Impact of Coronavirus Disease on Entrepreneurial Small Businesses in Ibadan

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ABSTRACT

The study investigated the impact of the Coronavirus disease (Covid-19) pandemic on entrepreneurial small businesses (ESBs) in Ibadan metropolis. A descriptive cross-sectional survey used anonymous online questionnaire to collect data from 57 purposively selected businesses in Ibadan metropolis. Data were analysed using descriptive statistics. The study shows that knowledge about coronavirus is high among the entrepreneurs and executives and that the businesses surveyed possess high levels of distinctive capabilities, which they leverage on to gain entrepreneurial edges amid the pandemic. Covid-19 was found to have overall negative impact on businesses surveyed. Many of the entrepreneurs and the executives believe that the Covid-19 pandemic has offered their businesses new opportunities for innovations. In spite of the severe disruption to ESBs, most of the businesses were found to be meeting the challenges of the Current Normal and have been able to deploy their core competences to gain entrepreneurial edges in their various industries and markets. It is, therefore, recommended that small businesses should engage in the practice of strategic innovation and dynamic entrepreneurship that would embrace digitalization and treat information technology as a strategic resource.

Keywords: Covid-19, small business, entrepreneurship, entrepreneurial small business.

Introduction

The coronavirus disease (Covid-19) is a highly transmittable viral infection, which originated from Wuhan, China towards the end of last year, precisely 2019 and spread around the world (Shereen, *et. al.*, 2020) within three months. The novel Covid-19 pandemic has brought unprecedented change to the world in general and to the world of business in particular. Suddenly, the old way of doing business is no longer feasible with the coronavirus pandemic outbreak. Many things changed suddenly which instantaneously affected businesses – large or small. The current change in the realm of business is novel. Businesses, except maybe a very few, are struggling to meet the overwhelming challenges of the Current Normal triggered by the impact of the Covid-19.

The Covid-19 has worsened the unfriendliness of the Nigerian business environment with many businesses shutting down their operations either temporarily or permanently. Unfortunately, the ESBs across industries are worst hit in the country. ESBs are under the siege of the Covid-19 pandemic. Many ESBs in Nigeria have closed down temporarily or permanently since the outbreak of the pandemic disease. Many are struggling to survive the socio-economic impact of the global health crisis. It is, thus, imperative to explore the effect of the Covid-19 on ESBs in Ibadan, being the capital and most populous city in Oyo State. It is, also, a major commercial-cum-industrial city and the third populous in Nigeria. Being a novel pandemic, literature on Covid-19 is limited, especially concerning its impact on ESBs in Nigeria. The study will provide empirical information on the impact of the coronavirus pandemic on ESBs. The findings would be useful to key stakeholders within the entrepreneurship ecosystem, including the government at local, state

and federal levels in providing interventions to save the micro, small and medium enterprise (MSME) sector of the economy. This study therefore investigates the impact of the Covid-19 pandemic on entrepreneurial small businesses (ESBs) in Ibadan metropolitan area. The study was guided by the following research questions

- How much knowledge about Covid-19 do business entrepreneurs and executives have☐
- How do ESBs leverage their core competences to gain entrepreneurial edge amid Covid-19☐
- What is the impact of Covid-19 on the performance of ESBs☐

The study was delimited to ESBs that are located or headquartered in Ibadan metropolis and are registered or incorporated as sole proprietorship, partnership or limited liability company with the Corporate Affairs Commission (CAC).

MATERIALS AND METHODS

Study setting
The research was conducted in the eleven local government areas that make up Ibadan metropolitan city viz. Ibadan North, Ibadan North–East, Ibadan North–West, Ibadan South–East, Ibadan South–West, Akinyele, Egbeda, Ido, Lagelu, Ona Ara and Oluyole.

Study participants
The study participants were entrepreneurs and executives who are directly involved in making decisions and taking necessary actions to implement those decisions in existing registered or incorporated small businesses within Ibadan metropolis.

Data collection procedure
Due to the social distance rules, physical interaction was not possible, so online survey was done and identified study participants were urged to send the web link of the survey to potential respondents on the different social media platforms. They completed the questionnaire hosted on Google online survey platform. Participation was completely consensual, anonymous and voluntary, and informed consent was obtained from all respondents.

Instruments
A 40–item questionnaire containing four sections was designed for the purpose of this study. The four sections are demographic characteristics, knowledge about Covid-19, core competences, and business performance. The questionnaire was given to experts for face, construct and content validity. Socio-demographic data were elicited from the respondents on variables such as gender, age, marital status, educational qualification, present location of business, position in the business, number of years in the position, type of business, and industry. Knowledge about Covid-19 was assessed using five items adapted from the characteristics of the disease. Core competences of the businesses were measured using 15 items in the area of resources, human capital, process, technology, innovation, market expertise, quality, intellectual property, dynamic capabilities, structural capital, customer experience, market research, research and development, repositioning and branding. Business performance during the pandemic was tested with a 10-item section.

Data analysis
Descriptive statistics was used for respondents' socio-demographic characteristics and knowledge about COVID-19. Percentages of response were calculated according to the number of respondents per response. Descriptive statistical analysis was performed using IBM SPSS Statistic version 20.

RESULTS
Socio-demographic characteristics
We included responses from 57 respondents aged between 19 and 69(Mean 39.22), who had completed the online questionnaire as at August 12, 2020, which was the set data cutoff collection date for this study. More (52.6%) of the respondents were males while the remaining 47.4% were females. Respondents' years in their positions ranged from less than 3 years to more than 10 years (Mean 6.62). The educational qualifications of respondents ranged from ND/NCE/NID to PhD with Master's degree holders having the highest percentage (57.9%). Of the types of businesses involved in this research, 50.9% were sole proprietorship (highest) while partnership (7.0%) was the lowest.

Table 1: Socio-demographic characteristics of respondents

Variables	Categories	Frequency	Percent
Gender	Male	30	52.6
	Female	27	47.4
Marital status	Single	12	21.1
	Married	43	75.4
	Separated	1	1.8
	Widowed	1	1.8
Educational qualification	PhD	3	5.3
	Master's degree	33	57.9
	PGD	1	1.8
	Bachelor's degree	16	28.1
	HND	2	3.5
	ND/NCE/NID	2	3.5
Position in business	Founder CEO/MD	41	71.9
	Co-founder CEO/MD	4	7.0
	Executive Chairman	1	1.8
	Managing Partner/Consultant	7	12.3
	Employee/Professional CEO/MD	4	7.0
Years in the position	0 - 5 years	32	56.1
	5 - 10 years	13	22.8
	10 years & above	12	21.1
Business type	• Sole proprietorship	29	50.9
	• Partnership	4	7.0
	• Private Limited Company (Ltd)	24	42.1

. Sample characteristics (n = 57) Age (Mean 39.22, SD = 1.05)
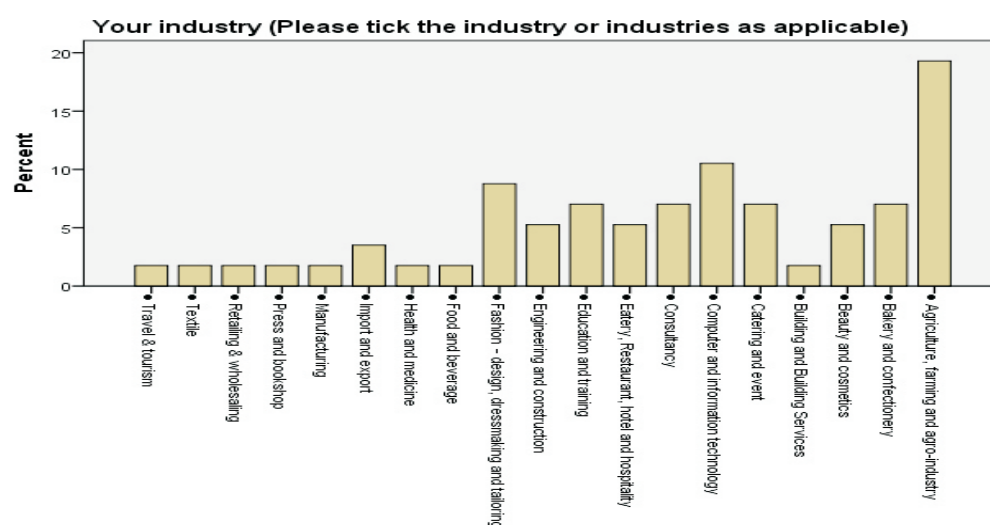

Figure 1: Types of industry owned by respondents

Figure 1 represents the distribution of the ESBs according to their industries. The highest number of responses is from businesses in the Agriculture, Farming and Agro-industry (19.3%), while Building and Building Services; Food and Beverage; Travel and Tourism; Textile; Retailing and Wholesaling; Press and Bookshop; Manufacturing; and Health and Medicine have the lowest number of responses (1.8%).

Table 2: Distribution of Local Government Areas where Industries are domiciled

Local Government Area	Frequency	Percent
Oluyole	2	3.5
Ona Ara	2	3.5
Lagelu	8	14.0
Ido	5	8.8
Egbeda	3	5.3
Ibadan South-West	8	14.0
Ibadan South-East	2	3.5
Ibadan North-West	6	10.5
Ibadan North-East	3	5.3
Ibadan North	18	31.6
Total	57	100.0

From table 2 the highest number of industry is sited in Ibadan North Local Government Area while Oluyole, Ona-Ara and Ibadan South-East Local Government Areas have the lowest each.

Descriptive analysis of knowledge about COVID-19
Research Question 1: How much knowledge about Covid-19 do business entrepreneurs and executives have☐

Table 3 Knowledge score

Item	N	Frequency/Percent		
		Yes	No	I don't know
Are you aware that the Coronavirus (COVID-19) is a pandemic that is ravaging the whole world☐	57	56 (98%)	1(2%)	-
COVID-19 is a respiratory disease caused by viral infection	57	54 (95%)	-	3 (5%)
COVID-19 is a transmissible disease	57	56(98%)	-	1(2%)
There is no known cure for the COVID-19 yet	57	52 (91%)	-	3(5%)
There is no COVID-19 in Nigeria	57	6(10%)	49(86%)	2(4%)

The above table 3 shows result from the test on the knowledge about COVID -19. Majority of the responses to the items are positive.

Descriptive analysis of core competences

Research Question 2: How do entrepreneurial small businesses leverage their core competences to gain entrepreneurial edge amid Covid-19□

Table 4: Industry Core competences score

Core Competences	N	Frequency(Percentage)				Mean	Std. Deviation
		Poor	Fair	Good	Excellent		
Structural Capital	57	4 (7.0)	23 (40.4)	22 (38.6)	8 (14.0)	2.60	.821
Resources	57	8 (14)	10 (17.5)	30 (52.6)	9 (15.8)	2.70	.906
Research and Development	57	2 (3.5)	17 (29.8)	31 (54.4)	7 (12.3)	2.75	.714
Human Capital	57	3 (5.3)	13 (22.8)	34 (59.6)	7 (12.3)	2.79	.725
Branding	57	1 (1.8)	15 (26.3)	29 (50.9)	12 (21.1)	2.91	.739
Intellectual Property	57	- -	16 (28.1)	29 (50.9)	12 (21.1)	2.93	.704
Repositioning	57	- -	14 (24.6)	32 (56.1)	11 (19.3)	2.95	.666
Market Research	57	2 (3.5)	7 (12.3)	40 (70.2)	8 (14.0)	2.95	.639
Marketing Expertise	57	1 (1.8)	11 (19.3)	34 (59.6)	11 (19.3)	2.96	.680
Technology	57	- -	11 (19.3)	36 (63.2)	10 (17.5)	2.98	.612
Process	57	2 (3.5)	8 (14.0)	33 (57.9)	14 (24.6)	3.04	.731

The table 4 shows the degree to which the businesses possess the listed areas of core competences. From the result, item 'Quality' has the highest mean of 3.39 with standard deviation of .675, while 'Structural Capital' with standard deviation of .821 has a mean of 2.60, which is the lowest.

Descriptive analysis of business performance

Research Question 3: What is the impact of Covid-19 on entrepreneurial business performance□

Items	N	Frequency/Percentage Dis-agree	Neutral	Agree	Mean
The COVID-19 has impaired our business model	**57**	2 3.5	4 7.0	51 89.5	2.86
The COVID-19 has distorted our business strategy	57	4 7.8	5 8.8	48 84.2	2.77
The COVID-19 has disrupted our operations	**57**	3 5.3	6 10.5	48 84.2	2.79
The COVID-19 has increased our profit	**57**	46 80.7	6 10.5	5 8.8	1.28
The COVID-19 has depressed our market	**57**	4 7.0	5 8.8	48 84.2	2.77
The COVID-19 has reduced the demand for our product(s)	**57**	10 17.5	9 15.8	38 66.7	2.49
Our survival strategies amid Coronavirus has made us to reduce our workforce	**57**	5 8.8	14 24.6	38 66.7	2.58
We have closed down our operations temporarily pending the end of the Coronavirus	**57**	22 38.6	20 35.1	15 26.3	1.88
We may soon shut down the business permanently because of the impact of the Coronavirus unless we benefit from the CBN COVID-19 loan or any other government special intervention for SMEs	**57**	41 71.9	9 15.8	7 12.3	1.40
The COVID-19 has offered us new opportunity(ies) for innovation(s)	**57**	2 3.5	7 12.3	48 84.2	2.81
Total					23.63

KEY: N - Number of respondents

Weighted mean = 2.0; Grand mean = 23.63/10 = 2.36

DISCUSSION

This study shows that knowledge about coronavirus is considerably high among the entrepreneurs and executives across the selected local government areas in which it was conducted. The grand mean as well as the mean of responses to each item is greater than the weighted mean (2.0). In all the areas of core competences tested, findings from this study reveal that the businesses possess high levels of distinctive capabilities, which they leverage to gain entrepreneurial edges during this pandemic. Results evidently show this from the mean of responses recorded. The grand mean is higher that the weighted mean and also the mean for responses to each item is greater than the weighted mean. The implication of this is that the section recorded a larger percentage of positive responses to the items on core competences. Hence answering the research question, it can be stated that the businesses tested have high distinctive capabilities.

Analyzing business performance during this current pandemic, results from findings reveal that there has been an overall resultant negative effect on businesses tested. The business models (89.5%), strategies (84.2%), operations (84.2%), profit (80.7%), market size (84.2%) and products demand (66.7%) have been adversely affected. Furthermore, as part of their survival strategies amid coronavirus pandemic, a sizeable percentage of the businesses (66.7%) have reduced their workforce, 8.8% have not and 24.6% are indifferent. This result is in consonance with previous studies. In a countrywide survey conducted jointly by FATE Foundation and BudgIT (2020), results show an overall negative impact of the Covid-19 on Nigerian MSMEs.

In the United State of America, Covid-19 had already caused massive dislocation among small businesses: many of them have closed down while many others have experienced employee decline as a result of reductions in their products demand (Bartika *et al.*, 2020). Also, in the USA , Covid-19 pandemic lockdown has caused losses to business activity across nearly all industries(Fairlie, 2020). In addition, coronavirus pandemic has had a negative impact on small businesses in Pakistan (Ganaie *et al.*, 2020). Furthermore, 'Covid-19 hits small and medium enterprises all over Europe. … On average, about 90% of SMEs report to be economically affected. … 30% of total SMEs report that their turnover is suffering at least 80% loss, with an EU average which is about 50% loss' (SME united, 2020).

On the home front in Nigeria, coronavirus is causing severe crisis and disruption to businesses (KPMG, 2020). These studies cited confirm the findings of this survey that Covid-19 has an overall negative effect on ESBs.

However, despite the devastating effect of the pandemic on these businesses, the percentage of businesses that have closed down their operations temporarily pending the end of coronavirus (26.3%) is lower than those that have not. They are still able to leverage their core competences amid the Covid-19 pandemic. Also, majority of them (71.9%) are not planning to shut down their business permanently even if they do not benefit from the Centre Bank of Nigeria (CBN) COVID-19 loan or any other government special intervention for MSMEs.

CONCLUSIONS AND RECOMMENDATIONS

The research was conducted to investigate the effects of the ravages of Covid-19 pandemic on entrepreneurial small businesses within Ibadan metropolitan area. The research findings show that the global pandemic has devastating impact on ESBs in Ibadan. But in spite of the severe disruption to ESBs, it is not all doom and gloom for all of the businesses as many of them are meeting the challenges of the Current Normal. They have been able to deploy their core competences to gain entrepreneurial edges in their various industries and markets. Many of the entrepreneurs and the executives believe that the Covid-19 pandemic has offered their businesses new opportunities for innovations.

It is, therefore, recommended that small businesses should engage in the practice of strategic innovation and dynamic entrepreneurship. The entrepreneurial small businesses should embrace digitalization and treat information technology as a strategic resource. Furthermore, the three tiers of government should initiate concerted interventions to mitigate the negative impact of the Covid-19 on ESBs in the country.

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