Financial Ratio Analysis and Entrepreneurial Success of Business Education Graduates' Start-ups in Port Harcourt Metropolis in Rivers State.

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Abstract

The study investigated the relationship between financial ratio analysis and entrepreneurial success of Business Education graduate's start-ups in Port Harcourt Metropolis. The study adopted correlational research design. A population of 84 Business Education graduates was used in the study. Three research questions and three null hypotheses guided the study. The instrument for the study was self-structured 4-point rating scale tagged Financial Ratio Analysis and Entrepreneurial Success of Business Education Graduates' Start-ups (FRAESBEGS). The instrument was validated by three experts in the department of Business Education and one measurement and evaluation expert. Reliability coefficient of 0.89 was obtained using Pearson Product Moment Correlation. Research questions were answered with Pearson Promote Moment Correlation. Also, Pearson Product Moment Correlation was used to analyze the hypotheses. Findings from the study revealed amongst others, that financial ratio analysis can play critical role in the entrepreneurial success of Business Education Graduates' start-ups. Based on the findings, recommendations were proffered; which included: that Business Education graduates should regularly employ financial ratio analysis to appraisal the financial health status of their start-ups, as such measure can significantly help to mitigate business risks, drive growth, and promote sustainability of the businesses.

Key Words: Financial Ratios; Business Education graduates, Entrepreneurial Success; Start-ups

Introduction

It has been widely acknowledged that the huge number of Nigerian graduates that are turned out yearly from the various tertiary institutions within and outside the country has by far surpassed the absorptive capacity of both the private and public sectors of the economy. Some of these graduates are ill-equipped with no specific skills that would facilitate employment (Amaewhule, 2018). As a measure to ameliorate the ugly situation, the Federal Republic of Nigeria (FRN, 2004) directed through the National Policy on Education the teaching and learning of Business Education at all levels of education.

This directive was predicated on the perception that Business Education plays critical role in curbing unemployment and in promoting the economic development of every nation as it could facilitate the development of the desired skills, attitudes, value and competences that would make the recipients successful and productive members of the society (Atakpa & Aijene, 2025). Business Education is that education which provides its graduates with training in business skills and economic competencies necessary for advancing a business career or establishing a business enterprise. It is an aspect of vocational education that focuses on skills and knowledge acquisition (Ajoma, 2021). The programme is designed in line with the needs of the business world to ensure that education and training offered are consistent with the competencies for the present and emerging job requirements and opportunities (Edeh & Olumakinwa, 2025). Stan (2020) asserted that one thing that is certain in Business Education programme is that the individual recipient of the programme can always start his or her own business since the individual has been equipped with the skills necessary for business success.

To translate theory to practice, reasonable number of Business Education graduates opened businesses in Port Harcourt Metropolis. Some are into startups. According to Mitchell (2026), Startups are newly established business endeavour designed to develop and sell a unique product or service, often seeking rapid growth and innovative solutions. Start-ups play important role in shaping the economy of a nations. They are key driver for breakthrough innovation, start-up is designed to search for, identify, and adopt a repeatable and scalable business model. The success and survival of startups depend on strategic decisions and the ability to execute a well-developed business plan (Mitchell, 2026), However, studies have shown that about 80 percent of new ventures including businesses of the Business Education graduates fail within the first year of operation, while 92 percent fail by the end of five years (Taiwo, 2024; Denanyoh & Owusu, 2025; Horton, 2026). Some scholars attributed this business failures to several factors such as improper record keeping, poor market strategy, poor forecasting, mismanagement of funds, failure to understand the market and consumers, failure to communicate what one is dealing on and so forth (Timi, 2024; Ishaq, 2025). Beyond all these, this study investigated the relationship that exists between financial ratio analysis and entrepreneurial success of Business Education graduate's start-ups. This investigation is against the backdrop that financial ratio analysis is perceived as having the potential to aid entrepreneurial success.

According to Ekendu and Chilezie (2025), financial ratios analysis is critical to the continued existence of any business. It involves calculating and interpreting ratios from a business's financial statements such as income statement and the balance sheet. Hence it is possible that good knowledge of financial ratio analysis can promote Business Education graduates' startups. Andrew (2026) opined that through ratio analysis financial data are distilled into understandable metrics, allowing business owners to make informed decisions. For example, by analyzing profitability ratios, a business owner can decide whether to expand operations or invest in new projects. Liquidity ratios can help a business man to determine the right time to procure inventory or manage cash flow effectively, ensuring the business can meet its short-term liabilities. Efficiency ratios evaluate operational performance, assisting in decisions related to asset management and process improvements. Leverage ratios offer insights into the business's debt levels, guiding financing and capital structure decisions. Regularly review of these ratios allows entrepreneurs to make strategic decisions that align with their financial goals, thus enhancing overall performance. This proactive approach to financial management ensures that businesses can survive and thrive in competitive markets. Zhu (2024) posits that it is crucial for a business venture to monitor financial ratios regularly. The frequency of monitoring may vary depending on the specific ratio and the nature of the business. However, a general guideline is: Liquidity - Monthly; Efficiency - Monthly; Profitability – Quarterly; Solvency – Quarterly.

According to Bailey (2025), there are so many financial ratios an entrepreneur could use to appraise the status of his business. This study centered on: Liquidity Ratios, Profitability Ratios, and Efficiency/Activity Ratio.

Liquidity Ratios: Liquidity ratios are used to determine a business's ability to meet its current obligations with the assets it possesses. Common liquidity ratios an entrepreneur should prepare include: Current ratio, Quick ratio (Acid test ratio), Cash ratio, Operating cash flow ratio and Defensive Interval ratio (Bailey, 2025).

Current Ratio: This ratio compares all the current assets with current liabilities. It indicates the ability of a business to meet up its short term obligations with its current assets. A ratio of 2:1 is considered ideal. The calculation is: Current Assets/Current Liabilities

Quick Ratio (acid test): This ratio subtracts inventories from current assets, before dividing current assets by current liabilities.. A ratio of 1.1 is acceptable. The calculation is: Current Assets- Inventory/Current Liabilities

Cash Ratio: Cash ratio measures how easily the business can cover its short-term liabilities using only its most liquid assets – cash and cash equivalents. Cash ratio of 0.5 and 1.0 can be regarded as good. (Will, 2025) The formula is: Cash and Cash Equivalents/Current Liabilities

Operating Cash Flow Ratio: This ratio compares a business's operating cash flow to its current liabilities. It provides insight into a business's ability to generate enough cash from operations to cover its short-term debts. This calculation is: Operating Cash Flow/Current Liabilities. An Operating Cash Flow Ratio of 1 is good. It is an indication that the business generated more cash than it need to pay off current its liabilities (Kruger, 2024).

Defensive Interval Ratio: This ratio measures how long a business can continue to pay for its operating expenses from its current liquid assets without relying on additional funding. Daily Operating Expenses is total operating expenses for a year divided by 365. It is calculated thus: Cash + Marketable Securities + Account Receivable/Daily Operating Expenses.

Profitability Ratios: Profitability ratios measures a business's ability to generate earnings relative to its revenue, assets, and equity (Ashique & Associate, 2024). Key profitability ratio analysis includes: Profit Margin**,** Net Profit Margin**,** return on Equity (ROE)**,** Operating Profit Margin, Return on assets.

Gross Profit Margin: The Gross Profit Margin ratio shows how efficiently a business uses its resources to produce goods (Erin, 2025). It is calculated thus: (Revenue−COGS/ Revenue) X 100. The higher the percentage the better **(**Ashique & Associate, 2024)

Net Profit Margin: This ratio considers all operating expenses, taxes, and interest, showing how much profit is made after all costs are accounted for. It indicates how much of each naira of revenues is translated into profits. The calculation is thus: (Net Profit /Revenue) x 100

Return on Investment (ROI**)**: Return on Investment measures the profitability of an investment relative to its cost. Higher ROI indicates a more profitable investment relative to its cost, (Nick, 2024). The formula is (Net income/Investment) x 100

Operating Profit Margin The operating profit margin examines the business profitability before accounting for interest and tax**.** The higher the operating margin, the better for the business. The formula is: Earnings before Interest and taxes (EBIT)/Revenue.

Return on Assets: Return on assets (ROA) considers a company's net profit (return) in relation to its capital. In other words, it evaluates whether the business makes enough profit given its size and the capital it employs. The higher the ROA, the better the company deploys its capital. Average total assets/Net income

Efficiency/Activity Ratios: Efficiency or activity ratios measure a business's ability to leverage its assets to generate revenue. (Baltova, 2024). Key ratios here include:

Total Asset Turnover: This ratio assesses how efficiently a business utilizes its assets to produce sales. Total Asset Turnover Ratio = Net Sales/Average Total Assets

Inventory Turnover Ratio: Inventory Turnover Ratio indicates how frequently a business's inventory is sold and replaced. It is calculated thus: (Cost of Goods Sold/Average Inventory)/ Account Receivable Turnover

Account Receivable Turnover Ratio: This ratio examines the ability of a business to collect money from its customers. It is measured by dividing total credit sales by the average accounts receivable balance for a specific period. A low ratio suggests a deficiency in the collection process. The calculation is: Net Credit Sales/Average Accounts Receivable

Accounts Payable Turnover Ratio: **This ratio** measures how quickly a company settles its vendors and suppliers. A high ratio means bills are paid quickly. The formula is:

Cost of Sales/Average Accounts Payable

Operating Ratio: This ratio compares a business's operating expenses to its net sales. It shows exactly how much it costs the company to generate each Naira of revenue. Unlike turnover ratios, a lower operating ratio is generally preferred, as it signifies better management control over overhead and operational costs. The formula is:
Operating Expenses + Cost of goods sold/Net Sales

Statement of the problem

Business Education was considered a panacea to unemployment crises in the nation, as the recipients of the education are equipped with knowledge and skills that could promote business success. However, studies have shown that not much has been achieved; business failure is still on the high side even Business Education graduates' businesses are not spared. (Horton, 2026; Taiwo, 2024; Denanyoh & Owusu, 2025; Amaewhule, 2018). Some scholars have attributed this business failures to several factors such as improper record keeping, poor market strategy, mismanagement of funds and so forth. This study investigated the relationship between financial ratio analysis and entrepreneurial success of Business Education graduates' start-ups.

Purpose of the Study

The purpose of this study was to investigate the relationship between financial ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis. Specifically, the study sought to:

1. Determine the relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis
2. Identify the relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis
3. Find out he relationship between efficiency ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Research Questions

1. What is the relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?
2. What is the relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?
3. What is the relationship between efficiency ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?

Hypotheses

1. There is no significant relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis
2. There is no significant relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis
3. There is no significant relationship between efficiency ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Methodology

Correlational research design was adopted for the study. The area of the study was Port Harcourt Metropolis. The population of the study was 84 Business Education graduates' entrepreneurs (Obio/Akpor and Port Harcourt City Councils, 2026). The entire population was studied since the population was small. Data for the study was obtained through self-constructed four-point rating scale questionnaire of Strongly Agree (SA = 4 points); Agree (A= 3 points); Disagree (D= 2 points); Strongly Disagree (SD= 1). It was tagged Financial Ratio Analysis and Entrepreneurial Success of Business Education Graduates' Start-ups (. FRAESBEGS). The questionnaire was validated by lecturers in the department of Business Education. Two sets of questionnaire were distributed. One set elicited response from the independent variables while the other was for the dependent variables. The questions for the independent variables was segmented into section A, B and C. Section A dealt on Liquidity Ratio, section B was on Profitability Ratio, while section C was on Efficiency Ratio. A reliability co-efficient of 0.89 was obtained with the use of Pearson Product Moment Correlation formula.

The Pearson Product Moment Correlation Formula Coefficient (r) was used to answer the research questions and also used in the inferential statistics. To test the hypotheses, the coefficient (r) obtained from PPMC was transformed to t and the hypotheses were tested at 0.05 level of significance.

Result

Research Question 1 What is the relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?

Table 1: Relationship between Liquidity Ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Variables	$\sum X$ $\sum Y$	$\sum X^2$ $\sum Y^2$	$\sum XY$	r-cal.	Remark
Liquidity	28.1	157.94			
			158.17	0.97	Positive
Entrepreneurial Success	28.14	158.39			

Source: Research's data 2026

The analysis in table 1 above show the calculated relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis with the use of Pearson Product Moment Correlation. The table indicates that the calculated r is 0.97. This value implies a positive relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Research Question 2 What is the relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?

Table 2: Relationship between Profitability Ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Variables	$\sum X$ $\sum Y$	$\sum X^2$ $\sum Y^2$	$\sum XY$	r-cal.	Remark
Profitability Ratio	27.46	150.84			
			154.56	0.90	Positive
Entrepreneurial Success	28.14	158.39			

Source: Research's data 2026

The analysis in table 2 above show the calculated relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis with the use of Pearson Product Moment Correlation. The table indicates that the calculated r is 0.90. This value implies a positive relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Research Question 3 What is the relationship between Efficiency Ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?

Table 3: Relationship between Efficiency Ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis?

Variables	$\sum X$ $\sum Y$	$\sum X^2$ $\sum Y^2$	$\sum XY$	r-cal.	Remark
Efficiency Ratio	27.78	154.40			
			156.37	0.71	Positive
Entrepreneurial Success	28.14	158.39			

Source: Research's data 2026

The analysis in table 3 above show the calculated relationship between efficiency ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis with the use of Pearson Product Moment Correlation. The table indicates that the calculated r is 0.71. This value implies a positive relationship between efficiency ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Test of Hypotheses

Hypothesis 1: There is no significant relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Table 4: Computed PPMC for testing hypothesis 1 Significant relationship between liquidity ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Variables	**∑X ∑Y**	**∑X² ∑Y²**	**∑XY**	**r-cal.**	**t-trans**	**t-crit.**	**Remark**
Liquidity	28.1	157.94	158.17	0.97	7.07	2.45	Positive
Entrepreneurial Success	28.14	158.39					

Source: Research's data 2026

The analysis in table 4 above show the calculated relationship between Liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis using Pearson Product Moment Correlation. The result indicates that the calculated r is 0.97 and that the t-transformation for test of significance is **7.07.** This t-transformation value is greater than the t-critical value of 1.86 at 0.05 level of significance on 8 degree of freedom. This implies a significant positive relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis. Hence the null hypothesis which state that there is no significant relationship between liquidity ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis is rejected.

Hypothesis 2: There is no significant relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Table 5: Computed PPMC for testing hypothesis 2
Significant relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Variables	**∑X ∑Y**	**∑X² ∑Y²**	**∑XY**	**r-cal.**	**t-trans**	**t-crit.**	**Remark**
Profitability	28.1	157.94	158.17	0.90	3.97	1,86	Positive
Entrepreneurial Success	28.14	158.39					

Source: Research's data 2026

The analysis in table 5 above show the calculated relationship between profitability ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis using Pearson Product Moment Correlation. The result indicates that the calculated r is 0.90 and that the t-transformation for test of significance is 3.97. This t-transformation value is greater than the t-critical value of 1.86 at 0.05 level of significance on 8 degree of freedom. This implies a significant positive relationship between profitability ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis. Hence the null hypothesis which state that there is no significant relationship between profitability ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis is rejected.

Hypothesis 3: There is no significant relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Table 6: Computed PPMC for testing hypothesis 2 Significant relationship between profitability ratio analysis and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis

Variables	$\sum X$ $\sum Y$	$\sum X^2$ $\sum Y^2$	$\sum XY$	r-cal.	t-trans	t-crit.	Remark
Efficiency	28.1	157.94	158.17	0.71	2.45	1,86	Positive
Entrepreneurial Success	28.14	158.39					

Source: Research's data 2026

The analysis in table 6 above shows the calculated relationship between efficiency ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis using Pearson Product Moment Correlation. The result indicates that the calculated r is 0.71 and that the t-transformation for test of significance is 2.45. This t-transformation value is greater than the t-critical value of 1.86 at 0.05 level of significance on 8 degree of freedom. This implies a significant positive relationship between efficiency ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis. Hence the null hypothesis which state that there is no significant relationship between efficiency ratio and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis is rejected.

Discussion of Findings

Findings of this study with regards to how liquidity, profitability and efficiency ratios relates with entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis revealed that calculating liquidity, profitability and efficiency ratio in the financial decisions of the business has significant positive relationship with entrepreneurial success. The analysis of responses from the research instrument with the use of Pearson Product Moment Correlation showed a positive correlation of 0.97, 0.90 and 0.71 for liquidity, profitability and efficiency ratios respectively. When these coefficients were transformed to t to test the hypothesis, the result was 7.07, 3.97 and 2.45. These t-transformation values were greater than the t-critical value of 1.86 at 0.05 level of significance. This is an indication that there is significant positive relationship between these ratios and entrepreneurial success of Business Education graduates' start-ups in Port Harcourt Metropolis. This finding aligns with the position of Madras Accountancy (2026) as they opined that the use of financial ratios in the financial decisions of a business ventures has serious implications on the success of the business. They observed that business decisions that are made based on gut feelings rather than financial data such as financial ratios have negative impact on the business. They noted that cash flow crises and business failures can be prevented through financial ratios analysis. The study is in agreement with Vjeko (2025) asserted that entrepreneurs that fail to appraise the health status of their business through financial ratios may have challenges as business success may be choked. In same vein, Will (2026) posits that entrepreneur need to monitor financial ratios such as liquidity, profitability efficiency and others regularly in order to identify rising expenses and uncover opportunities to streamline operations profitability and sustainability of the business.

Conclusion

The study revealed that financial ratio analysis such as liquidity, profitability and efficiency have significant positive relationship with entrepreneurial success of Business Education graduate's start-ups ventures. The analyses of these financial ratios can provide better insights into the overall financial performance of the business. Hence regular appraisal of these ratios can allow Business Education graduates to make more informed decisions that can mitigate risk, drive growth, and promote sustainability of the start-ups.

Recommendations

Business Education graduates should regularly employ financial ratio analysis particularly liquidity, profitability and efficiency in the appraisal of the health status of their ventures.

There should be training and retraining of entrepreneurs on how to integrate financial ratio analysis in critical financial business decisions

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