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Coronavirus (Covid-19) Pandemic and Performance of Small and Medium Scale Enterprises in Akure Metropolis, Ondo State, Nigeria

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Abstract: This study examined the effects of coronavirus on the performance of Small and Scale Enterprises (SMEs) in Akure North and Akure South in Ondo state, Nigeria. The specific objectives are to evaluate the direct impact of the coronavirus pandemic on the structure and system of SMEs; examine the downstream effects of the lockdown order due to coronavirus on SMEs; investigate the effect of social distancing and hand washing on the performance of small and medium scale enterprises. This research adopted a descriptive research design; the purposive sampling method was used to select the SMEs, with the sampling size of the study being 284 respondents in both Akure North and Akure South. Data was collected using a structured questionnaire and analyzed using simple linear regression. The study found that direct impact, downstream effect, and social distancing had significant effects on the performance of SMEs. The study thus concludes that the coronavirus influences the performance of SMEs. It was recommended that SMEs emphasise more resources towards building customer protection guides and personal selling to improve the enterprise's profit level.

Keywords: Covid-19, Pandemic, Performance, SME, Metropolis, Nigeria

Introduction

The novel Coronavirus (COVID-19) caused by severe acute respiratory syndrome Coronavirus 2 (SARS-CoV-2) emerged in Wuhan, China, in late December 2019. It was declared a global pandemic by the World Health Organization (WHO) on 11 March 2020. The pandemic quickly spread to all continents, and many cases have been recorded, with a fatality rate of 6.19% noted on 11 April 2020. Thus far, the risk of COVID-19 importation from Europe to Africa is higher than the risk of importation from China. However, world leaders and scientists have predicted that the situation in African countries could be worse as most countries are not prepared for disease outbreaks due to poor disease surveillance and response systems and inadequate and overstretched health facilities and services. However, African countries with the highest importation risk have also been found to possess a high capacity to respond to outbreaks. As of 11 April 2020, a total of 13,814 confirmed cases and 747 deaths from COVID-19 have been documented in Africa. Although the first case of COVID-19 in Nigeria was detected on 27 February 2020, this did not lead to an immediate outbreak. Although the epidemic trajectory was slow, this can be attributed to the public health interventions implemented in Nigeria, which reduced both local transmission and importation. A series of immediate interventions were put in place by the government of Nigeria

in response to COVID-19. Among others, an immediate international travel ban was imposed on 15 countries on 20 March 2020, and all schools and universities were closed to minimize mass gatherings. Furthermore, the advent of partial economic closure during the first phase of the virus detection in Nigeria has affected major businesses in all nation-states. Moreover, small and medium-scale enterprises felt the shock of the closedown more than the multinational firms. To scientifically understand the impact of COVID-19 on SMEs' performance in Ondo State, this study highlighted three hypotheses to answer pertinent questions about the impact of COVID-19, which all are stated in null form.

Literature Review

This section of the study reviews previous studies that empirically tested the relationship between the effects of the COVID-19 pandemic on the performance of SMEs in Nigeria. Many researchers have conducted studies around the world since the emergence of the COVID-19 pandemic with devastating effects on the world economy and have mostly affected the operations and performance of small and medium enterprises. Some of the reviews of previous studies are: Aderemi, Ojo, Okoh, Ifeanyi, and Efunbajo (2020) investigated the repercussions of the COVID-19 Pandemic on Nigerian SMEs. Data was gathered by administering a

standardized set of questionnaires to 100 SMEs that were purposefully chosen. The investigation revealed that the businesses experienced a slight decline in production and sales during the lockdown. The study recommended that a boost in SMEs' operations and sales will transform into a cash trap during the pandemic. As a result, the government should set aside emergency cash for the country's SMEs. Suitable policymakers could use tax deferral or waiver and a lower interest rate to keep SMEs viable during and after the COVID-19 epidemic.

Okey-Colbert et al. (2020) indicated that, despite the contributions of SMEs to the economic development and growth in Nigeria, they have been confronted with different challenges, such as low-skilled manpower and multiplicity of statutory levies, fares, and incremental expenses of operating businesses. The SMEs are characterized by low productivity, limited access to financial resources, and a negligible role in global value chains and the trading system. Business growth is a measure of performance; hence, without growth, SME operations cannot be sustained or have sufficient capacity to confront crisis since most SMEs are already comatose. Businesses cannot get the supply of the goods they buy because most of them are majorly imported from China. Since most of these SMEs operate daily, their investments for the first half 2020 have washed down the drain. Supply and demand challenges have led to an inability to meet loan and lease repayment schedules. As the production volume falls and the cash starts to run out, some SMEs have already had to downsize their staff strength, and some non-essential staff were relieved of their jobs.

Imanche, Zea, Tasinda, and Salisu (2020) explored the impact of the pandemic in Nigeria on SMEs; the study found out that a lack of movement, a fall in consumer purchasing power, and a decline in imports are all hurting Nigerian SMEs. Despite the various rules and measures put in place by the government to protect SMEs throughout the pandemic. According to the report, more efforts and interventions are needed to help them survive the pandemic's consequences, and SMEs should be more proactive in adjusting to this new circumstance. Rabi, Kabiru, Ahmad, and Samaila (2020) used statements from the Nigeria Centre for Disease Control and the World Health Organization on total virus cases in Nigeria from March 11 to March 19, 2020, to look at the economic impact of the coronavirus outbreak in Nigeria, they found that outbreak had a major impact on oil prices because the Nigerian government was caught off guard by the epidemic, which put a hassle on the government's allocation and the value of the legal tender. As a result, they said the government's 2020 allocation, which was premised on a crude price of \$57 per barrel, may need to be tweaked.

Abideen (2020) provided an insight of the effect of the COVID-19 pandemic on the performance of SME businesses and their survival in a research study in Nigeria. The result of the study revealed a significant negative relationship with the SME's performance. Following the negative effect, the COVID-19 pandemic is posing on the business performance of SMEs in Nigeria, most of them are reducing staff strength

to cope with the overhead expenses, revenue is decreasing and declining geometrically, and defaults in the repayment of loans is also being recorded due to inadequate cash inflow. Ironically, most of the SMEs are reducing staff strength, revenue is decreasing geometrically, and defaults in the repayment of loans are being recorded. Many ongoing research studies have yet to unravel or explore the empirical performance of SMEs and, more specifically, business owners in some parts of Nigeria. On this premise, the author decided to examine the effect of the COVID-19 pandemic on the performance of SMEs in Nigeria, with specific emphasis on SMEs operating businesses in Akure Metropolis, Ondo State.

Theoretical Underpinning

The underpinning theory supporting this study is the prospect theory. Prospect theory by Tversky & Kahneman (1992) submitted that prospect theory becomes relevant and useful for decision-making during uncertainty. It is often advantageous to present a situation positively rather than in a negative term (Craighead et al., 2020), which leads to the selection of riskier options. Prospect theory facilitates prediction of the near future about how a manager will react in a pandemic situation.

Methodology

The study relied on primary data collected by a self-administered questionnaire. The study population was extracted from SMEDAN (2013), which stipulates that 284 registered SMEs operate in the study area. The study uses purposive sampling, and since the total population is manageable and can be easily accessed, the total population was used as a sample size for the study. Self-administered 284 copies of the questionnaire were distributed to the SME owners in the two local governments of the metropolis. 284 copies representing 100% were also retrieved on spot and used for the analysis. Statistical Packages for Social Science (SPSS) version 25 was used to code the data. Parametric inferential statistics (simple regression analysis) were employed in the study.

Results and Discussion

The simple linear regression analysis results for the three null hypotheses developed for the study were presented in Table 1, Table 2, and Table 3.

Test of Hypotheses

H01 Coronavirus has no significant effect on the performance of SMEs in Akure metropolis, Ondo State

The unstandardized beta coefficient of the direct impact of Coronavirus in Table 1 is 0.769 with $t = 21.115$ and $(P = 0.000 < 0.05)$. These results showed that the direct impact of the Coronavirus has a positive relationship with the performance of SMEs in the study area. The implication of this result implies that smallest enterprises will be forced to shut down due to a high increase in the price of materials used for the production of goods and services. The consumers of SMEs product have drastically dropped due to the outbreak of the

virus which has caused many jobs lost down the line. The analysis of variance (ANOVA) showing the Direct impact of Coronavirus on the dependent variable is statistically significant. This is shown as a value of $P = 0.000$, which is less than the acceptable significant value of 0.05; hence, H01, which stated that Coronavirus has no significant effect on the performance of SMEs in Akure metropolis, Ondo State, was rejected.

Table 1: Direct impact of Coronavirus and performance

Model	Coeff.	Std. Error	t-value	Sig.
Constant	0.746	0.137	5.443	0.000
Direct impact of Coronavirus	0.769	0.036	21.11	0.000
R	0.852			
R Square	0.725			
Adj. R Square	0.723			
F Stat.	445.827			(0.000)

Source: Field Survey, 2022

H02 The downstream ripple effect of Coronavirus has no significant effect on the performance of SMEs in the study area.

To test this hypothesis, the respondents' scores on two variables of Coronavirus's downstream ripple effect and SMEs' performance in Ondo State, Nigeria, were computed and subjected to simple regression analysis. From Table 2, the R (correlation Coefficient) gives a positive value of 0.884; this indicates a strong and positive relationship between the Coronavirus's downstream ripple effect and SMEs' performance. The R² is a portion of the dependent variable's total variation explained by the variation in the independent variables. From the results obtained, R² is equal to 0.782; this implies that the Downstream ripple effect of Coronavirus brought about 78.2% variance in the performance of SMEs; this is further proven by the adjusted R² that shows the goodness of fit of the model, which gives a value of 0.781, implying that when all errors are corrected and adjustments are made, the model can only account for 78.1% by Downstream ripple effect of Coronavirus; In comparison, the remaining 21.9% are explained by the error term in the model as shown in Table 2. The unstandardized beta coefficient of the downstream ripple effect of Coronavirus is 1.011 with $t = 24.639$ and ($p = 0.000$). These results showed that the downstream ripple effect of the Coronavirus has a positive relationship with the performance of SMEs in Akure metropolis, Ondo State. This suggests that the outbreak of the Coronavirus has brought so many businesses down and the closing down of many businesses has caused many firms to run into a great loss.

The analysis of variance (ANOVA) shows the downstream ripple effect of Coronavirus on the performance of SMEs in Ondo State. The effect of this independent variable is statistically significant, this is shown as a value of 0.000 which is less than the acceptable significant value of 0.05,

Hence, H02 stated that the downstream ripple effect of Coronavirus has no significant effect on the performance of SMEs in Ondo State, Nigeria was rejected.

Table 2: Downstream ripple effect of Coronavirus and performance

Model	Coeff.	Std. Error	t-value	Sig.
Constant	-0.188	0.155	-1.212	0.227
downstream ripple effect of Corona virus	1.011	0.041	24.639	0.000
R	0.884			
R Square	0.782			
Adj. R Square	0.781			
F Stat.	607.07			(0.000)

Source: Field Survey, 2022

H03 Social distancing and hand washing have no significant effect on the performance of SMEs in the study area.

To test this hypothesis, the respondents' scores on two variables of social distancing and hand washing on the performance of SMEs were computed and subjected to simple regression analysis. From Table 3, the R (correlation Coefficient) gives a positive value of 0.895; this indicates a strong and positive relationship between social distancing and hand washing on productivity and performance. The R² is a portion of the dependent variable's total variation explained by the variation in the independent variables. From the results obtained, R² is equal to 0.801; this implies that social distancing and hand washing brought about 80.1% variance in the performance of SMEs in the Akure metropolis; this is further proven by the adjusted R² that shows the goodness of fit of the model which gives a value of 0.800, implying that when all errors are corrected and adjustments are made, the model can only account for 80% by social distancing and hand washing on performance; In comparison, the remaining 20% are explained by the error term in the model as shown in Table 3. The unstandardized beta coefficient of social distancing and hand washing on the performance of SMEs is 0.743 with $t = 26.071$ and ($P = 0.000 < 0.05$). These results showed that social distancing and hand washing have a positive relationship with the performance of SMEs. This suggests that social distancing has helped in the reduction of Covid-19 cases in the country and regular washing of hands and use of hand sanitizer have been helpful in the combat against Covid-19. The result of the analysis as shown in table 3, the P-value $< .05$, showed that the null hypothesis, that social distancing and hand washing on the productivity do not significantly affect the performance of SMEs is not true, therefore, the H03 is rejected.

Table 3 Social distancing and hand washing on the performance of SMEs

Model	Coeff.	Std. Error	t-value	Sig.
Constant	0.932	0.104	8.925	0.000

Social distancing and hand washing on the productivity	0.743	0.028	26.071	0.000
R	0.895			
R Square	0.801			
Adj. R Square	0.800			
F Stat.	679.68			
	(0.000)			

Source: Field Survey, 2022

Discussion

Hypothesis one revealed the relationship between the direct impact of the coronavirus on the performance of small and medium enterprises in Akure Metropolis, Ondo State which was found significant. Hypothesis two also revealed the downstream ripple effect of COVID-19 on the performance of SMEs in the Akure metropolis. At the same time, hypothesis three looks at the relationship that exists between social distance and hand washing on the performance of SMEs in the study area, which was also found significant and is in agreement with the work of Enesi and Ibrahim (2021), Yusuff and Sultan (2020), Olufemi (2020) and Peterside (2020).

Conclusion and Recommendations

The study exposes the performance of small and medium-scale enterprises in Akure Metropolis due to the COVID-19 epidemic that spread worldwide in 2020. Data were obtained using a standardized questionnaire administered to SME owners in Akure Metropolis. Findings from the study revealed the positive and significant effect of COVID-19 on the performance of SMEs in the study area. The study also concludes that the cessation of movement, reduced consumer spending power, and decreased imports negatively affected Nigerian SMEs. However, there are government policies set in place to protect SMEs, but there is a need for more efforts and interventions to enable them to survive the consequences of the pandemic. Because of the above, the study recommends that SMEs conduct most of their business activities online to keep themselves in business. It should also be noted that SMEs are proactive to adjust to any future occurrence of endemic and pandemic.

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