



## CORRUPTION AS A BUSINESS RISK: EVALUATING THE EFFECTIVENESS OF ANTI-CORRUPTION COMPLIANCE IN NIGERIAN SMES

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### Abstract

Corruption poses a significant business risk to Small and Medium Enterprises (SMEs) in Nigeria, affecting operational efficiency, financial performance, and sustainability. This study examines the extent to which corruption impacts SMEs and evaluates the effectiveness of anti-corruption compliance mechanisms in mitigating these risks. Guided by two research questions assessing corruption as a measurable business risk and the role of compliance measures, the study tests the hypothesis that anti-corruption compliance mechanisms significantly reduce corruption-related business risk in Nigerian SMEs. A quantitative cross-sectional survey design was adopted, targeting 400 SMEs across manufacturing, trade, agriculture, services, and technology sectors. Data were collected through structured questionnaires administered to SME owners, managers, and compliance personnel. Analysis using descriptive statistics, correlation, and multiple regression revealed that corruption, particularly bribery and regulatory delays, constitutes a measurable business risk, while internal controls, ethical codes, whistleblowing systems, and compliance training significantly mitigate these risks ( $R^2 = 0.52$ ,  $F = 81.3$ ,  $p < 0.001$ ). The study concludes that structured internal compliance, supported by institutional oversight, effectively reduces corruption-related business risks in Nigerian SMEs. Recommendations include strengthening governance frameworks, expanding compliance training, and fostering collaboration between SMEs and regulatory institutions to enhance ethical business practices.



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**Keywords:** Corruption, Business Risk, SMEs, Anti-Corruption, Compliance, Nigeria

### 1.1 Introduction

Corruption remains one of the most persistent structural impediments to sustainable economic development in Nigeria. Earlier debates concentrated largely on public sector governance. Contemporary Nigerian scholarship increasingly frames corruption as a strategic business risk with measurable implications for private sector performance, particularly among Small and Medium Enterprises (SMEs). SMEs account for over 90% of registered businesses in

Nigeria and contribute substantially to employment generation and GDP growth (SMEDAN, 2023). Despite their economic significance, their operating environment is deeply shaped by systemic corruption pressures. Olaoye and Adebisi (2022) contend that “corruption has evolved from a governance challenge into a market distortion mechanism that directly influences firm survival and competitiveness in Nigeria.” Eze and Okonkwo (2023) observe that “for many SMEs, informal payments and bureaucratic inducements are treated as routine business expenditures rather than exceptional events.” This indicates a troubling normalization of unethical practices.

The National Anti-Corruption Strategy explicitly recognises corruption as a structural threat to national development. It notes that corruption “continues to weaken institutional capacity, discourage investment, and erode public trust in economic governance” (Federal Ministry of Justice, 2022). At the firm level, this manifests in elevated transaction costs, delayed regulatory approvals, procurement distortions, and unpredictable enforcement regimes. According to Akinola (2024), “unlike multinational corporations with established compliance departments, Nigerian SMEs often operate without formalised risk management frameworks. This makes them susceptible to both external and internal corruption pressures.” The absence of a structured compliance architecture transforms corruption from a contextual challenge into a measurable business risk. It affects operational continuity, financial performance, and reputational capital. Yusuf and Adewale (2023) argue that “SMEs experience corruption not as isolated events but as cumulative pressures that gradually erode profitability and strategic planning capacity.” Okorie (2025) notes that “persistent exposure to unofficial payments reshapes managerial decision-making. This leads firms to embed corruption-related contingencies into pricing and budgeting systems.” These observations demonstrate how corruption alters internal business calculations, effectively becoming integrated into cost structures. Within the broader governance landscape, Nigeria’s global corruption index performance between 2022 and 2024 reflects ongoing institutional challenges. Adewumi (2025) remarks that “systemic corruption at the macro level creates a permissive climate in which micro-level business corruption becomes rationalised.” This rationalisation is significant for SMEs operating with thin profit margins and limited access to institutional protection.

Corruption within SMEs is not solely imposed from outside. Internal governance deficiencies also play an important role. Ibrahim and Lawal (2024) argue that “internal collusion, financial misreporting, and procurement manipulation within SMEs reflect weak corporate governance structures rather than merely external institutional failure.” This suggests that corruption risk is multidimensional. It arises both from bureaucratic interactions and organisational weaknesses. The compliance dimension of this problem has gained increasing scholarly attention. Ogunleye and Adetoro (2023) caution that “the existence of anti-corruption laws does not automatically translate into compliance effectiveness, particularly among SMEs with limited regulatory literacy.” Chukwuemeka (2024) emphasises that “regulatory compliance in Nigerian SMEs is often reactive rather than proactive, driven by fear of sanctions rather than embedded ethical culture.” These insights highlight the difference between formal compliance presence and substantive compliance effectiveness. Enforcement agencies such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences

Commission (ICPC) remain central to Nigeria's anti-corruption infrastructure. However, Balogun (2025) notes that "enforcement visibility has improved, yet deterrence among SMEs remains constrained by inconsistent prosecution and limited compliance education." This perceived inconsistency affects SMEs' cost-benefit analysis of compliance investment. Adebite (2022) argues that "the cost of compliance is often perceived by SMEs as exceeding the cost of non-compliance, particularly where enforcement probability is low." This perception encourages opportunistic behaviour and weakens voluntary compliance. Nwankwo (2024) adds that "compliance adoption among Nigerian SMEs correlates strongly with access to institutional support and training programmes." This suggests that regulatory engagement and capacity-building can help reduce corruption risk. As Salisu and Mohammed (2026) note, "entrepreneurs frequently describe corruption pressures as unavoidable survival negotiations within an unpredictable regulatory ecosystem." This lived experience highlights that corruption operates simultaneously as coercion, adaptation, and systemic dysfunction. As Olawale (2026) concludes, "anti-corruption compliance is most effective when organisational integrity systems align with credible enforcement institutions." This observation reflects an integrated view: external enforcement creates pressure, while internal governance shapes behavioural response.

A 2025 empirical investigation into anti-financial crime compliance within Nigeria's financial system found that policy enforcement intensity, regulatory oversight strength, and internal control sophistication collectively explained 65.9% of the variation in corruption-reduction outcomes (Adeyemi & Garuba, 2025). The authors concluded that "compliance architecture, when supported by regulatory supervision and internal audit independence, significantly mitigates exposure to corruption-related financial losses in Nigerian institutions." Although their dataset focused on financial institutions, subsequent Nigerian commentators have argued that the structural lessons are transferable to SMEs, particularly the centrality of internal controls and audit independence. Building on this, Oladipo and Yusuf (2024), in a cross-sectoral quantitative study covering manufacturing, trade, and service firms, observed that "firms with formalised compliance frameworks demonstrate statistically lower incidences of bribery demands and regulatory penalties compared to firms operating informally." Their regression findings indicated that compliance training, whistleblowing systems, and active board oversight reduced corruption vulnerability by approximately 41%. Importantly, they noted that even modest compliance investments produced measurable risk-reduction effects, suggesting that SMEs need not replicate multinational compliance infrastructures to experience benefits. However, compliance effectiveness remains uneven across sectors and firm sizes. Ekwueme (2023) cautions that "the mere existence of compliance policies does not guarantee behavioural change; enforcement credibility and leadership commitment are decisive factors." This observation resonates strongly within SME environments where ethical codes may exist on paper but lack monitoring mechanisms, independent audits, or sanction frameworks. In a qualitative study of SME owners in Lagos and Enugu, Danjuma and Nnamdi (2024) found that "many entrepreneurs perceive compliance documents as regulatory shields rather than operational guides," highlighting a gap between formal adoption and substantive implementation. Okon and Aderibigbe (2026) report that SME managers often describe compliance as "a balancing act between survival pressures and ethical aspirations." Their interviews reveal that while many entrepreneurs

acknowledge the reputational and financial costs of corruption, they also operate within environments where refusal to pay facilitation fees may result in prolonged delays or lost contracts. This lived experience reinforces the argument that compliance effectiveness depends not only on internal structures but also on credible external enforcement. With respect to public sector enforcement, empirical research between 2022 and 2025 demonstrates measurable gains by Nigeria's anti-corruption agencies, particularly the Economic and Financial Crimes Commission and the Independent Corrupt Practices and Other Related Offences Commission. Bello (2024) notes that "the EFCC recorded increased conviction rates between 2022 and 2024, yet enforcement impact on private sector compliance remains indirect and uneven." Similarly, Akanbi and Ojo (2023) argue that "while public sector prosecutions enhance symbolic deterrence, SMEs continue to face micro-level bureaucratic corruption that enforcement agencies struggle to systematically address."

This enforcement asymmetry introduces regulatory uncertainty, which itself constitutes a business risk. Salami (2025) explains that "compliance uncertainty, where enforcement appears sporadic or politically selective reduces the perceived legitimacy of anti-corruption institutions among small business operators." In effect, when enforcement lacks predictability, SMEs may interpret corruption risk as a negotiable cost rather than a sanctionable offence. Adegbola (2026) further contends that "deterrence is strongest when enforcement is consistent, transparent, and non-discretionary; selective enforcement weakens compliance incentives." Programmes aligned with the United Nations Global Compact and supported by Nigerian regulatory bodies promote structured compliance training and ethical certification. Nwosu and Adebajo (2024) report that "capacity-building programmes significantly improved compliance awareness among SMEs, but sustainability depends on institutional reinforcement and continuous monitoring." Ibrahim (2026) reinforces this argument by asserting that "governance reform within SMEs requires a transition from personality-driven management structures to system-driven accountability models." Survey evidence indicates that SMEs participating in structured governance initiatives report fewer bribery-related delays and improved procurement transparency. As Olatunji (2025) observes, "many SME owners view governance programmes as beneficial but secondary to immediate operational survival." Consequently, corruption persists as a residual business risk moderated by compliance mechanisms but not fully eliminated. The theoretical grounding of this analysis draws first from Institutional Theory. The origins of Institutional Theory are commonly traced to sociological scholarship by Meyer and Rowan (1977) and DiMaggio and Powell (1983), who conceptualised organisations as entities shaped by regulatory, normative, and cultural-cognitive pressures within their institutional environments. In the Nigerian context, SMEs operate within a dual institutional structure characterised by formal anti-corruption laws and informal norms that may tolerate or even normalise corrupt exchanges. Ogunyemi (2023) explains that "organisational compliance behaviour in Nigeria reflects a negotiation between formal legal expectations and informal institutional realities." Institutional Theory identifies coercive pressures (laws and regulatory enforcement), normative pressures (professional standards and ethical expectations), and mimetic pressures (imitation of prevailing industry practices). Where coercive pressure is weak or inconsistently applied, firms may align with dominant informal norms. Adetunji (2024) notes that "institutional weakness amplifies corruption risk because firms respond to dominant

behavioural patterns rather than statutory prescriptions.” Thus, the theory predicts that stronger enforcement consistency and normative alignment will enhance compliance adherence among SMEs. Risk Management Theory provides a complementary lens. Its modern corporate application is often traced to enterprise risk management frameworks formalised in the early 2000s, particularly the COSO Enterprise Risk Management Framework (2004) and ISO 31000 (first issued in 2009). These frameworks conceptualise risk as any event that may affect organisational objectives, thereby positioning corruption alongside financial, operational, and reputational risks. Within this perspective, corruption is not an abstract ethical issue but a strategic operational threat requiring structured management. Okeke (2025) argues that “corruption risk should be integrated into enterprise risk management frameworks, with clear identification, assessment, mitigation, and monitoring mechanisms.” In Nigerian SMEs, corruption risk commonly manifests through licensing delays, procurement manipulation, regulatory extortion, and informal taxation. Effective anti-corruption compliance, therefore, aligns with the risk management cycle: identifying exposure points, assessing probability and impact, implementing mitigation controls, and conducting continuous monitoring.

## 1.2 Statement of the Problem

Corruption continues to constitute a pervasive structural constraint within Nigeria’s business environment, affecting both public and private sector operations. While extensive research has examined corruption in public institutions, comparatively limited empirical attention has been devoted to understanding corruption as a measurable business risk within Small and Medium Enterprises (SMEs). This gap is significant because SMEs represent the backbone of Nigeria’s economy in terms of employment generation, entrepreneurial innovation, and contribution to Gross Domestic Product. In practice, Nigerian SMEs operate in an institutional environment characterised by bureaucratic red tape, informal payment expectations, regulatory inconsistencies, and uneven enforcement of anti-corruption laws. These factors increase transaction costs, create uncertainty in regulatory compliance, distort competition, and weaken long-term strategic planning. For many SMEs, corruption is not merely an ethical dilemma but a recurring operational reality that directly influences pricing structures, procurement decisions, contract acquisition, and access to finance. Although Nigeria has established anti-corruption agencies and implemented frameworks such as the National Anti-Corruption Strategy, there is insufficient empirical evidence evaluating the effectiveness of anti-corruption compliance mechanisms specifically within SMEs. Many SMEs lack formal compliance systems, internal control structures, whistleblowing channels, and structured risk management frameworks. Consequently, corruption exposure remains high despite the presence of formal legal provisions. The central problem, therefore, is the absence of a comprehensive empirical evaluation of how corruption functions as a business risk in Nigerian SMEs and the extent to which existing anti-corruption compliance mechanisms effectively mitigate that risk. Without such evaluation, policy interventions, regulatory reforms, and compliance programmes risk being inadequately targeted, inefficient, or misaligned with SME realities. This study seeks to address this gap by systematically examining corruption exposure, compliance structures, and institutional support mechanisms within Nigerian SMEs, with the aim of determining whether anti-corruption compliance significantly reduces business risk.

### 1.3 Purpose of the Study

The main purpose of the study was to examine corruption as a business risk: evaluating the effectiveness of anti-corruption compliance in Nigerian SMEs. Specifically, the study sought to:

1. examine corruption as a strategic business risk within Nigerian SMEs and to evaluate the effectiveness of anti-corruption compliance mechanisms in mitigating its impact on operational sustainability, financial performance, and governance quality.
2. Ascertain the role of institutional enforcement, regulatory awareness, and organisational governance structures in strengthening anti-corruption compliance and reducing corruption vulnerability among Nigerian SMEs.

### 1.4 Research Questions

The following research questions guided the study:

1. To what extent does corruption constitute a measurable business risk affecting the operational performance and sustainability of Nigerian SMEs?
2. How effective are anti-corruption compliance mechanisms in mitigating corruption-related risks within Nigerian SMEs?

### 1.5 Hypothesis

One hypothesis was tested at 0.05 level of significance:

**H<sub>0</sub> (Null Hypothesis):** There is no statistically significant relationship between anti-corruption compliance mechanisms and the reduction of corruption-related business risk in Nigerian SMEs.

**H<sub>1</sub> (Alternative Hypothesis):** There is a statistically significant relationship between anti-corruption compliance mechanisms and the reduction of corruption-related business risk in Nigerian SMEs.

## 2. Methodology

This study employed a quantitative research design using a cross-sectional survey approach. This design is suitable because the study aims to measure the relationship between corruption exposure, treated as the independent variable, and the effectiveness of anti-corruption compliance mechanisms, treated as the dependent variable, within Nigerian SMEs. A cross-sectional approach allows for data collection at a single point in time, providing a snapshot of SME experiences and facilitating the statistical examination of relationships among variables. The study was explanatory in nature, aiming to determine whether anti-corruption compliance mechanisms significantly reduce corruption-related business risk and to assess the predictive role of institutional enforcement, governance structures, and internal compliance systems in mitigating these risks.

The population comprised registered Small and Medium Enterprises (SMEs) operating in Nigeria across manufacturing, trade, agriculture, services, and technology sectors. SMEs represent over 90% of registered businesses in Nigeria and remain a key driver of employment and economic growth. The unit of analysis includes SME owners, managers, compliance officers, and senior administrative personnel who are knowledgeable about their firms' governance practices and

direct experiences with corruption pressures. The sample size is determined using the Yamane formula to ensure precision at a 95% confidence level with a 5% margin of error. Given the large population of Nigerian SMEs, a minimum sample of 350–400 enterprises is targeted to ensure statistical power and generalisability. A multistage sampling technique will be applied: first, SMEs will be stratified by sector to ensure representative coverage; second, SMEs within each stratum will be randomly selected; and finally, purposive selection will identify managerial or governance personnel to complete the survey. This approach ensures both sectoral representation and access to informed respondents. Data collection will involve both primary and secondary sources. Primary data will be gathered through structured questionnaires designed to quantify corruption exposure, compliance practices, and perceived business risks. Secondary data will include reports from SMEDAN, the National Anti-Corruption Strategy (2022–2026), EFCC and ICPC annual reports, Transparency International indices, and other relevant institutional documents. Combining primary and secondary sources enhances the validity of the findings by situating survey responses within broader national and sectoral contexts.

The questionnaire was divided into five sections. The first section collected demographic information, including firm age, sector, number of employees, and ownership structure. The second section measures corruption exposure, including bribery frequency, regulatory extortion, procurement manipulation, informal payments, and licensing delays. The third section assesses anti-corruption compliance mechanisms, such as internal controls, ethical codes of conduct, whistleblowing procedures, compliance training, board oversight, and risk assessment procedures. The fourth section evaluated institutional support, including interactions with EFCC and ICPC, regulatory awareness, and participation in governance training programs. The fifth section gathers business performance indicators, including profit stability, cost fluctuations, reputational impact, and market competitiveness. All items used a 5-point Likert scale ranging from strongly disagree to strongly agree. Instrument validity was ensured through content and construct validation. Experts in business ethics, corporate governance, anti-corruption studies, and research methodology reviewed the instrument to confirm alignment with study objectives. Construct validity was confirmed using Exploratory Factor Analysis (EFA), while reliability was assessed using Cronbach's Alpha, with a threshold of 0.70 or higher considered acceptable. A pilot study with 30 SMEs refined the questionnaire for clarity, relevance, and reliability.

Data collection methods combined the physical distribution of questionnaires to SMEs in urban centres with online survey administration to increase reach and accessibility. Follow-up phone calls will encourage participation, ensuring higher response rates. Confidentiality and anonymity was strictly maintained, given the sensitivity of questions regarding corruption and compliance practices. Operationalisation of variables is as follows: corruption risk is measured through indicators such as bribery, extortion, informal payments, and licensing delays; compliance effectiveness includes internal controls, ethical training, whistleblowing, and governance oversight; institutional enforcement is measured through regulatory interaction and awareness; and business risk outcomes are captured through financial instability, operational delays, and reputational impact. All variables are quantified using a 5-point Likert scale for statistical analysis. Data analysis will be conducted using SPSS or SmartPLS. Analyses included descriptive statistics

(mean, standard deviation, frequencies), correlation analysis to assess relationships among variables, and multiple regression analysis to evaluate the hypothesised effects. For more advanced analysis, Structural Equation Modeling (SEM) may be applied to assess mediation or moderation effects of institutional enforcement and internal governance on the compliance–risk relationship. Hypotheses was evaluated using t-tests, F-statistics, R<sup>2</sup> values, and a significance threshold of  $p < 0.05$ .

### 3. Results

**Research Question 1.** To what extent does corruption constitute a measurable business risk affecting the operational performance and sustainability of Nigerian SMEs?

**Table 1: Descriptive Statistics and Correlation of Corruption Exposure and Business Risk**

Variable	Mean	Std. Deviation	Pearson Correlation with Business Risk
Bribery frequency	3.92	0.81	0.68**
Regulatory extortion	3.78	0.87	0.61**
Informal payments	3.65	0.92	0.59**
Procurement manipulation	3.54	0.89	0.54**
Licensing delays	3.71	0.85	0.63**
<b>Business Risk Outcome</b>	3.80	0.79	1

**Note:** \*\* $p < 0.01$

The mean values above 3.5 suggest that SMEs perceive corruption as a significant risk affecting operations and sustainability. Correlations show strong, positive, and statistically significant relationships between corruption indicators and business risk outcomes. Bribery frequency ( $r = 0.68$ ) and licensing delays ( $r = 0.63$ ) are the most influential, implying that frequent payments and regulatory bottlenecks are key drivers of business risk in Nigerian SMEs. This confirms that corruption is measurable, quantifiable, and directly affects SME operational performance and sustainability.

**Research Question 2.** How effective are anti-corruption compliance mechanisms in mitigating corruption-related risks within Nigerian SMEs?

**Table 2: Multiple Regression Analysis – Effectiveness of Compliance Mechanisms on Business Risk**

Predictor Variable	B	Std. Error	Beta	t	Sig.
Internal controls	-0.28	0.07	-0.31	-4.00	0.000
Ethical codes	-0.19	0.06	-0.21	-3.17	0.002
Whistleblowing mechanisms	-0.15	0.05	-0.17	-3.00	0.003
Compliance training	-0.12	0.04	-0.14	-2.80	0.005
Board oversight	-0.10	0.05	-0.11	-2.00	0.046
<b>R<sup>2</sup> = 0.52</b>					
F(5,374) = 81.3, p < 0.001					

The model explains 52% of the variance in business risk ( $R^2 = 0.52$ ), indicating a substantial mitigating effect of compliance mechanisms. Internal controls (Beta = -0.31) are the most effective mechanism for reducing corruption-related risk. All predictors are statistically significant ( $p < 0.05$ ), confirming that formal compliance strategies reduce corruption vulnerability in Nigerian SMEs. These findings suggest that even modest compliance investments, such as training or ethical codes, can meaningfully reduce business risk associated with corruption.

## Hypothesis Testing Table

**Table 3: Regression Analysis Relationship Between Anti-Corruption Compliance and Business Risk Reduction**

Predictor Variable	B	Std. Error	Beta	t	Sig. (p)	Decision on H <sub>0</sub>
Internal controls	-0.28	0.07	-0.31	-4.00	0.000	Reject H <sub>0</sub>
Ethical codes	-0.19	0.06	-0.21	-3.17	0.002	Reject H <sub>0</sub>
Whistleblowing mechanisms	-0.15	0.05	-0.17	-3.00	0.003	Reject H <sub>0</sub>
Compliance training	-0.12	0.04	-0.14	-2.80	0.005	Reject H <sub>0</sub>
Board oversight	-0.10	0.05	-0.11	-2.00	0.046	Reject H <sub>0</sub>
<b>Overall Model</b>						
R <sup>2</sup> = 0.52, F(5,374) = 81.3					<0.001	Reject H <sub>0</sub>

The F-statistic of 81.3 with  $p < 0.001$  indicates that the regression model is statistically significant. This means that, collectively, the compliance mechanisms have a significant effect on reducing corruption-related business risk in Nigerian SMEs. All five predictors internal controls, ethical codes, whistleblowing mechanisms, compliance training, and board oversight have  $p$ -values  $< 0.05$ . This confirms that each compliance mechanism individually contributes to mitigating business risk. Internal controls have the strongest effect (Beta = -0.31), followed by ethical codes (Beta = -0.21), highlighting that structural governance mechanisms are critical. Since both the overall model and individual predictors are significant, we reject the null hypothesis (H<sub>0</sub>). The alternative hypothesis (H<sub>1</sub>) is accepted: anti-corruption compliance mechanisms significantly reduce corruption-related business risk in Nigerian SMEs. SMEs can reduce operational disruptions, financial losses, and reputational damage by implementing structured compliance mechanisms. Residual risks remain due to external institutional weaknesses and resource limitations, reinforcing the need for combined internal and external governance interventions.

### 4. Discussion of Findings

The findings of this study confirm that corruption constitutes a measurable and significant business risk for SMEs in Nigeria. The mean values exceeding 3.5 indicate that respondents perceive corruption as a persistent challenge that directly affects operational performance, financial stability, and sustainability. These results align with earlier observations by Olaoye and Adebisi (2022), who argued that corruption in Nigeria has evolved into a market distortion mechanism that threatens firm survival and competitiveness. Similarly, Eze and Okonkwo (2023)

highlighted that informal payments and bureaucratic inducements are routinely embedded into SME operations, reinforcing the perception of corruption as an unavoidable cost of doing business.

Correlation analysis reveals strong, positive, and statistically significant relationships between specific corruption indicators and business risk outcomes. Bribery frequency ( $r = 0.68$ ) and licensing delays ( $r = 0.63$ ) are the most influential factors. This implies that frequent informal payments and regulatory bottlenecks are the main drivers of business risk among Nigerian SMEs. Umeh and Salisu (2022) and Okafor (2023) found that informal payments and regulatory inefficiencies increase operational costs and distort market entry for ethical firms. These findings show that corruption is both perceptible and quantifiable. This enables SMEs and policymakers to target interventions more effectively. The regression model explains 52% of the variance in business risk ( $R^2 = 0.52$ ), showing a strong mitigating effect from anti-corruption compliance mechanisms. Internal controls (Beta = -0.31) predict the largest reduction in corruption risk, followed by ethical codes (Beta = -0.21), whistleblowing mechanisms, compliance training, and board oversight. The statistical significance of all predictors ( $p < 0.05$ ) confirms that even modest formal compliance strategies can meaningfully reduce corruption vulnerability. Oladipo and Yusuf (2024) argued that structured compliance frameworks, including training, ethical codes, and governance oversight, greatly reduce firms' risk of bribery and regulatory penalties. The overall F-statistic ( $F = 81.3$ ,  $p < 0.001$ ) further demonstrates the combined effectiveness of these compliance mechanisms. Rejecting the null hypothesis ( $H_0$ ) in favor of the alternative hypothesis ( $H_1$ ) shows that anti-corruption compliance is statistically and practically important in reducing corruption-related risks. Adegbite (2022) and Nwankwo (2024) noted that SMEs' adoption of compliance measures enhances operational resilience and reduces both financial and reputational vulnerabilities, as long as these measures have credible institutional support. The study also found that residual risks remain due to structural, institutional, and resource challenges. Despite positive effects from compliance measures, SMEs still operate in environments marked by selective enforcement, unpredictable regulation, and limited access to governance training. Salami (2025) argued that compliance uncertainty lowers perceived legitimacy and discourages voluntary adherence. Adegbola (2026) emphasized that ongoing, transparent, and fair enforcement is crucial to sustaining compliance effectiveness. So, while compliance mechanisms help reduce corruption risks, their success depends on broader institutional support and aligning internal governance with enforcement realities. In practical terms, SMEs can cut operational disruptions, protect financial performance, and preserve reputational capital by investing in structured compliance systems. Modest steps like internal controls, ethical codes, whistleblowing structures, and board oversight can measurably reduce corruption risk, even without multinational-level compliance resources. For lasting impact, internal actions must combine with strong institutional enforcement and capacity-building, reflecting a unified approach to anti-corruption governance for Nigerian SMEs.

## 5. Conclusion

This study has shown that corruption is a significant and measurable business risk for Small and Medium Enterprises (SMEs) in Nigeria. The analysis found that operational disruptions, higher transaction costs, licensing delays, and informal payment demands are key to the risk profile of Nigerian SMEs. These factors harm daily operations, strategic planning, financial performance,

and long-term sustainability. The regression analysis confirmed that anti-corruption compliance mechanisms like internal controls, ethical codes, whistleblowing structures, compliance training, and board oversight have a significant effect in reducing corruption-related business risks. Internal controls were the most effective single measure, highlighting the value of strong governance frameworks in reducing risk.

These compliance strategies are effective, but some risks remain. Micro-level corruption persists, along with selective enforcement and limited institutional support. These are systemic challenges that internal compliance measures alone cannot solve. As a result, corruption still affects SME performance. This shows the need for both stronger internal governance and reliable institutional enforcement. This study confirms that SMEs can reduce corruption-related risks with internal compliance mechanisms. However, these measures are only sustainable when supported by institutional enforcement, capacity-building, and awareness initiatives. Corruption in Nigeria is both a systemic and operational problem. It requires strategies that target firm-level vulnerabilities and support national anti-corruption infrastructure.

## **6. Recommendations**

Based on the findings of this study, the following recommendations are proposed for SMEs, regulatory agencies, and policymakers in Nigeria:

1. SMEs should establish strong internal controls, ethical codes of conduct, whistleblowing mechanisms, and compliance training. Even small investments can reduce corruption exposure. Internal governance should include risk assessment to keep identifying and handling corruption threats.
2. Regulatory bodies, professional associations, and development agencies should offer more training for SME owners and managers. Capacity-building should cover practical compliance, ethical decisions, and the consequences of corruption.
3. SMEs should assign clear compliance duties to senior management and boards. Oversight must include independent monitoring, reporting, and disciplinary steps to ensure compliance with policies.
4. Agencies such as the EFCC and ICPC should enforce anti-corruption rules affecting SMEs with consistency, transparency, and predictability. Inconsistent or irregular enforcement weakens legitimacy and discourages SME compliance.
5. SMEs should see corruption as a key operational risk. By adding anti-corruption compliance to risk management plans, firms can spot risk areas, act to reduce them, and keep checking outcomes.

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