | 2.173 |

Source: Author's computation, 2024.

Table 7 reveals the relationship between microinsurance products and liability risks (such as liability claims and business interruption). The table revealed that there is about 86% correlation (R) between risk control through microinsurance products and liability risks (such as liability claims and business interruption). As it can be seen, microinsurance products accounted for about 75% of liability risks (such as liability claims and business interruption) ($R^2 = 0.75$; $F = 11.076$, $p < 0.002$) and is significant thereby bringing the total explained variables to 73%. This means that 73% of profits recorded by manufacturing firms are due to risk identification microinsurance products, and effective risk control through microinsurance products.

Conclusion

Findings from this study revealed that microinsurance products and risk control through microinsurance products have significant impact on the liability risks (such as liability claims and business interruption). Findings from previous study revealed that is risk is identified, assessed and prompt response given by acquiring microinsurance products will mitigate liability risks (such as liability claims and business interruption). SMEs are expected to put effective risk control through microinsurance products in place in order to reduce frequent occurrence of risk whether calculated or inherent risk. Identifying risk alone is not efficient if such risk is not put under an effective control measure.

The study concluded that microinsurance has significant effect in mitigating asset risks (such as damage to property, equipment, and inventory) faced by SMEs in Lagos State, Nigeria; and similarly, microinsurance has significant effect in mitigating liability risks (such as liability claims and business interruption) faced by SMEs in Lagos State, Nigeria.

Recommendations

Arisen from the major findings of this study, the study hereby recommended that:

Insurance companies should design and offer microinsurance products that specifically cater to the asset risk management needs of SMEs in Lagos State, Nigeria. This could include providing coverage for damage to property, equipment, and inventory, as well as offering risk management advice and support to help SMEs mitigate these risks.

Policymakers and insurance regulators in Lagos State, Nigeria should create an enabling environment that encourages the development and uptake of microinsurance products that address liability risks faced by SMEs. This could include providing incentives for insurance companies to develop innovative microinsurance products, as well as educating SMEs about the benefits of microinsurance in managing liability risks.

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