



Entrepreneurs Response to the 2020 Pandemic: Impact on Business Activities of SMEs in Lagos State

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Abstract: Small and Medium Scale Enterprises (SMEs) have always been faced with various challenges in their journey to attain success. Researchers have identified these challenges to include inadequate funding, inadequate information management and recording keeping, poor infrastructure, lack of managerial skills and many others. With the 2020 pandemic, SMEs had to encounter a new set challenges that seems to threaten the very existence/sustenance of the enterprises. The 2020 pandemic came with attendant negative consequences on both human lives as well as the institutional structures and systems that have been put in place for the functioning of the economy. This study set out to examine the immediate and far-reaching impact that 2020 pandemic had on the activities of SMEs and also measures that could be put in place for the continuous survival of SMEs being the engine and catalyst of growth and development of economies of many countries. The research design for the study is Survey. To guide the study four research questions and three hypotheses were generated. The sample for the study were 101

SMEs located within the Lagos State Metropolis. The instrument for data collection is a questionnaire titled, “Questionnaire on Entrepreneurs Response to Pandemic 2020: Impact on Business Activities of SMEs in Lagos State” which had a Cronbach Alpha coefficient value of 0.60. Data collected from the study was analysed using regression statistical tool on the SPSS version 20. The result from the study revealed that entrepreneurs’ response to 2020 pandemic significantly impacted the product/service package cycle, patronage, profitability and innovative tendency of SMEs. It is recommended that all efforts be geared towards creating an enabling environment for the sustainability of entrepreneurial activities of SMEs in the state as they have been identified as the engine of growth and development of all economies.

Key Words: 2020 Pandemic, enterprises, profitability, patronage, product delivery, service delivery, perspective, response

1.0 Introduction

Entrepreneurial activity carried out by an entrepreneur is aimed at generating added value through creativity, innovation and recognition of opportunity. This entails the exploitation of novel ideas as well as planning and managing projects so as to create value and to achieve the desired objectives. Entrepreneurial activity involves the process of change, emergence and creation of business activities. It is an activity that occurs within a business context which is impacted by economic, political, legal, social, cultural and natural setting. Furthermore, entrepreneurial activity is not limited to new markets or new

products alone, but also includes new processes.

In Nigeria as well as in many economies, entrepreneurial activities are carried out by Small and Medium Scale Enterprises (SMEs). Small and medium scale enterprises (SMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century. They are also perceived as the key to Nigeria’s economic growth, poverty alleviation and employment generation (Agwu & Emeti,

2014). Recent observation reveal that SMEs generate more than 55% of the GDP and 65% of total employment in high-income countries: and more than 95% of the total employment and about 70% of the GDP in middle-income countries. In a recent study conducted, it was revealed that entrepreneurial activities, such as new product/service creation, entrepreneurship education and training are significant to improving the performance of SMEs (Jevwegaga et al, 2018).

Umana (2018) reported that SMEs brings about high local value in product and services because most of their operations are based on the exploitation of indigenous technology. Small scale industries mostly use domestically produced materials inputs including tools, equipment and power which makes it possible for Nigeria to redirect its foreign exchange to other channels of development, especially in the present global economic crisis that seriously impacted on revenue base of the country. The products of these companies could also be exported to earn the country foreign exchange.

However, despite their acknowledged contributions to the economy, SMEs are faced with challenges and difficulty that seem to hinder their growth. According to numerous scholars, factors such as firm characteristics,

entrepreneur characteristics, entrepreneurial factors, managerial skills, external environment factors, technology, management issues, marketing management strategies, customers' satisfaction, government policy, sociocultural factors and access to finance may affect (positively or negatively) the growth of SMEs (Ardjouman,, Hagan, Linyu & Liying, 2019)

1.1 Statement of Problem

Entrepreneurial activities of SMEs over years have been faced with lots of challenges. Some of the identified challenges of SMEs over the years has been; inadequate funding, inadequate information management and record keeping, lack of knowledge of differentiating business capital from a personal capital, poor infrastructure, and lack of management skills (Emezie, 2017). Despite these numerous challenges, many entrepreneurs have been able to glide over the rough weather and made successes of their businesses. Many scholars have reported that SMEs prospects this 21st century Africa include economic growth and development, source of employment and improvement in the welfare of people (Emezie, 2017). This study therefore examined the response of entrepreneurs towards 2020 pandemic and its impact on the business

activities of SMEs in the manufacturing and service sector in Lagos State.

1.2 Objectives of the Study

The broad objective of the study is to examine the response of entrepreneurs to the 2020 pandemic and its impact on entrepreneurial activities of SMEs in Lagos State. Specifically, it:

1. is to investigate the impact of the 2020 pandemic on product/service package cycle of SMEs.
2. is to find out the impact of the 2020 pandemic on customers'/clients patronage and profitability of SMEs.
3. is to examine the impact of the 2020 pandemic on entrepreneurial innovative tendency of SMEs.

1.3 Research Questions

The following questions were raised to guide the study:

1. What is the level of response of small and medium scale entrepreneurs in Lagos State to the 2020 pandemic?
2. What is the impact of the 2020 pandemic on the product/service package cycle of SMEs?
3. What is the impact of the 2020 pandemic on customers'/clients patronage and profitability of SMEs?

4. What is the impact of 2020 pandemic on entrepreneurial innovative tendency of SMEs?

1.4 Hypotheses

1. Entrepreneurs response to 2020 pandemic has no significant impact on the product/service package cycle (PSPC) of SMEs.
2. Entrepreneurs response to 2020 pandemic has no significant impact on customers'/clients patronage and profitability (PP) of SMEs.
3. Entrepreneurs response to 2020 pandemic has no significant impact on entrepreneurial innovative (EI) tendency of SMEs.

2.0 Small and Medium Scale Enterprises and its Challenges: A Literature Review

Many researches have been conducted on entrepreneurial activities of SMEs and the challenges they encounter in their strive for growth and sustenance. The following are some of the findings from such studies.

Bodunrin (2014) conducted a study on the Problems and Prospects of Entrepreneurship Activities and Business Management Practices in Nigeria. The study was basically an evaluative one in which data and literature were obtained from the analysis of the views, comments and opinions in books, articles in journals, magazines and newspapers, internet materials, as well as speeches and addresses in seminars, conferences and workshops. It was



essentially library research. The study revealed a number of challenges SMEs grappled with which include the following; Shortage of infrastructure, unstable political system, poor transportation system, poor government policy, poor response of financial institutions and inaccessible open market. However, a number of prospects were also identified from the study which include; employment generation, increased productivity through innovation, ensures increased resource utilization, facilitates the transfer/adaptation of technology and also to enables individuals to use their potentials and energies to create wealthy independence and status for themselves in the society. One of the recommendations from the study is that, government should promote, encourage and facilitate Non-Governmental Organizations (NGOs) to play effective role in the field of assistance to entrepreneurs. The activities and programmes should be directed and coordinated and such should fall within national policy objectives and framework to achieve maximum benefits of the best business management.

Similarly, in another study, conducted by Umana (2018) on the Roles and Constraints of SMEs in Nigeria's Development, among the identified challenges that SMEs encounter in the conduct of their activities includes; poor

and inadequate start-up process, financial challenges, management problem, lack of infrastructural development, problem of low patronage and a high propensity for the consumption of foreign goods as against their locally made substitutes. The study also recommended that there is need for SMEs owners to be committed to their business and be growth oriented rather than consumption oriented. In addition, there is need to promote informal education of SMEs owners through seminars and workshops, which should be organized regularly to create forum for interaction of SMEs owners/managers with other and thereby improving on their management capabilities.

Wang (2016) in a study on what are the biggest obstacles to growth of SMEs in developing countries? Empirical evidence from an enterprise survey, used the Enterprise Survey from the World Bank which covers data from 119 developing countries to carry out his investigation. This survey was centred on discovering biggest obstacles SMEs were confronting and the determinants that influence the obstacles as perceived by enterprise managers. The data collected from the study was analysed using Regression. The analysis revealed that the five most significant obstacles perceived by SMEs managers were access to

finance tax rate, competition, electricity and political factors. Among those five obstacles, access to finance appears to be the biggest barrier, followed by competition. Furthermore, the key determinants that influence the obstacles among firms' characteristics are size, age and growth rate of firms as well as the ownership of the firm.

In another study conducted by Dana and Ratten (2017) on the international entrepreneurship in resource-rich landlocked African countries, it was revealed that formal and informal factors affect internationalization rate of small businesses in Nigeria, among the formal factors include export regulations, licensing, and franchising procedures. The informal factors include the global perception of African products or services, the nature of international markets, and cultural factors. Therefore, like any other nation, small businesses are faced with cultural challenges when they intend to expand beyond the borders of the country. Most of the cultural challenges that relate to internationalization include language barrier, communication gestures, space management, and business cultural difference. Owners and managers of small business intending to go international must understand the cultural differences before expanding across borders (Hitt et al., 2015).

Babandi (2017), in his paper on Critical Challenges Facing Small Business Enterprises in Nigeria: A Literature Review, concluded that the dominant challenge facing small businesses in Nigeria is the enabling environment necessary for businesses to grow and thrive. Most of the enterprise and external environmental challenges hinged of government policies that do not favor small businesses grow. The government provides infrastructure, financial institutions regulatory framework, economic and political stability, reduction of crime rate and corruption, and the political will for owners to have the confidence that they are being needed and supported. The major challenge is for the Nigerian government to develop policies that will favor small business growth because they help the economy by providing the citizens with employment opportunity.

3.0 Methodology

The research design for the study is Descriptive (survey). The population comprises all small and medium scale entrepreneurs in Lagos State. Through Simple random sampling procedure, 101 SMEs in Lagos State participated in the study. Data for the study was collected with a structured questionnaire titled “Entrepreneurs Response to Pandemic 2020:



Impact on Business Activities of SMEs in Lagos State” which had a Cronbach reliability Alpha coefficient 0.60. The instrument had two sections, the first section requested for the bio data of the entrepreneurs, such as gender, marital status, age and type of enterprise. The second section was made up of 20 items requesting for entrepreneurs’ response to the pandemic, product /service package cycle, patronage and profitability, and entrepreneurial innovative tendency. The response format is the Likert type, ranging from strongly disagree

to strongly agree, on a rating scale of 1-4. The instrument used for data collection was hosted on the internet and the link for completing was sent out to the target participants. Descriptive and inferential statistical tools which include frequency, percentages, and regression analysis were used to analysed data collected from the study. The Statistical Package for Social Scientist (SPSS) version 20 is used to analyse the data collected. All hypotheses were tested at 0.05 level of significance

4.0 Data Presentation and Analysis

4.1 Socio-Demographic Analysis of Respondents

Table1: Classification of Respondents by Gender and Marital Status

Table 1 reveals the respondents from the study married were 31(30.7%). The implication of

Gender	Frequency	Percentage	Marital Status	Frequency	Percentage
Male	41	40.6	Single	70	69.3
Female	60	59.4	Married	31	30.7
Total	101	100	Total	101	100

by gender and marital status. Evidence from the table shows that 60 (59.4%) females and 41(40.6%) males participated in the study, while for the marital status, the singles that participated in the study were 70(69.3%) and

this is that a large percentage of females who are also unmarried are increasingly attracted to entrepreneurship in recent times unlike in the past when it was dominated by their male counterparts.

Table 2: Classification of Respondents by Age and Type of Enterprise

Age	Frequency	Percentage	Enterprise	Frequency	Percentage
20years & below	8	7.9	Manufacturing	12	11.9
21-40 years	76	75.2	Service	59	58.4
41 years& above	17	16.8	Others	30	29.7
Total	101	100	Total	101	100

Table 2 reveals the respondents from study by age and type of enterprise engaged with. The table shows that a large number of the respondent fall within the 21-40 years 76 (65.4%). It is impressive to see that 8 (7.9%) of

the respondents were 20years and below. The effort of the Federal Government of Nigeria at instilling entrepreneurial mindset into young people is yielding positively. This seem to justify the inclusion of 34 trade subjects into

the curriculum of secondary schools some years back, which was to serve as a measure at eradicating unemployment among youths. Furthermore, the table also reveal that a higher number of the entrepreneurs offer services, 59 (58.4%), those in the manufacturing sector were 12 (11.9%) which accounts for the lowest percentage and others (Artisan, traders etc.) were 30 (29.7%) In recent times, many entrepreneurs are now rendering services that are highly creative and innovative which are assisting the populace to overcome the

challenges and difficulties which are emerging in our daily life activities and for the continuous survival of man.

4.2 Analysis of Responses

This section presents the results of the three hypotheses raised and tested in the study.

Test of Hypotheses

Hypothesis 1: Entrepreneurs response to 2020 pandemic has no significant impact on the product/service package cycle (PSPC) of SMEs.

Table 3: Regression Analysis of the Impact of 2020 pandemic on the Product/Service Package Cycle (PSPC) of SMEs.

Model Summary

Anova

Coefficients

Predictors: (Constant), PSPC. (Model Summary, Anova). Dependent Variable: Entrepreneur's Response. (Coefficient).

Table 3 reveals the indices of the simple linear regression analysis of the impact of 2020 pandemic on product/service package cycle (PSPC) of SMEs. The linear correlation coefficient of R and R² are .554 and .306 respectively. The R² indicates that 30.6% of the total variation in the entrepreneurs' response to 2020 pandemic can be explained by PSPC. In addition, other results from the table shows the

that F-value (43.737) and the B-value (26.814) are both significant. The result of the analysis shows that entrepreneur's response to 2020 pandemic has a significant impact on PSPC of SMEs. Thus, the stated hypothesis is rejected.

Hypothesis 2: Entrepreneurs response to 2020 pandemic has no significant impact on customers'/clients' patronage and profitability (PP) of SMEs.

Model	R	R Square	F	Sig.	B	Sig.
1	.554 ^a	.306	43.737	.000 ^b	26.814	.000

Table 4: Regression Analysis of Impact of 2020 Pandemic on Customers/Clients Patronage and Profitability (PP) of SMEs.

Model Summary			Anova		Coefficients	
Model	R	R Square	F	Sig.	B	Sig.
1	.669	.448	80.254	.000	36.647	.000

Predictors: (Constant), PP. (Model Summary, Anova). Dependent Variable: Entrepreneur's Response. (Coefficient)

Table 4 reveals the indices of the simple linear regression analysis of the impact of 2020 pandemic on customers'/clients' patronage and profitability (PP) of SMEs. The linear correlation coefficient of R and R² are .669 and .448 respectively. The R² indicates that 44.8% of the total variation in the entrepreneurs' response to 2020 pandemic can be explained by PP. In addition, other results from the table shows the F-value (80.254) and the B-value

(36.647) are both significant. The result of the analysis shows that entrepreneur's response to 2020 pandemic has a significant impact on PP of SMEs. Thus, the stated hypothesis is rejected.

Hypothesis 3: Entrepreneurs response to 2020 pandemic has no significant impact on entrepreneurial innovative (EI) tendency of SMEs.

Table 5: Regression Analysis of Impact of 2020 Pandemic on Entrepreneurial Innovative (EI) Tendency of SMEs

Model Summary			Anova		Coefficients	
Model	R	R Square	F	Sig.	B	Sig.
1	.573	.328	48.376	.000	32.805	.000

Predictors: (Constant), EI. (Model Summary, Anova). Dependent Variable: Entrepreneur's Response. (Coefficient)

Table 5 reveals the indices of the simple linear regression analysis of the impact of 2020

pandemic on entrepreneurial innovative (EI) tendency of SMEs. The linear correlation

coefficient of R and R^2 are .573 and .328 respectively. The R^2 indicates that 32.8% of the total variation in the entrepreneur's response to 2020 pandemic can be explained by EI. In addition, other results from the table shows the F-value (48.376) and the B-value (32.805) are both significant. The result of the analysis shows that entrepreneur's response to 2020 pandemic has a significant impact on EI tendency of SMEs. Thus, the stated hypothesis is rejected.

5.0 Discussion of Findings

The statistical result from the first hypothesis raised to guide the study, revealed that entrepreneur's response to 2020 pandemic had a significant impact on the product/service package cycle of SMEs. One of the statements contained in the instrument for data collection on this hypothesis, requested for the respondents to agree or disagree with the statement "purchase of raw material during the pandemic was difficult". Out of a total number of 101 respondents that participated in the study, 71(70.3%) agreed with the statement above. The during the period of the total lockdown of the nation and economic activities was grounded to a halt, producers/providers of inputs could not carry out any activity, some of them who depended on foreign inputs also had no access to such as

it was a global phenomenon. Furthermore, when there was a partial and total lifting of the lockdown, a good number of enterprises still encountered difficulties in fully resuming economic activities. This made the product and service package cycle of many SMEs very difficult if not impossible to complete. Since this cycle cannot be completed without the necessary intermediary inputs, in order to have a final output for SMEs to put forth for sale in the market, the patronage and profitability of SMEs will also be negatively affected.

Following from the result revealed from the first hypothesis, the statistical result from the second hypothesis, also revealed entrepreneurs' response to 2020 pandemic had a significant impact on Patronage and profitability of SMEs. "Consumer demand due to the pandemic was low because of the Covid-19 protocols" was one of the statements respondents were to agree or disagree with on the hypothesis. Out of a total number of 101 respondents that participated in the study, 63 (62.4%) agreed with the statement above. Since entrepreneurs could not complete product and service package cycle, hence availability of products for sale and service offerings were hampered, the level of patronage and profitability of SMEs will be greatly affected.

In addition, the low/downward turn of economic activities also led to a low supply of money in circulation and hence the purchasing power of the many consumers decreased drastically.

Hypothesis three raised to guide the study states that” entrepreneurs’ response to 2020 pandemic has no significant impact on entrepreneurial innovative (EI) tendency of SMEs. The statistical result revealed a significant impact. One of the statements raised to measure the impact was “Innovation tendencies are best displayed by entrepreneurs when challenges come up during the business life”. Out of a total number of 101 respondents that participated in the study, 86 (85.1%) agreed with the statement above. This evidence proves that entrepreneurs who have creative and innovative mind set can actually weather the storm when they are faced with challenges in the environment (economic, political, social, technological etc.) of their business. However, looking at another statement, “my business was handicapped by the 2020 pandemic, we could barely survive the challenge that came with it”, out of a total number of 101 respondents that participated in the study, 45(44.5%) disagreed with the statement above while 56 (55.5%) agreed. This evidence proves that a significant percentage of respondents (entrepreneurs) in

the study were affected by the pandemic and they couldn’t introduce/display creative and innovative strategies to rise above the prevailing unexpected circumstance. Furthermore, entrepreneurs in Nigeria and particularly in Lagos State because this is the area covered by the study and also the Heart of commercial activities in the nation, need to more proactive and also leverage on the synergy that could be a generated as a result of teamwork and networking since they agree that entrepreneurial innovative tendencies are best displayed in the midst of challenging situations.

5.1 Conclusion

This study investigated entrepreneurs’ response to 2020 pandemic and its impact on business activities of SMEs in Lagos State. The statistical tool used for the analysis of the data collected from the study was linear regression. The result from the study revealed a significant impact of entrepreneur’s response to 2020 pandemic. The variables used to determine the impact of the response were three; product/service package cycle, patronage/profitability and entrepreneurial innovative tendency. In conclusion the impact of the 2020 pandemic on the product/service cycle was significant that entrepreneurs found

it very difficult to complete production/service processes and procedure for the final output which was to be supplied to the market. The inability to meet up resulted into low patronage and profitability. Entrepreneurs captured from the study agreed that innovative tendencies were best displayed during challenging periods, however a good number them found it difficult to display this during the pandemic. Therefore, the measure required to put in place by entrepreneurs is to embrace the mind set of been creative and innovative in other to glide over both the current and future challenges that will likely arise in the life cycle of all businesses.

5.2 Recommendations

1. The study recommends that all efforts be geared towards creating an enabling environment for the sustainability of entrepreneurial activities of SMEs in the state as they have been identified as the engine of growth and development of all economies.
2. Entrepreneurs should anticipate and participate in the changing economies most nations are encountering, as these changes present themselves as both challenges and opportunities. Moreover, globalisation has come with certain benefits such as increased flow of capital, improved products at low

prices, collaboration and shared resources, widespread knowledge and technology and rapid technological advances that entrepreneurs can take advantage of, to both overcome challenges and position themselves to seize and utilise the opportunities presented.

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