

The Impact of Microfinance on Entrepreneurial Success in Port Harcourt, Nigeria

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ABSTRACT

The research examined the Impact of Microfinance on Entrepreneurial Success in Port Harcourt, Nigeria. The information for the study was obtained from secondary sources of data including online journals and textbooks, and content analysis was used to analyze the data. The outcome of the research showed that In business locales like Port Harcourt, Rivers State, microfinance has a very important role in assisting small business owners to get the funds needed to start or expand their businesses and that Through microfinance, entrepreneurs gain access to the funds that greatly help them start their businesses, improve their operations, and purchase necessary tools and material the study concluded that microfinance is a key driver for entrepreneurs to succeed since it helps them financially when they don't have other formal banking options. Microfinance especially is helping a lot of business owners in Port Harcourt as they access the funds required not only to begin their ventures but also to grow and run them regularly. The study therefore recommends that Microfinance institutions working in Port Harcourt ought to offer more adaptable lending terms. These could include a reduction in interest rates and extension of repayment durations among others. Such measures will help entrepreneurs to successfully run their businesses.

Keywords: Microfinance, Entrepreneurial Success, Port Harcourt.

INTRODUCTION

Microfinance has become an important financial strategy that enables entrepreneurship and economic development, especially in developing countries where people have very limited access to traditional banking services. For most locations in Nigeria, small and medium, sized enterprises (SMEs) have been a major source of job creation, income generation, and reduction of poverty. Still, access to capital remains an issue for many entrepreneurs who otherwise play a major role in economic development. Banks usually require collateral and have complicated paperwork, also setting high loan limits that often exclude low, income entrepreneurs. Therefore, microfinance institutions are emerging as an option providing financial services to people who do not have access to formal banking.

Microfinance means offering small financial services like microcredit, saving facilities, insurance, and financial advisory to poor people and small traders. The idea of microfinance became worldwide through projects like the

Grameen model presented by Muhammad Yunus, which showed that giving small loans to people with little access to banking helps increase their business success and family living conditions. Microfinance banks were created by regulatory authorities in Nigeria as a means to address the problem of credit availability for small, scale entrepreneurs and promote economic development at the grassroots level. Microfinance banks intend to empower entrepreneurs to start up their new ventures, expand their existing businesses and improve their production levels through credit facilities that are not difficult to get and also loan repayment terms that can be changed to fit the clients' needs.

The study will be carried out in Port Harcourt, it is one of the main commercial and industrial centers in Nigeria. The city is a place where entrepreneurs carry out different activities such as retail trade manufacturing service provision, and informal business operations. However, in spite of a lively business environment, a lot of entrepreneurs in Port Harcourt are faced with financial problems that limit the expansion and survival of their businesses. Some of the challenges that limit the ability of small business owners to reach their full entrepreneurial potential include limited access to startup capital, lack of proper business training, and the impact of economic fluctuations. As a result, microfinance institutions are nowadays an important source of financial support for these entrepreneurs. The effects of microfinance on the success of entrepreneurial ventures have been a major focus of both academics and policymakers. A range of articles reveal that microfinance availability contributes to improved business operations as it helps entrepreneurs to get working capital, buy production equipment, and place a good control on cash flow. Besides, a lot of microfinance programs include financial literacy training and advisory services. These sessions are intended to give small business owners the capability and knowledge to effectively manage their operation. It is generally accepted that these comprehensive services combining financing with other support features largely help lead to better business results like higher profits, business growth, and sustainability over time.

Nonetheless, microfinance effectiveness in driving the entrepreneurial success is still a matter of discussion. Some researchers hold the view that microfinance has enormously helped small businesses prosper, while others point to problems like high, interest rates, small loan sizes, and pressure to repay as factors that might even decrease its overall impact. Entrepreneurs may not be able to make loan repayments at times due to an unstable business environment resulting in their exposure to financial stresses and even business failures. So, it is very important to understand the true effect of microfinance on entrepreneurs' success in a certain district in order to measure its effectiveness.

This paper intends to explore the impact of microfinance on the accomplishment of the entrepreneurs in Port Harcourt, Nigeria. The analysis is focused on the ways in which microfinance accessibility might influence the growth, income and sustainability of the city's business owners. It aims to illuminate how microfinance has helped in nurturing local economic development.

Statement of the Problem

In African nations such as Nigeria, entrepreneurship is a very important aspect of the economy as it leads to employment production and poverty reduction. Besides providing people the opportunity to make a living, small and medium enterprises also have an important input to the development of local communities. Unfortunately, the majority of the entrepreneurs encounter financial challenges which hinder their capacity to initiate, operate, or enlarge their businesses. Capital access is still one of the paramount issues facing business owners, especially those running their businesses in informal or small, scale sectors. Traditional banks generally ask for rigorous borrowing conditions including collateral, detailed paperwork, and substantial interest rates which are beyond the reach of many small business operators.

In large commercial cities such as Port Harcourt (Rivers State), business operations are frequent; however, most business owners face difficulty getting enough capital for expanding and sustaining their ventures. To help cover this financial shortfall, microfinance institutions came into existence and their primary intervention tool is the provision of small loans and other financial services to low, income entrepreneurs who are unable to access banks. Unfortunately, even with the establishment of these institutions, there is still a question of how much microfinance services really have facilitated the growth of entrepreneurs.

Many small business owners continue to experience difficulties such as very high interest rates, small loan amounts, and rigid repayment schedules. Therefore, the contribution of microfinance in improving business performance, profitability and sustainability of entrepreneurs in Port Harcourt is not completely clear, which is an indication for further research...

Significance of the Study

This research is going to be of great importance to the entrepreneurs in Port Harcourt. The reason is that, it will offer them an understanding on how microfinance services may affect business development, profits, and continuance. Moreover, after learning the value of microfinance in business success, the owners of small businesses will be more capable in deciding how to make good use of microcredit and other financial services in order to enhance their operations and widen their activities.

The research is also expected to be beneficial for microfinance institutions in Nigeria. The results will provide an insight into the problems entrepreneurs encounter in getting access to microfinance services and their role in supporting the development of small businesses through the improvement of their financial products. This could lead to the creation of loan policies that are more flexible and customer, friendly financial services.

Governments and policymakers stand to gain a great deal from the insights of this research as it will shed light on how effective microfinance can be in fostering entrepreneurship. The findings could be used to develop policies that not only enhance financial inclusion but also offer more support to small and medium enterprises in Rivers State and across Nigeria.

LITERATURE REVIEW

Theoretical Framework

The Financial Intermediation Theory

The main basis for this research is the financial intermediation theory of Gurley and Shaw (1967). This theory describes how the role of bank credit in an economy is one of the features of the activities of financial intermediaries. It was mentioned in the theory that the business of financial intermediation in any modern economy should provide a lead in channeling financial resources from those who are in surplus to those who are in need financially in the economy. From this, it can be inferred that microfinance institutions may have an impact on the development of the small and medium scale enterprises in Nigeria through the provision of credit to the sector. Armendáriz & Morduch, (2010) emphasized that the contribution of bank credit to the private sector in promoting economic growth and development can hardly be overestimated. Hence, this is one of the key sources of financing entrepreneurs particularly the growth of small and medium scale enterprises in Nigeria. Armendáriz, & Morduch (2010) argues that bank credit forms one of the vital facets of financial intermediation that supports economical entities with funding, enabling the most productive investments in the economic network. They finish by saying that the accessibility of loan for both consumption and investment is able to enhance the capacity of private sector output and bring about new employment opportunities in the economy. Therefore, microfinance banks should fund any project with a positive net present value as long as the investment cost is less than the expected returns. Financial intermediation theory provides a strong foundation to this study given these points.

Empirical Review

Ojo (2019) conducted a study on the influence of microfinance on the expansion of small businesses in Nigeria. The methodology included gathering appropriate information straight from small business owners in Port Harcourt, Rivers State, using a well, designed questionnaire. The research employed survey design and analyzed the data by regression analysis to determine the impact of access to microfinance on business growth parameters including sales volume, capital expansion, and employment generation. More specifically, access to microfinance loans was revealed by the results to be highly effective in enhancing the growth of small businesses as it helps entrepreneurs invest in productive assets and expand their operational capacity. The authors found

that microfinance institutions are instrumental in the growth of small businesses through making available financial services to entrepreneurs who do not have access to the traditional banking system. Hence the study suggests that microfinance institutions in Nigeria should offer entrepreneurs bigger loan amounts and repayment schedules with more flexibility as a means of supporting their businesses to grow.

A study by Acha (2018) *Microfinance Banking and the Development of Small Enterprises*. Methodology: The research gathered data from small, scale entrepreneurs that were randomly selected via questionnaires and interviews. Descriptive statistics and correlation analysis were utilized in establishing the relationship between microfinance services and business development. The results of this study indicate a positive and strong correlation between microfinance loan availability and small business growth, especially in capital investment, market expansion, and job creation. In light of this the authors believe microfinance institutions are one of the key factors behind the development and survival of small companies. Government agencies, according to this research, should strengthen economic policies that support microfinance institutions and facilitate the access of entrepreneurs to credit facilities.

A study by Olowe, Moradeyo, and Babalola (2017) evaluated the Effects of Microfinance on the Growth of Small business. The researchers decided to use a quantitative method to their study and collected information from SME owners by means of structured questionnaires. By deploying multiple regression analysis, the researchers checked the relationship between microfinance services and the growth of SMEs. Results of the research showed that microfinance credit not only facilitates small enterprises with better capital, but also helps in their growth in a number of ways and this effect is statistically significant. Therefore, the main assessment of the work and area of policy is as follows: According to the research, microfinance is a very crucial vehicle in fortifying the function and survival of small businesses. The study suggested that Microfinance Institutions (MFIs) should minimize their lending procedures and provide financial training programs to help entrepreneurs be more effective in managing their businesses.

Nwankwo and Nwankwo (2018) carried out some research on Microfinance Loans and Entrepreneurial Development in Nigeria. Structured questionnaires were used to collect data from entrepreneurs running various businesses. The data were then analyzed through descriptive statistics and chi, square methods for testing the hypotheses. According to the results of the study, it was proven that loans from microfinance by and large assisted entrepreneurs in Port Harcourt in becoming successful through the enhancement of their working capital and the increase in their productivity and profitability, as well as their overall well, being in the city. It was basically the focal point of the study that microfinance loans are a major aid and feature of entrepreneurial growth and financial inclusion. The study advocated that, to increase the credit accessibility of small businesses, microfinance institutions should consider reducing interest rates and increasing the loan repayment duration...

A study by Babajide (2017) conducted some research on the impact of Microfinance on the performance of Micro and Small Enterprises. Information was gathered through the use of questionnaires and interviews from the operators of micro and small enterprises. To test the hypotheses, the researcher utilized descriptive statistics and regression analysis as the main tool. The results showed that microfinance loans bring great benefits to entrepreneurs such as increased business capital, raised income levels, and better business stability. The study ended that microfinance loan is an important tool access to entrepreneurial success and can also be a big help to entrepreneurs financially. It was suggested that there should be more awareness drive to get the entrepreneurs to take advantage of the microfinance services for their business growth in Nigeria.

METHODOLOGY

The study uses secondary data collection method whereby the major source of data and information are the published materials. Data are derived from trustworthy published works such as scholarly journals, official government publications, industry research, and well, known online databases. These materials undergo a thorough and systematic examination to analyze and derive patterns, trends, and insights that are closely tied to the research objectives.

A systematic search strategy was employed using databases such as Google Scholar, ResearchGate, JSTOR, and other academic sources. Keywords including “microfinance”, “entrepreneurial success”, “small business growth”, and “microfinance in Nigeria” were used to identify relevant literature.

The inclusion criteria focused on studies related to microfinance and entrepreneurship in Nigeria and other developing economies, particularly studies published between 2009 and 2024. Sources that lacked relevance to the study objectives, contained insufficient data, or were not from credible academic or institutional sources were excluded from the review.

A total of 30 relevant publications were reviewed and analyzed. The collected materials were carefully examined through content analysis by identifying recurring themes, patterns, and findings associated with the impact of microfinance on entrepreneurial success. The analyzed data were then synthesized to draw conclusions and provide insights relevant to the objectives of the study.

Great emphasis was placed on the credibility, reliability, and currency of the sources to ensure the validity of the findings.

Data Presentation and Analysis

Relationship between microfinance and the growth of small businesses in the study area

The relationship between microfinance and the growth of small businesses has been widely discussed in entrepreneurship and development literature. Microfinance institutions provide small loans, savings facilities, and other forms of financial assistance to those who most probably have no access to traditional banking services. In business locales like Port Harcourt, Rivers State, microfinance has a very important role in assisting small business owners to get the funds needed to start or expand their businesses. Getting a microloan allows business owners to get tools, stock more items, and enhance their capacity, all of which will help the business to grow and be able to sustain itself over time. Research has established that providing microfinance services can bring about a substantial increase in business performance by way of enhancing sales, profitability, and small enterprise employment generation. Ojo (2009) asserts that microfinance plays a crucial role in entrepreneurship development as it offers small businesses the necessary financial means to grow. In the same vein Olowe Meridio, and Babalola (2017) revealed that microfinance loans have a significant impact on the advancement of small and medium enterprises in Nigeria.

The benefits associated with microfinance loans on Entrepreneurial Success in Port Harcourt, Nigeria

Microfinance loans have been acknowledged by many as an important means of facilitating entrepreneurship, especially in urban commercial hubs like Port Harcourt, Rivers State. Through microfinance, entrepreneurs gain access to the funds that greatly help them start their businesses, improve their operations, and purchase necessary tools and materials. This financial help increases the ability to carry out more operations and cash flow management as well whose sustaining business activities in competitive markets is of a great importance. Empirical evidence shows that entrepreneurs who take microfinance loans usually become more productive, profitable, and their businesses get stabilized are some of the benefits that they experience. Nwankwo and Nwankwo (2018) conducted a study reporting that microfinance loans give small business owners financial independence which in turn allow them to make strategic business decisions. On the other hand, Okpara (2016) revealed that microfinance credit not only develops entrepreneurial capacity but also supports continuity and growth of enterprises in Nigeria through stimulating the introduction of new ideas.

DISCUSSION OF FINDINGS

i) The research results indicate a link between microfinance and small businesses which is in agreement with the research paper written by Ojo (2019) Microfinance and Small Business Growth in Nigeria. The outcome of data demonstrated that availability of microfinance loan has a great impact on the development of small business by means of giving entrepreneurs the ability to invest in productive assets and raise their operations capacity ii) The outcome of the research is consistent with Babajide (2017) research paper: The Effects of Microfinance on Micro

and Small Enterprises Performance. The results showed that microfinance loans bring significant changes in the lives of the entrepreneurs leading to increased business capital, higher income levels, and better business stability.

CONCLUSION

To sum up, microfinance is a key driver for entrepreneurs to succeed since it helps them financially when they don't have other formal banking options. Microfinance especially is helping a lot of business owners in Port Harcourt as they access the funds required not only to begin their ventures but also to grow and run them regularly. Getting microfinance loans can be very helpful in increasing business activities, boosting income, and making sure that small businesses will last over the years. However, on the negative side, things like very high interest rates and very limited loan amounts are still being encountered. Apart from that, fine, tuning microfinance policies and upgrading financial service delivery in Nigeria can significantly raise the level of entrepreneurial development and economic growth.

RECOMMENDATION

Microfinance institutions working in Port Harcourt ought to offer more adaptable lending terms. These could include a reduction in interest rates and extension of repayment durations among others. Such measures will help entrepreneurs to successfully run their businesses. Besides, there is a requirement for these institutions to raise loan amounts so as to properly facilitate business growth. The government bodies in Nigeria will have to work more on financial inclusion, and extend regulatory support to microfinance banks. Besides, business people should be motivated to join financial education and capacity building programs. These kinds of measures will not only increase the loan utilization rate but also boost entrepreneurial skills leading to sustainable business growth and economic development in the end.

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