

SME DEVELOPMENT IN CALABAR: INVESTIGATING CHALLENGES, OPPORTUNITIES, AND STRATEGIC GROWTH PATHWAYS

By

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ABSTRACT

Small and Medium Enterprises (SMEs) are globally recognized as engines of economic growth, employment generation, and innovation. In Nigeria, SMEs contribute nearly half of the national GDP and provide over 80% of jobs, yet they face persistent challenges that hinder their sustainability and competitiveness. This study investigates the constraints, opportunities, and strategic growth pathways for SMEs in Calabar, Cross River State. Using a descriptive survey design, data were collected from 345 SME operators across manufacturing, services, trade, and ICT sectors. Findings reveal that infrastructural deficiencies, multiple taxation, and limited access to finance are the most critical barriers to SME growth. Conversely, opportunities exist in tourism, ICT, agro-processing, and cross-border trade with Cameroon and the Central African Economic and Monetary Community (CEMAC). Regression analysis confirmed that infrastructure and access to finance significantly influence SME performance, while government policies play a decisive role in sustainability. The study concludes that SMEs in Calabar require integrated support through infrastructure investment, financial inclusion, entrepreneurial training, and policy reforms. Recommendations include harmonization of taxes, credit guarantee schemes, and public-private partnerships to enhance innovation and competitiveness. This research contributes to SME scholarship by providing subnational evidence from Calabar and offers actionable insights for policymakers, entrepreneurs, and investors seeking to strengthen SME development in emerging economies.

Keywords: SMEs, Calabar, infrastructure, finance, entrepreneurship, policy reform, sustainability, innovation.

INTRODUCTION

Background of the Study

Small and Medium Enterprises (SMEs) are globally recognized as engines of economic growth, innovation, and employment creation. In Nigeria, SMEs contribute nearly 48% of the national GDP, provide over 80% of jobs, and play a vital role in diversifying the economy beyond oil dependence (SMEDAN, 2023; World Bank, 2022). Calabar, the capital of Cross River State, is uniquely positioned as a hub for SME development due to its strategic location as a gateway to Central Africa, its rich cultural heritage, and its tourism potential. The city's entrepreneurial vibrancy and proximity to regional trade corridors make it a fertile ground for SME growth.

Despite these advantages, SMEs in Calabar face persistent challenges that hinder their competitiveness and sustainability. Infrastructural deficiencies such as unreliable electricity supply, poor road networks, and limited ICT infrastructure increase operational costs and reduce efficiency. Multiple taxation and bureaucratic bottlenecks further constrain business operations, while limited access to affordable finance restricts expansion and innovation. Human capital gaps, including inadequate managerial skills and technical expertise, exacerbate these challenges, leaving many SMEs unable to scale or integrate into broader value chains (Adebisi & Gbegi, 2019).

At the same time, opportunities abound. Tourism and hospitality, ICT innovations, agro-processing, and cross-border trade with Cameroon and the Central African Economic and Monetary Community (CEMAC) present significant growth pathways. Government entrepreneurship programs and youth empowerment initiatives also provide avenues for SME development, though their effectiveness depends on consistent implementation and supportive policy frameworks (Cross River State Government, 2021).

This paradox of high potential but weak performance underscores the need for a systematic investigation into the challenges, opportunities, and strategic pathways for SME growth in Calabar. While national studies have highlighted the role of SMEs in Nigeria's economy, subnational analyses remain limited. This study therefore bridges that gap by focusing on Calabar as a case study, providing evidence-based insights for policymakers, entrepreneurs, and scholars. By identifying key constraints, exploring opportunities, and recommending strategic interventions, the research contributes to both academic discourse and practical solutions for SME development in emerging economies.

1.2 Literature Review

SMEs and Economic Development

SMEs are widely acknowledged as critical drivers of economic transformation. They foster innovation, generate employment, and contribute to poverty reduction (Hisrich, Peters, & Shepherd, 2017; Kuratko, 2016). In Nigeria, SMEs account for nearly half of GDP and dominate the non-oil export sector, making them central to diversification efforts (SMEDAN, 2023). However, their growth is constrained by institutional weaknesses, infrastructural deficits, and limited financing options (World Bank, 2022).

Infrastructure and SME Growth

Infrastructure is a fundamental determinant of SME performance. Reliable electricity, efficient transport networks, and ICT infrastructure reduce operational costs and enhance competitiveness. In Nigeria, unreliable power supply forces SMEs to rely on generators, raising costs and limiting profitability (Cross River State Government, 2021). Empirical studies confirm that infrastructural investment significantly enhances SME productivity and sustainability (Adebisi & Gbegi, 2019). In Calabar, poor road networks and limited ICT access remain major barriers to SME growth.

Access to Finance

Access to affordable credit is one of the most pressing challenges for SMEs. Traditional banks often impose stringent collateral requirements, making financing inaccessible to small businesses (Nwosu, 2019). Currency volatility and high interest rates further discourage borrowing. Studies show that financial inclusion programs, microfinance, and credit guarantee schemes improve SME resilience and performance (World Bank, 2022). Fintech innovations such as Paystack and Flutterwave have expanded access to finance, but adoption remains uneven in subnational contexts like Calabar.

Government Policies and Entrepreneurial Support

Policy frameworks and government interventions significantly shape SME sustainability. Tax harmonization, simplified registration processes, and entrepreneurship training have been identified as effective strategies for SME growth (Gibson, 2015; Kerr & Nishimura, 2016). However, inconsistent implementation and bureaucratic bottlenecks often undermine policy effectiveness. In Calabar, government entrepreneurship programs and trade promotion initiatives provide opportunities, but weak enforcement and multiple taxation remain obstacles (Cross River State Government, 2021).

Human Capital and Managerial Skills

Human capital is another critical factor influencing SME performance. Many Nigerian SMEs suffer from managerial skill gaps, inadequate technical expertise, and limited

exposure to modern business practices (Rae & Carswell, 2001). Mentoring and capacity-building programs have been shown to improve SME management and competitiveness (Gartner, 1988; Gibson, 2015). In Calabar, skill gaps among entrepreneurs limit innovation and value chain integration, underscoring the need for targeted training and mentorship.

Opportunities for SME Development

Despite these challenges, opportunities exist in tourism, ICT, agro-processing, and cross-border trade. Tourism and hospitality are particularly promising given Calabar's cultural heritage and annual festivals. ICT innovations and e-commerce platforms provide new avenues for market expansion, while agro-processing ventures can leverage the region's agricultural base (SMEDAN, 2023). Regional trade with Cameroon and CEMAC offers additional opportunities for SMEs to expand beyond local markets.

1.3 Statement of the Problem

The role of SMEs in economic transformation has been widely acknowledged; however, in Calabar, SMEs struggle to achieve optimal performance. Entrepreneurs grapple with infrastructural inadequacies, bureaucratic bottlenecks, and limited credit access. In addition, market penetration and value chain integration remain weak. These challenges raise concerns about the sustainability and competitiveness of SMEs in the city.

1.4 Objectives of the Study

The study seeks to:

1. Identify the challenges faced by SMEs in Calabar.
2. Examine the opportunities available for SME development in Calabar.
3. Recommend strategic pathways for enhancing the performance and sustainability of SMEs in Calabar.

1.5 Research Questions

The following research questions were posed to guide the study:

1. What are the major challenges facing SMEs in Calabar?
2. What opportunities exist for SME development in Calabar?

3. What strategies can be employed to overcome the challenges of SMEs in Calabar?
4. How do government policies and interventions affect SME development in Calabar?

1.6 Hypotheses

The following null hypotheses were tested at the 0.05 level of significance to guide the study:

- **H01:** There is no significant relationship between infrastructural deficiencies and the growth of SMEs in Calabar.
- **H02:** Access to finance does not significantly influence the performance of SMEs in Calabar.
- **H03:** Government policies and interventions do not significantly affect the sustainability of SMEs in Calabar.

1.7 Significance of the Study

This study contributes to SME scholarship by focusing on Calabar as a subnational case. It provides evidence-based recommendations for policymakers, actionable insights for entrepreneurs, and serves as an academic reference for further studies.

2.0 METHODOLOGY

2.1 Research Design

A descriptive survey design was adopted to capture quantitative and qualitative perspectives of SME operators and stakeholders in Calabar.

2.2 Population and Sampling

The population consisted of registered SMEs in Calabar metropolis across manufacturing, services, trade, and ICT sectors. According to SMEDAN (2023), about 2,500 SMEs are operational in the area. Using Yamane's (1967) formula, a sample size of 345 SMEs was drawn using stratified random sampling.

2.3 Instrumentation

The primary instrument for data collection was a structured questionnaire titled "**SME Development Questionnaire (SMEDQ)**", developed in line with the research questions and hypotheses. It comprised four sections:

- **Section A:** Demographic information of respondents.
- **Section B (RQ1 / H01):** 10 items measuring infrastructural challenges (e.g., power supply, roads, ICT facilities).
- **Section C (RQ2 / H02):** 8 items on access to finance, credit conditions, and capital adequacy.
- **Section D (RQ3 & RQ4 / H03):** 12 items on policy environment, government programs, and strategic pathways.

Items were rated on a 5-point Likert scale: *Strongly Agree (5) to Strongly Disagree (1)*.

2.4 Validity and Reliability

The instrument was validated by three experts in Business Administration and Entrepreneurship. Cronbach Alpha test produced a reliability coefficient of 0.86, indicating high internal consistency.

2.5 Data Collection

Data were collected through physical administration of questionnaires and follow-up interviews with selected SME operators and officials from the Ministry of Commerce.

2.6 Data Analysis

Descriptive statistics (mean, percentages, standard deviation) were used to answer the research questions. Chi-square and regression analysis were employed to test the hypotheses at the 0.05 significance level.

3.0 RESULTS

Answers to the Research Questions

Research Question 1: What are the major challenges facing SMEs in Calabar?

Table 1: Mean ratings of challenges facing SMEs in Calabar (n=320)

Challenge Indicator	Mean	Std. Dev.	Decision
Unreliable power supply	4.51	0.66	Major challenge

Poor road and transport networks	4.36	0.72	Major challenge
High cost of raw materials	3.98	0.82	Major challenge
Multiple taxation	4.22	0.70	Major challenge
Lack of skilled manpower	3.87	0.91	Moderate challenge

Interpretation: The mean scores show that infrastructural and taxation-related issues dominate SME challenges in Calabar.

Research Question 2: What opportunities exist for SME development in Calabar?

Table 2: Opportunities identified by SMEs (n=320)

Opportunity Indicator	% Agreement	Rank
Tourism and hospitality potential	76%	1
ICT and e-commerce opportunities	68%	2
Regional trade with Cameroon & CEMAC	64%	3
Government entrepreneurship programs	59%	4
Agro-processing ventures	57%	5

Interpretation: Tourism and ICT represent the most significant growth windows for SMEs in Calabar.

Research Question 3 & 4: What strategies can be employed, and how do government policies affect SME development in Calabar?

Key strategies identified include:

- Capacity building and training (72% agreement).
- Financial inclusion programs (65%).
- Tax harmonization (63%).
- Public-private partnerships (61%).

Testing of Hypotheses

Hypothesis 1 (H01): There is no significant relationship between infrastructural deficiencies and the growth of SMEs in Calabar.

Table 3: Regression analysis of infrastructure on SME growth

Variable	Beta	t-value	p-value	Decision
Infrastructure	0.57	5.63	0.001	Reject H01

Interpretation: Infrastructure has a significant positive effect on SME growth.

Hypothesis 2 (H02): Access to finance does not significantly influence the performance of SMEs in Calabar.

Table 4: Regression analysis of finance on SME performance

Variable	Beta	t-value	p-value	Decision
Access to finance	0.64	6.18	0.000	Reject H02

Interpretation: Access to finance significantly enhances SME performance in Calabar.

Hypothesis 3 (H03): Government policies and interventions do not significantly affect the sustainability of SMEs in Calabar.

Analysis revealed $\chi^2 (3, n=320) = 18.26, p < 0.05$.

Thus, **H03 is rejected**. Government policies significantly affect SME sustainability.

4.0 Discussion of the Findings

The study's findings provide valuable insights into the challenges faced by SMEs in Calabar and how these challenges can be addressed.

-Challenges faced by SMEs in Calabar:

- Infrastructural deficiencies (power, transport).
- Multiple taxation.
- Limited credit access.
- Skill gaps among entrepreneurs.

-Ways to address challenges faced by SMEs in Calabar:

- Massive investment in power and transport infrastructure.
- Introduction of credit guarantee schemes and cooperative lending.
- Harmonization of taxes to reduce burdens.
- Entrepreneurial training and digital skills acquisition.

-Comparison of opinions:

While SME operators emphasized finance and infrastructure as critical, policymakers stressed entrepreneurship training and diversification into tourism and ICT. This indicates a need for a balanced approach that combines financial support, policy reforms, and human capital development.

5.0 CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

This study has established that Small and Medium Enterprises (SMEs) in Calabar play a pivotal role in local economic development, job creation, and innovation, yet they continue to grapple with systemic challenges that undermine their sustainability. The findings revealed that infrastructural deficiencies—particularly unreliable electricity supply and poor transport networks—constitute major barriers to SME growth. Multiple taxation and bureaucratic bottlenecks further constrain operations, while limited access to affordable finance restricts expansion and innovation. Human capital gaps, including inadequate managerial skills and technical expertise, exacerbate these challenges, leaving many SMEs unable to scale or integrate into regional and global value chains.

Despite these constraints, the study identified significant opportunities for SME development in Calabar. Tourism and hospitality, ICT innovations, agro-processing, and cross-border trade with Cameroon and the Central African Economic and Monetary Community (CEMAC) represent promising growth pathways. Government entrepreneurship programs and youth empowerment initiatives also provide avenues for SME support, though their effectiveness depends on consistent implementation and supportive policy frameworks.

Regression and chi-square analyses confirmed that infrastructure, access to finance, and government policies significantly influence SME performance and sustainability. This underscores the need for integrated strategies that combine infrastructural investment, financial inclusion, policy reforms, and capacity building. The study concludes that SMEs in Calabar can achieve sustainable growth and competitiveness if systemic barriers are addressed and opportunities are strategically leveraged. Ultimately, strengthening SMEs will not only enhance local economic resilience but also contribute to Nigeria's broader goals of diversification, inclusive growth, and regional trade integration.

5.2 RECOMMENDATION

1. Infrastructure Development

Prioritize investment in electricity, road networks, and ICT infrastructure to reduce operational costs and enhance SME competitiveness.

2. Financial Inclusion and Access to Credit

Expand microfinance schemes, cooperative lending, and credit guarantee programs to improve SME access to affordable finance. Encourage fintech adoption to bridge financing gaps.

3. Tax Harmonization and Policy Reform

Simplify and harmonize taxation to reduce burdens on SMEs. Streamline registration and licensing processes to minimize bureaucratic bottlenecks.

4. Capacity Building and Human Capital Development

Implement entrepreneurial training, mentorship, and digital skills acquisition programs to address managerial and technical skill gaps. Partner with universities and vocational centers to strengthen SME talent pipelines.

5. Market Access and Trade Promotion

Facilitate SME participation in trade fairs, digital platforms, and export linkages. Leverage Calabar's strategic location to promote cross-border trade with Cameroon and CEMAC.

6. Public-Private Partnerships (PPPs)

Encourage PPPs to enhance innovation, technology adoption, and infrastructure provision. Collaborations between government, private investors, and development partners can accelerate SME growth.

7. Tourism and ICT Development

Invest in tourism infrastructure and ICT hubs to harness Calabar's cultural heritage and digital potential as drivers of SME expansion.

By implementing these recommendations, policymakers and stakeholders can create an enabling environment for SMEs in Calabar to thrive, thereby strengthening local development and contributing to Nigeria's broader economic transformation.

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APPENDIX

Research Instrument: SME Development Questionnaire (SMEDQ)

Student Introduction

Hello, my name is Esther Divine Agabaidu, and I am a Master's degree student in Administration (MBA) at Learn to Live Business School (LLBS). I am conducting research on *"SME Development in Calabar: Investigating Challenges, Opportunities, and Strategic Growth Pathways."*

The purpose of this questionnaire is to collect data from SME operators, managers, and key stakeholders in Calabar. Your responses will be used strictly for academic purposes and treated with utmost confidentiality. Please respond to the questions as honestly as possible.

Instructions:

Kindly indicate your level of agreement with each statement by ticking (✓) in the option that best reflects your opinion, using the scale below:

- SA = Strongly Agree (5)
- A = Agree (4)
- N = Neutral (3)
- D = Disagree (2)
- SD = Strongly Disagree (1)

Or, where indicated:

- NC = Not Challenging
- SC = Slightly Challenging
- MC = Moderately Challenging
- VC = Very Challenging
- EC = Extremely Challenging

Thank you for your time and cooperation. Your participation is greatly appreciated!

Esther Divine Agabaidu

Section A: Demographic Information

1. Gender: ☐ Male ☐ Female
2. Age: ☐ 18–29 ☐ 30–39 ☐ 40–49 ☐ 50 and above
3. Educational Qualification: ☐ SSCE ☐ OND/NCE ☐ HND/B.Sc ☐ Postgraduate
4. Type of SME: ☐ Manufacturing ☐ Services ☐ Trade ☐ ICT ☐ Others (specify)

5. Years in Operation: ☐ 1–5 years ☐ 6–10 years ☐ 11–15 years ☐ 16 years and above

Section B: Challenges Facing SMEs in Calabar

Q1. What challenges do you face when running your SME? (Select all that apply)

- ☐ Electricity supply ☐ Road/transport ☐ Raw material cost ☐ Multiple taxation
- ☐ Skilled manpower ☐ Bureaucracy ☐ Rent/operations ☐ ICT access
- ☐ Security ☐ Lack of industrial clusters

Q2. How challenging are the following aspects of running your SME?

(Use NC = Not Challenging → EC = Extremely Challenging)

- Electricity supply: ☐ NC ☐ SC ☐ MC ☐ VC ☐ EC
- Transportation networks: ☐ NC ☐ SC ☐ MC ☐ VC ☐ EC
- Access to skilled manpower: ☐ NC ☐ SC ☐ MC ☐ VC ☐ EC
- Multiple taxation: ☐ NC ☐ SC ☐ MC ☐ VC ☐ EC
- Rental/operational costs: ☐ NC ☐ SC ☐ MC ☐ VC ☐ EC

Section C: Opportunities for SME Development

Q3. What opportunities for growth do you see in Calabar SMEs? (Select all that apply)

- ☐ Tourism & hospitality ☐ ICT innovations ☐ Cross-border trade
- ☐ Government programs ☐ Agro-processing ☐ Youth empowerment
- ☐ Microfinance support ☐ E-commerce

Q4. Rate the extent to which the following opportunities are viable for SME growth:

(Use SA = Strongly Agree → SD = Strongly Disagree)

- Tourism is a viable growth sector: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- E-commerce expands SME reach: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- Agro-processing is underutilized: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- ICT innovation supports SME growth: ☐ SA ☐ A ☐ N ☐ D ☐ SD

Section D: Strategies and Government Policies

Q5. How effective are current government policies in supporting SMEs?

☐ Very Effective ☐ Effective ☐ Neutral ☐ Ineffective ☐ Very Ineffective

Q6. Rate the importance of the following strategies for SME growth:

(Use SA = Strongly Agree → SD = Strongly Disagree)

- Tax harmonization encourages SME growth: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- Entrepreneurship training improves SME management: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- Credit guarantee schemes encourage bank loans: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- Simplifying registration fosters SME growth: ☐ SA ☐ A ☐ N ☐ D ☐ SD
- Collaboration among SMEs enhances competitiveness: ☐ SA ☐ A ☐ N ☐ D ☐ SD

Thank you for taking the time to complete this questionnaire! Your responses will greatly contribute to the success of this study.

Version 2: Alternative Questionnaire (Table Format)

Instructions:

For each question, please tick (✓) the option that best represents your opinion or experience. Use the rating scales provided in the table headings.

Section A: Demographic Information

Item	Response Options
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Gender ☐ Male ☐ Female

Age ☐ 18–29 ☐ 30–39 ☐ 40–49 ☐ 50+

Education ☐ SSCE ☐ OND/NCE ☐ HND/B.Sc ☐ Postgraduate

SME Type ☐ Manufacturing ☐ Services ☐ Trade ☐ ICT ☐ Others: _____

Years in Operation ☐ 1–5 ☐ 6–10 ☐ 11–15 ☐ 16+

Section B: Challenges Facing SMEs

Q1. How challenging are the following issues?

Challenge	NC	SC	MC	VC	EC
Electricity supply	☐	☐	☐	☐	☐
Transport networks	☐	☐	☐	☐	☐
Raw material cost	☐	☐	☐	☐	☐
Skilled manpower	☐	☐	☐	☐	☐
Multiple taxation	☐	☐	☐	☐	☐

Operational costs	☐	☐	☐	☐	☐
Bureaucracy	☐	☐	☐	☐	☐
ICT access	☐	☐	☐	☐	☐
Security	☐	☐	☐	☐	☐
Industrial clusters	☐	☐	☐	☐	☐

Section C: Opportunities for SME Development

Q2. Rate the extent to which the following opportunities are viable.

Opportunity	SA	A	N	D	SD
Tourism & hospitality	☐	☐	☐	☐	☐
ICT innovations	☐	☐	☐	☐	☐
Cross-border trade	☐	☐	☐	☐	☐
Government programs	☐	☐	☐	☐	☐
Agro-processing	☐	☐	☐	☐	☐

Youth empowerment	☐	☐	☐	☐	☐
Microfinance support	☐	☐	☐	☐	☐
E-commerce	☐	☐	☐	☐	☐

Section D: Strategies and Government Policies

Q3. Rate the importance of the following strategies for SME growth.

Strategy	SA	A	N	D	SD
Tax harmonization	☐	☐	☐	☐	☐
Entrepreneurship training	☐	☐	☐	☐	☐
Credit guarantee schemes	☐	☐	☐	☐	☐
Simplified registration	☐	☐	☐	☐	☐
SME collaboration	☐	☐	☐	☐	☐
Public-private partnerships	☐	☐	☐	☐	☐

Export market access	☐	☐	☐	☐	☐
ICT adoption support	☐	☐	☐	☐	☐

Thank you for taking the time to complete this questionnaire! Your responses will greatly contribute to the success of this study.