

EFFECT OF COVID-19 PANDEMIC ON THE PERFORMANCE OF MICRO, SMALL & MEDIUM ENTERPRISES IN NIGERIA

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ABSTRACT

As the Corona Virus Disease 2019 (COVID-19) outbreak continues to spread across nations causing thousands of deaths and ravaging both lives and economic activities, countries around the world have taken stringent measures in curbing its spread which has impacted negatively on businesses. Nigeria is faced with the brunt of the pandemic as the nation goes into partial lockdown from almost all economic activities. Although Nigeria remains low in infections and deaths compared to other countries, the lockdown has caused devastating impact on MSMEs. This report is based on an online survey of businesses in Nigeria to evaluate the effect of COVID-19 on MSMEs for which 861 businesses responded. Survey strategy was deployed to collect data while data analysis entailed the descriptive such as percentages, frequencies, tables, charts, graphs and figures, and inferential statistics for its simplicity. The result suggests that Micro and Small businesses are hit the hardest as 93% of respondents were in this category. It shows that 4 in 5 businesses were affected by the lockdown. The lockdown is making situation extremely difficult for businesses as initial estimates indicate that business and work activities have been reduced by at least 50%, with huge decline in revenues, reduction in import and exports, increase in unemployment with a possible loss of 45% of all jobs in the MSME sector of the economy. Furthermore, entrepreneurs have shown resilience but the major challenges they emphasized include difficulty in payment of wages, bills, and rents, as well as access to finance.

Key Words: Coronavirus; COVID-19; Impact; Micro, Small & Medium Enterprises; MSME; Nigeria

INTRODUCTION

Besides the brouhaha arising from the US-China trade war and Brexit in 2019, which was predicted to have dire economic impact on the world economy by 2020, no one saw the anxiety and economic lockdown a health related issue could cause the economies of the world. COVID-19 (Corona Virus Disease 2019) as it is popularly called took the world by surprise and crippled the entire global economy just within two months of its spread from Wuhan, China to the rest of the world. While the number COVID-19 cases continue to increase in different proportions across countries and regions of the world (ECDPC, 2020), the unfathomable depth of the economic hardship caused by the health crisis is without any doubt the worst in recent history. Reports continually show the abysmal sufferings of micro, small and medium-size enterprises (MSMEs) across the globe as the pandemic has ravaged the vast majority of businesses (about 60%) everywhere in the world where lockdown was used as a strategy to curb the spread of the virus (Borino & Rollo, 2020; Ozili & Arun, 2020). Small businesses have been reported to make up about 95% of all firms globally, accounting for an estimated 70% of total workforce, while contributing approximately 50% of value added, taking into consideration both informal and

formal businesses (Etuk, Etuk, & Michael, 2014). MSMEs are essential for particularly maintaining a formidable and stable food supply chain, for providing essential cleaning agents like soap, sanitizers, disinfectants, and also personal protective equipment/medical devices (Ramful & Kieck, 2020). Survey report shows that two-thirds of micro firms are impacted by COVID-19, compared with 42% for large companies (Olisah, 2020). Thus, a pervasive collapse of MSMEs could lead to heavy negative impact on national economies the world over. Even though businesses in the MSMSE sector globally feel the impact, businesses in Africa are not left out as they seem to be the most hit by the corona virus crisis. The report also indicated that 3 out of 4 of the companies they interviewed in Africa perceived severe consequences (Olisah, 2020). Nigeria of course is not shielded from the health crisis that has generated into an economic meltdown, as the country is already experiencing disruptions in every facet of the economy as a consequence of COVID-19 (KPMG, 2020).

This survey is aimed at MSME because of the huge role they play in the economic development in Nigeria and nations around the world. The purpose of this paper is to conduct a survey that measures the impact of COVID-19 on MSMEs in Nigeria, and to get suggestions from respondents on the possible way forward and how government policy can help stimulate the sector and the economy at large and prevent imminent economic recession.

CONCEPTUALIZATION OF MICRO, SMALL & MEDIUM-SIZE ENTERPRISES

Globally, Micro, Small & Medium-size Enterprises account for at least 90% of all businesses and 50% of all employment, while contributing up to 40% to GDP in emerging economies (Falokun, 2020; Fems & Opigo, 2020). The classification of businesses into the different categories are basically done uniquely by individual nations using different criteria. There is no one definition that fits global acceptance in the categorization of MSMEs. The concept of SMEs was first introduced into the developmental scene in the late 1940s with the fundamental aim of improving trade and industrialization in the now developed economies (Etuk, Etuk, & Michael, 2014). The categorization of businesses is basically derived in each individual nation based on policies and programmes designed to empower and promote SMEs or based on their role in national development. For example, a firm categorized as micro in the United States, United Kingdom, Japan, Germany, Russia, or Canada might be categorized as medium sized firm in Nigeria following the same criteria. SMEs are usually defined based on a plethora of criteria including volume of turnover, assets, number of employees, profit, capital employed in the business, market share, available finance etc., (Etuk, Etuk, & Michael, 2014; Fems K. M., *Entrepreneurship in the 21st Century*, 2016). Broadly speaking for a business to be qualified as an SME in the UK it must conform to having a turnover of less than £25million, less than 250 employees and a total gross asset of less than £12.5million (University of Strathclyde, 2020). However, in the US, categorization is based on sectors rather than a one-size-fits-all definition of SMEs (Ward, 2020). Table 1.0 portrays categorization of MSMEs in some countries and region.

Table 1.0 - Categorization of MSMEs in some countries and regions

Country	Category	Turnover	No. of Employees	Balance Sheet/Assets
European Union (EU)	Micro	Not exceed €2m	Less than 10	Not exceed €2m
	Small	Not exceed €10m	10-49	Not exceed €10m
	Medium	Not exceed €50m	50-249	Not exceed €43m
South Africa	Micro	Not exceeding R0.5m	Less than 10	Not exceed R0.10m
	Very Small	$R0.5m \leq R1m$	10 – 20	R0.50m – R2m
	Small	$R1m \leq R5m$	Not exceed 50	R1m – R6m
	Medium	$R5m \leq R20m$	100 – 200	R5m – R23m
Nigeria	Micro	Not exceeding N20m	1-10	> N5m
	Small	$> N20m \leq N100m$	11-35	$>N5m \leq N100m$
	Medium	$> N100m \leq N500m$	36-100	$>N100m \leq N500m$
United Kingdom	Micro	$\leq \text{£}316,000$	≤ 10	$\leq \text{£}632,000$
	Small	Not exceed £6.5m	Less than 50	Same as EU
	Medium	Not exceed £25.9m	Less than 250	Same as EU
World Bank	Micro	Less than \$ 100,000	Less than 10	Less than \$ 100,000
	Small	$\$100,000 < \$3m$	11-50	$\$100,000 < \$3m$
	Medium	$\$3m < \$15m$	50 – 300	$\$3m < \$15m$

Source: *The Company Warehouse (2018); OECD (2005); Pedraza (2014); Gonzales, Hommes, & Mirmulstein (2014); Judeh (2014); SA Institute of Tax Professionals (2020); IFC (2018); Bank of Industry (2020); Khodakivska & Michelitsch (2020); Fems, (2020).*

In Nigeria however, MSMEs are generally referred to as enterprises with up to 250 employees (Ardic, Mylenko, & Saltane, 2011). But looking at China in contrast for instance, MSME could be a business organization with 1-3,000 workforce, with a total asset of ¥40m to ¥400m, and business turnover reaching ¥10m to ¥300m depending on the industry (Kushnir, 2010). So, what is referred to as small or medium size firm in China may be a large firm in Nigeria when the monetary value is converted. Table 1.0 is a good portrayal of the huge differences in

criteria for classifying MSMEs amongst countries and regions. Let us consider the World Bank (WB) categorization as a benchmark, a micro firm will be equivalent to a small firm in Nigeria, and a small enterprise as measured by WB will equate a medium sized firm in Nigeria. It is apparent therefore that, every country has to make and adopt its own policies regarding the categorization of MSME for the betterment of its people and the development of its assets.

COVID-19 AND WORLD ECONOMIES

The sporadic and seemingly uncontrollable nature of the COVID-19 spread around the world since January 2020 presents the world with a frightening health crisis that it is still grappling with. Since the COVID-19 pandemic outbreak began in November 2019 in Hubei Province, Wuhan, China, there has been, as at the writing of this report (June 3, 2020), 6,341,646 infected persons cases, and 376,237 deaths related to COVID-19 complications worldwide (Worldometer, 2020). In Africa, 54 countries have reported confirmed cases so far with a total of 157,218 recorded as infected persons, 67,007 as recoveries while 4,493 are deaths as a result of COVID-19 complications (Al Jazeera News, 2020; World Health Organization, 2020). Of these infected persons, Nigeria is attributed with 10,819 confirmed cases, 3,239 discharged cases and a death toll of 314 persons as reported by the Nigeria Centre for Disease Control (NCDC, 2020; Oyekanya, 2020). Apart from the health crisis inflicted upon humans by the virus, there is also dire economic, financial, business, trade and commercial disruptions being felt across nations of the world as a result of the COVID-19 pandemic, leading nations into recession and uncertainty. In fact, according to the Managing Director of IMF Kristalina Georgieva, *“coronavirus pandemic will push the global economy into the deepest recession since the Great Depression, with the world’s poorest countries suffering the most”* (News Lab, 2020). The world of work as we know has also been affected by the pandemic so much so that employees and entrepreneurs are not sure if the workplace will ever return to normal or if this is the ‘new normal’. In fact, COVID-19 has already transmuted into an economic and employee market shock, as it has impacted all facets of businesses irrespective of their size and location (International Labour Organization, 2020). Although the COVID-19 pandemic is a global health crisis, it has unleashed unimaginable socio-economic impacts, forcing millions and companies and employees worldwide to risk being out of business and jobs, respectively. The pandemic has hit those businesses categorized under MSMEs and their employees particularly hardest (UN Global Compact, 2020). A survey conducted by the International Trade Centre (ITC) revealed that, one out of four SMEs in all developing countries will shut down permanently due to the COVID-19 crisis if their governments do not act fast (International Trade Centre, 2020b)

Unlike the Spanish flu that was limited in spread owing that at the time globalization was embryonic, COVID-19 knows no boundaries, no borders. No country is immune, no region is spared. It is no respecter of persons or nations and have continued to spread all over the world with consequential impact on lives and businesses. According to a report by KPMG, 94% of Fortune 1,000 companies across the world and businesses in Africa are already feeling the impact and disruptions from the virus (KPMG, 2020). As a result of the pandemic, businesses are experiencing operational stress, difficulties both on the supply and demand side of the economics, declining sales, and even shutdowns especially among micro and small businesses (Lakuma & Sunday, Impact of COVID-19 on micro, small, and medium businesses in Uganda, 2020). There are two industries globally that are heavily hampered and crawled to a halt by the COVID-19 pandemic: travel and tourism/hospitality. Travel and tourism alone account for 10% of global GDP and employs more than 50 million jobs worldwide. With the shutting down of the travel and tourism companies around the world, 50 million jobs are at risk of been lost, the global GDP is losing 10%

as a result, SMEs both downstream and upstream in the industry value chain are grinding to a halt globally (Scott, 2020). In fact, as of March 2020, the International Air Transport Association (IATA) reported an estimated revenue loss in the sector of \$252 billion globally (Olisah, 2020). The virus is biting hard on Hospitality, Aviation, Cinema, Sports and Entertainment particularly.

Since the outbreak erupted in China, business activities in the world's second largest economy have grounded to a halt as a direct impact of the pandemic. In China, MSMEs generate at least 90% of total employment, account for 80% of exports and contribute a whopping 70% of GDP (Zhang, 2020). To properly evaluate the impact of COVID-19 on SMEs in China, a follow-up survey was conducted by the [Enterprise Survey for Innovation and Entrepreneurship in China \(ESIEC\)](#) team and Peking University. A total of 2,349 previously sampled SMEs in seven provinces participated in the survey. The survey report showed that SMEs in China are grappling for survival as 14% of firms involved in the survey reported that they will not be able to last beyond one month as a result of cash flow shortages; while 50% say they will not last beyond 3 months if the pandemic persists. This thus presents a picture reflecting imminent bankruptcies for SMEs if the present scenario extends further. Another 8% said they have not resumed operations as at the time of the survey (February 10). The survey also revealed that Chinese exports have declined by 17.4% in 2020 which is currently causing huge instability in the global supply chain as China is reckoned to be the world's manufacturing hub. No wonder the hard hit on these SMEs by COVID-19 pandemic is impacting the economy of China adversely, with differential effects across all sectors and regions (Zhang, 2020).

For Pakistan, World Bank (2020) reports that the country's national output will lose within the range of Rs891 billion (\$5.5bn) to Rs1.6 trillion (\$9.9bn) in fourth fiscal quarter alone. The numbers paint a depressing portrait not just for the Pakistani people but the world at large. It is predicted that with a vaccine still unavailable and not in sight, the future of the global economy remains desolate as it now plunges into recession and Pakistan seems to be heading same way. The United Kingdom is another country where coronavirus has continued to wreak havoc across sectors and industries. After the UK adopted the lockdown strategy on March 23, 2020 to curb the spread of the virus, beyond the public health crisis that arose from the pandemic, the economic landscape has taken a huge nosedive in the country. From February 2020 to May 2020, it is estimated that the UK economy as measured by GDP, is down 30%. It is also reported that in the period from 6 April to 19, 2020, a total of 23% of businesses in UK had temporary closure or halted trading, while 60% of businesses that continued operations reported drastic fall in revenues. Almost 50% of all jobs earning less than £10/hour are at risk. The UK also reported that 7.6 million jobs are at risk of been lost (Allas, Canal, & Hunt, 2020). The impact of the virus is so severe that automobile production has slowed down drastically. For instance, Tata Motor's Jaguar Land Rover Automotive Plc. has shut down and suspended all production activities in order to curb the outbreak of COVID-19. Others that have temporarily shut down their facilities include Honda Motors, Toyota Motor Corporation and BMW as a direct result of COVID-19 (Business Wire, 2020). As a consequence of the pandemic, a quarter of companies in the UK are reported to have been temporarily shutdown and of those still operating, majority are experiencing lower turnover, according to the Office for National Statistics. To elaborate on this, as at 2019 there were 5.9 million businesses in the UK of which more than 99% are classed as SMEs, employing over 16.6 million people (Merchant Savvy, 2020; FSB, 2020; Department for Business, Energy & Industrial Strategy, 2020; Rhodes, 2019). This means a total of 1,475,000 businesses are temporarily closed and an estimated 4,150,000 employment are already stalled or lost. The UK economic output is projected to plunge by 35%, while unemployment rate rose to 10%, while the economy is projected

to shrink by 13% in 2020, the most in the past 300 years according to the Office for Budget Responsibility (OBR) (Reuters, 2020). Finally, the IMF and OBR have forecasted that UK is heading to its deepest recession since the 1920s as a direct impact of the lockdown orchestrated by the COVID-19 (Romei & Thomas, 2020).

The United States is not excluded from the devastation caused by the pandemic. Small businesses in the US have reported uncertainty about the future as the virus hits hard on them with no respite in sight. SMEs account for 48% of the US economy (Anan, Jain, Mahajan, Maxwell, & Pandher, 2020). There are 30 million SMEs in the US (Office of the United States Trade Representative, 2020), which account for an estimated 58.9 million employment overall (US Small Business Administration, 2018). It is reported that 7.5 million small businesses in the country are at risk of shutting down permanently if nothing is done by the government to intervene. As a result, 36 million people have already been enrolled on the list of unemployed people (Hutchinson, 2020). According to a survey report released by Facebook Small Business Round Table, *"31% of small and medium-sized businesses have shut down [entirely] in the last three months. The situation is worse for personal business (52% of which report shutting down), hotels, cafes and restaurants (43%) and services like wellness, grooming, fitness or other professional services (41%)"* (Facebook, 2020). In Uganda, a recent survey on the impact of COVID-19 on businesses conducted by the Economic Policy Research Centre (EPRC) revealed that, 75% of all surveyed businesses have laid off employees as a result of reduced business activity due to the lockdown. The survey report also revealed that agriculture is experiencing the highest constraints in terms of access to both inputs and markets for sales of their products as a result of the control measures put in place by government such as restrictions to transportation, and bans on weekly markets etc. The report also indicate that the service sector is witnessing the greatest shock as 76% of businesses are experiencing severe decline in business activities (Lakuma & Sunday, Impact of COVID-19 on micro, small, and medium businesses in Uganda, 2020). In addition, majority of micro and small firms report that they will cease business operations within one to three months if the current lockdown persists. The survey report also revealed that some 3.8 million employees will lose their work temporarily while another 625,957 people risk losing theirs permanently if the associated containment strategy for the pandemic persists for the next six months (Lakuma, Sunday, Sserunjogi, Kahunde, & Munyambonera, 2020).

In Nigeria like in other nations, MSMEs are the backbone of its economy as they account for 96% of all businesses, 84% of total employment and 48% contribution to the country's GDP. Nigeria has a total of 41.5 million MSMEs (SMEDAN, 2019), employing 59.65 million people (Kale, 2019), with micro enterprises constituting as much as 99.8%: an equivalent of 41.4 million businesses (Adesoji, 2019). It is inevitable that with the current wave of disruptions in the business landscape caused by the COVID-19 around the world, businesses in Nigeria will have their own fair share. However, how deep, and long the downturn will depend on the workability of measures to assist MSMEs. A survey conducted by Lola Falokun examined the massive disruptions already happening in the country's MSMEs ecosystem. The survey report indicates that there is already huge damage to the economy and its gigantic network of MSMEs will face unprecedented crisis and much greater disruptions if the lockdown occasioned by the virus lasts a few months longer. The report also suggests that most businesses may shutdown permanently if not assisted or bailed out by the government. Many business owners reported that they will likely change their strategy to incorporate collaboration, digitization of their operations and a re-think of their business model to suit the post COVID-19 era as they are optimistic it will be over soon. Finally, according to the survey report, for many businesses, there will be a shift in target sectors of the economy with

increased focus on the health and digital industries to stay at the essential commodity edge (Falokun, 2020).

In a bid to intervene and assist MSMEs in the country, the Federal Government through the Central Bank of Nigeria (CBN) has introduced a fiscal stimulus package for businesses and households, which includes a N50 billion (\$138.89mn) credit facility as they are most hit by the pandemic. Another N100 billion (\$277.78mn) loan to be accessed by those in the health sector, and a N1 trillion (\$2.78 bn) loan facility to the manufacturing sector. Additionally, in order to reduce the burden of interest payment, the CBN has reviewed interest rates on all its interventions from 9% to 5% and a one-year moratorium effective March 1, 2020. To make things even easier for those in the pharmaceutical industry, the government has introduced import duty tax waivers on importations and has doubled efforts at ensuring that they get foreign exchange (Onyekwena & Ekeruche, 2020).

RESEARCH METHODOLOGY

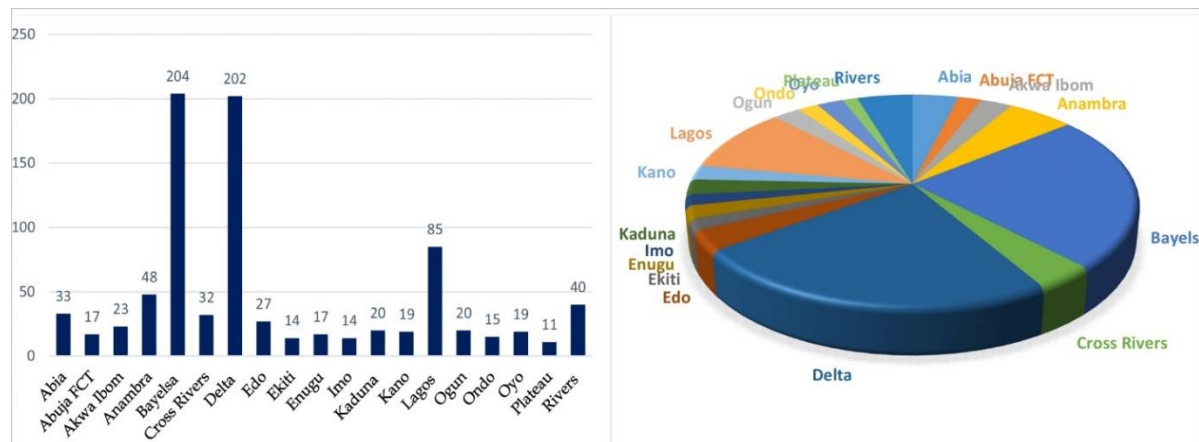
The study used the survey approach by relying largely on primary data sourced from the respondents. The population of study comprised all MSMEs in Nigeria. A purposive and multi-stage sampling technique was used to generate the sample size for the study.

A structured questionnaire was designed to elicit the desired response from the selected MSMEs. Out of the 1000 questionnaires administered, 861 was properly completed and returned. The questionnaires were administered through social and multi-media. Data generated from the questionnaire were analyzed using descriptive and inferential statistics.

DISCUSSION OF FINDINGS

GEOGRAPHICAL SPREAD OF RESPONDENTS (BUSINESSES)

Figure 1 – Geographical spread of businesses that responded to the survey by state



Source: Author

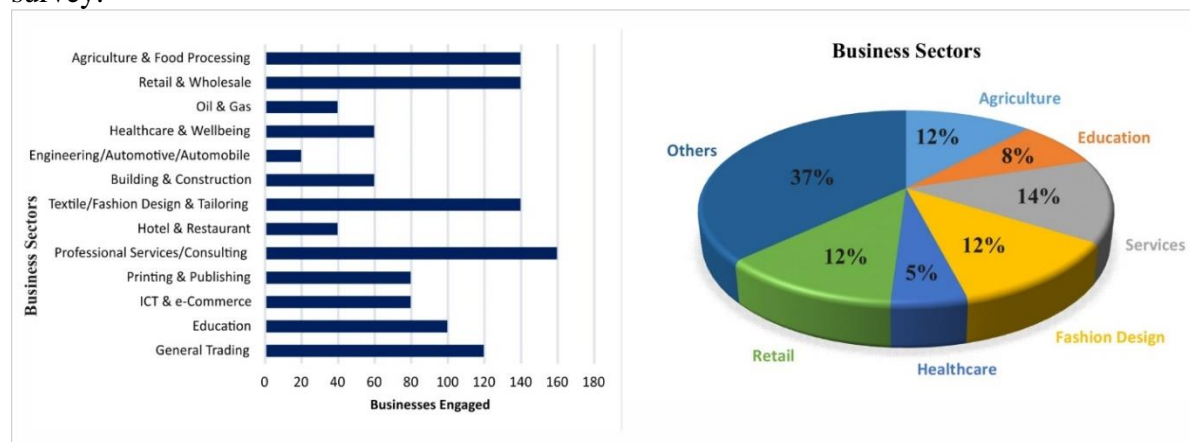
The online survey was uploaded to the internet and was meant for businesses located anywhere in Nigeria to respond. However, only 19 states responded to the online survey. Of which Bayelsa (204 business) and Delta (202 businesses) states had the highest participation accounting for 24% and 23% of respondents, respectively. Lagos followed with a total number of 85

businesses accounting for 10% of respondents. A total of 78% of the businesses that responded are located in the South-South region of the country, with 93% (about 799 business) indicating their businesses are domiciled in Southern Nigeria. Only 7% (some 61 businesses) of respondents operate their businesses in the North. Figure 1 displays the graph and chart of the respondents and the various states their businesses are domiciled when asked the question “*where is your business located?*” Although responses gotten does not seem to fully represent the entire nation when the spread is considered but result from one region can be generalized to suggest what could have been in other regions.

BUSINESS SECTORS

Of the 860 valid respondents that participated in the survey exercise, 22% were engaged in the retail sector, 14% in the service sector, with 12% engaged in the agricultural sector. Another 12% were engaged in fashion design and tailoring, while the educational sector accounted for 8%, with the healthcare sector accounting for 5% of total respondents. Meanwhile all other sectors (construction, printing & publication, oil & gas, ICT & e-Commerce etc.) were grouped into “others” and they represent 27% of businesses that responded. However, deeper analysis reveals that printing & publishing accounted for 7%, building & construction 5%, hotel & restaurant 3%, engineering & automobile represent only 2% of respondents, with oil & gas accounting for just 3% and general trading 10% representation. Some of the respondents indicated operating more than one business and filled the survey as such. None of the businesses that participated are in the manufacturing sector. This indicates that most businesses in Nigeria trade on finished goods and very few produce (agriculture 12%). The survey suggests the consuming nature of Nigeria as opposed to a producing nation. See Figure 2.

Figure 2 – Graphical display of the various business sectors of respondents that participated in the survey.



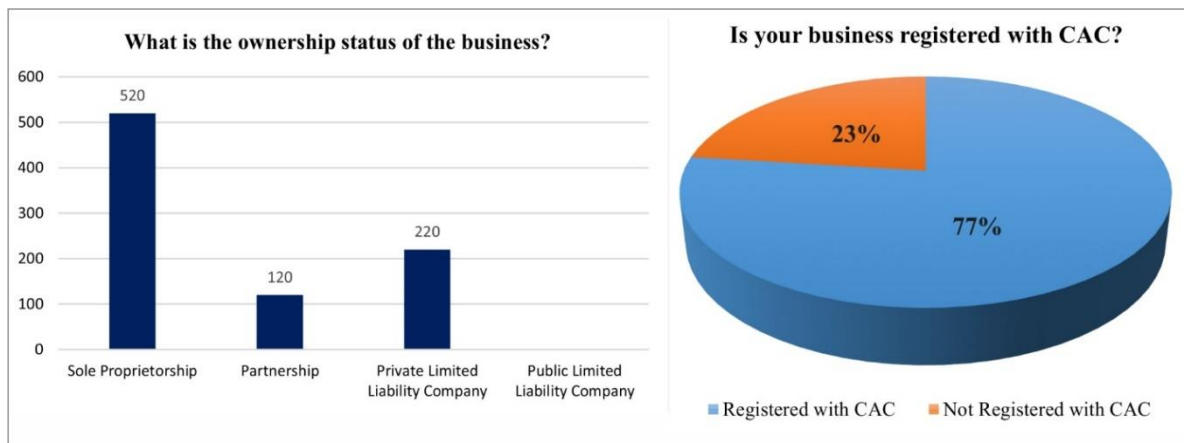
Source: Author

STATUS OF REGISTRATION AND BUSINESS OWNERSHIP

A total of 60% (520 businesses) of the respondents reported to be sole proprietors, partnership accounted for 14% of respondents while 26% reported business ownership to be Private Limited Liability Company (Ltd.). None of the respondents indicated Public Limited Liability Company (Plc.) as their ownership status. On the other hand, of the 860 businesses that responded to the survey, 198 representing 23% of enterprise reported that they were not registered at the time of the survey, while the majority of 662 accounting for 77% of respondents stated they were registered with the Corporate Affairs Commission (CAC). This means, although not part

of the scope of this research, that 23% of respondents do not pay tax to the government as they are unknown to the government. This suggests that government agencies are not doing their work most effectively to ascertain that those that operate businesses in the country are registered under the appropriate Law before conducting their businesses. It could also be that these business owners do not have awareness of the benefits of being a registered company and the dangers of not recognized as a business entity by Law. See Figure 3.

Figure 3 – A display of business ownership status and registration status



Source: Author

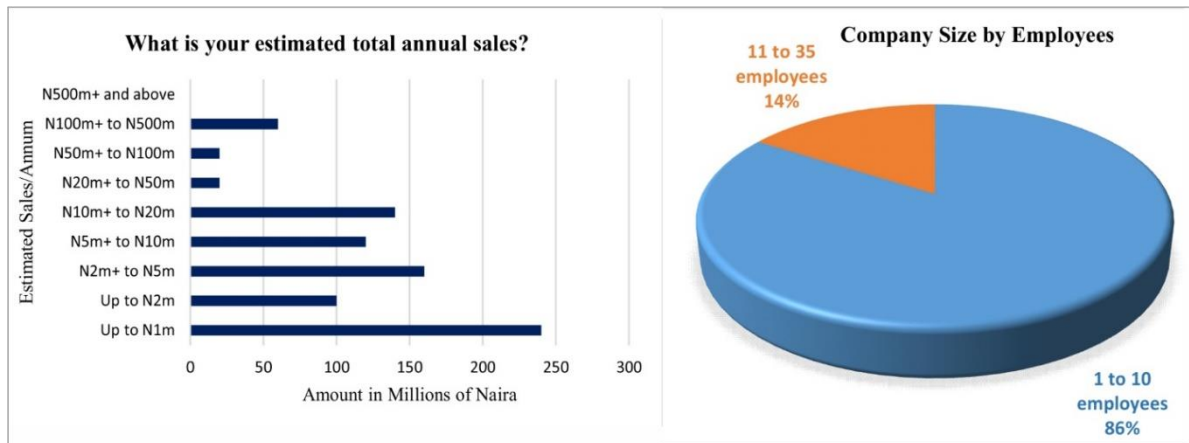
MSME CATEGORIZATION OF RESPONDENTS

In line with the categorization of MSMEs in section 2.3, 760 businesses indicated estimated annual sales of less than or equal to N20m accounting for 89% of all respondents. A total of 4% of the businesses that responded stated that their estimated annual sales is between N20m and N100m. While 7% indicated having annual sales between N100m and N500m. None of the respondents indicated earning more than N500m in annual sales. However, on a closer look, 28% (240) of the businesses that responded stated they earn up to N1m in sales annually, 12% (100 businesses) reported to earn up to N2m, 19% (160) earn between N2m and N5m annually in sales, 120 businesses representing 14% of respondents stated they have annual sales of between N5m and N10m. Another 16% (140) of businesses say their annual sales figure range from N10m – N20m, 2% (20 businesses) claim a range of N20 – N50m, 2% (20 businesses) still stated an annual sales revenue between and ranges of N50m and N100m while 7% of respondents accounting for 60 businesses reported their annual sales revenue in the range of N100m – N500m. Following the criteria for MSME categorization in Nigeria established in this paper already, it shows that 89% of the businesses that responded to the survey fall under micro, 4% under small while 7% under medium size enterprise. This means majority of the respondent's businesses are micro enterprises. It could also be deduced that majority of the businesses that operate in Nigeria are micro businesses.

Although using sales as a criterion for categorization (Figure 4) of businesses into MSME reveals the classes of businesses that responded, when number of employees was used, the classification becomes different. From the survey, 86% of the businesses stated they have employee strength between 1 and 10, which fall under the categorization as micro enterprise.

While 14% stated employing within the range of 11 to 35 employees which fall under the categorization as a small enterprise.

Figure 4 – Categorization of respondent’s businesses using annual sales and number of employees



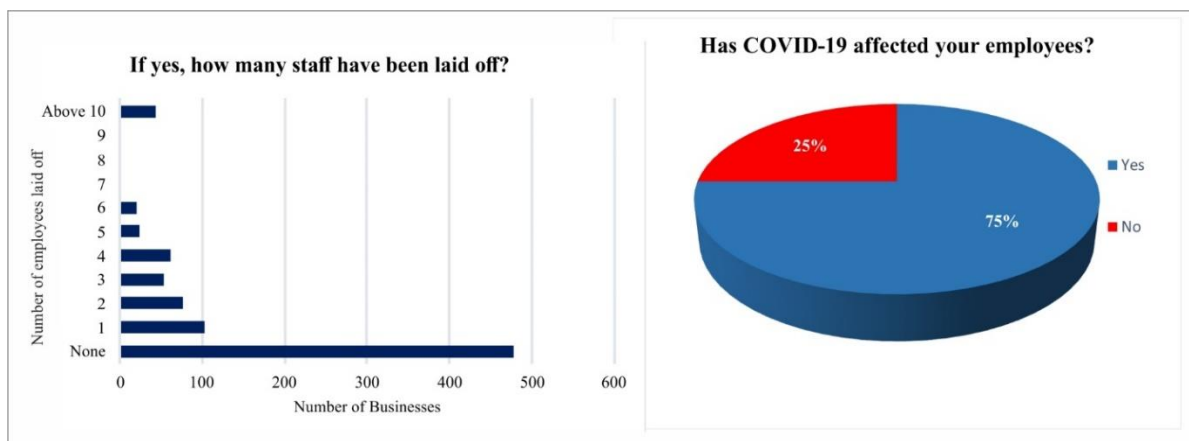
Source: Author

When we consider annual sales as the criterion, the respondents were classified into micro, small and medium size enterprises unlike with number of employees which have just two classes of businesses: micro and small enterprises. This suggests that majority (micro and small) of the businesses in Nigeria employ between 1 and 35 persons in their organizations.

EFFECT OF COVID-19 ON EMPLOYEES

The survey reveals that 383 businesses accounting for 45% of respondents reported to have laid off an estimated total of 1,524 employees as a direct impact of the measures taken to curb the spread of the virus. When asked if the pandemic affected employee strength, 641 (75%) businesses answered yes, of which only 383 laid off employees; while 25% of respondents reported the virus did not affect their employee strength.

Figure 5 – Graphic display of COVID-19 effect of staff



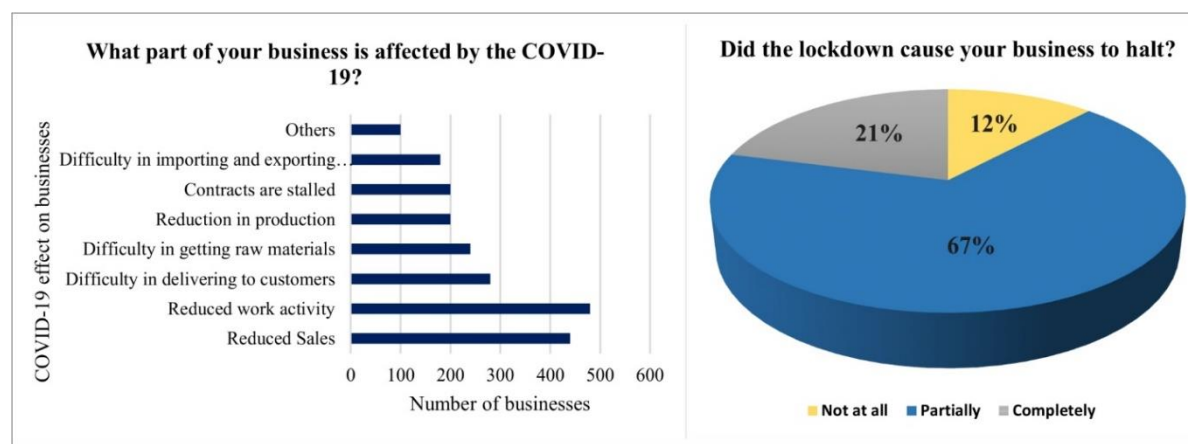
Source: Author

As much as 477 of the respondents representing 55% of businesses that participated in the survey reported not to have laid off any employee as a result of the pandemic. It is clear from the findings however, that not all businesses affected by the coronavirus laid off members of their staff and that a large number of MSMEs are impacted by it. If 45% of businesses that responded to the survey reported to have laid off 1,524 staff, it suggests that a possible 45% of the 59.65million (26,542,500) jobs in the MSME sector could be in danger or at risk being lost.

ASSESSING THE IMPACT OF THE LOCKDOWN

When asked whether the lockdown measures taken by the Federal and State Governments caused their businesses to pause, 104 businesses accounting for 12% respondents stated that the lockdown did not in any way cause them to pause operations, 21% of respondents accounting for 178 businesses reported to have completely halted their businesses due to the lockdown measures. While 67% of respondents (578 businesses) stated that their businesses were only partially paused: meaning they had some level of business operations ongoing. In assessing the impact of the lockdown on businesses, the question “*what part of your business was affected by the COVID-19?*” was asked with the following responses. It was a multiple-choice question and so most of the respondents selected more than 4 choices. 51% of the respondents reported to experience reduction in sales, 56% say they are experiencing reduction in work activity, 33% stated difficulty in delivering their goods to customers, and difficulty in getting raw material was reported by 28% of respondents. Reduction in production is the experience of 23%, another 23% stated their contracts have been stalled due to the lockdown, 21% face difficulty in importation and exportation of their goods, while 12% indicated other difficulty like inability to interface with customers face-to-face, and difficulty in getting monies withdrawn from banks. This suggests that business activities across the nation has been drastically reduced by the pandemic possibly up to 50%, and movement of goods are a major crisis for businesses especially those in agriculture that move goods from the farm to the market. Travel ban is a major setback for those that rely on raw materials from abroad and for those that sell their goods abroad. These sets of businesses are completely halted by the lockdown measures. See Figure 6.

Figure 6 – Graphical display of the impact of the lockdown measures on businesses



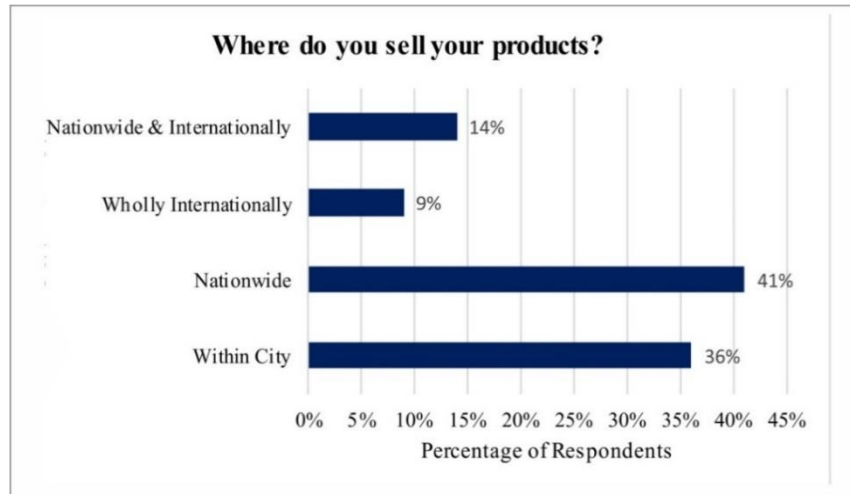
Source: Author

WHERE RESPONDENTS SELL THEIR PRODUCTS

To determine where the products of respondents are sold so as to ascertain the impact of COVID-19 on logistics, the question “where do you sell your products” was asked. The multiple-

choice options included “within the city my business is”; nationwide; “wholly internationally” and “nationwide & international.” Majority of the respondents (349) accounting for 41% of businesses reported they sell their products nationwide, 307 respondents representing 36% of businesses reported selling their products within the city their businesses are domiciled while 124 respondents accounting for 14% of businesses stated they sell their products both nationwide and internationally. Only a fraction of respondents (80) equaling 9% of businesses sell their products wholly internationally. This thus suggests that most MSMEs in Nigeria sell their products locally: within city and nationwide.

Figure 7 – Graph displaying where respondents sell their products

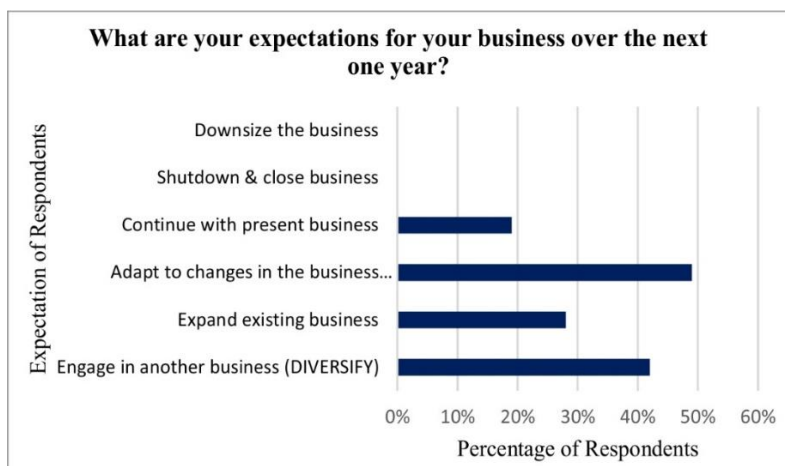


Source: Author

RESPONDENT’S EXPECTATIONS

The question “What are your expectations for your business over the next one year?” was asked to ascertain the malleableness of businesses in such a crisis as this, and to measure the level of hope and optimism of business owners and operators.

Figure 8 – Graphical expression of respondent’s expectation for the next one year.



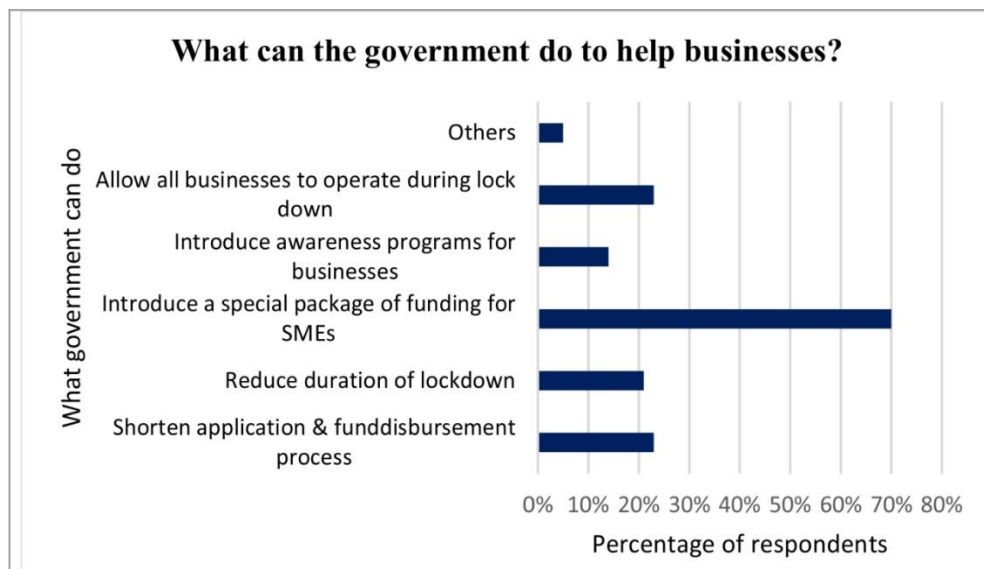
Source: Author

Forty two percent of the respondents accounting for 360 businesses reported they will diversify their businesses; 28% representing 237 businesses stated they will expand their existing businesses, 421 businesses representing 49% of respondents reported they will adapt to the changes in the business ecosystem, while 19% accounting for 162 businesses said they will continue with their existing businesses. None of the respondents say they will shut down or downsize their businesses. This suggests the resilience of Nigerian entrepreneurs even in the face of dire difficulty as evidenced in the COVID-19 induced recessions.

WHAT RESPONDENTS DESIRE GOVERNMENT TO DO TO ASSIST MSMES

In the search to know what the government can do to help MSMEs from complete shut down as a result of the COVID-19 from owners and operators of MSMEs perspectives, the question “*what can the government do to help businesses?*” was asked. Here are the responses. The question provides multiple choice responses plus a box for other comments in the case where the respondent’s desired answer is not provided. 70% of respondents accounting for 601 businesses desired the government to provide special funding for small businesses to enable them to survive the harshness of COVID-19 impact. 23% want the government to shorten the application procedures and processing for accessing funds for government intervention programmes for businesses. A total number of 202 businesses representing 23% of respondents suggest government can allow all businesses to operate amidst the COVID-19 pandemic as a strategy that will help them. 21% are of the opinion that government reduce the duration of the lockdown to allow businesses operate, 14% want government to introduce awareness programmes that will inform businesses of government intervention programmes for small businesses, while 5% representing 41 respondents suggest other things government can do like completely calling off the lockdown; and providing enabling policies that encourage business continuity and survival. See Figure 9.

Figure 9 – Graphical display of what respondents think government can do to help businesses

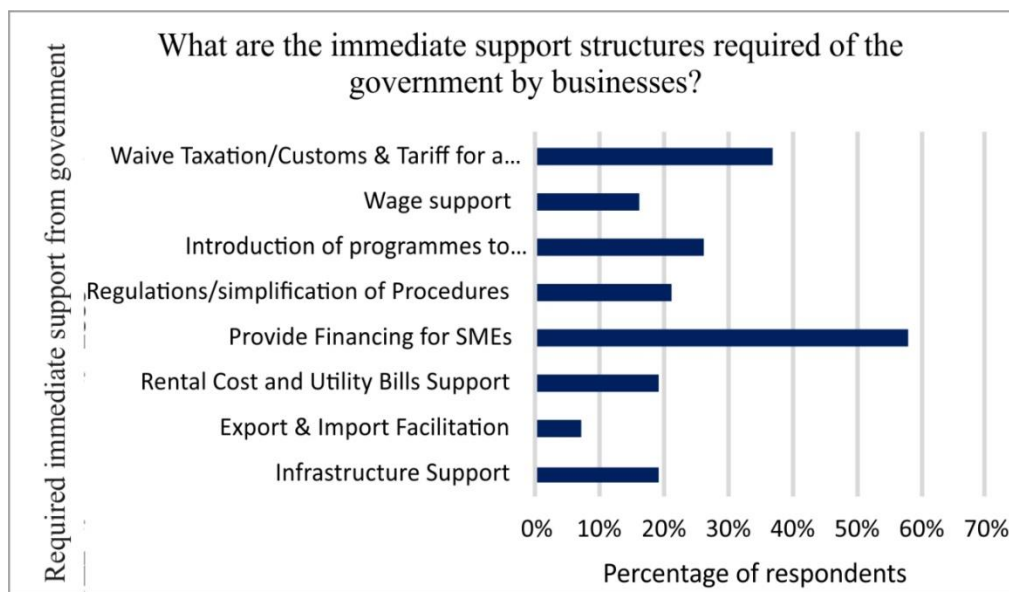


Source: Author

IMMEDIATE SUPPORT STRUCTURES REQUIRED OF GOVERNMENT BY RESPONDENTS

In Figure 9, we demonstrated graphically what respondents think government can do to help businesses. Figure 10 below displays a graphical representation of the immediate action government can act on to help businesses cope with the pandemic's economic impact. The survey indicated that 58% of respondents accounting for the majority of businesses (501) want the government to act on financing businesses through special schemes; 37% want the government to waive taxes, custom duties and tariffs for a substantial period. 26% of respondents want the government to introduce programmes that will encourage people to start businesses of their own. A minor group of respondents representing 7% want the government to help facilitate import and export of goods across the globe. 19% stated that government help fund their rental cost and utility bills, while 16% desire that government should augment their wage bills and help them pay staff during this pandemic period. Another 19% of respondents want the government to act in providing infrastructural support (electricity, good roads, railways, etc.) and all logistics capabilities needed to aid businesses operate smoothly. See Figure 10.

Figure 10 – Graphical expression of the immediate support structure respondents want government to act on to help businesses.



Source: Author

CONCLUSION AND POSSIBLE POLICY DIRECTIONS

It is evident from the result of the survey that economic, business and trading activities have been seriously disrupted by the lockdown measures put in place to curb the spread of the pandemic. MSMEs seems to be hit the hardest especially micro and small enterprises as some have completely shut down their businesses while some others have laid off some staff. The country is at risk of losing a whopping 45% of its 59.65 million (26.84 million) jobs in the MSME sector of the economy if nothing is done by the government to help the situation. The lockdown is disrupting logistics and supply chain activities as a result of the cross-border movement ban. Businesses are

experiencing massive reduction in sales and in work activity to the tune of 51% and 56% respectively. This has apparently affected revenues of MSMEs in the country.

Businesses are also experiencing sharp decline in production, which is sure to as a direct result of difficulties in accessing raw materials from suppliers and decline in demand. The survey also suggests that the Nigerian government might be losing out on tax as 25% of businesses operating in the country are not registered with the CAC. It is recommended that government takes measures to educate business owners on the benefits of registering their businesses and the dangers involved in operating illegally. The biggest challenge faced by MSMEs in the country is funding and financing as 70% suggest government to provide special funding scheme for the sector. Though the Federal Government through the Central Bank of Nigeria had announced its N50bn stimulus package for MSMEs and Households, there seems to be difficulty in accessing government intervention programmes as 23% of businesses want the process and procedures for accessing government funding to be shortened to at most 2 weeks. Other challenges faced by businesses include contracts been halted because of the lockdown and difficulty in delivering to customers. Paying of bills and salaries also pose very serious challenge for businesses as they seek government intervention to help them cover rental cost, bills, and wages for a substantive period as the crisis continues.

However, in the midst of these challenges, entrepreneurs are optimistic that the future will be better as none of the businesses stated they will shut down and discontinue their businesses. Rather some will diversify, adapt to the new normal, continue and expand their existing businesses. This is an indication of the resilience and tenaciousness of the Nigerian entrepreneurs in their pursuit for success. In light of these, businesses are desirous that government would formulate and implement policies that will help them overcome this crisis. Some of the policy direction hoped for are waivers in taxes including custom duties and tariffs for imports and exports; easing of the procedures for import and export, financing as well as providing adequate infrastructures to enable seamless business operations.

Furthermore, to government policy direction, the government could remove the ban on some businesses and allow all businesses to operate while opening interstate borders for free movement. As a result of job losses and impending inevitable more job losses, government could introduce programmes that will encourage people to start businesses of their own and employ others rather than seeking the unavailable employment. On the positive side though, the COVID-19 has forced entrepreneurs to begin to think of diversification and expansion which they ordinarily would not have thought about doing.

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