

**Research Project Proposal**

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**Proposed Topic: Developing circular economy business models for the Nigerian SMEs to reduce loan default, digital fraud, drive financial inclusion and digital adoption.**

Circular economy is a novel concept in the market that deals with goods consumption, services optimization, production, and money supply while using waste and pollution to regenerate natural systems (Ferasso et al., 2020). Pizzi, Corbo, and Caputo (2021) evaluate this concept for dealing effectively with economic system disruption, regeneration, and restoration in order to create adaptable and effective business models. However, achieving such an economy is not solely the responsibility of the government; other businesses are also heavily involved in this situation.

Nigeria is a West African country with a gross domestic product that reached \$1.27 trillion in 2021, indicating that Nigeria is the 31<sup>st</sup> largest economy in the world (Pizzi, Corbo, & Caputo, 2021). Apart from that, about 41 million SMEs are operating in the market, with an overall contribution of 99% to the total industries operating in the region (Mutezo & Mulopo, 2021). SMEs contribute about 48% of the Gross Domestic Product of Nigeria (Mutezo & Mulopo, 2021). Despite such huge size, Achoja & Nwokolo (2021) informs that about 30 to 35% SMEs in Nigeria fails to repay their loan amount within the defined time frame which is known as default. With such high importance of SMEs for Nigeria and higher failing chances, this study is focused on developing financial model based on circular economy as it relates to people. technology, innovation and data analytics. This business model is expected to be useful for the Nigerian SMEs to reduce the incidences of loan default, drive financial inclusion, reduce digital fraud and drive digital adoption.

Given the context of Nigerian SMEs and the importance of the circular economy, this research focuses on developing sustainable business models for these SMEs, taking into account their enormous impact on Nigeria's economic growth and stability. The key objectives set for this study include

- To evaluate the existing issues in Nigeria related to the development and implementation of a circular economy model for SMEs.
- To determine the key enablers of the circular economy business model in the case of the SMEs operating in Nigeria including reducing loan default, digital fraud and improving financial inclusion, drive digital adoption.
- To create and pitch a circular economy business model to Nigerian SMEs in order to improve their financial performance and reduce their failure rate.

The study shall be completed in a primary fashion by making use of qualitative research methodology. The rationale for this is that the study focuses on exploring the challenges, model, and benefits of the circular economy model in the case of Nigerian SMEs, which necessitates an interview or similar approach to engage in cross-questioning and collect as much data as possible from study participants (Malik et al., 2021). The researcher will collect data from more than 20 SMEs that received loans from Nigerian financial institutions to operate their businesses. A stratified and simple random sampling technique shall be employed for data collection to avoid biases in the research (Suchek, Ferreira, & Fernandes, 2022). With the collection of data from the Nigerian SMEs, the study shall integrate the collected data with theoretical data to identify the key circular economy business model challenges existing in the case of these organisations (Malik et al., 2021). It will allow the study to develop an appropriate circular economy business

model solution for these SMEs to improve their financial situation and make recommendations to loan default, digital fraud, financial inclusion, and drive digital adoption.

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