



## EFFECTS OF COVID-19 PANDEMIC ON SMALL AND MEDIUM SCALE BUSINESSES IN PORT HARCOURT METROPOLIS

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### **Abstract:**

**Purpose:** The study investigated the effect of COVID-19 pandemic on small and medium scale businesses in Port Harcourt metropolis

**Design/Methodology/Approach:** The descriptive survey research design was adopted for this study. Three objectives and three research questions were formulated to guide the study. Descriptive research survey was adopted. The population of the study is small and medium businesses which are generally classified under; services providers, manufacturing and traders. Stratified random sampling technique was used to select the SMEs then simple random technique was employed to select the respondents. A total of 60 SMEs were selected for the study with 147 respondents. Questionnaire and interview were the instruments used. A total of 55 copies of the questionnaire were used and 92 respondents were interviewed. The data was analyzed using mean score and simple percentages.

**Findings:** The result showed that COVID-19 pandemic has had a negative effect on SMEs as it has led to low income, insufficient supply and sales fluctuations. The strategies adopted to survive in the wake of COVID-19 include increase in the price of goods and services and operate skeletal. SMEs workers although believe the outbreak of COVID-19 but not in Rivers State hence, expect government to allow everybody go about their businesses

**Implication:** The study implies that for SMEs to thrive in this era of new normal, SMEs owners will look beyond physical marketing space and delve into digital marketing.

**Originality/Value:** It was recommended that SME workers should adopt digital marketing and government should support SMEs by providing grants and a policy for easy operation

**Keywords:** Effect, COVID-19 pandemic, small and medium businesses, Port Harcourt.

**Paper type:** Empirical research

### **Introduction**

The spread of the coronavirus (COVID-19) is increasing rapidly, leaving many small and medium business enterprises owners uncertain about their future. It has become even more worrisome as the evolution of the disease and its economic impact is highly uncertain, which makes it difficult for policymakers to formulate an appropriate macroeconomic policy response (McKibbin & Fernando, 2020) Unfortunately, it seems the inability of the government to assist the small and medium business enterprises in flourishing are justified, where as there are measures that can be taken to protect small and medium businesses while combating the pandemic.

COVID-19 is a disease caused by (SARS-CoV-2) and labeled "coronavirus" or "novel coronavirus." "On March 11, 2020 the World Health

Organization (WHO) described global spread of COVID-19 as a pandemic. This is as a result of its infectious effect on large proportion of people over a wide geographical area. COVID-19 was first reported to WHO on the 31st of December, 2019 in Wuhan, China (NCDC, 2020). Nigeria recorded its first case on Friday, February 27, 2020 in Lagos (NCDC, 2020). In Rivers State the first case was recorded on the 25<sup>th</sup> march 2020 ([www.premiumtimes.com.ng](http://www.premiumtimes.com.ng)). Covid-19 virus as opined by Surico & Galeotti (2020) is not 'just' a big shock on real economic fundamentals but also on the frictionless of the market. Also COVID-19 brought a wall between demand and supply having a strong feedback in the real economy, contraction in supply, leading to a contraction in demand, to contraction in supply thereby causing a big destruction of economic surplus. Bachman (2020) opined that COVID-19 could affect the global economy in three

main ways: by direct effect on production, by creation of supply chain and market disruption, and by its financial effect on firms and financial markets. It was further stated that a great deal will depend on the public's reaction to the disease. This could mean that businesses despite the pandemic can flourish depending on the nature of business

A business irrespective of the size, whether small, medium, big, simple, complex, private or public is created usually to provide competitive prices. Business in Nigeria can be classified as small, medium and large. However, Small and Medium Enterprises is a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector (Momba, 2013). The Tanzanian Government (as cited in Momba, 2013) sees a small enterprise as an enterprise with 5-49 employees and a medium enterprise with 50-99 employees.

According to Oyelaran-Oyeyinka (2020) as published by the Financial Strategy System (FSS) defined SMEs as businesses with turnover of less than N100 MM per annum and/ or less than 300 employees. According to him, in a study by the IFC show that approx. 96% of Nigerian businesses are SMEs compared to 53% in the US and 65% in Europe. It was further stated that SMEs represent about 90% of the manufacturing/ industrial sector in terms of number of enterprises. To European Commission (as cited in Virglerova, Dobes, Kramolis, & Kotaskova, 2017) a small scale industry can be explained by the criteria of project costs, capital, number of employees, sales volume, annual business turnover and the financial. The main factors determining if a company belongs to the SME segment are number of employees and annual turnover or the annual balance sheet. There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover (Momba, 2013). Small and medium enterprises encompass vast scope covering activities like

manufacturing, servicing, financing, construction and infrastructure.

In both the developed and developing countries, the government is turning to small and medium scale industries, as a means of economic development and a veritable means of solving problems. It is also a seedbed of innovations, inventions and employment. (Ogechukwu, Oboreh & Umukoro, 2013). Small and medium enterprises are the back bone of the economy in developed and underdeveloped countries. Awe (as cited in Izediuno, Alice & Daniel, 2018) opined that up to about 90% of the business ventures operating in Nigeria as a country can be referred to as small and medium scale enterprises (SMEs). The economic contribution of SMEs to GDP and employment of the countries are more than 50%. Thus all countries are keen on developing SME sector as a major part of their economy (Divakara & Surang, 2018)

Small and medium enterprises (SMEs) occupy a significant position in the economic development of every nation, especially in developing countries like Nigeria. The growth of SMEs is perceived globally as a key strategic step towards job creation, poverty reduction and economic growth. Ludovicaloana (2011) stated that the role of small and medium enterprises is worldwide acknowledged for their unique contribution to the economic development. Both the developed countries and the ones in course of development realize that the SMEs and the entrepreneurs play a vital role in the industrial development of a country. However, SMEs are affected by the problems of raw materials, finance, marketing, underutilization of capacity, etc. cash has become a big problem for small and even big businesses today. Lack of finance has driven many small business units into bankruptcy. Cook and Nixson (as cited in Momba, 2013) stated that despite the large contribution of SMEs in countries development and economic growth, their growth and development in developing countries were mainly inhibited by access of finance, poor managerial skills, and lack of training opportunities and high cost of

inputs. In addition to the already existing problem, the policy put in place by the Government in response to COVID-19 has worsened the situation.

To curb the menace of COVID-19 pandemic, the government at all levels directed the closure of schools, markets and other social activities or social gathering leading to a decline in economic activities. SMEs are now faced with the challenges of low turnout of customers, low income, insufficient supply, cost of goods and services, market fluctuations among others.

Consequently, SMEs expect the government to protect their businesses in the wake of COVID-19 pandemic perhaps by providing palliatives such as grants, loan, financial support, protecting workers at the work place, interest rate cut, tax break and waivers, stimulate economy and labor demands and policy that will allow easy operations(Hossain as cited in Momba, 2013). Assisting SMEs will be of great significance to both the economy of the nation and at the individual level as it will allow individuals to buy basic needs for survival. On the other hand the effect of COVID-19 on SMEs could lead to shortage of supply, high demand and economic recession. It is therefore, necessary to investigate the effect of COVID-19 pandemic on Small and Medium Scale Enterprises.

### **Statement of the Problem**

The continuous increase in the number of cases of COVID-19 pandemic is forcing government to place stricter measures by imposing a lockdown on both interstate and within the state. This is having a diminishing impact on virtually every business including small and medium enterprises because it is slowing down the Nigerian economy, interrupting or minimizing production and supply of goods and services, companies across the world, irrespective of size are being affected, the impact on transportation can be noticed on the restriction of movement on land, sea and air among countries which has further slowed down supplies. Global financial markets have also been affected. Most importantly, consumers' usual consumption pattern has reduced. Consequently, small and medium enterprises are at a risk because the above affected are the indices that make up the

survival of small and medium enterprises. Several studies have been carried out on small and medium enterprises with empirical evidence lacking but no study to the researchers' best of knowledge has been done on the effect of COVID-19 pandemic on small and medium enterprises in Port Harcourt metropolis and this study sought to fill the gap and provide empirical evidence.

### **Objectives of the Study**

The major objective of the study is to investigate the effect of COVID-19 pandemic on small and medium enterprises in Port Harcourt metropolis. The specific objectives are to:

1. Determine the effect of COVID-19 pandemic on small and medium scale enterprises in Port Harcourt metropolis
2. Identify the strategies taken by SMEs to strive in the wake of COVI-19 pandemic in Port Harcourt metropolis
3. Discover the perception of SME owners about COVID-19 pandemic in Port Harcourt metropolis

### **Research questions**

1. What are the effects of COVI-19 pandemic on SMEs in Port Harcourt metropolis?
2. What are the strategies taken by SMEs owners to strive in the era of COVID-19 in Port Harcourt metropolis?
3. What are the perceptions of SMEs workers about COVID-19 pandemic in Port Harcourt metropolis?

### **Review of Related Literature**

Social distancing-based measures, such as extensive travel bans mass, quarantines and transportation system disruption is a shock to economy as it leads to a shrink the market demand in the service sectors that are essential for many SMEs that rely on customers visit and patronage (Buoey, 2020). The shock and uncertainty of the effect of the COVID-19on small business owners is staggering and likely to be substantial forcing entrepreneurs to change their line of thoughts towards taking drastic steps to continue operating and many are fearful about their futures (Jake, 2020).

According to International Labor Organization, ILO (2020) "COVID-19 will impact the world of work across three key dimensions: 1) The quantity of jobs (both unemployment and underemployment); 2) The quality of work (e.g. wages and access to social protection); and 3) Effects on specific groups who are more vulnerable to adverse labour market outcomes".

*"The crisis has already transformed into an economic and labour market shock, impacting not only supply (production of goods and services) but also demand (consumption and investment). All businesses, regardless of size, are facing serious challenges with a real threat of significant declines in revenue, insolvencies and job losses in specific sectors. Following travel bans, border closures and quarantine measures, many workers cannot move to their places of work or carryout their jobs, which have knock-on effects on incomes, particularly for informal and casually employed workers. Consumers in many economies are unable or reluctant to purchase goods and services. Given the current environment of uncertainty and fear, enterprises are likely to delay investments, purchases of goods and the hiring of workers". (ILO, 2020, [ilo.org/global](http://ilo.org/global).*

Abbeh (2017) evaluated the challenges, prospects and government efforts and the influences they have on SMEs in Nigeria. Descriptive research design was adopted. Data were analyzed using the statistical package for the social sciences (SPSS) version 23 and descriptive statistics (frequencies and percentages). The study found that the challenges of SMEs significantly affect the growth and development of SMEs. Government efforts were found to significantly affect the growth and development of SMEs in Nigeria. However, the prospects of SMEs in Nigeria do significantly affect its growth and development.

A National Small Business Association member survey found that three in four small-business owners are very concerned about the economic impact of COVID-19. Almost half have already

seen reduced customer demand. And 38% aren't confident in the financial future of their business, up markedly from 15% in January (Hannon, 2020)

McKibbin & Fernando (2020) propose three potential scenarios based on the strength of the effects of the virus (low, mid and high). Using these three scenarios results in three sets of unemployment estimates: Low" scenario where GDP growth drops by around 2 per cent, "Mid" scenario where GDP growth drops by 4 per cent and "High" scenario where COVID-19 has serious disruptive effects, reducing GDP growth by around 8 per cent.

Buoey (2020) found that not all retail sectors experienced losses. According to him, Kantar (an international consulting company) report showed that while businesses relying on physical space and shops, such as supermarkets, traditional food markets, restaurants, car dealers, movie theaters, gyms, and bars, suffered losses, local neighborhood markets (convenience stores) and online markets flourished. It was also discovered that there was increase in personal health-related product sales such as hand sanitizers, personal protection gear, and vitamins and supplements. The study also found a low turnout on the sales of meat/fruit, snacks, luxury goods which recorded more than a 40 percent drop.

Aleksandr, Jaroslav, Ludmila, & Pavla (2016) investigated the entrepreneurial perception of SME business environment quality in the Czech Republic and found that 45.49 % of entrepreneurs think that SMEs have difficulties in access to external sources of financing (financial markets, banks, loans from the State). The results also indicated that the business environment is more challenging for microenterprises.

Literatures have been reviewed on the impact of Small and Medium Enterprises. Most of the studies are conceptual and lack empirical evidence and none of the studies addressed the effect of COVID-19 pandemic on SMEs in Port Harcourt metropolis. This study therefore provides more literature and empirical evidence on the effect of COVID-19 pandemic on SMEs in Port Harcourt metropolis.

## Methodology

The study adopted a descriptive research survey. The population of the study is small and medium businesses which are generally classified under; services providers, manufacturing and traders as stated in the table below. Stratified random sampling technique was used to select the SMEs then simple random technique was employed to select the respondents. A total of 56 SMEs were selected from which 147 responses were used. Questionnaire and interview were the

instruments used for the study. A total of 55 copies of the questionnaire and 92 interview responses were found valid for analysis. The questionnaire included a four point likert scale (4-1). The interview questions were structured in tandem with the questionnaire in such a way that the responses were recorded as that of the questionnaire. The data were analyzed using simple percentages and mean scores. Decision was based on the reference mean of 2.5. Any score with 2.5 above was accepted and below rejected.

**Table 1 Distribution of Respondents**

Business that participated	No. of Businesses that Participated	No.of respondents
Service providers: saloons, hospitals, transportation, laundry, network providers	15	46
Manufacturing: furniture manufacturers, bread manufacturers, tailoring, shoe producers,	13	34
Traders: retail shops (mix), clothe shops, food vendors, cosmetic shops, building materials, petrol stations	32	67
Total	60	147

## Findings of the study

**Table 2: Effect of COVID-19 Pandemic on Small and Medium Business Enterprises (147)**

How would you agree or disagree to the impact of COVID-19 on your enterprise	SA	A	D	SD	Mean	Decision
Low income	57	65	25	-	3.1	Agree
Low turnout of customers	59	66	24	-	3.3	Agree
Reduction in the cost/price of goods and services	10	24	81	32	2.1	Disagree
Increase in the cost of goods and services	30	76	29	12	3.0	Agree
Sales fluctuations	35	79	23	10	2.9	Agree
Insufficient supply of goods	27	64	33	23	2.6	Agree
High demand of goods and services	12	26	78	31	2.1	Disagree

The table shows the impact of COVID-19 pandemic on small and medium scale enterprises. Using a 4 point likert scale ranging from Strongly Agree (SA=4), Agree (A=3), Disagree (D=2) and Strongly Disagree (SD=1). It revealed the impact of COVID-19 pandemic on small and medium scale enterprises were low

turnout of customers (3.3), low income (3.1), increase in the cost of goods and services (3.0), sales fluctuations (2.9), insufficient supply of goods (2.6). On the other hand high demands of goods and services and reduction in the cost/price of goods and services have mean scores of 2.1 each

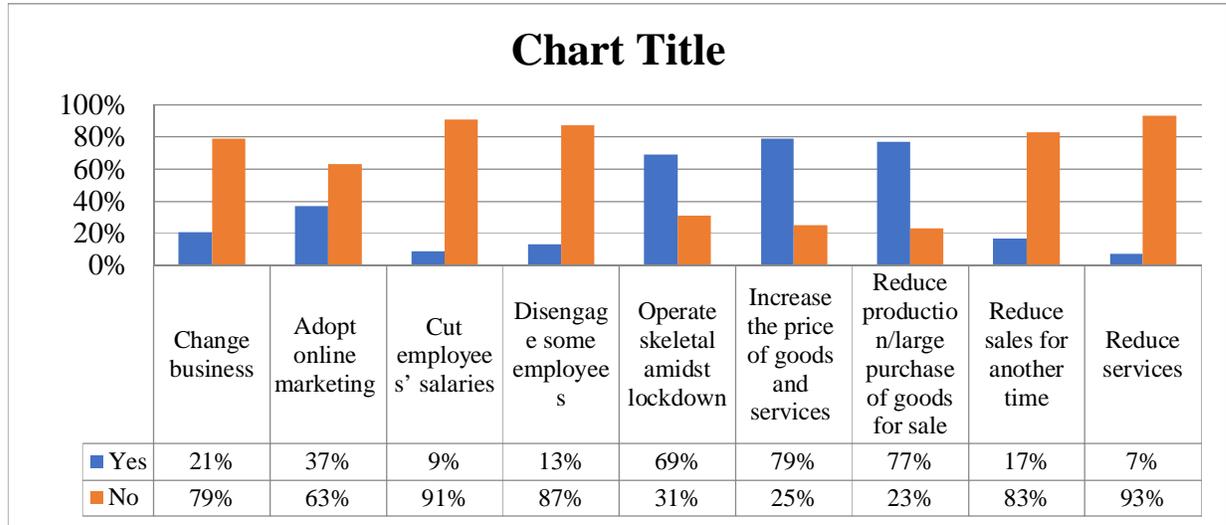


Fig. 1: Strategies taken by the SMEs owners to survive in the Wake of COVID-19

Fig. 1 shows the strategies taken by SMEs owners to strive in the wake of COVID-19 pandemic. It shows that reduced production and large purchase of goods for sale (77%), increase in the price of goods and services (79%) and operates skeletal amidst lockdown (79%) were the strategies adopted to survive in

the wake of the pandemic. On the other hand, Most of the SMEs did not reduce services (93%), cut employees' salaries (91%), disengage employees (87%), reduce sales for another time (83%), change business line (79%) and adopt online marketing (63%)

Table 5.3: Perception about COVID-19 pandemic

What are your perception about COVID-19 pandemic	SA	A	D	SD	Mean	Decision
COVI-19 is not real	11	20	80	36	2.0	Disagree
COVID-19 is real but not in Nigeria	10	60	49	28	2.4	Disagree
COVID-19 is real in Nigeria but not in Rivers State	22	69	33	23	2.6	Agree
Government is politicizing COVID-19	60	58	24	5	3.2	Agree
Government Should allow everybody to go about their businesses	32	85	23	7	3.0	Agree
Government Measures are causing more harm than good	20	70	31	26	2.6	Agree
Changing business should be encouraged	8	21	80	38	2.0	Disagree
Adopting digital marketing should be strongly encouraged	65	82	-	-	3.4	Agree

The table shows the perception about the COVID-19 pandemic. Most of the respondents were of the perception that adopting digital marketing should be encouraged (3.4), government is politicizing COVID-19 (3.2), government should allow everybody to go about their businesses (3.0), COVID-19 is real in Nigeria but not in Rivers State (2.6), government measures are causing more harm than good (2.6). On the other hand, the respondents disagreed that COVID-19 is real but not in

Nigeria (2.4), COVID-19 is not real (2.0) and changing business should be encouraged (2, 0).

**Summary of the Findings**

1. The finding of research question one revealed that the COVID-19 pandemic had a negative effect on small and medium businesses
2. The finding of research question two shows that operating skeletal and increasing the price of goods and services were the strategies adopted by small and

medium business workers to survive the wake of COVID-19 pandemic

3. The finding of research question three showed that small and medium businesses workers had a negative perception about the COVID-19 pandemic

### **Discussion of the Findings**

In research question one, respondents were asked to identify the effect of COVID-19 pandemic in their businesses. It revealed that the effect of COVID-19 pandemic on small and medium scale enterprises were low turnout of customers, low income, increase in the cost of goods and services, sales fluctuations and insufficient supply of goods, low demand of goods and services and there was no reduction in the cost/price of goods and services. This shows that COVID-19 pandemic has a negative impact on small and medium scale enterprises. This could be attributed to the measures taken by the government in containing the pandemic which has reduced the flow of income and consumption of goods and services. The study corroborates with the study carried out by the National Small Business Association (Hannon, 2020) who found that three in four small-business owners were very concerned about the economic impact of COVID-19. It was further confirmed that half have already seen reduced customer demand and 38% were not confident in the financial future of their business

In research question two, the respondents were asked to ascertain the strategies taken to survive in the wake of the pandemic, it was found that increase in the price of goods and services and operating skeletal amidst lockdown were the strategies adopted. On the other hand, Most of the respondents did not reduce services, cut employees' salaries, disengage employees, reduce sales for another time, change business line, reduce production and adopt online marketing, Buoey (2020).

In research question three the respondents were asked to express their perception about COVID-19 pandemic. It shows that small and medium workers believe that although the pandemic is real in Nigeria but not in Rivers state that government is politicizing the pandemic also, the measures put in place are

causing more harm than good therefore, should allow everybody to go about their businesses. They thought changing business should not be encouraged rather adopting digital marketing should be encouraged. This could be due to the paradigm shift in the adoption of online marketing by both the entrepreneurs and the consumers as rightly put by Buoey (2020) that not all retail sectors experienced losses. While businesses relying on physical space and shops, such as supermarkets, traditional food markets, restaurants, car dealers, movie theaters, gyms, and bars, suffered losses, local neighborhood markets (convenience stores) and online markets flourished.

### **Conclusion**

The prospects of SMEs to Nigeria growth, development and industrialization, wealth creation, poverty reduction and employment creation is staggering. The realization of its significance requires drastic measures for survival of SMEs especially in the wake of COVID-19 pandemic. The emergence of COVID-19 and its widespread has had an adverse effect on activities of small and medium businesses and the economy of the nation. Consequently an emergency response is needed to save Nigeria's economy which is dependent on the activities of SMEs from though already inimical situation but necessary as it is almost sliding towards economic recession. The study investigated the effect of COVID-19 pandemic on small and medium businesses. It was found that although the pandemic has adversely affected the activities and the income level of SMEs, to stay alive they had to increase the price of goods and services and operate skeletal. It was requested that government should allow everybody to go about their businesses. This is because they lack confidence in government's measures in the fight of the pandemic. In conclusion, despite the negative effect of COVID-19 on SMEs, some entrepreneurs are leveraging the opportunity to exploit. Some businesses are even going digital and including goods and services that the pandemic has necessitated.

### **Recommendation**

Based on the findings of the study it is recommended that:

1. Small and medium enterprises should consider adopting digital marketing to minimize the negative effect of pandemic which was culminated by contact with
2. The government should provide support for small and medium scale enterprises by providing grants, waive tax as well as a flexible policy that will aid easy operation.
3. The small and medium scale workers should not see COVID-19 as a scam rather they should assist in the fight against COVID-19 pandemic by adhering strictly to all the measures to contain the virus.

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