Faculty of Economics and Business

Impacts of COVID-19 Pandemic on the SMEs Performance in Nigeria

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Impacts of COVID-19 Pandemic on the SMEs Performance in Nigeria

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DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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ABSTRACT

This study investigates the multifaceted impacts of internal and external factors resulting from the COVID-19 Pandemic on Small and Medium-sized Enterprises (SMEs) in Nigeria. Motivated by the need to understand the challenges SMEs face during global crises, this study aims to provide valuable insights for policymakers, business owners, and stakeholders. The objective is to develop targeted strategies to enhance SMEs' performance and foster economic recovery in Nigeria. The variables examined include internal factors such as downsizing and fear of existing business, and external factors like a reduction in demand and revenue. The study's methodology employs a cross-sectional and quantitative approach, utilizing a snowball sampling method. An online questionnaire was distributed to company owners, managers, and supervisors of SMEs in urban areas, initially targeting 100 participants but eventually reaching 300 respondents nationwide through social media channels. The results indicate that the performance of SMEs during the COVID-19 Pandemic requires constant measurement to make informed decisions regarding business operations, whether to continue, fortify, or downsize. The findings show that adapting to rapid innovation is crucial for identifying new business opportunities. Furthermore, the study reveals a significant relationship between SME performance and both downsizing and fear of existing business, as well as a positive relationship between performance and a reduction in demand or revenue. These results imply that understanding the dynamics of internal and external factors can help SMEs better navigate crises and improve their resilience. The insights gained from this research can guide the development of strategies to support SMEs, ultimately contributing to the economic recovery and growth of Nigeria.

Keywords: Nigeria, COVID-19, performance, small and medium enterprises

Garispanduan Tesis: Gaya dan Format untuk Program Pengajian Pascasiswazah

ABSTRAK

Kajian ini menyelidiki faktor dalaman dan luaran yang timbul akibat pandemik COVID-19 ke atas prestasi Perusahaan Kecil dan Sederhana (PKS) di Nigeria. Kajian ini bertujuan untuk memberikan pandangan kepada pembuat dasar, pemilik perniagaan, dan pihak berkepentingan. Objektifnya adalah untuk membangunkan strategi yang disasarkan untuk meningkatkan prestasi PKS dan memulihkan ekonomi Nigeria. Faktor dalaman seperti pengurangan tenaga kerja dan ketakutan terhadap perniagaan yang sedia ada, serta faktor luaran seperti pengurangan permintaan dan pengurangan pendapatan menjadi tumpuan kajian. Metodologi kajian menggunakan pendekatan keratan rentas bersifat kuantitatif. Soal selidik dalam talian diedarkan kepada pemilik syarikat, pengurus, dan penyelia PKS di kawasan bandar dengan 300 responden di seluruh negara. Hasil kajian menunjukkan bahawa prestasi PKS semasa pandemik COVID-19 memerlukan pengukuran yang berterusan untuk membuat keputusan yang tepat mengenai operasi perniagaan, sama ada untuk meneruskan, memperkukuh, atau mengurangkan operasi. Hasil kajian menunjukkan penyesuaian kepada inovasi adalah penting untuk mengenal pasti peluang perniagaan baru. Kajian juga mendedahkan hubungan signifikan antara prestasi PKS dengan pengurangan tenaga kerja dan perniagaan yang sedia ada, serta hubungan positif antara prestasi dengan pengurangan permintaan atau pendapatan. Hasil ini menunjukkan bahawa memahami dinamik faktor dalaman dan luaran dapat membantu PKS mengharungi krisis dengan lebih baik dan meningkatkan daya tahan mereka. Pandangan yang diperoleh daripada penyelidikan ini boleh membimbing pembangunan strategi untuk menyokong PKS, seterusnya menyumbang kepada pemulihan dan pertumbuhan ekonomi Nigeria

Kata kunci: *Nigeria, COVID-19, prestasi, perusahaan kecil dan sederhana*

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LIST OF ABBREVIATIONS

CBN	Central Bank of Nigeria
CDC	Centre of Disease Control
COVID-19	Coronavirus
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITC	International Trade Centre
MSME	Micro, Small and Medium Enterprises
NBS	Nigeria Bureau Statistics
NCDC	Nigeria Centre for Disease Control
NESG	Nigerian Economic Summit Group
SME's	Small and Medium Enterprises
WHO	World Health Organization
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 Study Background

World Health Organization announced the outbreak of Coronavirus (COVID-19), which originated from Wuhan China, rapidly spreading around the world (Kapata, Ihekweazu, Ntoumi, Tajudeen, Chanda, Mwaba, Mukonka, Bates, Tembo, Corman, Mfinanga, Asogun, Elton, Arruda, Thomason, Mboera, Yavlinsky, Haider, Simons & Zumla, 2020). In February 2020 the first case of the virus was confirmed in Nigeria; considering the fact that Nigeria is the most populous African country placed it on high risk (Olaofe-Obasesin, & Olugbemileke, 2020). The first record of the virus infection was in Lagos, the largest city in Nigeria (Ebenso & Otu, 2020). However, since the 25th of March there has been a geometric increase of the virus in Nigeria, which compelled the Federal government to impose an immediate lockdown (Maseland, 2020). Although, the spread of the virus was understood to be animal to human (World Health Organisation, WHO 2020; Kapata et al., 2020); as of April 2020, over 15,000 cases of COVID-19 were reported in 52 countries in Africa (Braimah, Edike & Elakhe, 2020)

The pandemic has crumbled the global market, affected most economic sectors and involuntarily boosted other sectors (essential good). As Africa grip for the outcome during the pandemic and aftermath of the pandemic, working solidarity helps strengthening the economy of West Africa (Ime, Ikoroha, Anietie, Edidiong, Emmanuel & Nyarks, 2020). The eventuality of more cases emerging from Africa as a case of rapid infection has weakened their economy and health system. Thankfully, with the effective cooperation from World Health Organization, Federal, State health ministries, there has been prompt and effective

approaches to COVID-19 outbreak in Africa (Ohia, Bakarey & Ahmad, 2020). For example, WHO allocated $100 million in pandemic-related funding for sub-Saharan Africa in 2020, aimed at bolstering regional preparedness (WHO, 2020).

The effectiveness of Nigeria Centre of Disease Control (NCDC) on controlling the pandemic and infection rate is basically disrupted by bureaucracy (Costantinos, 2020). Whether applied to individuals or organisations, it is often based on the idea of doing well in the face of challenging conditions that threaten to endanger that performance. Resilience can be defined as the ability to maintain positive adjustment in the face of adversity. Despite this shared concept of resilience, different perspectives have taken different methods to defining resilience in the business environment, with some focusing on individual employees and others on the organisation itself and its characteristics (Wishart, 2018). For example, during the pandemic, 58% of small businesses globally implemented operational changes to sustain themselves (OECD, 2020). When catastrophe interrupts a company's operations, business resilience triggers the ability for the firm to survive, recover, and expand. Survival implies that the company stays in business after the crisis, but its performance falls short of what it was before the crisis (Huang & Farboudi, 2021).

Financial sustainability of small and medium-sized companies has direct and significant impact on growth and development of a country’s economy (Sabău-Popa, Simut, Droj & Bențe, 2020). Small enterprises are related to minimal capital and cling to area of operation with basic management structure, it’s actively managed by a sore proprietor and highly personalized (Ebitu, Basil & Ufot, 2016).

Businesses in Nigeria was drastically affected by the impact of COVID-19, the nature of transmission also impacted polices globally and in Nigeria to reduce contact with infected and transmission of COVID-19 (Olapegba, Ayandele, Kolawole, Oguntayo, Gandi,

Dangiwa & Iorfa, 2020). According to a 2021 report by the Nigerian Economic Summit Group (NESG), 43% of Nigerian SMEs reported revenue declines exceeding 25% due to pandemic restrictions. Government decision was taken to slow down the spread of the virus; however, it also came with a negative impact on citizens. Businesses and offices closed, leading to lose of job in Nigeria, hence increasing crime rate as a result of the lockdown (Saidu & Aifuwa, 2020) and increase price of agricultural products as a result of inflation (Anagah, 2020). Vandenberg (2020) on SME lockdown challenges listed lack of operational cash flow, drop in demand for production and service, business closure, opportunity reductions, issues with business changing strategy; as well as difficulties in obtaining raw materials. For example, over 70% of SMEs in West Africa reported liquidity challenges during the pandemic, highlighting their vulnerability (African Development Bank, 2021).

COVID-19 crisis intervention fund of 500 billion Naira budget was set up to cover needed health care funding, temporary fiscal support package (not yet finalized) to help taxpayers and incentivize employers retain their employees (Margevich & Synak, in Kothari, Fang, N'Diaye & Purfield, 2020). According to International Monetary Fund (IMF, 2020) contingency fund of nine hundred and eighty-four million Naira (984 million) was released to Nigeria Centre of Disease Control (NCDC) and additional Six billion five hundred Million Naira (6.5 billion) was allocated for testing kit purchase and setting up isolation centres and training medical personnel. However, in Lagos state in Nigeria (epicentre COVID-19), Ten Billion Naira was granted (10 billion) to help tackle the outbreak in the State.

The Nigeria projection for growth 2020 has significantly been cut from 2.5% to 2% due to the plunging oil prices as an effect from the COVID-19 Pandemic (Sabău-Popa et al., 2020). Nigeria recognizes the massive impact and the risk of COVID-19 in the country, therefore; effort was made by creating the multi-sectorial National Coronavirus

Preparedness Group which was established by the Nigeria CDC a week after it was an epidemic. Though COVID-19 severity was high but it appeared to have less than 3% mortality rates as the outbreak was regarded as a viral respiratory tract infections or pneumonia (Kapata et al., 2020). To address these challenges, Nigeria's multi-sectoral National Coronavirus Preparedness Group, established by the NCDC, implemented strategies to limit the virus's spread and protect public health. However, the economic consequences remain significant, with 45% of SMEs in Nigeria indicating their performance had not returned to pre-pandemic levels even by 2022 (World Bank, 2022).

The International Monetary Fund on their policy response as reported by Aregbeshola and Folayan, (2022) stated the Nigerian monetary measures in response to COVID-19 as follows: FG spending on SMEs (Current)- 500 Billion Naira; Medical supplies (health care and Isolation centre)-200 Billion Naira; Medical supplies (health care and Isolation centres)- 984 Million Naira; Testing kits and training (medical personnel)- 6.5 Billion Naira; Health care facilities (isolation centres)- 10.15 Billion Naira; Health spending Grant in states (Lagos)- 10 Billion Naira. For the fiscal relief measures, income tax penalty waiver was placed, as well as suspension of import tax duties for medicals. The school feeding program during lockdown also gulped 523.3 million Naira. Despite these allocations, it is imperative impacts of COVID-19 Pandemic on the SMEs performance in Nigeria.

1.2 Background of Nigerian Small and Medium Enterprises Problem

The widespread of COVID-19 has practically affected all country either by infection rate or economic fallout, fiscal consideration of relatively proposed method undertaken to understand the relatively cost of government intervention and potential impact of COVID-19 fund debt (public) (Fabri, Cassar, Fabri, Fenech & Spiteri, 2020). The outbreak of

COVID-19 Pandemic gradually changed the global livelihood, with so many activities altered to limit explosive outbreak.

During a crisis, most businesses instantly go into crisis mode and begin reducing costs across the board, from day-to-day operations to labour. Although this strategy has helped some businesses survive the crisis, a sole concentration on cost-cutting can lead to a variety of issues, including decreased product quality, customer discontent, a lack of post-crisis development, and staff emotions of pessimism and disempowerment. As a result, striking a balance between cross-cutting and investment is critical to surviving and growing after the crisis (Huang & Farboudi, 2021).

More significantly, as a result of the widespread coronavirus epidemic, manufacturing factories have ceased operations. Furthermore, due to a lack of raw material supply, small and medium enterprises are unable to compete, and as a result, there is a shortage of items on the market. This predicament has two important ramifications for small businesses. To begin with, most industrial industries have shut down. Second, manufacturers with accessible resources for manufacturing will almost certainly raise the price of the product, ensuring inflation. This scenario is uncomfortable and perhaps unbearable due to a lack of financial resources (Amuda, 2020).

Epidemics outbreak have been prevented, controlled in the past; Ebola, smallpox, cholera which also claimed millions of lives. Epidemic has altered human history in the past, population decline; structure of population (mortality rate of older or younger individual) decline. With breakthrough of science and technology proper control of pandemics has been prevented; in 2003 the outbreak of SARS in China did not affect the growth of the economy in macro level by 10% increase on the second quarter of the year (Gong, Zhang, Yuan & Chen, 2020).The Monetary and Macro-Financial Policy Responses by the Nigerian

Government as reported by International Monetary Fund (2020) reveals the one-year moratorium on CBN intervention facilities as follows: Credit facilities (50 billion); Agriculture (1 trillion); Health care sector (100 billion); Manufacturing sector (2 trillion); Industrial sector (1.5 trillion); Private medical sectors (120 billion); and Health care structure (42.6 billion).

SMEs performance, enhance the provision of values for its stakeholders and this include; owners, customer's government and the society (Aladejebi, 2018). The past industrialization policies favouring medium and large enterprise helps to stimulate growth and development of the economy and creating SMEs as an agitator to industrialization quest for effective growth of Nigeria economy (Adegbemi, Ismail & Hadiza, 2013). In Nigeria, SMEs are in charge of providing a wide range of goods and services, encouraging an entrepreneurial spirit, and fixing used goods. Approximately 50% of SMEs are involved in distributive trade, which includes 10% in manufacturing, 30% in agriculture, and 10% in services. Together, SMEs account for 50% of the country's GDP (Olutunla & Obamuyi, 2008). These days, Nigeria's SMEs boost the country's GDP while also generating jobs, exporting goods, and developing new technologies. In 2013, SMEs accounted for 54% of Nigeria's GDP and 7.27% of its exports, according to Umar, Alasan, and Mohammed (2020). The Nigeria Bureau of Statistics reported that in 2014, 59 million Nigerians, or 84.02% of the country's labour force, were employed in the MSMEs sector.

In Nigeria small businesses are associated with the little capital layout with basic fixed assets which is highly localized in area of operation and most times with unsophisticated management structure. Hence, SMEs play an essential role on economic development of Nigeria (Ebitu et al., 2016) as they are considered as the foundation of which larger businesses are built (Adegbemi et al., 2013). Employment creation and high standard

of living provide competition and needs of society and other employment sectors (Ebitu et al., 2016). National Bureau of Statistics report show that the estimated number of MSME's in Nigeria is 41.5million which is distributed across the 36 states with the highest contribution to be Micro enterprises which account for 99.8% and small enterprises respectively (Abubakar, Kale & Olarewaju, 2020). According to the National Bureau of Statistics Report (2017), the total SMEs in Nigeria comprise: Micro-41,469,947; Small-71,288; and Medium-1,793; totalling SME-41,543,028.

SMEs in Nigeria are heterogeneous group of business which usually operate in different economy sectors (Olutunla & Obamuyi, 2008). SME sector is categorised into three sectors; micro, SMEs or businesses. SMEs differ in countries, another criterion of consideration it's either a developing or developed country (Ayuba & Zubairu, 2015), investment financing for SMEs include owner's savings local authorities, moneylenders and source from informal financial sectors (Gbandi & Amissa, 2014). Lagos State has population of about 21 million, with highest number of SMEs in Nigeria total of 8,395 (11.5%), Oyo State with 6,131 (8.4%), Osun State with 3,007 (4.1%). The lowest recorded are Borno State 538 (0.7%), Bayelsa State 300 (0.4%) and Yobe State 102 (0.1%) (Bamidele 2019).

During the review of the World Trade Organization, (World Trade Organization 2020) it was estimated that the global trade volume may decline by about 18.5% in 2020 with gradual recovery in 2021. This prediction shows the downward decline (James, Weiss, Schwarzenberg & Nelson, 2020). Supporting cross-border trading and cooperation will lead to sustainable financial resource to assist high risked Africa countries to help tackle the pandemic, agreement to ensure ecological and favourable partnership between African countries. African countries uniting and collectively reducing tariffs on medical supplies related COVID-19 and domestic price regulation (Yaya, Out & Labonté, 2020). With this

global decline, as well as what is tenable in Nigeria, there is need to find out how these SMEs fared especially from harsh effects of the COVID-19 Pandemic.

1.3 Problem Statement

The COVID-19 Pandemic has impacted supply chains, stock markets, and financial markets throughout the world, which are reacting badly to the increased uncertainty caused by the epidemic. With so many events (sports, entertainment, travel restrictions, and individuals crossing the border by land, sea, and train) being cancelled. This has had an influence on governments throughout the world, prompting them to take steps to prevent the spread of COVID-19 through lockdowns, health, and safety precautions. Nigeria, on the other hand, is not immune to COVID-19 (Arikekpar, 2020).

A business crisis is a threat to the company's survival and performance. COVID-19, which is currently taking place, has also become a serious threat and challenge to the business sector, not only in some places, but to all entrepreneurs worldwide. Currently, studies are being carried out, focusing on what SMEs must plan in order to ensure their survival (Hidayat, Latief, Nianti, Bahasoan & Widiawati, 2020). SMEs confront both internal and external challenges, lack of business planning, entrepreneurial skills and mentality, lack of creativity and innovation, and excessive stress levels and burnout are all internal issues. High levels of competition, difficulties reaching markets, and a lack of external funding are all external issues. A wide variety of internal and external shocks disproportionately affect SMEs. The high failure rate may have a detrimental impact on SMEs' resilience (Fatoki, 2018). In Nigeria, the majority of SMEs struggle during the first five years of operation, a smaller proportion strive between the sixth and tenth years, and only approximately five to ten percent survive and mature. Many reasons have been recognised as leading to the demise of SMEs before their time. Inadequate capital, irregular

power supply, infrastructural deficiencies (water and roads), inadequate market research, lack of succession plan, inexperience, lack of proper bookkeeping, lack of proper records or lack of any records at all, inability to separate business and family or person are just a few examples (Agwu & Emeti, 2014).

Despite the fact that in 2020, the CBN introduced the N50bn Targeted Credit Facility as a stimulus package to support households and Micro, Small and Medium Enterprises affected by the COVID-19 Pandemic (Dan-Awoh, 2023; KPMG International 2023); a lot of SMEs could not survive the pandemic wave. It is possible that small and medium-sized businesses had difficulties accessing these funds or acquiring equity financing from financial institutions or people; while the terms of accessing them are often harsh or unfavourable; being well aware that around 80% of SMES do not survive due to lack of funding (Osotimehin, Jegede, Akinlabi & Olajide, 2012). While funding is not the only issue that SMEs face, it is perhaps the most difficult. Because of the requirement for permanent assets such as land, SME investment, like any other investment in the real sector of the economy, is relatively bulky. Nigeria places a greater emphasis on SMEs than bigger companies' construction, machinery, equipment, and mobile assets (Evbuomwan, Ikpi, Okoruwa & Akinyosoye, 2018).

Another worrying issue is the geographic spread of the macroeconomic intervention. The spread and balance of these government interventions are expected to vary across regions based on country characteristics. Unfortunately, the longer the pandemics impact on economic activity, the greater the impact on the SME due to broken economic links within the transaction cycle, which will contribute to liquidity issues. In addition, people's tendency to save the profits and proceeds gets tighter, leading to varied impacts on the stakeholders in the SME industry. Larger, well-established businesses may be in a better

financial position to resist the consequences. On the other hand, a handful of players will be particularly vulnerable to the long-term consequences and may suffer significant difficulties (Fabri et al., 2020). The containment measures of COVID-19 Pandemic such as total lockdown, restrictions on movement affected production level, reduced sales and revenue and cause cash trap. SME are affected as they cannot utilize storage capacities well, because their supply channel is rendered ineffective, once supply channel is disrupted, SME face shortage in demand on their product, which also cause a decline on revenue, Supplies also lose their raw materials as they cannot provide effectively (Sun, Zhang, Dinca & Raza, 2022).

There have been several studies on the impact of COVID-19 Pandemic on SME's performance; such as (Samreen, Nagi, Naseem & Gul, 2022; Thukral, 2021; Klein & Todesco, 2021; Fairlie, 2020). These studies ranged from COVID-19 Induced downsizing and survivors' syndrome and transformational leadership; how SMEs cope and flatten the Coronavirus pandemic curve; SME challenges and responses with creativity, innovation, and entrepreneurship- role of digital transformation; as well as evidence of early-stage losses from the April 2020 of COVID-19 Pandemic impact on small business owners. However, the main difference is that none of these studies categorically discussed impact of COVID-19 Pandemic Internal factors (Downsizing and Fear of Existing Business) and External factors (Reduction in Demand and Revenue Reduction) on SMEs performances. None of the reviewed studies combined all four factors in a single study. Only a few utilized regression methods, but none adopted the snow-ball approach. Furthermore, from the researcher's preliminary investigation, no study in the above dimensions have been carried out in Nigeria, revealing a gap to be filled by the present study.

1.4 Research Question

The study is guided by the following research questions

i. What are the impacts of the internal factors (downsizing and fear of existing business) on SMEs performance in Nigeria?

ii. What are the impacts of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria?

iii. What are the impacts of COVID-19 Pandemic on SME's performance in Nigeria?

1.5 Objective of the Study

1.5.1 General Objective

The general objective of this study is to investigate the impact of COVID-19 Pandemic on the SMEs performance in Nigeria.

1.5.2 Specific Objective

This study is conducted base on the following specific research objectives:

i. To access the impact of the internal factors on SMEs performance in Nigeria

ii. To examine the impact of the external factors on SMEs performance in Nigeria

iii. To investigate the impact of COVID-19 Pandemic on the SME's performance in Nigeria

1.6 Scope of the Study

This study is focused on exploring the impacts of COVID-19 Pandemic on the SMEs performance in Nigeria. The content scope will cover the impact of the internal factors (downsizing, fear of existing business) on SMEs performance in Nigeria; the impact of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria; and the impact of COVID-19 Pandemic on SME's performance in Nigeria. The study covers city areas North and South region of Nigeria, while the population scope is SMEs from Lagos, Ogun, Kano, Kaduna, Abuja, Anambra, Imo, and Abia states.

1.7 Significance of the Study

It is hoped that the findings of this study will be of theoretical and practical importance to SMEs, health policy makers, economic policy makers, Nigeria Government and researchers in economics.

The study will be of theoretical significance to knowledge as it will clarify contradictions on how best SMEs can apply the Dynamic Capability Theory into COVID-19 Pandemic's influence on SME's performance. The Dynamic Capability Theory provides a valuable framework for understanding why some SMEs in the face of the pandemic have been able to weather the storm and even thrive, while others have struggled or failed, offering insights into how firms can proactively build and utilize dynamic capabilities to navigate such crises. This knowledge can be instrumental for policymakers and business leaders in supporting SMEs during disruptive events like the COVID-19 Pandemic.

The significance of studying the impact of the COVID-19 Pandemic on Small and Medium Enterprises (SMEs) for these SMEs is profound. The COVID-19 Pandemic has significantly impacted Small and Medium Enterprises (SMEs), providing valuable insights

into their vulnerabilities and strengths. This research helps SMEs understand how external shocks can disrupt operations, potentially leading to financial strain or closure. It also highlights the importance of digital transformation and online presence for SMEs in an increasingly digital world. This research underscores the need for tailored assistance and policy measures for policymakers and support organizations.

The significance of investigating the impact of the COVID-19 Pandemic on Small and Medium Enterprises (SMEs) for health policy makers lies in understanding the intricate link between economic well-being and public health. The pandemic highlighted the impact of business disruptions on a nation's health, particularly for small and medium-sized enterprises (SMEs). Their resilience is crucial for job security and income stability. Health policymakers can learn from this research, emphasizing the need for a holistic approach to public health. Health crises are interconnected with economic conditions, social support, and healthcare access. This understanding can inform the development of more resilient health systems and policies. Additionally, offering SMEs tools and incentives can enhance workplace health and safety, contributing to community well-being.

The significance of studying the impact of the COVID-19 Pandemic on Small and Medium Enterprises (SMEs) for economic policy makers are equally enormous. This research can help economic policymakers strengthen SMEs' resilience during crises by emphasizing the importance of financial support mechanisms, flexible regulations, and digitalization. By understanding the impact of the pandemic, policymakers can develop strategies to mitigate future economic shocks, ensuring the stability and growth of SMEs and the broader economy. The research emphasizes the interconnectedness of public health and economic policies, necessitating a comprehensive, multidisciplinary approach.

SMEs are vital especially to Nigeria's economy, contributing significantly to employment and GDP. The pandemic severely disrupted their operations, leading to job losses and business closures. The study will help understand that these challenges are crucial for the government to design targeted policies and support mechanisms. It highlights the need for improved access to finance, streamlined regulations, and investments in digital infrastructure to enhance SME resilience. Furthermore, the study can guide the government in developing strategies to diversify the economy and reduce its dependence on sectors vulnerable to external shocks. The insights from this research can inform economic recovery plans, foster entrepreneurship, and stimulate economic growth, all of which are pivotal to Nigeria's sustainable development in the post-pandemic era.

Researchers in economics should pay close attention to how the COVID-19 Pandemic affects the performance of small and medium-sized businesses (SMEs). The COVID-19 Pandemic has significantly impacted the performance of Small and Medium Enterprises (SMEs), which are crucial for economic development and job creation in many countries, including Nigeria. This research not only provides insights into the pandemic's ramifications but also offers insights into economic resilience, recovery, and policy formulation. It provides a real-world case study to examine the effectiveness of government interventions and economic stimulus packages, and allows for exploration of SMEs' adaptation to unforeseen crises. This research is essential for advancing economic knowledge and guiding future policymaking.

1.8 Organization of the Study

The COVID-19 Pandemic has significantly impacted Nigeria's Small and Medium Enterprises (SMEs), disrupted their operations and contributed to job creation, innovation, and overall economic growth. The study is divided into 5 chapters.

Chapter One introduces the research, underscoring the significance of understanding how the pandemic has impacted this sector, given its substantial contributions to socio-economic development, including poverty reduction. The problem statement emphasizes the urgent need to address the challenges faced by Nigerian SMEs in the pandemic's aftermath, serving as a call to action for comprehensive research that explores the nuanced impact and lays the foundation for effective response strategies. The study's objectives are designed to assess and comprehend the multifaceted implications of the pandemic on Nigerian SMEs, through identifying the impact of the internal factors on SMEs performance in Nigeria; determining the impact of external factors on SMEs performance in Nigeria; and investigating the impact of COVID-19 Pandemic on SME's performance in Nigeria.

Chapter Two treated review of literature, with the conceptual framework on SMEs performance, downsizing in business, fear of existing business, reduction in demand, and revenue reduction. The theoretical studies were reviewed on: global economy cross-border flow connection; impact of COVID-19 Pandemic on SMEs (social impact, economic impact, financial impact, socioeconomic impact); entrepreneur resilience management; and SMEs COVID-19 Pandemic performance. Furthermore, the theoretical framework was on the Dynamic Capability Theory, while the empirical studies and summary of literature review followed.

Chapter Three discussed the methodology adopted for the study which employed the cross-sectional and quantitative investigation with a snowball sampling approach. Owners

and managers of SME's are sent online questionnaires. The questionnaire was designed in open and closed end pattern which will be administered to the small and medium scale enterprises directly, and adopts various measurement methods, including Likert scale, multiple choice and ranking method. This study used an online survey on Google questionnaire that was sent to approximately 100 people; however, by using the snowballing method of sampling, the number of people who will participate is expected to rise to 300 people from all parts of Nigeria (North and South). The data obtained was presented in tables and analysed using mean, percentages, and standard deviation.

Chapter Four contains the results and discussions of findings, interpretation of results under measuring SME performance, internal factors (downsizing and fear of exiting business) influencing SMEs performance; external factors (reduction in demand and revenue reduction) influencing SMEs performance; and impact of COVID-19 Pandemic on SME's performance in Nigeria while Chapter Five summarized the results, stated the limitations of the study, recommended areas for further studies, and conclusion.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The business sector in most economies is classified mainly under micro, small and medium sized firms, hence this study targets SMEs, while measures of response and resilience has been attributed to coping with crises (Rodrigues, Franco, Sousa & Silva, 2021). SMEs are more likely to choose a number of coping mechanisms while the COVID-19 Pandemic transmission phase progresses, ranging from limiting current consumption to disposing of productive assets. These latter techniques are particularly concerning since they may diminish SMEs' ability to earn money in the future, perhaps resulting in non-resilience (Helgeson, Fung, Zhang, Henriquez, Zycherman, Nierenberg & Ramkissoon, 2020).

Small businesses benefit from outside assistance because it gives them with the expertise they need to create and implement new ideas. The business informational assistance acquired from enterprise's surrounding environment is generally the foundation for innovations. Enterprise innovations are the outcome of blending information gained from their external environment with internal expertise. External assistance also offers an organisation with human and financial resources to boost internal innovation (Adam & Alarifi, 2021).

Currently the rapid increase of COVID-19 Pandemic has beaten all odds to suppress the infection (Seleman, 2020), delaying the worst to come by providing immediate treatment (Rabiu, Kabiru, Ahmad & Samaila, 2020). As the cure for the COVID-19 pandemic had yet to be found to stabilize the world, the spread of the virus increased, and the death rate

significantly rose in Africa. However, the only measure was to contain the transmission to reduce the death rate across the continent (Seleman, 2020). Decision of the Federal government for her citizens to stay at home to reduce infection had a negative impact on the citizens and economy (Saidu & Aifuwa, 2020). The literatures around SMEs and COVID-19 Pandemic were discussed under the conceptual framework, theoretical studies, theoretical framework, and empirical framework.

The business sector in most economies is formed above all of micro, small and medium sized firms, either family-owned or otherwise, so my studies have emerged targeting SMEs and measure of response and resilience, resilience has been attributed to cope with crises (Rodrigues et al., 2021). SMEs were likely to choose a number of coping mechanisms as the COVID-19 transmission phase progressed, ranging from limiting current consumption to disposing of productive assets. These latter techniques were particularly concerning, as they could diminish SMEs' ability to earn income in the future, potentially resulting in non-resilience (Helgeson et al., 2020).

Small businesses benefited from external assistance as it provided them with the expertise needed to develop and implement new ideas. The business informational support obtained from an enterprise's surrounding environment often served as the foundation for innovations. Enterprise innovations resulted from combining information acquired from the external environment with internal expertise. External assistance also provided organizations with human and financial resources to enhance internal innovation (Adam & Alarifi, 2021).

The rapid increase in COVID-19 infections overcame all efforts to suppress the spread (Seleman, 2020), delaying the worst outcomes by providing immediate treatment (Rabiu et al., 2020). As the cure for COVID-19 had yet to be discovered to stabilize the

world, the spread of the virus continued to rise, and the death rate significantly increased in Africa. However, the only viable measure was to contain the transmission to reduce the death rate across the continent (Seleman, 2020). The Federal Government's decision for citizens to stay at home to curb infections had a negative impact on both the population and the economy (Saidu & Aifuwa, 2020).

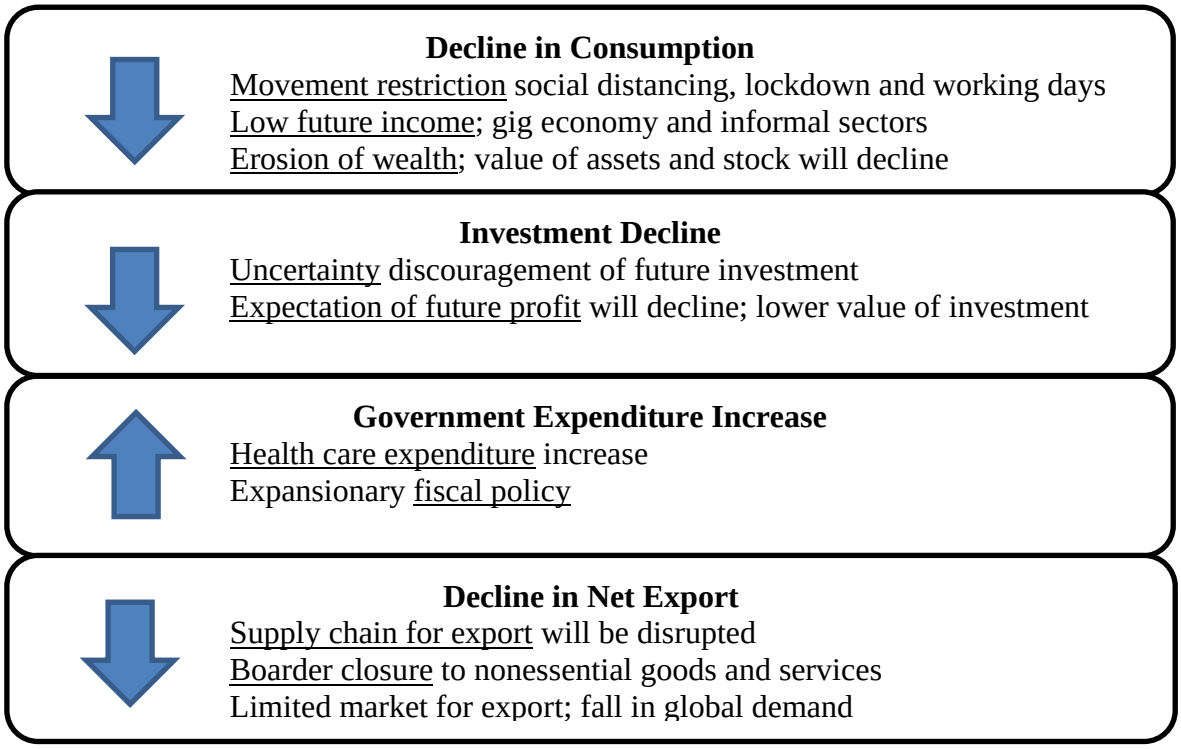

Figure 2.1: COVID-19 Pandemic affects component of aggregate demand (Adiyoh, Ze, Tougem and Dalibi 2020)

SMEs in Nigeria inevitably suffered from the COVID-19 Pandemic's impact on reduced family spending and aggregate demand. Nigerian household consumption declined for three key reasons. First, mobility restrictions encouraged consumers to focus their spending primarily on essentials such as clothing and food. Second, workers in temporary jobs within the gig economy and informal sector faced lower expectations for future income. Third, wealth dilution occurred due to asset reductions, including declines in real estate and equity values.

2.2 Theoretical Studies

2.2.1 Dynamic Capability Theory

Dynamic Capability Theory (DCT) emphasizes an organization's ability to adapt to changing environments by effectively integrating and reconfiguring internal and external resources (Magnano, Grimstad, Glavee-Geo & Anwar, 2024). This approach maximizes profitability in dynamic and uncertain conditions and serves as a strategic tool for addressing competitive market dynamics. DCT involves acquiring and learning new skills and capabilities to enhance organizational performance (Gupta, Chen, Hazen, Kaur, Gonzalez, 2019).

DCT is particularly vital for the performance of SMEs in Nigeria during the COVID-19 Pandemic. It highlights an organization's capacity to sense opportunities and threats, seize opportunities, and reconfigure resources to respond effectively to changing circumstances. SMEs that adapted to market demands, such as increasing reliance on digital platforms and adjusting to evolving consumer behaviors, were better positioned for survival. By adopting digital tools, pivoting to new business models, or shifting to the production of essential goods, SMEs could maintain or expand their operations. Furthermore, the ability to reconfigure internal processes and resources—such as streamlining supply chains and reallocating budgets—was essential for navigating the pandemic's economic impacts.

Dynamic Capability Theory emphasized that, to gain a competitive edge, organizations had to respond quickly to changes in their environment. To adapt to a rapidly changing environment, companies needed to develop dynamic capabilities—the ability to integrate, build, and reconfigure internal and external resources. Small adjustments within organizations during environmental changes, such as updating routines, were referred to as

reconfiguration, whereas significant changes in structures, process assets, business models, and strategies were termed transformation (Huang & Farboudi, 2021).

Strategic Agility (SA) referred to a company's capacity to respond quickly to changes in its surroundings. In terms of strategic agility, firms needed to successfully predict and align with opportunities or threats to ensure preparedness and adapt to rapid changes. Organizations that reacted slowly to change were at risk of falling behind or struggling to survive. The survival of a firm in a volatile environment required transformation, adaptation, and the implementation of survival strategies to ensure resilience (Gerald, Obianuju & Chukwunonso, 2020).

As a result of the COVID-19 Pandemic, businesses faced the rational decision to adapt or risk shutting down. While the primary objective of business owners was to maximize profits, the global pandemic made this goal difficult to achieve. Business performance, both financial and non-financial, suffered if operations ceased. The nationwide lockdowns led to reduced patronage, negatively impacting their performance. Sales declined significantly, resulting in minimal profits, and businesses were forced to lay off employees due to low customer demand (Saidu & Aifuwa, 2020).

Following the COVID-19 Pandemic, businesses had to make rational decisions or risk closing. Business owners' primary objective was to maximize profits, but given the severity of the pandemic, this became increasingly difficult. Closing a business negatively impacted both its financial and non-financial performance. The country's lockdown led to reduced patronage, which in turn lowered profits. As a result, businesses were forced to lay off employees (Hope, Saidu & Success, 2020).

2.3 Empirical Studies

2.3.1 Definition of SMES

In Nigeria, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) (2023) defined SMEs as enterprises with a maximum asset base of N200 million, employing at least 10 or more than 300 staff, and having an annual turnover of about N400,000. The Federal Ministry of Commerce and Industry defined SMEs as firms with a total investment of up to N750,000 and employing up to fifty persons. These enterprises could exist as sole proprietorships or partnerships and were characterized by simple management structures, informal employer/employee relationships, labor-intensive operations, simple technology, a fusion of ownership and management, and limited access to capital.

According to the European Commission (2016), SMEs were classified as small businesses with fewer than 50 employees and annual sales of less than €10 million, medium-sized businesses with fewer than 250 employees and annual sales of less than €50 million, and micro-enterprises, which had fewer than 10 employees and annual sales of less than €2 million. SMEs were seen as a major economic driver and one of a nation's leading indicators of economic progress, significantly boosting a nation's GDP in both developed and developing nations (Rumanti, Rizana, Septiningrum, Reynaldo & Isnaini, 2022).

Research on the performance of SMEs was crucial because it had a significant impact on both GDP and unemployment; it also enabled researchers to keep up with the rapid changes in the global economy and comprehend the interdependencies between different national economies (Cicea, Popa, Marinescu & Ștefan, 2019). SMEs represented an integral part of the framework for free enterprise and entrepreneurship, two key components of a competitive economy (Tomovska-Misoska, Dimitrova & Mrsik, 2016). According to

Mahmudova and Kovács (2018), Small and Medium Enterprises (SMEs) played a significant role in the development of a nation's economy, as they supported sustainability, fostered innovation, and contributed to the supply of goods and services to the economy. SMEs also created jobs for people in both rural and urban areas.

In particular, owners or leaders of SMEs in developing countries had to find ways to keep their businesses afloat. Because of this, it was essential to assess SMEs' performance during a pandemic in order to determine how best to assist them (Rumanti et al., 2022). The term performance referred to the process by which a person or group decided what to do in order to accomplish a particular objective; performance, in the words of Yucesoy and Barabási (2016), was the total of all accomplishments in a given field of endeavor that could be quantified with objectivity. The word "performance" was employed in many different contexts, such as social, economic, technological, and athletic performance. According to Tomovska-Misoska et al. (2016), the term performance is derived from the Latin word performare, which meant to carry out an orderly task.

2.3.2 Downsizing in Business

The term downsizing is frequently used in business to refer to downsizing, which is reducing operating expenses and making a firm leaner by reducing the personnel, shutting down facilities, and enhancing departmental productivity and efficiency (Market Business News, 2023). In order to increase organizational performance, productivity, efficiency, and competitiveness, management undertook a series of duties and actions (policies and practices) (Brown, O'Kane, McCracken & Mazumdar, 2017). To proactively or reactively improve an organization's performance, downsizing typically took the form of staff layoffs and redundancies (Shalini & Maiya, 2019).

The purpose of downsizing was to restructure a company in order to increase its competitiveness, improve efficiency (by substituting machinery for employees), reduce costs, boost profits by cutting overhead costs, and respond to a decline in the demand for the company's goods or services (Market Business News, 2023). Downsizing was meant to be used to increase organizational performance. The longer-term objective was to achieve enhancements in terms of increased competitiveness, effectiveness, efficiency, and productivity (Ogunbote, 2018). In contrast to reactive downsizing, which was a managerial response to a short-term crisis or a particular business requirement, proactive downsizing was a purposeful move intended to achieve long-term organizational goals, according to Shalini and Maiya (2019). In order to increase business performance through a decrease in personnel, downsizing was thus seen as a planned occurrence involving a variety of organizational policies and practices (Datta & Basuil, 2015).

2.3.3 Fear of Existing Business

Small and medium-sized businesses (SMEs) throughout the world had been severely scarred by the widespread, unprecedented COVID-19 Pandemic, placing them under extreme pressure to maintain their operations (Muhamad, 2022). As discussed by Jamieson, Fettiplace, York, Lambourne, Braidford and Stone (2012), big businesses had intimidating characteristics: they typically operated for more than ten years; invested early enough due to the boom years in infrastructure and other resources; maximized and maintained their relationships with contacts; were willing and able to diversify and respond flexibly to changing conditions and emergent opportunities; adapted to changing markets; and supplied customers with the appropriate goods/services they wanted. They also had strong leadership in terms of stability, expertise, and experience.

There was growing evidence that the majority of non-essential enterprises were obliged to temporarily close down in order to escape the epidemic, which led to serious logistics issues, a workforce shortage, and poor sales results (Muhamad, 2022). For SMEs to survive and flourish, they had to battle with local firms and giant corporations with deep finances, who could easily outwit small enterprises, both in the physical and the digital worlds (Sims, 2019). Small firms may have felt unable to compete in markets dominated by large corporations with substantial marketing expenditures and economies of scale (Coleman, 2013). Even though the struggle was usually unwinnable, small business owners could compete with these bigger, more established companies by remembering that all of these giants were originally start-ups or tiny firms that developed to their current size by outgrowing other huge businesses of the era (Sims, 2019).

Small businesses that were afraid of more established companies may have appeared to be losing out on price, but they could compete on value and service; the more specialized a product or service, the better. This could be achieved by being flexible and adaptable to meet the needs of customers and by making astute use of social media (Coleman, 2013). Quality, flexibility, and personalized service proved to be useful strategies for securing a niche in even the most competitive of markets, even though media advertising campaigns and lower prices did not ensure influencing customer choices (Coleman, 2013).

2.3.4 Reduction in Demand

A reduction in demand was a very visible consequence that occurred when consumers of particular products seemed handicapped or restricted to only purchasing low quantities of products, unlike before, mainly because of drops in their financial abilities or restrictions on movements during the COVID-19 Pandemic. In local markets where

containment measures had been implemented, SMEs always suffered the burden of a decline in global demand for their goods and services (OECD, 2020).

A sudden drop in regular trade demand disrupted the company's cash inflow since SMEs primarily relied on the velocity of money; as a result, a decrease in consumer demand forced SMEs to close their doors owing to a lack of working capital (Hossain, Akhter & Sultana, 2022). Due to their smaller size, SMEs found it more difficult to access alternative options like teleworking, digitalization, and technology adoption because of their lower resilience and flexibility in coping with the costs these shocks involved (OECD, 2020).

This demand shock underscored the difficulties in adapting to the financial shock induced by COVID-19-related disruptions because SMEs that had temporarily closed during the pandemic primarily cited declines in demand and staff health concerns as the reasons for closure (Bartik, Bertrand, Cullen, Glaeser, Luca & Stanton, 2020). In this pandemic, SMEs dealt with a variety of issues, including a decline in demand, supply chain interruptions, cancellation of export orders, a scarcity of raw materials, and transportation issues, all of which led to a decline in demand (Hossain et al., 2022). Many SMEs had a difficult time covering workers' salaries and sick leave as a result of the collapse in supply and demand (OECD, 2020).

2.3.5 Revenue Reduction

Revenue reduction was another significant consequence encountered by SMEs during the COVID-19 Pandemic. As many SMEs were forced to either close down or lay off some employees, their revenue generation dropped significantly. Due to the pandemic crisis, the majority of SMEs experienced significant income losses, while the revenues of independent contractors were significantly reduced (OECD, 2020). While income was geometrically declining during the COVID-19 crisis, the majority of SMEs cut personnel

costs (Enesi & Ibrahim, 2021). When there were no technological equivalents to reduce production costs and staff, the generated revenue dropped to a point barely able to marginally keep the company alive. According to Enesi and Ibrahim (2021), one of the COVID-19 Pandemic's effects was the loss of qualified employees due to staff wage reductions, which was followed by poor revenue or income generation.

While it was very difficult to survive with lower income, employment losses, and to keep their enterprises alive, both small and large firms faced difficulties as a result of the COVID-19 Pandemic's impact worldwide (Engidaw, 2022). Small enterprises experienced greater relative revenue losses during the COVID-19 pandemic crisis than larger corporations (Fairlie & Fossen, 2021). Hence, it was still relevant to capture how SMEs fared with reduced revenues during the pandemic crisis.

2.3.6 Global Economy Cross-Border Flow Connection

Without a doubt, the global health and economic effects of COVID-19 peaked with a greater impact on economies. The global economic situation remained unstable for most countries, with uncertainty about the duration of the pandemic fueling perceptions of risk. The stock market was volatile, and corporate decision-making was affected. Before the COVID-19 outbreak, the global economy was on the verge of recovery; however, this was hindered by trade disputes among major trading countries, falling commodity prices, and uncertainties surrounding the United Kingdom's withdrawal (Brexit). Individually, these were solvable challenges, but collectively, they contributed to weaker global economic turmoil (James et al., 2020).

The COVID-19 Pandemic caused an economic shock, including reduced operations, limited supply chains, and a financial crisis for SMEs (Aderemi, Ojo, Ifeanyi & Efunbajo, 2020). SMEs had a strong hold on trading systems, making them very valuable. However,

SMEs' vulnerability to growth and competition due to demand and supply shocks meant that, without growth, they lacked the ability to create sustainability or resilience in the face of the pandemic.

2.4 Empirical Studies of Impact of COVID-19 Pandemic on SMEs

The impact of the COVID-19 Pandemic on SMEs was numerous, especially in terms of supply and demand, as the supply chain was disrupted by lockdowns. Lockdowns and movement restrictions disrupted the supply chain, making it challenging for SMEs to procure raw materials and deliver finished products. This disruption led to delays, increased costs, and shortages, which hampered production and sales. On the demand side, reduced consumer purchasing power and uncertainty caused a significant decline in sales and revenue for many SMEs. The combination of these factors created a challenging business environment, forcing many SMEs to scale down operations, lay off employees, or, in some cases, shut down entirely. This resulted in a larger chain of supply disruptions, which affected most SMEs due to their low resilience and vulnerability related to size and finances. Furthermore, some sectors of SMEs (e.g., tourism and transportation) faced significant financial impacts due to the measures used to contain the spread of the COVID-19 Pandemic. While SMEs may have had less resilience and flexibility in dealing with the pandemic, the sudden developments further weighed on their recovery (Okolocha, Okolocha & Ezejiofor, 2020).

The COVID-19 Pandemic may have created an end to the traditional ways of running businesses and sparked a new structure for business operations. The businesses were forced to adapt and accept innovative work methods to ensure the continuation of operations over the course of the pandemic, such as conducting meetings and business operations over Zoom calls. Small businesses needed to find ways to benefit from economies of scale and,

therefore, had to develop external relationships to find the resources they lacked for innovation (Harel, 2021).

i. Social Impact

Loss of life caused by the COVID-19 Pandemic has resulted to an irreplaceable damage to human society, to lockdown and social distancing, has caused a change to lifestyle. Industries, manufacturing company, and many more faced immediate closures to limit spread of COVID-19. The lockdown reflected to fear, stigma, depression which directly affected the society (Aduhene & Osei-Assibey, 2021).

ii. Economic Impact

Crude oil had been a major source of foreign exchange that helped boost the Gross Domestic Product (GDP) (Chukwuka & Mma, 2020). The outbreak disrupted crude oil consumption significantly (Hope et al., 2020), leading to significant inflation and lower government revenue (Rabiu et al., 2020). The global economic shutdown affected the price of crude oil, directly impacting foreign exchange, which exposed Nigeria to a recession (Akpoveta & Ochuko, 2020).

iii. Financial Impact

The economic recession affected dozens of countries during the March and April 2020 lockdown. The unpredictable economic crash led to a stock market crash, causing negative growth in the world economy, which lasted for seven months in 2020. According to the WTO (2020), full recovery from the COVID-19 Pandemic recession was expected to last until 2025, unlike previous economic crises. This was due to the unpredictable developments triggered by the pandemic (Krstic, Westerman, Chattu, Ekkert & Jakovljevic, 2020).

For a variety of reasons, the pandemic worsened the scarcity of financial resources. There were obstacles in receiving government assistance, changes in consumer behavior, a decline in cash flow, and a reduction in the number of available resources. However, the impact was more pronounced in certain economic sectors (Klein & Todesco, 2021).

There is no doubt about the global impact of COVID-19; it affected businesses, organizations, and communities. The government's response (lockdown) to tackle the infection rate also contributed to a significant reduction in demand and the supply of products and services. The impact of the COVID-19 Pandemic on the world economy caused an unprecedented challenge for many industries, including healthcare, the sports industry, tourism, the food sector, and many others. In response to the current COVID-19 outbreak, there was a stigma of economic instability with long-term effects (Nicola, Alsafi, Sohrabi, Kerwan, Al-Jabir, Iosifidis, Agha & Agha, 2020; Cheval, Adamescu, Georgiadis, Herrnegger, Piticar & Legates, 2020). On this note, the socio-economic implications showed that the country was heading toward an inevitable recession, with the provision of fiscal stimulus and related expenses causing a sharp decline due to a shift in the economic budget (Aduhene & Osei-Assibey, 2021).

2.5 Entrepreneur Resilience Management

SMEs, as organizations, had to be resilient in order to deal with COVID-19-related problems. Individual traits or even an organization's resistance might have been based on individual, organizational, and institutional elements resulting from entrepreneurial action. Individuals or organizations with high resilience could recover or improve rapidly from a wide range of setbacks, mistakes, and issues, as well as adapt to new situations. This resilience occurred as a result of people or organizations adopting a growth mindset to overcome obstacles and find creative solutions (Saputra, Sari, Sahir & Patimah, 2021).

The robustness of a company's management and operational procedures, such as inventory management, record keeping, and bank account ownership, determined its resilience. These variables strengthened MSMEs' resilience by ensuring that business operations were resistant to disturbance, as effective practises incorporate shock absorbers into the firm's structure. Good financial management, for example, had been particularly crucial during the COVID-19 issue, which had resulted in a significant but temporary drop in revenue for many. Companies with poor financial management procedures were at danger of going out of business permanently (Mohan, Ramos & Rollo, 2021).

2.5.1 SMEs COVID-19 Pandemic Performance

Small businesses were often characterized by limited regional activity and relatively small market share. This limitation in their business activities created a concentration of innovation focused on the market solutions they provided. Many small businesses acted as specialist suppliers of parts. A notable example of this was the takeaway and delivery options backed by online meal ordering. This process allowed restaurants and their supply chains (online meal ordering services) to serve a larger proportion of people at their convenience. Nevertheless, the pandemic also revealed loopholes in supply chains around the world, ranging from shortages of food in supermarkets to tech devices and health supplements. In this case, the COVID-19 Pandemic set off volatility in business operations and supply, exposing the sustainability of supply chains around businesses and enforcing much-needed changes in business operations and contingency plans to ensure continuous performance of their supply chains. However, it was crucial to remember that regardless of the cause of the crisis—natural or man-made—any crisis had the potential to cause a business significant harm by destroying customer trust (Harel, 2021). This included the pandemic's effect on supply.

In other words, while the pandemic was a huge driver in creating innovative forms of doing business, it was also detrimental to business operations and returns, particularly for SMEs. It can be duly stated that SMEs operating in the tertiary sector, such as tourism and transportation, were the most significantly affected. This sector of business had no options for continuity of operations, directly impacting small to medium-sized businesses that relied on these operations for profit. These effects trickled down to employees, causing job losses due to the inability to generate continuous revenue to sustain workers. In some cases, the notion of social distancing was introduced and implemented by small to medium enterprises, which enforced self-compliance measures on their workforce. However, these safety measures significantly impacted operations and led to job losses for a majority of the workforce, as many were made redundant due to social distancing. Therefore, since SME businesses are important drivers of growth and development in economies, and given the impact of the pandemic on several state economies, it created a spotlight on their importance to political leaders to ensure the sustainability of SMEs to strengthen the economy (Sun et al., 2022).

2.6 Other Empirical Studies

According to Rodrigues et al. (2021), there were three main components of organizational resilience: (1) foresight (the capacity to forecast when something bad might happen); (2) adaptability (the ability to adapt to changing circumstances); and (3) resiliency (the ability to cope with a difficult situation and recover from a bad occurrence).

The International Trade Centre (ITC) (2020) conducted a survey with small businesses about the impact of the pandemic lockdown on business, as they had fewer resources to adapt to the changes. In Africa, two out of three businesses were affected by the lockdown, which included a 75% reduction in sales and difficulties accessing imports.

Service companies, particularly in accommodation and food services, were the most affected worldwide. Many SMEs were strongly impacted as they faced bankruptcy and had to finance themselves to keep their businesses running.

Grondys, Ślusarczyk, Hussain, and Androniceanu (2021) conducted a study on SME operation during the COVID-19 Pandemic risk assessment elaborated an important stage of the risk management process. Simultaneously, the pandemic scenario had increased the complexity of operational, financial, and market processes in the face of changing operating conditions, and the resulting dangers, which are intertwined, complicate the process of dealing with them. This increased the importance of the risk management process and poses a significant challenge to the risk management function. To achieve financial security, an organisation should have a particular strategy and processes for identifying, measuring, and controlling financial risk

In studies by Olufemi (2020) analyzing the impact of the COVID-19 Pandemic on SMEs' survival, the lack of financial stability was identified as the biggest challenge to their long-term recovery from the pandemic. At the brink of financial disruption, some SMEs sought funding to keep their businesses operating, with the Naira facing severe pressure against the Dollar due to rising inflation. Companies laid off workers, resulting in job losses, and in the worst cases, businesses were forced to close. The post-pandemic period in Nigeria brought various stages of economic deterioration and devaluation of the economy.

Korankye (2020) reviewed the global impact of the COVID-19 pandemic on SMEs and found that the closure of numerous organizations led to a drop in output by one-fifth to one-quarter, along with a one-third decline in consumer demand. The global GDP was expected to decline, even as nations enacted strict measures to mitigate the pandemic's

effects. Several factors, such as the duration and intensity of national shutdowns, the state of many countries' fiscal and monetary policies, and the decline in demand for goods and services, were contributing factors to this decline. This finding shed light on how the pandemic affected SMEs globally.

According to Barua (2020), in the context of world trade, it was crucial to understand the negative impact of the COVID-19 pandemic on the global economy. China contributed 60% of the world supply and demand, 65% of world manufacturing, and 41% of world manufacturing exports. Therefore, the shock of the pandemic impacted supply, as China was the epicenter of the outbreak, and demand for non-essential goods and services, such as automobiles and fashion, subsequently reduced in China.

Acee-Eke and Ogonu (2020) reviewed marketing as a master plan for achieving business goals and growth. According to their review, market strategy proactively adopted reasonable pricing, client and staff friendliness, and promoted delivery and service to enhance competitive value for SMEs. They also explained that market strategy is time-sensitive, urging SMEs to re-examine methods for utilizing digital platforms to advertise their businesses during the pandemic when physical business activities were restricted.

According to Okey-Colbert, Chinakwe and Aguwamba (2020) study, the recovery from COVID-19 Pandemic lockdown attracted changes in consumers behaviour. Digital service, like online market, teleconference, e-learning, digital payments brought the specific opportunities for the entrepreneurs to embrace changes as the digital technology will play important roles on their recovery. Eventually, this innovation will emerge to enable the SME’s resilience after the COVID-19 Pandemic.

Ibidunni, Kolawole, Olokundun and Ogbari (2020) argued that some SMEs' reliance on investment resources for the utilization of modern technology was low, which caused a decline in the development of new products. The resilience of SMEs could not be focused solely on past accomplishments, as the market was dynamic, bringing changes in preferences by end users. Change was a fundamental requirement for attaining a competitive edge; without it, SMEs were unable to meet the competitive demands of the market, making it impossible for them to survive.

The OECD (2020) review on the impact of the COVID-19 Pandemic on SME financing confirmed that SMEs were running on limited cash outflow, and without government intervention, the financial inflow of the majority of SMEs would be liquidated within three months, although some of the firms had still been profitable at the initial stage of the COVID-19 Pandemic.

According to Oyewale, Adebayo and Kehinde (2020), the study on the impact of the COVID-19 Pandemic on the 36 states in Nigeria, including the Federal Territory, showed a negative decline in businesses, especially in areas such as cash flow, sales, and revenue. The continuation of the COVID-19 spread into the second quarter of 2020 significantly affected the GDP, pulling it from a projected growth of 3.4 percent to a negative estimated growth of 7.3 percent. It was evident that the COVID-19 Pandemic had slowed down the growth of the economy and caused a decline in economic performance, which was attributed to the unpreparedness of the health sector (Aduhene & Osei-Assibey, 2021).

Enesi and Ibrahim (2021) conducted a study entitled "Effect of COVID-19 Pandemic on the Performance of Small and Medium Business Enterprises in Abuja-FCT, Nigeria." The study examined how the COVID-19 Pandemic had affected SMEs in Abuja and offered

suggestions for how they could have performed better. It highlighted the loss of qualified workers, declining income, reduced business activity, and government dishonesty. Some of the proposed solutions included palliative care plans, initiatives to combat poverty, lower interest rates, lenient loan terms, and postponed tax payments. Future studies were suggested to consider additional factors.

A study on COVID-19 and the performance of small and medium-sized businesses in Benin City, Nigeria, was carried out by Momoh and Evbayiro (2022). The study examined how the COVID-19 Pandemic affected Benin City's businesses and concluded that it resulted in low revenue, staff loss, a decline in patronage, and dishonesty on the part of the government. The authors suggested that the government, non-governmental organisations, and groups undertake programs to alleviate poverty, lower interest rates, loosen loan requirements, and postpone paying taxes.

2.7 Literature Gap

The International Trade Centre (ITC, 2020) surveyed small businesses about the impact of the pandemic lockdown on their operations, noting that they had fewer resources to adapt to the changes. While lockdown was only a sub-variable in the present research, Grondys et al. (2021) assessed it from the perspective of risk management for SMEs, which was not repeated in this study. Olufemi (2020) analyzed the impact of the COVID-19 Pandemic on SMEs' survival, covering several variables that were also extensively addressed in the present study. Korankye (2020) measured the global impact of the COVID-19 Pandemic on SMEs but did not focus specifically on Nigeria. His findings showed that the closure of numerous organizations resulted in a one-fifth to one-quarter drop in output, which was useful for supporting the findings of this study.

Acee-Eke and Ogonu (2020) emphasized marketing as a key strategy for achieving business goals and growth, whereas the present study did not critically examine marketing as an influencing factor. Ibidunni et al. (2020) and Okey-Colbert et al. (2020) focused on resilience and recovery from the COVID-19 Pandemic lockdown, which was a subcategory in this study.

Although Oyewale et al. (2020) studied the impact of the COVID-19 Pandemic across the 36 states in Nigeria, their research focused primarily on cash flow, sales, revenue, and the effects on GDP and the economy, which differed from the present study. The current study concentrated on internal factors (downsizing, fear of business closure) and external factors (reduction in demand and revenue loss) as moderating variables in assessing the impact of the COVID-19 Pandemic on SME performance.

Momoh and Evbayiro (2022), as well as Enesi and Ibrahim (2021), studied the effects of the COVID-19 Pandemic on the performance of SMEs but focused specifically on Benin City and Abuja-FCT, respectively. They measured factors like skilled personnel, decreased revenue, reduced patronage, and government insincerity, which were not the primary focus of this study. The present study, in contrast, highlighted internal (downsizing, fear of business closure) and external (reduction in demand, revenue loss) factors as moderating variables and covered SMEs in several states across Nigeria (Lagos, Ogun, Kano, Kaduna, Abuja, Anambra, Imo, and Abia), unlike the other studies, which were limited to a single state.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This proposed research methodology was based on a cross-sectional and quantitative investigation with a snowball sampling approach. Owners and managers of SME's are sent online questionnaires. The online questionnaire was distributed mostly to SMEs based in cities because the average number of SMEs in Nigeria's cities probably accounts for more than half of all SMEs (Saputra et al., 2021). This study is seeking to shed more understanding on the effect of COVID-19 Pandemic on SME; However, certain guideline will be used for detailed analysis of the impact of COVID-19 Pandemic in different region of Nigeria (Southern and Northern region) and how the SMEs were able to cope after the economy reopening (post COVID-19 Pandemic lockdown).

3.2 Conceptual Framework

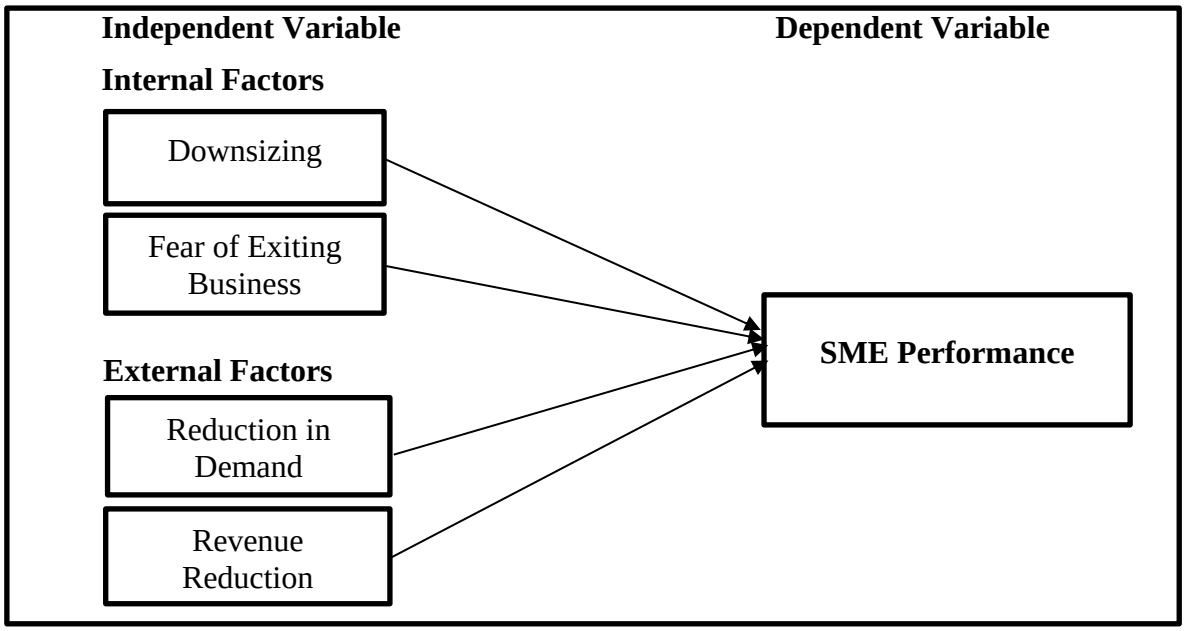

Figure 3.1: Conceptual Framework (Korankye 2020)

Different conceptual frameworks have aimed at addressing small business resilience variable, from factors such as technology acceptance, supply, government support, demand, and financial literacy (Sanusi, Hamid, Norizan, Urus, & Lestari, 2023); however, the present study focuses on adopting the Korankye (2020)'s framework: Internal factors (Downsizing, Fear of Existing Business); External Factors (Reduction in Demand, Revenue Reduction).

"Downsizing" SMEs as internal factor during COVID-19 Pandemic reduced workforce, operational costs, and improved resource allocation, enabling agility, market adaptability, and employee retention, despite potential loss of expertise. The "fear of existing businesses" acted as a crucial internal motivator for SMEs, driving them to implement adaptive strategies essential for survival, during the COVID-19 Pandemic. This fear compelled them to enhance digital presence, diversify products, and streamline operations. The "Reduction in Demand" during the COVID-19 Pandemic, though challenging, inadvertently helped some SMEs survive, requiring them to streamline operations, focus on core offerings, and innovate. This allowed them to maintain viability and prepare for post-pandemic recovery.

"Revenue Reduction" as an external factor compelled SMEs to adopt survival strategies during the COVID-19 Pandemic that ultimately strengthened their resilience. Faced with decreased income, SMEs were forced to prioritize essential expenses, diversify revenue streams, and build stronger customer relationships. This led to a more streamlined and sustainable growth strategy.

Students should bear in mind that thesis examiners deplore overlong or verbose thesis, and the onus is on the student to provide a well-organized and well-written thesis. Table 3.1 shows the thesis outline.

3.2.1 Hypotheses Development

The following null hypothesis was formulated to guide this study, and was tested at 0.05 level of significance; Hence the hypothesis is considered significant if the results show a p-value of less than or equal to 0.05, indicating a less than 5% probability that the results are due to chance.

H0: There is no significant impact of internal factors on SMEs performance in Nigeria. This first null hypothesis assumes that internal factors (downsizing and fear of existing business) do not influence SMEs' performance in a meaningful way and sets the stage for testing the research hypothesis. This null hypothesis implies that, according to the research or analysis being conducted, the internal factors considered have no meaningful or statistically significant effect on the performance of Small and Medium Enterprises (SMEs) in Nigeria. It suggests that the internal factors do not significantly influence SMEs' operational or financial performance in the country.

H1: There is no significant impact of external factors on SMEs performance in Nigeria. This second null hypothesis implies that, according to the research or analysis being conducted, the external factors (reduction in demand and revenue reduction) considered have no meaningful or statistically significant effect on the performance of Small and Medium Enterprises (SMEs) in Nigeria. It suggests that external factors being studied do not significantly influence SMEs' operational or financial performance in the country.

H2: There is no significant impact of COVID-19 on SMEs performance in Nigeria. This third null hypothesis suggests that, based on the research or analysis being conducted, there is no meaningful or statistically significant effect or influence of the COVID-19 Pandemic on the performance of Small and Medium Enterprises (SMEs) in

Nigeria. In other words, it assumes that COVID-19 Pandemic has not had a substantial effect on the operational or financial performance of SMEs in the country.

3.3 Research Design

The proposed study was a cross-sectional study, with the goal of gathering and analysing data from diverse groups of people who have a common feature, such as socioeconomic position. A cross-sectional survey was conducted in Nigeria utilising computerised data collecting methods to gather information from managers, supervisors, and company owners in various SME. The purpose of this suggested study design is to shed light on COVID-19 Pandemic's impact on SMEs resilience (Korankye 2020). The questionnaire was designed in open and closed end pattern which will be administered to the small and medium scale enterprises directly (Osotimehin et al., 2012). The questionnaire adopts various measurement methods, including Likert scale, multiple choice and ranking method.

Survey includes registered and non-registered enterprises, the questions focused on business risk management during the COVID-19 Pandemic lockdown and post lockdown, impact of COVID-19 Pandemic on their business and performance, and awareness of government policy to fund their business (Oyewale et al., 2020). Our goal is to learn about the effects of COVID-19 Pandemic on SMEs' resilience and perceptions during the COVID-19 crisis. To do so, we need to learn about their ideas and opinions (Alves, Lok, Luo & Hao, 2020).

3.4 Area of the Study

This study will be carried out in Nigeria. Small and medium-sized enterprises (SMEs) companies are numerous, diversified, and engaged in a wide range of pursuits. In Nigeria, SMEs are particularly successful in the following sectors: manufacturing, services,

retail and commerce, agriculture, and technology. SMEs in the agricultural sector work in agribusiness, animal farming, and crop cultivation, which helps to increase food production and create jobs. SME involvement in small stores, marketplaces, and e-commerce platforms, which supply customers with necessities, is seen in the retail and trade industry. SME production activities in the manufacturing sector range from textile to food processing. With SMEs providing software development, digital services, and tech-based solutions, the technology sector is expanding quickly. Additionally, service-oriented SMEs are crucial for meeting a variety of social demands. SMEs around the city areas in North and South region of Nigeria (Lagos, Ogun, Kano, Kaduna, Abuja, Anambra, Imo, Abia state) will represent the states in Nigeria. The area was chosen because it has high population of SMEs fully in operation and making a living from the operation.

3.5 Sample and Sampling Technique

The study will use the snowball sampling method, a non-probability sampling technique, to assess the impact of the pandemic on SMEs in Nigeria. The initial group of SMEs from North and South region of Nigeria (Lagos, Ogun, Kano, Kaduna, Abuja, Anambra, Imo, Abia states) will be chosen based on known businesses, industry associations, and existing contacts. Online questionnaires will be distributed to this initial group, with each new participant referring more SMEs. The snowball sampling technique is chosen for its practicality and relevance in reaching a hard-to-access population during a pandemic.

3.6 Data Collection Method

The data-gathering instrument for this study was a social media-based questionnaire. The approach of snowball sampling was used. Economic activity, number of employees,

company location, and COVID-19 Pandemic influence on revenue was among the subjects covered by the questions. This topic included aspects like human resources, business conditions, present activities, financial concerns, and future expectations. Given the detrimental impact on their operations, the open question seeks to identify the steps that managers/owners believe are critical to ensuring business continuity (Rodrigues et al., 2021).

As a result of the guideline implemented by the government (social distancing) and current COVID-19 Pandemic the data collection method of this study was administered through a well-structured questionary principally to the different zone of Nigeria (south and North) SMEs. The questionnaires will be designed to obtain quantitative data and information in those locations, to identify the impact of the COVID-19 Pandemic on SMEs, recovery method, and constrains to recovery (Mukhtar et al., 2020).

3.7 Data Analysis

Descriptive statistics, surveys, and regression analysis, were employed to help understand the resiliency of SMEs during the pandemic. These methods revealed significant differences in measuring SMEs performance; measuring key internal factors (Downsizing and Fear of Existing Business) influencing SMEs performance; external factors (Reduction in Demand and Revenue Reduction) on SMEs performance; and the impact of COVID-19 Pandemic on SME's performance in Nigeria. Survey questionnaire was distributed to SMEs operating in major cities in Nigeria, in other to identify impact of COVID-19 Pandemic on SMEs resilience (Osotimehin et al., 2012).

Hypothesis Testing: To test the hypotheses: There is no significant impact of internal factors (downsizing and fear of existing businesses) on SMEs performance in Nigeria; There is no significant impact of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria; There is no significant impact of COVID-19

Pandemic on SMEs performance in Nigeria; the researcher first gathered quantitative data on SMEs' performance metrics, as well as data on the four independent variable listed above. Regression analysis was employed to assess the impact of these internal factors on SMEs performance. The regression model included SMEs performance as the dependent variable and downsizing, fear of existing businesses, reduction in demand, and revenue reduction as the independent variables. By analysing the p-values associated with the regression coefficients, the significance of each factor was determined. If the p-values are less than the chosen significance level (0.05), the null hypothesis was rejected, indicating that these factors significantly impact SMEs performance. Conversely, if the p-values are greater than 0.05, the null hypothesis will not be rejected, suggesting no significant impact. This approach ensures a rigorous statistical evaluation of the hypothesis.

Validity Analysis: The drafts of the questionnaire with the copies of the purpose of the study, and the research questions were subjected to both face and content validity. Two lecturers and one expert in measurement and evaluation helped with the content validity of the instrument. The researcher's classmates face validated the instrument too. Internal validity was done for confounding variables and using reliable measurement instruments; while the external validity ensured the findings are generalizable to Nigerian SMEs, using a representative sample across different sectors and regions.

Reliability Analysis: The instruments were administered to Ten (10) SME owners in Ghana, randomly selected. The data collected was analysed and the result used to calculate the internal consistency of all the clusters of the questionnaire. The reliability for the questionnaire had coefficients for the Internal Factors- Downsizing (0.843); Fear of Existing Businesses (0.916); External Factors- Reduction in Demand (0.893); Revenue Reduction (0.915); and 0.967 for the SME performance. All the coefficients were high. These reliability

coefficients were considered high enough for the instrument because according to Akuezuilo and Agu (2003), the higher the value of reliability coefficient, the more reliable the test is.

3.8 Material and Method of Analysis

The study used a cross-sectional and quantitative approach with a snowball sampling approach to investigate the impact of the COVID-19 Pandemic on small and medium-sized enterprises (SMEs) in Nigeria. A cross-sectional study is an observational design that measures the subjects' exposures and outcomes at the same time by looking at data from a population (Wang & Cheng, 2020). The cross-sectional design enabled the researchers to capture a snapshot of the SMEs' performance at a specific point in time during the pandemic, providing a clear picture of the immediate effects on various business aspects. The quantitative approach facilitated the collection of numerical data that could be statistically analysed to discern patterns and correlations between variables such as downsizing, fear of existing businesses, reduction in demand, and revenue reduction. Using snowball sampling, the study efficiently reached a broader network of SMEs, particularly useful in a context where access to comprehensive business directories might be limited. This method relied on initial respondents referring other participants, thereby expanding the sample size through their networks and ensuring the inclusion of diverse SME experiences across different sectors and regions.

Because of the constraints imposed by COVID-19 Pandemic's social distancing requisition, the survey was done solely online, utilising a Google survey questionnaire. The main advantages of using a Google survey questionnaire are the convenience of use, low cost, and quick response time. It should be noted that internet-based surveys are prone to severe bias due to under coverage and response rates. Not all SMEs have internet access.

The survey was structured such that it may be viewed (read) on a computer, tablet, or smartphone (Helgeson, et al., 2020).

The survey is designed with questions that focus on key aspects of SME performance. The instrument is flexible enough to capture both quantitative data. Recruitment materials, such as introductory letters and consent forms, were used for explaining the study's purpose and securing participants' voluntary involvement. Excel was used to organize and analyze the collected data, ensuring that all information is securely stored and accessible for analysis. The snowball sampling method began with identifying a small group of initial participants, such as SME owners or managers who are known to have been impacted by the pandemic. These participants are then asked to refer other SME owners, expanding the sample size and diversity through their networks. This method is particularly effective for reaching a wide range of SMEs across different industries and regions in Nigeria, which might be difficult to access through traditional sampling methods. Data is collected through surveys, with flexibility to accommodate participants' preferences. Quantitative data collected was analyzed using statistical methods. Ethical considerations, including informed consent and confidentiality, are carefully managed to protect participants' identities and data throughout the research process.

Response from questionnaire, did not include personal data of recipient, the questionnaire will include basic information about their enterprise and characteristics (such as size, location and industry) impact of COVID-19 Pandemic lockdown on their business, survival period and normalization, strategic deployment (Shafi, Liu & Ren, 2020). The data obtained was presented in tables and analysed using mean, percentages, and standard deviation. For the benefit of proper analysis and clarity, data was processed into mathematical table and charts, based on SMEs ranking, businesses that was able to recover

after the lockdown and to confirm other variable which had impact on their resilience, the data gathered was analysed quantitatively (Akintola, Angioha, Thelma & Etta, 2021).

The data was analysed and decisions will be based on the item mean scores. Arithmetic mean was used for all the questions. The questionnaire is rated on a four-point Likert scale, where responses range from "Strongly Agree" to "Strongly Disagree." These responses are assigned numerical values, with "Strongly Agree" receiving the highest rating (3.50-4.00) and "Strongly Disagree" the lowest (1.00-1.99). The arithmetic mean is then calculated for each question by summing the assigned ratings and dividing by the total number of responses. This calculation provides a mean score that reflects the general tendency of responses toward either agreement or disagreement with each statement. The questionnaire was weighted thus;

Table 3.1: Questionnaire Ratings

Responses	Ratings
Strongly Agree	3.50 - 4.00
Agree	2.50 – 3.49
Disagree	2.00 – 2.49
Strongly Disagree	1.00 – 1.99

The midpoints for responses in the four-points scale is 2.50, which will be calculated as follows: 4+3+2+1= $\frac{10}{4}$ = 2.50. Items to the values of 2.50 and above will be interpreted as "positive" while items with the values below 2.50 will be interpreted as "negative". The percentages are weighted thus;

Yes/ Positive- 50% and above; No/ Negative- 0-49%

The midpoint of the four-point scale is calculated to be 2.50, which serves as the threshold for interpreting the results. This midpoint is derived by summing the numerical values assigned to each of the four response options (4+3+2+1) and dividing by the number of options (4), resulting in a value of 2.50. Responses with mean scores of 2.50 and above are interpreted as "positive," indicating general agreement or a favorable perception among the respondents. Conversely, mean scores below 2.50 are interpreted as "negative," suggesting disagreement or an unfavorable perception. Additionally, the percentage distribution of responses is categorized, with "Yes/Positive" responses being those that achieve 50% or higher, and "No/Negative" responses falling below 50%. This dual approach of analyzing mean scores and percentages ensures a robust interpretation of the data, allowing for clear, data-driven decisions based on the respondents' collective attitudes.

CHAPTER 4

RESULT AND DISCUSSION

4.1 Introduction

This chapter discusses the analysis of data derived from the field study. This section shows how the information available in the existing literature has been reflected to the information collected from the field study. The data gathered through online questionnaire survey is analysed in this chapter.

4.2 Descriptive Statistics

This section includes an overview of the impacts of COVID-19 Pandemic on the SMEs performance in Nigeria. After conducting the online questionnaire, these issues were discussed: measuring SMEs performance; internal factors (Downsizing and Fear of Existing Business) on SMEs performance; external factors (Reduction in Demand and Revenue Reduction) on SMEs performance; and the impact of COVID-19 Pandemic on SME's performance in Nigeria. Table 1 below shows the identification of each respondent.

Table 4.1: Demographic Statistics

No.	Item	Parameters	Frequency Total=300
1.	**Age Group**	Below 20	6 (2%)
		21 to 30	36 (12%)
		31 to 40	116 (39%)
		41 to 50	142 (47%)
		Above 51	0
2.	**Gender**	Male	210 (70%)

Table 4.1 continued

		Female	90 (30%)
3.	**Nationality**	Nigerian	300 (100%)
4.	**Marital Status**	Single	196 (65%)
		Married	104 (35%)
5.	**Highest Educational Qualification**	PhD.	8 (3%)
		Masters	50 (17%)
		Higher National Diploma or First Degree (HND/BSc)	172 (57%)
		National Diploma (ND/OND)	30 (10%)
		High School Certificates	40 (13%)
		Total	**300**

Table 4.1 presents the personal information of the respondents. In the age group, 47% of the respondents were within the age range of 41 to 50; while 39% of the respondents were within 31-40 years old. The rest are 30 years and below. The table reported that 70% of the respondents were male, while 30% made up the female respondents. Also, 65% of the respondents were single, while 35% were married. In the Highest Educational Qualification category, 57% of the respondents had their Higher National Diploma or First Degree (HND/BSc), while 13% had their High School Certificates.

4.2.1 Measuring SMEs Performance

Table 4.2: Measuring SMEs Performance

S/N	Items	SD	Mean	DE	Rank
6	To maintain the needed profits, SMEs reduce the number of employed employees during COVID-19	1.13	3.72	SA	5th
7	The movement restriction during COVID-19 affects firm's business performance	1.44	3.91	SA	3rd

Table 4.2: continued

8	Drop in market demand affects overall firm performance	.92	4.31	SA	1st
9	Adaptation to the rapid and changing innovation helps in identifying new business opportunities during COVID-19	.96	3.80	SA	4th
10	During COVID-19 cash flow problems affect firms' business performance	.83	4.0	SA	2nd
11	Increased innovation via digital technologies helps firms to reduce operating cost and enhance performance	1.11	3.59	SA	6th
12	Stimulus package received during COVID-19 Pandemic help in maintaining the firm's financial strength that enhance firm performance	1.13	3.06	SA	7th
	Average				**3.77**
	KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree				

Table 4.2 presents the responses on SMEs Performance. It can be deduced from the table that drop in market demand affects overall firm performance (4.31); during COVID-19 Pandemic, cash flow problems affect firms' business performance (4.0); while the movement restriction during COVID-19 Pandemic affects firm's business performance (3.91). It was further revealed that adaptation to the rapid and changing innovation helps in identifying new business opportunities during COVID-19 Pandemic (3.80); while to maintain the needed profits, SMEs reduce the number of employed employees during COVID-19 Pandemic.

From the findings of this study, majority of the SME's maintained their company's needed profits by reducing the number of employees they had during the COVID-19 Pandemic. Some employers added that they had to cut down redundant job activities, and sack workers who do not have much to contribute to their companies. Engidaw (2022) in support posited that SMEs normally suffer from high losses and reduced sales volume, with inabilities in meeting agreement and contract terms, staff number reductions, and even closing down of their businesses during or after crises. Surprisingly, employers whose

businesses are in their start-up stages stated that their businesses somehow thrived better during the crisis periods. To this, Ma, Liu and Gao (2021) opined that COVID-19 Pandemic helped SMEs survive because of weak employment and GDP growth in various countries.

The findings of the study also reveal that movement restrictions during COVID-19 Pandemic affect firm's business performance in Nigeria. Movement of retail goods from their wholesale deports and ports had difficulties in inter-state transits. Some respondents who deal on perishable goods lamented of how their goods perished around them, and on transit because of movement restrictions. Turkson, Addai, Chowdhury and Mohammed (2021) stated that the more the spreading of the pandemic, the more the restrictions a government might have to place on its citizens; while these restrictions were (and are still) likely to expose businesses to extreme economic conditions threatening their very existence.

The respondents equally agreed that a drop in the market demand for their goods affect the overall performance of their businesses. Since most Nigerian businesses were not thriving online, making sales during the pandemic became a challenge. Most local businesses were taken by surprise and had not enough time to migrate online, which subsequently resulted in a drop in sales and overall business performance. Consolidating this finding, Pettinger (2021) argues that a fall in demand could occur because of lower disposable income or decline in the popularity of the good; also, as your income increased you would want to spend more. This has effect on the market demand for goo and services, and subsequently on business performance.

Majority of the respondents feel that adapting to the rapid and changing innovation helps in identifying new business opportunities during COVID-19 Pandemic. Few respondents confessed to having tried their hands on other businesses entirely new, which

looked to be thriving during the period, such as importin g and producing facemasks and hand sanitizers. Some respondents brainstormed on the idea of another business that could stand the crises, as well as starting classes on making use of and incorporating ICT technologies in their businesses. Guckenbiehl and Zubielqui, (2022) affirmed that SMEs, including start-ups, change their business models in response to crises, while innovating firms stand a better chance of adapting to the COVID-19 Pandemic crisis (Krammer, 2022).

During COVID-19 Pandemic, majority of the respondents agreed to having cash flow problems affecting their business performances. Making profits and getting g cash from their business became tough, especially for business people who hardly made sales. Access to financing constraints exacerbated pandemic-induced credit risk as well as short-term liquidity/cash flow problems because financially constrained firms are more likely to experience liquidity and cash flow problems during the COVID-19 Pandemic crises (Khan, 2022). Factors that determined the decline of companies during the pandemic were major difficulties in providing the necessary financing and liquidity, blocking credit, declining demand for products and services, high taxation, rising prices for raw materials, exchange rate increases and inflation (Ionescu & Nrghina, 2021).

By venturing into increased innovation via digital technologies, majority of these small firm owners were able to reduce operating cost and enhance performance. As argued by Heredia, Castillo-Vergara, Geldes, Carbajal, Flores and Heredia (2022); ***digital*** capabilities positively affect a ***firm through reduced costs*** and ***increased*** flexibility. In order to determine which technologies are relevant and how they will be used in organizational processes and business offerings, organizations must reassess their present capabilities, structures, and cultures (Saarikko, Westergren, & Blomquist, 2020).

The respondents agreed that stimulus packages received during COVID-19 Pandemic helped in maintaining the firm's financial strength that enhances firm performance. Most of them did not receive the packages directly, but have friends who benefited; while majority stated that there was none given to them by the Nigerian Government, to directly alleviate the trauma facing their firms at that period. Igan, Mirzaei and Moore (2022) stated that there were Fiscal stimulus packages implemented during the pandemic aimed to support businesses and households in developed countries which included tax cuts and relief measures, cash handouts and social welfare payments. Bose, Shams, Ali and Mihret (2022) conclusively noted argued that the negative impact of COVID-19 Pandemic on firm value is less pronounced for firms with better sustainability performance.

4.2.2 Internal Factors (Downsizing and Fear of Exiting Business) Influencing SMEs Performance

i. Downsizing

Table 4.3: Downsizing

S/N		SD	Mean	DE	Rank
13	The management in my workplace ethically reduce the numbers of employees during COVID-19	1.07	3.43	SA	3RD
14	Those employees who were relief of their duties during COVID-19 are those who add no value to the business.	1.14	2.44	D	7TH
15	The relieved employee's emotional well-being was dully considered before asking them to leave	1.34	2.73	A	6TH
16	The behaviour of SMEs during COVID-19 movement restriction is to cut operating cost	.81	3.69	SA	2ND
17	Reliving employee among SMEs dampens SMEs competitiveness	1.11	3.29	SA	5TH
18	SMEs employees during COVID-19 lose their sense of job security	.71	3.92	SA	1ST
19	Downsizing exercise was carried out by expert managers	.99	3.34	SA	4TH
	Average	**1.02**	**3.26**		

KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree

Table 4.3 presents respondents' information on downsizing. It was strongly agreed from the table that the SMEs employees during COVID-19 Pandemic lose their sense of job security (3.92), while their behaviour during movement restriction is to cut operating cost (3.69). The management in the respondents' workplace ethically reduce the numbers of employees during COVID-19 Pandemic (3.43), while it was confirmed that downsizing exercise was carried out by expert managers (3.34). Furthermore, it was strongly agreed that reliving employee among SMEs dampens SMEs competitiveness (3.29), while the relieved employees' emotional well-being was dully considered before asking them to leave (2.73).

The management in the respondents' SME workplace ethically reduced the numbers of employees during COVID-19 Pandemic. They still wanted to be in operations, but deem the retrenchment of staff as the surest means of remaining in operations, while they bid to sustain their operations' tempo. On the contrary, employees as reported by Forbes, et al (2020) would want more flexibility and the ability to work from home on regular basis; while they ask to formalise these new arrangements when the pandemic is under control.

Most of the respondents agreed that those employees who were relieved of their duties during COVID-19 Pandemic are those who add no value to the business. This is entirely true as no employer would want to lay-off valuable and useful employees, especially if they still wish to remain in full operations. Tušl, Brauchli, Kerksieck and Bauer (2021) observed that about 30% of employees reported that their work and private life had worsened, whereas about 10% reported improvements in work and 13% in private life. The employees with high negatives are at more risk of being laid-off.

The respondents disagreed that relieved the employees' emotional well-being were dully considered before asking them to leave. Their different perceptions and reaction show that the employers do not care how they will survive when sacked; all they cared for was

how their business will thrive without the sacked workers. Most SME's do not even have relief and lay-off entitlements for their workers. Job security and risk, as stated by Young (2012) is a significant source of stress for employees and tends to impact far beyond job performance, to the home and family lives of staff members. Hence, should be taken seriously by every employer.

It was agreed that most behaviour of SMEs during COVID-19 Pandemic movement restriction was to cut operating cost. Every prudent and efficiently manged SME would want to cut cost, especially when producing at or below the production cost. OECD (2020) SMEs may have less resilience and flexibility in dealing with the costs of shocks; while a reduction in production, the costs of underutilised labour and capital weigh greater on SMEs than larger firms. Stemmler (2022) added that some government designated services were tagged "essential," to help them remain (partially) open as well as being granted other preferential treatment.

The respondents agreed that reliving employees in SMEs dampens their competitiveness. This could be because the human resource strength of the firm is always needed if any firm intends to challenge and compete with other firms. Except in cases were laying off of staff is for improved productivity like the cases of technological adaptations, the results of laying off means to lose interest in competing with other firms. To this end, Adian, Doumbia, Gregory, Ragoussis, Reddy and Timmis (2020) during the crisis's firms in Ghana and Senegal for example mostly reducing hours or pay, while firms in Bangladesh and South Africa were more likely to lay off employees. Buteau and Ashwin (2020) noted that in India, 25% of them are unable to pay salaries. Hence, some SME's reduced their permanent workers, larger firms are found to be more capable of utilizing temporary workers to quickly adjust the size of their workforce (Adian et al., 2020).

It was agreed by majority of the respondents that SMEs employees during COVID-19 Pandemic lose their sense of job security. The rate and manner of laying-off and retrenchment of workers all around the world and on the news must have instigated this response. In as much as government tried supporting firms and protecting jobs through job retention schemes, millions of workers across the G20 have lost their jobs, many self-employed workers saw their incomes collapse (International Labour Organization, 2020). According to Miquel et al. (2022), job insecurity, adverse employment environments, long periods of quarantine and isolation, work rights exploitation, and uncertainty about the future are strongly associated with senses of job security and mental state.

Furthermore, the respondents agreed that downsizing exercise was carried out by expert managers, mainly because this decision is a top management one. Korman and Mujtaba (2020) stated that firm executives announced closure of parts of their operations and facilities while laying-off thousands of workers to prevent companies from going bankrupt; while other firms and managers have terminated or laid-off their employees through a very socially responsible or ethical means.

ii. *Fear of Existing Business*

Table 4.4: Fear of Existing Business

S/N	Items	SD	Mean	DE	Rank
20	During COVID-19, established SMEs are real threat to newly formed SMEs	.95	3.74	SA	4th
21	Aggressive marketing is done over social media to project the SMEs' product during COVID-19 movement restriction	.97	3.38	SA	6th
22	Existing business of over three years has knowledge on how to manage themselves better during economic downturn	.79	3.83	SA	3rd
23	Existing business has in-depth experience of market behaviour	.92	3.53	SA	5th

Table 4.2: continued

24	Existing business with large market share intimidates new firms thus, creating fear of market entering	.71	4.15	SA	2nd
25	Existing businesses sometimes create unfriendly competition	.62	4.27	SA	1st
	Average	**.83**	**3.82**		

KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree

Table 4.4 showcases respondents' information on Fear of Existing Business. From the table, respondents strongly agreed that existing businesses sometimes create unfriendly competition (4.27); already existing businesses with large market share equally intimidates new firms thus, creating fear of market entering (4.15). the table equally revealed that existing business of over three years has knowledge on how to manage themselves better during economic downturn (3.83) while these established SMEs are real threat to newly formed SMEs during the pandemic (3.74). it was further strongly agreed that existing business has in-depth experience of market behaviour (3.53), they employ aggressive marketing over social media to project the SMEs' product during COVID-19 Pandemic movement restriction (3.38).

On the fear of already existing businesses, established SMEs are real threat to newly formed SMEs during COVID-19 Pandemic crises. Most respondents confessed to being intimidated by the presence of other bigger firms, especially because of their resilience capacity and pare resources. Thukral (2021) SMEs are significantly affected by COVID-19 Pandemic compered to large firms as they over-represent hardest-hit sectors such as retail, hospitality, food services, entertainment services, and construction. SMEs as emphasized by Du, Razzaq and Waqas (2023) have been hit hard by the coronavirus (COVID-19) outbreak, which has jeopardized their going out of business altogether.

It was revealed from the responses that aggressive marketing is done over social media to project the SMEs' product during COVID-19 Pandemic movement restriction. SME's rising up will have a lot to do to match up the prowess of the well-established firms to be able to remain afloat in the industry during the crises. Klein and Todesco (2021) Social networks were widely used to promote sales (e.g., Instagram, Facebook, WhatsApp) while most SMEs embarked on paying for online advertisements for the first time. In support of this, Hossain et al. (2022) stated that enterprises that made the best use of digital platforms through technology, digital marketing, and innovations secured the peak of success and profitability. However, smaller firms need to engage these digital platforms if they are to prove competitive.

On having knowledge on how to manage firms better during economic downturn, the respondents agreed that existing businesses of over three years are better equipped knowledge-wise on how to sustain their businesses in time of pandemic crises. Piearce and Robinson (2002) advised that the managers' responses during this downturn should be influenced by the cyclical nature of their established industry; so as to enhance their capacities to weather the period of recessionary turmoil through reduced inflation and interest rates. Frick (2019) argued that a company's performance during and after pandemic-influenced recession depends not just on the decisions it makes but also on who and what type of firm makes them.

The respondents agreed that the existing business have in-depth experience of market behaviour more than newly developing SME's. Some respondents were of the opinion that conversancy over the years with the market and built relationships with clients is behind this decision. Entrepreneur Staff (2023) posited that most standard firms engage in market research, a well-developed market segmentation (identifying specific groups within a

market) and product differentiation (creating an identity to distinguish it from other competitors). Established businesses must have built up an in-depth picture of what customers want, how they behave and which of their marketing approaches work best (Info Entrepreneurs, nd), which is an advantage over SME's.

It was equally agreed by the respondents that existing business with large market share intimidates new firms thus, creating fear of market entering. This, as previously highlighted is based on already built connection and expertise over the years, making it difficult for newly coming firms to gather grounds and compete. Marshall, (2021) with direct or indirect restrictions, the number of players within an industry allows the incumbents to earn excess profits, hence deterring new entrants from venturing into a sector. Certain market characteristics pose higher barriers to entry for small entrants, while large entrants are less affected; while incumbents' firms may react differently to small-scale entrants compared to large-scale entrants (Blees et al., 2003).

It is possible that existing businesses sometimes create unfriendly environments too. Competition in businesses helps firms to enhance their products and operational efficiency (Indeed Editorial Team, 2022). Screenmobile (2021) stated that competition in business decreases an individual company's market share and shrinks the available customer base, especially if demand is limited; forcing lower prices for firms to stay competitive, and decreasing profit margins for sale.

RQ 1: Impact of the Internal Factors on SMEs Performance in Nigeria

Table 4.5: Regression Analysis on the Impact of the Internal Factors on SMEs Performance in Nigeria

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.764	.086		-8.868	.000
	Downsizing	.283	.046	.265	6.213	.000
	Fear of Existing Business	.948	.056	.719	16.838	.000

Dependent Variable: SME PERFORMANCE

From Table 4.5, the regression analysis shows the relationship between SME performance and two internal factors: downsizing and fear of existing businesses. The constant term (-0.764) suggests that when downsizing and fear of existing businesses are both zero, SME performance is negative. The coefficient for downsizing (0.283) indicates that for each unit increase in downsizing, SME performance increases by 0.283 units, with a standardized Beta value of 0.265, highlighting a moderate positive effect. This relationship is significant, with a t-value of 6.213 and a significance level of 0.000. The coefficient for fear of existing businesses (0.948) shows a stronger positive impact on SME performance, meaning each unit increase in this fear corresponds to a 0.948 unit increase in performance. The standardized Beta of 0.719 points to a strong effect, and this relationship is also statistically significant, with a t-value of 16.838 and a significance level of 0.000.

The coefficients of downsizing and fear of existing business were significant since p = .000 < 0.05. Hence, there is a positive relationship between SME performance; and downsizing/ fear of existing business respectively. An increase (decrease) in downsizing increases (decreases) SME performance by 28.3 % while an increase (decrease) in fear of existing business increases (decreases) SME performance by 94.8%. Overall, the analysis

indicates that both downsizing and fear of existing businesses significantly and positively affect SME performance, with fear of existing businesses having a more substantial impact.

4.2.3 External Factors (Reduction in Demand and Revenue Reduction) Influencing SMEs Performance

i. Reduction in Demand

Table 4.6: Reduction in Demand

S/N	Items	SD	Mean	DE	Rank
26	During the COVID-19 movement restriction, there is increase in price of products and services	.74	4.13	SA	2nd
27	The material needed for production during COVID-19 movement restriction are scarce	.60	4.27	SA	1st
28	The cost of making quality product during COVID-19 skyrocket the price	.89	3.83	SA	4th
29	Consumers during COVID-19 opt for cheaper products	.96	3.53	SA	6th
30	There is low product demand on product that has low customer rating on social media	.91	3.79	SA	5th
31	Competing firms produce in larger quantity thus; they are able to sell at cheaper price	.80	4.00	SA	3rd
	Average	**.81**	**3.92**		

KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree

Table 4.6 reveals respondents' information on reduction in demand. The respondents strongly agreed that the materials needed for production during COVID-19 Pandemic movement restriction are scarce (4.27), and that during the COVID-19 Pandemic movement restrictions, there is increase in price of products and services (4.13). It was also strongly agreed that competing firms produce in larger quantity thus, they are able to sell at cheaper price (4.0), while the cost of making quality product during COVID-19 Pandemic skyrocket the price (3.83). Furthermore, there is low product demand on products that have low customer rating on social media (3.79). while consumers during COVID-19 Pandemic opt for cheaper products (3.53).

The SME respondents agreed that during the COVID-19 Pandemic movement restrictions, there is increase in price of products and services. Most respondents were of the opinion that shipping-in more products and transporting them to their various retail points for sale was very difficult, hence inflating their prices. COVID-19 Pandemic resulted in restrictions in mobility of workers, changes in taste and demand of consumers, closure of food production facilities, restricted food trade policies, and financial pressures in food supply chain (Aday & Aday, 2020).

Consequently, the material needed for production during COVID-19 movement restriction was very much scarce, as agreed by the respondents. Because state borders were sealed and movement of people was restricted, local food processing and local food supply chains were stuck, as well as minimized migration of people from rural to urban areas Dharmalingam, Nandagopal, Thulasiraman, Kothakota, and Rajkumar (2021). COVID-19 is exacerbating food shortages, as food imports, transportation and agricultural production have all been hampered by a combination of lockdowns, travel restrictions and physical distancing measures (World Health Organization WHO Africa, 2020). The resultants of these restrictions were felt mainly by low-income households and those working in the informal economy due to their loss of livelihoods and inability to access markets.

The cost of making quality product during COVID-19 Pandemic skyrocketed the prices. It was obvious that the restrictions and policies led to increases in the prices of products as well as their raw materials. Gama care (2021) these sky rotted prices includes on raw materials used in construction, car manufacturing, e-commerce; and the prices of precious metals such as gold, silver, and platinum (Rajput et al., 2021).

Consequently, the respondents agreed that consumers, during COVID-19 Pandemic opt for cheaper products within their purchasing powers. Several factors that inflate the

prices of materials such as travel restrictions, closure of shopping malls and supermarkets; reduced product availability at stores; all influence consumers' option of going for cheaper (Patil, et al., 2022). On the other hand, sales of luxury products and services witnessed a slump because of long queues, uncertainty in opening and closing times, unavailability of items, and restrictions on purchase quantity (Patil et al., 2022). During the pandemic, consumers began shopping differently — reprioritizing what is essential and what is needed more than ever before (J.P. Morgan, 2020).

The respondents agreed that there is low demand on products that has low customer rating on social media. The main reason behind this as agreed is that online reviews are more influential, while the impact of consumer reviews across products in the same product category varies and influences demand (Zhu & Zhang, 2010). Any demeaning message can affect all site visitors and subsequently patronisers of the product. In recent researches the volume and nature of online consumer reviews significantly impact product sales (Chen, Fay & Wang, 2011; Zhu & Zhang, 2010; Liu, 2006).

It was also concluded that since competing firms produce in larger quantity, they are able to sell at cheaper price. As long as more is sold, the little profits can make up for the cheaper prices, attract more customers, and still enjoy monopoly through selling at that price. According to Lumen (n.d) a perfectly competitive firm can sell large quantities of products, as long as it accepts the prevailing market price; while revenue is going to increase as the firm sells more.

ii. Revenue Reduction

Table 4.7: Revenue Reduction

S/N		SD	Mean	DE	Rank
32	During the COVID-19 movement restriction, there is increase in price of products and services	.74	4.13	SA	2ND
33	The material needed for production during COVID-19 movement restriction are scarce	.60	4.27	SA	1ST
34	The cost of making quality product during COVID-19 skyrocket the price	.89	3.83	SA	4th
35	Consumers during COVID-19 opt for cheaper products	.96	3.53	SA	6th
36	There is low product demand on product that has low customer rating on social media	.91	3.79	SA	5th
37	Competing firms produce in larger quantity thus; they are able to sell at cheaper price	.81`	4.00	SA	3rd
	Average	**.81**	**3.92**		

KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree

Table 4.7 reveals respondents' information on revenue reduction. The respondent strongly agreed that the materials needed for production during COVID-19 Pandemic movement restriction are scarce (4.27), while there was increase in price of products and services (4.13). They equally strongly agreed that competing firms produce in larger quantity thus, they are able to sell at cheaper price (4.0), the cost of making quality product during COVID-19 Pandemic equally skyrocketed the price (3.83). Furthermore, the table showed that there is low product demand on product that has low customer rating on social media (3.79).

The findings from the respondents indicate that during COVID-19 Pandemic, the company records low customers' patronage. Lot of factors can be linked to this; however, restrictions and lockdowns were most indicated as main reasons why there was low patronage. Acee-eke and Ikegwuru (2020) posited that the use of supermarkets in Nigeria is significantly and favourably correlated with coronavirus control measures. Due to the lack of alternative purchasing options caused by the COVID-19 Crisis, consumer behaviour and

patronage changed; favouring supermarkets, which are heavily frequented. Even business and transport owners in FUNAAB have lamented low patronage as a result of the COVID-19 lockdown (Funaab, 2020).

It was also reported that low patronage is because of reduced purchasing power. Majority of the respondents stated that they can only buy more when they have enough money with them. But a critical period marred by lack of business sales and job losses, patronizing their businesses became an issue as a result of low purchasing power. According to Awoyinfa (2020), the government should implement fiscal policy measures that would complement the nation's current monetary policies in order to raise the purchasing power of the people and promote family consumption. Due to consumers' restricted purchasing capacity and the increasing economic situation, manufacturers similarly repackaged a number of consumer goods, notably those offered in sachets, into smaller quantities (Tunji, 2022).

Majority of the respondents were of the view that since nobody knows when the world will become stable, everyone tries to safe the little money they have. The trauma of everything crashing at the same time made it look so safe to hold back money instead of spending on frivolities. Emerging markets are at high risk, facing the dreadful challenge of fighting the virus in densely populated cities and poverty-stricken slums—where social distancing is hardly an option (Georgieva, 2020). Furthermore, for youths who start their careers at the bottom of their earning potential, worrying about saving has never been easy. Saving money, however, is particularly challenging, in addition to loan debt, housing and food prices are still high, despite a slowing of inflation (Simonetti, 2023).

From the SME’s perspectives, customers were unable to access their products due to movement restrictions. According to Aday and Aday (2020) national or international border

closures and the changes in demand of consumers are important causes to this trend. OECD (2020) posits that it is important not to add to costs for traders and consumers; and advisable to avoid export restrictions on essential goods, such as medical equipment and, especially, food products.

It was agreed in concord that most of the SME's targeted customers were paid half salaries during COVID-19 Pandemic movement restriction. Most employers could not cope with paying full salaries to their workers inasmuch as them being redundant as a result of the restrictions and lockdowns. Some employers paid at least 50% of usual wages for workers whose job has been temporarily suspended, and are partially reimbursed by the state in some foreign countries (OECD, 2020). Also, most employers—large, medium-sized, and small—are temporarily reducing salaries and hourly pay in reaction to their income losses from the coronavirus pandemic (Miller, 2020).

Due to movement restriction order by the government, the profit made by the firm has greatly reduced in agreements with the respondents' viewpoints. When the number of working hours has been cut short, and the quantity of goods imported are limited, as well as other consumer influencing factors; the number of profits made can be seen reduced. The lockdown measures that were chosen and put into effect, which stopped production, limited the movement of people and commodities, closed borders, created logistical challenges, and slowed down trade and economic activity, are mostly to blame for the disruptions in profits (PWC, 2020). World Bank (2020) opined those businesses might find it hard to service debt; bankruptcies and defaults could result in financial crises in many countries.

The SME respondents unanimously agreed that the decrease in product demand significantly affect firm's revenue. Just as seen in the law of demand and supply, decrease in demand for goods will reduce the sales made from them, and subsequent revenue

generated from them. With the knowledge that when a quantity effect is elastic, it outweighs the price effect, and when a price effect is inelastic, it outweighs the quantity effect, this information can be used to optimize revenue or expenditure (Hutchinson, 2017).

Finally, the SME respondents agreed that the availability of substituted goods contribute to revenue reduction. When there are alternatives to customer's choice of product or brand, it reduces the revenue generated by an SME. In most cases, substitute goods are always cheaper, and may not be in the custody of particular business owner. The business owner may have to source the good from another business owner, while the profits are either shared disproportionately or not given at all. By offering similarly beneficial alternatives, substitute items provide customers more options when making selections about what to buy. Yet from a business's standpoint, competing products cause conflict and price (CFI Tem, 2022). When competitors' products beat their own offers by a wide margin, some businesses are even forced out of business.

RQ 2: Impact of the External Factors on SMEs Performance in Nigeria

Table 4.8: Regression Analysis on the Impact of the External Factors on SMEs Performance in Nigeria

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.266	.061		-20.712	.000
	Reduction in Demand	.904	.102	.683	8.830	.000
	Revenue Reduction	.387	.100	.300	3.878	.000

Dependent Variable SME PERFORMANCE

From Table 4.8, the regression analysis indicates the impact of external factors—reduction in demand and revenue reduction—on SME performance. The constant term (-1.266) suggests that when both factors are zero, SME performance is significantly negative. The coefficient for reduction in demand (0.904) indicates that for each unit increase in this factor, SME performance increases by 0.904 units, with a standardized Beta value of 0.683, reflecting a strong positive impact. This relationship is statistically significant, with a t-value of 8.830 and a significance level of 0.000. The coefficient for revenue reduction (0.387) shows that each unit increase in this factor corresponds to a 0.387 unit increase in SME performance, with a standardized Beta of 0.300, indicating a moderate positive impact. This relationship is also statistically significant, with a t-value of 3.878 and a significance level of 0.000.

The coefficients of reduction in demand and revenue reduction were significant since $p = .000 < 0.05$. Hence, there is a positive relationship between SME performance; and reduction in demand/ revenue reduction respectively. An increase (decrease) in reduction in demand increases (decreases) SME performance by 90.4 % while an increase (decrease) in revenue reduction increases (decreases) SME performance by 38.7%. Overall, the analysis reveals that both reduction in demand and revenue reduction significantly and positively affect SME performance during the COVID-19 Pandemic, with reduction in demand having a more substantial effect.

4.2.4 Impact of COVID-19 Pandemic on SME's performance in Nigeria

Table 4.9: Impact of COVID-19 Pandemic on SME's performance in Nigeria

S/N		SD	Mean	DE	Rank
38	During COVID-19, the company records low customers' patronage	.82	4.02	SA	3RD
39	I believe the low patronage is because of reduced purchasing power	.73	4.07	SA	1ST
40	Since nobody knows when the world will become stable, everyone tries to save the little money they have	.87	3.71	SA	5TH
41	Customers were unable to access our product due to movement restriction	.82	3.84	SA	4th
42	Most of the firm targeted customers were paid half salary during COVID-19 movement restriction	.80	4.06	SA	2ND
43	Consumers during COVID-19 opt for cheaper products	.93	3.59	SA	7TH
44	There is low product demand on product that has low customer rating on social media	1.0	3.67	SA	6TH
	Average	**.85**	**3.85**		

KEYS: SA – Strongly Agree; A – Agree; D – Disagree; SD – Strongly Disagree

Table 4.9 reveals respondents' information on impact of COVID-19 Pandemic on SME's performance in Nigeria. From the table, it was strongly agreed that low patronage is because of reduced purchasing power (4.07), while most of the firm targeted customers were paid half salary during COVID-19 Pandemic movement restriction (4.06). It was equally found that during COVID-19 Pandemic, the company records low customers' patronage (4.02) and they were unable to access our product due to movement restriction (3.84). It is uncertain when the world will become stable, everyone tries to safe the little money they have (3.71); and there is low product demand on product that has low customer rating on social media (3.67), hence consumers during COVID-19 Pandemic opt for cheaper products (3.59).

The findings from the respondents indicate that during COVID-19 Pandemic, there is low patronage is because of reduced purchasing power. As people have less funds on them mainly as a result of being meticulous in spending or job loss and non-payment of salaries,

and also as a result of uncertainties around how much longer the pandemic may last; their purchasing power for goods and services from the SMEs tend to drastically reduce. Adekoya (2020) established that the pandemic has forced many Nigerians to buy locally produced goods on account of distortions in global economy and supply chain; while weakened consumer's purchasing power and lockdown tremendously affected sales and production, in Q1 of 2020. Tunji (2022) stated that the persistence of low purchasing power around consumers amid worsening economic conditions has also forced manufacturers into repackaging most consumer products in sachet forms into smaller quantities, to be sold at same of higher price. Initiating policies to strengthen the purchasing power of consumers stimulates aggregate demand and deliberately support industries to reduce the production cost of manufactured products in the country (Tunji, 2022).

It was also found out that most of the firm targeted customers were paid half salary during COVID-19 Pandemic movement restriction. The employers should not take this whole blame because it is really difficult to keep up with productions when the prices of raw materials and other factors of production are high, and when there are import restrictions as well as restrictions on searching and movement of goods. Hence, instead of closing down entirely or sacking the employees; it is commendable to place workers on half salary. According to Miller (2020) employers (large, midsize or small) are cutting salary and hourly wages, at least temporarily, in response to their revenue losses during the coronavirus pandemic, as 50% of the employees cannot afford to pay employees for a full month under quarantine. Even the aviation agencies and Federal Airports Authority of Nigeria (FAAN) in Nigeria placed their workers on half salaries from the month of May 2020 as one of the strategies to survive the pandemic; pledging to pay the balance after resumption with improved revenue generation (Osinusi, 2020).

During COVID-19 Pandemic, it was observed that SMEs records low customers' patronage. This is a dire consequence of low consumer power on the part of the client, as well as conservative spending nature and lack of funds. During the crises, traders, and drivers bemoan low patronages on campus (FUNAAB, 2020). As discussed by Acee-Eke and Ogonu (2020) SMEs needed new strategies (innovation, knowledge, empathy) for their survival, profitability, and sustainability; while their businesses are choked with uncertain financial incentives, high operating costs, and lack of stimulus package as they depend on customer patronage (loyalty and retention) for survival

The study found out that customers were unable to access products from SMEs due to movement restrictions. There were tough movement restrictions placed in all places around which drastically restrained customers from accessing goods and services from the SMEs. Furthermore, it was difficult moving required goods round to their various retail outlets. According to Aday and Aday (2020) movement restriction (national or international border closures) restricted customers from going to restaurants, instead they prepare their meals at home; while consumers do not want to go to markets and supermarkets to avoid contacting the virus at the stores. Hence, SMEs switched to Online shopping because of government-imposed restrictions and consumer anxiety over the potential health risk associated with in-store shopping (Shaw, Eschenbrenner & Baier, 2022).

At the peak of the pandemic, it was uncertain when the world will become stable; while everyone tries to save the little money they have, avoiding frivolous spending. Some SMEs were unsure where and when the next meal would be coming, as most were closed or shut down; or producing on lower frequency and capacity. According to Parker, Minkin and Bennett (2020), about half of lower-income adults who were used to savings now save less

than before the outbreak in the U.S.; 56% of the adults who have been saving money before the pandemic say they have not been able to put the same amount as usual into savings, while 13% have been able to put more. Looking only at respondents who can usually put money into savings, 36% are able to save less than they did before the coronavirus outbreak, while 19% say they are saving more and 44% say they are saving about the same (Parker, et al 2020). Horowitz, Brown and Minkin (2021) posited that a lot of SMEs were already struggling to save money before the coronavirus outbreak hit; while a plurality of lower-income adults is saving less during the pandemic.

The findings further revealed that there is low product demand on product that has low customer rating on social media. Most SMEs in Nigeria from their responses seem not to be giving customer ratings the desired attention; maybe because they could not move their businesses online in the first place, while the few that did, were not attentive to online customer ratings. While modern days' consumers often seek others' opinions about a product before deciding on purchase through magazines, specialized review websites, social media pages, asking their family members and friends for recommendations (Sun, 2012); aspiring SMEs are expected to pounce on such privilege and opportunity to make the most satisfying sales and profits. Social media use allows a firm to control its information broadcast, connect and converse with its targeted customers, creating better and stronger customer engagement; and promoting their products (Eslami et al., 2022).

The study finally revealed that consumers during COVID-19 Pandemic opt for cheaper products. As a result of the low purchasing power, customers' struggles to save, carefulness against spending extravagantly and uncertainties as to when the pandemic will subside; consumers mostly tend to go for cheaper and less expensive products. In support of this finding, Abdeinour, Babbitz and Moss (2020) opined that building new pricing

discipline, flexibility, and capabilities now can create long-term competitive advantages; while success-minded SMEs are adapting to their customers' immediate and changing needs while they consider longer-term implication. J.P. Morgan (2020) posited that there are products that are seriously sought despite the pandemic such as essential items from grocery stores or pharmacies; while there were rampant panic buying of goods all forced their prices up. Leaders in SMEs in charge of pricing can focus on being creative in meeting customer needs while preserving value, driving strong pricing discipline, and investing boldly in capabilities for the future (Abdeinour et al., 2020).

RQ 3: Impact of the COVID-19 Pandemic on SMEs Performance in Nigeria

Table 4.10: Regression Analysis on the Impact of COVID-19 Pandemic on SMEs Performance in Nigeria

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.818	.051		-16.114	.000
	COVID19 (RID; RR; D; FEB)	1.236	.013	.983	92.606	.000

Dependent Variable SME PERFORMANCE

From Table 4.10, all the independent variables namely [Reduction in Demand $_{(RID)}$; Revenue Reduction $_{(RR)}$; Downsizing $_{(D)}$ and Fear of Exiting Business $_{(FEB)}$] were collapsed into COVID-19 Pandemic, and its impact measured against the SME Performance through regression analysis. The regression analysis results show the effect of COVID-19-related factors (reduction in demand, revenue reduction, downsizing, and fear of existing businesses) on SME performance. The constant term (-0.818) indicates that SME performance would be negative if these factors were absent. The combined coefficient for the COVID-19 factors (1.236) suggests that each unit increase in these factors results in a

1.236 unit increase in SME performance, with a standardized Beta value of 0.983, signifying a very strong positive impact. This relationship is highly statistically significant, with a t-value of 92.606 and a significance level of 0.000. The coefficients of these independent variables “COVID-19” were significant since $p = .000 < 0.05$. Hence, there is a positive relationship between the impact of COVID-19 (independent variables) and SME Performance. An increase (decrease) in COVID-19 factors increases (decreases) SME performance by 124%.

This indicates that the combined effect of these COVID-19 factors is a significant and powerful predictor of SME performance, demonstrating that despite the challenges posed by the pandemic, these factors collectively contribute positively to the performance of SMEs in Nigeria.

In support of these findings, Enesi and Ibrahim (2021) stated that the COVID-19 Pandemic severely impacted SMEs, leading to reduced sales, reduced revenue, and economic distress. This highlighted the need for research on coping strategies to mitigate future impacts. Adaptive strategies include enhancing digital capabilities, diversifying supply chains, and implementing crisis management plans. Government support, financial aid, and policy adjustments are crucial for SMEs to navigate crises and ensure long-term sustainability. Erdiaw-Kwasie, Abunyewah, Yusif and Arhin (2023) reemphasized that SMEs have been impacted by the pandemic, with many downsizing operations and embracing innovation to stay competitive. However, there is a lack of research on the long-term sustainability of these adaptations. The pandemic exposed a gap in existing research on how SMEs can develop robust strategies to cope with similar shocks and sustain their operations. These adaptive strategies not only helped SMEs to survive during the pandemic but also positioned them for sustainable growth in the post-pandemic era. This indicates that

while the pandemic introduced significant obstacles, it also catalysed essential transformations that reinforced the overall performance and competitiveness of SMEs in Nigeria.

Hypothesis Testing

1. There are no significant differences in the impact of internal factors (downsizing and fear of existing business) on SMEs performance in Nigeria

Table 4.11: ANOVA testing for the impact of internal factors (downsizing and fear of existing business) on SMEs performance in Nigeria

		Sum of Squares	df	Mean Square	F	Sig.
Downsizing	Between Groups	261.625	23	11.375	555.964	.000
	Within Groups	5.647	276	.020		
	Total	267.272	299			
Fear Of Existing Business	Between Groups	172.000	23	7.478	676.321	.000
	Within Groups	3.052	276	.011		
	Total	175.052	299			

The ANOVA results show significant differences in the impact of internal factors (downsizing and fear of existing businesses) on SME performance during the COVID-19 Pandemic. Downsizing practices significantly influenced SME performance, with a mean square of 11.375 and an F-value of 555.964. Fear of existing businesses also significantly influenced SME performance, with a mean square of 7.478 and an F-value of 676.321. Hence, the hypothesis that there is no significant difference in the impact of internal factors (downsizing and fear of existing business) on SMEs performance in Nigeria, is rejected. These internal factors have a strong influence on SME performance during the pandemic, with relatively small within-group variances. The ANOVA results confirm that downsizing

and fear of existing businesses are critical factors impacting SME performance in Nigeria during the pandemic.

SMEs in Nigeria have experienced significant performance decline during the COVID-19 Pandemic due to downsizing and fear of existing businesses. Downsizing reduced workforce and operational costs, allowing SMEs to conserve cash and maintain essential functions. Fear of existing businesses prompted SMEs to innovate, diversify revenue streams, and explore untapped markets. These adaptive strategies not only helped SMEs weather the pandemic's immediate impacts but also positioned them for sustainable growth and increased competitiveness in the post-pandemic economy. These factors highlight the importance of strategic adaptability and innovation in sustaining SME performance during economic crises.

Hypothesis Testing

1. There are no significant differences in the impact of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria

Table 4.12: ANOVA testing for the impact of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria

		Sum of Squares	df	Mean Square	F	Sig.
Reduction In Demand	Between Groups	171.048	23	7.437	797.732	.000
	Within Groups	2.573	276	.009		
	Total	173.621	299			
Revenue Reduction	Between Groups	179.482	23	7.804	711.150	.000
	Within Groups	3.029	276	.011		
	Total	182.510	299			

The ANOVA results reveal significant differences in the impact of external factors, specifically reduction in demand and revenue reduction, on SME performance during the

COVID-19 Pandemic. Hence, the hypothesis that there is no significant difference in the impact of external factors (reduction in demand and revenue reduction) on SMEs performance in Nigeria, is rejected. The reduction in demand was significantly explained by variations in demand reduction among groups, while revenue reduction had a substantial impact on SME performance. The within-group variances for both factors were minimal, highlighting the strong influence these external factors have on SME performance. The ANOVA results confirm that reduction in demand and revenue reduction are critical external factors affecting SME performance in Nigeria during the pandemic.

The COVID-19 Pandemic has significantly impacted SME performance in Nigeria, with a decrease in demand and revenue. Hence, the hypothesis that there is no significant impact of COVID-19 on SMEs performance in Nigeria, is rejected. This has led to decreased sales and revenue, exacerbated by financial strain. SMEs face liquidity issues, increased debt burdens, and even business closures. The vulnerability of SMEs to external economic shocks underscores the need for robust support mechanisms like financial aid, policy interventions, and innovative business strategies. Adaptive strategies and supportive policies are crucial for ensuring the resilience and continuity of SMEs during unprecedented economic disruptions

CHAPTER 5

CONCLUSION AND IMPLICATIONS

5.1 Introduction

This chapter will conclude the findings of the study by providing few recommendations to SME managers and owners, on measuring SMEs performance; as well as the internal and external influences on SMEs performances during the COVID-19 Pandemic. The limitation of the study will be discussed in this section followed by the recommendations for future studies. Lastly, this study will be concluded at the last part of this chapter.

5.2 Summary of the Result

The following recommendations are given to SME managers and owners to properly address the difficulties and challenges they face when carrying their businesses aloft the COVID-19 Pandemic storm. The proposed recommendations are as follow:

- SME's need to constantly measure their performances during crises such as COVID-19 Pandemic, to be able to take decisions on: continuing, fortifying, or downsizing their businesses. The SMEs need to measure performances to find out when and how they are having high losses and reduced sales volume, meeting up with target accomplishment, staff number reductions, and even when to close down of their businesses during or after crises; especially when their businesses are at start-up stages. SME's dealing on perishable goods should expect restrictions during pandemics and plan ahead in making enough goods circulate around the country. SMEs are equally advised to explore and embrace the opportunity of having an online

hybrid version of their businesses to thrive, even when there are restrictions of movements to avoid drop in sales and overall business performance. Digital capabilities positively affect a firm through reduced costs and increased flexibility. Adapting to the rapid and changing innovation helps in identifying new business opportunities during COVID-19 Pandemic. The SMEs are equally advised to get financially literate, and equipped to be able to account for their profits, as well as manage their losses for improved business performance. They should understand cash flow analysis, taxation quota and rights, sales and financial education, and Fiscal stimulus packages implemented during the pandemic aimed to support businesses and households in developing countries.

- Downsizing as an internally influencing factor on SME performances is recommended, to know how to sustain operations while ethically reducing the numbers of employees during pandemic crises. They can research and explore more means to make their work activities more flexible, as well working from home possibilities. They should learn how to assess staff performance and take precautions against laying-off valuable and useful employees, especially if they still wish to remain in full operations during pandemics. It is equally recommended that the relieved employees' emotional well-being was dully considered before asking them to leave. They should factor-in compensations, lay-off entitlements and survival of sacked workers too. Furthermore, they should be aware that laying-off more workers reduce the competitive strength and advantage they have against other competing firms. Except in cases were laying off of staff is for improved productivity like the cases of technological adaptations, the results of laying off means to lose interest in competing with other firms, and should be taken into considerations.

- On the fear of already existing businesses, start-up SMEs should endeavour to resist intimidation and threats from established SMEs, and should not regard them as threats during COVID-19 Pandemic crises. They should build up their resilience and diversify their resort lifelines to survive rainy days. Intimidated SMEs should explore the options of aggressive marketing over social media to project their products during COVID-19 Pandemic movement restriction, and engage these digital platforms if they are to remain competitive. They can ask and make enquiries to have knowledge on how top firms manage economic downturn, and the managerial requirements needed for such. An understanding of market behaviour and how relationships with clients are built, as well as having a picture of what customers want, and which of their marketing approaches work best gives valuable advantage.
- There is a relationship between SME performance; and downsizing/ fear of existing business respectively. An increase (decrease) in downsizing increases (decreases) SME performance while an increase (decrease) in fear of existing business increases (decreases) SME performance.
- Reduction in demand as an externally influencing factor on SME performances is a critical area to fix if SMEs intend to sustain their operations during COVID-19 Pandemic. Shipping-in goods can be done in good time and in large quantity to wholesale stores before transporting them to their various retail points for sale prior to pandemic restrictions. The scarce materials needed for production during COVID-19 Pandemic movement restriction, can be brainstormed on to possibly start creating and reproducing them internally. This will equally help in curtailing the increases in prices of products caused by restrictions and policies. Attention should be paid to online reviews as they help showcase the shortcomings of the products, and

sometimes constructive criticisms on how the products can be improved on. Prompt responses and reactions to queries should be maintained. Any demeaning message can affect all site visitors and subsequently patronisers of the product.

- There is a positive relationship between SME performance; and reduction in demand/ revenue reduction respectively. An increase (decrease) in reduction in demand increases (decreases) SME performance while an increase (decrease) in revenue reduction increases (decreases) SME performance.

- Government should implement fiscal policy measures that would complement the nation's current monetary policies in order to raise the purchasing power of the people and promote family consumption. National or international border closures should be done in such a way as not to frustrate the business operations of SME's during pandemic crises. Government can equally find a way to support employees of SMEs of non-government institutions augmenting for the half salaries they are forced on during the pandemic. Government can equally place sacked SME employees on temporary salaries pending when the pandemic is over. Finally, the lockdown measures instituted by the government should not be such that stops production, neither should it limit the movement of goods/ commodities, close borders against imports, nor slow down trade and economic activities.
- The spearman correlation coefficient is 0.98. Hence, there is a strong positive correlation between SME performance and COVID-19 Pandemic.

5.3 Research Implication

The research on COVID-19's impact on Nigerian SMEs has brought up serious research implications. First, SMEs need to measure performance continuously during crises

to make data-driven decisions about scaling, adjusting staff, or potentially closing. This allows a flexible response to disruptions in sales or production, especially for SMEs dealing with perishable goods. Crisis-specific performance metrics and planning can help SMEs better withstand future economic uncertainties

Downsizing proved to be a challenging yet necessary approach for many SMEs. By implementing flexible work options and remote work, SMEs can retain key talent while reducing costs. Handling downsizing ethically, with fair compensation and employee welfare in mind, not only maintains morale but also helps sustain an organization's reputation and competitive edge during challenging periods. Start-up SMEs can strengthen their resilience against larger competitors by establishing an online presence, engaging clients directly through social media, and building brand loyalty. Leveraging digital tools and adaptive marketing strategies is vital for competitiveness, especially when in-person engagement is restricted. Start-ups should also seek mentorship from established businesses to navigate economic downturns effectively.

Addressing external challenges like reduced demand and supply chain disruptions is another implication. By sourcing materials locally where possible and responding quickly to online customer feedback, SMEs can identify improvements, retain customer trust, and mitigate some challenges of restricted movement or imports. Maintaining strong, prompt online engagement with customers during such crises is crucial for sustaining brand loyalty and public perception. Finally, supportive government policies are necessary for SME resilience. Fiscal support, employee subsidies, and managed border closures can help cushion the economic impact on SMEs. This study highlights the importance of targeted governmental intervention to support SMEs, particularly in resource-constrained

environments, underscoring the value of comprehensive, crisis-informed policies for economic stability and SME growth.

5.3.1 Theoretical Implication

The study's theoretical implications, framed through Dynamic Capability Theory (DCT), offer insights into how Nigerian SMEs can leverage adaptability to survive and thrive amid crises. DCT underscores an organization's capacity to reconfigure resources, learn new skills, and adjust strategies to face external disruptions. This study reveals that SMEs employing DCT principles, like shifting to online or hybrid models, were more resilient during COVID-19. Thus, strategic adaptability and digital capabilities emerge as critical assets for SMEs, helping them navigate unforeseen challenges effectively.

A key theoretical insight is the role of strategic agility, enabling SMEs to quickly sense and respond to environmental changes. The pandemic demonstrated that agile SMEs could pivot operations, shift resources, or launch new offerings, minimizing revenue loss and creating new income streams. Such adaptability, crucial to DCT, reinforces the need for SMEs to maintain flexible strategies and invest in agile systems to better manage future crises. The findings also highlight the importance of internal resource reconfiguration. Through cost optimization, supply chain modification, or responsible downsizing, SMEs can achieve financial stability while preserving essential capabilities. Ethical downsizing, such as fair compensation and considering employee welfare, is critical in maintaining organizational culture and morale, which supports recovery post-crisis. This approach aligns with DCT's focus on reconfiguring resources to sustain operations and retain valuable talent.

Another implication is the competitive resilience needed by start-ups and smaller SMEs facing established competitors. To stay relevant, smaller SMEs can leverage social

media and digital marketing to build customer relationships and maintain visibility. This strategy allows smaller firms to compete even with limited resources, aligning with DCT's emphasis on resourcefulness and market adaptability.

Lastly, the positive correlation between SME performance and pandemic conditions calls for supportive government policies. Fiscal support and flexible regulations, especially around import restrictions and temporary relief for affected employees, could enable quicker adaptation and stability for SMEs in crises. Government involvement in supporting SME resilience would enhance overall economic stability and create a robust foundation for post-crisis recovery, emphasizing DCT's premise that adaptable resource management is vital for organizational survival and growth.

5.3.2 Practical Implications

The practical implications of this study on COVID-19's impact on Nigerian SMEs underscore the need for proactive performance tracking. By actively monitoring sales, revenue, and costs, SMEs can make timely decisions on scaling, sustaining, or downsizing. Tracking key metrics allows them to quickly respond to losses or disruptions, especially when dealing with perishable goods under movement restrictions. For continuity, adopting digital and hybrid business models is essential, as it mitigates customer loss from physical closures and expands reach through online channels, supporting consistent sales even during crises.

Downsizing is another critical consideration. While reducing workforce costs may be necessary when demand drops, SMEs should approach layoffs ethically, ensuring fair compensation and support for affected employees. Introducing flexible arrangements, like remote work, can help retain valuable staff while maintaining productivity. Furthermore,

refining internal processes and upskilling remaining employees can enhance resilience, positioning SMEs to recover quickly when demand returns.

The study also emphasizes competitive resilience, encouraging smaller or start-up SMEs to withstand pressure from larger firms by building strong digital marketing and social media presence. This approach boosts visibility, builds brand recognition, and sustains customer engagement during and beyond the crisis. Start-ups can also learn from established firms' downturn strategies, using this knowledge to strengthen customer relationship management and refine their offerings

For demand reduction, SMEs are advised to focus on inventory management and consider producing essential materials locally to counter supply chain disruptions. Proactive stock management, pre-ordering goods, and quickly addressing customer feedback online can enhance customer loyalty and stabilize sales. Finally, government support plays a crucial role in SME survival during crises. Fiscal policies, temporary employee support, and easing of import restrictions can stabilize operations and improve purchasing power, indirectly supporting demand for SME products. Policymakers should prioritize fiscal measures that sustain SMEs, as these businesses are vital to economic resilience and recovery.

5.4 Limitations of the Study

There are few limitations, firstly, this study only measured impact of COVID-19 Pandemic on SMEs performances in Nigeria, but did not distinctively categorize the SMEs according to either "starting-ups", or "established SMEs" to get their individual resulting impacts from COVID-19 Pandemic. Obviously, the results of the two categories must be distinct and interesting to study.

Besides, this study did not specify the kind of businesses these SMEs are dealing on, since not all products were negatively affected by the COVID-19 Pandemic. Some SME's products such as hand sanitizers, hand gloves, nose and face masks, had an upward surge in sales, unlike other products and commodities.

The study limited the factors to Internal factors (downsizing, and fear of exiting business), and external factors (reduction in demand, and revenue reduction); while there are varieties of other factors not mentioned, which have both direct and indirect impact from COVID-19 Pandemic crises.

Furthermore, collecting data through questionnaires was not so easy, as it requires multiple reminders as well as "snowballing-reminders" to get the respondents to respond to the online forms. Most time busy times and schedule, lack of data in phones, and inability to manipulate technologies to get the questions answered; pose major challenges.

Lastly, the number of literatures relevant to the impact of COVID-19 Pandemic on SME's performance is limited. Therefore, the researcher experienced some difficulties in collecting secondary data for this study. In addition, the number of respondents in this study (300) is too little to represent the whole population of SMEs in Nigeria of 200 million people.

5.5 Recommendation for Further studies

This study only focused on exploring the impacts of COVID-19 Pandemic on the SMEs performance in Nigeria. Therefore, the following recommendations can still be considered for future studies and directions in this field:

i. Future studies should expand the scope of research on SMEs in terms of context: "starting-ups SME's", and "established SMEs"; instead of just SMEs. Scholars can still find other categorizations of SMEs that can completely exhaust information on their job performances during pandemics. Future studies can even

expand to go beyond job performances, to run a comparison between job retention and resilience among the categories of SMEs.

ii. Future studies should involve physical interviews of policy making government representatives as well as the SME representatives, to get a more diversified and both-sided-viewed responses from the government and from the SMEs.

iii. The study limited the factors to Internal factors (downsizing, and fear of exiting business), and external factors (reduction in demand, and revenue reduction); future studies can expand the scope to include more variables on both internal and external factors affecting job performances during pandemics.

5.6 Conclusion

This study explores the impacts of COVID-19 Pandemic on the SMEs performance in Nigeria. It identified the impact of the internal and external factors on SMEs performance in Nigeria through qualitative-based research with the help of online questionnaire. The findings of this study showed that the SMEs need to measure performances to find out when and how they are having high losses and reduced sales volume, meeting up with target accomplishment, staff number reductions, and even when to close down of their businesses during or after crises; especially when their businesses are at start-up stages. Downsizing as an internally influencing factor on SME performances is recommended, to know how to sustain operations while ethically reducing the numbers of employees during pandemic crises. They should factor-in compensations, lay-off entitlements and survival of sacked workers too. Furthermore, they should be aware that laying-off more workers reduce the competitive strength and advantage they have against other competing firms and should instead adopt technology and flexibility in their work approach. They should build up their resilience and diversify their resort lifelines to survive rainy days, exploring the options of

aggressive marketing over social media to project their products during COVID-19 Pandemic movement restriction, and engage these digital platforms if they are to remain competitive. Government can equally find a way to support employees of SMEs of non-government institutions augmenting for the half salaries they are forced on during the pandemic. Finally, the lockdown measures instituted by the government should not be such that stops production, neither should it limit the movement of goods/ commodities, close borders against imports, nor slow down trade and economic activities.

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APPENDICES

1. Item Measuring SMEs Performance

Insights into earlier literature on SMEs performance reveals that the construct has diverse meaning, measurements and antecedents. Examples of these are not limited to the studies of Akinbola, Ogunnaike, and Amaihan (2015), Taticchi, Tonelli and Cagnazzo (2010), Expósito and Sanchis-Llopis (2019), Hsiao, Wang, Wang and Kao (2020), who measure performance in terms of market share, customers' patronage, financial outcome, profitability and customers' feedback as antecedent of firm performance.

Sequel to these diverse measures of performance, SMEs performance in this study is described as ability to maintain high sales revenue and make the needed profits because those firms were established solely for-profit generation (Taticchi, Tonelli and Cagnazzo, 2010; Yıldız et al., 2014). Therefore, to measure performance in this research, strategies in which the SMEs adopts to cut cost, increase sales, improve profits, and gain more market share during COVID-19 are considered. Given this, the items used to measure SMEs performance focuses on SMEs' financial and non-financial progress. Hence, these items were adapted from the studies of Akinbola, Ogunnaike, and Amaihan (2015), Expósito and Sanchis-Llopis (2019), Hsiao, Wang, Wang and Kao (2020), Hu and Kee (2021) and Lupo (2018). Table A1 – A5 presents the adapted instruments.

Table A1

Items Measuring SMEs Performance

S/N	Code	Instrument	Source
	Perf 1	To maintain the needed profits, SMEs reduce the number of employed employees during COVID-19	Afum, Agyabeng-Mensah, Acquah, Baah, Dacosta, Owusu and Owusu (2021).
	Perf 2	The movement restriction during COVID-19 affects firm's business performance	
	Perf 3	Drop in market demand affects overall firm performance	
	Perf 4	Adaptation to the rapid and changing innovation helps in identifying new business opportunities during COVID-19	Kamita and Oluoch (2018)
	Perf 5	During COVID-19 cash flow problems affect firms' business performance	
	Perf 6	Increased innovation via digital technologies helps firms to reduce operating cost and enhance performance	Lupo (2018)
	Perf 7	Stimulus package received during COVID-19 Pandemic help in maintaining the firm's financial strength that enhance firm performance	

2. Items Measuring Downsizing

Similar to SMEs' performance during COVID-19, downsizing is among the major strategies' firms (both large and small) embarked upon to safe cost, maintain customers' value and add value to their products and services during economic standstill (Samreen et al., 2022; Taticchi et al., 2010). Given this, the items used in measuring downsizing were adapted from studies that includes Karake (1998), Salloum (2022), Samreen et al. (2022) and Taticchi et al. (2010). In total, seven (7) items were developed to measure the construct downsizing in this research.

Table A2

Items Measuring Downsizing

S/N	Code	Instrument	Source
1	DS1	The management in my workplace ethically reduce the numbers of employees during COVID-19	Fielden et al. (2003)
2	DS2	Those employees who were relief of their duties during COVID-19 are those who add no value to the business.	
3	DS3	The relieved employee's emotional well-being was dully considered before asking them to leave	Salloum (2022)
4	DS4	The behaviour of SMEs during COVID-19 movement restriction is to cut operating cost	
5	DS5	Reliving employee among SMEs dampens SMEs competitiveness	Samreen et al. (2022)

6	DS6	SMEs employees during COVID-19 lose their sense of hob security	Taticchi et al. (2010).
7	DS7	Downsizing exercise was carried out by expert managers	

3. Items Measuring Fear of Existing business

Existing firms are also known as direct competitors; however, these existing firms are already established and significant market share and well-known product lines. Sometimes they have the ability and the capability to create hostile environment for new entrant as well as create unfriendly environment for even after entering the industry. In this research items used to measure fear of existing business are those characteristics which existing firms use in their production line, market their product and the strategies they adopt. Hence, these instruments were adapted from the studies Akbari et al. (2021), Maloni et al. (2021), Shahriar and Shepherd (2019), and Taye-Faniran and Olowu (2016).

Table A3

Items Measuring Fear of Existing Business

S/N	Code	Instrument	Source
1	EB1	During COVID-19, established SMEs are real threat to newly formed SMEs	Maloni et al. (2021)
2	EB2	Aggressive marketing is done over social media to project the SMEs' product during COVID-19 movement restriction	

3	EB3	Existing business of over three years has knowledge on how to manage themselves better during economic downturn	Akbari et al. (2021)
4	EB4	Existing business has in-depth experience of market behavior	Shahriar and Shepherd (2019)
5	EB5	Existing business with large market share intimidates new firms thus, creating fear of market entering	
6	EB6	Existing businesses sometimes create unfriendly	Taye-Faniran and Olowu (2016)

4. Items Measuring Reduction in Demand

Reduction in demand in this research is described as the process by which consumers or customers failed to patronize firm's finished goods or services due to several known and unknown factors the might is not limited to product sustainability, choice of other products from competing businesses, economic, social and environmental impact, price of the product. Therefore, to measure reduction in demand, environmental, social, economic and competitive influence were used as indicators to measure reduction in demand. Given this, the items used in this research were adapted from the studies of Akbari, Foroudi, Khodayari,Fashami and Shahriari, E. (2021), Chen, Fay and Wang (2011), Hobbs (2020) and Taye-Faniran and Olowu (2016).

Table A4

Items Measuring Reduction in Business

S/N	Code	Instrument	Source
1	RD1	During the COVID-19 movement restriction, there is increase in price of products and services	Hobbs (2020)
2	RD2	The material needed for production during COVID-19 movement restriction are scarce	
3	RD3	The cost of making quality product during COVID-19 skyrocket the price	Ahmed, Sarkodie (2021)
4	RD4	Consumers during COVID-19 opt for cheaper products	
5	RD5	There is low product demand on product that has low customer rating on social media	Chen, Fay and Wang (2011), Taye-Faniran and Olowu (2016)
6	RD6	Competing firms produce in larger quantity thus; they are able to sell at cheaper price	

5. Items Measuring Revenue Reduction

Revenue reduction in this study is described as low return on investment and less profits that occurs due to low customers' patronage. Hence, the items used in measuring this construct were adapted from the COVID-19 scenarios. This include movement restriction order, falls in customers' purchasing power as measured by Carranza et al. (2020), Gautam (2021), Lus and Muriel (2009) and Wang,Yao and Martin (2021). The

rationale for selecting these items is that the scholars in their studies examined antecedents or factors responsible for revenue reduction.

Table A5

Items Measuring Revenue Reduction

S/N	Code	Instrument	Source
	RR1	During COVID-19, the company records low customers' patronage	Wang et al. (2021)
	RR2	I believe the low patronage is because of reduced purchasing power	
	RR3	Since nobody knows when the world will become stable, everyone tries to safe the little money they have	Carranza et al. (2020)
	RR4	Customers were unable to access our product due to movement restriction	Wang et al. (2021)
	RR5	Most of the firm targeted customers were paid half salary during COVID-19 movement restriction	Carranza et al. (2020)
	RR6	Due to movement restriction order by the government, the profit made by the firm has greatly reduced	Gautam (2021).
	RR7	The decreased in product demand significantly affect firm's revenue	Lus and Muriel (2009)

	RR8	Availability of substituted goods contributes to revenue reduction	

GOOGLE FORM QUESTIONNAIRE RESULTS

1. What is your age group

Age group	
Below 20	6
21 to 30	36
31 to 4	116
41 to 50	142
Above 51	0

2. What is your gender?

Gender	
Male	210
Female	90
Prefer not to say	

3. Are you a Nigerian National?

Nigerian national?	
Yes	300
No	

4. What is your marital status

Marital status	
Single	196
Married	104
Divorcee	
Widow/Widower	
Separated	

5. My highest educational qualification is

Highest educational qualification	
High School Certificates	40
National Diploma (ND/OND)	30
Higher National Diploma or First Degree (HND/BSc)	172
Masters	50
PhD.	8

6. To maintain the needed profits, SMEs reduce the number of employed employees during COVID--19

SMEs reduce the number of employed employees during COVID-19	
Strongly disagree	28
Disagree	10
Neutral	52
Agree	144

Strongly agree	66

7. The movement restriction during COVID-19 affects firm's business performance.

Movement restriction affects firm's business performance.	
Strongly disagree	48
Disagree	8
Neutral	16
Agree	86
Strongly agree	142

8. Drop in market demand affects overall firm performance

Drop in market demand	
Strongly disagree	12
Disagree	6
Neutral	4
Agree	130
Strongly agree	148

9. Adaptation to the rapid and changing innovation helps in identifying new business opportunities during COVID-19.

Adaptation to the rapid and changing innovation	
Strongly disagree	12
Disagree	24
Neutral	36

Agree	178
Strongly agree	50

10. During COVID-19 cash flow problems affect firms' business performance

Cash flow problems affect firms' business performance	
Strongly disagree	6
Disagree	12
Neutral	28
Agree	180
Strongly agree	74

11. Increased innovation via digital technologies helps firms to reduce operating cost and enhance performance.

Increased innovation via digital technologies	
Strongly disagree	22
Disagree	24
Neutral	38
Agree	154
Strongly agree	62

12. Stimulus package received during COVID-19 Pandemic help in maintaining the firm's financial strength that enhances firm performance

Stimulus package received during COVID-19 Pandemic	
Strongly disagree	30
Disagree	68
Neutral	80
Agree	98
Strongly agree	24

13. The management in my workplace ethically reduce the numbers of employees during COVID-19.

Ethically reduce the numbers of employees	
Strongly disagree	10
Disagree	68
Neutral	42
Agree	144
Strongly agree	36

14. Downsizing exercise was carried out by expert managers

Downsizing exercise	
Strongly disagree	36
Disagree	26
Neutral	72
Agree	146

Strongly agree	20

15. Those employees who were relief of their duties during COVID-19 are those who add no value to the business

Relieved employees add no value to the business	
Strongly disagree	72
Disagree	62
Neutral	72
Agree	76
Strongly agree	18

16. The relieved employees' emotional well-being were dully considered before asking them to leave

Relieved employees' emotional well-being were dully considered	
Strongly disagree	58
Disagree	110
Neutral	24
Agree	82
Strongly agree	26

17. The behaviour of SMEs during COVID-19 movement restriction is to cut operating cost.

Behaviour of SMEs is to cut operating cost.	
Strongly disagree	4
Disagree	24
Neutral	64
Agree	178
Strongly agree	30

18. Reliving employee among SMEs dampens SMEs competitiveness

Reliving employee dampens competitiveness	
Strongly disagree	24
Disagree	52
Neutral	64
Agree	132
Strongly agree	28

19. SMEs employees during COVID-19 lose their sense of job security

Employees lose their sense of job security	
Strongly disagree	6
Disagree	16
Neutral	4
Agree	242
Strongly agree	32

20. During COVID-19, established SMEs are real threat to newly formed SMEs.

SMEs are real threat to newly formed SMEs.	
Strongly disagree	12
Disagree	56
Neutral	72
Agree	138
Strongly agree	22

21. Aggressive marketing is done over social media to project the SMEs' product during COVID-19 movement restriction.

Aggressive marketing is done to project the SMEs' product	
Strongly disagree	18
Disagree	8
Neutral	52
Agree	178
Strongly agree	44

22. Existing business of over three years has knowledge on how to manage themselves better during economic downturn.

Existing business of over three years has knowledge on how to manage better	
Strongly disagree	12
Disagree	28
Neutral	82
Agree	136

Strongly agree	42

23. Existing business has in-depth experience of market behaviour.

Existing business has in-depth experience	
Strongly disagree	10
Disagree	24
Neutral	60
Agree	178
Strongly agree	30

24. Existing business with large market share intimidates new firms thus, creating fear of market entering

Existing business with large market share intimidates new firms	
Strongly disagree	6
Disagree	16
Neutral	38
Agree	202
Strongly agree	38

25. Existing businesses sometimes create unfriendly environments.

Creating unfriendly environments	
Strongly disagree	0
Disagree	50

Neutral	78
Agree	134
Strongly agree	38

26. During the COVID-19 movement restriction, there is increase in price of products and services.

Increase in price of products and services	
Strongly disagree	0
Disagree	10
Neutral	26
Agree	174
Strongly agree	90

27. The material needed for production during COVID-19 movement restriction are scarce.

The material are scarce.	
Strongly disagree	0
Disagree	4
Neutral	16
Agree	174
Strongly agree	106

28. The cost of making quality product during COVID-19 skyrocket the price.

The cost skyrocketed the price.	
Strongly disagree	1

Disagree	10
Neutral	30
Agree	168
Strongly agree	90

29. Consumers, during COVID-19 opt for cheaper products.

Opting for cheaper products	
Strongly disagree	0
Disagree	2
Neutral	18
Agree	176
Strongly agree	104

30. There is low product demand on product that has low customer rating on social media.

Low product demand on product that has low customer rating	
Strongly disagree	2
Disagree	28
Neutral	54
Agree	152
Strongly agree	64

31. Competing firms produce in larger quantity thus; they are able to sell at cheaper price.

Competing firms are able to sell at cheaper price.	
Strongly disagree	2
Disagree	60
Neutral	60
Agree	154
Strongly agree	24

32. During COVID-19, the company records low customers' patronage**.**

Company records low customers' patronage	
Strongly disagree	0
Disagree	40
Neutral	42
Agree	158
Strongly agree	60

33. I believe the low patronage is because of reduced purchasing power.

Low patronage caused by low purchasing power.	
Strongly disagree	6
Disagree	12
Neutral	26
Agree	182
Strongly agree	64

34. Since nobody knows when the world will become stable, everyone tries to safe with the little money they have**.**

Everyone tries to safe with the little money they have.	
Strongly disagree	0
Disagree	8
Neutral	46
Agree	162
Strongly agree	84

35. Customers were unable to access our product due to movement restriction.

Difficulties accessing product due to movement restriction	
Strongly disagree	0
Disagree	30
Neutral	80
Agree	138
Strongly agree	52

36. During the COVID-19 move limitation, the majority of the company's targeted clients received half of their salaries

Half salaries	
Strongly disagree	0
Disagree	16
Neutral	80
Agree	140
Strongly agree	64

37. The government's edict restricting mobility has significantly decreased the company's profit margin.

Profit Margin	
Strongly disagree	0
Disagree	16
Neutral	40
Agree	154
Strongly agree	90