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## IMPACT OF INSURGENCY ON THE GROWTH OF SMALL BUSINESS IN MAIDUGURI, BORNO STATE, NIGERIA

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### Abstract

*The impact of the insurgency has been far reaching and has caused a lot of damages to small businesses. Thus, by reducing the profits as well as level of productivity and sales turnover of small business and employee turnover. The paper access the impact of insurgency on the productivity and level of working capital of small business in Maiduguri. The study used both primary and secondary data. The primary data were generated through the administration of well structured, questionnaire and oral interview conducted on 325 respondents from the study area. The secondary data were obtained from various write ups with similar inclinations. The study used both descriptive and inferential statistics in its analyses. The descriptive consist of simple percentages, frequency distribution. The inferential statistics include regression analysis. The findings revealed that the insurgency has caused a lot of damages and loss of lives which affects small businesses. These cause a lot of economic loss to both small business operators as well as reduction in sales volumes. The study recommended that development and appropriate integrative program should form basis for governance. Similarly, government should implement youth empowerment and development programmes. Nigerian security agencies should also be motivated to put in their efforts toward ensuring that insurgency is properly tackled.*

**Keywords:** Insurgency, Growth, Productivity and Working Capital, Small Business

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### Introduction

The role of the Small Businesses as a catalyst for economic growth and development has been recognized in most countries including developed nations. In many of the newly industrialized nations, more than 98 percent of all industrial enterprises belong to the Small business sector which account for the bulk of the labour force (Musa, 2014). Small Businesses (SBs) are not only the backbone, but also the cerebellums for every feasible operation in every sector of the economy. The relative importance of small businesses in advanced and developing countries has led to a reconsideration of the role of small businesses.

In many parts of the world the importance of Small Businesses to national economy has been widely recognized and well documented. In many developed countries, more than ninety-eight percent (98%) on all enterprise belong to the Small Business sub-sector and account for the bulk of the labour force (Musa, 2014). A healthy Small

Business sector contributes predominantly to the economy through the creation of wealth, employment generation, and income redistribution and of entrepreneurship skills. It is generally believed that a major advantage of the small business sector is its employment generation potential at low capital cost. The labour intensity of Small Business sector is much higher than that of large enterprises. Its play a fundamental role in the European Economy in terms of the number of enterprises, contribution to employment and value added product Micro and very small businesses in South Africa provided more than fifty-five percent (55%) of total employment and twenty-two percent (22%) of GDP in 2003 (Musa and Semasinghe, 2014).

Nigeria like most developing countries has shown increased interest in the development of Small Businesses because of its potential multiplier effects in area of employment generation, development, promotion and income disparity

reduction. Data from the National Bureau of Statistics (NBS) revealed that about ninety-seven percent (97%) of the entire enterprises in the country are Small Businesses and they employ an average of seventy percent (70%) of working population as well as contributing up to fifty percent (50%) to the country's industrial output (National Bureau of Statistics, 2015). Small businesses like other types of business are affected by the environment in which they operate. The business environment according to Metz (2007) can be described as either internal or external. The external environment which is outside the control of management is noted to be the economy, finance, weather, infrastructure, law, trends and customer based.

In achieving this objective, the study is divided into five parts. This is an introduction, followed by literature review as the second part. The third part is methodology and the fourth part is result and analysis, while the last part is conclusion and policy implication.

#### **Literature Review**

No doubt, small businesses play an integral role in promoting the economic development of Nigeria in particular. The small businesses play an invaluable role in creating jobs for the teeming population that is unemployed (Adelaja, 2012). The major issue confronting Nigeria as a nation is the high level of unemployment in the country which is having adverse effect on the economic development of the nation. With the increasing establishment of small businesses in the country, there is an assurance that greater percentage of the population will be meaningfully engaged and thereby reducing the economic tension in the country. Small businesses ensure effective and efficient utilization of the available human and material resources in the country. In this context, the human resources refer to the labor force. That is the individuals that are willing and able to work; while the material resources are the non-human factors that are needed in the production process. The growth of small businesses therefore engages these resources and thereby avoiding wastages and underutilization. All these will in turn lead to economic development of the nation. The growth of small businesses also plays a major role in reducing food insecurity in the nation. Hunger is one of the indices of poverty in economically less developed nations. Food insecurity incorporates a measure of resilience to future disruption or unavailability of critical food supply due to various risk factors including droughts, shipping disruptions, fuel shortages, economic instability and wars. With the establishment of more small businesses in the country, more foods are made available to the population at reasonable prices.

This trend in turn leads to a better standard of living which is tied to economic development. The establishment and growth of small businesses in the country reduces the level of dependency of a country.

#### **Concept of Boko Haram**

Boko Haram literally means "western education is divinely forbidden". It is an Arabic/Hausa phrase that connotes Book (adulterated in pronunciation as Boko-Western education); HARAM (anything forbidden in Islam). Thus the philosophy of the proponents of such belief is that acceptance and practice of western education as well as culture is a sin. In trying to buttress the sinful nature of western education/culture; Yusuf (2009) in his write up stated that it is blasphemous for its believer to accept the logic that the world is sphered or that rain comes from water evaporation as a result of interaction with the sun. He was of the view that this position is mere evil machination of western education philosophy in their bid to malign Islam.

The fundamental ideology of Boko haram is "western education is forbidden and therefore should not be allowed to prevail among nations, particularly, Muslim dominated states. Initially, they attacked churches and law enforcement agents. As they increase in number and apparent slow response from the government, anybody, institutions in Nigeria irrespective of whom and where is subject to attack by the sect. In his contribution to the attacks by Boko haram, Adetiloye (2014), opined that the group attacked and destroy churches, mosques, schools, police stations and private and public owned facilities. He concluded that Boko Haram is the most dangerous insurgent group in Nigeria. By their belief and activities, it suggests that they are among the global terrorists' network. They kidnap, engage in suicide bombing etc. supporting the claim that Boko Haram is a terrorist group, Ali et al (2012), said that the manifestation of terrorism include hijacking, suicide bombing etc. which is the attack formula often adopted by the group. These seem to suggest that the group is an affiliate of international terrorist network. Their activities generate other adverse effects which include destabilization of regions, resources flows and market; he blossoming of transitional crime, humanitarian disasters, and transnational terrorism (Metz 2007).

#### **Impact of Insurgency on Small Businesses in Maiduguri**

Boko haram has been destroying the economy of the North-East due to the prevalence of its activities in that region which made business men and companies with no options but to fold up and move out of the zone. Other areas where the activities of Boko Haram seriously affect business

enterprises negatively include: Niger, Kaduna, Kano, Plateau, Kogi, and recently, Sokoto (Adebayo, 2014). It is also on record that frequent attacks between the insurgents and the police force brings about killing and destruction of property in the Northeast which make people, particularly those from the Southern parts of Nigeria to flee from that region for their lives with their business activities, while some abandoned their business venture (Adejumola, and Tayo, 2012). In Maiduguri, the capital city of Borno State, there is a popular market called Monday market been the biggest market in the state, it was worse hit due to the attacks by the Boko Haram insurgents, the shops have to be closed because there were people from the Southern Nigeria doing business, in fact it was reported that over 10,000 businesses were closed as a result of the activities of Boko Haram (Oshio, 2009). The study further observed that Banks no longer operate on normal working hours, due to the adverse effects of the attacks by Boko Haram. The activities of the Boko Haram have led to the reduction of business hours for the banks and their customers for the fear of been attacked by the insurgent. More so, Kano State which was known with business today has been deserted with investors relocated with their businesses to other parts of Nigeria due to the security challenges perpetuated by the activities of Boko Haram. It has been further discovered that about 80 percent of the industries previously located in Kano with branches in Maiduguri are said to have closed down their factories, due to power failure as well as the daunting security challenges (Okerocha, 2012). Moreover, due to security challenges created by the insurgents and its attending impacts on both private and public sectors of the economy has made many business men and traders to have relocated their businesses from the city of Maiduguri. Insurgency has increased the cost of doing business by the private sectors as well as providing public services for the citizenry because resources that would have been invested in increasing output, funding of education, health and other welfare programmes are diverted to crime control and prevention.

**Effect of Insurgency on existing Small Business**

The Nigerian insecurity situation halted business operations during the periods of violence and also caused the outright closure of many small businesses especially in the in the North-east. Generally, if there is no peace and security, it is extremely difficult for business to survive. Ordinary citizens having small and medium scale business cannot open shops for business transactions. Insecurity everywhere is a risk factor which business owners and managers dread and wish to avoid by relocating their businesses elsewhere. In the case of Nigeria, there is also evidence of some businesses having to relocate particularly from the North in recent time, to other peaceful parts of the country (Nwagbosa (2012). Non indigenes especially those from the Southern part of the country (Igbos and Yoruba) have to return to their home states before they are killed by Boko Haram (Suleiman, 2012).

**Effects of Insurgency on Small Business Financing**

Insecurity also increases security spending by business organizations. This emanates from the cost of taking precautions and payment for private security services. From general observation, most business organizations operating in Nigeria maintain security personnel as well as security infrastructure in order to ensure the security of their properties and the lives of their staff and customers. It could also result to the loss of capital through burning of business buildings and properties. Beyond these, it also limits sources of fund to the business.

Greiner (1972) has done the foundational work on the theory of small business growth. Based on his theoretical review of growing small businesses, he has observed that small businesses move through five distinguishable stages of growth and that their growth is measured by their level of productivity, sales and employee turnover as well as working capital availability.



Fig 1: Five Phases of Growth Crises

Each phase contains a relatively calm period of growth that ends with a management crisis (Masurel & Montfort 2006). These five phases and crises of growth are creativity, direction, delegation, coordination, and collaboration (Fig.1).

He suggested that a small business goes through evolution and revolution crisis. These crises can be solved by introducing new structures and programs

that will help employees to revitalize them. Greiner’s phenomena of evolution and revolution become the basis of many studies on enterprises life cycle. Another significant contributor in this field is Adzes (1979) who argues that the attitude and style of a manager has a lot of influence on the life and effectiveness of a business as cited in (Masurel & Montfort 2006). He further pointed out that reinforcement skills, self-commitment, risk-

taking capacity, vision, and administrative mastery are required in the first few stages of a small business development. Once a small business reaches its prime stage, the manager needs to be result-oriented and should show proper planning and coordination skills. At the maturity stage, the business should back by system to achieve the target. This is the theory this study has adopted as it is in line with the specific objectives of the study by seeing small business growth as a natural process affected by internal and external factors within and outside the control of the small businesses.

Therefore, the study proposed that:

H<sub>1</sub>:- there is no significant difference on the level of productivity of small businesses before and during the insurgency period.

H<sub>2</sub>:- there is no significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period.

### Methodology

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

$$n = \frac{1595}{1 + 1595(0.05)^2}, n = 325$$

Where  $n$  is the sample size,  $N$  is the total population under study  $e^2$  is the level of precision, the range in which the true value of the population is estimated to be 1 is the unity constant. Multi stage sampling techniques was used to sample all the registered small business, structured questionnaires were administered to the respondents, interview as well as documentary reviews were used to relate the data obtained from

The study used both descriptive and inferential statistical technique for the analysis of data obtained. The population of the study comprises of active small business that have been registered with the corporate affairs commission (CAC) in Nigeria and have been operating in the study area for a period of ten (10) years. The respondents are small business operators in Maiduguri Borno State Nigeria.

There are two thousand, two hundred and twelve (2,212) small business that have been registered with the corporate affairs commission (CAC). In Borno state, only one thousand five hundred and ninety-five (1,595) are currently active and have been operating for over three years (Borno State Ministry of Trade and Investment 2015). Three hundred and twenty-five (325) of these small businesses were chosen as the sample of this study.

The sample subsequently used was based on the application of Yamani's formula.

questionnaires such materials as journals, text books, newspapers and internet were used for empirical purposes.

Variables for this study are made up of two categories which includes: the dependent and independent variables. The dependent variable is growth while the independent variable is insurgency.

**Result**

**Table 1 Measures of Variables: Effect of Insurgency on Access to Raw Materials (Productivity)**

| Variables                                   | Options/opinion       | Frequency(%) |
|---|-----------------------|--------------|
| Access to raw materials                     | Backward integration  | 81(25.5)     |
|   | Local market          | 132(41.5)    |
|   | Peasant farmers       | 79(24.8)     |
|   | Importation           | 26(8.2)      |
| Flow of raw materials                       | Epileptic             | 97(30.5)     |
|   | Consistent            | 89(28.0)     |
|   | Interrupted           | 132(41.5)    |
| Fluctuation of raw material                 | Yes                   | 238(74.8)    |
|   | No                    | 80(25.2)     |
| Reason for fluctuation of raw material      | Lack of customers     | 76(23.9)     |
|   | Lack of raw materials | 99(31.1)     |
|   | Insecurity            | 143(45.0)    |
| Quantity of goods produced                  | Good                  | 121(38.1)    |
|   | Average               | 107(33.6)    |
|   | Bad                   | 90(28.3)     |
| Reasons for the variation in quality output | Power manpower        | 87(27.4)     |
|   | Poor capital          | 109(34.3)    |
|   | Insecurity            | 122(38.4)    |

Source: Field Survey (2017)

**Discussion**

Table 1: above describes the response of the respondent with regards to the effect of insurgency on the access to raw materials. The first question sought to find out the respondents' access to raw materials, from which majority of the respondents 132(41.5%) says they access their raw materials from the local markets, while only 26(8.2%) import their raw materials. When asked if there is a fluctuation in the flow of raw materials, 238(74.8%) of the total respondents said yes. The research went ahead to find out the nature and flow of raw materials, majority 132(41.5%) said the flow of raw materials has been interrupted by the

activities of insurgent, while only 97(30.5%) said the flow of raw materials is epileptic. The result also reveals that insecurity has been attributed to the reason of fluctuation of raw materials, while few 23.9% said lack of customer has been the reasons of the fluctuation of raw materials. 38.1% of the total respondents said the quality of goods produced was good before the insurgency while only 12.6% claim is still good, the result shows that only 28.3% of the total respondents for the variation in the quality of output, 38.4% of the respondents said insecurity, while 27.4% said manpower is the cause.

**Table 2: Effect of Insurgency on Quantity of Produce/Services (Productivity)**

| Period/variable                      | Option/opinion       | Frequency (%) |
|--------------------------------------|----------------------|---------------|
| Quantity of goods/service<br>Before: | <200kg/bags/piece    | 175(55.0)     |
|                                      | 200-400kg/bags/piece | 78(24.5)      |
|                                      | >400kg/bags/piece    | 65(20.4)      |
| During                               | <200kg/bags/piece    | 100(31.4)     |
|                                      | 200-400kg/bags/piece | 129(40.6)     |
|                                      | >400kg/bags/piece    | 89(28.0)      |
| Volume of output<br>Before:          | <200kg/bags/piece    | 97(30.5)      |
|                                      | 200-400kg/bags/piece | 106(33.3)     |
|                                      | >400kg/bags/piece    | 115(36.2)     |
| During                               | <200kg/bags/piece    | 126(39.6)     |
|                                      | 200-400kg/bags/piece | 106(33.3)     |
|                                      | >400kg/bags/piece    | 86(27.0)      |
| Customer patronage<br>Before         | High                 | 126(39.6)     |
|                                      | Moderate             | 106(33.3)     |
|                                      | Low                  | 86(27.0)      |
| During                               | High                 | 87(27.4)      |
|                                      | Moderate             | 109(34.2)     |
|                                      | Low                  | 122(38.4)     |

Source: Field Survey (2017)

Table 2 describes the effect of insurgency on the quantity of produce/services. From the result, 55.0% of the respondents said they produced less than 200kg/bags/pieces of goods before insurgency while only 31.4% produce the same quantity of goods. The result also reveals that the volume of output produced by the organizations reduce during the insurgency period than before the insurgency as described by 36.2% producing greater than 400kg/bags/pieces before the insurgency while only 27.0% produce the same volume during the insurgency. The result also shows that there was a high patronage by customers before the insurgency period than during as 39.6% of the total respondents rated customers' patronage as high

before while only 27.4% rated it high during the insurgency.

The objective of this question in the table 2 was answer research question 1 which sought to find out the level of productivity before and during the insurgency period. From the result obtained in this analysis, it is clear that insurgency has greatly affected the productivity of small and medium scale business in the study area, as described by the falling in output, reduction in the flow of raw materials and reduction the quantity of goods/services produced by the responding SBs.

Question: what was the capital formation (cash at hand) before and during the insurgency period?

**Table 3: Effect of Insurgency on Capital Formation (cash at hand)**

| Period/variable   | Opinion/option        | Frequency % |
|---|-----------------------|-------------|
| Financial base of the company before  | 100,000-999,999       | 07(2.2)     |
|   | 1,000,000-1,999,999   | 75(23.6)    |
|   | 2,000,000-2,999,999   | 73(23.0)    |
|   | 3,000,000-3,999,999   | 109(34.3)   |
|   | 4,000,000 and above   | 54(17.0)    |
| Financial base of the company during  | 100,000-999,999       | 164(51.6)   |
|   | 1,000,000-1,999,999   | 139(43.7)   |
|   | 2,000,000-2,999,999   | 7(2.2)      |
|   | 3,000,000-3,999,999   | 8(2.5)      |
|   | 4,000,000 and above   | 0(0.00)     |
| Rate of business activities before  | High                  | 122(38.4)   |
|   | Low                   | 131(41.2)   |
|   | Moderate              | 65(20.4)    |
| During  | High                  | 84(26.4)    |
|   | Low                   | 24(7.5)     |
|   | Moderate              | 210(66.0)   |
| Trend experienced in expenditure pattern in 2005-2015                                       | Severely              | 115(36.2)   |
|   | Moderate              | 84(26.4)    |
|   | Low                   | 119(37.4)   |
| How has the trend affected business activities  | Severely              | 155(48.7)   |
|   | Moderate              | 132(41.5)   |
|   | No significant impact | 31(9.7)     |
| Difficulty in accessing or raising funds from deposit money banks to sustain daily business | Yes                   | 309(97.2)   |
|   | No                    | 09(2.8)     |

Source: Field Work (2017)

Table 3 Answer research question 2 which sought to find out the capital formation before and after insurgency in the study area. The result obtained in this analysis reveals that majority of the respondents 34.3% had a capital formation of 3 – 4 million naira before the insurgency while only 2.2% of the organizations had 3-4 million naira during the insurgency. The result also reveals that 38.4% of the organizations rated business activities as high before the insurgency while only 26.4% rated it high during the insurgency. The result describes the trend of expenditure pattern in 2005 – 2010 as severe with 36.2%, while in 2011-2015 the trend was low. 48.7% of the respondents' shows that the trend of expenditure has affected business activities severely. The result also shows that 97.2% of the total respondents said there is

difficulty in accessing or raising funds from deposit money banks to sustain daily business.

From these results, it can be seen that the capital formation of the organization was high before the insurgency than during the insurgency period as described by the financial base of the company, business activities, trend of expenditure and difficulty in accessing loan before and during the insurgency period.

### Hypothesis Testing

Statement H<sub>0</sub>: there is no significance difference on the level of productivity of small business before and during the insurgency period.

**Table 4: Model Summary of Productivity of Small Business before and During Insurgency**

| R                 | R <sup>2</sup> | Beta Coeff.    | Adjusted R <sup>2</sup> | Std. Error of the Estimate | Change statistics     |          |     |     |      |
|-------------------|----------------|----------------|-------------------------|----------------------------|-----------------------|----------|-----|-----|------|
|                   |                |                |                         |                            | R <sup>2</sup> Change | F Change | Df1 | Df2 | Sig. |
| .675 <sup>a</sup> | .721           | 0.629<br>0.541 | .086                    | .4427                      | .815                  | 5.412    | 4   | 318 | .040 |

Source: STATA Output (2017)

Table 4 above describes the linearity relationship of two factors observed in this research work; these are productivity before and during insurgency. These variables were subjected to regression model against respondents’ perception with regards to effect of insurgency on small business.

From the results, the summary model has shown that there was a  $r = 0.675$ , which implies that the variables within the factors that is  $X_1$  and  $X_2$  by rule, does not belong together implying a significant difference in the level of productivity of small business before and during insurgency At ( $F_{3,5}$ );  $R^2 = 0.721 = 72.1\%$  which indicates the percentage by which the variables explain the

**Equation for the Model**

Beta coefficient

$$\beta_1 = 0.629, \beta_2 = 0.541$$

Equation for model

$$Y = \beta_0 + \beta_1 X_2 + e$$

models. The P – value  $P < 0.040 < 0.05$  shows that there is a significant difference on the production level of small business before and during insurgency in Maiduguri.

Consequently, the results suggest that there is a significant difference on the level of productivity of small business before and during the insurgency period; which implies that the null hypothesis which states that “there is no significance difference in the level of productivity of small business before and during the insurgency period “is thereby rejected. Therefore, equation for the best fit of the model is represented as;

Equation

$$Y = 0.629X_2 + 0.541X_3 + 0.4427$$

Statement  $H_{02}$ : there is no significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period.

**Table 5: Model Summary of the Effect of Insurgency on the Capital Formation**

| R                 | R <sup>2</sup> | Beta Coeff.    | Adjusted R <sup>2</sup> | Std. Error of the Estimate | Change statistics     |          |     |     |      |
|-------------------|----------------|----------------|-------------------------|----------------------------|-----------------------|----------|-----|-----|------|
|                   |                |                |                         |                            | R <sup>2</sup> Change | F Change | df1 | df2 | Sig. |
| .768 <sup>a</sup> | .754           | 0.529<br>0.665 | .611                    | .7112                      | .827                  | 5.450    | 4   | 318 | .021 |

Source: STATA Output (2017)

Table 5 describes the linearity relationship of the two factors observed in this research work which are before and after insurgency. These variables were subjected to regression model against respondents’ perception with regard to effect of insurgency on the capital formation of small businesses.

From the result, the summary model shows that there was a  $r = 0.768$ , which implies that the variables within the factors that  $X_1$  and  $X_2$  by rule, does belong together implying that there is a significant difference on the capital formation before and during insurgency period. The result shows that at ( $F_{3,5}$ );  $R^2 = 0.754 = 75.4\%$  which indicates the percentage by which the variables explain the models. The p – value  $P < 0.021 < 0.05$  shows that there is a significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period.

Therefore, these results indicate that there is a significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period; which implies that the null hypothesis which states that “there is no significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period” is thereby rejected and the alternate accepted, which now states as: there is a significant difference on the capital formation (cash at hand) of small businesses before and during the insurgency period. This implies that small businesses had better capital formation before the insurgency period. Therefore, equation for the best fit of the model is represented as;

$$\beta_1 = 0.529, \beta_2 = 0.65$$

Equation for model

$$Y = \beta_0 + \beta_1 X_2 + e$$

Equation

$$Y = 0.520X_2 + 0.665X_3 + 0.7112$$

### Conclusion and Recommendations

Based on the findings of this study, it is concluded that there is no significant difference on the perceptions of small business operators on insurgency, there is a significant difference on the nature of growth of small businesses, and insurgency has significantly influenced the growth of small businesses in Maiduguri. Despite the negative effect of the insurgency on small and medium businesses, the respondents also perceived the insurgency as an opening of new opportunities to some businesses as well, that there was a negative effect of insurgency on business growth in reducing sales volumes. That insurgency has negatively influence the operations and growth of small businesses in the study area, as item analysis described reveals that insurgency has negative effects on sales turnover and the general small business performance. At the same time lead to closure and relocation of many businesses from the trouble region.

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It is recommended that:

- i. Government should intensify security measures to help mop-up villages that have access to border so that business can flow freely in the northeast.
- ii. Financial support programmes should be made available by the government and stakeholders to small business operators in the insurgency affected areas,
- iii. Orientation and enlightenment campaign should behold as a quarterly programmes to enlighten the operators of small businesses in Maiduguri and surrounding to see this situation as an opening to new business channels and not a doom.
- iv. Production as well as service providers should be adequately motivated through provision of safe operating environment so as to ease accessibility of raw materials and other imputes that may be required to facilitate their production and service rendition processes
- v. Loan/credit facilities should be made available for small scale business owners in the affected areas.