Implications of Business Resilience on Financial Sustainability of Small and Medium Scale Enterprises (SMEs) In Nigeria

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ABSTRACT

Business resilience includes the capacity of an enterprise to adapt and adjust to a new environment and new circumstances. This study examines implications of business resilience on financial sustainability of small and medium scale enterprises (SMEs) in Nigeria. Hence, product diversification and market diversification (exploration of new market) are used as the elements or strategies of business resilience, while net profit margin measures the financial sustainability of SMEs. A sample size of 327 registered SMEs was purposively selected from a cluster of population of 1794 registered SMEs across different economic sectors in Ogun State. Questionnaire was used as a method of primary data collection, designed on a 5-point Likert scale system and were analyzed using a simple regression statistic enabled by SPSS version 22. Findings from the study revealed that market diversification element has a more significant impact on net profit margin of SMEs financial sustainability than product diversification with coefficients of $\beta_1 = 0.187$ *and* $\beta_2 = 0.742$ *respectively at p-value<0.000 at 5% level of significance. It was concluded that both product diversification and market diversification are significant resilience factors that enables SMEs financial sustainability through a positive net profit margin and thus could assist operators to adapt into new business environment created by the current economic contingencies. Hence, market diversification is more resilient in promoting operators' net profit margin towards achieving financial sustainability than product diversification. It is therefore recommended that government should provide enabling environment for SMEs by providing positive economic policies that will guarantee financial sustainability towards ensuring business survival and sustaining their net profit margin during and after this current economic turbulence.*

Keywords*: Business Resilience, Product Diversification, Market Diversification, SMEs' Financial Sustainability, Net Profit Margin.*

1.0 INTRODUCTION

1.1 Background to the Study

Considering the situation of the Nigerian economy where costs of running businesses are unstable and uprising each day with the government feeling unconcerned towards creating a friendly business environment that would encourage businesses, particularly small and medium scale enterprises (SMEs) at running profitable ventures. As a result, many of these SMEs are left with no choice than closing down because of the high costs of running their businesses whereby some of them are operating at losses; even the few ones in business are exposed to a lot of risk, inadequate access to credit facilities, high interest charge on finance, stiff competition, low demand from customers and poor sales due to hike in prices of goods sold alongside many other factors. In view of these challenges, small businesses need to be resilient in their approach to running businesses in this current tough economic situation in Nigeria. Therefore, an average SMEs operator must be self-determined, intelligent, focused and risk-averse in order to record a reasonable level of success.

SMEs are mainly private enterprises owned and controlled by individuals with responsibility of producing goods or rendering services in order to make profit. According to Sanusi, Egunjobi and Oladeji (2019), SMEs are economic and commercial activities which can be found in almost all sectors of the economy of any country, particularly in Africa. Small-scale enterprises represent those businesses whose operators are innovative in their ideas, integrate business resources, enthusiastic and determined, systemic and flexible, strategic and futuristic, transformative and productive (result-oriented) and calculative in terms of risk assessment. It must be understood that businesses classified under SMEs vary from one country to another, and across the world. Sanusi, Egunjobi and Oladeji (2019) stated that the predominant criteria in identifying and classifying SMEs across the globe include size of capital employed, staff strength, level of sales turnover and value of assets (Oladimeji & Muhammed, 2017; Ezeh, 1999). In terms of the strength or number of employees, Ojeka and Mukaro, (2011) described SMEs as one having between 50 and 100 employees, while others have less than 200 employees (Oladimeji & Muhammed, 2017).

In Nigeria, small-scale enterprises as defined by SMEDAN (2005) include businesses with ten to forty-nine people with annual turnover of five to forty-nine million naira, however medium-scale enterprises as those with fifty to one hundred and ninety-nine employees having a turnover of fifty to four hundred and ninety-nine million naira per annum (Sanusi, Egunjobi & Oladeji, 2019). Oladimeji and Muhammed (2017) wrote that the Federal Government of Nigeria in 1990 considered the need for commercial loan as important criterion, thus defined small-scale enterprises as those businesses that have capital invested not more than #2million (excluding cost of land) or a minimum of #5million (Aremu & Adeyemi, 2011).

1.2 Statement of the Problem

Little is known from the literatures about the challenges and the strategies that could be adopted by small and medium-scale enterprises (SMEs) for sustainability in responding to the current economic situations in Nigeria. SMEs are mainly private enterprises owned and controlled by individuals with responsibility of producing goods or rendering services in order to make profit (Sanusi, Egunjobi & Oladeji, 2020). Besides, many descriptions and definitions of SMEs have been given from the literatures, unfortunately, it is doubted if these opinions about SMEs according to staff strength, value of assets, capital employed and sales volume can still hold water or remain the same specifically in the current economic realities in the country where naira is devalued, purchasing power is next to zero, prices of goods or services is unstable, inflation rate is fast increasing each day, and the interest rate is above the roof. Therefore, due to the complexity of current business environment, social and economic challenges across all economic sectors, unemployment and sudden job cuts, supply chain disruption, de-globalisation and economic lockdown; there is need to embark on this study in order to improve on previous research findings and thus unlock the possible strategies that could be adopted by SMEs operators in Nigeria to remain resilient, competitive and sustain the current economic turbulent, thereby focusing on product diversification and market diversification elements towards achieving value creation for SMEs sustainability at this critical time.

1.3 Objectives of the Study

The main objective of this study focuses on the impact of business resilience on SMEs' financial sustainability in Nigeria. Specific objectives of the study are to:
(i) examine the impact of product diversification element on net profit margin of SMEs in Nigeria.
(ii) examine the impact of market diversification element on net profit margin of SMEs in Nigeria.

1.4 Research Questions

Below are the research questions:
(i) What is the impact of product diversification element on net profit margin of SMEs in Nigeria?
(ii) What is the impact of market diversification element on net profit margin of SMEs in Nigeria?

1.5 Research Hypotheses

Ho_1: There is no significant impact of product diversification element on net profit margin of SMEs in Nigeria.
Ho_2: There is no significant impact of market diversification element on net profit margin of SMEs in Nigeria.

2.0 LITERATURE REVIEW

2.1 Review of Conceptual Literature

The current economic situation in Nigeria today is having an unprecedented impact on the way small and medium-scale businesses operate; however, the unpredictability of the economy has provided SMEs operators the opportunity to have a renewed thinking on their purposes, values and new ways of doing things around their businesses. This new way of doing business by the small business operators amidst multiple simultaneous challenges in order to resist, adapt, survive and maintain routine basic services during these challenges and gain balance after such hurdles, as if nothing had happened can be referred to as resilience. Hearnshaw and Wilson (2013) contended that resilience refers to the ability of an organisation to perform its functions and return to a stable state after major disturbance taking into consideration during and after the unpleasant situation. In other words, resilience can be said to be a reinstatement of an organisation or an enterprise to a steady state or condition after the experience of economic imbalances as if it were not occurred.

According to McAslan (2010), resilience is about ensuring that an enterprise is still able to achieve its core objectives in the face of adversity, before and after. Resilience suggests concepts of awareness, detection, communication, reaction, recovery and the willingness and capacity to adapt to changing situations. Businesses can become resilient to challenging risks or attacks by absorbing disturbances, overcome stress through resistance or adaptation; perform its usual business functions during and after the attack. This absorption or adaptation becomes possible through better innovation and creativity (Maguire & Cartwright, 2008). From this viewpoint, resilience involves a rejection of the status quo or a return to the pre-event situation which may leave the organisation to next equally vulnerable attack. Hence, Hamel and Valikanga (2003) opined that resilience is the ability to dynamically reinvent business models and strategies as circumstances around the business change.

At this time in Nigeria, businesses need to be prepared by building resilience in order to withstand any vulnerability or unforeseen attacks that may befall them during this economic crisis. Connell (2011) stated that recovery from crises is never entire and complete, particularly in SMEs due to their resource constraints and relatively weak market positions (Hong & Li, 2012; Corey & Deitch, 2011). In other words, few SMEs could survive the current economic crisis because they are prepared while others failed outrightly due to unpreparedness, competition, lack of innovativeness, new technologies, legislative requirements or government laws. Conversely, business resilience is advantageous to organisations and SMEs at large; it increases awareness of an organisation within its operating environment, ability to respond swiftly to threats or challenges, assists enterprises to identify its vulnerabilities, afford organizations multiple capabilities and thus empower entrepreneurs to set priorities towards realizing business continuity and emergency management planning aiming at sustainable future (McManus, 2008).

The World Council for Economic Development (WCED) defined sustainability as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In this sense, sustainability can be regarded as an approach to creating true and real value to the systems and resources upon which that value depends on. In his own idea, taking this further, business sustainability can be said to be a process of analysis and decision making across business functions, obtained through a committed and clear understanding of transitions that may occur in the present or the future. According to Nidumolu, Pralahad and Rangaswami (2009) and Willard (2012), sustainability may become an integral part of the business strategy and operations only if the company overcomes the different challenges at each stage of the process for sustainability and develop new capabilities to tackle these challenges. Nidumolu, Pralahad and Rangaswami (2009) proposed five stages process of sustainability which are compliance, sustainable value chain, design of sustainable goods and services, development of new business model and creation of next-practice platforms.

Furthermore, business sustainability is about ensuring that the business does not lack the required resources (whether human or material) it needs in order to thrive. In other words, business sustainability is when a business does not only take a short-term view of profit, but also a long-term approach operating in such a way that it is profitable now and, in the future, even though it may not be maximizing its profits) because it is using its resources well, has hedged its risks and can take any shocks that may occur. Sustainability is the ability of a system to maintain a well-defined level of performance over time and if required, to enhance output without damaging the essential ecological integrity of the system. In all, the concept of sustainability focuses on developmental efforts that are aimed at protecting the health and the environment of the future generations in such a way that will not frustrate the ability to meet their own needs.

The Concept of Product Diversification

Product diversification can be referred to as the addition of new products to existing products either being manufactured or being marketed (Njuguna, Kwasira & Orwa, 2018). This concept can also be defined as the development of a firm beyond the present product and market, but inclusive of the broad confines of the industry value chain (Oyedijo, 2012). Product diversification could also mean a strategy for small and medium enterprises to expand their operations in order to maximize their profits. Hence, product diversification can be classified into related and unrelated (Kim *et al*., 2009). According to Thompson et al. (2005), related product diversification is a strategy involving businesses whose value chains competitively cut across other businesses having almost the same strategic value chain. This idea is buttressed by Marangu, Oyagi, and Gongera (2014) that the strategic fits exist whenever value chain activities of different businesses are sufficiently similar to that of the present opportunities of the diversifying firms.

Collins and Montgomery (2008) further explained that related product diversification involves building shareholders' value by capturing cross business strategic fits. In other words, related diversification represents the opportunities of a subsidiary business that benefits from access to core competencies of the parent company (Pearce & Robinson, 2010). For this reason, related diversification becomes favourable to most companies mainly to allow them explore synergies such as transferring valuable expertise, technological knowhow, or other capabilities from one business to another. Meanwhile, synergies is the combination of related activities of separate businesses to achieve lower costs, exploiting common use of a well-known brand name and cross-business collaboration so as to create competitively valuable resources, strengths and capabilities; use of common sales force to call on customers, advertising related products together and joint delivery (Njuguna, Kwasira & Orwa, 2018).

Johnson and Scholes (2005) contended that unrelated diversification is the pursuit of opportunities beyond the present product and market base of a firm outside the present industry. Unrelated diversification strategy is an important component of the strategic management of a firm, and the relationship between a firm's diversification strategy and its economic performance a considerable interest to managers and academicians (Kotler & Armstrong, 2008). Businesses are said to be unrelated when their value chain are not similar, hence no competitive valuable cross-business relationships exist.

An unrelated diversified company has, under a single corporate umbrella, more than one business unit which operate their activities in different industries. Different from related diversification, unrelated diversification has no value chain similarity with existing companies or firms with no real potential available for transfer of skills, technology or other resources from one business to another. Many small business firms may decide to diversify into industries or businesses that have good profit opportunities (Thompson, Strickland & Gamble, 2005). In most cases, firms that pursue unrelated diversification always acquire an established company rather than forming a subsidiary.

Concept of Market Diversification

Market diversification is simply a strategy of selling existing products in new markets. It could include exporting goods to overseas markets or selling to a new market segment.

Concept of Financial Sustainability

Finance theory explained financial sustainability as the provision of financial independence (Rymanou, 2010). It is the ability of an organization to operate with a positive net income and growing net asset after deducting its total liabilities from its total assets (Nalwoga, 2021). Financial sustainability is an interaction between the economic and financial positions of an organization towards maintaining a foreseeable future by creating, allocating and utilizing available funds.

In Nigeria, SMEs need financial sustainability because many of them lack financial strengths to withstanding the current economic imbalances, as a result could not cater for their short-term business demands and commitment due to lack of adequate funding. Akeel et al. (2019) stated that financial sustainability is the potential of a firm to manage its short-term and long-term financial capability while offering the required level of service delivery. In this regard, financial sustainability should assess the financial status of small businesses. In this study, financial sustainability refers to the financial strength of SMEs or the position of net assets of SMEs available to cater for their short-term obligations as at when needed. In all, this study views that SMEs in Nigeria should have adequate finance and working capital to manage their businesses and thus remain resilience in these current unfavourable economic conditions that are bewailing the country.

2.2 Theoretical Framework

In view of the research constructs under study, the following theories which are relevant to the study are outlined below:

(i) Lewin's Theory of Complexity

Lewin's theory of Complexity was introduced by Lewin, in 1943 explaining the resilience process. The theory suggested that humans are organisms that can interact and make decisions involving change in multiple ways. A result of the interaction between them mutually affects one another. According to the theory, corporate leaders need to adapt their people and organizations accordingly to ensure corporate sustainability. Considering the resilience practice, the complexity theory explained that corporate leaders should prepare their organizational members for changes and transform them into interactive agents to encounter with emergent problems and issues. Put differently, this theory advocated that organizations' members are adaptive agents in complex systems are medium of information and knowledge transmission. Moreover, it is believed that accumulation of information and knowledge by individual members of organization through learning can lead to organizational development by increasing organizational capacity to deal with challenges from internal and external environment, thereby enhancing corporate sustainability. This theory is relevant to this study since it will enable SMEs operators in Nigeria to understand the current emerging economic problems and how they affect their businesses, hence tackle them to achieve sustainable operations.

(ii) Knowledge Management Theory

As a virtue underlying the Sufficiency Economy philosophy, sharing can be considered as an act to give and receive (Belk, 2010). It is related to passing on feelings, experiences, ideas, or knowledge (John, 2013). In the corporate sustainability context, sharing primarily means sharing knowledge internally among organizational members and externally with stakeholders (Kantabutra, 2019). In the literature on sustainable enterprise, Avery (2005) contended that knowledge sharing is a must, as it leads to organizational innovation. Like in any other sized sustainable business, innovation drives sustainable competitive advantage for SMEs (Taneja, Pryor & Hayek, 2016).

At times, revolutionary thinking via knowledge sharing is needed to achieve innovation, although innovation can also be achieved through the way through which a business executes its strategies. With the strategies, small businesses should integrate sustainability with their framework of strategic planning (Taneja, Pryor & Hayek, 2016) to align economic, environmental and social value for future generations. In successfully executing the strategies, knowledge exchange within an organization and outside the organization with external stakeholders is unavoidable.

Internal knowledge sharing, as an interactive process demanding knowledge, experiences, and skills of organizational members, assists corporate leaders to identify best practices, and promotes new ideas and organizational learning (Cummings, 2004). In theory, managing knowledge leads to the integration of multidisciplinary knowledge (Demsetz, 1991). When Knowledge-based theorists mention the word “knowledge”, they mainly mean implicit knowledge held in employees’ heads, extremely unique and difficult to imitate or acquire as it is firm-specific, experience based and part of unique corporate processes and routines. Therefore, implicit knowledge, if well managed, leads to long-term, sustainable competitive advantage.

(iii) Dynamic Capability Theory

Dynamic Capabilities theorists (Eisenhardt & Martin, 2000) emphasized that an enterprise needs to always renew its external and internal knowhow and competencies in response to the often-abrupt environmental changes (Barreto, 2010) to maintain its own sustainable competitiveness. As explained by the knowledge management theory (Tzortzaki & Mihiotis, 2014), new knowledge is to be developed via deliberate sharing of knowledge within and between enterprises, and with external stakeholders (Tzortzaki & Mihiotis, 2014). By doing so, corporate efficiency is improved, positively affecting industry position as the sharing enterprises work more intelligently in the industry. Knowledge enterprises enhance communication and synergy between knowledge workers. They ensure these knowledge workers whom they view as assets stay to continue to contribute to corporate success.

2.3 Review of Related Empirical Literatures

Ayala and Manzano (2014) empirical study tested the hypothesis that the resilience of an entrepreneur is correlated with the growth of their business, and finds a positive association. They find that resilience has predictive validity, and that entrepreneurs that score highly for resilience characteristics are likely to run successful business that grows over time. This changes with the work of Powell and Baker (2011) who argued that an SME’s resilience is strongly correlated with its resourceful behaviours, which they define as actions that ensure the best use of limited resources, and which are shaped by the commitment of the leader to the business and its success.

Conz, Denicolai and Zucchella (2017) found that SME resilience is linked to the ability of the leader to select and implement a range of strategies, depending upon the environment and circumstances they encounter. While sticking to one strategy can minimize risk in stable times, in a turbulent environment, the ability to be flexible and to adapt the strategy offers the organisation the best chance of survival. Strategic diversity is thus advanced as the key to SME resilience.

Bamiatzi and Kirchmaier (2012) attributed resilience in small businesses to a tendency for their leaders to respond to challenging trading environments by embracing higher risk strategies like product innovation rather than the more prosaic retrenching approaches. Baron and Markman (2000) pointed to the influence of the social capital and social skills of the leader in influencing the success of entrepreneurial businesses. Social capital is the actual and potential resources individuals obtain from knowing others, being part of a social network with them, or merely from being known to them and having a good reputation’ and it is underpinned by social skills, including the ability to read others, and to impress and influence them. It is the combination of social capital and social skills in the leader that is crucial in influencing business success, because while social capital is likely to deliver contacts and opportunities, social skills shape ongoing relationships which are key to business success.
Fisher, Maritz & Lobo (2016) found that entrepreneurs exhibit high levels of resilience compared to the general population, and that resilience is a predictor for entrepreneurial success at the individual level. However, they find no significant relationship between individual resilience and business success. For Bernard and

Barbosa (2016) resilience is a process that occurs in some individuals rather than a trait present in them. On their account, the resilience process unfolds over time, often provoked by a traumatic event early in life, and encouraged by interactions with others as the individuals strive to overcome the trauma. Eventually, the resilience process itself can become a trigger for the individual's entrepreneurial ambitions. In this way, resilience is presented as a precursor of entrepreneurship, indeed the authors talk of 'those resilience mechanisms that may potentially contribute to the transformation of a difficulty or a displacement into an entrepreneurial act' (Bernard & Barbosa, 2016). This notion offers a fresh perspective on the relationship between an organisation's resilience and that of its leader, with the contention that resilient individuals are naturally inclined towards entrepreneurial endeavour. This resonates with the work of De Vries and Shields (2006) who identify flexibility, motivation, perseverance and optimism not as traits, but rather as behavioural patterns which result from life experiences. They asserted that these behaviours are present in entrepreneurs, underpinning their personal resilience but also 'the propensity for resilience in their business activity. In this way, the link between the individual resilience of the entrepreneur and the resilience of their organisation is advanced.

Phung and Mishra (2016) did a study on the impact of corporate diversification on firm performance of listed companies in Vietnam over a period between 2007 and 2012. The findings revealed that corporate diversification had a negative effect on the firm performance. Further, the findings also revealed that lack of a corporate governance system which is efficient may encourage firms to follow diversification strategies which would impair the firm's performance.

George and Kabir (2008) investigated on the relationship between corporate diversification and performance of 607 Indian firms listed on the Bombay Stock Exchange revealed that, at first sight, diversification strategies of firms appeared to lower firm performance. The result supported prior studies documenting a 'diversification discount'. However, when the authors turned their attention to distinguishing features like the organizational structure and corporate governance of these firms, the results revealed that diversification strategies of independent firms significantly lowered the firm profitability whereas those of firms that were affiliated to business groups had an insignificant impact on firm performance. The results indicated that performance as measured in terms of turnover growth, net profit, return on sales, return on equity and return on assets increased in line with increase in diversification from 2000 to 2004.

Findings of a study by Jung and Chan-Olmsted (2005) on media conglomerates revealed related product and international diversification contributed to better financial performance of the media conglomerates. The researchers also noted that excessive diversification which led to high degree of unrelated diversification would decrease the performance.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The study examined the relationship between business resilience and financial sustainability of small and medium scale enterprises (SMEs) in Nigeria. The study is quantitative in nature and therefore adopted the survey research design. This method provided answers to the formulated research questions; hence a cross sectional survey was used because the target respondents (SME Operators) were dispersed across different economic sectors in Ogun State.

3.2 Population

The population of the study consists of the total 1794 registered SMEs in Ogun State (SMEDAN, 2013). This population figure comprises a registered number of 1690 small enterprises and a registered number of 104 medium enterprises in Ogun State, being the latest statistics specified on Small and Medium Enterprises Development

Agency of Nigeria (SMEDAN website, pg. 39). Moreover, the study considered in its selection, SMEs from various economic sectors such as agriculture, real estates, hotel and hospitality, education, food and beverages, manufacturing and construction, wholesale and retail, private oil and gas, transport and tourism, information and communications, private banking and insurance, arts, entertainment and recreation, as well as human health and social work sector and other services. However, the study is limited to Ogun State as a relevant representation of the entire Nigeria State since the entire population frame would be too large for the study and for the purpose of data control.

3.3 Sample Size and Sampling Procedure

The sample size is 327 target respondents selected from the entire population size. This sample size was determined using a Taro Yamane's sample size determination method. The study adopted a non-probability cluster sampling because the target respondents were distributed across different economic sectors and geographical areas within the state. Thus, a Taro Yamane's sample size determination formular was stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = sample size

N = population size

e = level of significance

1 = constant

3.4 Sources and Method of Data Collection

Specifically, the study adopted a primary source of data collection where a structured questionnaire was used as a method of collecting relevant data from the target respondents. This method provided the researchers with the opportunity of getting a first-hand information from the target respondents regarding the research variables and constructs.

3.5 Research Instrument

The study employed a well-structured closed-ended questionnaires. Closed-ended questionnaires were used since the target respondents were asked to select response(s) from designated structured choices of questionnaires. Hence, the questionnaires were self-administered on a 5-point Likert scale and were administered via email to the target respondents in different considerable economic sectors through survey website. The adoption of self-administered mail questionnaires was borne out of the fact that the target respondents were dispersed across different geographical areas and to save costs and time of meeting each of them at their convenient different points in time on a one-on-one basis. As a result, mail questionnaire was considered appropriate for this study.

3.6 Method of Data Analysis

Business resilience was measured by product diversification and market diversification elements, while financial sustainability was proxied by the net profit margin of SMEs. In the study, regression statistics was used to ascertain the implications of explanatory variables on dependent variable, by validating the formulated hypotheses in the study.

4.0 DATA ANALYSIS AND TEST OF HYPOTHESES

4.1 Hypothesis Testing:

Ho_1: There is no significant impact of product diversification element on net profit margin of SMEs in Nigeria.

Table 1: Regression Result showing the Impact of Product Diversification Element on Net Profit Margin of SMEs in Nigeria.

Item	Constant	N	Standardized Coefficient	t-cal	t-tab	Sigf.
Product Diversification element	-0.377	26	0.742	13.48	2.06	.000
Adjusted R-square	0.548					

Dependent Variable: SMEs' Net profit margin

Source: Researcher's field survey, 2024 (SPSS Output, version 22).

Interpretation of Result:

Table 1 shows the result of the regression analysis of the impact of product diversification element of business resilience on net profit margin of SMEs financial sustainability in Nigeria. The coefficient of the model of regression analysis reveals there is a significant impact of product diversification element on net profit margin of SMEs financial sustainability in Nigeria. The result shows that empirical value (t-cal = 2.31) is greater than the critical value (t-tab = 2.06) at $p<0.05$. Hence, a null hypothesis is rejected. This result indicates that product diversification is a significant strategy that can be employed by SMEs operators in Nigeria to remain resilience and survive current economic hardship. In other words, finding reveals that product diversification is an important option that can be used by SMEs owners to survive the current economic situations. The adjusted R-square value of 0.028 reveals that product diversification could enhance business resilience and improve net profit margin of SMEs owners by at least 2.8% towards achieving financial sustainability. Thus, SMEs managers at this time would remain competitive, achieve survival and become financially sustainable if they can diversify their products, and create better value for their numerous customers, thereby improve their net profit margin.

Ho_2: There is no significant impact of market diversification element on net profit margin of SMEs in Nigeria.

Table 2: Regression Result showing the Impact of Market Diversification Element on Net Profit Margin of SMEs in Nigeria

Item	**Constant**	**N**	**Standardized Coefficient**	**t-cal**	**t-tab**	**Sigf.**
Product Diversification Element	6.827	26	0.187	2.31	2.06	.000
Adjusted R-square	0.028					

Dependent Variable: SMEs' Net profit margin

Source: Researcher's field survey, 2024 (SPSS Output, version 22).

Interpretation of Result:

Table 2 shows the result of the regression analysis of the impact of market diversification element of business resilience on net profit margin of SMEs financial sustainability in Nigeria. The coefficient of the model of the regression analysis reveals there is a significant impact of market diversification element on net profit margin of SMEs financial sustainability in Nigeria. The result shows that empirical value (t-cal = 13.48) is greater than critical value (t-tab = 2.06) at $p<0.05$. Hence, a null hypothesis is rejected. This result indicates that market diversification is an important resilience strategy that SMEs owners can employ to cope with current economic challenges in order to remain in business and thus sustain present unfavourable economic conditions in Nigeria. However, adjusted R-square value of 0.548 reveals that market diversification is a significant element that can be employed by SMEs in Nigeria to survive current economic challenges and thus promote their net profit margin by at least 54.8% towards achieving reliable financial sustainability such as the case in Nigeria.

4.2 Discussion of Findings

Findings from the study revealed that there is a significant impact of product diversification element on SMEs net profit margin. In other words, product diversification is a relevant strategy that can assure SMEs owners of achieving financial sustainability in a turbulent economy in Nigeria. This finding aligned with that of Ayala and Manzano (2016), and Fisher et al (2016).

Also, the study gathered that market diversification element significantly impacts on SMEs net profit margin towards becoming financially sustainable in an unstable economy such as Nigeria. This finding is consistent with Phung and Mishra (2016), and Doael, Anuar and Ismail (2015). Thus, market diversification is an unwavering strategy that can be adopted by SMEs owners towards achieving financial sustainability. Put differently, market diversification strategy of business resilience yields a more sustainable net profit margin for SMEs in a challenging economic situation in Nigeria than product diversification.

In all, it can be summarized that both product diversification and market diversification elements of business resilience have positive significant impact on SMEs financial sustainability in Nigeria.

But market diversification is more significant and instrumental towards a for securing financial sustainability by SMEs in Nigeria. Thus, this study declares that business resilience and financial sustainability of small and medium-scale enterprises in Nigeria cannot be underestimated if operators can accept the fact that product diversification and market diversification are critical strategies to remain relevant and sustainable during this economy imbalances in the country.

5.0 CONCLUSION AND RECOMMENDATI ONS

5.1 Conclusion

Following the findings from this study, it can be concluded that product diversification and market diversification are critical strategies for SMEs financial sustainability to remain resilience in the current economic situations. Also, business resilience through market diversification enables SMEs operators to adapt into new business environment created by the current economic insurgencies.

5.2 Recommendations

The study suggests that:

(i) SMEs owners in Nigeria should endeavor to diversify their products or services into another market to enable them survive and remain in business during and after the economic challenges.
(ii) SMEs operators are advised to take reactive measures in adopting the diversification strategies that are best suitable with their line of businesses or core competences.

(iii) Government is advised to provide enabling environment for SMEs by providing positive economic policies that will guarantee financial sustainability towards ensuring business survival and sustain small and medium businesses' net profit margin during and after this current economic turbulent.

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