

## Effect of Covid-19 Pandemic on Small and Medium Enterprises Performance and Survival Strategies in Nigeria: a Conceptual Review

Ahmed Abdulkazeem<sup>1</sup>, Emmanuel Olayiwola Oni<sup>2</sup>, Isah Imam Paiko<sup>3</sup>,  
Umar Mustapha Zubairu<sup>4</sup> and Mukaila Adebisi Ijaiya<sup>5</sup>

*Department of Entrepreneurship and Business Studies*

*Federal University of Technology, Minna, Nigeria.*

*Corresponding Author's Email: ahmedabdulkazeem@gmail.com*

### Abstract

*The paper investigates the effect of COVID-19 pandemic on small and medium enterprises performance and survival strategies with specific objectives to examine SMEs performance and SMEs survival strategies in Nigeria during COVID-19 pandemic. SMEs have been considered as one of the engines of economic growth, sustainability and industrial development of a nation, however, the survival rate of SMEs in Nigeria has been seriously affected by the COVID-19 pandemic. The use of survival strategies has been one of the major challenges facing SMEs since most SMEs believe that survival strategies are only meant for large and multinational companies. The paper relies mostly on secondary documentation, where scholarly articles on the subject matter were reviewed in line with the objective of the study. The review revealed that the COVID-19 pandemic has had an influence on the performance and survival of SMEs in Nigeria which resulted in reduction in revenue, reduced staff salaries as well as SMEs inability to repay loans, rents and government is not doing enough to contain the spread of the pandemic. Based on the findings, the authors recommended that the government should lower interest rates, relax loans, tax repayment or waiver of taxes in order to enhance the survival and performance of SMEs. Furthermore, the government should set aside emergency fund targeting SMEs in the country.*

**Keywords:** *COVID-19; SMEs Performance; Survival Strategies; Sustainability; Volatile Business Environment*

### 1. Introduction

Covid-19 was first identified in Wuhan, China, in December 2019 and has caused colossal death and has spread to almost all parts of the world (Akanni& Gabriel, 2020). The first case of Covid-19 was identified in Nigeria on February 27, 2020. According to WHO (2020), the total number of confirmed cases worldwide was 16,301,736, while there were confirmed deaths of 650, 069 in 216 countries. As of July 28, 2020, the Nigerian Centre for Disease Control (NCDC) reported 41,804 cases, 18,704 discharged patients, and 868 deaths, and the number of tests in Nigeria was 267,842 (in a population of about 200 million people).Covid-19 Pandemic has put pressure on policymakers and supervisory institutions across the globe, sparking off several mitigating initiatives by Government agencies to combat the potential negative social-economic impacts on households and businesses (KPMG, 2020).

The COVID-19 caused bankruptcy for many well-known brands in many industries as consumers stay at home, and economies are shutdown (Tucker, 2020).The short-term impact of Covid-19 is immediately and effortlessly felt, due to the widespread lockdown and social distancing measures globally (He & Harris, 2020). SMEs play a vital part in social inclusion, innovation in rural areas, and local employment (Auzzir et al., 2018). SMEs suffer most in times of crisis and are the least prepared

for all organizations. SMEs also lack business continuity plans. Having a strong business continuity plans may help minimize any negative impact on business during a pandemic (Turner & Akinremi, 2020). Covid-19 has created severe challenges for SMEs all over the world. The adverse effects include interruptions of supply chains, cash-flow problems, weaker demand for imported goods and services, inability to meet delivery dates, and increased risk aversion in financial markets. (OECD, 2020).

The Covid-19 Pandemic affected the global economy in two ways: one, the spread of the virus encouraged social distancing which led to the shutdown of financial markets, corporate offices, business and events, two, the rate at which the virus was spreading and the heightened uncertainty about how bad the situation could get led to a flight to safety in consumption and investment among consumers and investors (Ozili & Arun, 2020). However, devastating effects of COVID-19 pandemic on both human and material resources in early 2020 cannot be forgotten in a hurry. The Wuhan-COVID-19 emerged in 2019 in China like the way Ebola did in West Africa in 2014. But, COVID-19 resulted into global pandemic- which spread across the globe without obstruction (WHO, 2020). In the recent time, the novel COVID-19 has motivated research from different fields, ranging from medical, pharmaceuticals, economic, political and social arena in conceptualizing possible multiplier effects of COVID-19 on the global economy. This is one of the reasons why studies about impact of COVID-19 on SMEs in Nigerian cannot be ignored in the phase of a global pandemic.

Nigeria was among the first nations in Sub-Saharan Africa (SSA) to identify COVID-19 (Coronavirus) cases and has since implemented strict measures to contain the spread of the infection. Every one of these measures has proved inadequate to recompense for the economic losses induced by the COVID-19 virus as all the sectors of the Nigerian economy have been tumbling under the massive financial losses. Poverty and unemployment rates are all-time high. Many industrial units have been shut down either because of inaccessibility of inputs or low demand. The small business owners and daily wage earners are on the verge of poverty. With an abrupt shut down of the Nigerian economy due to COVID-19 pandemic, many SMEs businesses are faced with urgent needs for funds to meet the unexpected demands arising from the shutdown, especially to meet operational costs (Yohanna & Abel, 2020).

The overall direct initial hit to the level of GDP is typically between 20-50% in many major advanced economies (OECD, 2020). Many companies have had to lay off staff, while others had to reduce their working hours (Edgecliffe-Johnson, 2020). The Pandemic has led to severe global socio-economic disruption, the postponement or cancellation of sporting, religious, political, and cultural events, and widespread shortages of supplies (Turner & Akinremi, 2020).

According to Dang and Nguyen, (2020) COVID-19 has brought diverse risks to various economic activities like the global financial crisis of 2008. No single country is exonerated from the devastating effects of this novel virus on human and economy. Nigeria as the biggest country in Africa in terms of population and economy, has reported 8344 cases of COVID-19, and 246 fatalities as of 27<sup>th</sup> May, 2020. In order to contain further spread of this virus, the government implemented a series of measures ranging from the closure of borders against other nations. Consequently, on March 29<sup>th</sup>, the government declared a lockdown in three major states, Lagos, Ogun and Federal Capital Territory, Abuja – halting all non-essential activities across these states. Later, other remaining states went on lockdown with a ban on interstate movement on non-essential duties.

However, this lockdown is more likely to make the situation dire for SMEs in the country. SMEs constitutes the larger bulk of businesses in Nigeria. According to the National Bureau of Statistics

(NBS), SMEs were estimated to be 41.4 million enterprises in Nigeria which provided jobs for over 70% of the working population in the country (ILO, 2020). Many countries across the world are facing unprecedented challenges as a result of the Covid-19 Pandemic (UNDP, 2020). Nigeria and her people are no exception. The consequence of Covid-19 on the economy and financial markets in Nigeria: economic lockdown of major cities (Abuja, Lagos & Ogun State) on March 30, 2020, leading to economic loss especially for daily income earners from small-medium scale businesses, withdrawal of money by investors from the stock exchange market and fall in oil prices (Ozili, 2020). The Covid-19 pandemic outbreak has made a lot of business shut down, leading to a monumental disruption of trade and commerce in many industrial sectors. Retailers and brands face many short-term challenges relating to workforce, health and safety, cash-flow, supply chain, consumer demand, sales, and marketing. A lot of markets, especially in hospitality and tourism, no longer exist, whereas online shopping, online communication, and online entertainment, have witnessed unprecedented growth (Donthum, & Gustafsson, 2020).

An organization must embark on competitive strategies to survive in its business environment and adhering to a single strategy could be hazardous to the sustainability of a business. This was supported by D'Amorise (1993), who stated that when an organization combines different strategies, they tend to perform better than when they embark on pure strategy. This invariably means that an organization must adopt a survival strategy to sustain itself in its turbulent environment.

In line with the above, Sunday & Nimota, (2019), reaffirmed that, attaining survivability and sustainability has been the major objective of any organization be it small, medium or large in the area of profit, human resources and assets (equipment) and the planet but this has not always been the case of many small and medium enterprises due to its volatile environment and the appropriateness of survival means and sustainable strategies to adopt for their survival. Nigeria as a country is characterized by an unstable and turbulent business environment which in turn affects the success of non-subsidiary independent firms (small and medium enterprises) and as well marred its main objective of ensuring the socio-economic growth of the country. The survival rate of a growing business in Nigeria is pegged at 20% borne out of a lack of appropriate strategies for its sustainability.

Evaluating the effect of COVID-19 pandemic on SMEs performance and survival strategies in Nigeria becomes imperative. The aim and objective of this study is to examine the role of COVID-19 pandemic on SMEs performance, SMEs survival and sustainability strategies, SMEs supply capacity, SMEs sources of raw material supply and evaluating government intervention on curbing the effect of COVID-19 pandemic on SMEs in Nigeria. This study tends to contribute to body of knowledge by examining the effect of COVID-19 pandemic on SMEs performance in Nigeria with view to identifying the survival strategies SMEs can apply or adopt in order to survive in post COVID-19 period. In order to survive the pandemic, each country of the world should adopt survival and sustainable measures (control) that suits its peculiar environment in curbing the spread of the virus and not a worldwide method.

The paper consists of six sections. Following the introduction, the second section presents the literature review, the third section briefly describes the methodology, the fourth section describes results and discussion of findings and fifth section reports the conclusion and recommendation, the sixth section outlines the references.

## **2. Literature Review**

### **2.1 Conceptualization Clarification**

SMEs performance and survival can be viewed from quantitative and qualitative standpoint, from quantitative stand point SMEs performance may means the level and consistency of production, total output, market shares, productivity, product quality and customer satisfaction while qualitative view argue that SMEs performance involves innovativeness, risk taking, competitive aggressiveness, meeting target goals and being entrepreneurial (Enoyi, 2020).

Performance can be measured in two ways: financial performance and non-financial performance. Financial performance is measured on three indicators; profit, return on assets and return on investment while non-financial performance is measured also on three indicators; customer satisfaction, attainment of organization objectives and number of customers you get (Cross, 2019) The establishment, management and sustainability of an enterprise through the introduction of new products, creating new markets, identifying new sources of raw material and adopting new management styles over a period of time and making an entrepreneurial profit (Adeyeye, 2020).

Previous scholarly articles reviewed on this area of interest focuses on SMEs performance factors, this paper narrow the study to survival and sustainability strategies and view the COVID-19 impacts as it affects SMEs survivability and sustainability.

According to Eno, (2021), supplying capacity means the aggregates volume of good (product) that a company (SMEs) is able to supply to the buyers for a period of time, say for a month, its in relation to distribution and distribution connotes the movement of product from one point to another point. It is when a product gets to its final user that production is said to be completed but movement was restricted during the peak of the pandemic which thereby stopping the supply of products produced by SMEs from reaching the final users and not able to complete the production and supply cycle, thereby affecting the SMEs performance and survival during the pandemic period.

Small and Medium scale business enterprises in Nigeria like her counterpart all over the world could not replace or replenish their inventory and equipment because of the supply chain disruption across the world occasioned by the pandemic lock-down, supplying finish products to needed destinations and market within Nigeria and across most international borders through the airport and seaport as the major routes for supply and distribution of finished goods and services were restricted and in most cases total lock-down thereby affect SMEs performance and survival in Nigeria (PwC, 2020).

COVID-19 disrupted free movement across all countries of the world and all sectors and enterprises, be it large conglomerates or small-scale business. The restriction of free movement was due to the lock-down strategy adopted by most countries of the world as a health measure to mitigate the impacts of COVID-19 pandemic on the human population. Disruption of movement of people and goods, border closures, logistics limitations all affects the supply and distribution of both raw materials and finished goods and services in the country thereby threatening the survival of SMEs in Nigeria (KPMG, 2020).

The survival strategies indicate the importance of establishing the necessary conditions for stabilizing the SMEs-led business environment in the economy and improving the competitiveness of the SMEs. The conditions would enhance the ability to protect their markets from different challenges.

Ahmedova, (2015) stated that SMEs are more vulnerable to economic changes, and as a result, the challenges these organizations face are relatively higher than the large firms. Ifekwem & Adedamola, (2016) stated that SMEs are considered sustainable if they can overcome the challenges by improving their survival chances in the market, either internally or externally. According to Abang et al., (2021) the survival and sustainability of SMEs is attributed to the environmental factors such as, suppliers of raw material for the continues production process, distribution channels to move the produced goods to the market, customer and competitors which were directly hampered by the COVID-19 pandemic and threaten the survival performance of SMEs mostly in developing countries like Nigeria that depends on raw material from other countries of the world like china.

Banshuam, (2020) mentioned that, the restriction of movement of goods and people across the globe and within Nigeria impacted negatively on businesses especially SMEs with low capital based and small market value. Most SMEs are still struggling to recover from the shuck and impact of the COVID-19 pandemic where majority of the SMEs lost touch with their customers, majority of the customer sources for substitutes and readily available goods thereby changing customer's preference and their buying habits.

The conceptual framework illustrates the relationship between the independent variable (Covid-19) and the four-dependent variable (SMEs Performance, Survival and Sustainability Strategy, SMEs Supply Capacity, SMEs sources of raw material Supply). Based on the conceptual framework, it is hypothesized that COVID-19 pandemic has a business environment significantly impact negatively on SMEs performance, Survival and Sustainability strategy. SMEs Supply capacity, SMEs sources of raw materials supply were equally affected significantly, the frame was used to establish the interaction between the IV (Covid-19) and DV (SMEs Performance, Survival and Sustainability Strategy, SMEs Supply Capacity, SMEs sources of raw material Supply).

The basis for this framework depends on the conceptualization, which seek to investigate the effect of covid-19 pandemic as a factor on the performance and survival strategies of SMEs in Nigeria during the peak of the pandemic. Covid-19 prevention methods like lockdown, restrictions of interstate movement, closure of business and production facilities across the world and Nigeria in particular was adopted by previous work of the presidential committee report (2020) & Abang, et al., (2021).

The variables were used to develop a diagrammatical model thus:

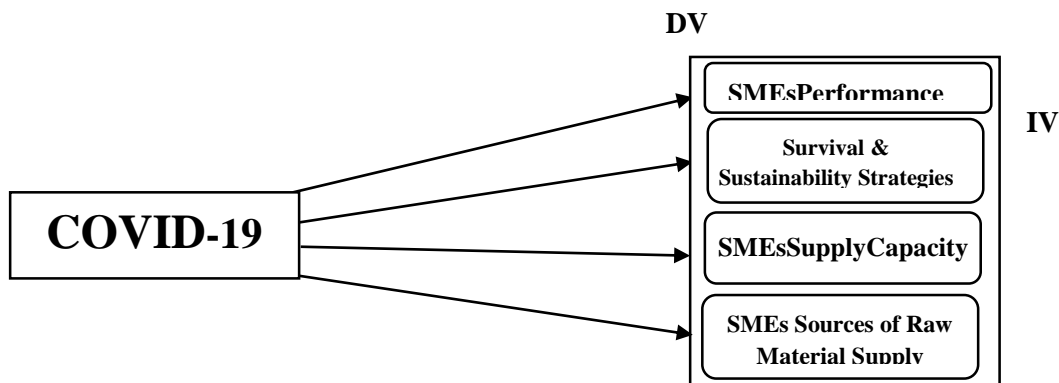


Figure 1: Framework

The conceptual model indicates the relationship between the Independent Variable (IV) and Dependent Variable (DV).

The IV (COVID-19) was used as a volatile business environmental factor on the basis that such factors are within the manager control, the manager can manipulate the factors to the business advantage or otherwise. But in this case the preventive measures employed by both the government and venture managers was to the disadvantage of the business enterprise and the economy in general in terms of lowering SMEs performance and supply capacities, restricting movement and distributions of goods and services, thereby affecting demand in the country (Abang et al., 2021).

### 3. **Methodology**

This paper adopted conceptual approach in reviewing the influence of COVID-19 on the survival of small-scale business enterprises in Nigeria in terms of how the COVID-19 shaped the survival, growth and extinction of small-scale businesses in Nigeria. In order to achieve the study objective, the author adopted the conceptual approach in reviewing existing work on the subject matter. Scholarly articles in this field were downloaded and critically reviewed in line with the study objective as a conceptual paper.

### 4. **Results and Discussion**

The influence of COVID - 19 factors in shaping and directing the survival and growth of small and medium scale business is well documented by various scholars. This is due to the influence of these factors on the sustenance or otherwise of the business enterprise that interacts with it. (Bature, 2016) in his submission, stated that, the influence of COVID-19 pandemic as factors on small scale business varies in terms of SMEs performance during lockdown. SMEs supply capacity, SMEs sources of raw materials supply, SMEs survival and sustainability strategies and environmental factors are said to be more influential in determining the survival and growth of small-scale business than the general environmental factors. (Abang et al., 2021).

The COVID-19 effects on the performance of SMEs and its survival strategies has shaped and directed SMEs towards sustainability strategies, the impact was significantly felt across the nation and the world at large. One of the reasons for non-performance and non-survival of SMEs as expected during the COVID-19 pandemic according to Yohanna & Abel, (2020) all the countries of the world were applying wide-running policy apparatuses to control the COVID-19 infection with approaches, such as social distancing, lockdown, the suspension of air travel and borders closure, in contrast, the economic consequences of such measures are phenomenal. The COVID-19 pandemic brings unprecedented challenges. In Nigeria and around the world, borders are being closed and societies have to change the way they live, as entire countries come under quarantine orders and consumers around the world try to reduce human contact, businessmen should know that how they respond to diseases will have a significant effect on their businesses.

Abang et al., (2021) findings reveal that the lock-down and restriction of movement during the COVID-19 pandemic significantly affects the supply of raw material use for production of goods and services by the SMEs, which adversely affects SMEs leading to job losses, redundancies and negative contribution to the nations GDP as long as the lock-down and restriction of movement last. many small businesses could not survive, and those that survive are still struggling to find their fits in terms of their production capacity, distribution of the product and creating new market and reconnecting with the old market which they loss during the COVID-19 pandemic. One of the reasons for non-survival of SMEs during COVID-19 pandemic and after the pandemic is poor managerial skills by

owners and managers of SMEs. Forkuoh et al., (2016) observed that human capital development is one of the crucial factors to success of SMEs, human capital development practices should be encouraged and adopted as survival and sustainability strategies.

## **5. Conclusion and Recommendation**

Small and medium scale businesses enterprise is an indispensable catalyst and important contributor to the economic growth in every nation due to their vast irreplaceable prospect in the economy. Small business enterprises are the pivot for the development of new ideas and products that stimulate demand in any economy. This special nature of small and medium scale business enterprise makes the personalization and modification of product to meet consumer preference easily and readily. The study concluded that; SME operators and managers must develop and adopt scientific and rational business management strategies that will aid and increase their understanding of the specific survival and sustainability strategies which will have direct influence on the growth and survival of their business. SME operators and managers must have in-depth understanding of the turbulent business environment which will facilitate the effective planning and predictions of the significant factors that affect business growth and survival.

This study indicated that competition, inflationary trend, technological changes, government policy, Infrastructural facilities accessibility, changing consumer behaviour and income are still problems to small business managers. SME operators and managers must learn how to adapt and cope with the pandemic situation in order to enhance the survival and growth of their business. SME operators and managers must learn how to alternate their sources of raw material supply, it implies multiple sources of supplier in order to avoid production disruption and delivery failure. SME operators and managers did not feel the impact of government intervention on cushion the effect of COVID-19 pandemic and this affects the chances of its survival sustainability. Despite Federal Government intervention, it was not felt because of inadequate of such measures.

Based on the review of various scholarly articles, the followings were recommended; SME operators and managers should pay adequate attention on the survival and sustainability strategies through periodic scanning of the business to cushion the environmental effect on their business performance. SME operators and managers must learn how to adapt and cope with both internal and external business environments in order to enhance the survival and growth of their business. SME operators and managers must have alternative sources of raw material supply to avoid production stoppage and customer satisfaction. Government should lower interest rates, relax loans, tax repayment policy and or tax waiver in order to enhance the survival and performance of SMEs. Furthermore, government should set aside emergency fund targeting SMEs in the country.

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