



## Determinants of SMEs Survival Amidst COVID- 19 Pandemic in Ilorin, Kwara State. Nigeria

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### Abstract

The coronavirus pandemic which has ravaged the entire world has negatively affected Nigerian economy. As a result of the impacts of the pandemic, the survival of many Small and Medium Enterprises (SMEs) has been threatened. Thus, this study investigated the determinants of SMEs survival amidst COVID 19 pandemic. A total of 48 SMEs operators in Ilorin were randomly selected as sample of the study. Data were collected with the use of questionnaire. And Cronbach alpha was used to determine the internal consistency of the instrument which gave 0.74 coefficient. Descriptive statistics linear regression was used to analyze data. The study showed that 91.4% of SMEs surveyed were affected negatively by COVID 19 in the areas of sales, revenue and cash flow. However, despite the negative impacts, SMEs operators identified opportunities amidst the pandemic and were optimistic that their businesses would survive the pandemic especially with government intervention in the area of tax reduction, low or zero interest loan and other related policy. Program and policy to save the SMEs were recommended for government and other stakeholders.

**Keywords:** Determinants, COVID 19, SMEs, Survival

### Citation

Kadir M. & Kadiri H. (2021). Determinants of SMEs Survival Amidst COVID- 19 Pandemic in Ilorin, Kwara State. Nigeria, Nigeria. *International Journal of Women in Technical Education and Employment (IJOWITED)*, *The Federal Polytechnic, Ilaro Chapter*, 2(2), 25-29

### ARTICLE HISTORY

Received: September 7, 2021  
Revised: September 21, 2021  
Accepted: October 29, 2021

## 1. Introduction

The SMEs contribute significantly to the economic development of any nation. Their importance is prominent in the area of employment creation, enhancement of high level of production, increasing export and development of entrepreneurship skill. SMEs account for over 50% of jobs and over 90% of economic activities globally. They as well contribute more than 40% of GDP in developing nations. In Nigeria, the contribution of SMEs cannot be over emphasized. The country has over 30 million MSMEs and over 80% of total jobs are created by the MSMEs. In addition, SMEs play a major role in the growth of gross domestic product and exportation of goods and services, FMITI (2017). Similarly, the NBS and SMEDAN (2017) reported that MSMEs account for over 70% of Nigerian workforce and close to 50% of her GDP. Nigeria's SMEs are regarded as the socio-economic engine of the country. The current economic situation and high rate of unemployment has increased the involvement of Nigerian youth in micro, small and medium enterprises.

However, the outbreak of coronavirus pandemic is one of the largest health crises in modern history, it has generated a major global economic crisis (Cusmano & Raes, 2020). The pandemic is considered one of the worst modern age



crises in the world. It has negatively affected the world economically than any other crises in the history of man. Even the economic impacts of World War II, the Great Depression and the recent global financial crisis have been outweighed by economic impact of COVID 19. The economic crisis caused by coronavirus pandemic in the last few months is more than what the 2008 global financial crisis caused for over a period of three years. Coronavirus pandemic has not spared any country or sector as it causes great loss globally. According to International Labour Organization (ILO) report (2020) the estimated impact of the pandemic on global unemployment may be as high as 24.7 million. This implies that sustainability of business operations by SMEs will be difficult. In Nigeria for instance, the impact of the pandemic is felt in all sectors of the economy. But it is more severe on SMEs because of their size which make them to be more vulnerable and less resilient.

Similarly, the outbreak of coronavirus pandemic has made operation of Small and Medium Enterprises (SMEs) more difficult than ever. It has caused uncertainties in their operations in Nigeria. Different measures and steps taken by government at various levels to curtail the pandemic has negatively impacted the operation of SMEs and led to total or partial halt of many of their activities. SMEs in Nigeria like many other developing countries are experiencing tremendous loss both in the supply side and demand side. Thus, in an effort towards ensuring the stability of Nigeria economy, the government has put up certain palliative measures which include: reducing the interest rate on loans, extending the moratorium period on all principal repayment on facilities by Central Bank of Nigeria, N50b credit facility for agricultural lending, restructuring of the terms and tenure of loan for households and business by DMRs and other similar measures. Despite, these measures by the government, the survival of SMEs in Nigeria have been threatened.

The study is anchored on Teece, Pisano and Shuen (1997) dynamic capacities theory. The theory was about capacity of organization to do thing right in response to changes in business environment and uncertainty. Dynamic capacities theory is concerned with the development of strategy to succeed in time of sudden changes. The theory addresses how organization will respond to any unexpected change in business environment and uncertainty. The theory is based on the assumption that a business organization should use her competency to create immediate solution to be developed into long-term. Covid 19 pandemic is an unforeseen circumstance that has brought about uncertainty in the operations of SMEs and changes in business environment. To this, the theory is applicable to this study.

Literature have shown that the contributions of SMEs in economic development of any nation cannot be overemphasized. Their roles are prominent in the area of employment creation, enhancement of high level of production, increase export and development of entrepreneurship skill (Aladejebi, 2020; Yusuff, 2020; Singh, 2020; Imanche, Tian, Tasinda and Salisu, 2020). The NBS and SMEDAN, (2017) reported that SMEs account for over 70% of Nigerian workforce and close to 50% of her Gross Domestic Product. Other SMEs contributions to the development of Nigerian economy are; employment opportunities, even income distribution, mobilization and utilization of local resources, income generation, wealth creation and improvement in socio-economic wellbeing of the people (Aladejebi, 2020; Hassan, Maina and Muhammad, 2016).

However, the outbreak of coronavirus has negatively impacted small and medium enterprises in Nigeria. This has resulted in reduction in production, loss of job, decline in revenue among other (Yusuff, 2020). The following empirical studies have been carried out by some researchers to investigate the effects of coronavirus pandemic on SMEs. Aladejebi (2020) carried out a study on the impact and survival strategies for small businesses in Nigeria amid the pandemic. 360 SME owners in 6 commercial areas in Lagos state were used as sample of the study and questionnaire was used to collect data. The result revealed that covid-19 impact on SMEs includes reduction in

sales, revenue reduction and reduced salaries. The study recommended that government should lower interest rate, reduce tax and relax loan repayments.

Similarly, Shafi, Liu and Ren (2020) investigated the impact of coronavirus on MSMEs operating in Pakistan. Exploratory method was employed, and data were collected from 184 MSMEs operators through the use of online questionnaire. Descriptive statistics was used to analyze data. The result showed that most of the MSMEs have been affected by the pandemic in the areas such as disruption in supply chain, decrease in demand, sale and profit. Based on this finding, recommendations were made. Similarly, Yusuff (2020) examined the impact of coronavirus on SMEs; towards post-covid-19 economic recovery in Nigeria. The study adopted an exploratory method involving the use of secondary data. The findings of the study indicated that covid-19 pandemic has severe effect on SMEs in Nigeria. The study recommended that measures should be put in place to support SMEs in order to expand and strengthen their operation. It also recommended a collaboration between the leaders of SMEs and the government through the various programmes of SMEDAN.

Likewise, Le, Nguyen, Ngo, Pham and Le (2020) conducted research on survival and development of SMEs during coronavirus pandemic. 512 SMEs in Thanh Hoa, China was used as sample of the study. The result indicated that fiscal policy such as policy that support tax, bank related policies, insurance supporting policies, capital support by the government and contributions by professional associations are major determinants for survival and development of SMEs during COVID 19 pandemic. The foregoing shows that several researchers have studied the impact and survival of SMEs amid covid-19 pandemic. However, determinants of SMEs survival amid covid-19 pandemic have not been sufficiently investigated. Also, there is the need to conduct such study in a different location.

### 3. Methodology

A survey research design was employed in the study. The population of the study comprises 55 SMEs in Ilorin, Kwara state, while 48 operators were randomly selected as sample of the study through Krejcie and Morgan sample size table. A questionnaire titled ‘Determinants of SMES Survival Amid COVID 19 Questionnaire (DSMACQ)’ was developed by the researchers to collect data. To determine the validity and reliability of the instrument, a pilot study was carried out with 5% of the samples before the actual study was undertaken. Internal consistency coefficient of 0.76 was obtained through Cronbach alpha. Descriptive statistics and linear regression were used to analyze data.

### 4. Presentation of Results

**Table 1:** Overall impacts of COVID 19 on SMEs

	Overall Impact		Impact on Sales		Impact on Cash flow		Impact on Revenue	
	F	%	F	%	F	%	F	%
Agree	44	91.7	30	62.5	34	70.8	35	72.9
Disagree	4	8.3	10	20.8	4	8.3	7	14.6
Not sure	-	-	8	16.7	10	20.8	6	12.5

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Total	48	100	48	100	48	100	48	100
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From table 1, the result shows that 91.67% of SMEs operators in the surveyed area reported that COVID 19 pandemic has impacted their operation and other activities while 8.33% reported that the pandemic has no impact on their business. This implies that COVID 19 has greatly impacted SMEs in the survey area. Also the table shows that the major areas impacted by the pandemic are; sales, cash flow and revenue. Over 60% of the operators expressed the view that COVID 19 impacted their businesses in the area of sales while 20% were of the view that the pandemic has no impact on their sales. Majority of SMEs agreed that their cash flow is affected by the pandemic, this represents 70.8% while 8.3% were not affected. In the area of revenue, 72.9% reported that their revenue has been impacted by COVID 19 while less than 15% reported that the pandemic has not impacted their revenue.

**Table 2:** Impact of Access to Low or Zero Interest Loan on Survival of SMEs

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	.800	.315			2.541	0.014
Low or zero interest loan	.600	.289	.293		2.077	0.043

The result presented in table 2 shows that  $r = 0.043$  is less than 0.05 alpha level. This implies that SMEs operators were optimistic that access to low or zero interest loan would enhance the survival of their businesses amidst the pandemic.

**Table 3:** Impact of Tax Reduction on Survival of SMEs

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	2.050	.221			9.281	0.000
Tax reduction	-.525	.180	-.394		-2.911	0.006

Table 3 shows that  $r = 0.006$  is less than the alpha level (0.05). This indicates that granting of tax reduction to SMEs operators would impacted positively on the survival rate of their businesses.

The study revealed that majority of SMEs in the surveyed area were negatively affected by COVID 19 pandemic (91.67%). This agrees with the findings of Aladejebi, (2020), Yusuff (2020), Le et al (2020), Imanche et al (2020) and Shafi et al (2020). The finding also showed that the three major areas impacted by COVID 19 are sales, cash flow and revenue of SMEs (62.5%, 70.8% and 72.9% respectively). Despite the negative impact of the pandemic on SMEs, operators in the surveyed area identified opportunities amid the crisis. These opportunities range from new



mode of product delivery, business expansion and partnership. They also expressed the view that their businesses would survive the pandemic especially with government intervention in the area of tax reduction, low or zero interest loan and other related policy.

## 5. Conclusion

In view of the findings of this study, the following conclusions were drawn that the pandemic has negatively affected majority of SMEs. Also, that sales, cash flow and revenue of the MSMEs were affected by the pandemic. However, SMEs, operators in the surveyed area identified opportunities despite the negative impact of the pandemic and were optimistic that their businesses would survive the pandemic.

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