

Risk Management For Micro, Small, and Medium Enterprises (MSMEs) in Nigeria

A presentation at the Webinar
of the LSETF

Olufemi Eniola Abiodun
AIIN ARM CRM MRM FRMN

16 February 2021



Target Audience Micro, Small, and Medium Enterprises

Enterprise category / Indicator	Number of Employees	Total Assets (₦)	Annual Turnover (₦)
Medium-size enterprise	$> 51 \leq 200$	$> 100 \leq 500 \text{ m}$	$\leq 500 \text{ m}$
Small Enterprise	$> 11 \leq 50$	$> 5 \leq 100 \text{ m}$	$\leq 100 \text{ m}$
Micro Enterprise	≤ 10	$\leq 5 \text{ m}$	$\leq 20 \text{ m}$

What is Risk Management?

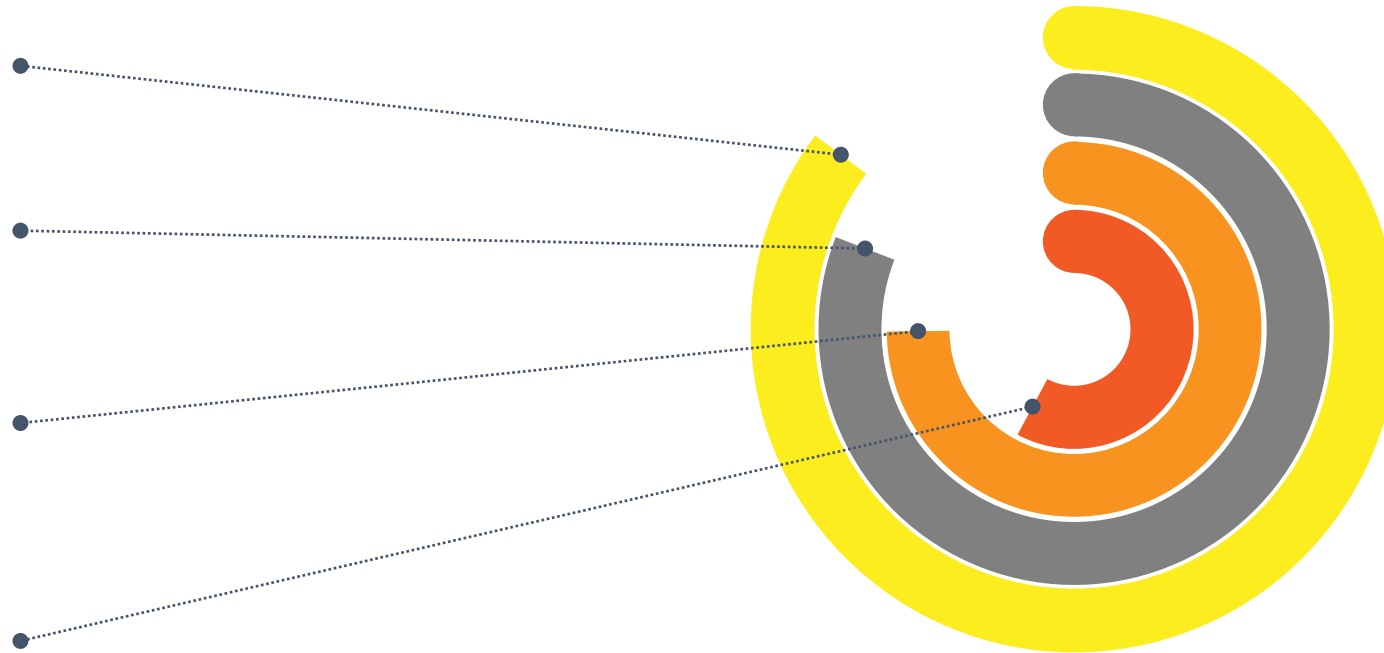
Risk Management is defined as a process that includes the four functions of

Planning;

Organizing;

Leading;

Controlling;



the organizations activities to minimize the adverse effects of accidental and business losses on that organization at reasonable cost.

The first step in implementing a risk management plan is identifying potential risks to your small business.

Insurance is a key component of any comprehensive risk management plan, but successful risk management also involves prevention, training and contingency planning.

Risk Management as a decision-making process

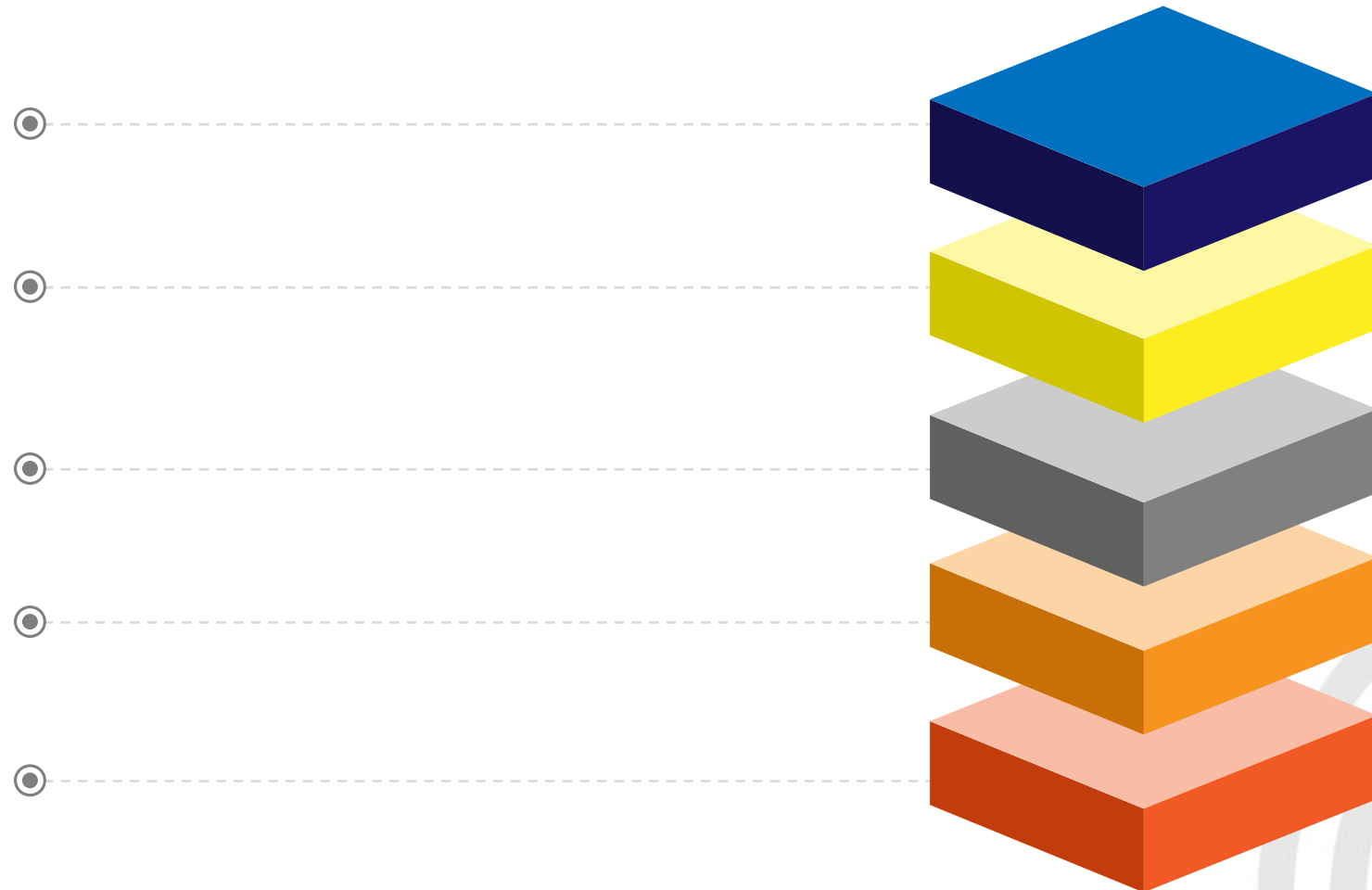
Identify & Analyze
Exposures

Examine Feasible
Alternatives Techniques

Select the Best Risk
Management Techniques

Implement the Chosen
Techniques

Monitor Results For
Effectiveness



Types of Loss Exposures



Property Loss



Personnel Loss



Liability Loss



Net Income Loss

Key Risk Management Considerations for MSME

Loss Control
And
Insurance

Reducing
Vulnerability
To Theft

Managing Product
Liability Risks

Information
Technology

Preventing
Fire Losses



Risk of Work-
Related Injuries

Reducing Motor
Vehicle Risks

Controlling
Liability Risks

Disaster Response And
Recovery Planning

Top 10 Risks

Cash Flow

Reputational
Risk

Business
Interruption

Business
Assets

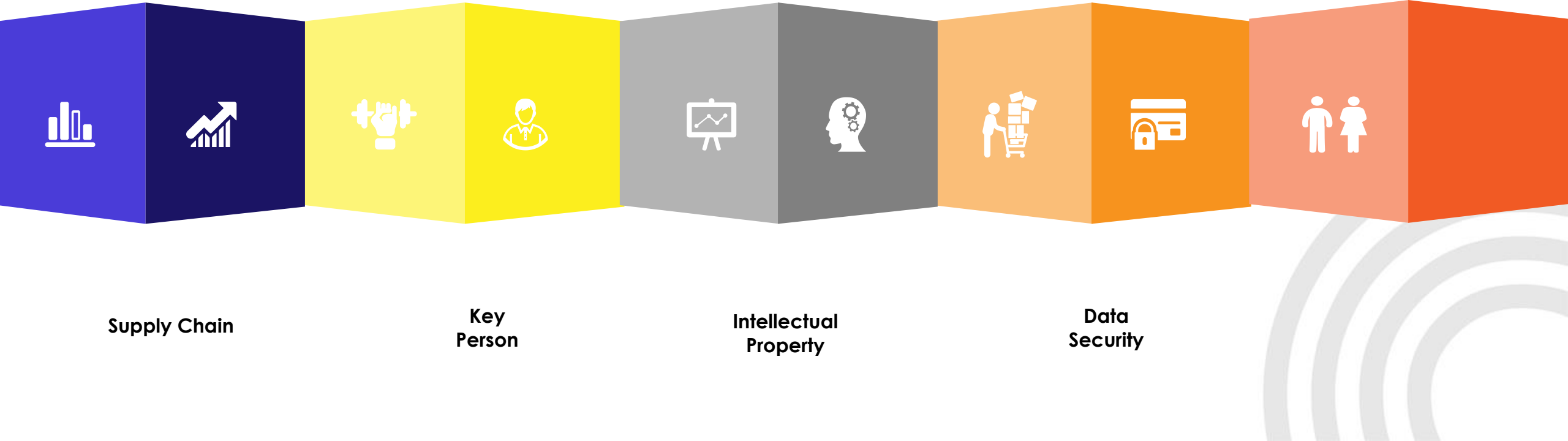
Human
Capital

Supply Chain

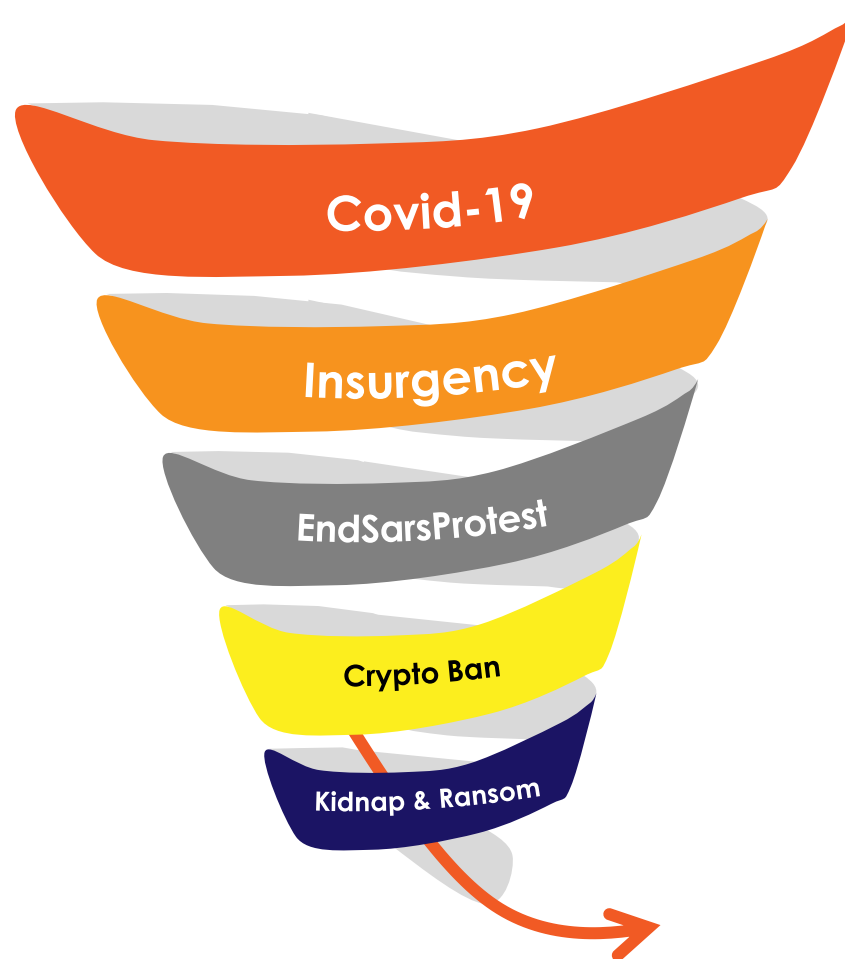
Key
Person

Intellectual
Property

Data
Security



Trending Risks



Degree of Risk

- The operation of micro, small & medium scale businesses face a level of risk in their day-to-day operations

Approach to Risk

- It is imperative for every business organization whether micro, small or medium scale to take its risk management seriously

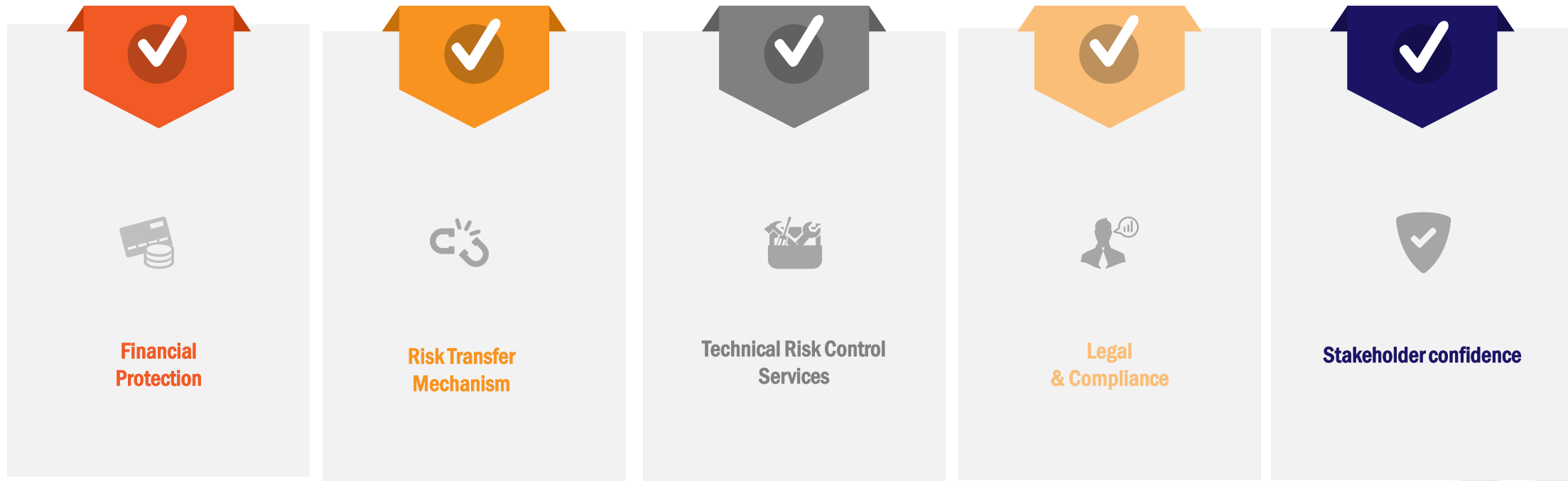
Effect on Performance

- Managers that do not take risk management seriously are faced with challenges of poor performance which may pose a threat to the continuous existence of their businesses

Types of Losses

- Risk Management is particularly important for small business and common type of loss such as fire disaster, flood, legal liability, injury or disaster can destroy what as taken several years to build

How does insurance add value?



References

1. (n.d.). PwC: Audit and assurance, consulting and tax services. <https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-2020-final.pdf>
2. Decker, A. (2012, July 5). An assessment of risk management of small and medium scale enterprises in nigeria. <https://www.slideshare.net/AlexanderDecker/an-Assessment-of-Risk-Management-of-Small-and-Medium-Scale-Enterprises-in-Nigeria>. <https://www.slideshare.net/AlexanderDecker/an-assessment-of-risk-management-of-small-and-medium-scale-enterprises-in-nigeria>
3. III. 2021. *Disaster Response And Recovery Planning*. [online] Available at: <<https://www.iii.org/publications/insuring-your-business-small-business-owners-guide-to-insurance/risk-management/disaster-response-and-recovery-planning>> [Accessed 12 February 2021]
4. (2021). Retrieved 13 February 2021, from https://bizconnect.standardbank.co.za/media/148366/top_10_sme_business_risks_pdf_.pdf
5. AICPCU. (2004). *Essentials of Risk Management* (3rd ed., pp. 1.4-1.5). Malvern.

Thank You



LEAVE NOTHING TO CHANCE

