



COVID-19 AS A TASK ENVIRONMENTAL FACTOR AND THE PERFORMANCE OF SMALL AND MEDIUM-SIZED BUSINESSES IN NIGERIA

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Abstract

Small scale businesses have been adjudge as the major contributor to the gross domestic product (GDP) of any economy be it developed or developing economy, but the survival and performance of these small scale business have been threaten by the COVID-19 pandemic as a task environmental factor, this threat is made worst when it is coming from outside the business environment that the venture manager have little or no control over. This article conceptually reviewed the influence of COVID-19 as a task environmental factor on the survival and performance of small and medium-sized businesses enterprise in Nigeria. The paper relies mostly on secondary documentations, where previous work done in this area of interest were down loaded and critically reviewed in line with the objective of the study. There is a convergent of thoughts among scholar that COVID-19 negatively affected SMEs performance and survival across the globe especially developing countries like Nigeria due to her over dependent of raw materials from abroad. Based on the reviewed articles, this article recommends that, each country should adopt the control measure that suits its peculiar situation in curbing the spread of the virus (COVID-19 or any other disease) and not a universal method of total lock-down and travels band that negatively affect SMEs production and distribution capacity and crumble the entire production sector of the Nigerian economy with its attendance consequence

Keywords: Business Performance and Survival, COVID-19, Environmental Factors, Task Environment, Small Scale Business

1. Introduction

The significant role played by small and medium scale enterprise (SMEs) in economic growth and development of any nation is widely acknowledged and extensively research on by practitioners and scholars (Adeoye, 2019; Ali, 2020; Banshuam, 2020; Enoyi, 2020). SMEs performance is critical to economic performance of a nation, it form the backbone on which other economic and business activities revolved on. Consequently, the performance of SMEs sector is the impetus of the growth and sustainability of a nation's wealth (Afu, 2020). Performance contextually is the process of being entrepreneurial. The ability of a venture owner to establish and sustained a venture and make entrepreneurial profit is akin to the environment which the business operates.

The environment of business is the sum total of event, activates, object, idea and decisions that influence, sharp and direct the operational efficiency and indeed the performance of the SMEs (Banshuam, 2020). It is the factors and forces that affect SMEs ability to perform in a particular point in time. The aggregation of all these conditions and factors affecting the operation of SMEs can neither be internal or external. Internal factor can be control and manipulated by the business itself to its advantage such as firm capacity and resource usually referred to the firm strength and weakness while external factor (opportunity and threats) are mostly outside the control of the business such as government policies, competitors, technology, regulations, political and cultural factors and other situational variables that determine the performances of SMEs (Enoye, 2021).

According to Adeoye and Wale (2020) the external environment is divided into the immediate environment call the task environment and the general environment, the immediate environment is closer to the venture and has significant influence on the performance and survival of the venture in the short-run than the general environment which is completely outside the control of the venture.

COVID-19 as task environmental factor affect the operational efficiency of SMEs in sourcing for raw materials for the production and distribution of goods and service, old and emerging market were not left out due to COVID-19 pandemic, channels of distribution were temporary close forcing consumer to make-do with substitute goods within their reach there by distorting consumer preference and test as a major dimension of consumer behavior and production strategy(Enoyi,2020).

COVID-19 brought an unprecedented threat to human existence the world over, causing panic and disruption of human activities, the world economic and business activities was no left out. The impact of this pandemic in the production and distribution of goods and services was felt more in developing countries like Nigeria. The dependence of Nigeria manufacturing sector especially the SMEs on raw material from other countries of the world like China makes Nigeria SMEs and entire manufacturing sector more vulnerable. Raw material constitutes 70% of the total importation from China and 86% from Asia and Europe (NBS, 2019). For a country that source for and get it supplies of raw materials from abroad the lockdown and restriction of movement during the COVID-19 peak period the world over and within Nigeria imposed significantly effect on the production and distribution of goods and service thereby affecting the performance and survival of SMEs. So, evaluating the influence of COVID-19 as a task environmental factor on the performance and survival of SMEs in Nigeria becomes imperative.

Specifically, this paper evaluates the influence of COVID-19 as a task environmental factor on SMEs

production capacity, product distribution channel and product demand to enhance SMEs performance in Nigeria, examine how substitute goods influence SMEs performance due to the pandemic outbreak and to analysis how customers preference influence SMEs performance during the pick period of the pandemic.

2. Conceptualization

Small and Medium-sized-Enterprises Performance and survival

The tendency for a small and medium scale enterprise to remain in business over a long period of time and attaining it pre-determine objectives and contributing meaningfully to the standard of living of the citizens and nations GDP while making long term capital gain in spite of the challenging and erratic environment the SMEs operates (Afu, 2019).

SMEs performance and survival can be viewed from quantitative and qualitative stand point, from the qualitative stand point SMEs performance may means the level and consistency of production, total output, market shares, productivity, product quality and customer satisfaction while the qualitative view argue that SMEs performance involves innovativeness, risk-taking, competitive aggressiveness, meeting target goals and being entrepreneurial(Enoyi,2020).The establishment, management and sustainability of an enterprise through the introduction of new product, creating new market, identifying new source of raw material and adopting new management styles over a period of time and making an entrepreneurial profit(Adeyeye,2020).

Performance can be measured in terms of SMEs profitability, products and process innovation, meeting market demand, enjoying a large share of the market, productivity, concentration as well as efficiency of capacity utilization. SMEs performance is analysis on how well an enterprise has performed over time and usually expressed in terms of profit or losses incurred over a time period. SMEs that perform well are seen to be well equipped to survive the shock from the erratic

environment and contribute significantly to a nation's growth and development (Banshuam, 2020).

Previous scholarly articles reviewed on this area of interest focuses on internal and external environment factors affecting the performance of SMEs, this paper narrow the study to task environmental factor and view the COVID-19 as a task factor that affect the supply of raw material for SMEs survival and performance.

COVID-19 as a task Environmental factor

Task business environment are the forces and environmental elements that have direct involvement and interaction with the day to day operations of the business for it survival and performance such as suppliers of raw materials, competitors, distributors and labour supply, that the business owners can have some form of manipulation and control and gain a competitive advantage over it competitors while enjoying a large share of the market (Ali, 2020). Any environmental forces like COVID-19 pandemic that affect the seamless supply of raw materials to the business entity mostly small scale business to facilitate it daily production and keep the production channels actives while meeting market demand threaten the survival and performance of such business entity.

According to Adeoye (2019) the survival and sustainability of SMEs is attributed to the task environmental factors like suppliers of raw material for the continues production process, distribution channels to move the produced goods to the market, customer and competitors which were directly hampered by the COVID-19 pandemic and threaten the survival and performance of SMEs mostly in developing countries like Nigeria that depend on raw material from other countries of the World like China. The restriction of movement of goods and people across the globe and within Nigeria impacted negatively on businesses especially small scale business with low capital based and small market share. Most small scale businesses are still struggling to recover from the shuck and impact of the COVID-19 pandemic where majority of the SMEs lost touch with their

customer, majority of the customer source for substitutes and readily available goods thereby changing customer preference and their buying habits.

COVID-19 peak period and the production capacity of SMEs

Production is cardinal to the survival and performance of any organisation, but production is premise on the availability of raw material to enhance the production process (Afu, 2020). The pandemic in no small measures affected the free flow of raw material to most businesses that are not strategically located. Raw materials are central to the production process and to a large extend determine the production capacity of any business enterprise be it well established or start-up particularly if the raw materials are rare, short in supply or the supply is obstructed by any situational variable like the COVID-19 pandemic which in this contexts is an external environmental factor that the business manager has no control over (Omang, 2020).

Abdullahi (2020) argue that production of goods and service was hampered and some enterprise went into comma, due to the pandemic which did not just affect the movement of people and goods across the World but changes the total ways of life of the entire World, making abnormal situation normal leading to new concept such as "the new normal". Consumers were force to change their consumption pattern and preference for certain commodities because the supply side could not function optimally in terms of production and distribution of the needed goods and service as a result of the COVID-19 pandemic which ventures owners have little or no control over. SMEs were the worse hides because of their weak capital and infrastructural based with this pandemic to the extent that most SMEs are still struggling to get back to production even when they have lost their market based and loyal customer.

According to Bello (2021) COVID-19 know no boundaries, it impact was felt across the World, powerful nations were brought to their knees, well established business and company could not produce and distribute

their products maximally not to talk of developing countries like Nigeria that depend on other advance countries to feed her small and fragile production sector with semi- finish goods and raw materials in the production and distribution of goods and service to meet local demand. SMEs in Nigeria were more vulnerable to this external shock cause by the pandemic due to her increasing dependence on global economies to enhance production without sourcing or looking inward to boost local production and meet the increasing domestic market.

Small and medium scale business in Nigeria were badly hides by COVID-19 pandemic in four dimension such as, the supply of raw material needed to keep the SMEs alive and active in the production of their products, distribution channel to takes the products to the end users, market innovativeness and the financial flows that lubricates the entire production process in order to meets their vision and mission (Detiem, 2020).

COVID-19 peak period and products distribution by SMEs

According to Eno (2021), distribution connotes the movement of product from one point to another. It is when a product gets to its final user that production is said to be completed but movement was restricted during the peak period of the pandemic thereby stopping the products produced by SMEs from reaching the final users and not able to complete the production cycle, thereby affecting the entire production process and by extension SMEs performance and survival during the pandemic era.

The closing down of factories, imposition of travel bans and even-total countries lock-downs by strong economies like China that Nigeria imported 25% of her total import in 2018/19 put Nigeria SMEs in a precarious situation in term of production of goods and services and meeting domestic demand. SMEs performance at the pandemic period was at it all time low, affecting its contribution to the country GDP and employment generation for the terming energetic youthful hands in the country (KPMG, 2020).

Small and Medium scale business enterprise in Nigeria like her coequal all over the World could not replace or replenish their inventory and equipment because of the supply chain disruption across the World occasion by the pandemic lock-down, distributing finish products to needed destinations and markets or bring semi-finish goods and raw materials for domestic industries within Nigeria and across most international borders through the airport and seaport as the major routes for the distribution of both raw materials and finish goods and services were restricted and in most cases total lock-down thereby affect SMEs performance and survival in Nigeria(PwC,2020)

COVID-19 disrupted free movement across all countries of the World and all sectors and enterprise, be it large conglomerates or small scale business. The restriction of free movement was due to the lock-down strategy adopted by most countries of the World as a health measured to mitigate the impact of the COVID-19 pandemic on the human population. Disruption of movement of people and goods, border closures, logistic limitations all affect the distribution of both raw materials and finish goods and services in the country thereby treating the survival of SMEs in Nigeria (Kale, 2021).

COVID-19 peak period and Product Demand by Consumers

COVID-19 adversely affected the demand for goods and services, changing consumers' preference and customers buying habits due to low production by SMEs and lack of movement to bring the goods to the reach of the final consumers. An attempt by the country to mitigate against the spread of the deadly virus, lock-down and movement restrictions were imposed, this on the other hand affected the demand for goods and services. Customers preference and choice for certain goods and services was affected leaving the consumers to make do with what is available thereby negating the theory of effective demand (Emefele, 2020).

Ojobe (2021) argue that not only COVID-19 pandemic that causes the changes in the demand curve and the

movement along the demand curve but also the various measures and strategies adopted by different countries of the World in curbing the spreads of the virus were much more responsible in the demand for goods and services. Inappropriate actions of various countries of the World including Nigeria cause the poor performance and survival of SMEs in Nigeria and not necessarily the COVID-19 pandemic itself.

As the cases of COVID-19 increases in Nigeria and the World over, with the discovering of the new variant called the Delta Variant spreading across the thirty six states and the FCT, the presidential committee on COVID-19 headed by the secretary of the federation, Bose Mustapha responses and policies of lock-down and restriction of movement has lead to closure of businesses, reducing local demand of domestic products, affect SMEs production and distribution capacity with it attendance consequences in terms of jobs losses, raising unemployment, inflation rate and decrease GDP rate leading to the high crime rate in a fragile country like Nigeria(Ojobe,2021).

Contingency theory by Fred Edward Filder (1964) form the foundation on which this paper is build upon. This theory assumes that the performance of small and medium scale (SMEs) business enterprise is contingent upon situational variables and not one size fit all. The approach and strategies adopted in mitigating against the spread of the contagious COVID-19 virus should not be universal but based on every country peculiar situation

A country by country assessment of the spread of the virus and the variant of the virus in each country should form the basis of the precautionary measures to be adapted to curb and curtailed the spread while factoring in other necessities of life. Adopting the same approach and methods of controlling the virus across the World will affect other needs of man and hurts other sector of the economy mostly of smaller and developing countries like Nigeria with fragile economy, increasing unemployment giving raise to the insecurity in the country. Other measures of curbing the spread of the virus like the use of face-masks, social and physical

distancing, thorough and frequent hand washing with soap and other prescript chemicals, overcrowding among other measures should be better options for Nigeria and other less developed nations than total lock-down and restriction of movement which will in avertedly suffocate other sector of the economy thereby creating more and multiple problems for the country and its citizens. Based on the theory, each country should adopt the control measure that suits its peculiar situation and not a universal method that will in turn crumble the production and other sector of the economy.

Conceptual framework

The conceptual frame work illustrates the link between the independent variable (COVID-19) and the three dependent variables (Production capacity, Distribution channels and Products demand). Based on the conceptualized frame work, it is hypothesized that COVID-19 as a task business environment significantly influence negatively on SMEs production capacity, distribution channel and product demand were equally affected significantly. The frame work was used to establish the interactions between the IV (COVID-19) and DVs (SMEs production capacity, Distribution channels and product demand).

The basis for this frame work depends on the empirical and theoretical literature which seeks to investigate the influence of COVID-19 as a task environmental factor on the performance of SMEs in Nigeria during the peak of the pandemic. COVID-19 preventions methods like lock-down, restriction of interstate movement, closure of business and production facilities across the World and Nigeria in particular was adopted by previous work of Eno (2020),Afu (2021),Abdullahi (2019), presidential committee report (2020) and Adeoye (2020).

The variables were used to develop a diagrammatical model thus:

Dependent Variables

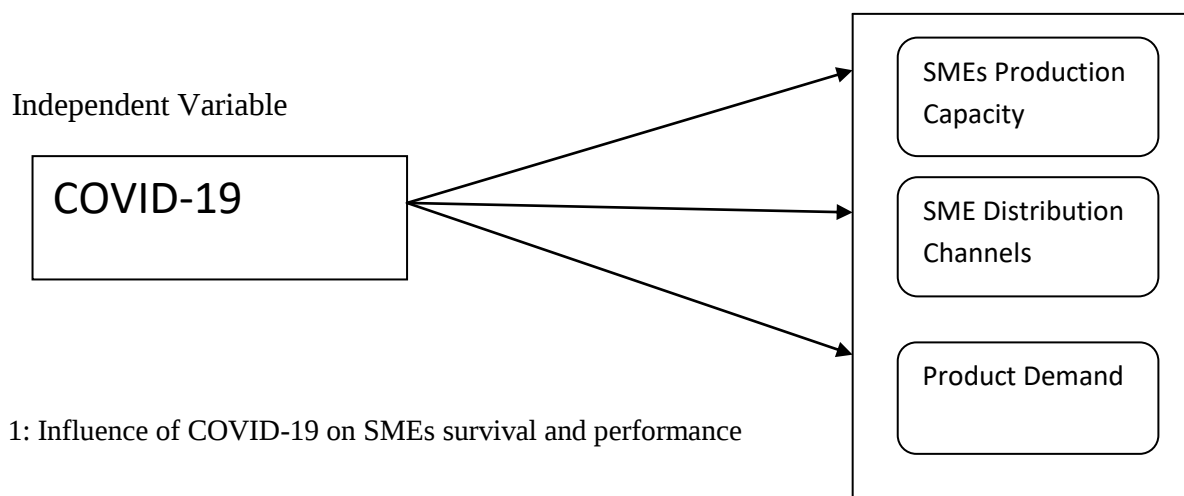


Figure 1: Influence of COVID-19 on SMEs survival and performance

Source: Adapted and modified from Afu (2020)

The conceptual model indicates the relationship between the IV and the DVs. The IV (COVID-19) was used as a task business environmental factor on the basis that task factors are within the manager control, the manager can manipulate the task factors to the business advantage or otherwise. But in this case the preventive measures employed by both government and venture managers was to the disadvantage of the business enterprise and the economy in general in term of lowering SMEs production capacities, restricting movement and distributions of goods and services thereby affecting demand in the country.

3. Methodology

The study reviewed the influence of COVID-19 as a task business environment on the performance and survival of small scale businesses enterprise in Nigeria in terms of how the preventive measures adopted in curtailing the spread of the virus impacted on SMEs production and distribution capacity and by extension the consumers buying habits, Nigeria GDP and employment generation in Nigeria over the lock-down period. In order to achieve

the study objective, the paper relies mostly on secondary documentations of previous research work done in this area of interest. Scholarly articles in this field were downloaded and critically reviewed in line with the study objective as a conceptual paper.

4. Discussion of Findings

The influence of COVID-19 as a task environmental factor in shaping and directing SMEs performance during the peak period was significantly felt across the nation and the world in general.

COVID-19 as a task factor according Enoyi (2020) could have increases SMEs performance if well manages as a task factor. Presidential committee on COVID-19 and venture managers could have manager and control the precautionary measures put in place to minimize the spread of the pandemic to the advantages of SMEs thereby bossing SMEs production and distribution capacity for the betterment of the country.

Abdullahi (2020) findings reveal that the lock-down and restriction of movement during the peak of the pandemic

significantly affect the supply of raw material use for the production of goods and service by SMEs, which adversely affect SMEs performance leading to job losses, redundancies and negative contribution to the nations GDP for as long as the lock-down and restriction of movement last. Many small businesses could not survive, those that survive are still struggle to find their fits in term of their production capacity, distribution of the products and creating new market and reconnecting with the old market which they loss during the COVID peak period.

Ojobe (2020) is of the opinion that, it is the poor management of the COVID-19 preventive measures that affected SMEs performance and survival in terms of production and distributions of goods and services across the country Nigeria and rest of the World and not necessarily the pandemic itself. Government effort in the controlling the spread of the pandemic should always factor in other necessities of life that humans need to be able to observed COVID-19 protocols. This non pharmaceutical preventive measure can be achieved without lock-down and travels band. All the scholarly articles reviewed seemingly agree that COVID-19 as a task environmental factors significantly affect SMEs performance in term of production, distribution capacity during the peak period of the pandemic as a result of the travel band and lock-down.

5. Conclusion and Recommendations

Findings from the reviewed articles reveals that, scholars are in agreement of the significant negative impact of COVID-19 as a task environmental factor on the performance and survival of business enterprise across the World especially SMEs in developing countries like Nigeria. The preventive measure adopted in reducing the spread of the pandemic did more harm to the productive industries than the pandemic itself. The lock-down and travels restriction affect the supply of raw materials for the production of goods and services mostly in developing countries like Nigeria that dependent on raw

materials from countries like China, Japan among other for the manufacturing of goods and services.

The lock-down equally prevented the effective distribution of goods to meet market demand thereby causing the change in demand and change in quantity demanded for various products and service and by extension affect SMEs performance and survival during the pandemic period. The implication of this SMEs non-performance during the pandemic period leads to high job losses, reducing SMEs contributions to the country's GDP, hunger in the land, low per capital income and eventual raise in crime and criminality in the country Nigeria.

Based on the findings, the paper recommend that subsequence preventives measures in curbing the spread of COVID-19 or any other contagious disease should not include total lock-down of the entire country and restriction of movement of both human and materials resource which hampered production and distribution of goods and services in the country Nigeria.

Essentials raw materials that enhance production of goods and services by SMEs should not be prevented from moving from source to the point of needs. The movement and distribution of goods from the point of production to the end users should be encourage to boost further production of man needs, creating more jobs opportunities for the ever growing population and contributing meaningfully to the country's GDP.

Each country should adopt the control measure that suits its peculiar situation in curbing the spread of the virus (COVID-19 or any other disease) and not a universal method that will in turn crumble the production and other sector of the economy.

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