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Effect of the Middle East Crisis (Iran Focus) on the Sustainability of Micro Businesses in Nigeria

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Abstract: The growing instability in the Middle East, particularly involving Iran, has continued to shape global economic dynamics with far-reaching implications for developing economies such as Nigeria. This paper examines the impact of the Middle East crisis on the sustainability of micro businesses in Nigeria. Adopting a review-based research model, the study synthesizes evidence from scholarly articles, policy reports, and credible media sources to analyze how geopolitical tensions influence oil prices, inflation, exchange rates, and supply chains, thereby affecting micro-enterprises. The findings reveal that rising fuel costs, inflationary pressures, currency depreciation, supply chain disruptions, and limited access to finance significantly constrain the operations of micro businesses. The paper concludes that while micro enterprises are highly vulnerable to global shocks, strategic policy interventions can enhance their resilience. Recommendations include improved access to finance, energy sector reforms, and strengthened institutional support for micro enterprises.

Keywords: Middle East Crisis, Iran, Micro Businesses, Nigeria, Economic Shocks, Sustainability

1. Introduction

Micro businesses constitute the backbone of most developing economies, particularly in Nigeria where they dominate the informal sector and contribute significantly to employment generation and poverty reduction. According to the Small and Medium Enterprises Development Agency of Nigeria, micro enterprises represent the largest share of businesses in Nigeria, employing millions of people across various sectors including trade, agriculture, and services. These businesses are typically characterized by small capital bases, limited workforce, and localized operations, making them highly sensitive to economic fluctuations. In recent years, global geopolitical tensions have emerged as a critical factor influencing national economies [1]. The persistent crisis in the Middle East, particularly tensions involving Iran, has disrupted global oil markets and triggered volatility in commodity prices. Given Nigeria's heavy dependence on crude oil exports and imported refined petroleum products, such disruptions have significant domestic consequences. The World Bank notes that oil price shocks often transmit into inflation, exchange rate instability, and fiscal imbalances in oil-dependent economies.

For micro businesses in Nigeria, these macroeconomic shocks translate into increased operational costs, reduced consumer purchasing power, and constrained access to essential resources. Rising fuel prices elevate transportation and production costs, while inflation reduces demand for goods and services [2], [3]. Additionally, exchange rate depreciation increases the cost of imported inputs, further squeezing profit margins. Despite the critical role of micro businesses in economic development, there is limited

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comprehensive analysis of how global crises particularly the Middle East conflict affect their sustainability. This study therefore seeks to bridge this gap by examining the multidimensional effect of the crisis on micro enterprises in Nigeria using a review-based approach [4].

Conceptual Terms

Concept of Middle East Crisis

The Middle East crisis, with particular focus on Iran, represents one of the most significant contemporary geopolitical conflicts, rooted in long-standing political, ideological, and strategic tensions involving Iran, the United States, Israel, and their regional allies. The current phase of the crisis escalated dramatically in February 2026 when the United States and Israel launched coordinated military strikes against Iran, targeting its nuclear facilities, military infrastructure, and leadership after the breakdown of diplomatic negotiations over Iran's nuclear programme. These developments marked a turning point in decades of hostility, which had previously been characterized by sanctions, proxy conflicts, and intermittent confrontations rather than full-scale war. At the core of the crisis is Iran's nuclear ambition and its strategic influence across the Middle East. Iran has long been accused by Western powers of pursuing nuclear weapons capability, a claim it denies, asserting that its nuclear programme is for peaceful purposes [5]. However, repeated failures to revive agreements such as the Joint Comprehensive Plan of Action (JCPOA) and growing concerns over Iran's ballistic missile programme and regional alliances particularly with groups like Hezbollah and Hamas have heightened tensions. These issues, combined with ideological rivalry between Iran and Israel and broader geopolitical competition with the United States, have made Iran a central actor in Middle Eastern instability.

The crisis escalated into open conflict when large-scale airstrikes were launched on Iran on February 28, 2026, resulting in significant destruction and the killing of key Iranian leaders. In response, Iran carried out retaliatory attacks targeting U.S. military bases, Israeli infrastructure, and allied interests across the Gulf region, including missile and drone strikes. This exchange of attacks has transformed the situation into a broader regional conflict, drawing in multiple actors and raising fears of a prolonged war. Another critical dimension of the crisis is its impact on global energy security [6]. The Middle East, particularly the Persian Gulf, is a major hub for global oil and gas supply. Iran's strategic position along the Strait of Hormuz a key maritime route for oil transport has made the conflict especially consequential. Disruptions in this region have led to sharp increases in oil prices and volatility in global energy markets. Recent international reports indicate that the conflict has caused one of the largest disruptions to global oil supply in history, affecting a significant proportion of global energy flows and contributing to inflation and economic instability worldwide. This highlights the global reach of what might otherwise appear to be a regional conflict [7], [8].

Beyond economic consequences, the crisis has also generated severe humanitarian and security challenges. Ongoing hostilities have resulted in casualties, displacement of populations, and damage to critical infrastructure, including health systems. The World Health Organization has warned of a rapidly unfolding humanitarian crisis across the region, with millions displaced and healthcare systems under severe strain. These developments underscore the human cost of the conflict and the risks of further escalation, particularly if critical infrastructure such as nuclear facilities or water systems are affected [9]. The crisis reflects broader geopolitical realignments and power struggles in the international system. The involvement of major global powers, including the United States, and reactions from countries such as Russia and China, indicate that the conflict is not merely regional but part of a wider contest for global influence. Analysts have noted that the war has already altered geopolitical dynamics, creating both risks and opportunities for different actors while increasing uncertainty in global markets. The

conflict also exposes divisions among international actors regarding intervention, diplomacy, and the use of military force [10].

The contemporary Middle East crisis as noted by Suleiman, & Gladstone particularly the conflict involving Iran, has emerged as one of the most consequential geopolitical developments shaping global economic and social systems in recent times. Central to this crisis is Iran's strategic position in global energy politics, especially its control and influence over the Strait of Hormuz through which nearly one-fifth of the world's oil supply passes [11]. Disruptions in this critical maritime route, occasioned by military tensions and hostilities, have triggered unprecedented volatility in global oil markets, leading to sharp increases in energy prices, inflationary pressures, and widespread economic uncertainty across both developed and developing economies. Recent reports indicate that the ongoing Iran-related conflict has caused one of the largest oil supply shocks in history, with far-reaching implications for global production systems, trade flows, and national economies. For a country like Nigeria, whose economy is heavily dependent on crude oil exports and vulnerable to external shocks, the ripple effects of the Middle East crisis are particularly profound [12]. While rising oil prices may temporarily boost government revenues, the associated increase in domestic fuel costs, inflation, and exchange rate instability often outweighs these benefits. Evidence suggests that higher global oil prices translate into increased transportation, production, and living costs within Nigeria, thereby constraining public spending and weakening key sectors, including education and micro-businesses.

Concept of Micro-Businesses

Micro businesses (often referred to as micro-enterprises) are the smallest category of business organizations, typically characterized by a very limited number of employees, low capital base, and small-scale operations. In Nigeria, micro businesses are commonly defined within the framework of the Small and Medium Enterprises Development Agency of Nigeria as enterprises employing fewer than 10 persons and having assets (excluding land and buildings) valued at relatively low thresholds. They are usually owned and managed by individuals or families and operate largely within the informal or semi-formal sector. According to the World Bank, micro-enterprises form a significant portion of the global private sector, especially in developing economies where they serve as a primary source of livelihood [13].

Features of Micro Businesses

Micro businesses possess several distinct characteristics that differentiate them from small and medium-sized enterprises. First, they are typically owner-managed, meaning that the entrepreneur handles most managerial and operational responsibilities. Second, they have a low capital base, often financed through personal savings, family contributions, or informal credit sources rather than formal financial institutions. Third, micro businesses operate with a small workforce, usually consisting of fewer than 10 employees, including apprentices or family members.

Another important feature is their informal nature. Many micro enterprises in Nigeria are not fully registered or regulated, which limits their access to formal credit and government support. Additionally, they exhibit limited technological adoption, relying more on manual processes and traditional methods of production and service delivery. The International Labour Organization notes that such enterprises often face constraints in productivity, market access, and business expansion due to these structural limitations [14].

Importance of Micro Businesses

Micro businesses play a critical role in economic development, particularly in developing countries like Nigeria. One of their major contributions is employment generation. They absorb a large portion of the labor force, including unskilled and semi-

skilled workers, thereby reducing unemployment and poverty levels. The National Bureau of Statistics reports that micro enterprises constitute the majority of businesses in Nigeria and contribute significantly to job creation.

Micro businesses contribute to income generation and wealth distribution. They provide a source of livelihood for millions of households and help in spreading income more evenly across different segments of society. Thirdly, they promote entrepreneurship development by serving as a training ground for aspiring entrepreneurs who may later expand into larger enterprises.

Micro businesses enhance local economic development by utilizing locally available resources and meeting community-specific needs [15]. They also support innovation at the grassroots level, as entrepreneurs adapt quickly to local market conditions. According to the Organisation for Economic Co-operation and Development, micro and small enterprises are essential drivers of inclusive growth and economic resilience in emerging economies.

2. Materials and Methods

This study adopts a review research design, which involves the systematic collection, evaluation, and synthesis of existing literature on the subject matter. The review model is appropriate for this study because it enables the integration of diverse sources of information to provide a comprehensive understanding of the impact of the Middle East crisis on micro businesses. Data for the study were obtained from secondary sources, including peer-reviewed journal articles, publications from international organizations such as the International Monetary Fund and the World Bank, government reports, and reputable Nigerian media outlets. Emphasis was placed on recent publications that reflect current economic realities.

The inclusion criteria focused on materials that addressed key variables such as oil price fluctuations, inflation, exchange rate dynamics, and small business performance. The collected data were analyzed using thematic analysis, where recurring themes and patterns were identified and organized into coherent categories reflecting the major impact areas. The review model allows for a holistic interpretation of the subject by linking global economic developments with local business realities. However, the study acknowledges limitations such as reliance on existing data and the absence of primary empirical validation.

3. Results and Discussion on Impact of Middle East Crisis on Micro-businesses in Nigeria

Rising Fuel Prices and Increased Operating Costs

One of the most immediate effects of the Middle East crisis is the surge in global oil prices, driven by supply disruptions and geopolitical uncertainty. Nigeria, despite being an oil-producing country, relies heavily on imported refined petroleum products. As a result, higher crude oil prices translate directly into increased domestic fuel prices. For micro businesses such as transport operators, small retailers, artisans, and agro-processors fuel is a critical input. Increased petrol and diesel prices raise the cost of powering generators, transporting goods, and running daily operations. This leads to higher production and service delivery costs, which many micro enterprises struggle to absorb. In most cases, they either pass the cost to consumers (risking loss of customers) or reduce their scale of operation. Evidence shows that rising logistics and energy costs have already forced many small businesses in Nigeria to increase prices or scale down activities.

Inflationary Pressure and Decline in Consumer Purchasing Power

The crisis has triggered inflation globally, especially in developing economies like Nigeria. Higher oil prices increase the cost of transportation, food distribution, and

manufacturing, which feeds into general price levels across the economy. For micro businesses, this creates a double burden. On one hand, their operational costs increase; on the other hand, consumers' purchasing power declines due to rising living costs. Studies and reports indicate that inflation erodes household income, forcing consumers to prioritize essential goods and reduce discretionary spending. As a result, micro enterprises particularly those in retail, food services, and informal sectors experience reduced sales volume, declining revenue, and in some cases business closure.

Supply Chain Disruptions and Increased Cost of Raw Materials

The Middle East crisis disrupts global supply chains, especially for energy-related inputs and goods transported via major shipping routes such as the Strait of Hormuz. These disruptions increase the cost of imported raw materials and intermediate goods. Nigeria's micro businesses depend significantly on imported inputs (e.g., machinery parts, textiles, chemicals, and packaging materials). When global supply chains are strained, delays and price increases occur. Consequently, small businesses face shortages of essential inputs or must purchase them at higher costs [16]. Rising logistics costs linked to fuel price increases further inflate the cost of distributing goods locally. This creates inefficiencies and reduces profitability for small-scale enterprises.

Exchange Rate Volatility and Rising Cost of Imports

Geopolitical crises such as the Iran conflict often lead to capital flight from emerging markets and increased pressure on local currencies. In Nigeria, this results in exchange rate volatility and depreciation of the naira. For micro businesses that rely on imported goods or raw materials, a weaker naira means higher import costs. Even businesses that operate locally are indirectly affected, as suppliers adjust prices upward to reflect exchange rate changes. Exchange rate instability makes business planning difficult. Micro entrepreneurs, who typically lack hedging mechanisms or financial buffers, are more vulnerable to sudden cost fluctuations, leading to uncertainty and reduced investment decisions.

Higher Interest Rates and Limited Access to Finance

To control inflation triggered by global crises, central banks often adopt tight monetary policies, including increasing interest rates. In Nigeria, rising inflation linked to oil price shocks can lead to higher lending rates. Micro businesses are particularly affected because they depend on informal credit or small bank loans to sustain operations. Higher interest rates increase the cost of borrowing and reduce access to credit. Financial institutions become more risk-averse during periods of economic uncertainty, making it harder for small businesses to secure funding. This constrains expansion, limits working capital, and may lead to business stagnation or collapse.

4. Conclusion

The study demonstrates that the Middle East crisis, particularly involving Iran, has profound implications for the sustainability of micro businesses in Nigeria. Through its influence on global oil prices and economic stability, the crisis exacerbates inflation, increases operational costs, disrupts supply chains, and limits access to finance. Micro enterprises, due to their structural vulnerabilities, are disproportionately affected by these challenges.

Nevertheless, micro businesses remain a vital component of Nigeria's economic system, contributing significantly to employment and grassroots development. Based on the findings, the study recommends the following:

1) Energy Sector Reforms: The Nigerian government should strengthen domestic refining capacity to reduce dependence on imported petroleum products and stabilize fuel prices.

2) Access to Finance: Financial institutions and government agencies should provide low-interest loans and grants to micro businesses to cushion the effects of economic shocks.

3) Exchange Rate Stabilization: Policymakers should implement strategies to stabilize the naira and reduce the cost of imports for small businesses.

4) Capacity Building: Training programs should be organized to enhance the resilience and adaptability of micro entrepreneurs in managing economic uncertainties.

5) Strengthening Institutional Support: Agencies such as the Small and Medium Enterprises Development Agency of Nigeria should expand their support services, including advisory and market access programs.

6) Promotion of Local Production: Encouraging the use of locally sourced raw materials will reduce dependence on imports and mitigate the impact of global supply chain disruptions.

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