

The Effect of Covid 19 on the Financial Performance of Micro Small and Medium Enterprises in Yobe State: Way Forward For Sustainable Development.

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ABSTRACT :This study will Examine the effect of COVID - 19 on the Financial performance of Micro Small and Medium Scale Enterprises in Yobe State:Way forward for Sustainable Development. However, the study may explore the effects of COVID-19 crisis has on micro small and medium-sized enterprises (MSMEs) in terms of financial performance. The effects COVID-19 crisis has for existing small and medium-sized enterprises (SMEs) in terms of their ability to maintain staffing levels, avoid cash-flow problems and prevent widespread bankruptcies in the wake of the lockdown are tremendous (Organization for Economic Co-operation and Development (OECD), 2020). Therefore, SMEs are severely hurt from year 2019 to date, they are unable to service their clients, to pay salary to their employees and be compliant to their commitment with their suppliers. Consequently, many small and medium sized enterprises are expected to go out of business during and after covid-19. Similarly, there is need for government to take proactive measures in term of logistical support and financial stimulus for MSMES to caution the negative impact of COVID 19. The study also found that COVID 19 have a significant impact on the financial performance of MSMES. Seemingly, there are institutional support through the provision of covid 19 survival fund for MSMES to build resilience.

Key words: COVID-19, MSMES, Financial performance, Sustainable and Development

I. INTRODUCTION

MSMEs of all types have experienced immediate effects of the lockdowns on their activities. Specifically, on the supply side, stand-alone SMEs have faced considerable logistical issues. However, while reduced capacity utilization

represents one key challenge, demand-side effects pose a more severe threat. Indeed, most consumer-focused, stand-alone SMEs operate in industries characterized by an elastic demand. With consumers facing employment uncertainties and financial constraints, many of these SMEs have experienced a sudden decline in demand.

Nevertheless, consumers have been better off during the COVID-19 era. This is because spending has decreased because of the decrease in social activities, commuting, and increase in the number people eating at home. Of course, the impact on the performance of SMES is overwhelming. A report by Eurostat (2020) However, from December, 2019 Nigeria is also facing COVID 19 pandemic. The pandemic has negative impact on businesses globally (Sansa, 2020; Ruiz Estrada et al., 2020) seemingly, due to MSMES size and ownership structure, they also generally struggle with profitability and liquidity, thus becoming particularly vulnerable to external shocks (European Commission 2019). In fact, crises such as the COVID-19 pandemic are more likely to have an unwarranted effect on SMEs (Laufs and Schwens 2014; OECD 2009), given their limited resources (human, financial and technical) compared to large firms (Martin et al. 2019; Narula 2004).

II. OBJECTIVE (S) OF THE STUDY

This study is to achieve the following objectives:

- To determine the extent to which COVID 19 affected the financial performance of Micro Small and Medium Enterprises in Yobe State.
- To examine and provide alternative sources of finance for MSMES survival.
- To Enlighten the MSMES about their business environment.

III. LITERATURE REVIEW

Conceptualizing MSMEs

Micro Small and medium enterprises (MSMEs): The term MSMEs is used interchangeably globally, there is no specific definition of these terms geographical placement of MSMEs as well as country specific legislation influences the numerous MSME definitions (Huyen Le, 2020).

In Nigeria, Small business was defined by the third National development plan (1975-1980) as a firm that is capable of providing employment to not more than ten employees. (Taiwo, Ayodeji and Yusuf, 2012). However, MSMEs also refer to as a business with a fixed asset and working capital

of an amount not exceeding N60, 000 and capable of employing 50 workers. Moreover, SMEs is a firm with an annual turnover worth N2 million and a net asset of an amount not exceeding N1 million. (Companies and allied matters act 1990, Federal ministry of Industry; Nigeria cited in Taiwo, Ayodeji and Yusuf, 2012).

However, with the introduction of National Policy on MSMEs has addressed the issue of definition in respect to what constitutes micro, small and medium enterprises. The definition receives a grouping focused around double criteria, assets and employment (with the exception of land and buildings):

S/N	Size Category	Employment	Assets (=N= Million)	(excluding land & buildings)
1	Micro enterprises	Less than 10	Less than 5	
2	Small enterprises	10 to 49	5 to less than 50	
3	Medium enterprises	50 to 199	50 to less than 500	

Source: National Policy on MSMEs report 2010

1. Micro enterprises are those businesses capable of providing employment less than ten (10) employees and have an asset of less than N5 Million with the exception of land and building.
2. Small enterprises are those businesses capable of employing 10 to 49 employees and have an asset of an amount equal to N5 million to N49.9 million with the exception of land and building.
3. Medium enterprises are those businesses capable of employing 50 to 199 employees and have an asset of an amount equal to N50 million to N499.9 million with the exception of land and building.

THE IMPACT COVID -19 ON FINANCIAL PERFORMANCE OF MSMEs

The current corona virus pandemic has affected businesses globally, MSMEs have been hit hard due to their meagre resources (Galanakis, 2020). Particularly, the micro small and medium enterprises seem to be facing multifaceted challenges in managing their business, revenues, and finances (Shahbaz, Bilal, Moiz, Zubair, & Iqbal, 2020)

Since the outbreak of the pandemic in November, 2019 micro small and medium enterprises has been impacted negatively on their limited financial status and business (Carruthers, 2020). The COVID-19 restrictions put a strain on

the financial situations of MSMEs leading to bankruptcies and liquidation

SMEs are often the firms most disadvantaged by crisis incidents (Doshi et al., 2018). There is also a dearth of research on entrepreneurial resilience and crisis management as a whole within the context of SMEs (Herbane, 2013; Wishart, 2018). Yet, initial work suggests that the severity of the COVID-19 crisis is such (Baker et al., 2020) that it could potentially be causing such devastating economic and societal consequences, we may be witnessing the greatest crisis period facing humankind since the World War II.1 Such is the uniqueness of the current crisis; some label it a metaphorical ‘Black Swan event’ for entrepreneurship (Kuckertz et al., 2020), as it includes almost every sector and every country covering the entire global economy simultaneously (Goodell, 2020).

Indeed, in recognition of the potential impact of the COVID-19 crisis for start-ups, the government has established a new COVID-19 survival fund for SMES to access through government microfinance bank (NIRSAL) to provide funding to for equity capital. However, there is need for government to focus to other areas such seed capital, especially given the potential ramifications of ‘financial distancing’ between

entrepreneurial firms and investors (Howell et al., 2020).

Similarly, Smaller businesses face very specific and unique problems around access to external capital which relate to their informational opacity (Stiglitz and Weiss, 1981) and their private and closely held ownership structures (Cowling and Matthews, 2018). These problems are often compounded by a lack of physical and tangible assets that can be used as collateral against loans (Coco, 2000). This means that many smaller businesses have an over-reliance on internally generated funds to capitalise their operations and provide the necessary liquidity to fund their day-to-day operations. As such, the COVID-19-induced economic lockdown has the potential to put large numbers of small businesses at severe risk of simply running out of money.

Consequently, the precautionary motive for businesses holding large cash reserves is not solely driven by future risk and uncertainty and the desire to protect against unfavourable circumstance. Even in a stable macroeconomic environment with no COVID-19, there is empirical evidence that businesses in industry sectors that are more volatile in terms of cash-flows and income variability hold more cash reserves on average than those in more stable industry sectors (Opler et al., 1999). However, it is the former that is of particular interest here as it influences the future ability of a business to cope with unanticipated and unfavourable events.

SMEs of all types have experienced immediate effects of the lockdowns on their upstream and downstream activities. Specifically, on the supply side, stand-alone SMEs have faced considerable logistical issues. However, while reduced capacity utilization represents one key challenge, demand-side effects pose a more severe threat. Indeed, most consumer-focused, stand-alone SMEs operate in industries characterized by an elastic demand. With consumers facing employment uncertainties and financial constraints, many of these SMEs have experienced a sudden decline in demand. In contrast, many stand-alone SMEs serving the industrial market may benefit from their niche position, as they face few substitutes and, therefore, customers may be reliant on them (Jill, José, & Rajneesh, 2020).

SMEs are usually less resilient compared to larger firms, meaning that they take longer to return (if at all) to 'normal operations' following a crisis. This vulnerability became apparent in the aftermath of the 2008 global financial crisis, where SMEs experienced both a severe decline in demand and financial distress. The falling demand

particularly affected manufacturing SMEs (OECD 2009; Wymenga et al. 2011).

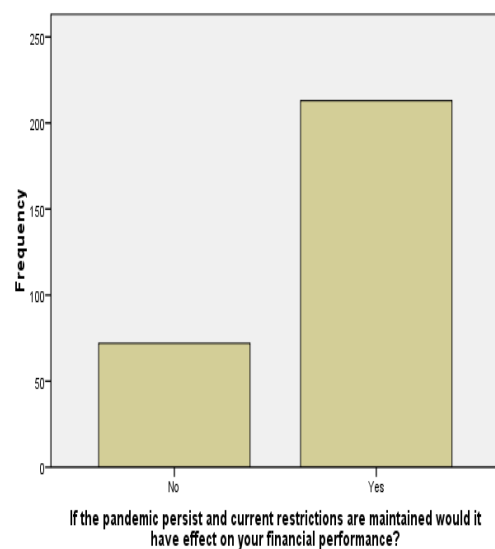
IV. METHODOLOGY

This study was conducted using quantitative approaches of survey design. The quantitative approach is used to obtain data through questionnaire administered to the Micro Small and Medium Enterprises MSMEs identified in Yobe State. Three hundred questionnaires were administered to the respondents in 3 local governments namely Damaturu, Geidam and Gashua respectively

The random sampling technique is adopted in order to identify the study population of the study. To serve the objectives of this research study, the researcher has chosen a Quantitative method is presumed to be suitable to conduct this study and furthermore, it was surveyed at a particular period of time. On top of it, many kinds of research undertaken for such purposes are time constraint so cross-sectional studies with a survey method are more preferred approaches (Saunders et al, 2012). Therefore, the quantitative method is the most common data analysis method, in which questionnaires are employed to collect quantitative data as directed in structural design (Bechoret al, 2010).

DATA PRESENTATION AND DISCUSSION

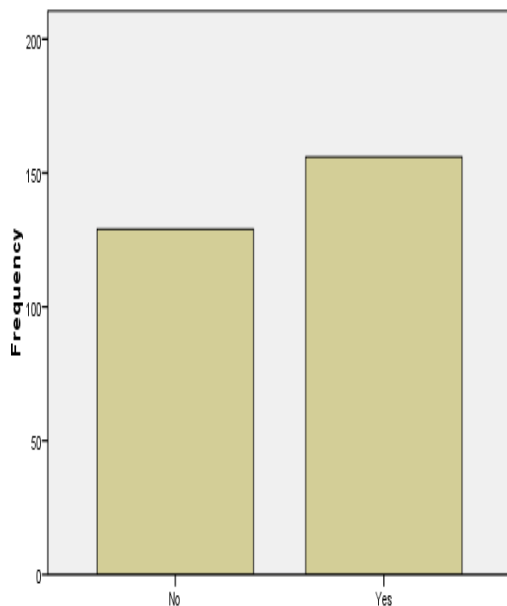
If the pandemic persist and current restrictions are maintained would it have effect on your financial performance?



Of two hundred and eighty-five responded Smes 25% are of the opinion that even if the,

pandemic and the lockdowns persist it may not affect their, financial performance. This should be as result of them. strong capital base. But 74.3% agreed that their business will be affected negatively. Therefore, restrictions and economic lockdown may potentially to put large numbers of small businesses at severe risk of simply running out of money. In a long run the business may have to close because they may not be able to pay staff salaries and debt repayment. Cowling et al. (2018) found that larger, established SMEs were more affected than smaller, younger SMEs in re period of crisis like this one. However, most of the MSMES that are negatively impacted on are in the service sector.

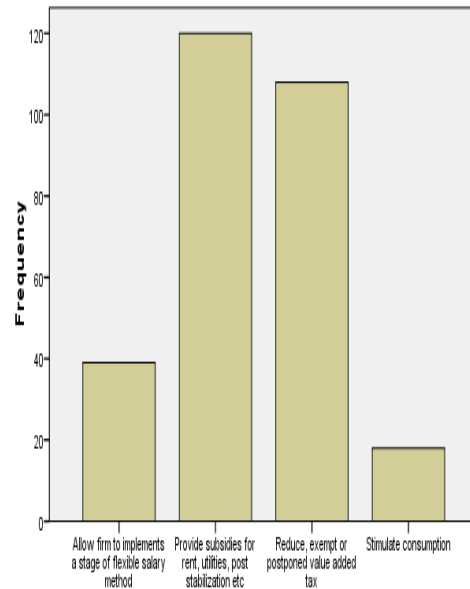
Are you aware of any government microfinance/covid-19 intervention fund that are established in order to provide loans for MSME's?



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Despite the fundamental importance of finance to micro small and medium enterprises, most of the respondent seems to be aware of government microfinance platforms that are put in place to provide loans to them. Consequently, the results indicate that 95.5% of the respondents are aware of government microfinance policies especially the COVID- 19 survival loan under the auspices of the NIRSAL Microfinance bank and other loan meant for Agriculture and small businesses with a single digit interest.

What policies do you expect the government to put in place to help overcome the difficulties of Covid-19 on MSMEs in the State?



What policies do you expect the government to put in place to help overcome the difficulties of Covid-19 on MSMEs in the State?

Most of the MSMES 37.9 %expected government to provide subsidies on rents and utilities. However, 6.3% are of the opinion of government to stimulate consumption. While 13.7% suggest that government should allow them to implement flexible salary as palliative. 42.1% suggested value added tax exemption. Similarly, tax holiday and flexible wage payment may likely caution the negative impact of COVID-19 on the financial performance of MSMES.

V. RECOMMENDATION

MSMES should adhere strictly to COVID-19 protocol, that is the use of hand sanitizers, face mask and social distancing in order to protect staff and customers. Thus preventing the spread of the virus to avoid the devastating impact of the pandemic on the business.

Government should provide timely financial stimulus to micro small andmedium enterprises to protect them from collapsing. The stimulus should be meant for the payment of wages. It should also provide zero interest loan to turn around the negative effect of the pandemic on Msmes.

The central bank need to come up with special covid 19 financial package through Nirsal micro finance bank and other financial institution

that may enable business to obtain loan that will protect them from liquidation.

There is also need for government to provide right type of incentive that is crucial to helping SMEs adjust to the new realities they are confronting to enable them to remain complete during a prolonged recessionary period. Often small amounts of grant funding can generate significant behavioural and strategic impacts for small companies to aid their revenue generating capabilities, including tax holiday.

Government should also provide covid 19 survival loan for citizens to access in order to stimulate consumption.

Indeed, in recognition of the potential impact of the COVID-19 crisis for start-ups, the government has established a new emergency response fund that will target existing equity funded ventures. While sizeable, fund may be needed as an additional support measures to specifically target new seed stage deals, especially given the potential ramifications of 'financial distancing' between entrepreneurial firms and investors (Howell et al., 2020).

The government need to provide the right type of incentive that is crucial to helping SMEs adjust to the new realities they are confronting to enable them to remain solvent during a prolonged recessionary period. However, small amounts of grant funding can generate significant behavioural and strategic impacts for small companies to aid their revenue generating capabilities. Therefore, the government should consider offering small grants to SMEs who wish to undertake new activities that will make them profitable.

The central Bank need to Impose policies that will reduce interest rates and extend the loan repayment period for the business, this will help small businesses the pandemic, especially for SMEs with small scale, limited capital and limited market share. Exemptions and reductions of interests and fees shall be made for outstanding loans arising from credit activities for which the principal and/or interest is paid during the stipulated period.

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