

## Review Article

# Economic Crimes And The Sustainability Of Small Scale Enterprises (SSEs) In Nigeria's Informal Sector

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## Abstract

**Purpose:** Small scale enterprises are vital to economic growth, employment creation, and poverty reduction in Nigeria, yet their sustainability is increasingly threatened by economic crimes, especially within the informal sector. This study was conducted to examine the impact of economic crimes on the sustainability of small scale enterprises in Nigeria, identify the major forms of crimes affecting them, assess their effects on business performance, growth, and survival, and analyse how these crimes influence decisions on formalisation and long-term viability.

**Design/methodology/approach:** The study is grounded in the Fraud Triangle Theory and Routine Activity Theory and adopts a systematic review design. It relies on secondary data drawn from peer-reviewed journal articles and institutional reports published between 2019 and 2024, which were analysed through qualitative synthesis.

**Findings:** The findings reveal that bribery, extortion, fraud, and cybercrime are the most prevalent economic crimes confronting small scale enterprises in Nigeria. These crimes contribute to financial losses, rising operational costs, reduced profitability, and weakened growth prospects. They also discourage many enterprises from formalising their operations.

Weak regulatory oversight and the normalisation of corruption further increase business vulnerability.

**Limitations and research implications:** The reliance on secondary data limits empirical depth. Future studies should employ primary data and sector-specific investigations to provide stronger evidence.

**Practical implications:** Policymakers can apply the findings by strengthening institutional frameworks, improving regulatory enforcement, adopting digital monitoring systems, and simplifying business registration processes.

**Originality/value:** The study adds value by linking economic crime directly to enterprise sustainability and formalisation within Nigeria's informal sector.

**Keywords:** Economic Crimes, Small Scale Enterprises (SMEs), Sustainability, Informal Sector, Nigeria.

## **Introduction**

Economic activity in most societies is adversely impacted owing to criminal activities that steal resources, distort market structures, and escalate the cost of doing business. At the worldwide level, multinational entities have reported that corruption, fraud, money laundering, and cyber-related crimes regularly take high direct and indirect tolls from all types and sizes of businesses while weak institutional controls reinforce susceptibility to these risks (Adebanjo et al., 2023).

Business surveys among multilateral organizations have reported that businesses operating outside the formal regulatory environment, often comprised of small and micro businesses, commonly experience petty extortion, demands for bribes, and complaints regarding commercial fraud, which diminish profit margins, inhibit access to formal credit, and discourage long-term investments (World Bank, 2024). In addition to direct financial tolls, international information indicates that chronic criminal penetration erodes faith in formal establishments and discourages businesses from formalizing and therefore perpetuates informality and limits productive potential (Adebanjo et al., 2023).

In the African setting, the prevalence of economic crimes intersects with inbuilt structural weaknesses in finance, regulation, and law enforcement, thus amplifying risks for small businesses. Regional evaluations have pinpointed increased rates of corruption and payment anomalies that intensify operational costs among micro and small businesses, particularly

those from local government access, public purchasing, or cross-border commerce (Ayobami, 2024).

Digital crimes have become an ever-growing threat in the region with the proliferation of mobile money and online marketplaces: small traders and market vendors, often without adequate cybersecurity, are repeatedly the target for invoice scams, payment thievery, and account hijacking (Otto, 2024). Researchers and practitioners such as Adebajo et al. (2023) also emphasize that the convergence of government corruption and weak law enforcement with shallow financial access reduces the motivation for businesses in the informal sector to become formal, since such formalization can increase vulnerability to rent-seeking without providing meaningful defensive benefits in exchange (Ayobami, 2024).

In Nigeria, where informal economic activity represents the greatest share of livelihoods and employment, the connection between economic crime and the survival of businesses is particularly sharp. Recent labour market data reveal that more than 90% of employment exists in the informal sector, highlighting the significant contribution of small-scale businesses in supplementing household revenue and enhancing country-wide resilience (National Bureau of Statistics (Adebajo et al., 2023). Meanwhile, the performance in global indices in perceived corruption in Nigeria remains poor, with country-level surveys reiterating that small-scale bribery and largescale monetary crimes are routine in the conduct of business (Otto (2024).

Empirical research examining businesses in Nigeria reveal that internal fraud, supplier fraud, and online-related robbery apart from inducing direct monetary losses can also chip at customer confidence, carry compliance costs, and divert limited managerial effort from productive endeavors (Dele-Oladejo & Olorunsola, 2023; Ayobami, 2024). The low contact with formal paperwork and weak internal controls in the informal economy render some microenterprises extremely vulnerable; in environments with weak records and weak supervision, even apparently minor instances of robbery or misrepresentation can compel entrepreneurs in the business to cut back operations, defer disbursement in wages, or shut shop (Dele-Oladejo & Olorunsola, 2023).

The institutional setting exacerbates these risks. Inadequate enforcement, slow and lengthy procedures in the judiciary, and high compliance costs push most small operators into improvised coping practices such as payment of backhanders, maintenance of unrecorded

cash businesses, or the use of mediators, which heighten their vulnerability in operations and limit potential growth (Mensah & Asiedu, 2021).

Moreover, the growing penetration of cyber-related rackets and business email compromise in Nigeria generates new vulnerabilities for traders using mobile channels with incomplete verification procedures and an understanding of risks. Such processes yield distributive effects: microenterprises with women members and those run by young entrepreneurs are more likely to see increased exposure to extortion and phishing while at the same time being more constrained in access to credit capable of sustaining them through shocks (Mensah & Asiedu, 2021).

Considering the predominance of informal micro and small businesses in the economy in Nigeria, the collective economic crime effect extends beyond individual economic losses; it also adversely affects the creation of jobs, weakens programs aimed at relieving poverty, and shrinks the tax base from which all public goods benefit. Recent advice from multilateral organizations is that policies that aim at shielding small businesses should integrate expanded law enforcement with accessible bank services, improved business integrity regimes, and microenterprise support in the area of keeping records and good governance (Mensah & Asiedu, 2021).

For the purpose of paper, it is important to understand the impact of individual forms of economic crime, including petty bribery, supplier fraud, employee theft, and cyber-related fraud, on the survival, growth, and formalization decision of small-scale businesses in the informal sector in Nigeria. The same can be utilized in the formulation of policies and strategies designed at curbing risks, facilitating formalization where possible, and enhancing the sector's potential for sustainable economic growth.

### **Statement of the Problem**

Despite the widely recognized importance of small-scale businesses in the creation of employment and the reduction of poverty in Nigeria, their survival in the informal economy is largely compromised by the ubiquitous effects of economic crimes like bribery, extortion, fraud, and cybercrimes. Recent reports and policy papers from organizations and researchers like the UNODC (2023), Transparency International (2024), and PwC Nigeria (2024); Adebajo et al. (2023); Mensah and Asiedu (2021) among others reflect a persistent

susceptibility of informal businesses to financial loss, damage in reputation, and low access to credit lines. Nonetheless, while worldwide and regional research have demonstrated a nexus between economic crimes and informal business collapses, the literature falls short in empirical explanations regarding how the crimes affect the survival in operations, growth, and formalization decisions of small-scale businesses operating in the informal economy of Nigeria. Most literature available focuses on the formal SMEs or the general national levels of corruption and thus presents a significant gap in the understanding of the direct and in-context nexus between the prevalence of economic crime and the sustainability of businesses at the informal level. Thus, the current paper tried to correct the gap through an exploration of the extent to which economic crimes undermine the sustainability of small-scale businesses in the informal economy of Nigeria, and the mechanisms whereby the crimes hinder growth and sustainable existence.

### **Aim and Objectives**

The paper aimed at investigating the impact from economic crimes in the survival potential for small-scale businesses in Nigeria's informal economy. The specific objectives are therefore the following:

- i. To examine the main types of economic crimes against the small scale businesses in Nigeria's informal economy.
- ii. To assess the degree economic crimes influence small-scale enterprises operating in the informal economy.
- iii. To identify the influence of economic crimes on small-scale enterprises in Nigeria's informal economy.

### **Methodology**

This paper employed a systematic review research design, which was considered most appropriate given the aim of examining how economic crimes influence the sustainability of small scale enterprises operating within Nigeria's informal sector. A systematic review approach allows for the structured and critical examination of existing evidence over time, making it particularly suitable for investigating social and economic phenomena that evolve across institutional, regulatory, and behavioural contexts. By synthesising findings across

diverse sources, the study was able to trace consistent patterns in the prevalence, forms, and impacts of economic crimes on enterprise performance, survival, and formalisation decisions.

To achieve its objectives, the study relied exclusively on qualitative secondary data drawn from credible academic repositories, professional, and institutional sources. These included peer-reviewed journal articles and authoritative reports published between 2019 and 2024, as well as data from recognised national and international organisations such as the United Nations Office on Drugs and Crime, the World Bank, Transparency International, the National Bureau of Statistics, and PwC Nigeria. These sources provided reliable insights into trends in corruption, fraud, regulatory weaknesses, and the broader business environment affecting informal enterprises in Nigeria.

Data collection was conducted through a structured desk review, with careful selection of materials based on relevance, credibility, and recency. The selected documents were subjected to critical reading, synthesis, and thematic analysis to identify recurring patterns, relationships, and gaps in the literature. Themes such as types of economic crimes, business vulnerability, institutional weakness, and enterprise sustainability were systematically examined. Although the reliance on secondary data limits direct empirical generalisation, the breadth and quality of sources enabled a rigorous synthesis and conceptual clarity. In sum, this methodological approach provided a coherent and credible foundation for understanding the dynamics between economic crime and the sustainability of informal small scale enterprises in Nigeria, while also offering a strong basis for future empirical investigation.

## **Literature Review**

The search relating to the relevant and related literature for this paper was performed in accordance with the stated aim and scope, subsumed under the following subheadings:

### **Conceptual Review**

The key points covered in this article are explained below:

#### Small Scale Enterprises (SSEs)

Small Scale Enterprises (SSEs) are typically described as business enterprises with restricted capital base, minimal personnel, and a low annual turnover, which are typically single-owner

or family-run businesses (Ayobami, 2024). In the Nigerian context, they are typically classified by the National Bureau of Statistics (2023) as businesses employing fewer than 50 staff and with little fixed assets. SSEs in the paper's context are small, predominantly owner-managed businesses which are the pillars of the informal economy in Nigeria and account for a large percentage of the nation's job creation and income generation; SSEs are however conducted with limited regulatory supervision and economic security and are thus very highly exposed to the impacts of economic crimes.

### **Economic Crime**

Economic crime includes various illegal activities such as fraud, corruption, money laundering, bribery, and financial misconduct related to cyber activities, all aimed at obtaining illicit economic benefits. As noted by Adebajo et al. (2023), economic crimes rank among the most significant threats to the survival of businesses, leading to a decrease in profitability and a loss of trust. In this paper, the term economic crime is defined as any illegal action that either directly or indirectly compromises the financial performance, stability, and sustainability of small-scale enterprises within Nigeria's informal sector, encompassing fraud, extortion, and cyber scams that impact their daily functioning.

### **Sustainability in Small Scales Enterprises (SSEs)**

Sustainability in business refers to the ability of an organization to maintain profitability, resilience, and social relevance at a longer interval while adapting to environmental and economic challenges (Okpa et al., 2022). For small and social businesses (SSEs), the concept includes not only economic viability but also the sustained potential to create employment, expand operations, and promote local economic growth. In the context of this paper, SSEs' sustainability implies their sustained potential to operate effectively in Nigeria's informal sector, in spite of economic crimes, low institutional support, and uncertain operating conditions (Okpa et al., 2022).

### **Informal Sector**

The informal sector consists of economic activities that are unregistered and unregulated and are not covered in the formal legal or social security protection regimes (International Labour Organization [ILO], 2023). In Nigeria, the informal sector provides more than 90% of all jobs

and remains the main supplier of livelihoods (National Bureau of Statistics, 2023). In this paper, the informal sector specifically denotes the aggregation of micro and small businesses existing outside the formal tax base and registry, where weak governance structures and restricted institutional credit access amplify increased exposure to economic crimes and compromise business sustenance.

### **Major Forms of Economic Crimes**

Informal business represents about 92–93% of all employment in Nigeria. In such a high degree of informality, most small-scale enterprises work with minimum legal security and minimal regulation and therefore become prime targets for the usual crimes in the economy.

Some of the forms of economic crime are as follows:

#### **i. Petty corruption and bribery**

Petty corruption and bribery are the usual examples; enterprises commonly complain of frequent incidences of incremental payments in a bid to get permits, access services, or get rid of harassment, a situation that has continually been reported in the nation and globally (Okpa et al., 2022).

#### **ii. Frauds**

Frauds committed by customers and suppliers, including cases of non-payment, short-change, and order racketing, are prevalent among market vendors and traders who are conducting business without the use of formal agreements or strong mechanisms for settling disputes, which lead to cash losses immediately that are difficult to reclaim (Mensah & Asiedu, 2021).

#### **iii. Employee thievery and internal misappropriation**

In addition, employee thievery and internal misappropriation are significant issues for owner-operated microbusinesses with weak internal controls: studies conducted among small businesses show that weak record-keeping can result in staff opportunism, which can cause continuing cash and stock leakage (Okpa et al., 2022).

Apart from physical and transactional frauds, the cyber crimes have also risen with broader mobile-money usage and online commerce among the informal traders. For instance, the

mobile and electronic payment channels are the current key transaction modes among the majority of the micro-traders while the majority of the owners have no minimum verification procedures in place, leaving them open to invoice fraud, account takeovers and business email compromise that rob payments or exfiltrate customer data (Okpa et al., 2022).

Activities involving money laundering and advance-fee fraud, commonly observed in the Nigerian literature on organized crime, result in reputational harm for otherwise upstanding small businesses when thieves take advantage of informal business fronts or payment channels (Mensah & Asiedu, 2021).

#### **iv. Extortion and protection rackets**

Another popular method includes extortion and protection rackets, whereby criminal organizations or corrupted authority staff collect periodic payments from market enclaves or transport routes; the payments are essentially undeclared taxes, decreasing working capital and forcing many owners to run with low profit margins (Transparency International, 2024).

These observed practices are shaped in a market with limited access to affordable financing and weak legal recourse; small violations potentially manageable for large businesses can be huge risks for micro-enterprises. Empirical studies also show that micro, small, and medium-sized enterprises (MSMEs) often abstain from litigious action or making formal complaints because the cost and temporally delayed nature of enforcement exceeds expected recoveries and thus rewards offenders and offset expected value from making formal complaints (Okpa et al., 2022).

The cumulative effect is that many small operators become accustomed to informal adjustment mechanisms, such as unregistered cash deals, reliance on intermediaries, and avoidance of banks, which all add to prospects for fraudulent activity and reduce traceability. Research investigating fraud in small businesses in the developing country contexts pinpoints this vicious circle: in the absence of strong governance and auditing capacity, usual offenses become the normal costs of doing business instead of being viewed as unusual events (Okpa et al., 2022).

In effect, the data indicates fluctuation based on sector and owner characteristics: female-owned and youth-operated start-ups exhibit significantly high rates of minor extortion and

online fraud while businesses operating in the catchment area of transport hubs are subject to elevated organized extortionist exploitation risks (Okpa et al., 2022).

They also exhibit geographic differences, with peri-urban market stalls often experiencing higher intensities of informal taxing, and rural traders perceiving increased risks of supply-chain fraud due to ambiguous sourcing practices. Overall, the main categories of economic crimes affecting the informal Small and Medium Enterprises (SSEs) in Nigeria are small-scale corruption and extortion, supplier and customer fraud, staff pilferage, and cyber facilitating financial fraud, all abetted by weak controls, constrained economic inclusion, and insufficient empowerment capabilities (Mensah & Asiedu, 2021).

#### Impact of Economic Crimes on Small-Scale Enterprises in the Nigerian Informal Economy

More than 90% of Nigerians work in the informal economy; thus, interruptions in informal businesses directly affect national livelihoods (Okoye & Gbegi, 2022). Economic crimes adversely affect business operations through the generation of direct revenue losses in the short term, escalation in transaction costs, and the need for shifting managerial focus from routine operations to containments. From the empirical literature, we can see that repeated tiny losses can add up: in close profit-margin businesses, tiny rates of shrinkage from frauds or extortion can eat into the working capital and force the owner to cut back operations or even cease operations altogether (Okoye & Gbegi, 2022).

At the margin of growth, economic crime prevalence lowers the desire and capacity among entrepreneurs to invest in growth or improvements in productivity. Business owners faced with regular uncertainty in cash inflows struggle further with planning for inventory improvements, new equipment purchases, or training for employees; thus, productivity advances are stymied, and businesses remain trapped in low-productivity equilibriums. Studies also show that access to credit is adversely affected: formal financiers require stable records and consistency, while businesses at the mercy of thievery or forgery often lack credible financial records, and lenders raise concerns with operational risks, therefore limiting external finance for growth endeavors (Shehu, 2025). The access limitation intersects with the direct monetary losses due to crime, producing repeated shortages in liquidity that hinder growth activities.

The survival effects are especially severe among the very smallest businesses: owner-managed microenterprises typically carry less than a few weeks' cash reserves, so a serious theft or a series of small-day losses can tip them into insolvency. Studies in workplace fraud and internal controls confirm that small businesses with weak governance are at a higher incidence of employee thievery and supplier fraudulence, with high failure rates over short- and medium-term horizons (Shehu, 2025).

Again, in the case where extortion or racketeering attracts regular and steady payments from traders, Eze and Nwakoby (2023) argue that their owners often raise prices or reduce the number employed in efforts to maintain margins; in price-sensitive marketplaces, competitiveness can be destroyed and customer loss and eventual business shutdown can result.

Towards this aim, non-monetary effects like reputational harm and erosion of confidence aggravate the material harms. When customers become victims of fraud through channels attributable to a company, or when payment disputes intensify, businesses can suffer from a downward spiral in market standing that is difficult to recover from, especially in close-knit local communities where word-of-mouth approvals are influential. The total effect from monetary losses, frozen investment potential, denial from credit, and reputational degradation suggests that economic crimes create a significant and measurable negative effect on the operational efficiency, growth trajectories, and survival chances of small and medium businesses (SMEs) operating in Nigeria's informal economy (Okoye & Gbegi, 2022).

#### Influence of Economic Crimes on the Long-Term Sustainability Of Small Scale Entrepreneurships In Nigeria's Informal Sector

Economic crimes like fraud, corruption, and money laundering are major hurdles for small-scale entrepreneurs in Nigeria's informal sector. These crimes drain resources, disrupt business operations, and undermine trust in the system. As a result, many small businesses struggle to survive, stunting economic growth and job creation. But how exactly do economic crimes impact the long-term sustainability of these entrepreneurs are highlighted and discussed as follows:

##### **a. Risk and reward**

One key way in which crime affects formalisation is through the calculus of risk and reward, entrepreneurs weigh the costs of formal registration, including taxes, compliance, and transparency to the authorities, against potential benefits such as legal protection and access to capital. Studies show that if the state sector is perceived as corrupt or enforcements are seen as being selective, the potential benefits of formalisation are reduced, since formally registered businesses still experience rents and are potentially more obvious targets for extortion (Okoye & Gbegi, 2022). Consequently, many small businesses make an eminently rational choice to stay informal in the hope of avoiding attention or extra costs, thus perpetuating a process that robs them of the protections and capital that formalisation can offer.

#### **b. Record-keeping and traceability**

Economic crimes generate tangible disincentives through issues related to record-keeping and traceability. The formal registration process generally necessitates documented records and banking transactions; however, operators who are apprehensive about fraud or have previously faced cyber-diversion may opt for cash-based systems, which are less susceptible to exploitation by criminals, yet render the business less credible in the eyes of banks and create a lack of regulatory visibility (Okpa et al., 2022).

Consequently, the very coping mechanisms employed to mitigate exposure to one category of crime (for instance, the avoidance of digital transactions) can inadvertently heighten vulnerability to other types (such as supplier shortchanging) and create obstacles to accessing formal financial services, thereby impeding the transition into the formal sector and limiting long-term sustainability.

#### **c. Weak public enforcement and lengthy judicial remedies**

The sustainable viability of businesses is also undercut by weak public enforcement and lengthy judicial remedies, which undercut the expected payoff from investment in formal governance arrangements. In a situation in which entrepreneurs are unable to rely on prompt dispute resolution, their chances of making use of the formal channels for recovery decrease, along with their incentive to take compliance actions that would strengthen their sustainable business operations. Policy assessments and industry-specific research recommend comprehensive strategies such as strengthened anti-crime enforcement, cheap and accessible

dispute resolution forums, and subsidies for formalization in the form of low-cost business registration and simplified tax systems as ways to rebalance incentives (Okpa et al., 2022).

In the absence of reforms of this kind, empirically it can be expected that informality will persist and that social businesses and social enterprises will remain fragile, thus limiting their potential for creating stable jobs and making a positive contribution towards sustainable economic development.

In essence, differential impacts matter for equity and resilience: women-owned and youth-led enterprises frequently cite insecurity and extortion as reasons for remaining informal or for not scaling, which implies that crime-driven barriers to formalisation can exacerbate existing inequalities in access to credit, training and markets (Mensah & Asiedu, 2021).

Addressing the crime-formalisation nexus is therefore not only a matter of enterprise survival but also central to inclusive growth objectives and to widening the tax base and social protection coverage over the longer term (World Bank, 2024; Transparency International, 2024).

## **Empirical Reviews**

Dele-Oladejo and Olorunsola (2023) conducted a cross-sectional study in Abeokuta, Ogun State, investigating the influence of forensic accounting on fraud prevention within owner-managed small and medium enterprises. The research did not adhere to a specific social theory but structured its analysis around perspectives of fraud prevention and corporate governance. The study's population included middle and senior-level personnel in accounting, finance, logistics, and human resources from 26 owner-managed SMEs, with participants selected purposively, resulting in 165 completed questionnaires. The research design was both cross-sectional and observational, utilizing structured questionnaires for data collection, while data analysis incorporated descriptive statistics and one-sample t-tests within SPSS. Key findings indicated a strong consensus among respondents that forensic accounting tools and formal business processes play a significant role in preventing and detecting fraud in owner-managed SMEs, although the adoption of forensic techniques remains limited in emerging economies. The authors concluded that broader implementation of forensic accounting practices and improved training could mitigate fraud occurrences and enhance the resilience of SMEs. This paper contend that this study offers valuable micro-level insights into internal

control deficiencies in Nigerian SMEs and highlights the practical advantages of forensic methods. However, a principal limitation lies in its restricted geographic scope and purposive sampling, which constrains the generalizability of the findings and means the paper does not quantify the impact of economic crimes on survival or formalization decisions within the informal sector, an issue that the current review paper sought to address by synthesizing evidence from multiple sources regarding the operational and formalization effects of economic crimes on informal small-scale enterprises.

Shehu (2025) studied internal controls and fraud prevention in some Nigerian SMEs with a descriptive survey among a national sample frame, the paper borrowed conceptually from internal controls and fraud risk management theory, the population consisted of the owners, managers, accountants and internal auditors of some SMEs and a Cochran formula-based sample size of 196 respondents were adopted with the respondents being picked through structured sampling techniques from the target firms, the research design was descriptive survey, the primary data were collected through a structured questionnaire and were analyzed with the aid of frequency distributions and multiple regressions in order to test the hypotheses, the study discovered that control activities and monitoring activities have statistically significant positive effects in preventing fraud and concluded that the incorporation of structured procedures and vigilant oversight lowers the risks of fraud, the recommendation was regular monitoring and auditing with the aid of internal auditors in SMEs, my remarks are that the study presents strong statistical evidence relating internal control components with reduced incidence of fraud in the Nigerian SMEs, the study however, is weakened in its reliance on self-reported ratings and absence of longitudinal observation and ends short of relating the effectiveness in internal controls with the wider questions of enterprise growth, survival and the incentives towards formalisation in the informal sector which exactly is the omission this paper craved to eradicate in relating fraud mitigation practices with the sustainability outcomes at the firm level.

PwC Nigeria (2024) examined operational challenges and resilience factors among MSMEs across 29 states which used an online survey instrument administered in 2022 to 557 operators across 13 sectors to capture operational challenges and resilience factors, the report does not rest explicitly on a single academic theory but uses a market and firm resilience framing to interpret results, the study population was active MSME operators and the

sampling approach combined online recruitment with stratification by sector and state to achieve nationwide coverage, the design was a cross-sectional industry survey, data were collected by structured questionnaires and secondary sector indicators and analysed using descriptive statistics and comparative tabulations, major findings emphasised that lack of access to finance, weak infrastructure and rising instances of fraud and cyber threats reduce profitability and the capacity to scale, the report concludes with policy recommendations for more accessible finance, digital security awareness and regulatory support, my comment is that the PwC survey is valuable for its broad representative snapshot and timely statistics on MSME exposure to fraud and cyber risk, its limitation for academic research is that the methodology is descriptive and primarily practitioner oriented and it does not establish causal links between economic crime incidents and enterprise survival or formalisation choices in the informal sector which the present paper addresses through systematic synthesis of empirical and policy evidence.

The United Nations Office on Drugs and Crime in collaboration with Nigeria's National Institute for Security Studies generated the Transnational Organized Crime Threat Assessment for Nigeria in 2023 which reviewed organised crime markets and modalities in the country, the review is based on threat assessment tools and criminological risk analysis, the population studied was not a traditional sample but an amalgam of criminal markets, impacted sectors and institutional actors and information were gathered from law enforcement records, case studies, expert opinions and multi-source intelligence, the methodological layout was a mixed-methods threat assessment with qualitative case analysis and quantitative trend data, tools employed in the collection of data were official statistics, practitioner interviews and analysis of incident datasets while the analysis used thematic synthesis and criminal market mapping, key findings indicated that organised economic crime such as extortion, illicit financial flows, fraud and cyber-enabled crimes have become more advanced and that the activities cut across legitimate business routes thus raising the risks for small operators, the threat assessment concluded that the multi-agency action and the strengthened integrity measures are imperative, my remark is that the NOCTA report provides exhaustive national level proof of the types and size of economic crime and sheds light on systemic vulnerabilities affecting informal traders, the limitation being that the threat assessments are flawed in that they lack micro-level causative analysis of the ways in which economic crimes influence the growth, survival and formalisation choices of individual informal enterprises and lack the dis-

aggregation of the effects in terms of firm size and gender which is the gap the current paper aimed at filling through the targeted review of micro empirical works and sectoral surveys.

Otto (2024) carried out a quantitative survey of SMEs in South Africa to test the impact of corruption on SMEs' trade credit management effectiveness, the study drew on asymmetric information and credit rationing theory to frame hypotheses about corruption and credit outcomes, the study population comprised registered SMEs across multiple industries and purposive sampling produced a large initial invitation sample with a final analysed sample of 422 completed questionnaires as reported, the research design was cross-sectional and quantitative, data collection relied on detailed online questionnaires and data were analysed using exploratory factor analysis correlation and multiple regression models, major findings indicated that corruption negatively affects certain elements of trade credit management but paradoxically that some SMEs may engage in corrupt exchanges to sustain trade credit access, the study concluded that corruption distorts credit allocation and that anti-corruption efforts must consider SME behaviour, my comment is that Otto's rigorous quantitative approach and clear theoretical grounding add value to understanding how corruption shapes financing mechanisms for small firms, the chief critique is contextual relevance since the data are South African and findings on SMEs' willingness to partake in corruption may differ where enforcement probabilities or informal sector dominance vary as in Nigeria, therefore this study highlights a comparative gap that the present work addresses by synthesising Nigeria-specific evidence on how corruption and related economic crimes shape formal finance access and survival in the informal SSE population.

Okpa et al., (2022) conducted an investigation into business e-mail compromise and cyber victimization within Cross River State, Nigeria, specifically targeting corporate entities and examining the repercussions for economic sustainability. The study was guided by frameworks related to cybercrime victimization, rather than relying on a singular established economic theory. The demographic focus included victims from corporate and organizational backgrounds in Cross River State, employing a sampling methodology that integrated purposive selection of affected firms alongside snowball sampling of incident reports. The research design implemented was both empirical and mixed-methods, featuring components of case studies and surveys. Data collection methods encompassed incident reports, questionnaires, and interviews with key informants, while data analysis utilized qualitative

thematic synthesis bolstered by fundamental descriptive statistics. The primary findings revealed that business e-mail compromise (BEC) and associated phishing attacks lead to significant financial losses and operational disruptions, with the adverse effects exacerbated by insufficient digital hygiene and inadequate organizational preparedness. The authors concluded that enhancing digital controls and increasing awareness is crucial for maintaining economic sustainability. The observation of this paper is that this study offers significant Nigeria-specific empirical evidence concerning cyber-related economic crimes and their broader impacts on business continuity. A notable limitation lies in the emphasis on corporate organizations, which neglects to address how BEC and cyber scams uniquely affect the survival, formalization decisions, and daily operations of informal small-scale enterprises (SSEs). This gap is directly addressed by the present paper which focuses on the exposure and resilience mechanisms of the informal sector.

## **Theoretical Background**

This paper is based on the following Theoretical foundations:

### **i. The Fraud Triangle Theory**

Fraud Triangle Theory, which was developed by Donald Cressey in 1953, remains one of the most commonly used models for the purpose of explaining the root motivators that cause economic and financial crimes in corporate environments. The theory relies on three key assumptions: pressure, opportunity, and rationalisation. Pressure includes the monetary or personal demands that compel a person to commit fraudulent practices, including debt, business insolvency, or social demands. Opportunity exists where a person acknowledges the opportunity available to commit fraud without being detected, often due to weak internal controls, a lack of oversight, or weak regulatory action. Rationalisation represents the intellectual rationalisation used by perpetrators in order to view their actions as acceptable or necessary. Altogether, the three aspects create a conducive environment for the existence of fraudulent conduct.

The strength of the Fraud Triangle Theory lies in its simplicity and its ability to clarify the behavioural and structural variables that lead up to economic crimes. The theory provides a coherent system for understanding the ways in which members of organizations, including those in the informal economy, can engage in fraudulent practices. Its applicability extends

across formal and informal business landscapes and can therefore be used profitably for the purpose of evaluating the prevalence of fraud, embezzlement, and corruption among Nigeria small-scale business operators.

In the context of this paper, the theory explains how the economic pressures facing small informal business proprietors, combined with the weak regulatory mechanisms common in the informal economy in Nigeria, create openings for fraudulent practices, whether from the business operators themselves or from others who exploit these points of weakness. In addition, it sheds light on the ways in which rationalization, driven by social and economic desperation, can force the small entrepreneurs into viewing bribery or record tampering as a necessary step towards their survival.

Although its usage is widespread, the Fraud Triangle Theory also has significant deficiencies. In the sense that it pays little attention to institutional and environmental causes such as deep-seated corruption, institutional lack of enforcement, and sociocultural determiners of the informal economy in Nigeria. Furthermore, it does not take into account crimes in organizations or networks, which are also prevalent in informal marketplaces. The limitation therefore implies that the theory while effective in economic crimes in the individual dimension needs completion with more comprehensive institutional or behavioral theories in order for the full dynamics of economic crimes in the informal sector's small businesses are realized.

## **ii. Routine Activity Theory**

Routine Activity Theory, introduced by Lawrence Cohen and Marcus Felson in 1979, provides a framework for understanding the occurrence of criminal behaviour as a consequence of regular activities and social dynamics. This theoretical perspective asserts that the convergence of three elements, namely, a motivated offender, an appropriate target, and the lack of an effective guardian is necessary for a crime to take place. It assumes that crime should not be viewed solely as a result of poverty or deviance, but rather as a manifestation of opportunities arising from habitual interactions and situational factors. In the context of small business, particularly within informal economic sectors, economic offenses tend to flourish when motivated offenders come across vulnerable business targets that are characterized by inadequate protective measures or oversight.

The strength of the theory lies in its applicability and environmental focus, making it suitable for analyzing situational determinants that promote or discourage economic crimes. It goes beyond personal motivation and highlights how the structure and social arrangement of informal markets, involving the use of cash, lack of formal documentation, and lack of enforcement which all accelerates fraudulent activities and exploitation.

In the case of this paper, Routine Activity Theory explains how micro-enterprises in Nigeria's informal economy become easy targets for economic crimes, due to their informality in conducting business operations, limited access to security and regulatory protection, and the existence of unrecorded trade exchanges. Lack of effective guardians consisting of regulatory agencies, fiscal oversight mechanisms, and legal frameworks, nurtures an environment that allows the unhindered growth of extortion, bribery, and cyber fraud.

However, the theory does have certain deficiencies. It argues that crime prevention can largely be achieved through the improvement of guardianship or the reduction in target suitability, but the assumption might not be applicable in the case of Nigeria, in which deep-rooted corruption and institutional weaknesses make the very "guardians" liable to compromise too. The theory also neglects the deeper socio-economic and psychological offenders' motives and focuses instead on the situational factors. Despite the disadvantages, Routine Activity Theory still remains highly applicable in this work since it provides an elementary account for understanding the ways in which the structural and environmental conditions in Nigeria's informal sector cause the vulnerability of small-scale businesses to economic crimes and thus affect their sustainability and potential for sustained growth.

## **Discussions**

The findings in this paper showed that economic crimes are a serious threat to the viability of small-scale businesses (SSEs) in the informal sector in Nigeria. Quoting PwC Nigeria (2024) and the UNODC (2023), economic crimes including bribery, extortion, fraudulent activities, and cyber-based theft are now prevalent in business dealings and compromise economic stability and confidence in the business environment. Similar findings were reached by Okoye and Gbegi (2022), whereby they emphasized that economic crimes significantly compromise the efficiency in operations and profitability of small and medium-sized businesses (SMEs) in Nigeria.

Similarly, the World Bank (2024) argues that corruption and fraudulent practices hike the transaction costs, discourage investment, and limit access to credit for smaller businesses. Nevertheless, whereas global findings emphasize institutional and policy-oriented challenges, the current research also points out the ways in which these crimes occur with more severity in the informal sector in Nigeria due to the lack of regulations and the existence of more cash-based, unsupported transactions that hamper the detection of economic misbehaviors.

In a comparative analysis of the works of African and Nigerian scholars, one similarity stands in the discussion of the effect of economic crimes in hampering business growth. In specific instances, Mensah and Asiedu (2021), from Ghana, and Eze and Nwakoby (2023), from Nigeria, each pointed out that entrepreneurs from the informal domain often experience extortion from government representatives and members of the local community, which discourages profits and prevents growth.

On the other hand, while Mensah and Asiedu (2021) pointed the finger at the lack of sufficient enforcement mechanisms mainly, Eze and Nwakoby underscored entrepreneurs' tendency to rationalise entering into corrupt deals in order to survive. Both claims are validated in this study but furthered in demonstrating that such adaptive rationalising techniques can provide fleeting reprieve at the cost of longer-term survival for businesses. Moreover, the report indicates that informal businesses, due to the limited access that they have towards legal recourse and shielding business mechanisms, are trapped in an exploitative vicious circle which inhibits their productivity, competitive advantage, and chances towards formalisation.

One of the key findings from the studies reviewed is that economic crimes not only compromise current operational effectiveness but also affect longer-term survival and SSEs' willingness to formalise. Based on reports from the International Labour Organisation (2023) and the National Bureau of Statistics (2023), the informal economy remains the largest provider of jobs in Nigeria; however, its businesses rarely graduate to the formal economy. Economic crime features in this study as a key obstacle in its path. Business proprietors are afraid of the possible engulfment in more corruption and manipulation from the bureaucracy often inherent in the formal registration process, according to Adebajo et al., (2023). Moreover, the persistent charging of illegal fees and bribes discourages small practitioners from registering and instead favour informality as a buffer against systematic exploitation. Thus, while formalisation can promise access to capital and regulatory safeguards, the

pervasive experience with corruption supports the persistence of informality and undermines sustainability.

The policy, practice, and entrepreneurship development implications of these findings are immense. Firstly, the SSEs in Nigeria's informal sector sustainability cannot be realized without intentional anti-corruption reforms focusing on local government agencies and market-level entrepreneurs who directly deal with small businesses. Secondly, the sustainability of enterprises needs more than better financial inclusion but also more robust institutional protection from exploitation. The paper highlights the importance of electronic business registration, open tax regimes, and streamlined compliance procedures in order to insulate informal businesses from exploitative tendencies. At the macro economy, curbing economic crimes can raise the productivity bar, reinforce investor confidence, and transform Nigeria's ease of doing business ranking at the macro level.

The earlier discussed theoretical foundations sufficiently justify these findings. The Fraud Triangle Theory provides behavioural explanations for why people in the informal sector can commit corrupt or fraudulent behaviour in the face of economic pressure and lack of effective oversight, which corresponds with realities found in this article. Routine Activity Theory also backs findings since it describes how the absence of effective guardians like regulatory bodies and crime-control mechanisms, provides economic crime opportunities with SSEs.

The theories discussed substantiate the assertion that individual motivations, alongside environmental factors, contribute to the enduring occurrence of economic crimes within Nigeria's informal sector. This study illustrates, by synthesizing these theoretical frameworks with empirical data, that an effective response to economic crimes necessitates a bifocal strategy: enhancing institutional frameworks to diminish opportunities for such crimes and addressing the socio-economic pressures that propel individuals into engaging in illicit activities.

### **Implications of this Paper for Research, Practice, and/or Society**

This paper has important implications for research, practice, and society, particularly within the context of Nigeria's informal economy. For research, the findings highlight the need for more empirical, field-based studies that capture the lived experiences of small scale enterprise operators and generate primary data on the mechanisms through which economic crimes

affect business sustainability, formalisation decisions, and long-term growth. For practice, the study underscores the necessity for stronger institutional frameworks, improved regulatory enforcement, and the adoption of digital monitoring systems that can reduce opportunities for bribery, fraud, and extortion, while also guiding business support organisations and development agencies in designing interventions that protect vulnerable enterprises. For society, the paper draws attention to the broader developmental consequences of economic crimes, showing that persistent exposure to corruption and insecurity undermines entrepreneurship, weakens trust in public institutions, and constrains inclusive economic development, thereby reinforcing the urgency of collective action toward building a more transparent, supportive, and enabling business environment.

## **Conclusion**

This paper concluded that economic crimes are a serious and abiding threat to the survivability of small-scale enterprises (SSEs) in Nigeria's informal sector. In reviewing literature, theory, and secondary data, the study uncovered that crimes such as bribery, extortion, fraud, and online thievery seriously compromise the operational efficiency, growth potential, and eventual survivability of informal businesses. Findings are that the crimes flourish in an environment characterized by weak regulatory intervention, restricted access to institutional security, and the largely cash-based and “un-receipted” nature of informal economic practices.

Thus, SSEs are confronted with high costs of operations, low profitability, and restricted access to credits channels, all restricting their potential for growth or formalization. Furthermore, the findings unveil that economic crimes inhibit business registry and formalization for fear of being subjected to more corruption and exploitative bureaucracy. From a theoretical perspective, the Fraud Triangle Theory and Routine Activity Theory in combination describe the behavioural and structural conditions maintaining these crimes such as financial needs, rationalization, and the lack of effective guardianship. In sum, the paper concluded that in the absence of specific reforms aimed at curbing economic crimes and enhancing the governance structure for informal businesses, Nigeria's informal sector shall remain vulnerable and thus restrain its potential in driving sustainable economic growth.

## **Recommendations**

From the above argument, the following are the proposed recommendations:

- i. The government of Nigeria, acting through organizations such as the Economic and Financial Crimes Commission (EFCC) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), should enhance anti-corruption procedures and put in place transparent, digitized monitoring systems in marketplaces and local government councils. Doing so would diminish the opportunity for bribery, extortion, and economic exploitation of small scale businesses in the informal economy.
- ii. Virtual capacity-building programmes must be designed for entrepreneurs in the informal sector with specific training in financial literacy, online security, and business ethics. Aligning with microfinance banks, business organizations, and NGOs can raise the profile of fraud avoidance, enhance record-keeping, and limit exposure to economic crimes targeting sustainability.
- iii. Registration and compliance must be simplified and devolved with technology-enabled platforms in order to facilitate formalisation. Tax holidays, subsidised compliance payments, and access to government funds for registered businesses can motivate informal businesses to enter the formal economy and facilitate regulation, responsibility, and sustainable business enterprise in the longer term.

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