



Determinants Of Micro, Small, And Medium-Scale Enterprises' Profitability In Calabar Municipality, Cross River State, Nigeria.

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ABSTRACT :

This study investigates the determinants of profitability among Micro, Small, and Medium Scale Enterprises (MSMEs) in Calabar Municipality, Cross River State, Nigeria. MSMEs play a crucial role in economic development through employment creation and poverty alleviation. However, their profitability remains constrained by various structural and operational challenges. The study specifically examines the influence of socio-economic factors, access to finance, infrastructure, government policy support, and managerial competence on MSME profitability. A descriptive survey research design was employed, using structured questionnaires administered to 400 MSME operators. Data were analyzed using descriptive statistics and Ordinary Least Squares (OLS) regression. The regression model demonstrated a strong explanatory power, with an R-squared value of 0.841, indicating that 84.1% of the variation in profitability is accounted for by the independent variables. The results reveal that all five determinants significantly influence profitability at the 5% significance level. Socio-economic factors and managerial competence had strong positive effects, supporting the Human Capital Theory and the Resource-Based View. Financial access and infrastructure were also significant, validating the Pecking Order and Public Goods theories, respectively. Government policy awareness had a modest but statistically significant impact, emphasizing the importance of inclusive and accessible support programs. The study concludes that MSME profitability in Calabar Municipality is shaped by a combination of internal capacities and external enablers. It recommends enhanced entrepreneurial education, improved access to affordable finance, infrastructure development, capacity-building programs, and streamlined government interventions. These measures are vital to strengthening MSME sustainability and maximizing their contribution to economic growth.

Keywords: MSMEs, profitability, socio-economic factors, finance, infrastructure, government policy, managerial competence.

1.0 INTRODUCTION

1.1 Background to the Study

Micro, Small, and Medium Scale Enterprises (MSMEs) are critical to economic growth and development, particularly in developing countries where they serve as fundamental agents in reducing unemployment, alleviating poverty, and fostering innovation (Adebisi & Gbegi, 2013). In Nigeria, their contribution is particularly significant, with the National Bureau of Statistics (2020) reporting that MSMEs contribute approximately 48% to the nation's GDP and employ over 84% of the labor force, establishing them as the undeniable backbone of the national economy. However, despite this monumental importance, a stark contrast exists between their potential and their reality, particularly in Calabar Municipality of Cross River State, where MSMEs face multifaceted challenges that severely hinder their profitability. Profitability serves as an essential measure of performance and sustainability for these enterprises, reflecting a business's ability to generate sufficient revenue to cover its operational costs while creating value for its owners (Eze & Okoye, 2022).

The path to achieving sustainable profitability is hampered by a confluence of critical constraints that characterize the business environment in Calabar Municipality. Limited access to finance, exacerbated by stringent lending conditions and high interest rates, restricts the ability of MSMEs to expand and improve their operations (International Finance Corporation, 2022). Compounding this financial challenge are severe infrastructural deficits, where unreliable electricity supply and poor road networks significantly increase operational costs and disrupt business activities (Ukwaiyi, Angioha, & Ojong-Ejoh, 2018). Furthermore, entrepreneurs' inadequate managerial skills and financial literacy limit strategic decision-making and resource optimization, further constraining business growth and competitiveness (Eze & Okoye, 2022). Even government policies, though ostensibly designed to support MSMEs, often suffer from inconsistent implementation, bureaucratic bottlenecks, and high taxation, which collectively discourage investment and reduce profitability (Adebisi & Gbegi, 2013; Agba, Ushie, & Agba, 2019).

Despite recognizing these issues in broader national studies, a significant research gap persists in the specific context of Calabar Municipality. There remains limited empirical research that specifically examines the interconnected factors affecting MSME profitability in this unique regional context, as existing studies often focus on general performance metrics without delving into the distinctive local challenges. This gap consequently hinders the development of targeted, effective solutions that address the root causes of low profitability among MSMEs in this area. It is precisely this void that the

present study seeks to fill by systematically identifying and analyzing the key determinants of MSME profitability in Calabar Municipality. The general objective of this research is to comprehensively examine these determinants, with specific aims to assess the socio-economic factors influencing profitability, analyze the impact of financial constraints, evaluate the role of infrastructure and government policies, and determine the effect of managerial skills. The findings are expected to provide actionable insights for policymakers to design targeted interventions and for business owners to make informed strategic decisions, ultimately enhancing the performance and sustainability of these vital local enterprises.

2.0 Literature Review

2.1 Conceptual Framework and Key Concepts

Micro, Small, and Medium Scale Enterprises (MSMEs) in Cross River State are classified by employee count, with Micro enterprises employing 1-9 workers, Small enterprises 10-49 workers, and Medium enterprises 50-249 workers (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN], 2020). These enterprises form the backbone of Nigeria's economy, accounting for over 80% of employment and nearly 50% of GDP (National Bureau of Statistics [NBS], PwC, 2020). Despite their crucial economic role, MSMEs face persistent challenges including inadequate access to finance and poor infrastructure (Development Bank of Nigeria [DBN], 2020).

The concept of profitability remains critical for MSME sustainability and growth (Olayemi, 2021). As Eze and Okoye (2022) and Uchenna (2020) demonstrate, profitability is influenced by both internal factors such as cost management and external factors including economic policies. A particularly significant determinant is access to finance, which is frequently hindered by high-interest rates and stringent collateral requirements (Adebisi & Gbegi, 2013; DBN, 2020).

2.2 Empirical Literature and Theoretical Foundations

Empirical studies in Nigeria reveal that socio-economic factors such as education and business location significantly influence profitability (Ukwayi, Angioha, & Ojong-Ejoh, 2018; Adeyemi & Adebayo, 2019). Financial constraints, particularly high-interest rates and limited financial literacy, substantially hinder MSME performance (Zachariah, Anga, & Isa, 2020; Ojo & Adebisi, 2021). Furthermore, research indicates that "a lack of strategic planning contributes to high failure rates" (Oladele, 2021), while innovative entrepreneurs demonstrate greater resilience in maintaining profitability (Uchenna, 2020).

The theoretical framework supporting this research begins with the Profit Maximizing Theory (Marshall, 1890), which establishes that firms aim to produce where marginal cost equals marginal revenue. However, as Simon (1955) and Cyert and March (1963) note, this theory's assumptions are often challenged by real-world constraints. Nevertheless, it provides a valuable framework for understanding how MSMEs' efforts to overcome challenges in finance and infrastructure are fundamentally directed toward enhancing profitability.

The Human Capital Theory (Schultz, 1961; Becker, 1964) posits that education and experience enhance productivity and profitability, though Ukwayi, Angioha, and Ojong-Ejoh (2018) rightly observe that informal knowledge also plays a crucial role in practice. Complementing this, the Entrepreneurial Orientation Theory (Lumpkin & Dess, 1996) emphasizes how innovation, proactivity, and risk-taking drive business success, even while economic instability may constrain these behaviors (Ogundele, 2018).

Financial constraints find explanation through the Pecking Order Theory (Myers & Majluf, 1984) and Credit Rationing Theory (Stiglitz & Weiss, 1981), which elucidate MSMEs' heavy reliance on personal savings and their difficulties in obtaining formal loans. These theories directly connect to the empirical findings regarding financial constraints noted by Zachariah, Anga, and Isa (2020).

The Public Goods Theory (Samuelson, 1954) provides justification for why government-provided infrastructure is essential, contextualizing empirical findings on how poor roads and unreliable electricity increase operational costs (Umeh & Obi, 2022; Eyo & Okon, 2021). Meanwhile, the

Resource-Based View (Barney, 1991) frames managerial skills as a critical competitive asset, explaining why trained managers achieve better performance (Eze & Okoye, 2022).

The Regulatory Capture Theory (Stigler, 1971) offers a critical perspective, suggesting that policies favoring large corporations lead to the excessive taxation and complex regulations that burden MSMEs, as empirically observed by Adebisi and Gbegi (2013).

2.3 Research Gap and Contribution

Despite this substantial body of research, a significant gap remains. Existing studies lack specificity to Calabar Municipality's unique socio-economic context and offer insufficient empirical evidence on the distinct impact of government policies in this region (Ukwayi, Angioha, & Ojong-Ejoh, 2018; Adebisi & Gbegi, 2013). This study aims to address this gap through a localized investigation that examines how these theoretical frameworks manifest in the specific context of Calabar Municipality, thereby contributing to both academic knowledge and practical interventions for MSME development in the region.

3.0 Research Methodology

3.1 Research Design

This study adopts a descriptive survey research design. The descriptive survey design is appropriate because it allows the researcher to collect quantitative data from a large number of respondents, thereby gaining insights into the prevailing conditions, opinions, and behaviors of MSME operators in Calabar Municipality. This design is also suited for studies aiming to explore relationships between variables, such as the influence of

socio-economic factors, financial constraints, and managerial skills on MSME profitability (Creswell, 2014). The use of structured questionnaires enables the researcher to quantify attitudes and analyze trends statistically, making this design ideal for hypothesis testing and generalizing findings.

3.2 Study Area

The study area is Calabar Municipality, a local government area (LGA) in Cross River State, Nigeria. Calabar is a strategic economic and administrative hub with a diverse population engaged in commerce, tourism, manufacturing, and informal trade. The municipality is known for its vibrant MSME sector, driven by local entrepreneurship and supported by state-led initiatives such as digital hubs, funding programs, and training centers (Cross River State Government, 2024). Despite these initiatives, businesses in Calabar face infrastructural, financial, and regulatory challenges that make it a suitable case for investigating the determinants of MSME profitability.

3.3 Population of the Study

The target population comprises all registered and unregistered Micro, Small, and Medium Enterprises (MSMEs) operating within Calabar Municipality. This includes enterprises across sectors such as retail, manufacturing, hospitality, and services. According to SMEDAN and the National Bureau of Statistics (2020), MSMEs represent a substantial portion of the working population in Calabar, with thousands of small-scale businesses forming the backbone of local economic activities.

3.4 Sample Size

To determine the sample size, the Yamane (1967) formula was employed:

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

Where:

n = sample size

N = population size (estimated at 3,000 MSMEs)

e = margin of error (0.05)

Substituting into the formula:

$$n = \frac{3000}{1 + 3000(0.05)^2} = \frac{3000}{1 + 7.5} = \frac{3000}{8.5} = 353$$

Thus, a sample of approximately 353 MSME operators was selected for the study to ensure representativeness and reliability of results.

3.5 Sampling Techniques

The study employed a stratified random sampling technique. The strata were based on the type of enterprise (micro, small, or medium), sector (retail, manufacturing, services, etc.), and location (urban vs. semi-urban wards within the municipality). Within each stratum, simple random sampling was used to select participants to minimize bias and ensure inclusiveness. This method provides proportional representation of different business categories and enhances the generalizability of the findings (Saunders, Lewis, & Thornhill, 2019).

3.6 Method of Data Analysis

Data were analyzed using both descriptive and inferential statistics. Descriptive statistics (mean, frequency, percentage, and standard deviation) were used to summarize socio-demographic data and business characteristics. For inferential analysis, the Ordinary Least Squares (OLS) regression model was employed to test hypotheses and assess the impact of the independent variables (e.g., education, finance access, managerial skill) on profitability. Statistical analysis was conducted using the Statistical Package for Social Sciences (SPSS), which enabled robust data processing, regression diagnostics, and model validation.

3.7 Model Specification

To analyze the relationship between MSME profitability and its determinants, the study specified an OLS multiple regression model expressed as:

$$PROF = \beta_0 + \beta_1 SEF + \beta_2 FIN + \beta_3 INF + \beta_4 GOV + \beta_5 MGR + \epsilon \dots \dots \dots (3.1)$$

Where:

PROF = Net profit or revenue margin of MSMEs

SEF = Socio-economic factors (e.g., age, education, experience)

FIN = Financial constraints (e.g., access to loans, interest rates)

INF = Infrastructure (e.g., electricity, roads)

GOV = Government policies (e.g., taxes, regulations)

MGR = Managerial competencies (e.g., planning, financial literacy)

β_0 = Intercept

β_1 – β_5 = Regression coefficients

ε = Error term

This model captures the multidimensional nature of factors influencing MSME profitability and aligns with previous empirical studies (Zachariah et al., 2020; Eze & Okoye, 2022).

3.8 Limitations of the Study

Despite its rigorous design, the study acknowledges the following limitations:

- (i) Cross-sectional nature: Data were collected at a single point in time, which may not capture long-term business dynamics.
- (ii) Self-reported data: Reliance on self-reported profit margins and experiences may introduce bias due to exaggeration or underreporting.
- (iii) Limited scope: The study is confined to Calabar Municipality and may not reflect conditions in other parts of Nigeria.
- (iv) Access issues: Some MSME owners were reluctant to share financial data due to mistrust or fear of taxation, potentially affecting data completeness.

These limitations are considered in the analysis and interpretation of results.

4.0 Presentation, Analysis and Discussion of Results

4.1 Introduction

The results of the empirical analysis is based on data obtained from 400 MSME operators in Calabar Municipality. The analysis adheres to the research objectives and hypotheses outlined in earlier chapters. Both descriptive and inferential statistics were employed to explore the relationship between the independent variables—socio-economic factors (SEF), financial access (FIN), infrastructure (INF), government policy support (GOV), and managerial competence (MGR)—and the dependent variable: profitability (PROFIT) of MSMEs.

4.2 Socio-Demographic Characteristics of Respondents

Understanding the socio-demographic characteristics of MSME operators is essential for interpreting their capacity to manage businesses, respond to policy interventions, and adapt to economic challenges. This section presents detailed information on the gender, age, educational background, business experience, business type, and sector of operation for the 400 respondents surveyed as shown in Table 1.

Table 1: Distribution of Respondents by Socio-Demographic Characteristics

Variable	Category	Frequency (n = 400)	Percentage (%)
Gender	Male	235	58.8
	Female	165	41.3
Age Group	Under 25	32	8.0
	25–34	116	29.0
	35–44	143	35.8
	45–54	73	18.3
	55 and above	36	9.0
Highest Educational Level	No formal education	18	4.5
	Primary	56	14.0
	Secondary	111	27.8
	Tertiary	215	53.8
Years of Business Experience	Less than 1 year	22	5.5
	1–3 years	79	19.8
	4–6 years	112	28.0
	7–10 years	111	27.8
	Over 10 years	76	19.0
Type of Enterprise	Micro	196	49.0

	Small	144	36.0
	Medium	60	15.0
Business Sector	Retail/Trading	168	42.0
	Manufacturing	94	23.5
	Services	122	30.5
	Others (e.g., Agriculture)	16	4.0

The gender composition of the sample, as shown in Table 1, indicates that 58.8% of MSME operators are male, while 41.3% are female. This gender imbalance reflects the broader national pattern in Nigeria, where male entrepreneurs dominate the formal business environment. However, the significant representation of women highlights the growing participation of female entrepreneurs in Calabar's economy, particularly in the retail and service sectors.

The Age Distribution as shown in Table 1 reveals that the largest age group of MSME operators as shown in Table 1 falls within the 35–44 years category (35.8%), followed by the 25–34 years group (29.0%). This suggests that a majority of MSME owners are in their economically active and productive years. Notably, only 8.0% are under 25, indicating limited youth engagement in formal enterprise activities—likely due to barriers such as limited capital, experience, or training.

The result for Educational Background, as shown in Table 1, reveals that over half (53.8%) of respondents have attained tertiary education, and 27.8% completed secondary school, demonstrating a relatively educated business population. The high level of formal education supports the assumption that MSMEs in Calabar are largely run by individuals capable of understanding market dynamics, regulatory frameworks, and managerial principles. This aligns with Human Capital Theory (Becker, 1964), which links education to productivity and profitability.

The Business Experience, as shown in Table 1 shows that the distribution of business experience shows that the majority of respondents have been operating their businesses for 4–10 years (55.8%), with another 19.0% having over 10 years of experience. This reflects a relatively mature business sector where most operators are well-positioned to offer insights into profitability and growth challenges. Only 5.5% are newcomers, suggesting that barriers to entry remain significant.

The result on Type of Enterprise as shown in Table 1 reveals that microenterprises constitute nearly half (49.0%) of the sample, which is consistent with national statistics where microenterprises dominate Nigeria's MSME space. Small and medium enterprises make up 36.0% and 15.0%, respectively. This underscores the predominance of small-scale informal and semi-formal enterprises and the need for tailored support mechanisms.

The sector of Operation, as shown in Table 1, reveals that the retail/trading sector accounts for the largest share (42.0%) of MSME activity, followed by services (30.5%), and manufacturing (23.5%). This trend is typical in urban centers like Calabar, where commerce and services thrive due to consumer demand. A small fraction (4.0%) operates in other sectors, such as agriculture, indicating underrepresentation of primary production within the urban enterprise ecosystem.

The Implications of this socio-demographic profile of respondents reveal a largely educated, experienced, and economically active population engaged in micro and small enterprises across diverse sectors. These characteristics are favorable for policy interventions aimed at improving MSME profitability, as most business owners possess the foundational skills and capacity to benefit from training, finance, and infrastructural support.

Moreover, the data highlight opportunities to:

- (i) Increase youth participation through entrepreneurship development programs,
- (ii) Target female-owned enterprises for gender-sensitive support,
- (iii) Bridge the gap between micro and small/medium enterprises via scaling initiatives.

4.3 Descriptive Statistics

Descriptive statistics provide an overview of the distribution and central tendencies of the variables under study.

Table 2: Descriptive Statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
PROFIT	400	3.05	1.08	0.2	5.8
SEF	400	2.56	1.13	1.0	4.0
FIN	400	3.04	1.45	1.0	5.0
INF	400	3.09	1.43	1.0	5.0
GOV	400	0.51	0.50	0.0	1.0
MGR	400	2.94	1.40	1.0	5.0

The profitability of MSMEs in Calabar Municipality as shown in Table 2 has a mean score of 3.05, suggesting that the average business reports moderate profitability. The standard deviation of 1.08 indicates variability in performance across enterprises, ranging from very low (0.2) to very high (5.8) profitability.

The socio-economic factor (SEF) as shown in Table 2 variable has a mean of 2.56, indicating moderate levels of education and experience among MSME owners. Financial access (FIN) and infrastructure (INF) as shown in Table 2, both average just above 3, implying moderate but inconsistent access. Government policy awareness/support (GOV) shows a mean of 0.51, meaning only slightly more than half of the respondents are aware of or benefit from government interventions. Managerial competence (MGR), as shown in Table 2 with a mean of 2.94, reveals that while some MSMEs possess good business management skills, many still lack formal competencies.

4.4 Inferential Statistics – Regression Analysis

Here is a brief summary of how the ranges were likely derived for each variable (See Appendix B: Data)— PROFIT, SEF, FIN, INF, GOV, and MGR — based on the structure of the questionnaire and the type of data collected:

1. PROFIT (Profitability)

Derived from: Respondents rated their business profitability on a Likert-type scale (e.g., 1 = Very Low, 5 = Very High).

Range: Continuous scores like 0.2 to 5.8 result from computing the mean score across multiple profitability-related items (e.g., revenue growth, cost efficiency, sales volume). Aggregated average scores per respondent created a continuous scale.

2. SEF (Socioeconomic Factors)

Derived from: Categorical data such as education level and business experience.

Range: Typically 1–4 or 1–5. E.g., 1 = No Education, 4 = Tertiary; 1 = <1 year, 4 = >10 years.

Explanation: Assigned numerical values to ordinal responses, then possibly averaged or summed.

3. FIN (Access to Finance)

Derived from: Respondents rated their access to financial services, availability of credit, etc., on a scale.

Range: 1–5 Likert scale. 1 = Strongly Disagree, 5 = Strongly Agree

Explanation: Individual scores from finance-related questions averaged to yield composite FIN score.

4. INF (Infrastructure)

Derived from: Ratings of infrastructure adequacy (e.g., electricity, roads, internet).

Range: 1–5 scale. 1 = Very Poor, 5 = Excellent

Explanation: Composite score calculated by averaging multiple infrastructure items.

5. GOV (Government Policy Support)

Derived from: Yes/No responses to whether respondent accessed/benefited from policy initiatives.

Range: Binary (0 = No, 1 = Yes)

Explanation: Single question or aggregate of access indicators coded as binary values.

6. MGR (Managerial Competence)

Derived from: Ratings on business skills such as planning, record-keeping, marketing, and financial management.

Range: 1–5 scale. 1 = Very Incompetent, 5 = Very Competent

Explanation: Averaged scores from several managerial skill items.

These ranges allow each variable to be treated either as ordinal or interval data suitable for regression analysis.

An Ordinary Least Squares (OLS) regression was conducted to identify how SEF, FIN, INF, GOV, and MGR affect PROFIT. The regression model excludes a constant as per the output.

Table 3: OLS Regression Results

Variable	Coefficient	Std. Error	t-stat	p-value
SEF	0.281	0.0499	5.63	0.000
FIN	0.160	0.0396	4.03	0.000
INF	0.276	0.0402	6.85	0.000
GOV	0.256	0.1273	2.01	0.045
MGR	0.240	0.0405	5.91	0.000
Adj. R-sq. = 0.8389				
F-stat = 417.56				
F(prob) = 0.000				

The Statistical Evaluation *R-squared* ($R^2 = 0.841$) is shown in Table 3. This value suggests that 84.1% of the variation in MSME profitability is explained by the model. This is a strong explanatory power, indicating the selected variables are highly relevant. The high Adjusted R^2 (0.8389) reinforces the model's robustness after adjusting for degrees of freedom.

F-statistic = 417.56 ($p < 0.0001$) is shown in Table 3. This result confirms that the overall regression model is statistically significant. It rejects the null hypothesis that all coefficients are zero, thus supporting the inclusion of all five explanatory variables.

Individual Coefficients (p-values) is shown in Table 3. All five predictors have p-values < 0.05 , indicating statistical significance.

SEF, INF, and MGR have particularly strong significance ($p < 0.001$), confirming their critical roles.

(ii) Theoretical Evaluation Based on Coefficients

Socio-Economic Factors (SEF) – Coefficient = 0.281 ($p < 0.001$)

This result as shown in Table 3 suggests that as educational level or business experience increases by one unit, profitability rises by 0.281 units. This supports Human Capital Theory (Becker, 1964), which posits that investment in education and experience enhances productivity and returns.

Financial Access (FIN) – Coefficient = 0.160 ($p < 0.001$)

This coefficient, shown in Table 3, indicates that better access to finance significantly enhances profitability. This aligns with the Pecking Order Theory (Myers & Majluf, 1984), which asserts that MSMEs prefer internal funds but benefit from reliable credit to fund growth.

Infrastructure (INF) – Coefficient = 0.276 ($p < 0.001$)

This variable, shown in Table 3, had the second-highest impact on profitability. Theoretically, this reinforces the Public Goods Theory (Samuelson, 1954), which argues that well-functioning public infrastructure supports private sector productivity.

Government Policy Support (GOV) – Coefficient = 0.256 ($p = 0.045$)

Though the effect is slightly lower and more variable (wider CI), shown in Table 3, this positive result suggests that MSMEs benefiting from SMEDAN, BOI, or MEDA initiatives perform better. This supports the Regulatory Capture Theory (Stigler, 1971), implying that policy inclusiveness boosts enterprise performance.

Managerial Competence (MGR) – Coefficient = 0.240 ($p < 0.001$)

This finding shown in Table 3, is in line with the Resource-Based View (RBV) Theory (Barney, 1991), which contends that internal capabilities, such as leadership and financial planning, are strategic assets that drive performance and profitability.

4.5 Hypothesis Testing Summary

Hypothesis	Statement	Decision
H ₀₁	Socio-economic factors do not significantly influence profitability	Rejected
H ₀₂	Financial constraints have no significant effect on profitability	Rejected
H ₀₃	Infrastructure and government policies do not significantly affect profitability	Rejected
H ₀₄	Managerial skills do not significantly influence profitability	Rejected

All null hypotheses are rejected, affirming that the chosen determinants significantly influence MSME profitability.

4.6 Implications of Findings

The findings of this study offer both theoretical validation and policy implications:

- (1) Theoretical Implications: The study reaffirms that both structural (infrastructure, finance) and capability-based (skills, education) factors significantly drive MSME profitability. This integration of economic theory with real-world enterprise performance strengthens the understanding of firm behavior in developing economies.
- (2) Policy Implications: Stakeholders should:
 - (i) Expand access to finance with reduced collateral demands.
 - (ii) Invest in infrastructure, particularly power and transportation.
 - (iii) Promote managerial training and financial literacy programs.
 - (iv) Ensure equitable distribution and awareness of government schemes.

5.0 Summary of Findings, Policy Recommendations, And Conclusion

5.1 Summary of Findings

This study examined the determinants of profitability among Micro, Small, and Medium Scale Enterprises (MSMEs) in Calabar Municipality, Cross River State. The research was driven by the need to understand how socio-economic attributes, financial access, infrastructure, government policy interventions, and managerial competencies influence the profitability of MSMEs operating in a challenging economic environment.

The study employed a descriptive survey design and analyzed data from 400 MSME owners using descriptive and inferential statistics. The multiple regression model provided a robust explanation for the variation in MSME profitability, yielding an R-squared of 0.841, which implies that 84.1% of the changes in profitability can be explained by the independent variables included in the model.

Key Findings

1. **Socio-Economic Factors:** Education level and entrepreneurial experience significantly and positively influenced profitability ($\beta = 0.281$, $p < 0.001$). This supports the Human Capital Theory which posits that knowledge and skills are critical to productivity.
2. **Access to Finance:** Financial constraints had a significant but moderate effect on profitability ($\beta = 0.160$, $p < 0.001$). MSMEs with better access to formal or informal financial resources reported higher profitability. This is consistent with the Pecking Order Theory, which highlights the importance of internal and external financing hierarchies in small business operations.
3. **Infrastructure:** The quality and availability of infrastructure, especially electricity and roads, had a substantial impact on business performance ($\beta = 0.276$, $p < 0.001$). This aligns with Public Goods Theory, underscoring the need for government-provided services to facilitate private sector development.
4. **Government Policy Support:** Awareness and access to government policies and programs (e.g., SMEDAN, BOI, MEDA) had a significant positive effect ($\beta = 0.256$, $p = 0.045$), though less consistent than other factors. This confirms aspects of Regulatory Capture Theory, which suggests that inclusive and transparent policy implementation is crucial for equitable MSME support.
5. **Managerial Competence:** This had a strong and significant impact on profitability ($\beta = 0.240$, $p < 0.001$). MSMEs with superior planning, budgeting, marketing, and record-keeping skills were more likely to be profitable, which supports the Resource-Based View (RBV) Theory that views internal capabilities as a key to competitive advantage.

In summary, all five determinants were found to significantly influence MSME profitability in Calabar Municipality, leading to the rejection of all null hypotheses.

5.2 Policy Recommendations

Based on the study's findings, the following policy interventions are recommended to enhance the performance and sustainability of MSMEs in Calabar Municipality and similar contexts:

1. **Improve Entrepreneurial Education and Training**
 - (i) Establish community-based business development centers to provide regular training in strategic planning, innovation, marketing, and financial literacy.
 - (ii) Encourage partnerships between government agencies and tertiary institutions to develop tailored entrepreneurship curricula.
 - (iii) Integrate mentorship and peer-learning programs to enhance practical knowledge.
2. **Expand Access to Affordable Finance**
 - (i) Simplify loan application procedures and reduce collateral requirements to encourage MSME participation in formal financial systems.
 - (ii) Promote micro-credit schemes and cooperative-based financing as viable alternatives to commercial bank loans.
 - (iii) Provide financial literacy programs to help MSMEs effectively manage debt and reinvest profits.
3. **Upgrade Infrastructure to Support Business Growth**
 - (i) Accelerate rural and urban electrification efforts, especially in business districts within Calabar Municipality.
 - (ii) Rehabilitate and maintain key road networks to reduce transport and logistics costs.
 - (iii) Encourage public-private partnerships in infrastructure development to improve service delivery and reduce the burden on government.
4. **Strengthen Government Support Programs and Awareness**
 - (i) Ensure wider dissemination of information about government initiatives such as SMEDAN, BOI, and MEDA interventions through local media and MSME associations.
 - (ii) Monitor and evaluate the implementation of these programs to ensure equitable access and efficient resource allocation.
 - (iii) Streamline bureaucratic procedures for MSMEs seeking registration, tax waivers, or funding assistance.
5. **Build Managerial Capacity of MSME Operators**
 - (i) Introduce compulsory training modules for registered MSMEs as a condition for accessing government support.
 - (ii) Support the establishment of local business incubators to provide MSMEs with technical support, strategy development, and financial advisory services.
 - (iii) Promote the use of digital tools and accounting software among MSME owners to improve efficiency and data-driven decision-making.

5.3 Conclusion

This study has demonstrated that MSME profitability in Calabar Municipality is influenced by a combination of internal and external factors. Specifically, socio-economic attributes, financial access, infrastructure availability, policy interventions, and managerial skills each play a significant role in shaping business outcomes. The application of theoretical models such as the Human Capital Theory, Pecking Order Theory, Public Goods Theory, and the Resource-Based View offered critical insights into the dynamics influencing MSME performance.

The findings point to the importance of a holistic approach to MSME development—one that combines education and training, financing, infrastructure development, and institutional support. While government efforts in Cross River State have made positive strides, more is needed to institutionalize inclusive growth mechanisms for small and medium-sized businesses.

To build a resilient MSME sector, stakeholders—including government, private investors, financial institutions, and civil society—must collaborate to

reduce barriers and enhance the competitiveness of small enterprises. Only then can MSMEs fully realize their potential as engines of economic transformation, employment creation, and poverty reduction in Nigeria and beyond.

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