

EMERGING CHALLENGES AND OPPORTUNITIES OF THE CORONAVIRUS (COVID-19) PANDEMIC FOR SMALL AND MEDIUM ENTREPRISES (SMEs) IN NIGERIA

Ezinne Ugo Okey-Colbert

*Department Of Office Technology And Management, Abia State Polytechnic, Aba
08037247941, Email : ezinneokechukuwu111@yahoo.com*

Paschal Chidi Chinakwe

*Department of Office Technology and Management, Abia State Polytechnic, Aba
08038163601, Email: chinakwepaschal@yahoo.com*

Iheanyi Jehu Aguwamba

*Department of Marketing, Abia State Polytechnic, Aba
08035442306, Email: fijamakt@gmail.com*

ABSTRACT

The year 2020 has been incredibly challenging for the global community. The spread of the novel coronavirus known as Covid-19, has led to an unparalleled health crisis in countries across the world. The pandemic has also caused unprecedented panic and disruptions for both the public and private sectors and is considered an existential threat to the global economy with governments and businesses grappling with the effects. In Nigeria, the pandemic has generated critical challenges for Small and Medium Scale Enterprises(SMEs) thereby threatening their survival and forcing many to shift focus from routine operations to crisis management and alternate business response efforts. This paper sought to determine the challenges of Covid-19 pandemic to Small and Medium Scale Enterprises in Nigeria and identify the emerging opportunities arising as a consequence of the pandemic. Findings show that amidst the crisis caused by Covid-19, numerous opportunities have also emerged for innovative entrepreneurs to explore. It was recommended that SMEs should assess the damages their companies may face and do their best to mitigate the negative effect of the pandemic while maximizing the new opportunities.

Keywords: Novel, Covid-19, Pandemic, SMES, lockdowns, Emerging, Opportunities.

1. INTRODUCTION

The novel coronavirus outbreak was identified in the city of Wuhan, Hubei province of China in December 1, 2019. On January 30, 2020, the World Health Organization (WHO) declared the outbreak a Public Health Emergency of international concern and as a result of its rapid spread across continents (WHO, 2020) It was declared a pandemic on the 11th of March, 2020. As of

August 10, 2020 more than 20 million cases have been reported in more than 188 countries and territories resulting in more than 734,000 deaths (WHO, 2020).

The virus is primarily transmitted from person-to-person by coming into contact with an infected person's droplets. When an infected person coughs, sneezes or exhales, droplets are expelled and can land in another person's nose or mouth and inhaled into the lungs. The virus can also be transmitted by infected persons not showing symptoms of illness. This is why it is important to stay at least 2 metres apart. Infected droplets can also land on surfaces or objects. It may be possible for a person to contract the virus when they touch an infected surface and then touch their mouth, nose or eyes.

The pandemic has caused global social and economic disruption. It has also led to cancellation of sporting, religious, political and cultural events (Bouey, 2020). Given the virus high infectivity and continued spread, authorities worldwide responded to the pandemic by implementing travel restrictions, lockdowns, workplace hazard controls and facility closures to prevent the spread of the virus. Yet the pandemic has also resulted in a planet-wide economic slowdown, affecting trade, investments, growth and employment. With fewer resources to ride out the storm, Small and Medium Enterprises (SMEs) have been particularly vulnerable to the repercussions of the crisis with the SMEs in Nigeria being no exception. This paper looks at the Emerging Challenges and Opportunities of the coronavirus (Covid-19) Pandemic for SMEs in Nigeria.

1.2 Purpose of the Study

The purpose of this paper is to summarize the current knowledge on Covid-19, identify its Challenges on Small and Medium Enterprises in Nigeria and discuss the emerging opportunities of the pandemic to innovative SMEs.

1.3 Methodology

The data and information used in this paper are entirely from secondary sources, mostly review of online database of WHO and NCDC, European Commission, International Trade Centre and IMF. Some other data sources like studies, seminars, workshops and conference were reviewed. The deductive or inductive statements are purely based on review of these literatures.

2. LITERATURE REVIEW

2.1 Economic Impact of Covid-19 Pandemic around the world.

The International Monetary Fund (IMF) has said the coronavirus pandemic had instigated a global economic downturn the likes of which the world has not experienced since the great depression. This view is supported by the latest figures from the European Commission, which has forecast that the GDP of European Union (EU) countries will contract by 7.5% in 2020. The European Union Commission in its spring forecast released on 6th May, 2020 during the World Economic Forum reported that

“Despite the swift and comprehensive policy response of both the European Union and National level, the EU economy will experience a recession of historic proportions this year” (WEF, 2020)

In Europe, governments are attempting a phased re-opening of businesses but over 30 million people in Germany, France, United Kingdom, Spain and Italy have applied for state support of their wages while first quarter 2020 data indicate the Eurozone economy contracted by 3.8% at an annual rate, the largest decline since the series began in 1995 (Stoff, 2020). Industrial production across the Eurozone as a whole fell by 17% April, raising the annual decline to 28%, surpassing the contraction experienced during the global financial crisis (Arnold, 2020).

The European Commission's July 8, 2020 forecast projected that EU Economic growth in 2020 could contract by 8.3% and only partially recover in 2021 (European Economic Forecast Summer, 2020). Some estimates indicate that 29 million people in Latin America could fall into poverty reversing a decade of efforts to narrow income inequality.

On the 15th of April, 2020 the IMF warned economies in Asia would see no growth this year, for the first time in 60 years with the service sector particularly under pressure. In the United States, the unemployment rate in April, 2020 climbed to 14.7% as more than 20 million Americans lost their jobs (World Economic Forum, 2020). The novel coronavirus (Covid-19) is having a profound impact on global trade and the businesses that drive it. With countries in various stages of lockdown or loosening confinement periods, it is becoming clear that the virus has particularly impacted small and medium sized enterprises (SMEs) (ITCNews, 2020). The International Trade Centre, 2020 SME Competitive Outlook reveals how Small and Medium Enterprises and global supply chains have been tested by the covid-19 pandemic and left international trade in turmoil (ITC, 2020). While most countries experienced some form of shutdown, the findings highlights that it was lockdown in China, the European and the United States that have had the greatest impact on trade. Together these three economies account for 63% of world supply chain imports and 64% of supply-chain exports. The report estimates that the global disruption of the manufacturing hubs will amount to US\$126 billion in 2020. This disruption is also having a negative knockdown effect on developing countries.

Drawing from a data collected by ITC's Covid-19 Business Impact Survey carried out in the first months of the pandemic, more than 55% of all businesses have been strongly affected by the pandemic. Meanwhile the United Nations Commission for Africa reports that half of jobs in Africa are at risk as a result of Covid-19 outbreak.

2.2 *Covid-19 Pandemic in Nigeria*

The outbreak of coronavirus (Covid-19) pandemic in Nigeria has increased the extent of tension and anxiety among citizens within the country. The virus unlike other cases in the country is extremely transmittable with severe signs and symptoms.

The first case of Coronavirus in Nigeria was reported on the 27th of February, 2020 and since then the number of cases has been on the increase (Bamidele and Daniel, 2020). To prevent the spread of the virus, the Federal Government of Nigeria on March 30, 2020 took a drastic decision to close all national borders and airspace, schools, worship centres and other public centres and placed the Federal Capital Territory (FCT), Lagos and Ogun State on total lockdown.(Olapegba, Anyandele, Kolawole and Iorfa, 2020).

The pandemic has affected the 36 states of the country with Lagos leading the pack. Notwithstanding the strides achieved over a brief time, the cases of Covid-19 continues to multiply exponentially. As at July 27th, 2020, the NCDC gave the coronavirus update in Nigeria as 40,532 confirmed cases, 22,300 active cases and 858 deaths.

2.3 *NCDC Confirmed Cases by State as at July 27, 2020*

Table 1.

States Affected No. of Cases (Lab Confirmed) No. of Cases (on admission) No. Discharged No. of Deaths

Lagos	14,456	12,177	2,087	192
FCT	3,481	2,387	1,053	41
Oyo	2,570	1,398	1,148	24
Edo	2,167	681	1,409	77
Rivers	1,652	286	1,314	52
Kano	1,520	254	1,213	53
Delta	1,464	790	634	40
Kaduna	1,365	321	1,032	12
Ogun	1,301	246	1,032	23
Ondo	1,061	591	448	22
Plateau	834	369	446	19
Ebonyi	759	155	580	24
Enugu	741	299	425	17
Katsina	733	261	449	23
Kwara	711	493	202	16
Borno	611	17	559	35
Gombe	571	27	521	23
Bauchi	538	9	516	13
Abia	536	106	426	4
Imo	465	348	108	9
Osun	443	219	214	10

States Affected	No. of Cases (Lab Confirmed)	No. of Cases (on admission)	No. Discharged	No. of Deaths
Benue	337	278	53	6
Bayelsa	327	55	251	21
Jigawa	322	3	308	11
Nasarawa	308	187	113	8
Akwa Ibom	221	93	121	7
Niger	168	23	133	12
Sokoto	153	0	137	16
Adamawa	140	46	85	9
Anambra	132	45	75	12
Ekiti	113	56	55	2
Kebbi	90	4	79	7
Zamfara	77	1	71	5
Yobe	66	4	54	8
Taraba	54	43	11	0
Cross River	40	28	9	3
Kogi	5	0	3	2

2.3 Challenges of the Covid-19 Pandemic to SMEs in Nigeria

Small and Medium Enterprises in Nigeria are non-subsidary, independent firms or organizations with an annual turnover not exceeding five hundred thousand Naira and/or less than 300 employees (Onyinyechukwu, 2020). These kind of businesses are less capital intensive as well as highly flexible in filling the need in various niche markets.

The SMEs are literally the backbone of practically all developed economies because they contribute immensely to employment, economic and export growth. In Nigeria, Small and Medium sized Enterprises play a crucial role in the economy. According to the Nigerian Bureau of Statistics, Small and Medium Enterprises (SMEs) in Nigeria contribute 48% of the National GDP, account for 96% of businesses and provide for 84% of employments for the citizens (Nigerian Bureau of Statistics, 2010). With a total number of 17.4 million, they account for about 50% of Industrial jobs and nearly 90% of the manufacturing sector, in terms of the number of enterprises.

Prior to the Covid-19 Pandemic, the Small and Medium businesses (SMEs) in Nigeria were faced with the challenges of lack of skilled manpower, multiplicity of taxes, and high cost of doing businesses. The SMEs are characterized by low productivity, limited access to financial resources and a negligible role in global value chains and the trading system. The vulnerability of these Small and Medium Enterprises stem from lack of market space to grow, compete and thrive. Without growth, they can create neither sustainability nor resilience to crisis.

The coronavirus (Covid-19) has generated critical challenges for SMEs in Nigeria leaving businesses reeling from a sharply reduced demand for their goods and services. Some are already shutting down since they can no longer get supply of new materials for production due to Covid-19 restrictions. Lots of containers have been delayed at the seaports and shipping dates have been repeatedly postponed on account of Covid-19 (Onyinyechukwu, 2020). Businesses cannot get supply of the goods they buy because most of them are majorly imported from China. Since most of these SMEs operate on a day to day level, their investments for the first half of this year 2020 have all but washed down the drain.

Supply and demand challenges have led to an inability to meet loan and lease repayment schedules. As the overall volume of production falls and cash starts to run out, some SMEs have already had to offload staff. Association of Small Business Owners of Nigeria (ASBON) reported that coronavirus was already having negative impact on the operations of SMEs in the country as some were cutting down production. (Business Day, April 13, 2020).

SMEs are having logistics issues with the supply chain being impacted negatively by the current crisis. The disruption has increased cost of business especially those businesses that have not closed. There is a decline in income for most SMEs leading to dwindling income and wages for employees while some are considering laying off employees (Falokun, 2020).

2.3.1. Phases of pandemic Impact on Nigerian SMEs

SMEs in Nigeria are travelling through phases of impact as their businesses face Covid-19 crisis.

1. Shutdown impacts where the pandemic led the government to adopt measures shutting down economic activities. Such measures to contain the spread of the pandemic have had devastating effects on SMEs.
2. Supply chain disruption have affected the businesses in Nigeria as the pandemic induced lockdowns in China, the European Union (EU) and the United States, also known as the group of three (3G) have had major impacts on production, imports and Exports.
3. Demand depression where confinement reduced sales to consumers and businesses. Even when the health emergency begins to ease, business investment will remain low due to run-down in savings. Households may reduce spending in the medium to long term to compensate for lower incomes during the pandemic period.

2.4 Emerging Opportunities for Nigerian SMEs as a Consequence of Covid-19 Pandemic

Although the current pandemic has had a severe impact on the global economy, SMEs are exploring innovative ways and means of cushioning the effects of these challenging times.

Majority of them have had a rapid response to the pandemic and have taken measures to thrive (Falokun, 2020). With Covid-19 induced shutdown being gradually lifted around the world and business owners shifting their focus towards the post-pandemic world, one of the emerging tools that has become a must for businesses to survive and rise above the ongoing crisis is the new digital technologies. The pandemic has accelerated the process of digital transformation across almost all sectors.

As the world slowly but steadily shifts to the recovery stage, we have also seen that the pandemic has brought on changes to consumer behavior that are likely to stay for good. The question then becomes what opportunities should SMEs on a path of recovery have their antennae tuned into, to adapt to new consumer behaviors using digital tools? (Wong, 2020).

The digital services that people relied on during the outbreak like online marketplaces, digital payments, contactless delivery, teleconferencing, on-line health services, remote learning, e-commerce and live streaming will certainly become prevalent (Van Daalen, 2020). These presents enormous opportunities for entrepreneurs as it is clear that digital economy will play an increasingly important role in the recovery of the global economy post Covid-19. As pointed out by Wong (2020), those SMEs leveraging digital technology are in a position to adapt their businesses to meet new challenges. The digital economy can be integral in opening up new opportunities and driving inclusive growth. There is aggressive on-line marketing to boost sales and patronage (Falokun, 2020). SMEs are the pathfinders during the journey to economic recovery. Those among them who can pivot their venture and team to adopt digital technologies and enable their customers will have the best opportunity to survive and thrive in the long term (World Economic Forum, 2020).

A post-pandemic Nigeria doesn't need to lead to financial ruin for the Nigerian entrepreneur. Adaptation to the new normal can present opportunities for innovative SMEs in the country (Oyewole, 2020). Below are just a few examples of what opportunities could emerge in key sectors as SMEs seek to adapt to life after Covid-19.

2.4.1. Healthcare

The coronavirus pandemic has exposed serious flaws in the healthcare sector in Nigeria and this sector is likely to undertake reforms as the government put in place measures designed to address the ongoing pandemic. The supply of protective materials will mean opportunities for local manufacturers that can produce surgical masks, plastic gloves, hand sanitizers and wipes, testing kits and an entire range of products that hospital personnel and private individuals will need to protect themselves. With the pre-occupation with raising hygiene standards at all public places, small businesses will be required to make soap, disinfectants and other hygiene products.

2.4.2. Education

With the stay-at-home regulations put in place by the government, schools from the primary to tertiary levels were shut down. Many countries around the world responded by providing on-line classes to their students. This is likely to become a growing feature in countries with universal students access to computers and internet connectivity. Distant learning in Nigeria can be a challenge especially at primary and secondary school levels largely constrained by technological

infrastructure barrier. SMEs that can discover ways to make it more accessible to Nigerian students at the primary, secondary and tertiary levels can make huge profits while providing learning opportunities for tens of millions of people at a lower cost.

2.4.3. The Corporate World – Demand for Applications that enable Remote Working, Conferencing and Remote Learning Platforms

The recent explosion in the use of internet-based videotelephony technologies such as Skype and Zoom, has highlighted the important role they can play for video-conferencing and telecommuting in the corporate world thus saving travel costs. There will be increased demand for secure applications to enable and support remote working, conferencing and remote learning in the post-Covid-19 economy. Opportunities exist for Nigeria entrepreneurs in the tech industry to design applications that can make the use of video-telephony more widespread in the corporate world adapting them to local environment.

2.4.4. Cleaning Products and Services

Demand for specialist cleaning services that pay more attention to disinfecting surfaces will also be sought after as more organizations and governments will require decontamination of locations and offices.

2.4.5. E-Commerce and Delivery Services

The demand for the services of e-commerce firms is expected to grow significantly in a post-pandemic Nigeria. Online shopping that experienced a boom during the lockdown will continue to grow post-Covid. The continued need for social distancing may sustain the need for online shopping boosting the e-commerce sector. However, these firms may need to address logistical constraints and improve their delivery speed and reliability (Oyewole, 2020).

2.4.6. Events Planning

Events catering is one of the fastest growing industries in Nigeria given the important role wedding, birthday and funeral ceremonies play in this society. In addition to this, thousands of conferences, retreats and conventions that are arranged by both government agencies and private sector and the sheer size and potential of this market is evident. Opportunities for creative new approaches to service via virtual participation through video-telephony is likely to broaden. Firms that can provide video-telephony option with consistent reliability can be assured of growing demand for their services.

2.4.7. Entertainment and Sports

Video games are alternative for sports enthusiasts in this period of lockdown and even after. Video game Software design is an area of potential opportunity for tech experts as is the design of board games that can be played on Smartphones, especially those that can be adapted to have an African theme.

Entrepreneurial opportunities exist for film producing industry in the pandemic period as there is a global demand for higher quality movies from Nollywood via Netflix and other streaming services. SMEs that are able to guide musical performers in how to profitably live stream their performances and make them available to large audiences can help extend the reach of their music.

2.4.8. *Greater Need for Portable Hardware and Devices*

As businesses increase their agility and remote working, the need for the hardware and devices to make that model succeed will surge. Hence, there will be an increase in demands for laptops, tablets and other mobile devices. Businesses that sell these devices and accessories will see increased demand in the post-covid-19 era (Omole, 2020).

2.4.9. *IT Security Consultancy*

Information technology and web security practitioners will be in high demand as more businesses move online and automate. The demand for such professionals would increase to keep hackers and security breaches at bay.

3. CONCLUSION

Covid-19 will inevitably change the way business is done forever. While the prospects for many Small and Medium Enterprises may look bleak in the short to medium term, the global economy will eventually bounce back and activity will pick up. For now SMEs should assess the damages their companies may face and do their best to mitigate the negative effects of the pandemic while maximizing the opportunities that will most certainly present themselves once the pandemic is contained.

4. RECOMMENDATIONS

1. At a time when the world is gravitating towards technology, SMEs could benefit from diversifying business platforms. On-line based platforms and virtual service provisions can help SMEs sustain business. They must leverage technology for their investment needs.
2. SMEs are the backbone of any society for the job creation and economic contribution. They are the foundation of our commercial life as a nation. It would be helpful if policy makers could bring tax breaks and technical guidance to help SMEs restructure their business operations.
3. The Covid-19 situation calls for SMEs to become innovative and adapt accordingly. This could mean they change their line of production and explore new trends and opportunities by providing in-demand products and services.

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