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# An Evaluation of Economic Impact of SME Spread in Port Harcourt, Rivers State

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| Article History | Abstract |
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| <br><br><br><br> | *This study evaluates the economic impact of Small and Medium Enterprises (SMEs) proliferation in Port Harcourt, Rivers State, Nigeria. Using a mixed-methods approach, the research examined employment generation, income distribution, and local economic development resulting from SME activities. Data were collected from 450 SME operators and 200 community members through structured questionnaires and in-depth interviews. The findings revealed that SMEs have significantly contributed to job creation (67% of respondents employed 2-10 people), income generation (average monthly revenue of ₦850,000), and local economic diversification. However, challenges including limited access to finance, inadequate infrastructure, and regulatory bottlenecks constrain optimal performance. The study recommended, among others, an improved access to credit facilities, infrastructure development, and streamlined regulatory processes to enhance SME contributions to the local economy.*<br><br>***Keywords:*** *Small and Medium Enterprises, Economic Impact, Employment Generation, Port Harcourt, Local Economic Development.* |

## 1. Introduction

Small and Medium Enterprises (SMEs) represent the backbone of economic development in developing nations, contributing significantly to employment generation, poverty reduction, and economic diversification (Akingunola et al., 2018). In Nigeria, SMEs constitute approximately 96% of all businesses and contribute about 48% to the national Gross Domestic Product (GDP) while providing employment for over 84% of the workforce (National Bureau of Statistics, 2019). The strategic importance of SMEs in fostering inclusive economic growth has been widely recognized in academic literature and policy frameworks globally (Quartey et al., 2017).

Port Harcourt, the capital city of Rivers State, presents a unique case study for examining SME economic impact due to its strategic position as Nigeria's oil and gas hub. The city's economy has traditionally been dominated by the petroleum industry, creating both opportunities and challenges for SME development (Ogbonna & Ebimobowei, 2019). The oil-dependent economic structure has necessitated diversification efforts, with SMEs emerging as critical vehicles for achieving sustainable economic development and reducing over-reliance on oil revenues (Nwosu & Ohiomah, 2020).

The proliferation of SMEs in Port Harcourt has been influenced by several factors including population growth, urbanization, technological advancement, and government policy initiatives aimed at promoting entrepreneurship (Ekpe et al., 2021). The Rivers State government's various intervention programs, including the Rivers State Sustainable Development Agency (RSSDA) and youth empowerment schemes, have created an enabling environment for SME growth (Rivers State Government, 2022). These initiatives have resulted in a noticeable increase in the number of registered SMEs, from approximately 15,000 in 2015 to over 42,000 in 2023 (Corporate Affairs Commission, 2023).

The economic impact of SMEs extends beyond traditional metrics of employment and income generation to include innovation, technology transfer, and social capital development (Adebayo & Nassar, 2020). In the context of Port Harcourt, SMEs operate across diverse sectors

including manufacturing, services, agriculture, information technology, and creative industries, contributing to economic diversification and resilience (Umoh & Effiong, 2019). The multiplier effects of SME activities create backward and forward linkages that stimulate broader economic activity and development.

Academic research on SME economic impact in Nigeria has primarily focused on national-level analysis, with limited attention to city-specific or regional studies (Taiwo et al., 2016). This gap in literature is particularly pronounced for Port Harcourt, despite its economic significance and unique characteristics as an oil-dependent city transitioning toward economic diversification. Understanding the specific economic impacts of SMEs in Port Harcourt is crucial for informed policymaking and strategic planning for sustainable urban development.

The measurement of SME economic impact requires comprehensive analysis of multiple dimensions including direct effects (employment, income, output), indirect effects (supply chain impacts, induced consumption), and qualitative impacts (innovation, social development, environmental effects) (Storey, 2016). This multidimensional approach provides a holistic understanding of how SMEs contribute to local economic development and identifies areas for policy intervention and support.

## 2. Statement of the Problem

Despite the recognized importance of SMEs in economic development, the specific economic impact of SME proliferation in Port Harcourt remains inadequately documented and analyzed. This knowledge gap poses significant challenges for policy makers, development practitioners, and researchers seeking to understand and optimize the contribution of SMEs to local economic development (Acs et al., 2018). The absence of comprehensive, empirically-grounded analysis of SME economic impact limits the effectiveness of targeted interventions and support programs.

The problem is compounded by the unique economic context of Port Harcourt as an oil-dependent city experiencing economic transition pressures. While SMEs are widely acknowledged as important contributors to economic diversification, the actual magnitude and nature of their impact remain unclear (Beck & Demirguc-Kunt, 2006). This uncertainty affects resource allocation decisions, policy prioritization, and strategic planning for sustainable economic development.

Furthermore, existing studies on SME economic impact in Nigeria have predominantly adopted national or regional perspectives, often overlooking city-specific dynamics and contextual factors that influence SME performance and

contribution (Ogujiuba et al., 2004). The generalizability of findings from other contexts to Port Harcourt is questionable given the city's distinctive economic structure, demographic characteristics, and development challenges.

The lack of comprehensive impact assessment also limits understanding of the distributional effects of SME growth, including questions about who benefits from SME development and how benefits are distributed across different segments of the population (Nichter & Goldmark, 2009). This information is critical for ensuring that SME development contributes to inclusive growth and poverty reduction objectives.

Furthermore, the rapid growth in SME numbers in Port Harcourt has not been matched by corresponding research on their collective economic contribution, creating a disconnect between policy expectations and empirical evidence (Hallberg, 2000). This gap undermines evidence-based policymaking and may result in suboptimal allocation of scarce development resources.

## 3. Research Objectives

The study aims to achieve the following specific objectives:

1. To assess the contribution of SMEs to employment generation and job creation in Port Harcourt, Rivers State.

2. To evaluate the impact of SMEs on income generation and distribution among residents of Port Harcourt.

3. To examine the role of SMEs in promoting local economic diversification and development in Port Harcourt.

## 4. Research Questions

Based on the stated objectives, this study seeks to answer the following research questions:

1. What is the extent of SME contribution to employment generation and job creation in Port Harcourt, Rivers State?

2. How do SMEs impact income generation and distribution patterns among residents of Port Harcourt?

3. To what extent do SMEs contribute to local economic diversification and development in Port Harcourt?

## 5. Literature Review
### 5.1 Theoretical Framework

The theoretical foundation for understanding SME economic impact draws from several established theories including the employment generation theory, local

economic development theory, and the multiplier effect theory (Birch, 1987). The employment generation theory posits that SMEs, due to their labor-intensive nature and lower capital requirements, are more effective at creating employment opportunities compared to large-scale enterprises, particularly in developing economies (Storey, 1994).

Local economic development theory emphasizes the role of indigenous enterprises in promoting sustainable development through utilization of local resources, skills, and knowledge systems (Blakely & Leigh, 2013). This theory is particularly relevant to the Port Harcourt context, where SMEs have emerged as vehicles for economic diversification away from oil dependency.

The multiplier effect theory explains how SME activities generate broader economic impacts through inter-industry linkages, induced consumption, and re-spending of income within the local economy (Moretti, 2010). This theoretical perspective is crucial for understanding the full economic impact of SMEs beyond direct effects.

## 5.2 Empirical Literature

International studies have consistently demonstrated the significant economic impact of SMEs across different contexts. Research by Beck et al. (2005) across 45 countries found that SMEs contribute between 45-75% of total employment in developing countries, with higher contributions in countries with lower per capita income. Similarly, Ayyagari et al. (2007) found that SMEs account for over 60% of GDP in most developing countries, highlighting their macroeconomic significance.

In the African context, studies have documented substantial SME economic contributions. Research by Abor and Quartey (2010) in Ghana revealed that SMEs contribute approximately 70% of GDP and employ about 80% of the workforce. Similar findings have been reported across other African countries, reinforcing the continental pattern of SME economic importance (Kongolo, 2010).

Nigerian studies have provided mixed but generally positive evidence of SME economic impact. Ogujiuba et al. (2004) found that SMEs contribute approximately 50% of industrial output and 50% of industrial employment in Nigeria. More recent research by Taiwo et al. (2016) suggests that this contribution has increased, with SMEs now accounting for over 90% of all enterprises in Nigeria.

Regional studies within Nigeria have revealed significant variations in SME economic impact across different states and regions. Research by Nwosu and Ohiomah (2020) in the Niger Delta region found that SMEs in oil-producing states face unique challenges and

opportunities, with varying levels of economic contribution depending on local economic conditions and policy support.

## 5.3 SMEs and Employment Generation

The relationship between SMEs and employment generation has been extensively studied, with consistent evidence pointing to the superior employment-creating capacity of SMEs relative to their size (Audretsch & Fritsch, 2002). Research by Davis et al. (1996) using longitudinal data demonstrated that small firms create jobs at higher rates than large firms, particularly during economic recovery periods.

In developing countries, the employment generation capacity of SMEs is enhanced by their labor-intensive production methods and lower barriers to entry (Liedholm, 2002). Studies in Nigeria have shown that SMEs create employment opportunities for various skill levels, from unskilled manual workers to highly skilled professionals (Aremu & Adeyemi, 2011).

The quality of employment created by SMEs has been a subject of debate, with some studies suggesting that SME jobs may offer lower wages and fewer benefits compared to large firm employment (Brown et al., 1990). However, recent research has challenged this view, showing that SME employment often provides greater job satisfaction, learning opportunities, and career advancement prospects (Idson & Oi, 1999).

## 5.4 SMEs and Income Generation

SMEs contribute to income generation through multiple channels including wages and salaries for employees, profits for owners, and indirect income effects through supply chain relationships (Wennekers & Thurik, 1999). Research has shown that SME income effects are particularly pronounced in local economies where SMEs are embedded in local supply chains and markets (Porter, 1998).

Studies on income distribution effects of SMEs have generally found positive impacts on income equality, as SMEs provide opportunities for low and middle-income entrepreneurs to generate income and build wealth (Baumol, 2004). However, these effects vary significantly depending on the types of SMEs, their market orientation, and the broader economic environment.

In the Nigerian context, research by Ojokuku and Sajuyigbe (2015) found that SMEs contribute significantly to household income generation, particularly in urban areas where market opportunities are more abundant. The study found that SME-generated income often serves as a critical supplement to formal sector employment income.

## 5.5 SMEs and Local Economic Development

The role of SMEs in local economic development extends beyond direct employment and income effects to include innovation, entrepreneurship development, and economic diversification (Acs & Armington, 2006). Research has shown that SMEs often serve as incubators for innovation and technology adoption, particularly in developing countries where they adapt imported technologies to local conditions (Romijn, 1999).

SMEs contribute to economic diversification by developing new products, services, and markets that complement existing economic activities (Audretsch & Thurik, 2001). This diversification effect is particularly important in resource-dependent economies seeking to reduce vulnerability to commodity price fluctuations.

Studies on local economic development in Nigeria have highlighted the importance of SMEs in promoting balanced regional development and reducing urban-rural development disparities (Etuk et al., 2014). Research shows that SMEs can serve as catalysts for broader economic transformation when supported by appropriate policies and infrastructure.

## 6. Methodology

This study employed a mixed-methods research design combining quantitative and qualitative approaches to provide comprehensive analysis of SME economic impact in Port Harcourt. The quantitative component utilized survey methodology to collect structured data on SME characteristics, performance indicators, and economic contributions. The qualitative component employed in-depth interviews and focus group discussions to gather nuanced insights into SME experiences and community perceptions of economic impact. The study was conducted in Port Harcourt, the capital city of Rivers State, Nigeria. Port Harcourt is strategically located in the Niger Delta region and serves as the administrative and commercial center of Rivers State. The city has a population of approximately 1.8 million people and is divided into three Local Government Areas: Port Harcourt City, Obio-Akpor, and Eleme. The target population consisted of registered SMEs operating in Port Harcourt and community members who interact with or are affected by SME activities. Based on records from the Corporate Affairs Commission and Rivers State Ministry of Commerce and Industry, there are approximately 42,000 registered SMEs in Port Harcourt as of 2023. Using Yamane's formula for sample size determination with a 95% confidence level and 5% margin of error, a sample size of 450 SMEs was calculated. Additionally, 200 community members were randomly selected to provide perspectives on SME economic impact from the beneficiary standpoint. A multi-stage sampling technique was employed to ensure representative coverage of different SME sectors and geographical areas within Port Harcourt. The city was first stratified into the three Local Government Areas, then further subdivided by business districts and sectors. Proportional allocation was used to determine the number of SMEs to be sampled from each stratum. For SME selection, systematic random sampling was applied to the list of registered SMEs obtained from relevant government agencies. Community members were selected through simple random sampling from voter registration lists in selected wards within each Local Government Area. Primary data were collected using structured questionnaires for SMEs and community members, complemented by in-depth interview guides for key informants including SME association leaders, government officials, and community leaders. The questionnaires were pre-tested with 50 respondents and refined based on feedback to ensure validity and reliability. Secondary data were obtained from government publications, statistical bulletins, annual reports of relevant agencies, and academic publications. These sources provided contextual information and baseline data for comparative analysis. Quantitative data were analyzed using descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS) version 28. Descriptive analysis included frequencies, percentages, means, and standard deviations to summarize SME characteristics and performance indicators. Inferential analysis employed correlation and regression techniques to examine relationships between variables. Qualitative data from interviews and focus groups were analyzed using thematic analysis approach, involving coding, categorization, and interpretation of emerging themes related to SME economic impact. Data triangulation was employed to enhance validity by comparing findings from different data sources and methods.

## 7. Results

### 7.1 Demographic Characteristics of Respondents

The demographic analysis of SME operators revealed important characteristics that influence their economic contribution. Table 1 presents the demographic profile of SME operators in the study.

### Table 1: Demographic Characteristics of SME Operators (N=450)

| Characteristic | Category | Frequency | Percentage |
|---|---|---|---|
| Age | 18-30 years | 126 | 28.0 |
| | 31-40 years | 162 | 36.0 |
| | 41-50 years | 117 | 26.0 |
| | Above 50 years | 45 | 10.0 |
| Gender | Male | 243 | 54.0 |
| | Female | 207 | 46.0 |
| Education Level | Primary | 36 | 8.0 |
| | Secondary | 153 | 34.0 |
| | Tertiary | 261 | 58.0 |
| Business Experience | Less than 2 years | 81 | 18.0 |
| | 2-5 years | 189 | 42.0 |
| | 6-10 years | 126 | 28.0 |
| | Above 10 years | 54 | 12.0 |

The results show that SME operators in Port Harcourt are predominantly young and middle-aged, with 64% falling within the 18-40 years age bracket. This demographic profile aligns with findings by Ekpe et al. (2021) who noted the increasing participation of youth in entrepreneurial activities in Nigeria. The gender distribution shows a relatively balanced participation (54% male, 46% female), indicating growing female entrepreneurship in the region, consistent with global trends documented by Kelley et al. (2017). The high level of education among SME operators (58% with tertiary education) contradicts the common perception that SMEs are primarily operated by less educated individuals. This finding supports the argument by Naudé (2010) that modern SMEs require increasingly sophisticated skills and knowledge to compete effectively in dynamic markets.

### 7.2 SME Contribution to Employment Generation

The analysis of employment generation reveals significant contributions by SMEs to job creation in Port Harcourt. Table 2 presents the employment patterns among surveyed SMEs.

### Table 2: Employment Generation by SMEs (N=450)

| Number of Employees | Frequency | Percentage | Total Jobs Created |
|---|---|---|---|
| 1-2 employees | 117 | 26.0 | 234 |
| 3-5 employees | 153 | 34.0 | 612 |
| 6-10 employees | 108 | 24.0 | 864 |
| 11-20 employees | 54 | 12.0 | 810 |
| Above 20 employees | 18 | 4.0 | 540 |
| **Total** | **450** | **100.0** | **3,060** |

The findings demonstrate that the surveyed SMEs collectively employ 3,060 individuals, representing an average of 6.8 employees per SME. This finding exceeds the national average of 4.2 employees per SME reported by the National Bureau of Statistics (2019), suggesting that Port Harcourt SMEs are relatively more labor-intensive or larger in scale compared to the national average.

The employment distribution shows that 84% of SMEs employ 10 or fewer people, which aligns with the typical size characteristics of SMEs globally (OECD, 2017). However, the presence of 4% of SMEs employing more than 20 people indicated the existence of growing enterprises that may transition to medium or large-scale operations over time.

Qualitative interviews with SME operators revealed that employment creation is often gradual, starting with family members and close associates before expanding to include external hires as businesses grow. This pattern is consistent with the social capital theory of entrepreneurship, which emphasizes the role of social networks in early-stage business development (Aldrich & Zimmer, 1986).

### 7.3 Income Generation and Distribution

The analysis of income generation by SMEs reveals substantial contributions to local economic activity. Table 3 presents the monthly revenue distribution among surveyed SMEs.

## Table 3: Monthly Revenue Distribution of SMEs (N=450)

| Monthly Revenue (₦) | Frequency | Percentage | Average Revenue |
|---|---|---|---|
| Below 100,000 | 63 | 14.0 | 75,000 |
| 100,000 - 500,000 | 171 | 38.0 | 300,000 |
| 500,001 - 1,000,000 | 126 | 28.0 | 750,000 |
| 1,000,001 - 2,000,000 | 72 | 16.0 | 1,500,000 |
| Above 2,000,000 | 18 | 4.0 | 3,000,000 |
| **Total** | **450** | **100.0** | **850,000** |

The results indicate that SMEs in Port Harcourt generate substantial monthly revenues, with an average of ₦850,000 per enterprise. The total monthly revenue generated by the surveyed SMEs amounts to ₦382.5 million, representing significant economic activity and income circulation within the local economy.

The income distribution analysis reveals that 66% of SMEs generate monthly revenues between ₦100,000 and ₦1,000,000, indicating a substantial middle-income tier of SMEs. This finding suggests that SME development in Port Harcourt has progressed beyond subsistence-level activities to include viable commercial enterprises capable of generating meaningful income.

Analysis of wage payments by SMEs shows that the average monthly wage paid to employees is ₦65,000, which is significantly higher than the national minimum wage of ₦30,000. This finding indicates that SMEs in Port Harcourt provide relatively decent employment opportunities, contributing to improved living standards for their employees.

### 7.4 Sectoral Distribution and Economic Diversification

The sectoral analysis of SMEs reveals significant diversification across various economic activities. Table 4 presents the sectoral distribution of surveyed SMEs.

## Table 4: Sectoral Distribution of SMEs (N=450)

| Sector | Frequency | Percentage | Average Employment | Average Revenue (₦) |
|---|---|---|---|---|
| Trade/Commerce | 153 | 34.0 | 5.2 | 720,000 |
| Manufacturing | 81 | 18.0 | 8.6 | 1,200,000 |
| Services | 108 | 24.0 | 6.1 | 650,000 |
| Agriculture/Agro-processing | 45 | 10.0 | 9.2 | 950,000 |
| Information Technology | 36 | 8.0 | 4.8 | 850,000 |
| Creative Industries | 27 | 6.0 | 3.9 | 480,000 |
| **Total** | **450** | **100.0** | **6.8** | **850,000** |

The sectoral distribution reveals significant economic diversification, with SMEs operating across six major sectors. The dominance of trade/commerce (34%) reflects the commercial nature of Port Harcourt as a major trading center, while the substantial presence of manufacturing (18%) and services (24%) indicates growing industrial and service sector development.

The presence of SMEs in agriculture/agro-processing (10%) and information technology (8%) sectors demonstrated emerging economic diversification beyond traditional oil-dependent activities. This finding supports the argument by Nwosu and Ohiomah (2020) that SMEs are contributing to economic diversification in oil-dependent regions of Nigeria.

Manufacturing SMEs show the highest average employment (8.6 employees) and revenue (₦1,200,000), indicating their potential for greater economic impact. This finding aligns with industrial development theory, which emphasizes the multiplier effects of manufacturing activities on economic growth (Kaldor, 1966).

### 7.5 Community Perceptions of SME Economic Impact

The analysis of community member responses provides important insights into the perceived economic impact of SMEs from the beneficiary perspective. Table 5 presents community perceptions of SME economic benefits.

## Table 5: Community Perceptions of SME Economic Benefits (N=200)

| Perceived Benefit | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| Job creation | 68 (34%) | 96 (48%) | 24 (12%) | 8 (4%) | 4 (2%) |
| Income generation | 58 (29%) | 102 (51%) | 28 (14%) | 10 (5%) | 2 (1%) |
| Skills development | 52 (26%) | 88 (44%) | 38 (19%) | 16 (8%) | 6 (3%) |
| Local economic growth | 64 (32%) | 92 (46%) | 32 (16%) | 8 (4%) | 4 (2%) |
| Poverty reduction | 48 (24%) | 84 (42%) | 44 (22%) | 18 (9%) | 6 (3%) |

The community perception data reveals overwhelmingly positive views of SME economic contributions. The highest level of agreement was recorded for job creation (82% agree/strongly agree) and income generation (80% agree/strongly agree), confirming the primary research findings on SME employment and income effects.

The positive perception of SME contributions to local economic growth (78% agree/strongly agree) validates the quantitative findings on SME economic impact. However, the relatively lower agreement on poverty reduction (66% agree/strongly agree) suggests that while SMEs contribute to economic activity, their poverty reduction impact may be less pronounced or unevenly distributed.

Focus group discussions revealed that community members particularly value SMEs for providing local employment opportunities that reduce youth emigration and contribute to community stability. Participants emphasized that SMEs offer alternatives to formal sector employment, which is often limited and highly competitive.

### 7.6 Challenges Facing SMEs

The analysis of challenges facing SMEs provides insights into constraints limiting their economic impact. Table 6 presents the major challenges identified by SME operators.

## Table 6: Major Challenges Facing SMEs (N=450)

| Challenge | Frequency | Percentage | Severity Score (1-5) |
|---|---|---|---|
| Limited access to finance | 378 | 84.0 | 4.6 |
| Inadequate infrastructure | 342 | 76.0 | 4.2 |
| Regulatory bottlenecks | 315 | 70.0 | 3.8 |
| Limited market access | 288 | 64.0 | 3.6 |
| Skills shortage | 243 | 54.0 | 3.4 |
| High operating costs | 234 | 52.0 | 3.7 |
| Unfair competition | 207 | 46.0 | 3.2 |

Limited access to finance emerges as the most critical challenge, affecting 84% of SMEs with a high severity score of 4.6 out of 5. This finding is consistent with extensive literature on SME development constraints in developing countries (Beck & Demirguc-Kunt, 2006). The financial constraint limits SME ability to expand operations, invest in equipment, and hire additional employees, thereby constraining their economic impact.

Inadequate infrastructure (76% of SMEs, severity score 4.2) represents another major constraint, reflecting broader development challenges in Nigeria's urban areas. Poor infrastructure increases operating costs and reduces productivity, limiting SME competitiveness and growth potential.

Regulatory bottlenecks affect 70% of SMEs, indicating systemic challenges in the business environment. Interviews with SME operators revealed that complex registration processes, multiple taxation, and bureaucratic delays increase transaction costs and discourage business formalization.

## 8. Discussion of Findings

### 8.1 Employment Generation Impact

The findings demonstrate that SMEs in Port Harcourt make substantial contributions to employment generation, creating an average of 6.8 jobs per enterprise. This contribution is significant when considered in the context of Nigeria's unemployment challenges, with the National Bureau of Statistics (2020) reporting unemployment rates

of 33.3% nationally. The collective employment of 3,060 individuals by the surveyed SMEs, when extrapolated to the estimated 42,000 SMEs in Port Harcourt, suggests potential employment for over 285,000 people.

The employment creation pattern observed in Port Harcourt SMEs aligns with international evidence on SME job creation dynamics. Research by Haltiwanger et al. (2013) demonstrated that young, small firms are the primary drivers of net job creation in most economies. The predominance of SMEs employing 2-10 people reflects the typical growth trajectory of small enterprises, starting with limited employment and gradually expanding as businesses mature and access resources.

The quality of employment created by SMEs, as evidenced by the average monthly wage of ₦65,000, compares favorably with wage levels in other Nigerian cities. Research by Adebayo and Nassar (2020) found that SME wages in major Nigerian cities range from ₦45,000 to ₦75,000, positioning Port Harcourt SMEs at the higher end of this spectrum. This finding challenges the common assumption that SME employment is necessarily low-quality or poorly remunerated.

The sectoral variation in employment generation, with manufacturing SMEs creating an average of 8.6 jobs compared to 3.9 in creative industries, reflects different production technologies and capital intensities across sectors. This pattern supports industrial policy arguments for promoting manufacturing SMEs as more effective vehicles for employment creation (Szirmai et al., 2013).

## 8.2 Income Generation and Economic Multiplier Effects

The substantial income generation by SMEs, with average monthly revenues of ₦850,000 and total monthly revenues of ₦382.5 million among surveyed enterprises, demonstrates significant economic impact. When considering the multiplier effects of this income through local spending, supplier relationships, and employee consumption, the total economic impact is substantially larger than the direct revenue figures suggest.

Economic multiplier analysis suggests that SME income generation creates ripple effects throughout the local economy. Research by Moretti (2010) indicates that each job created in the tradable sector (which includes many SME activities) creates 2-3 additional jobs in the non-tradable sector through induced demand effects. Applying this multiplier to the Port Harcourt context suggests that SME activities may indirectly support 6,000-9,000 additional jobs beyond direct employment.

The income distribution pattern, with 66% of SMEs generating monthly revenues between ₦100,000 and ₦1,000,000, indicates a substantial middle tier of

economically viable enterprises. This finding contradicts the common portrayal of SMEs as predominantly survival-oriented microenterprises. Instead, it suggests the emergence of growth-oriented SMEs capable of generating meaningful economic returns and contributing to local economic development.

The wage payment analysis reveals that SMEs collectively pay approximately ₦198.9 million monthly in wages to their employees, representing a significant injection of purchasing power into the local economy. This wage income supports household consumption, savings, and investment activities that further stimulate economic activity through the multiplier process.

## 8.3 Economic Diversification and Structural Transformation

The sectoral diversity of SMEs, spanning six major economic sectors, provides evidence of their contribution to economic diversification in Port Harcourt. This diversification is particularly significant in the context of Rivers State's oil-dependent economy, where reducing reliance on petroleum revenues has been a long-standing policy objective (Ogbonna & Ebimobowei, 2019).

The presence of 18% of SMEs in manufacturing activities is particularly noteworthy, as manufacturing enterprises typically generate higher value addition and productivity compared to service or trading activities (Szirmai, 2012). The higher average employment and revenue of manufacturing SMEs confirm their potential for greater economic impact and their role in structural transformation.

The emergence of SMEs in information technology (8%) and creative industries (6%) reflects the growing importance of knowledge-based and creative economy sectors in urban economic development. Research by Florida (2002) emphasizes the role of creative industries in driving innovation and attracting skilled workers to cities, suggesting that these SME sectors may contribute to Port Harcourt's long-term economic competitiveness.

The continued dominance of trade/commerce activities (34%) reflects Port Harcourt's strategic location and commercial infrastructure. However, the distribution across other sectors indicates that SME development is not limited to traditional trading activities but encompasses productive and innovative sectors that contribute to economic upgrade and diversification.

## 8.4 Policy Implications and Development Outcomes

The research findings have significant policy implications for SME development and economic planning in Port Harcourt and similar urban contexts. The identification of limited access to finance as the primary constraint affecting 84% of SMEs highlights the need for targeted financial

sector interventions to support SME growth and enhance their economic impact.

The infrastructure constraints affecting 76% of SMEs underscore the importance of urban infrastructure development as a foundation for SME growth. Research by Dollar et al. (2005) demonstrates strong correlations between infrastructure quality and enterprise productivity, suggesting that infrastructure investments could significantly enhance SME economic contributions.

The regulatory bottlenecks affecting 70% of SMEs indicate opportunities for policy reform to create a more enabling business environment. Studies by the World Bank (2020) on ease of doing business demonstrate that regulatory reforms can significantly improve enterprise performance and economic contributions.

The positive community perceptions of SME economic benefits (82% agreement on job creation, 80% on income generation) provide important social validation of SME development efforts. This community support creates favorable conditions for continued SME growth and suggests that SME development policies are likely to receive public support.

### 8.5 Theoretical Contributions and Validation

The research findings provide empirical validation of several theoretical frameworks on SME economic impact. The employment generation results support the Birch (1987) thesis on the superior job creation capacity of small enterprises, demonstrating that this pattern holds in the Port Harcourt context.

The income generation and multiplier effects observed in the study validate local economic development theory, which emphasizes the importance of indigenous enterprises in promoting sustainable development through utilization of local resources and circulation of income within local economies (Blakely & Leigh, 2013).

The sectoral diversification patterns support structural transformation theory, which posits that economic development involves the movement of economic activity from low-productivity to high-productivity sectors (McMillan & Rodrik, 2011). The presence of SMEs across multiple sectors, including manufacturing and knowledge-based activities, indicates that SME development contributes to this transformation process.

The community perception findings validate social capital theory, which emphasizes the importance of community support and social networks in enterprise development (Putnam, 2000). The high levels of community support for SME activities create favorable conditions for continued enterprise growth and development.

## 9. Conclusion

This study has comprehensively evaluated the economic impact of SME spread in Port Harcourt, Rivers State, providing empirical evidence of their significant contributions to local economic development. The research findings demonstrate that SMEs in Port Harcourt make substantial contributions across multiple dimensions of economic impact, including employment generation, income creation, and economic diversification.

The employment generation analysis reveals that SMEs create an average of 6.8 jobs per enterprise, with the surveyed SMEs collectively employing 3,060 individuals. This employment creation is distributed across various skill levels and sectors, providing opportunities for both skilled and unskilled workers. The average monthly wage of ₦65,000 paid by SMEs exceeds the national minimum wage, indicating that SME employment provides decent livelihood opportunities for workers.

The income generation findings show that SMEs generate substantial economic activity, with average monthly revenues of ₦850,000 per enterprise and collective monthly revenues of ₦382.5 million among surveyed enterprises. This income generation creates multiplier effects throughout the local economy through wage payments, supplier relationships, and induced consumption activities.

The sectoral analysis demonstrates that SMEs contribute significantly to economic diversification in Port Harcourt, operating across six major sectors including manufacturing, services, agriculture, and emerging knowledge-based industries. This diversification is particularly important in the context of Rivers State's oil-dependent economy, where SMEs provide alternative sources of economic activity and employment.

The community perception analysis reveals overwhelmingly positive views of SME economic contributions, with 82% of community members agreeing that SMEs contribute to job creation and 80% agreeing on their income generation impact. This community support provides a favorable environment for continued SME development and growth.

However, the study also identifies significant challenges constraining SME economic impact, including limited access to finance (84% of SMEs), inadequate infrastructure (76%), and regulatory bottlenecks (70%). These challenges limit the ability of SMEs to fully realize their economic potential and constrain their contribution to local development.

The research contributes to the theoretical understanding of SME economic impact by providing empirical validation of employment generation theory, local economic

development theory, and multiplier effect theory in the specific context of an oil-dependent city undergoing economic transition. The findings demonstrate that theoretical predictions about SME economic contributions hold true in the Port Harcourt context, while also revealing context-specific patterns and challenges.

The policy implications of the study are significant, highlighting the need for targeted interventions to address SME constraints and enhance their economic contributions. The identification of specific challenges provides a roadmap for policy makers and development practitioners seeking to optimize SME contributions to local economic development.

Overall, the study concludes that SMEs in Port Harcourt make substantial and multifaceted contributions to local economic development, but their impact could be significantly enhanced through appropriate policy interventions and support programs. The evidence presented provides a strong foundation for advocating increased attention to SME development as a strategy for promoting inclusive and sustainable economic growth in Port Harcourt and similar urban contexts.

## 10. Recommendations

Based on the research findings and analysis, the following recommendations are proposed to enhance the economic impact of SMEs in Port Harcourt:

1. Government should establish a dedicated SME Development Bank with a minimum capital base of ₦100 billion to provide affordable credit facilities to SMEs at single-digit interest rates, addressing the critical financing constraints identified in the study.

2. The Rivers State government should prioritize infrastructure development including reliable electricity supply, good road networks, and telecommunications infrastructure to reduce SME operating costs and improve productivity.

3. Regulatory agencies should streamline business registration processes by establishing one-stop shops for SME registration and licensing, reducing the time and cost of business formalization from the current average of 30 days to 7 days.

4. The government should implement a simplified tax regime for SMEs with annual turnovers below ₦25 million, including tax holidays for the first three years of operation and reduced tax rates thereafter.

5. Financial institutions should develop SME-specific financial products including asset-based lending, invoice financing, and group lending schemes to address the collateral challenges faced by SMEs in accessing credit.

6. The government should establish SME industrial clusters in designated zones with shared infrastructure and services to reduce individual enterprise costs and promote inter-firm collaboration and knowledge sharing.

7. Educational institutions should strengthen entrepreneurship education and business development services, including incubation centers and mentorship programs to improve SME management capabilities and business skills.

8. The government should create market linkage programs connecting SMEs to large corporations, government procurement opportunities, and export markets to expand SME market access and revenue potential.

9. Development partners should support the establishment of SME guarantee schemes to reduce lending risks for financial institutions and improve SME access to credit facilities.

10. The government should invest in SME-focused research and development centers to promote innovation, technology adoption, and product development among SMEs, particularly in manufacturing and agro-processing sectors.

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