

## **IMPLICATIONS OF THE INFLUENCE OF CORONA VIRUS PANDEMIC (COVID-19) ON SMALL AND MEDIUM SCALE ENTERPRISES IN LAGOS STATE, NIGERIA**

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### **ABSTRACT**

The outbreak of corona virus evolved into global pandemic causing serious breakdown in economic activities globally, with dire consequences on the pursuance of sustainable development. The aim of this study is to investigate the impact of corona virus outbreak on small and medium scale enterprises (SMEs) in Lagos state, Nigeria. A total of 382 questionnaire was administered to small and medium scale enterprises operating in Lagos state. The author employed the use of both descriptive and regression analysis. The results show that, Covid-19 has a significant negative influence on both profit and sales performance of SMEs. SMEs adopted different coping strategies ranging from online marketing, home delivery, opening for few hours daily to keep their businesses alive. The author recommended that to ensure sustainable development, government should ensure the prompt and effective disbursement of Covid-19 relief funds to the SMEs in order to cushion the effect of the virus on their sales and profits.

**Keywords:** COVID 19 pandemic; SMEs; coping strategies; sustainable development; sales performance; maximization of profit

## INTRODUCTION

The performance of any business could be measured in terms of its productivity, sales and profitability. These factors are crucial for survival, growth, and attainment of sustainable development by any economy. SMEs are prerequisite to economic growth and improvement in the living standard of the citizens of the country through reduction in unemployment rate and poverty (Poopola, 2016). This is in line with goals one and two of the sustainable developments goals (SDG) of no poverty and zero hunger. Thus, SMEs have attracted government support and efforts geared toward ensuring their growth and survival in Nigeria. Prior to advent of COVID 19, SMEs in Lagos, Nigeria were facing numerous challenges ranging from poor infrastructural development, difficulty in accessing credit facilities for expansion and poor managerial skills of the SMEs operators, that have hindered their profitability, sales performance and survival.

However, the outbreak of corona virus in late 2019 in China evolved into global pandemic and is still lingering till date, it has caused serious breakdown in economic activities globally and in Nigeria as well. Various policies were initiated to curtail the virus in the country and save lives. These measures include lockdown, interstate travel band and border closure measures adopted by government to curtail the rapid spread of the virus in the country. Furthermore, it is noteworthy that the outbreak of covid-19 and its policy measures have severe impact on the sales and profitability of SMEs.

Even at the relaxation of the lockdown, many lives have been lost to the dangerous disease, thousands of people are out jobs, many SMEs have shut down, there is reduction in spending habit of the people resulting to a decrease in sales and many firms are struggling to survive due to long period of staying out of the business which has affected business capital. It is obvious that some small business owner have consumed their capital. Also, many SME owners have reduced or withheld further investments due to uncertainty and risk of the business environment which influence the level of their profits. Furthermore, the environment is no more safe for business operations due to the escalation in criminal activities such as looting, burglary, thief and kidnapping in recent times. In Nigeria, the policies to curb the spread of the virus when initiated did not design any coping strategies for business continuity during the period of lockdown except for those firms providing goods of necessity. While sophisticated organizations could adjust to working from home which requires a given level of information technology, many SMEs could not adjust or cope.

Studies on the impact of Covid-19 as relates to business performance are few especially in Nigeria. However, the few studies that exist have focused their attention on investigating the impact of covid-19 on the performance of SMEs in Nigeria without looking at coping strategies that most SMEs management adopted for survival of their business during the period. Therefore, this study is unique as it aims to fill the gap by investigating the coping strategies of SMEs with particular reference to Lagos State, Nigeria during the period of lockdown and most likely the first study to look at the influence of COVID -19 outbreak on the performance and sales of SMEs specifically in Lagos State. Consequently, the main objective of the study is to investigate the influence of corona virus outbreak (covid-19) on SMEs in Lagos state. Specifically, the study will examine the influence of COVID 19 first, on the profitability of SMEs in Lagos State. Secondly, on sales performance of SMEs in Lagos State and then investigate the coping strategies the SMEs have adopted during the ongoing global pandemic using descriptive and inferential analysis

This study is structured thus; introduction, literature review, theoretical framework and research methodology, presentation of data and analysis of results and then summary, conclusion and recommendations.

## **LITERATURE REVIEW**

### Small and medium scale enterprises in Nigeria

There exists no general agreement on how to describe (SMEs). Descriptions vary by sector, size, number employed, institution, country and others (Effiong & Edet, 2018; Ifekwem & Adedamola, 2016)

Afolabi, (2013) classified Business Enterprises in Nigeria into four; Cottage, Small Scale, Medium Scale and Large Scale. Cottage Enterprises are establishments with less than 10 workers or having total cost less than N1.5 million. The Small Scale is an enterprise employing between 11 and 100 with total cost of less than N50 million. Medium Scale Enterprise employs between 101-300 workers or has total cost greater than N50 but less than N200 million. Large Scale enterprise employs over 300 workers or has total cost of over N200 million.

Nigeria, has a record of 41,543,028 enterprises with 99.8% of SMEs domiciled in Lagos state. (NBS, 2017). The relevance and importance of SMEs is reflected in the fact that they provide employment for 84% of the labour force, have a 96% share of businesses and their contribution to GDP is 48%. (NBS, 2017). Because of their relative size, they are prone to any economic distress which will affect them and thus the livelihoods of citizens. Undeniably, their contribution to economic growth is critical to poverty reduction in the developing country like Nigeria

### Contribution of SMEs to economic growth and sustainable development in Nigeria

Ackah and Vuvor (2011) opined that the role of SMEs which includes maximizing technology leading to increased output, generating employment, expanding investment will prosper the economy and will translate to economic growth and development. Schumpeter (1934) accentuates the entrepreneur, as a principal source of economic development, attained via innovation imputed in enterprises.

SMEs also assists in providing income, generated from employing the labour force, thus facilitating economic growth and development of the economy. This improves the living standard of the citizens of a country through reduction in poverty and unemployment (Popoola, 2016)

The report from the International Council for Business while evaluating the role of SMEs to inclusive growth and sustainable development asserts that micro, small and medium enterprises accounts for over 90% of all registered business entities in Nigeria (International Council for Small Business (ICSB), 2018). The sector provides for about 84 percent of jobs and contributes about 50 percent of gross domestic product to the nation's economy (Duru, Ehidiamhen & Chijioke, 2018). SMEs operations exist in all sectors; education, manufacturing, all forms of service delivery, wholesale & retail trade and so on (Eze and Johnny, 2020).

Also, (SMEs) in Nigeria provided for 90% of the labour force in the manufacturing sector and about 50% of employment in the sector. This is confirmed in the 2010 Survey report on SMEs in Nigeria where it was projected that SMEs has the capacity to provide more employment, increase export remunerations, increase per capita income and has the potentials for promoting economic prosperity and GDP growth (NBS, 2020).

### Empirical review

Using the US data, Boissay and Rungcharoenkitkul (2020) identified that decreases in GDP and reduction in production were the major macroeconomic consequences of present and past epidemics. The study revealed that COVID 19 has brought about a decline in output of 5 - 9 percent in USA and recommended a thorough analysis and understanding of Covid-19 shock and that policy trade-off will help in reducing the macroeconomic consequences of the pandemic.

The focus of the study by Fornaro and Wolf (2020) was to investigate macroeconomic repercussions of COVID 19. The repercussions to global economy discovered include; decreases in demand, negative supply shock and increasing unemployment. Radical monetary and fiscal policy interventions were recommended.

Loayza and Pennings (2020) examined macroeconomic policy in developing countries during Covid-19. According to the study, the pandemic generated a global financial crisis that has never been witnessed. The study revealed that, given the structure of the developing countries, economic and human costs may be higher than those of the developed countries and the effects of relief measures to contain the pandemic might not be easily felt by the citizens. Recommendations made include a strong and viable fiscal and monetary macroeconomic policy to achieve macroeconomic stability and good governance.

The study by Lakuma and Sunday (2020) analyzed the effect of corona virus on MSMEs by distributing 147 questionnaires to businesses in Uganda. The study revealed that the negative effects of the pandemic was felt more by micro enterprises when compared to medium and larger businesses. Also, there is the possibility of the shutting down of small and medium enterprises if covid-related restrictions persists. All this if allowed to continue will impede economic sustainability.

Kenya Association of Manufacturers, (KAM, 2020) survey was carried out amongst its members, in order to investigate the consequences of covid-related restrictions on businesses and economic development. Findings revealed that the business were operating below their production capacity, experienced significant drop in demand, had problems of sourcing for raw materials and cash flow challenges. They concluded that the manufacturers of non-essential goods were worse hit than those of essential goods.

The study conducted by Nagaya (2017) examined the influence of SMEs on the economic growth of India and discovered that by providing employment and reducing poverty, SMEs contribute to growth. Similarly, in Nigeria, Aremu and Adeyemi (2011), found corresponding evidence that SMEs are vital agent in creating job opportunities and reducing poverty.

Observing the influence of environmental factors on the survival of business in Oyo. Eze, Ojo, Adedeji, & Nwaba (2019) conducted a survey research on selected SMEs. The findings discovered that environmental factors like support for business, provision of infrastructures and so on positively and significantly influence the survival of SMEs. The need for government to revamp and make more business friendly the regulatory environment was recommended.

Adeeko (2017) examined external environment and entrepreneurial performances of (SMEs) aimed at determining the influence of government/institutional support on job creation. The study employed survey design. The study population comprises of 4,535 registered SMEs. Findings revealed that most of the SMEs operators had cognate working experiences and that infrastructural facilities significantly affect performance of SMEs. The study recommended that a lower tax rate should be levied on SMEs in a bid to increase their revenue.

Ugwu, Umah, & Mbah (2020) examined environmental factors and entrepreneurial productivity of selected hospitality firms in Delta State, Nigeria. Survey research design using data obtained from 25 hospitality firms in the study area was employed. Two hundred and fifty three (253) respondents were sampled. The result showed that environmental factors have significant positive relationship with entrepreneurial productivity. The study concluded that the role of environmental factors on entrepreneurial productivity is very important in enhancing the socio-economic well-being of the people. This study thus recommended that entrepreneurs in hospitality firms should encourage social events within the society that they operate, so as to increase their patronage and enhance firm's profitability. Also, Akinyede (2017) examined the effect of environmental factors on entrepreneurship training in Nigeria using questionnaires. The results showed a significant effect by environmental factors on entrepreneurship training and the study recommended that government should assist entrepreneurs in identifying part of their culture that impedes entrepreneurship. Furthermore, Tambari, Chioma & Ononogbo (2018) examined the implications of environmental factors on the productivity. Making use of 124 respondents and regression analysis, the result revealed that environmental factors influence SMES productivity and the paper recommended that SMES needs to regularly screen and monitor their environment.

The study by Netshidzivhani, Musitha & Mamokhere (2021) was carried out on SMEs in South Africa with the aim of assessing the effect of economic factors on business performance. Descriptive statistics and multiple regressions were employed to analyse 150 businesses. The study revealed that economic factors are directly related to the performance of SMEs in South Africa and suggested the use of techniques and methods that will improve earnings of SMEs.

Oriazowanlan and Erah, (2019) observed the influence of insecurity on MSMEs. Data collected from 116 MSMEs operators in Benin-city, Edo state was analysed. The study revealed that many businesses close early to reduce the chances of attack on them and their businesses and have to personally provide security as such, the rate of insecurity among MSMEs was discovered to be low. Security issues should be properly handled and managed to reduce its negative consequences on businesses and their operators was part of the recommendations made by the study.

Salome and Stephen (2020) carried out a study on how the pandemic has affected the performance of women owned SMEs in Kenya in terms of demand and production constraints. Findings showed that business women are more adversely affected by the pandemic and recommended government assistance in making policies and interventions targeted at assisting business women now and in the future.

Nwodo, Victor, Gerald, & Eze (2017) study was on how SMEs can recognize and tap investment opportunities in a competitive economy while also improving the standard of living of Nigerian and contributing to economic growth. The identified approaches include; leadership skills and training, modern management technique, strategic planning and welfare of staff members and so on.

Uchehara (2019) assessed the performance of businesses and the strategic management techniques of SMEs in Nigeria. 118 structured questionnaires were analysed using Chi-square and Spearman rank order correlation techniques. The study discovered that these techniques are well suited for SMEs to surmount environmental challenges. The study recommended strategic management techniques to enhance SME's performance.

## **THEORETICAL STRUCTURE AND RESEARCH METHOD**

### Theoretical structure

The theory of choice is the open system. This theory simply laid emphasized on the concept that businesses are strongly influenced by their environment. Thus, the open system viewpoint focuses on the exchange of an enterprise with the external world as a system of self-regulation. The open system theory has it that, the business environment comprises of many components including other organizations which produce different economic, political or social forces. The proper functioning, upgrading and enhancement of these components are required to laying down the foundation of a sustainable development. Also, the environment provides resources that support the establishment and lead to their change and survival. (Nwodo, et al., 2017; Netshidzivhani, et al., 2021). When these changes occur then business strive, become profitable, employment and income are generated and economic growth and development is achieved.

In other words, this theory views a corporation as a complex system of dynamically intertwined and interconnected components, such as its inputs, processes, outputs, and feedback loops, as well as the environment in which it functions and interacts on a continuous basis, and 'changes in any aspect of the system trigger changes in other elements (Lin, 2006). The multiplier effect of these interactions initiate sustainable development.

The theory is important to the current study because the COVID-19 pandemics and related policies to curb the virus spread is part of external environmental factors influencing the business performance and various forms of coping strategies to achieve survival, despite the strict policies such as lockdown, closure of markets and restriction of movement, which has negative influence on business global and SMEs were not in exemption. This remains both a threat and a resource for the organization.

### Methodology

The target population are the 8,395 SMEs in Lagos state (NBS, 2017). Using the Taro Yamane, (1967) formula, the sample size of 382 was derived and distributed as questionnaires.

The choice of Lagos lies in the fact that it is the commercial capital of Nigeria, once, capital of Nigeria, in fact the state has the largest number of registered SMEs. (SMEDAN & NBS, 2017). The first index case of coronal virus was recorded in Lagos which is the epic centre of the pandemic due to the large number of new cases reported daily. However, the study is limited to SMEs within Yaba. This location is because of its proximity to the researcher and many SMEs are located in the area.

The study deployed based on a cross-sectional survey. Structured questionnaires and interview were used to collect responses mainly from the production managers, operation managers and owners of SMEs in Lagos. Out of the 382 questionnaire administered to the respondents, 373 which represent about 98% of the total questionnaire distributed were collected. Of the collected questionnaires, 309 which represent about 81% of the questionnaire completely filled were used for the analysis.

The questionnaire is divided into sections A, B, C, D and E. Section A is concerned with the demographic characteristics of respondents, Section B examined the impact of Covid-19 on SMEs,

Section C focused at the coping strategies of SMEs, Section D is on the profitability performance of the SMEs and Section E assessed the sales performance of the SMEs. For analysis of data collected descriptive tools (percentages, frequencies and tables) and inferential statistics (ordinary least square (OLS)) techniques were employed. Cronbach's alpha was run to check

the dependability of the instrument. The result strongly support that the items are internally consistent with Cronbach's alpha statistical value depicting that the data are appropriate for analysis using factor analysis.

## PRESENTATION OF DATA AND DISCUSSION ON THE RESULT

### Demographic characteristics of the respondents

**Table 4.1: Demographic Characteristics of the Respondents**

<b>GENDER</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
Male	133	43.0
Female	176	57.0
Total	309	100.0
<b>AGE</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
20 -29 years	164	53.1
30 - 39 years	98	31.7
40 - 49 years	32	10.4
50 years and above	15	4.9
Total	309	100.0
<b>STATUS</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
Owner	164	53.1
Production Manager	32	10.4
Operation Manager	113	36.6
Total	309	100.0
<b>WORKING EXPERIENCE</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
1-10 YEARS	161	52.1
11-20 years	54	17.5
21- 30 years	62	20.1
Over 30 years	32	10.4
Total	309	100.0
<b>LEVEL OF EDUCATION</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
NCE/OND	31	10.0
B.Sc/HND	141	45.6
M.Sc/MBA	121	39.2
Others	16	5.2
Total	309	100.0
<b>KIND OF BUSINESS</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
Services	195	63.1
Trading	67	21.7
Financial	32	10.4
Health	15	4.9
Total	309	100.0
<b>NUMBER OF EMPLOYEES</b>	<b>FREQUENCY</b>	<b>PERCENT (%)</b>
Less than 10	145	46.9
11 – 100	102	33.0
101 – 300	31	10.0
301 and above	31	10.0
Total	309	100.0

**Source: Author's Computation**

Table 4.1. above showed that 43% of the respondents analysed in the study are male and 57% are female. Thus, the study captured more females than males. It also revealed that more females are involved in SMEs operations in Lagos State, probably

due to cultural norms, values, time constraints and reduced employment opportunities women are often forced to start their own, usually informal businesses. Also, from the table 4.1 above, the age distribution of the respondents is displayed. As observed a greater percentage of the respondents (53.1%) are between 20- 29years of age, while just a few of the respondents (4.9%) are 50years and more. This indicates that more than half of the respondents are youths.

As observed in table 4.1, the status of the respondents depicts that 164 of the respondents which represent 53.1% of the respondents are owners of SME firms, while 32 of the respondents which represent 10.4% of the respondents are production managers and 113 (36.6%)of the respondents are operation managers. Thus, most of the respondents are owners of different SME businesses within Lagos.

Table 4.1, depicted the respondents years of experience. Majority of the respondents (161) which represent 52.1% of the respondents have been operating for up to 10 years while at the minimum of 32, (10.4%) of the respondents have over 30 years of working experience as a production manager or operation manager or the owner of SMEs.

As regarding the educational qualification of the respondents it was observed in table 4.1, that majority of the respondents 141, (45.6%), possess B.Sc/HND, followed by respondents having M.Sc/MBA 121(39.2%), and followed by respondents having NCE/OND 31 (10%). Thus, the respondents are educated, they have gone through formal education.

Showing the respondent's kind of business in table 4.1 above, 195(63.1%) are into rendering of services; 67(21.7%) of the respondents are engage in trading of goods and services; while 32(10.4%) of the respondents are provider of financial services, and 15(4.9%) of the respondents are into health services. Thus, many of the respondents have business which are service oriented.

Table 4.1 above, displayed that 145(46.9%) of the respondents said that they have less than 10 employees working in their organization; 102(33%) of the respondents have between 11 and 100 employees working in their organization; while 31(10%) of the respondents have between 101 -300 employees and from 301 and above employees working in their organization. The implication of the result is that majority of the respondents said that they have less than 100 employees working in their organization. Thus, this is a justification that the study captures the right samples of the target population.

### Descriptive statistics

In this section the descriptive statistics of the variables of interest to the study are analysed using simple percentage table. The code used is 1 for strongly disagree (SD); 2 for disagree (D); for moderately agree (MA); 4 for agree (A); 5 for strongly agree (SA)

**Table 4.2: Influence of Covid-19 on SMEs**

<b>Influence of Covid-19</b>	<b>SD</b>	<b>D</b>	<b>MA</b>	<b>A</b>	<b>SA</b>	<b>Total</b>
Covid-19 has adversely affected business globally, and SMEs in the developing countries like Nigeria are the most affected	51(16.5%)	32(10.4%)	31(10%)	31(10%)	164(53.1%)	309(100%)
Many have lost their jobs and sources of the income due to various policies put in place to contain the virus.	35(11.3%)	64(20.7%)	16(5.2%)	47(15.2%)	147(47.6%)	309(100%)
Covid-19 pandemic has worsened the already weak SMEs organization poor performance in Nigeria?	50(16.2%)	32(10.4%)	16(5.2%)	82(26.5%)	129(41.7%)	309(100%)
The outbreak of covid-19 has severe impact on living standard of the people, increase number of fatality and casualties leaving the future of most SMEs firms uncertain.	34(11%)	32(10.4%)	48(15.5%)	128(41.4%)	67(21.7%)	309(100%)

Source: Author's Computation

Table 4.2 above showed that a greater percentage of the respondents (41.7%) strongly agree that Covid-19 has adversely affected businesses globally, and SMEs in the developing countries like Nigeria;

Furthermore, it is also reported in table 4.2 above that, most of the respondents 147(47.6%) strongly agree that many have lost their jobs and sources of the income due to various policies put in place to contain the virus.

Again, 129 (41.7%) respondents strongly agreed that Covid-19 pandemic has worsened the already weak SMEs organization poor performance in Nigeria.

Also, from table 4.2 above, it is observed that 41.4% representing 128 respondents, agreed that the outbreak of covid-19 has severe impact on living standard of the people, increase number of fatality and casualties leaving not only the future of most SMEs firms uncertain but eroding the hitherto contributions of the SMEs to development.

**Table 4.3: Analysis of the Coping Strategies of SMEs**

<b>Coping Strategies</b>	<b>MFU=1</b>	<b>FU=2</b>	<b>MU=3</b>	<b>RU=4</b>	<b>VRU=5</b>	<b>Total</b>
Online marketing	16(5.2%)	16(5.2%)	19(6.1%)	93(30%)	165(53.4%)	309(100%)
Shutdown	14(4.5%)	27(8.7%)	6(1.9%)	93(30.1%)	169(54.7%)	309(100%)
Home delivery	8(2.6%)	24(7.8%)	17(5.5%)	109(35.3%)	151(48.9%)	309(100%)
Open for few hours daily	12(3.9%)	22(7.1%)	30(9.7%)	83(26.9%)	162(52.4%)	309(100%)
Open for few days per week	23(7.4%)	35(11.3%)	8(2.6%)	95(30.7%)	148(47.9%)	309(100%)

Source: Author's Computation

The code used is 1= Most frequently used (MFU); 2= frequently used (FU); 3= moderately used (MU); 4= rarely used (RU); 5= very rarely used (VRU)

The results presented in table 4.3 above depicts that most of the respondents in the study specifically, 165(53%) very rarely used online marketing as their coping strategy as a result of the effect of the Covid-19 virus,

Also from table 4.3, it can be reported that, 169(54.7%) of the respondents very rarely used shutdown as their coping strategy, 93(30.1%) rarely used shutdown as their coping strategy, while 27(8.7%) of the respondents frequently used shutdown as their coping strategy, 14(4.5%) most frequently used, while 6(1.9%) moderately used shutdown as their coping strategy. Thus, businesses rarely used shut down as their coping strategy.

Furthermore, from table 4.3, it can be deduced that, majority of the respondents, that is 151(48.9%) of the respondents very rarely used home delivery as their coping strategy,

Again, 162(52.4%) of the respondents who are in the majority very rarely used opening for few hours daily as their coping strategy. Also, majority of the respondents as reported in table 4.3, which is 148(47.9%) of the respondents very rarely used opening for few days per week as their coping strategy.

The implication of this is that different SMEs have adopted different coping strategies ranging from online marketing, shutting down, home delivery, opening for few hours daily and opening for few days per week in order to survive during the Covid-19 period. This result is in support of the finding of Oriazowalam and Erah (2019) who reported that, SMEs resorted to reduced productive hours of work for fear of attack by hoodlums and criminals.

**Table 4.4: Analysis of the Profitability Performance of SMEs**

<b>Analysis of the profitability performance of SMEs</b>	SD	D	MA	A	SA	Total
During this period of Covid-19 many SMEs firms recorded low sales which has a severe impact on their profitability	45(14.6%)	10(3.2%)	59(19.1%)	98(31.7%)	97(31.4%)	309(100%)
Reduction in working hour and social distancing reduces the productivity and this reduces the profitability of many businesses including SMEs	16(5.2%)	31(10%)	35(11.3%)	82(26.9%)	145(46.9%)	309(100%)
The covid-19 pandemic discourages investment due to uncertainty of the nature of the virus and its mode of spread and this reduces profit margin	16(5.2%)	32(10.4%)	46(14.9%)	94(30.2%)	121(39.2%)	309(100%)
The volume of importation products has reduce significantly due to travel restriction put in place in many countries and this has serious influence on the profit margin of import dependent SMEs firms	16(5.2%)	16(5.2%)	31(10%)	125(40.5%)	121(39.2%)	309(100%)
Business profitability is one of the most important measure of business performance among other factors that enhance the survival, growth and expansion of SMEs	18(5.8%)	22(7.1%)	31(10%)	112(36.2%)	126(40.8%)	309(100%)

Source: Author's Computation

Analysis of the result presented in table 4.4 above showed that 98(31.7%) of the respondents who are in the majority agree that during the period of Covid-19, many SMEs firms recorded low sales which has a severe impact on their profitability

Furthermore, 145(46.9%) of the respondents representing the majority, strongly agree that reduction in working hour and social distancing reduces the productivity and this reduces the profitability of many businesses including SMEs.

Again, 121(39.2%) of the respondents representing the majority, strongly agree that the covid-19 pandemic discourages investment due to uncertainty of the nature of the virus and its mode of spread and this reduces profit margin.

Also, majority of the respondents in the study, 125 (40.5%) agree that the volume of importation products has reduced significantly due to travel restrictions put in place in many countries and this has serious influence on the profit margin of import dependent SMEs firms.

Finally, table 4.4 above reported that 126(40.8%) who are in the majority strongly agree that business profitability is one of the most important measure of business performance among other factors that enhance the survival, growth and expansion of SMEs and sustainability of the economy.

**Table 4.5: Analysis of the Sales Performance of SMEs**

Sales Performance of SMEs	SD	D	MA	A	SA	Total
Outbreak of covid-19 has disrupted the sales activities of all businesses globally particularly the sales performance of SMEs has remain poor during this period.	17(5.5%)	12(3.9%)	37(12.0%)	61(19.7%)	182(58.9%)	309(100%)
Volume of sales has reduced significantly during this period due to lockdown, social distancing and other measures deployed to contain the virus.	20(6.5%)	10(3.2%)	27(8.7%)	94(30.4%)	158(51.1%)	309(100%)
Lockdown and social distancing policies has severe influence on home delivery services and this further reduces the sales volume of SMEs	10(3.2%)	21(6.8%)	23(7.4%)	78(25.2%)	177(57.3%)	309(100%)
There is scarcity of products due to shutdown of factories or reduction working hours which impact negatively on sale performance of SMEs	44(14.2%)	18(5.8%)	15(4.9%)	62(20.1%)	170(55%)	309(100%)
Poor sales performance has a significant influence on small and medium scale enterprises income.	17(5.5%)	31(10%)	32(10.4%)	79(25.6%)	150(48.5%)	309(100%)

Source: Author's Computation

From table 4.5 above; it is observed that 182(58.9%) who are in the majority strongly agree that the outbreak of covid-19 has disrupted the sales activities of all businesses globally particularly the sales performance of SMEs has remain poor during the period.

In addition, the results show that 158(51.1%) who are in the majority strongly agree that the volume of sales has reduced significantly during this period due to lockdown, social distancing and other measures deployed to contain the virus.

It can also be deduced in table 4.5 above that, 177(57.3%) representing majority of the respondents strongly agreed that lockdown and social distancing policies has severe influence on home delivery services and this further reduces the sales volume of SMEs.

Furthermore, majority of the respondents that is 150(48.5%) strongly agree that poor sales performance has a significant influence on SMEs income.

Again, table 4.5 show that 150(48.5%) of the respondents who are in the majority, strongly agree that poor sales performance has a significant influence on small and medium scale enterprises income.

Hypotheses testing

Regression analysis was used in testing the hypotheses

**Table 4.6: Regression Result of the Influence of Covid-19 on the profitability performance of SMEs**

VARIABLE	B	STD. ERROR	BETA	T-STAT	PROB.	F-STAT.	DW	R <sup>2</sup>	ADJ.R <sup>2</sup>	R
(Constant)	4.705	.295		15.946	0.00	7.421 (0.007)	2.056	0.024	0.020	0.154
Profitability performance of SMEs	-0.177	.065	-0.154	-2.724	0.007					

(Dependent Variable = profitability performance of SMEs)

Source: Author’s Computation

**Model 1**

**Profitability = 4.705 - 0.177Covid-19**

**H<sub>01</sub>: Covid-19 do not have significant influence on the profitability performance of SMEs in Lagos, Nigeria.**

Table 4.6, the Durbin Watson statistics with the value, 2.056 means that no autocorrelation is associated with model 1, R<sup>2</sup> = 0.024 means that approximately 2% variations in the profitability performance of the SMEs is explained by the Covid-19; F-statistic value is 7.421 and significant at 5%. Thus, Covid-19 can significantly and indirectly influence the profitability performance of the SMEs. Therefore as long as the COVID-19 pandemic exists, the lesser the ability of SMEs to maximise profit in Lagos state. This result is in support of the finding of Lakuma and Sunday (2020), and Boissay and Rungcharoenkitkul (2020), which revealed that the negative effects of the pandemic was felt more by SMEs when compared to larger businesses with the possibility of the shutting down of SMES if covid-related restrictions persists.

**Table 4.7: Regression Result of the Impact of Covid-19 on Sales performance of SMEs**

VARIABLE	B	STD. ERROR	BETA	T-STAT	PROB.	F-STAT.	DW	R <sup>2</sup>	ADJ.R <sup>2</sup>	R
(Constant)	5.007	0.319		15.672	0.00	7.666 (0.006)	1.916	0.024	0.21	0.156
Sales performance of SMEs	-0.195	0.071	-0.156	-2.769	0.006					

(Dependent Variable =Sales performance of SMEs)

Source: Author’s Computation

**Model 2**

**Productivity = 5.007 – 0.195 Sales performance of SMEs**

**H<sub>02</sub>: Covid-19 does not have significant impact on the sales performance of Small and Medium Scale Enterprises in Lagos State, Nigeria.**

From table 4.7, the Durbin Watson statistic of 1.916 is approximately 2, this means the absence of autocorrelation in model 2. R<sup>2</sup> has a value of 0.024 this means that about 2.4% of variations in the sales performance of SMEs is explained by Covid-19;

F-statistic value of 7.666 and significant at 5%. This signifies that COVID 19 has significant indirect influence on the sales performance of SMEs. Therefore, the more and longer the COVID-19 pandemic exist the lesser the ability of SMEs to make optimum sales in Lagos state.

This result is in line with the study of Akinyede (2017) and Tambari et al. (2018) finding that Covid-19 has had impact on sales performance of small and medium scale enterprises. The implication of this result to SMEs is that it affects their profitability also and might lead some shutting down in the process as supported by the findings of Lakuma and Sunday (2020).

## **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### Summary of findings

Most of the respondents are youths, females and owner of businesses majorly in the service industry, educated and employ less than 10 staff.

Also, most of the SMEs in Lagos State adopted different coping strategies as a way to stay in business or to reduce the influence of Covid-19 on their businesses. The different coping strategies ranges from online marketing, shutting down, home delivery, opening for few hours daily and opening for few days per week in order to survive the Covid-19 period.

The results showed that most of the respondents believe that the outbreak of the Corona virus outbreak (Covid-19) and its related restrictions has worsened the already weak SMEs organization poor sales performance in Lagos state and has decreased the profitability of their business. Overall it has greatly hindered the economic growth and development of the country in its pursuit of inclusive growth and sustainable development.

The regression result showed that Covid-19 has a significant indirect impact on the profit and sales performance of SMEs in Lagos state, Nigeria.

### Conclusion

SMEs are indispensable to the attainment of sustainable development of any country and as such their survival is of paramount importance to government. Moreso, as they generate employment and income, thereby improving the standard of living of the people. Amidst the various challenges faced by SMEs in Lagos state which includes low access to credit facilities, low startup capital, low infrastructural development, high cost of electricity and poor managerial skills of the SMEs operators, the unexpected outbreak of Corona virus which has resulted in lock down/ restrictions placed by government for a while, less patronage by customers, reduced productivity, closing down of business and so on. COVID 19 seem to have the greatest adverse and significant effect on the sales and profitability performance of the SMEs and ultimately their survival. Thus, many SMEs, has devised different coping strategies to prevent shut down of their business. Such coping strategies include online marketing, home delivery, opening for few hours daily and opening for few days per week in order to survive during the Covid-19 period. Although many are still unable to devise means of staying solvent and embracing the various coping strategies available. This could be because many SMEs operate within communities and local centers and are therefore not strongly affected by government restriction policies.

### Recommendations

The result showed that SMEs rarely adopted information technology coping stratagems like online marketing and e-commerce in order to boost their sales and profitability performance. As such SMEs should be encouraged and assisted towards embracing information technology and e-commerce as this is the global trend, “the new normal” and a requirement for expansion of profit and promotion of sales needed to attain sustainable development. IT training and good communication network should be provided free or at minimum cost by government and private organisations.

Also, Government should ensure the prompt and effective disbursement of the Covid-19 relief funds to the SMEs in order for them to be able to cushion the effect of the virus on their sales and profitability performance. Most times such relief disbursements are done politically and do not get to the target beneficiaries. As such government should ensure that this situation guided against, given that more of the SMES are part of the informal sector and probably not registered.

Furthermore, SMEs owners should be flexible in adopting emerging technologies which are tailored towards improving and increasing production, sales and profits. This is paramount with the emerging awareness and use of technology and the social media platforms for e – commerce. This exposes businesses to large patronage leading to increased sales and profitability.

Again, there is the need for the government to adopt the import substitution policy due to the international COVID 19 restrictions in order for the locally made goods to thrive, drive sales and boost profit amongst SMEs in Lagos state. This is needed to curtail the rising unemployment in the country especially among the youths and reduce poverty. This will further promote sustainable development

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