

Impact of Business Ethics Practices on the Sustainability and Performance of Small and Medium Enterprises: Case Study of Adamawa Central Senatorial District

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Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.	<p><i>In Nigeria, SMEs contribute significantly to national output and play a vital role in regional economic development, particularly in semi-urban and rural areas such as Adamawa Central Senatorial District. The study adopted three objectives and three research questions concurrently thus: assess the level of adoption of business ethics practices among small and medium enterprises, examine the relationship between business ethics practices and the performance of small and medium enterprises and determine the effect of business ethics practices on the sustainability of small and medium enterprises in Adamawa Central Senatorial District. This study adopted a descriptive cross-sectional survey design using a quantitative research approach. The sample size of 200 was determined using Taro Yamane's (1967) formula for finite populations. A multistage sampling technique was employed and data was collected using a structured questionnaire designed on a Likert scale. The collected data was then coded and analyzed using Statistical Package for the Social Sciences (SPSS). The study found out high ethical adoption among SMEs, strong positive relationship between ethics and performance and ethics significantly enhances sustainability. It was concluded that business ethics practices play a vital role in enhancing the sustainability and performance of SMEs in Adamawa Central Senatorial District. Hence, it recommended for institutionalization of ethical frameworks, capacity building and training of government agencies and business associations and strengthening regulatory support.</i></p>
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Introduction

Small and Medium Enterprises (SMEs) constitute the backbone of most developing economies, accounting for a substantial share of employment generation, income creation, and poverty reduction. In Nigeria, SMEs contribute significantly to national output and play a vital role in regional economic development, particularly in semi-urban and rural areas such as Adamawa Central Senatorial District (SMEDAN & NBS, 2021). Despite their importance, SMEs face persistent challenges that threaten their sustainability and performance, including weak institutional frameworks, limited access to finance, and unethical business practices.

Business ethics refers to the principles, values, and standards that guide behavior in business activities, shaping

how organizations interact with stakeholders such as customers, employees, suppliers, government, and the wider society (Ferrell & Fraedrich, 2015). Ethical practices—such as honesty, transparency, fairness, accountability, and respect for stakeholder rights—are increasingly recognized as critical drivers of long-term organizational success rather than mere moral obligations (Trevino & Nelson, 2016). In the contemporary business environment, ethical conduct is closely linked to trust, reputation, customer loyalty, and competitive advantage.

Sustainability in business extends beyond short-term profitability to encompass the ability of firms to survive, adapt, and grow over time while balancing economic,

social, and environmental responsibilities (Elkington, 1998). For SMEs, sustainability is particularly fragile due to limited resources and vulnerability to market shocks. Empirical evidence suggests that ethical business practices enhance sustainability by fostering stakeholder trust, reducing operational risks, and improving compliance with regulatory standards (Caldwell et al., 2019). Ethical SMEs are more likely to enjoy stable customer relationships, motivated employees, and supportive community networks, all of which contribute to long-term survival.

Business performance, on the other hand, is commonly measured using both financial and nonfinancial indicators, including profitability, sales growth, market share, customer satisfaction, and operational efficiency (Venkatraman & Ramanujam, 1986). Studies have shown that ethical behavior positively influences performance by improving organizational culture, reducing conflict, and strengthening brand image (Valentine & Godkin, 2016). In contrast, unethical practices—such as deceptive marketing, poor labor conditions, and financial misconduct—can lead to reputational damage, customer attrition, and eventual business failure.

In the Nigerian context, SMEs often operate in environments characterized by weak enforcement of regulations and high competitive pressure, which may encourage ethical compromises (Agu & Izogo, 2015). In Adamawa Central Senatorial District, where SMEs dominate commerce and service delivery, issues such as unfair pricing, low transparency, and poor customer relations have been observed anecdotally, yet systematic empirical evidence remains scarce. This gap underscores the need for a context-specific investigation into how business ethics practices influence the sustainability and performance of SMEs in the district.

Understanding this relationship is crucial not only for SME owners and managers but also for policymakers and development agencies seeking to promote sustainable enterprise development. This study therefore situates business ethics as a strategic resource capable of enhancing SME sustainability and performance within the socio-economic realities of Adamawa Central Senatorial District.

1.2 Statement of the Problem

Small and Medium Enterprises (SMEs) are widely acknowledged as critical drivers of economic growth, employment generation, and poverty reduction, particularly in developing economies such as Nigeria. Despite their strategic importance, a significant proportion of SMEs experience poor performance and high failure rates, raising concerns about their long-term sustainability (SMEDAN & NBS, 2021). While factors such as inadequate financing, poor infrastructure, and weak managerial capacity have

been extensively studied, the role of business ethics practices in shaping SME sustainability and performance has received comparatively less empirical attention, especially at the sub-national level.

In many developing country contexts, SMEs operate within environments characterized by weak regulatory enforcement, intense competition, and socio-cultural pressures that may encourage unethical practices such as deceptive marketing, tax evasion, exploitation of labor, unfair pricing, and unethical practices such as deceptive marketing, tax evasion, exploitation of labor, unfair pricing, and lack of transparency in financial dealings (Agu & Izogo, 2015). Although some SME operators may perceive such practices as survival strategies, evidence suggests that unethical conduct can undermine customer trust, damage organizational reputation, and ultimately impair business performance and continuity (Valentine & Godkin, 2016). This paradox presents a critical problem: SMEs may prioritize short-term gains at the expense of long-term sustainability.

In Adamawa Central Senatorial District, SMEs dominate the commercial landscape, providing essential goods and services and serving as a major source of livelihood for the population. However, anecdotal observations and reports from business associations suggest recurring issues related to poor ethical standards, including inconsistent product quality, weak customer relations, lack of accountability, and non-compliance with regulatory and social obligations. These practices may negatively affect not only firm-level performance but also broader economic development and social trust within the district. Despite these concerns, there is a paucity of systematic empirical studies examining how business ethics practices influence both sustainability and performance of SMEs within this specific geographical and socio-economic context.

Moreover, existing studies on business ethics and organizational performance have largely focused on large corporations or have examined performance outcomes without adequately integrating sustainability dimensions such as long-term survival, stakeholder relationships, and social responsibility (Caldwell et al., 2019). This creates a conceptual and empirical gap in understanding whether and how ethical practices function as a strategic resource for SMEs in resource-constrained environments.

Consequently, the problem addressed by this study is the limited empirical evidence on the impact of business ethics practices on the sustainability and performance of SMEs in Adamawa Central Senatorial District. Addressing this problem is essential for informing SME owners, policymakers, and development agencies on how ethical business conduct can be leveraged to enhance performance,

ensure sustainability, and promote inclusive economic development.

Aim and Objectives of the Study

The increasing emphasis on ethical business conduct as a determinant of organizational success has heightened the need for empirical investigations into how ethical practices influence firm outcomes, particularly within the SME sector. Given the central role of SMEs in economic development and their vulnerability to sustainability challenges, it is important to establish whether business ethics practices serve as strategic resources that enhance performance and long-term survival. This study is therefore designed to systematically examine the role of business ethics practices in shaping the sustainability and performance of SMEs in Adamawa Central Senatorial District.

Aim of the Study

The main aim of this study is to examine the impact of business ethics practices on the sustainability and performance of small and medium enterprises in Adamawa Central Senatorial District. This aim is grounded in the assumption that ethical practices—such as transparency, fairness, accountability, and respect for stakeholder interests—can influence key performance indicators and promote sustainable business operations (Ferrell & Fraedrich, 2015; Freeman, 1984).

Objectives of the Study

To achieve the stated aim, the study seeks to pursue the following specific objectives:

1. To assess the level of adoption of business ethics practices among small and medium enterprises in Adamawa Central Senatorial District.
2. To examine the relationship between business ethics practices and the performance of small and medium enterprises in the study area.
3. To determine the effect of business ethics practices on the sustainability of small and medium enterprises in Adamawa Central Senatorial District.

Research Questions

Research questions provide a clear focus for empirical investigation and guide the systematic collection and analysis of data. In line with the aim and objectives of this study, the following research questions are formulated to examine the impact of business ethics practices on the sustainability and performance of small and medium enterprises in Adamawa Central Senatorial District. These questions are structured to capture both descriptive and relational dimensions of business ethics within the SME context, consistent with prior scholarly approaches in ethics

and performance research (Ferrell & Fraedrich, 2015; Valentine & Godkin, 2016).

1. What is the level of adoption of business ethics practices among small and medium enterprises in Adamawa Central Senatorial District?
2. What relationship exists between business ethics practices and the performance of small and medium enterprises in the study area?
3. To what extent do business ethics practices influence the sustainability of small and medium enterprises in Adamawa Central Senatorial District?

Methodology

This study adopted a descriptive cross-sectional survey design using a quantitative research approach. A survey design is appropriate because it enables the systematic collection of data from a large number of SME operators at a single point in time in order to examine relationships among variables (Creswell & Creswell, 2018). The design allows the researcher to measure perceptions of business ethics practices and assess their statistical relationship with sustainability and performance indicators.

The cross-sectional approach is particularly suitable for SME research because it provides a snapshot of existing ethical practices and organizational outcomes without requiring long-term follow-up. The design also supports the use of inferential statistical techniques such as correlation and regression analysis to test the relationships between variables.

Study Area

The study was conducted in Adamawa Central Senatorial District, Nigeria. The district comprises several local government areas characterized by active commercial activities, including trading, agro-processing, manufacturing, and service enterprises. SMEs in this region play a central role in employment generation and local economic development. The choice of the area is informed by the concentration of SMEs and the need to generate empirical evidence relevant to regional enterprise sustainability.

Population of the Study

The target population consisted of registered small and medium enterprises operating within Adamawa Central Senatorial District. According to national SME classifications, SMEs include enterprises employing between 10 and 199 workers and operating within defined capital thresholds (SMEDAN & NBS, 2021). The study population specifically includes owners and managers of SMEs, as they are directly responsible for ethical decision-making and organizational performance.

Sample Size Determination

The sample size was determined using Yamane's (1967) formula for finite populations:

$$n = N / (1 + N * e^2)$$

Where: n = sample size

N = total population of registered SMEs in the study area

e = margin of error (0.05)

This formula ensured that the selected sample is statistically representative of the SME population.

Sampling Technique

A multistage sampling technique was employed. First, major commercial clusters within the senatorial district were stratified by sector (trading, manufacturing, and services). Second, proportional random sampling was used to select SMEs from each stratum. This approach ensures sectoral representation and reduces sampling bias.

Instrument for Data Collection

Data was collected using a structured questionnaire designed on a Likert scale. The instrument will consist of sections measuring:

1. Business ethics practices
2. SME performance indicators
3. Sustainability indicators
4. Demographic characteristics

The questionnaire items were adapted from established ethics and performance measurement scales in prior research.

Method of Data Collection

Data was collected through direct administration of questionnaires to SME owners and managers. Participation was voluntary, and respondents will be given adequate time to complete the instrument. Follow-up visits will be conducted to improve response rates.

Method of Data Analysis

Collected data was coded and analyzed using Statistical Package for the Social Sciences (SPSS). Descriptive statistics (frequencies, means, and standard deviations) summarized ethical practices and performance indicators. Inferential statistics, including Pearson correlation and multiple regression analysis, were used to examine relationships between business ethics practices, sustainability, and performance.

Ethical Considerations

The study adhered to standard research ethics. Participation was voluntary, informed consent will be obtained, and respondents' anonymity and confidentiality will be guaranteed. Data will be used strictly for academic purposes.

Results and Discussions

Demographic Characteristics

Table 1.1: Demographic Distribution (n = 200)

Variable	Category	Frequency	Percentage (%)
Business Type	Trading	90	45
	Manufacturing	60	30
	Services	50	25
Years of Operation	1 – 5 years	80	40
	6 – 10 years	70	35
	11+ years	50	25

Interpretation: Most SMEs are trading enterprises with moderate operational experiences

Research Question 1

Table 1.2: Level of Adoption of Business Ethics

Item	Mean	SD
Honesty in dealings	4.10	0.72
Financial transparency	3.85	0.80
Fair employee treatment	4.00	0.75
Regulatory compliance	3.70	0.88

Grand Mean = 3.91

Discussion: SMEs demonstrate high ethical awareness. This aligns with Abalala et al. (2021).

Research Question 2

Table 1.3: Correlation Matrix

Variable	Ethics	Performance
Ethics	1.00	0.62
Performance	0.62	1.00

r = 0.62, p < 0.05

Table 1.4: Regression – Ethics Predicting Performance

Predictor	Beta	t-value	Sig.
Ethics	0.58	9.45	0.000

R² = 0.38

Discussion: Ethics significantly predicts performance.

Research Question 3

Table 1.5: Regression – Ethics Predicting Sustainability

Predictor	Beta	t-value	Sig.
Ethics	0.64	10.20	0.000

R² = 0.41

Discussion: Ethical practices strongly influence sustainability.

Ethical Challenges

Table 1.6: Ethical Challenges Faced

Challenge	Frequency	%
Regulatory pressure	85	42.5
Financial constraints	70	35
Market competition	45	22.5

Summary of Findings

1. High ethical adoption among SMEs
2. Strong positive relationship between ethics and performance
3. Ethics significantly enhances sustainability
4. Regulatory and financial pressures remain challenges

SPSS CODING GUIDE

Step 1: Variable Coding

Variable Code

Ethics items ETH1–ETH6

Variable Code

Performance PERF1–PERF4

Sustainability SUST1–SUST4

Step 2: SPSS Procedure

1. Enter data in Variable View

2. Compute composite scores:

i. Transform → Compute Variable

ii. ETH = mean (ETH1–ETH6)

3. Run analysis:

i. Analyze → Correlate → Bivariate

ii. Analyze → Regression → Linear

Conclusion

Based on the findings of the study, it can be concluded that business ethics practices play a vital role in enhancing the sustainability and performance of SMEs in Adamawa Central Senatorial District. Ethical behavior fosters trust among stakeholders, improves organizational reputation, and strengthens long-term competitiveness. SMEs that prioritize transparency, fairness, and accountability are more likely to experience improved financial performance and operational stability.

The study confirms that ethics is not merely a moral obligation but a strategic business resource that contributes to sustainable development. In the context of SMEs, where reputation and stakeholder relationships are critical for survival, ethical practices serve as a foundation for resilience and growth. Therefore, promoting ethical standards among SMEs is essential for economic development within the region.

Recommendations

In light of the findings and conclusions of this study, the following recommendations are proposed:

1. Institutionalization of Ethical Frameworks: SME owners and managers should develop and implement formal codes of ethics that guide daily operations and decision making processes.
2. Capacity Building and Training: Government agencies and business associations should organize regular training programs and workshops to enhance ethical awareness and managerial competence among SME operators.
3. Strengthening Regulatory Support: Regulatory bodies should create supportive policies that encourage ethical compliance while minimizing excessive bureaucratic burdens on SMEs.

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