



Impact of Covid-19 Pandemic on the Financial Performance of SMEs in Nigeria: A Study of the South East Geopolitical Zone

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Abstract

This article explores the impact of the Covid-19 pandemic on the financial performance of small and medium-scale enterprises (SMEs) in the South East geopolitical zone of Nigeria. The study objective was to determine the extent to which the Covid-19 pandemic affected the revenue of SMEs, their profitability and their access to credit. The target population for the study were registered SMEs in the South East geopolitical zone of Nigeria, being Abia, Anambra, Ebonyi, Enugu and Imo. Using purposive sampling method, thirty SME owners from each zone were selected for the study, giving a total of 150 SME owners. The study adopted a quantitative research method, using a questionnaire. The findings revealed that the Covid-19 pandemic significantly reduced the profitability and revenue of SMEs but not their access to credit. The study therefore recommended the need for business owners to minimize cost and look for possible innovations/opportunities to grow sales and improve revenue. Also government should make soft loan available to SMEs to help cushion the effect of the pandemic on their financial performance. Finally, future research should consider other related variables that have not been covered in this article.

Keywords: Nigeria; SMEs; financial performance; Covid-19 pandemic

Résumé

Cet article porte sur l'impact de la pandémie de Covid-19 sur la performance financière des petites et moyennes entreprises (PME) de la zone géopolitique du Sud-est du Nigeria. L'objectif de l'étude était de déterminer l'impact de la pandémie de Covid-19 sur les revenus des PME, leur rentabilité et leur

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accès au crédit. L'étude avait pour population-cible les PME enregistrées dans la zone géopolitique du Sud-est du Nigéria, à savoir Abia, Anambra, Ebonyi, Enugu et Imo. Par la méthode d'échantillonnage raisonné, trente propriétaires de PME de chaque zone ont été sélectionnés pour l'étude, ce qui donne un total de 150 propriétaires de PME. L'étude a adopté une méthode de recherche quantitative utilisant un questionnaire. Les résultats ont révélé que la pandémie de Covid-19 a considérablement réduit la rentabilité et les revenus des PME, mais pas leur accès au crédit. L'étude recommande donc aux chefs d'entreprise de minimiser les coûts et de rechercher les innovations/opportunités possibles pour accroître les ventes et améliorer les revenus. Le gouvernement devrait également accorder des prêts à taux réduit aux PME afin d'atténuer les effets de la pandémie sur leurs performances financières. Enfin, les recherches futures devraient tenir compte d'autres variables connexes qui ne sont pas abordées dans le présent article.

Mots-clés : Nigeria ; PME ; performance financière ; pandémie de Covid-19

Introduction

Small and medium enterprise is critical to the growth and development of the global economy. It is a good source of job creation and of development for indigenous entrepreneurs and contributes to nation-building. Amidst all the challenges that regularly threaten the financial performance of SMEs, Covid-19 emerged towards the end of December 2019 from Wuhan, China (WHO 2020). On 11 March 2020, the World Health Organization (WHO) officially declared Covid-19 a pandemic (Cucinotta and Vanelli 2020). Covid-19 created a two-fold challenge—to health and the economy (WHO 2020). It affected nearly every business sector and industry across the globe (Islam *et al.* 2020). It generated panic globally, created unprecedented conditions that made governments come up with unusual policies aimed at fighting the disease, ranging from border closure, movement restriction and market closure to total lockdown. These measures adversely affected businesses and the global economy.

In Nigeria, both the federal and state governments took swift action to prevent the spread of the virus across the nation. The National Centre for Disease Control (NCDC), an agency of the Federal Government of Nigeria, oversaw the control of the spread of the virus across the nation (Ojukwu 2021). Recently, various analysts have projected a fall in aggregate demand and supply, dwindling exports and a rise in government expenditure as the negative effects of lockdown ripple across different sectors of Nigeria's economy (Aderemi *et al.*). This crisis particularly hit the revenue of SMEs, causing a sudden acute liquidity shortage, thereby threatening the survival of many viable businesses in the region (Enesi and Ibrahim 2021).

The Impact of Covid-19 on Business Enterprises in Nigeria

The business sector was not prepared for the pandemic or its associated challenges and so was badly hit by the crisis and the restrictions imposed to prevent the spread of the infection. The severity of lay-offs, reductions in hours of operation and limited access to credit impacted heavily on businesses. They also experienced great changes in overall operational costs. These were due to some confounding factors, including a rise in the cost of raw materials likely due to disruptions in supply chains, and increase in transportation cost due to the different lockdown measures (UNDP 2021). SMEs were more affected and more vulnerable than larger firms. The most significant negative impact of the pandemic on SMEs was the decline in sales revenues (Enesi and Ibrahim 2021). It is assumed that businesses may continue to experience the impact of the pandemic for some time (Abideen 2020).

Financial Performance

Financial performance is a subjective measure of the degree to which a firm can use assets from its primary mode of business to generate revenue (Oyedokun and Taiwo 2022). It is the effective implementation of monetary objectives to accomplish enterprise objectives. It measures the overall financial health of an enterprise. Good financial performance is very important for SMEs to survive and contribute to the growth of the economy (Okey-Colbert, Chinakwe and Aguwambe 2020).

SMEs encounter various challenges that critically affect their financial performance, such as lack of access to capital, inadequate infrastructure like electricity, financial illiteracy, unfavourable government policy, multiple taxes and levies by governments and other governmental agencies, fluctuation of forex, insecurity, corruption, high inflation rate and poor managerial skills, among others (Oyelola *et al.* 2013). Following the negative effect of the Covid-19 pandemic on the financial performance of SMEs, most SMEs started downsizing their staff strength to cope with the overhead expenses.

Covid-19 affected the financial performance of SMEs as measured by the following indicators in this study:

- *Revenue*: this is the gross inflow of economic benefits (cash, receivables and other assets) that arise from the ordinary operating activities of the business, such as the sales of goods and services, interest, royalties and dividends (Deloitte 2020).
- *Profitability*: this is the excess of revenue over expenditure attributed during the ordinary activities of the business before taxation (Ojukwu 2021).

- *Access to credit*: this relates to the ability of the enterprise to obtain financial services, including credit and other risk management services (Giang *et al.* 2019). The lack of access to financing is a major constraint to small business growth as businesses use capital to acquire resources (Carpenter and Peterson 2002).

Financial performance variables include gross profit margin, net profit margin, working capital, current ratio, financial leverage, inventory turnover, total asset turnover, return on equity, return on assets and operating cash flow (Stobierski 2020). Most SMEs could no longer use their assets to generate revenue because of low turnover and were challenged with operating liquidity to sustain their enterprises. The contraction in sales of goods and services as a result of the pandemic translated to a decline in revenue. This affected workers' wages, rental cost, loan repayment and delays in payments on accounts receivable. Due to inadequate cash flow, there were defaults in the repayment of loans and a direct decline in revenue (Abideen 2020).

Covid-19 as a topic and its macroeconomic effect have generated a lot of attention from researchers and led to several discourses. Much research has been done on the impact of Covid-19 on different sectors, including MSMEs, health, aviation, agriculture, education and others, but little has been done on the financial performance of SMEs, especially in developing countries like Nigeria. Therefore, this study fills this gap in knowledge and contributes to these debates by investigating the impact of Covid-19 on the financial performance of small and medium-scale enterprises (SMEs) in the South East geopolitical zone of Nigeria with a view to identifying the mitigating factors that can ensure the sustainability of these enterprises. The study intends to consider factors such as revenue, profitability and access to credit as the metrics of financial performance of SMEs.

Statement of the Problem

The Covid-19 pandemic and related containment measures had a heavy impact on economies across the world. The containment measures included restrictions on the movement of people, goods and services, as well as total lockdown, which affected consumers and investors. It had a negative impact on the financial performance of SMEs through its effect on their cashflow (which is generally limited under normal conditions), supplies, revenue, profitability, access to credit and lack of patronage of SME business generally (Enesi and Ibrahim 2021). The pandemic caused a decrease in production levels, sales and revenue, and an increase in deaths, unemployment and poverty, among other factors. It caused great losses for businesses and industries. The aggregate loss globally was projected to be more than USD 4 trillion (Ozili 2020). The lockdowns affected the purchasing rate of consumers, which fell from

approximately 59 per cent to 41 per cent from January 2020 to June 2020, which affected the productivity of SMEs (Bularafa and Adamu 2021). Nigeria's National Bureau of Statistics reported a dynamic increase in the national unemployment rate, from 23 per cent in 2019 to 27 per cent in Q12020, to 33.5 per cent in Q42020, respectively, due to the Covid-19 pandemic (James 2021).

SMEs are easily affected by environmental distortion. The environmental shock caused by the pandemic had a great effect on their routine activities and was a huge threat to their survival (Sullivan-Taylor and Branicki 2011). In particular, the pandemic hampered the financial performance of SMEs in Nigeria—most SMEs in Nigeria went out of business after the pandemic because of lack of operating funds. Herbert (2022) indicates that the reduction of revenue due to decreased demand, coupled with a tight credit market, could make many SMEs insolvent quickly. SMEs are typically more financially fragile and have a smaller cash cushion with weaker supply-chain finance capabilities than their larger counterparts. This makes them less resilient to crisis. The financial performance of most of Nigeria's SMEs dropped dramatically due to a disruption of demand and supply, the financial burden of operational expenses, a liquidity crunch, and the shutdown of production. This nosedive had important consequences for public finance, caused by the reduction of tax revenues (Syriopoulos 2020).

Business-owners and policy-makers require guidance to deal with the negative impact of such an event on business enterprise. This has spurred many researchers to start in-depth studies into identifying the measures that policy-makers and business-owners can adopt to reduce such an impact to the barest minimum in the future. Several authors have made a meaningful contribution to the study of the effect of Covid-19 on the performance of SMEs in Nigeria (Aderemi *et al.* 2020; Amuda 2020; Bularafa and Adamu 2021; Enesi and Ibrahim 2021). The generalities in the effect of the pandemic on the general performance of SMEs warrant this focus and objective studies to determine its actual impact on the financial performance of SMEs, with a broader scope for a holistic intervention that considers the contribution of this sector to economic development.

Objectives of the Study

1. To determine the extent to which Covid-19 affected the revenue of SMEs in the South East geopolitical zone of Nigeria.
2. To determine the extent to which Covid-19 affected the profitability of SMEs in the South East geopolitical zone of Nigeria.
3. To determine the extent to which Covid-19 affected SMEs' access to credit in the South East geopolitical zone of Nigeria.

Research Hypothesis

- H_{O1} Covid-19 had no significant effect on the revenue of SMEs in the South East geopolitical zone of Nigeria.
- H_{O2} Covid-19 had no significant effect on the profitability of SMEs in the South East geopolitical zone of Nigeria.
- H_{O3} Covid-19 had no significant effect on SMEs' access to credit in the South East geopolitical zone of Nigeria.

Review of the Literature

Conceptual Review

Covid-19 is an infectious disease that became prevalent towards the end of 2019 (Ohia, Bakarey and Ahmad 2020, in Bularafa and Adamu 2021). The pandemic and related containment measures took an extremely heavy toll on economies across the world. Global GDP declined by 4.5 per cent in 2020 (OECD 2020). Coronavirus was predicted to trim down the global economy by 3 to 6 per cent in 2020, with a fall in global trade by about 13 to 32 per cent (Jackson *et al.* 2021). The International Monetary Fund (IMF) estimated the contraction of global domestic product by 4.9 per cent, claiming that the effect of the pandemic on the global economy was beyond anticipated impacts (Mallum and Kadiri 2020; Yadav and Igbal 2021). SME revenue was hit hard, causing severe liquidity shortages. Access to finance became a major concern for these enterprises and many faced acute liquidity shortages as revenues dropped. Evidence indicates that operating expenses are often fixed and fall by only 6 per cent on average when revenues drop by 10 per cent (OECD 2020). Small enterprises are not able to cut operating expenses in proportion with their loss in revenues, creating pressure on their cash flow (Bank for International Settlements 2020).

Prasad (2021) studied the effect of the pandemic on the financial performance of the manufacturing, service and pharmaceutical sector of Indian SMEs between 2019 and 2020 and 2020 and 2021. The study selected a sample of 100 listed SMEs. The indicators of financial performance were total revenue, operating profit, net profit ratio and liquidity. The findings revealed that the pandemic negatively affected the manufacturing and service sectors. The study failed to reveal the methodology adopted, method of data collection and the method of data analyses. Its coverage of three sectors was reasonable but should have extended to other sectors.

Enesi and Ibrahim (2021) studied the effect of the pandemic on the performance of SMEs in Abuja-FCT Nigeria. The study adopted a quantitative research technique. Data was collected by means of a structured

questionnaire on ten selected SMEs with 100 respondents. Their findings indicated that the pandemic resulted in: loss of competent staff, following a reduction in staff salaries; low revenue or income generation; and lack of sincerity on the part of government to reduce the prevalence of the pandemic. However, the study focused on only one state of the country. Further research is needed to identify the impact of Covid-19 on SMEs in other states within the six geopolitical zones of Nigeria, hence the current study.

Aderemi *et al.* (2020) explored the impact of the Covid-19 pandemic on SMEs in Nigeria, focusing on SMEs in Ogun State, which were engaged in three essentials—food and consumables, pharmaceuticals, and oil and gas. The study made use of qualitative primary data. Its findings showed that the enterprises experienced a moderate reduction in production and sales during the lockdown. However, the study was limited in scope and did not consider the impact of the virus on the financial performance of SMEs, which is the gap the current research intends to fill.

In another study, Amuda (2020) surveyed the impact of the coronavirus on SMEs using secondary sources of data collection to gather vital information. The findings indicated that Covid-19 caused uncertainties in all spheres of human endeavours. In not using primary data, the study created a research gap.

Ojukwu (2021) examined the impact of the pandemic on the financial performance of micro enterprises (MEs) in Nigeria, adopting the documentary and survey method with a special focus on Ultra-Modern Market, Diobu, in Port Harcourt. A sample of 160 MEs was selected. Regression analysis and correlation matrix techniques were used to test the hypothesis. The study found that the pandemic had a negative and significant impact on the revenue of MEs. The study focused on only micro enterprises, which necessitates further study. It was limited further in centering only on the market in Mile 3, Diobu, Port Harcourt. The current study intends to broaden the scope by investigating SMEs in the South East geopolitical zone of Nigeria. From the literature reviewed the researcher presents some of the gaps in literature as relates to the impact of Covid-19 on business enterprises and financial performance, which the present study attempts to fill.

Theoretical Review

The study used system theory and prospect theory. System theory was proposed by Bertalanffy in the 1940s. The theory assumes that every system has causal boundaries, is influenced by its context, defined by its structure and expressed through its relations with other systems. A system ‘is more than the sum of its parts’. Changing one component of a system may affect other components of the whole system. A unit cannot function appropriately

without depending on other units (Bularafa and Adamu 2021). There are three elements of a system: micro, mezzo and macro. Each element functions as a unit of a whole with different sub-units. Thus, Covid-19 can be seen as an element that interrupted the elements or boundaries of wellbeing by weakening the health structure and social system. The relevance of this theory to this study is that SMEs cannot function appropriately without finance. When the SME's financial performance is affected by a pandemic like Covid-19, the whole system that is the SME will be drastically affected.

Prospect theory, which was proposed by Tversky and Kahneman in 1992, assumes that investors value profit and losses differently, placing more weight on perceived profit versus perceived losses (Chen 2021). The theory is relevant in the sense that profit which is valued more by investors can only be achieved when an enterprise like SME has improved financial performance. When this financial performance is affected by a pandemic like Covid-19, it devalues the firm and deters investors who could have invested in it to increase growth. Prospect theory accelerates the prediction into the near future about how a manager will react under a threat situation. The relevance of this theory to the study is that managers of SMEs are expected to predict measures to manage the financial performance of their business as it is affected by the pandemic.

Empirical Review

Enesi and Ibrahim's study (2021) on the performance of SMEs in Abuja-FCT Nigeria used a quantitative research technique. Data was collected through administration of a structured questionnaire to a sample size of eighty SMEs. The data was presented in a bar chart with the aid of a simple percentage for the analysis, while chi-square was used to test the hypothesis. The findings indicated that the pandemic led to a reduction in revenue of the enterprise. It was recommended that business should adopt the e-business model. It was also recommended that SMEs should develop resilience through adopting emerging technologies to drive sales and manage inventory properly and boost profits.

Bularafa and Adamu (2021) carried out a study on the effect of the pandemic on SME performance in Nigeria, adopting a survey research design data was obtained through a questionnaire administered to 278 SMEs in Yobe State. The findings revealed that market closure, movement restriction and lockdown were the three variables that had a significant negative effect on the SMEs' performance. The highest among the variables was the market closure. It was recommended that proactive plans should be put in place for SMEs in anticipation of events such as a pandemic that can hurt businesses.

Methodology

This study was carried out in the South East geopolitical zone of Nigeria. It adopted a descriptive survey research design using a structured questionnaire to solicit the opinion of the respondents and to understand the impact of the Covid-19 pandemic on the financial performance of SMEs in the South East geopolitical zone of Nigeria. The population of the study were SMEs in the chosen geopolitical zone, particularly registered SMEs in Abia, Anambra, Ebonyi, Enugu and Imo. Using the purposive sampling method, a sample of 30 SME owners were selected from each zone, giving a total of 150 SMEs owners. 150 questionnaires were sent to the respondents by email, out of which 140 were filled and returned.

The responses were distributed according to a five-point Likert rating scale. The scale was subjected to item analysis to ensure it was valid and reliable. Reliability was tested using Cronbach's alpha reliability test, to determine the internal consistency of the instrument and average reliability coefficient. The mean was used to answer the three research questions. Making decisions on the research questions depended on the level of dispersion of the mean. The mean responses below 3.0 were rated 'below average or expectation', while those above 3.0 were rated 'above expectation'. The Pearson correlation test was further used to ascertain the level of impact of Covid-19 pandemic on the three variables of financial performance of SMEs used, which included revenue, profitability and access to credit. Acceptance or rejection of null hypotheses was based on the probability. When the value was less than 0.05, the hypothesis was rejected, but if otherwise, it was accepted. The correlation coefficient was used to present the extent of the relationship between the Covid-19 pandemic and financial performance as measured by revenue, profitability and access to credit.

Discussion of Findings

Table 1 presents the extent to which the Covid-19 pandemic affected the revenue of SMEs in the South East geopolitical zone of Nigeria using the mean value and standard deviation. Analysis showed that the value of the pooled mean rating is 3.99 on a five-point Likert scale. This means that the extent to which the pandemic affected SME revenue is above average or higher than the expected mean of 3.0. The standard deviation value is 1.2492, which shows that the respondents' responses are spread around the mean. The correlation coefficient is 0.664 (see Table 2) which shows that the extent of relationship between the pandemic and SME revenue is positively and moderately correlated at 66.4 per cent.

Table 1: Respondents' Answers to Research Question 1

To what extent did Covid-19 affect the revenue of SMEs in the South East geopolitical zone of Nigeria?

	The extent to which Covid-19 affected the revenue of SMEs	VHE	HE	A	LE	VLE	TO-TAL	X	SD
1	The revenue of the business decreased due to disruption in business activities.	85 (425)	25 (100)	15 (45)	10 (20)	5 (5)	140 (595)	4.28	1.077
2	Wage expenses imposed a greater cost challenge on the business because of lockdown of productive sectors.	70 (350)	20 (80)	36 (108)	10 (20)	04 (04)	140 (562)	4.04	1.119
3	Rent and operational costs could not be paid following market closure measures.	50 (250)	60 (240)	10 (30)	10 (20)	10 (10)	140 (550)	3.95	1.144
4	Sale of goods and services decreased due to the pandemic.	70 (350)	20 (80)	20 (60)	10 (20)	20 (20)	140 (530)	3.80	1.466
5	Market closure led to decrease in supply of goods/services	75 (375)	22 (88)	12 (36)	15 (30)	16 (16)	140 (545)	3.88	1.440
	Pooled mean							3.99	1.249

Note: VHE = very high extent, HE = high extent, A =average, LE = low extent, VLE = very low extent

Source: Author's field survey

Test of Hypothesis 1

H_{O1} Covid-19 has no significant effect on the revenue of SMEs in the South East geopolitical zone of Nigeria.

Table 2: The Correlation Relationship Between the Pandemic and the Revenue of SMEs in the South East geopolitical zone of Nigeria

VARIABLES	N	R (CORRELATION COEFFICIENT)	r (P-VALUE)	REMARK
Covid-19 pandemic	140	0.664	0.000	Reject the null hypothesis
Revenue of SMEs in the region	140			

Note: N = number of respondents; R = correlation coefficient; r = probability value.

Source: SPSS 20

Table 2 presents the correlation relationship between the Covid-19 pandemic and the revenue of SMEs in the region. Analysis shows that the observed correlation coefficient of 0.664 is significant (at $P < 0.05$), because the probability value is less than 0.05 at 5 per cent level of significance. The results therefore led to the rejection of the null hypothesis one, which stated that: Covid-19 has no significant effect on the revenue of SMEs in the region. The conclusion is that the Covid-19 pandemic had a significant effect on the revenue of SMEs. It significantly decreased revenue of SMEs over the period in view. Reliability was tested with Cronbach’s alpha reliability test, to determine the internal consistency of the instrument. An average reliability coefficient of 0.976 was obtained, which proved that there is internal consistency in the research instruments used.

Table 3: Respondents' Answers to Research Question 2

To what extent did Covid-19 affect the profitability of SMEs in the South East geopolitical zone?

	The extent to which Covid-19 affected the profitability of SMEs in Nigeria	VHE	HE	A	LE	VHE	TO-TAL	X	SD
1	Covid-19 pandemic affected the degree of profitability of businesses due to business closure.	72 (360)	35 (140)	21 (63)	5 (10)	07 (07)	140 (580)	4.14	1.127
2	Many businesses failed during the pandemic.	60 (300)	40 (160)	10 (30)	10 (20)	20 (20)	140 (530)	3.81	1.409
3	Covid-19 reduced the profit margin of the business.	90 (450)	10 (40)	15 (45)	15 (30)	10 10	140 (575)	4.15	1.280
4	Market closure led to low rate of return on investment.	75 (375)	22 (88)	13 (39)	15 (30)	15 (15)	140 (547)	3.93	1.28
5	Low utilisation of resources by the enterprise resulted in low profit-making during the pandemic.	60 (300)	20 (80)	20 (60)	18 (36)	22 (22)	140 (498)	3.61	1.381
	Pooled mean							3.93	1.280

Note: VHE = very high extent, HE = high extent, A = average, LE = low extent, VLE = very low extent.

Source: Author's field survey

Table 3 presents the extent to which the pandemic affected SME profitability in the South East geopolitical zone of Nigeria using the mean value and standard deviation. Analysis shows that the value of the pooled mean rating is 3.928 on a five-point Likert scale. This means that the extent to which the pandemic affected SME profitability is above average or higher than the expected mean of 3.0. The standard deviation value is 1.0394. It shows that the respondents’ replies are spread around the mean and were consistent with one another. There is a correlation coefficient of 0.538 (see Table 4), which shows that the extent of relationship between the Covid-19 pandemic and profitability of SMEs is positively and moderately correlated at 53.8 per cent.

Test of Hypothesis 2

H₀₂ Covid-19 had no significant effect on the profitability of SMEs in the South East geopolitical zone of Nigeria.

Table 4: Correlation Relationship between the Pandemic and Profitability of SMEs in the South East geopolitical zone of Nigeria

VARIABLES	N	R (COR-RELATION COEFFICIENT)	r (P-VALUE)	REMARK
Covid-19 pandemic	140	0.538	0.001	Reject the null hypothesis
Profitability of SMEs in the region	140			

Note: N = number of respondents; R = correlation coefficient; r = probability value. Source: SPSS 20

Table 4 presents the correlation relationship between the Covid-19 pandemic and SME profitability in the South East geopolitical zone of Nigeria. Analysis shows that the observed correlation coefficient of 0.000 is significant (at P<0.05), because the probability value is less than 0.05 at 5 per cent level of significance. The results therefore led to the rejection of the null hypothesis two, which stated that Covid-19 had no significant effect on the profitability of SMEs in the region. The conclusion is that the Covid-19 pandemic had a significant effect on SME profitability. It significantly decreased the profit of SMEs over the period in view. Reliability was tested with Cronbach’s alpha reliability test, to determine the internal consistency of the instrument. An average reliability coefficient of 0.985 was obtained, which proved that there is internal consistency of the research instruments used.

Table 5: Respondents' Answers to Research Question 3

To what extent did Covid-19 affect SMEs' access to credit in the South East geopolitical zone of Nigeria?

	The extent to which Covid-19 affected SME access to credit	VHE	HE	A	LE	VLE	TO-TAL	X	SD
1	The interest rates charged by banks are unsustainable thereby limiting access to credit during the pandemic.	21 (105)	26 (104)	25 (75)	36 (72)	32 (32)	140 (388)	2.81	1.367
2	Weak capital structure of SMEs to meet collateral requirement hinders SME access to credit.	75 (375)	20 (80)	15 (45)	18 (36)	12 (12)	140 (548)	3.91	1.391
3	Government strict regulatory measures to curb the challenge of Covid-19 affected SMEs' access to credit.	90 (425)	20 (80)	22 (66)	05 (10)	03 (03)	140 (584)	4.54	2.637
4	Lack of awareness of available government grants/ low-interest loan opportunities hinders SMEs' access to credit.	80 (400)	14 (56)	16 (48)	10 (20)	20 (20)	140 (544)	3.86	1.539
5	Lack of free flow of information between SMEs and financial institutions affected SME access to credit.	20 (100)	30 (120)	30 (90)	25 (50)	35 (35)	140 (395)	2.84	1.371
	Pooled mean							3.59	1.661

Note: VHE = very high extent, HE = high extent, A = average, LE = low extent, VLE = very low extent

Source: Author's field survey

Table 5 presents the extent to which the Covid-19 pandemic affected SME access to credit in the South East geopolitical zone of Nigeria using the mean value and standard deviation procedure. Analysis shows that the value of the pooled mean rating is 3.592 on a five-point Likert scale. This means that the extent to which the pandemic affected access to credit of SMEs was above average or higher than the expected mean of 3.0. The standard deviation value is 1.661, and showed that the respondents' responses are spread around the mean and consistent with one another. There is a correlation coefficient of 0.270 (see Table 6), which shows that the extent of the relationship between the Covid-19 pandemic and SME access to credit was positively and moderately correlated at 27 per cent.

Test of Hypothesis 3

H_{O3} Covid-19 had no significant effect on SME access to credit in the South East geopolitical zone of Nigeria

Table 6: Correlation Relationship Between the Pandemic and SMEs' Access to Credit in Nigeria

VARIABLES	N	R (CORRELATION COEFFICIENT)	r (P-VALUE)	REMARK
Covid-19 pandemic	140	0.270	0.080	Accept the null hypothesis
SME access to credit in the region	140			

Note: N = number of respondents; R = correlation coefficient; r = probability value. Source: SPSS 20

Table 6 illustrates the correlation between the Covid-19 pandemic and SME access to credit in the South East geopolitical zone of Nigeria. Analysis shows that the observed correlation coefficient of 0.080 is insignificant (at $P > 0.05$), because the probability value is greater than 0.05 at 5 per cent level of significance. This therefore led to the acceptance of the null hypothesis, which stated that Covid-19 had no significant effect on SME access to credit in the region. The conclusion is that the Covid-19 pandemic had no significant effect on SME access to credit over the period in view. Hence, Covid-19 did not significantly decrease SME access to credit. Cronbach's alpha reliability test was used to determine the internal consistency of the instrument. An average reliability coefficient of 0.820 was obtained, which proved that there was internal consistency of the research instruments used.

Conclusion

In conclusion, the study findings indicate that the Covid-19 pandemic had a devastating effect on the financial performance of SMEs in the South East geopolitical zone of Nigeria, which may ultimately lead to the liquidation of some businesses due to a reduction in demand and supply, revenue and profitability. Some SMEs are restructuring to remain efficient amidst the pandemic. The prevalence of the pandemic will change the dynamics of doing business. The study concludes that the pandemic significantly and negatively affected the financial performance of SMEs. This position agrees with the findings of Ojukwu (2021) and the survey of Dushime and Osele (2021). It is advisable for SMEs to assess the financial damages their companies may face and strategically address protection measures that will assist in mitigating the impact of the pandemic.

The following recommendations can help to ameliorate the negative and significant impact of the pandemic on the financial performance of SMEs in the South East geopolitical zone of Nigeria.

1. There is a need for business owners to adapt to new norms and emerging technology, motivate themselves and their workers to see possible/innovative opportunities to grow, and increase sales to improve their revenue.
2. SME owners should develop resilience to navigate through this pandemic, reduce overhead expenses, cut down on wages, rent and other operational costs, minimise costs and improve profit margins.
3. To improve access to credit, government/financial institution should make loans available to SMEs without strict adherence to the documentation requirements, such as CAC registrations, tax clearance certificate, collateral and audited accounts, which are standard requirements in the collection of any facility from financial institutions. Rather, documents based on their data tied to their Bank Verification Number (BVN), which is the means of identifying the SME, can be used.
4. Government should make grants/soft loans available to SMEs, relax loans and defer tax payments to help them cushion the effect of the pandemic on their financial performance. Lower interest rates could be embarked on by the appropriate policy-makers to help SMEs remain financially afloat.

The limitations of the study created room for suggestions for further studies:

1. The study explored the impact of Covid-19 on the financial performance of SMEs in the South East geopolitical zone of Nigeria; further research could be carried out across other geopolitical zones of the country.

2. The study considered some variables such as revenue, profitability and access to credit as the metrics for financial performance; further research could consider other variables.
3. The study did not consider the impact of financial institutions/government intervention on SME operation over the period in view; further research could consider this.

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APPENDIX: Mean Result

Table A1: Covid-19 and SME revenue

	ITEM 1	ITEM 2	ITEM 3	ITEM 4	ITEM 5
Mean	4.28	4.04	3.95	3.80	3.88
N	139	139	139	138	137
Std. Deviation	1.077	1.119	1.144	1.466	1.440
Variance	1.160	1.252	1.309	2.148	2.074
Minimum	1	1	1	1	1
Maximum	5	5	5	5	5
Sum	595	561	549	524	532
Skewness	-1.394	-.764	-1.255	-.855	-.931
Std. Error of Kurtosis	.408	.408	.408	.410	.411
% of Total N	100.0%	100.0%	100.0%	100.0%	100.0%

Reliability Statistics	
Cronbach's Alpha	N of Items
.976	5

Table A2: Covid-19 and SME profitability

Report					
	ITEM 1	ITEM 2	ITEM 3	ITEM 4	ITEM 5
Mean	4.14	3.81	4.15	3.93	3.61
N	140	140	140	140	140
Std. Deviation	1.127	1.409	1.280	1.381	1.487
Sum	579	533	581	550	505
Minimum	1	1	1	1	1
Maximum	5	5	5	5	5
Range	4	4	4	4	4
Variance	1.269	1.984	1.639	1.909	2.211
Kurtosis	1.015	-.371	-.024	-.442	-1.120
Skewness	-1.313	-.999	-1.182	-.983	-.591

Reliability

Reliability Statistics	
Cronbach's Alpha	N of Items
.985	140

Table A3: Covid-19 and SME access to credit

Report

	ITEM 1	ITEM 2	ITEM 3	ITEM 4	ITEM 5
Mean	2.81	3.91	4.54	3.86	2.84
N	140	140	140	140	140
Std. Deviation	1.367	1.391	2.637	1.539	1.371
Minimum	1	1	1	1	1
Maximum	5	5	33	5	5
Range	4	4	32	4	4
Variance	1.869	1.935	6.955	2.368	1.879
Kurtosis	-1.204	-.614	98.921	-.750	-1.234
Skewness	.218	-.918	9.038	-.934	.063
% of Total N	100.0%	100.0%	100.0%	100.0%	100.0%

Reliability Statistics

Cronbach's Alpha	N of Items
.820	140

