EFFECT OF GOVERNMENT POLICY ON THE RELATIONSHIP BETWEEN BUSINESS INTERRUPTION INSURANCE AND PERFORMANCE OF SMEs IN NIGERIA

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Abstract

Small and Medium Enterprises' performance has continued to face several existential challenges in Nigeria, despite their enormous contributions to nation's economy. In Nigeria, most SMEs perish within the first few years of their commencement of business. Business interruption insurance (BII) provides succour to SMEs when they are confronted with disruptions following the occurrence of some insured risks. However, government policy may influence how BII affects SMEs' performance. Based on this, the current study examined the effect of government policy on the relationship between business interruption insurance and SMEs' performance in Nigeria. This study used primary source of data and adopted a cross-sectional research design. The data was collected using a structured questionnaire administered to SMEs operators operating in Enugu State, Nigeria. The population of the study was 10,603 using the sample size of 450, selected using simple random sampling and relying on Krejcie and Morgan (1970) table, and additional 20% increase as recommended by Salkind's (1990). The data were analysed using SPSS and Partial Least Squares-Structural Equation Modeling (PLS-SEM). The findings showed that there was a significant effect of business interruption insurance on SME performance in Nigeria. The study further showed that there was a significant effect of government policy on SME performance. Also, it was found that there was a significant effect of government policy on business interruption and SME performance. The study recommended that insurance companies should come up with robust insurance policies in order to ensure proper coverage of insured and assured, against any eventuality arising therein. Also, the regulatory agencies should design robust policies that are suitable for Nigerian business support environment, and provide enabling environment for insurance companies and SMEs to thrive.

Keywords: Insurance services, Business interruption insurance, Government policy, SME Performance

1.0 Introduction

Small and Medium Enterprises' performance is usually confronted with numerous challenges, some of which are endogenous, while others are exogenous in nature. Uchenna et al., (2025) posited that despite the fact that SMEs are considered as one of the engines of economic growth, sustainability and industrial development of a nation, they are often faced with various risks that hinder their growth trajectory.

Naradda et al., (2020) equally stated that across the world, SMEs' performance is facing many challenges created by economic globalisation due to the rapid increase in competition. The authors further stated that the downfall rate of SMEs' performance is relatively high, a short period after their commencement. These challenges include global market competition, global finance, economic crises, information communication technology problems, the emergence of multi-national corporations, international terrorism, religious conflicts, trade wars, Ukraine and Russia crisis, Middle East wars, and many more.

In Nigeria, factors such as high risk of loan default, politicisation of intervention programmes, inadequate infrastructure development, high bureaucracy in application process, low level of awareness or participation particularly by targeted beneficiaries, are major challenges facing programme implementers (Naradda et al., 2020). Most SMEs in Nigeria perish within the first five years, and only approximately between 5% - 10% lived up to maturity (Badiru, 2024).

Despite these challenges, empirical evidence posited that insurance as a risk transfer mechanism can change the tide. A robust insurance industry plays a significant role in the economy of any nation (Zinyoro & Aziakpono, 2024). They stated further that through insurance, economic agents can efficiently manage insurable risks threatening their viability. Insurance services are expected to be one of the most acceptable risk management solutions if there is effective and efficient government policy (Saleh et al., 2023).

Chikaodinaka et al., (2024) opined that insurance industry has a productive capacity that enhances the quality of life and ensures the development and survival of all other businesses in general. Insurance serves as an essential mechanism for protecting small and medium enterprises against operational, property, liability, and business interruption risks (Nozimov, 2026). The author further stated that insurance provides a critical safety net for SMEs by transferring risk to insurers and reducing financial vulnerability.

It is however worrisome that even with conventional insurance covers, the insured can still be

in crisis following the occurrence of certain insured risks. When for instance there is fire damage to a firm, if the firm does not get compensated from their insurers, the insured may not be able to return to business early enough because of the cost associated with the time it will take to rebuild and reinstate all the damages that had occurred.

After the fire accident, a whole lot of other expenses will still be paid, which may include salaries and wages of certain employees, utility bills, security expenses, equipment lease or hire-purchase payments, cleaning and facility management fees, and other fixed cost. These expenses can only be paid by the insurer if the insured has a business interruption insurance cover since they are outside the scope of the standard insurance covers. The standard insurance will indemnify the insured based on what is damaged by fire only and no other expenses that may result. Hence, the need to have business interruption insurance.

From the foregoing, it has been confirmed that at different times, government at all levels including some development partners have made several efforts to unluck those identified challenges facing SMEs' performance and those of insurance sector. But unfortunately, the desired results are yet to materialise. Ibrahim (2025) asserted that efforts have been made at both national and regional levels to address these challenges. The study affirmed that despite many initiatives, financial integration levels in Nigeria remain low. This indicates that existing policies and interventions have not yet fully become effective in meeting the financial needs of MSMEs.

Some researchers have examined the effect of insurance services, such as business interruption insurance on SMEs' performance without considering the mediating role of government (Abubakar et al, 2026; Nozimov, 2026; Adriko & Nurse, 2024; Agboola & Epetimehin, 2021; Edike & Josiah, 2025). Diverse findings were discovered. Hence, this paper examined the effect of government policy (moderator) on the relationship between business interruption insurance (independent variable) and SMEs' performance (dependent variable) in Enugu Sate, Nigeria.

2.0 Literature Review

Concept of Small and Medium Enterprises' Performance

There are divergent meanings by different authors and institutions assigned to the term SMEs' performance. Performance, in the context of SMEs, is a multidimensional concept that encompasses various facets of organisational effectiveness and efficiency (Kioria et al., 2025). One primary determinant of SMEs' performance is their financial health. This aspect involves assessing the profitability, liquidity and solvency of SMEs. They further acknowledged that a healthy financial performance is often indicative of a well-managed SME with capacity for sustained growth. Performance is a broad and complicated concept that is frequently used to describe an organisation's capacity to meet goals in particular areas such as productivity of workers or high-quality outcomes (Mohsin et al., 2025).

From the foregoing, it can be seen that promoters of different SMEs usually have different objectives for setting up their firms. Such objectives often include sales turnover (Adegbuyi et al., 2024); employment (Schulze et al., 2024); profitability (Ezeilo & Ike, 2024); number of customers (Taneo et al, 2022); continuity (Omoniyi, 2022). In concurrence, Agbim (2020) stated that SMEs' performance is measured using financial and non-financial indicators. Performance measurement is critical for the organisational effectiveness (Odunmbaku et al (2021).

The current study viewed SMEs' performance as the parameter of assessing how small and medium enterprises' accomplishments are measured. These accomplishments include financial parameters (such as return on equity, return on asset, sales turnover, profitability, access to finance) and non-financial parameters (employment, business continuity, growth, market share and number of customers). This study adopted the term 'employment' as the operational definition for the measure of SMEs' performance. The next section reviews the concept of insurance services.

Business Interruption Insurance

Business interruption insurance basically is meant to take care of losses or shortfall experienced following the occurrence of some insured events. When businesses face a slowdown or cessation of operations, the financial losses associated with a reduction in net income are often addressed through the use of a business interruption insurance policy (Bisco et al., 2020). This policy is intended to cover instances where a covered loss leads to a decline in revenue, an increase in expenses, or both. Generally, following the occurrence of an insured peril, there will be interruption to the business (Sumaisha, 2022). This disruption results in a reduction in the business' gross profits which may generally be claimed for or against the contingent business interruption insurance. He posited that the loss of the insured gross profits can also occur through a reduction in turnover. A decline in sales, for example, will ultimately lead to a loss of insurance gross profits. Business interruption covers thus flows from damage or loss caused by insured peril or in the case of an all-risks policy, from an external cause not otherwise excluded.

Sumaisha (2022) highlighted that the business interruption losses that are claimed must, therefore, be linked to the damage or loss of the insured peril. This means that there must already have been insurance in place relating to the insured peril and consequential business interruption cover is taken out

as an additional extension should businesses wish to be covered for consequential losses arising from the insured peril.

Business interruption condition consists of what the injured party failed to produce or generate revenues and profits as a direct consequence of the harmful event (Gomes & Carvalho, 2025). Such coverage arises with the occurrence of damages caused by circumstances provided for in the policy that materialises property losses to the company. They confirmed that with this insurance coverage, it is estimated that the insured will receive as compensation, the amount necessary to return to the *status quo prior* to the claim. Hence, SMEs need to always purchase business interruption insurance in order to make them return to business even after they have been indemnified on the standard insurance cover.

Government Policy

The word government policy simply means an instrument which government uses to set guidelines, statements, principles, and rules that guide its actions and decisions. Government policy contains its intentions, goals, and strategies for addressing specific issues or problems. Every government is expected to have policy on all major issues such as economic, social, foreign, environmental, military, finance, commerce, agriculture, development, and so on. Any course of action by government, which is intended to alter a particular situation can be referred to as government policy (Ezeilo & Ike, 2024). Furthermore, unlike other studies, the current research considered the effect of government policy on the relationship between insurance services and SMEs' performance in Nigeria, hence using government policy as the moderating variable.

Government is as an entity that has the authority to regulate, manage, and ensure the running of a country or society (Azhara et al., 2026). Government policy is a form of positive intervention from the state to help MSMEs to develop their export capacity and adapt to the global market. Government policies are usually targeted at sensitive and critical sectors of the economy such as banking and insurance. For instance, insurance companies that do not meet the regulatory financial standards and/or are regarded to be in a dangerous financial state are subjected to regulatory intervention, which can take the shape of either a formal or an informal investigation (Kajwang, 2022). The Nigerian government has just in July, 2025 released a new insurance law – Nigeria Insurance Industry Reform Act (NIIRA), 2025 to strengthen the operations of insurance in Nigeria.

In this study, "government policy" is used as a moderating variable. Thus, as a moderating variable, it will influence the strength and direction of the relationship between the other two variables in the research. Generally, Government policy on issues relating to insurance are largely under the directive of National Insurance Commission (NAICOM Act, 1997). The nature of government policy, as issued by National Insurance Commission (NAICOM) will either enhance or hinder the effectiveness of insurance services in supporting SMEs' performance.

Currently, the policies that regulate and supervise insurance business in Nigeria are contained principally in NAICOM Act, 1997 and Nigeria Insurance Industry Reform Act, 2025. Over time, NAICOM issues guidelines, circulars, and directives to insurance operators. There are several policies on key areas in the insurance operation such as capital requirement for licensing insurance operators, cancellation of operators' license, classes of insurance that should be compulsory, capital requirements for the various classes, foreign exchange regulations, insurance taxation, insurance claims, and investment.

In all cases, favourable government policies are hypothesised to strengthen the level of relationship between the insurance services and SMEs' performance in Nigeria, while conversely, restrictive government policies might weaken the relationship between the insurance services and SMEs' performance in Nigeria. One of the key expectations of this current study was to determine what should be an ideal point to strike a balance between the effect of government policies on insurance services and SMEs' performance. It will be a win-win situation for all parties if the right balance is achieved.

Thus, the nature and type of government policy ultimately determines the direction, and strength of the relationship between the dependent variable (SMEs' performance), and the independent variable (insurance services) represented by business interruption insurance. The performance and survival of SMEs depend on the favourable policy that can drive and develop the SMEs in Nigeria (Eniola, 2014). Onyedikachi et al., (2022) asserted that effective government policies are necessary for businesses to transform their inputs into the desired outputs that are beneficial to economic growth.

The paper formulated the following hypotheses:

$H_{o1:}$ *Business interruption insurance has no significant effect on SME performance in Nigeria.*

$Ho_{2:}$ *Government policy has no significant effect on SME performance in Nigeria.*

$Ho_{3:}$ *Government policy does not moderate the effect of business interruption insurance and SME performance in, Nigeria.*

Theoretical Review

The underpinning theory for this study is Indemnity theory and supported by institutional theory. Nicholas Barbon (1640-1698) was credited with developing the indemnity theory of insurance. In his book "A Discourse of Trade" (1690), Barbon argued that insurance should provide financial protection against losses rather than speculative gains (Hunter & Zalin, 2024). Indemnity is a mechanism

through which insurers compensate the insured for the losses caused by perils as contained in the insurance policy. The current study relies on the indemnity theory.

The Institutional theory was also adopted as the supporting theory. It has its root in the work of several sociologists such as Philip Selznick (1949), John Meyer and Brian Rowan (1977). The theory examines how institutions, including government through their policies, shape organisational behaviour and outcomes. It helps to explain how regulatory frameworks influence insurance services and SMEs' performance. This theory is very apt in this study, particularly when we consider the effect of government policy on the other two variables (IV and DV).

The theory is widely used in organisational studies to explain how external pressures such as government policies, societal norms and cultural expectations influence organisational structures and strategies. In the current study for instance, government policies can be used to shape the relationship between business interruption insurance and SMEs' performance in Nigeria. For instance, government can introduce a compulsory fire insurance for all public buildings so as to reduce the constant pressure on it to assist victims of fire disaster each time public buildings such as markets are damaged by fire. This policy therefore creates coercive similarity as SMEs must comply with the law to avoid penalties.

3. Methodology

The study adopted a cross-sectional survey research design and used PLS-SEM for the analysis. A structured questionnaire was used to collect data from small and medium enterprises operators in Enugu State, Nigeria. A simple random sampling technique was utilised so as to ensure that all the registered SMEs have equal chance of being selected. The population of the study was 10,603 (SMEDAN & NBS, 2021 Survey Report), However, using Krejcie and Morgan (1970) table, the sample size was 375. The researchers increased the sample size by 20% based on Salkind's (1990) suggestion. Therefore, the final sample size used in the study was 450. The study adopted 5-point Lickert-scale of 1-5. Where, 5=Strongly Agree; 4=Agree; 3=Undecided; 2=Disagree; 1=Strongly Disagree), to measure the independent variables and the dependent variable. The measurement items for Business Interruption Insurance, Government Policy, and SMEs' Performance were adapted from relevant earlier studies.

Table 3.1: Measurement of Variables

Variable	Classification	Measurement	Sources
SMEs' Performance	Dependent variable (DV)	Employment growth, Level of job creation	Weinoh et al, 2025; Solaja et al, 2025; Qiong & Premaratna, 2025; Umadia, 2020
Business interruption insurance	Independent variable (IV)	Insurance covers protecting insured from consequential loss effects	Tereszkiewicz, P. (2023); Ricci & Santillli, (2024); Ibrahim (2025); Bisco et al, 2020.
Government policy	Moderating variable (MV)	Directives of Government on insurance, to which persons and institutions, of which non-compliance is sanctionable (such as Laws, Regulations, Guidelines, Directives).	NIIRA, 2025, Prasannath, V., Adhikari, R.P., Gronum, S., & Miles, M.P. (2024); Jalali, H.S. (2025)

Source: Author's Compilation 2026

Prior to the main survey, a pilot study using 45 SMEs was conducted and the reliability of the measurement scales was assessed using Cronbach's Alpha. The results showed that each had Cronbach Alpha above 0.70 implying excellent internal consistency.

Table 3.2: Reliability of Instruments

Variable	Number of items	Cronbach's Alpha
Business interruption insurance	5	0.708
Government policy	7	0.703
SMEs' performance	6	0.822

Source: Researcher, 2026.

4. Data Presentation and Analysis

The collected data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the hypothesised relationships among the independent variables, dependent variable and the moderating variable.

The analysis of this paper contained the mean score and standard deviation of variables, common method bias, instrumentation, and basic assumptions of multiple regression. This also discussed the outcome of hypotheses testing using partial least square-structural equation modeling (PLS-SEM), thereby indicating the effect of government policy on insurance services and SME performance in Enugu State, Nigeria.

Response Rate

For the purpose of this study, 400 questionnaires were administered to owners/managers of SMEs. Interestingly, 390 questionnaires were properly filled and returned, which translated into response rate of 87%. On the other hand, the researchers were unable to retrieve 60 questionnaires, which accounted for 13% of distributed questionnaires. Yet, even after subjecting the data into data cleaning, the study achieved useable questionnaire of 390, accounting for valid response rate of 87%. Hence, the response rate is sufficient enough for data analysis, especially for research seeking to test causal inferences among variables.

Data Cleaning and Missing Value

Data cleaning is a critical segment of any empirical research investigation, especially in determining the suitability of data for multivariate analysis. Consequently, data cleaning procedures were observed in order to check the presence of missing values and outliers.

Missing value connotes incompleteness of data due to absence of scores in dataset or failure to allocate response at the point of filling questionnaire (Nuhu, 2017, Tabacknic & Fidell, 2007). Therefore, the analysis of missing values helps researchers to detect how many data points were not allocated scores or values. This check is crucial because too much missing data can affect the statistical results of any empirical investigation. A careful check of the returned questionnaires was done in order to find any question that was not answered properly. The findings showed that all the questionnaire items had zero missing value which is an indicator that the respondents were very diligent in providing their answers. Hence, the questionnaires have no missing cases which is a good sign of data completeness.

Likewise, high level of diligence was observed at the point of entering data into SPSS, which makes the data to be very comprehensive. Accordingly, the absence of missing values suggests that the information collected accurately reflects the views and experiences of the owners and managers of SMEs. Also, lack of missing case is a strong indicator of excellent data quality. Additionally, a properly clean dataset provides a very solid foundation for statistical analysis, including descriptive statistics, correlation analysis, and Structural Equation Modelling (SEM). Hence, the outcome of analysis depends heavily on completeness and accuracy of data. In this study, Univariate outlier was assessed and the outcome showed that no value was above 3.29. Suggesting that there was no unusual combination of responses across the measured variables.

Table 4.2: Descriptive Statistics

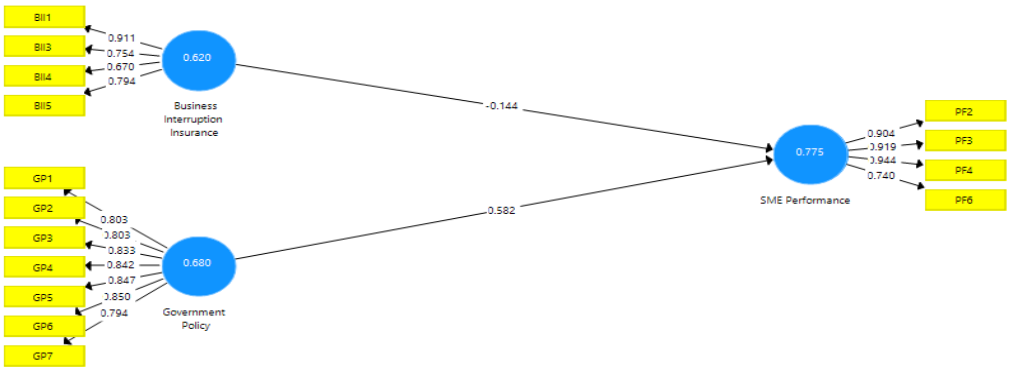
Variables	Mean	Std. Deviation
1. SME Performance	2.8064	1.16923
2. Business Interruption Insurance	2.9354	1.13234
3. Government Policy	3.0795	1.20811

In this paper, the mean values were evaluated to understand average perception of respondents for each variable. Based on the outcome in Table 1, owners/managers of SMEs generally held positive views on insurance services such as business interruption insurance. Yet, the owners/managers of the SMEs held positive perception about government policy and SME performance. While, looking at standard deviation, there was no variation in opinion, particularly as the co-efficients for SME performance, government policy and insurance services dimensions.

On the other hand, the standard deviation was evaluated to show how responses varies across

respondents from the average. This suggests that on average, owners/managers felt quite positive about the way their enterprises benefit from insurance services and government policies which enable them to perform optimally. Following closely were government policy with a mean of 3.0795 and business interruption with a mean of 2.9354, and SME performance with a mean of 2.8064. Indicating that the respondents generally have favourable views about insurance services and government policies are mechanism to boost SME performance.

Yet, the standard deviation showed the level at which respondents have wider range of opinions regarding their perception on research variables. The government policy had a standard deviation of 1.20811, SME performance had standard deviation of 1.16923, and business interruption insurance had standard deviation of 1.13234. This showed that the average perceptions for these research variables were positive and no significant difference on the research assumptions.



Source: Measurement Model, 2026

The PLS-SEM encompasses of measurement and structural models for robust statistical analysis that employs Smart Partial Least (Smart PLS). The measurement model highlighted reliability and validity of items that measure latent variables using Cronbach's alpha and Composite Reliability, Average Variance Extracted (AVE), Fornell-Larcker criterion and cross loadings. The structural model was used to assess and establish the relationship between variables. Yet, predictive relevance was evaluated for the purpose of determining the robustness of the model in terms of forecasting efficacy using the value of cross validated redundancy.

The assessment of the measurement model forms a foundational component of this study that offered the empirical evidence robustness of the constructs. Utilising PLS-SEM, this phase of analysis ensures that the latent variables that comprised of SME performance, business interruption insurance and government policy are measured accurately, reliably, and distinctly. Hence, measurement model was evaluated in order to appraise reliability and validity items measuring peculiar constructs, by examining the internal consistency of scales, as well as convergent and discriminant validity. Thus, the goal was to ensure that the items did not only correlate well within their respective constructs but were also sufficiently distinct from that of other constructs in the model.

Table 4.3: Outer Loadings

	Business Interruption Insurance	Government Policy	SME Performance
BII1	**0.911**		
BII3	**0.754**		
BII4	**0.670**		
BII5	**0.794**		
GP1		**0.803**	
GP2		**0.803**	
GP3		**0.833**	
GP4		**0.842**	
GP5		**0.847**	
GP6		**0.850**	
GP7		**0.794**	
PF2			**0.904**
PF3			**0.919**
PF4			**0.944**
PF6			**0.740**

In establishing individual item reliability, outer loadings were used as a benchmark in order to ensure that items/indicators that measure each latent variable have a satisfactory level of loadings above 0.6. On the other hand, all items that loaded poorly connote that such items are unreliable and insufficient to measure the affected constructs. Accordingly, Table 4.3 shows that as prerequisite of achieving AVE above 0.5, few items were deleted for SME performance (PF1 and PF5). Nonetheless, all items that measure latent variables have statistically demonstrated high level reliability above 0.6.

Table 4.4: Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business Interruption Insurance	**0.804**	**0.872**	**0.866**	**0.620**
Government Policy	**0.923**	**0.937**	**0.937**	**0.680**
SME Performance	**0.901**	**0.937**	**0.932**	**0.775**

Internal consistency was primarily assessed using Cronbach's alpha and composite reliability. The findings in Table 4.4 show that all constructs demonstrated excellent internal consistency. For instance, SME Performance had a Cronbach's alpha of 0.901 and composite reliability of 0.932; business interruption insurance had a Cronbach's alpha of 0.804 and composite reliability of 0.885, and lastly, government policy had a Cronbach's alpha of 0.923 and composite reliability of 0.937. This suggests that all the latent constructs have Cronbach's Alpha and composite reliability co-efficients above 0.8.

The findings implied that all the measures are generally acceptable because of their satisfactory level of internal consistency. Hence, the robustness of reliability ensures that the constructs are consistently measured across different respondents, which reflected absence of measurement error as well as trustworthiness and suitability of the data in testing hypothesised relationships between variables.

The convergent validity was evaluated using the Average Variance Extracted (AVE), with acceptable threshold above 0.5. Meaning that a construct should explain more than 50% of the variance of its indicators. Therefore, the findings in Table 3 indicate that the research constructs have acceptable AVE. According to the outcome, SME Performance has an AVE of 0.775; business interruption insurance has an AVE of 0.620 and government policy has an AVE of 0.680. Hence, all the latent constructs have acceptable convergent validity, as the AVE exceeded the threshold of 0.5.

Table 4.5 Fornell-Larcker Criterion

	Business Interruption Insurance	Government Policy	SME Performance
Business Interruption Insurance	0.787		
Government Policy	0.754	0.825	
SME Performance	0.296	0.474	0.880

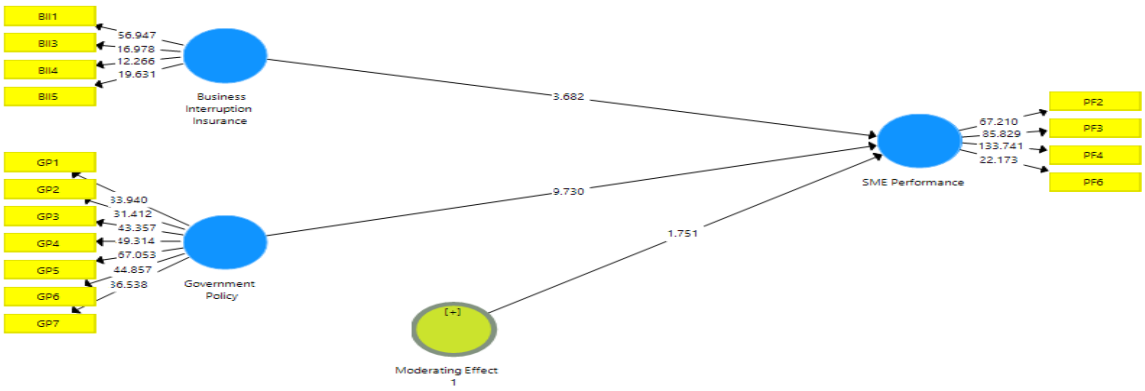
The discriminant validity tests whether constructs are theoretically unrelated and empirically distinct on the basis of their measurements. Hence, discriminant validity assures that the indicators used to measure a construct do not overlap significantly with others measuring separate constructs in the model which confirms the suitability of the data for testing causality among variables.

As such, discriminant validity was assessed using Fornell-Larcker and Cross Loadings criteria. The Fornell-Larcker is rooted on the logic that a construct should share more variance with its indicators than it does with any other construct in the model on the basis of square root of AVE. On the other hand, the cross loadings suggest that items/indicators should have greater loadings on their constructs better than that of other constructs. This implies that the constructs are empirically unique and not overly correlated with other variables. Accordingly, Table 4.5 shows that the square root of AVE is higher for both constructs, in rows and columns. Suggesting that the latent variables have adequate level of discriminant validity.

Table 4.6: Cross Loadings

	Business Interruption Insurance	Government Policy	SME Performance
BII1	0.911	0.677	0.294
BII3	0.754	0.460	0.171
BII4	0.670	0.659	0.080
BII5	0.794	0.634	0.275
GP1	0.751	0.803	0.404
GP2	0.628	0.803	0.298
GP3	0.557	0.833	0.295
GP4	0.743	0.842	0.391
GP5	0.576	0.847	0.484
GP6	0.651	0.850	0.260
GP7	0.474	0.794	0.471
PF2	0.182	0.303	0.904
PF3	0.261	0.441	0.919
PF4	0.266	0.498	0.944
PF6	0.324	0.379	0.740

Table 4.6 shows the outcome of Cross Loadings by highlighting items that measured individual constructs together with loadings. According to this outcome, all items have strongly loaded in their respective constructs both in row and column. Suggesting adequate level of discriminant validity as the item-wise correlations across all constructs is stronger for various items in their individual constructs for both SME performance, business interruption insurance, and government policy. Hence, all the latent constructs have adequate level of discriminant validity.



Source: Structural Model, 2026

Structural model connotes to statistical approach that allow researchers to evaluate cause-and-effect relationships among key constructs. The structural model is assessed on the basis of R square, f square, Beta, t-value and p-value, and therefore, providing a nuance appreciation of contribution of predicting variables on the criterion variable. In line with this, structural model was used to assess the relationship between insurance services and SME performance. In the same manner, structural model was used to evaluate the moderating effect of government policy on the relationship between insurance services dimensions such as business interruption insurance, and SME performance. Therefore, the explanatory power of the model was then assessed by evaluating the size of R-square of SME performance, business interruption insurance and government policy.

Thus, the structural model was further used to identify the significance effect of the path constructs. The use of bootstrapping provides robust estimates of standard errors and confidence intervals, enabling precise testing of the research hypotheses. This helps to identify which paths are statistically meaningful and to what extent each predictor contributes to the outcome variable. On the other hand, the effect size (f^2) was calculated, in order to determine the strength of the effect of each exogenous variable on endogenous constructs, going beyond statistical significance to assess real-world relevance. Large and medium effect sizes signal critical areas where interventions or strategic investments may yield significant organizational benefits. Yet, the structural model was evaluated using path coefficients (β values), their associated t-statistics, and p-values to determine the statistical significance of each hypothesized relationship, in which a path is considered statistically significant if t-value is above 1.26 and p-value is less than 0.01, 0.05 and

Direct Effect of Business Interruption Insurance on SME Performance

In this section the direct effect of business interruption insurance on SME performance was discussed. Accordingly, the findings in Table 6 shows that business interruption insurance had a significant effect on SME performance (Beta = -0.241, t-value = 3.682, p-value = 0.000). This strongly leads to the rejection of the null hypothesis H_{01} which postulated that business interruption insurance has no significant effect on SME performance in Nigeria. The p-value of 0.000 and path co-efficient of -0.241, highlighted business interruption insurance as an important direct driver of SME performance in Enugu State, Nigeria. This finding emphasized that greater access to business interruption insurance is crucial for optimizing SME performance within the Nigerian business sector suggesting that quick assimilation of business interruption insurance encourages steady access to resources to foster SME performance. In conclusion, the statistical outcome underscored the importance of insurance services on SME performance in Nigerian context.

Direct Effect of Government Policy on SME Performance

In the same vein, the result in Table 7 shows that government policy has significant effect on SME performance (Beta = 0.591, t-value = 9.730, p-value = 0.000). This leads to the rejection of the null hypothesis H_{02} which assumed that government policy has significant effect on SME performance in Nigeria. Dispelling the illusion that government policy can enhance the performance of SMEs. Yet, findings implied that the government policies being implemented in relation to insurance are sound enough to stimulate the dwindling performance of SMEs. Hence, the findings underscored the efficiency of policies that support acceptance of insurance a way of absorbing losses inclined to insured property, or proper indemnification of victims that experience calamity.

Table 4.7: Path Coefficients

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Business Interruption Insurance -> SME Performance	-0.241	0.066	3.682	0.000
Government Policy -> SME Performance	0.591	0.061	9.730	0.000
Moderating Effect 1 -> SME Performance	-0.195	0.111	1.751	0.040

Table 4.7 shows the outcome of the moderating effect of government policy on the relationship between business interruption and SME performance. Specifically, the results demonstrated that the moderating effect of government policy on the relationship between business interruption insurance and SME performance (Beta = -0.195, t-value = 1.751, p-value = 0.045). This leads to the rejection of the null hypothesis H_{03} which stated that government policy has no significant moderating effect on the relationship between business interruption insurance and SME performance. It thus suggested that government policy could significantly enhance the effect of business interruption insurance on SME performance within the study context.

Table 8: R Square

	R Square	R Square Adjusted
SME Performance	0.234	0.230

Co-efficient of determination involves evaluation of R-square value, which indicates the proportion of variance in the criterion variable as explained by the predicting variables. Based on this assessment, the R-square for SME Performance was 0.234, with an adjusted R-square of 0.230. This suggested that 54.6% of the variance in SME performance was explained by business interruption insurance and government policy. In other words, the R-square is considered substantial because of its efficacy in accounting for a significant portion of the variation in SME performance within the surveyed enterprises. Hence, R-square above 0.5, highlights the practical significance of the predictors in influencing the performance of SMEs in Enugu State, Nigeria. Details were shown in Table 4.8.

Table 4.9: f Square

	SME Performance
Business Interruption Insurance	**0.012**
Government Policy	**0.191**

Statistically, effect size is evaluated by using f-square (f^2) which is a crucial complement to path coefficient significance in structural equation modeling. The effect size seeks to determine the contribution of independent variables to the R-square value of dependent variable, specifically by measuring the change in R^2 when a particular predictor is included or excluded from the model. Accordingly, Cohen (1988) set up a guideline for interpreting f^2, in which value of 0.02 is small, 0.15 is moderate, and 0.35 is large. This metric thus bridges statistical analysis with applied relevance, offering insight into which predictors truly matter in explaining variance in outcomes. The results in Table 4.9 summarized the outcome of the analysis.

According to the findings the business interruption insurance has small effect on SME performance, with f^2 values of 0.012. However, the results indicated further that government policy (0.191) has no effect on performance of SMEs, with f^2 of 0.000.

Predictive Relevance

Predictive relevance is evaluated in order to show the predictive power of the exogenous variables on endogenous variable. Accordingly, Figure 3 shows that business interruption insurance and government policy have a strong predictive power on SME performance.

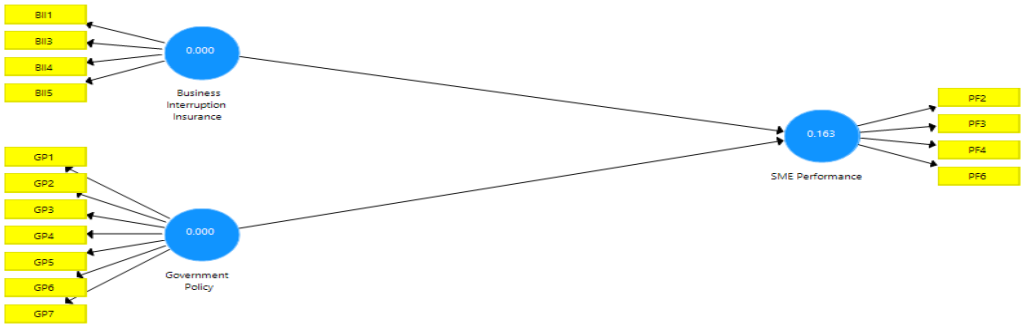


Table 4.10: Crossvalidated Redundancy

SSO	SSE	Q^2 (=1-SSE/SSO)	
Business Interruption Insurance	1,560.000	1,560.000	
Government Policy	2,730.000	2,730.000	
SME Performance	1,560.000	1,306.139	0.163

The results in Table 4.10 shows that the model has a Crossvalidated Redundancy (Q^2) value of 0.163 suggesting that the model has a substantial predictive power, which accentuated the ability of the exogenous variables to provide robust estimation on SME performance.

5. Conclusion and Recommendations

Therefore, the current findings concurred with Unachukwu et al., (2020) who found that insurance services contributed to the growth of small and medium enterprises by absorbing the risks and leveraging of resources. The result is also similar to Togun et al., (2022) who demonstrated that financial inclusion is positively and significantly associated with SME performance. However, the current findings contradict prior studies like that of Okore et al., (2026) who studied the effect of financial inclusion on SMEs performance and concluded that insurance services are critical in boosting SMEs performance. On the basis of current outcome, the study provided compelling evidence on the nature of insurance services in Nigeria that contribute to SMEs performance.

Based on the findings, the following recommendations were made that SME owners/managers, management of insurance companies and regulatory authorities should embrace insurance services as mechanisms to recoup lost resources, improve viability, sustain operational efficiency and achieve optimum performance. Equally, managers of SMEs should insure their businesses against any form of interruption in order to reabsorb shocks/turbulence from the environment, rebuild organisational capabilities, and improve performance. Finally, managers of SMEs should leverage government policy in fast-tracking their performance particularly by accessing cover against every insurable peril and indemnity from the insurance companies. The insurance companies should develop robust insurance policy in order to ensure proper coverage of insured and assured against any eventuality arising therein. In the same vein, the regulatory agencies should design robust policies that are suitable for Nigerian business support environment and provide enabling environment for insurance companies and SMEs to thrive.

Future studies should expand the framework by exploring the effect of additional dimensions of insurance services on SME performance. In the same vein, future research should test the moderating or mediating effect in order to provide better understanding on factors that strengthen the relationship between insurance services and SME performance. Also, future research should collect data from diverse sources to provide better understanding of the effects of insurance services on SME performance. Hence, large amount of data would enable researchers to track the emerging trend in the insurance industry and how each affect the competitiveness and sustainable performance of SMEs. Therefore, future study could adopt other research design in order to attest to the robustness of the current findings.

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