
INFLUENCE OF COVID-19 ON PERFORMANCE OF SMALL AND MICRO ENTERPRISES IN KENYA: A CASE OF KENYA WOMEN FINANCE TRUST IN GARISSA TOWNSHIP SUB COUNTY, KENYA

Tom Ongesa Nyamboga (Ph.D)^{*1}, Hussein Abdi Ali^{*2}

^{*1}Associate Faculty, Mount Kenya University

^{*2}Cordinator, Umma University, Garissa Learning Centre

Abstract

Kenya's Small and Micro Enterprises (SMEs) sector has been hit hard by Covid-19 pandemic. Covid-19 is now not only a health crisis but an economic risk that has disrupted billions of lives and endangered global economy. The pandemic has led to economic devastation of SMEs globally, Kenya included. The study's objective was to assess economic impact of Covid 19 on performance of SMEs in Garissa Township Sub County. A mixed research design was adopted for this study embracing both quantitative and qualitative data. The study used a descriptive research design. The study's target population was composed of women SMEs funded by Kenya Women Finance Trust (KWFT). A census method was adopted to collect data from all group leaders of 20 SMEs funded by the Microfinance Institution in the region. Primary data was collected by researcher administered questionnaires. The collected data was sorted out and coded according to the research objectives. The study utilized both descriptive and inferential statistics to analyze data, by the aid of SPSS version 24 computer software. ANOVA and Regression analysis were computed to find out the relationship between research variables. The study's findings established that shortages of business stock had a positive relationship with performance of SMEs while other variables under this study had no significant relationship with performance of SMEs. The findings of this study will be very significant to policy makers and relevant actors in taking measures that would steer SMEs towards sustainable trajectories. The study recommends SMEs to be assisted by extending liquidity to Micro Finance Institutions and work with them to increase availability of credit to SMEs.

Keywords: Covid 19, Small and Micro Enterprises, Kenya Women Finance Trust, Performance, Pandemic, Coronavirus

1.0 Introduction

SMEs are very significant to attain Sustainable Development Goals (SDGs) globally. They are outstanding in promoting creation of jobs, enhancing inclusivity and sustainability of economic growth, reducing inequality and hastening industrial growth and innovation. The success of all these is dependent on the conduciveness of the business environment (OECD, 2017). The Coronavirus pandemic has jeopardized the operations of SMEs and consequently compelling many governments to initiate mitigation measures to restore their economies. OECD June (2020) Outlook projected a massive drop of global Gross Domestic Product (GDP) of 6 percent and 7.5 percent increase of prolonged second wave of this pandemic. A survey conducted by ILO (2020) established a double digit decline in GDP in most nations and consequent unemployment on top of unsustainable SMEs business operations. Covid 19 is projected to cause more decline in trade of about 32 percent (World Trade Organization, (WTO), 2020). A bout 55 percent of all

businesses have been affected by this pandemic and about one fifth of SMEs are prone of collapsing permanently (International Trade Centre, 2020).

In Europe, SMEs remain the pivot of European economy, constituting 99.8 percent of all enterprises and providing two thirds of employment (European Commission, 2019). However, the corona pandemic has become the greatest risk to the economy of most SMEs. European SMEs have faced logistical hurdles in this period of the pandemic. Labor and transport have become a challenge. The SMEs have experienced decline in demand for goods and services occasioned by lockdowns and close-ups of business operations. Halting production due to constant lockdowns has made most SMEs incapacitated to produce goods. The SMEs that serve industrial markets have changed their activities and started to produce emergency products like masks and other medical equipment to recover the lost demand. Most service based SMEs, like those that require laboratories and special equipment, have remained closed since workers are forced to work from home (Juergense, Guimon & Narula, 2020). A survey data of May 2020 established that 41 percent of U.K SMEs had ceased operations and about 35 percent developed fear of permanent closure (FSB, 2020). In Germany, 50 percent of SMEs expected a negative effect with a third anticipating a decline in revenue by more than a half (DIHK, 2020). During this period of coronavirus, European SMEs have experienced liquidity and financial challenges due to cash flow problems. These have compelled most of them to start digitalizing their operations and seek for external support to restart their sales, production and marketing activities (Juergense, Guimon & Narula, 2020; International Trade Centre, 2020).

In Asian- Pacific region, SMEs are the backbone of the economy. They constitute more than 98 percent of all enterprises, providing about 50 of the workforce. The SMEs contribute about 17 percent in low income countries like India and about 40-50 percent in higher income countries like Malaysia and Singapore (Ata, 2020). The spread of Covid 19 has created tremendous economic effects on SMEs in most Asian nations. The pandemic has paralyzed activities of Chinese SMEs and most businesses are unable to resume their operations. This has been necessitated by shortage of epidemic mitigation materials, inability of workers to return to work due to lockdowns during the pandemic period. Most businesses' supply chains have been disrupted and the demand of goods in the market reduced drastically. Majority of Chinese SMEs face cash flow risks and have been forced to pay for fixed expenditures with little or no revenue. Many SMEs have put pressure on the government to reopen the economy in subsequent months of the pandemic (Lu, Wu, Peng & Lu; 2020). In India, Covid 19 has posed biggest challenges to SMEs sector. Most of the SMEs are struggling with insufficient cash flow prompting the government to infuse liquidity into the sector through the Economic Stimulus Scheme in order to rejuvenate their activities. There is widespread shortage of goods prompted by fear of consumers not going out for marketing because of restrictive lockdowns and the fear to contract the virus. Most consumers have been hesitant to do shopping in the market. SMEs have struggled to operate further due to shortages of raw materials and subsequent rise in costs of production. Acute shortages of labor face many small businesses because workers were forced moved to their homes to obey lockdown guidelines and to take refuge from the deadly virus (Magzter, 2020).

Continental Africa owes its economic growth largely to SMEs contribution to the economy in regards to employment creation and GDP generation. The SMEs create around 80 percent of the region's employment, influence a new middle class and promote the demand for new goods and services. African governments have henceforth turned to entrepreneurship to support future economic growth through SMEs (World Economic Forum, 2015). Conducive business environment is a pillar that supports SMEs development across Africa (IFC, 2020). However with the emergency of Covid 19, SMEs have been adversely affected in most parts of Africa. The measures adopted by African nations to mitigate the spread of the disease had created a devastating effect on SMEs. The entire sector virtually shut down. The SMEs are facing untold financial challenges due to the decline in economic activities. Both IMF and World Bank have projected economic recession in sub Saharan Africa (PROPARCO, 2020).

The Egyptian government identified the fundamental roles SMEs play in the economy. The government established initiatives to develop SMEs through training, financing, guidance and legislation (The Egyptian Centre for Public Policy Studies, (ECPPS), 2018). The onset of Covid 19 is expected to have a huge impact on Egyptian economy including the SMEs. During the continued pandemic there has been continued reduction of household consumption, following the government decision to close shopping centers and restaurants at specified times and continued imposition of night curfews. The coronavirus has reduced drastically new investments by the private sector. Unemployment has risen due to decline of activities in many sectors of the economy; such as transport, construction, wholesale and retail trade. Industrial production has slowed down, especially the manufacturing industries. International travel bans have hit Egyptian exports greatly. Export industries have reduced and laid workers (UNIDO, 2020).

In Uganda Covid 19 mitigation measures have strongly affected the SMEs sector. Business firms have laid-off workers. Locks down measures have reduced business by more than half. Comparatively micro and small enterprises encounter a large decline compared to medium and large enterprises. Most activities have been halted by strict health control and preventive measures. SMEs in the service industry have faced permanent closure but the resilience rate is higher in the agricultural and manufacturing industries (Lukam & Sunday, 2020). These consequences are against the roles SMEs had played prior the pandemic in Uganda whereby the SMEs played active roles in economic development, innovation and wealth creation (Uganda Investment Authority, (UIA), 2016).

In Kenya, SMEs are the livelihood of the economy. They constitute about 98 percent of all businesses in the country and have employed over 14 million Kenyans. The SME sector makes huge contribution in terms of fostering innovation, creating new markets, providing a high tax base and generating employment opportunities in the country. These contributions are vital in fighting poverty (Kinuthia, 2020; Katua, 2014). The genesis of Coronavirus in the country early 2020 has caused havoc virtually in all sectors of the economy. The SMEs have been affected so hard by this pandemic. Tourism, manufacturing, transport and trade have almost come to halt; making people vulnerable to job losses. SMEs have been closed up resulting to massive losses of wages for workers in this informal sector. Restrictions on movement of people in and out of Kenya, lockdowns and constant curfews have all frustrated operations of SMEs in the country.

Individual trips to markets, travels and going out have negatively affected business activities (Policy Brief, 2020). A study by Kenya Private Sector Alliance (2020) singled out cancellation of business related travels to have great impact on business activities in Kenya. Bans on travels outside the country have a huge influence on the tourism sector. The closure of borders to lockout the pandemic has hit most SMEs. The hotel industry at the Kenyan coast has been hardest hit by measures put in place by the government to curb the spread of this disease. Income generation, demand and supply for goods and services have been adversely impacted. Selective purchasing of products has led to cutbacks and laying-off workers (Policy Briefs, 2020; Strathmore Business Club, 2020).

KWTF is a microfinance that was established to provide cheap and accessible microcredits to poor women entrepreneurs in Kenya. The fund has achieved greatly in uplifting living standards of women, especially in marginal areas of Kenya. Despite this, Covid-19 has caused big challenges to SMEs funded by KWTF (KWTF, 2020). It is against this background that this study was carried out purposely to evaluate economic impact of Covid 19 pandemic on performance of women SMEs funded by KWTF in Garissa Township Sub County, Kenya.

1.1 Statement of the Problem

The economic pillar of Kenya's vision 2030 identifies women and SMEs as important pivots to propel the country into a middle level economy by the year 2030 through equity and poverty reduction. SMEs therefore are significant components of Kenya's economy (Kenya vision 2030, 2007). They contribute greatly to the country's GDP and employment creation (Kenya Bankers Association, (KBA), 2016) Consequently, KWTF was established as a micro finance to provide accessible financial services to poor women in order to uplift their standard of living and alleviate poverty. KWTF micro credits have enabled most poor women to generate revenue and create jobs. Notwithstanding this importance, women operated SMEs have encounter myriad problems in their day to day operations. These problems have been heightened by Covid-19 pandemic in Kenya. Low demand and supply of goods, unemployment, business closures and widespread of poverty are among the effects of the pandemic in the world today (Policy Briefs, 2020; KWTF, 2020)

Following the several challenges facing the performance and general growth of SMEs in Kenya, it was imperative to carry out this study in order to assess the influence of Coronavirus pandemic on economic performance of SMEs in Garissa Township Sub County. Furthermore, no sufficient studies have been done on the study site to address this issue. This study will therefore shade more light on the economic impact of Covid 19 on performance of SMEs funded by KWTF in Garissa Township Sub County.

1.2 Research Objective

This study's objective was to assess economic impact of Covid 19 on performance of Small and Micro Enterprises in Garissa Township Sub County, Kenya.

This study was based on null hypothesis:

H₀: There is no significant relationship between economic impacts of Covid 19 and performance of small and micro enterprises in Garissa Townshp Sub County, Kenya

2.1 Underpinning Theory

This theory was propounded by Wernerfelt in 1984. The theory presupposes that resources are important to an organization performance. This theory emphasizes the importance of examining the organization's resources to find out a firm's competitive advantage (Barney, 1991; Barney & Clark, 2007). Proponents of this theory argued that a firm's competitive advantage depends on the resources a firm has. Barney (1991) further argued that organizations are differentiated on the basis of the amount of resources they possess and therefore resources become a priority in determining the competitiveness of a firm. The focus of this theory is the internal organization of a firm which is essential consideration prior to acquiring funds from the lenders. This is essential to ensure proper control and planning of funds that can lure creditors and promote efficient proper execution of business interventions that would lead to better output of an organization.

Proper utilization of resources makes an organization to perform well than the rivals in the market (Mahoney & Pandian, 1992). Lending institutions need to make a critical evaluation of their resources before lending loans to the customers. Good planning and control of resources must be done to enhance organizational implementation of strategies. Resources are accorded a key role of enabling firms to achieve high performance and attain competitive advantage over others. This is because resources give a firm a strategic direction compared (Black & Boal, 1994). From the resource based theory, Grant (1991) developed three categories of resources: intangible, tangible and personnel. Tangible resources comprise the items that can be physically touched in terms of machines, equipments and buildings while intangible resources includes skills, competencies, knowledge and technologies that are significant in the performance of an organization. The personnel resources are merely the human resources and organizational capabilities needed to operate an organization both efficiently and effectively (Russo & Forts 1997).

Barney (2011) observed that resource endowment was useful for an organization to deliver its products effectively. Foss (2011) found out that resources help an organization to create and maintain a sustained competitive advantage. A firm is therefore able to create and appropriate more value in a sustained basis rather mere competition. Alvarez and Busenitz (20011) extended the concept of resources to include various individual cognitive abilities possessed by an individual entrepreneur to create and combine the heterogeneous resources. This theory provides a strong foundation of evaluating economic activities of SMEs during the corona pandemic and draws up a picture on their performance. It provides the basis to examine how SMEs utilized their resources during the coronavirus pandemic in order competitive in the market.

2.2 Covid-19 and Performance of SMEs

A research done by Syriopoulus (2020) established that Covid 19 has now moved from being a health pandemic to being a social, economic and political crisis. The pandemic has made SMEs' operations impossible given the tremendous decline of demand and supply for goods and services. The SMEs are so much unable to counter risks and costs emanating from the coronavirus

due to low volume of business activities. The report noted that SMEs continued to face challenges because they lack funds and liquidity, employees, customers and technology. During the early months of the pandemic, most SMEs were not able to service their customers, to pay wages to workers and were unable to comply to their commitment with the supplies. Consequently, the SMEs were bound to run out of business during the Covid 19 periods. This survey observed that both supply and demand sides would totally lead to serious downsizing and reduction of public taxes. A research by International Trade Centre (2020) further found out that the coronavirus outbreak had caused a global healthy emergency, and global economic slowdown. The disease has great effect on trade, investment, growth and employment. The crisis will have significant impact on achievement of United Nations Sustainable Development Goals.

According to a study by Private Sector Development (2020), Covid-19 has shaken the world economy, with untold suffering on employment, poverty and food security. There is need to have turnaround strategies for the SMEs. The study recommends credit facilities to be availed to the SMEs to revamp their halted operations. The dependence of SMEs on a steady continuous demand for goods has made most of them to struggle to survive. The SMEs are likely to continue facing staff shortages due to the fear of contracting the disease or remaining at home to look after the family in the period that schools remained closed. The study projects high rates of bankruptcy in countries with fragile economies like Iraq, Afghanistan and Myanmar.

A survey by the International Labor Organization (ILO) of 2020 established that the corona virus pandemic has affected economies of many nations globally. The SMEs have been hit most. They have experienced a lot of challenges on demand and supply of goods and services. Business companies have experienced reduction in labor supply. This has been necessitated by workers remaining at home to look after the family members. Restrictive measures taken by the governments to contain the disease through lockdowns, curfews and quarantines, have negated SMEs operations. The survey report showed that supply chains have been interrupted leading to massive shortages of goods in the market, locally and internationally. Low demand and revenues for SMEs have strongly caused severe liquidity losses. The consumers experience loss of income, and have developed fear of contracting the virus hence reducing expenditure on consumption. All these compounded with lay-offs of workers are likely to make SMEs vulnerable to collapse. The SMEs sector has proved difficulty to institute social distancing compared to large firms (ILO, 2020).

A research survey carried out by OECD (2020) showed that Corona pandemic affected SMEs globally. In Canada 78 percent of the SMEs experienced a drop in sales. In Ireland 70 percent of the SMEs reported a decrease in revenue while 90 percent of SMEs in Thailand expected a severe loss of revenue in 2020, 50 percent compared to 2019 with around 50 percent expecting closedowns. In the UK Federation of Small Business established that among 5471 sampled firms, 41 percent of SMEs had closed down with 35 percent fearing to reopen again while 37 percent had made redundancies. This survey showed that in the USA, 81 percent of SMEs expected the pandemic to affect their business in the 6-16 months. It has been established that most business companies in the USA cut costs and reported moderate to high supply chain disruptions, with 43 percent facing temporally closure. The report showed that most governments

have provided guarantees to commercial banks to support SMEs while some had adopted enhanced direct lending to SMEs. A report by OECD Economic Outlook (2020) further noted that bankruptcies in member countries were expected to rise as a result of the pandemic. Research conducted in the USA suggested that 50 percent of SMEs were operating with less than 15 days in buffer cash and that even health based SMEs had less than two months cash reserve (Federal Reserve Bank of New York, 2020). As indicated by OECD Interim Report (2020), there was a risk that solvent SMEs could become bankrupt as the governments enforced measures to curb the spread of the coronavirus.

A study by OECD established that the impact of Covid 19 had the potential of spilling over into the financial market hence reducing credit. This is likely to hit the SMEs due to their smallness and lower resilience. This research indicated that SMEs have higher prevalence rate to Covid 19. This study noted that at the beginning of the pandemic in China, the SMEs depended more in regional supply chains hence affecting development in Asia. In most instances SMEs relied on supplies and regions that had been hit by Covid 19. In effect SMEs were mostly affected by obstacles in transport. Consequently most SMEs found it impossible to rebuild connections with former supply networks. This survey observed that SMEs had less survival rates and flexibility in dealing with costs brought about by the coronavirus pandemic in the world. The costs could be high to SMEs due to their inability to access and adopt new technology. The study showed that given the limited resources of SMEs and inaccessibility to finances, the period over which SMEs survive the shocks of the pandemic was more restricted than large firms (OECD, 2020).

A research study by International Finance Corporation (IFC) (2020) found out that most SMEs in Nigeria closed down during the coronavirus pandemic. Most of them get supplies from both local and foreign market. Restrictions on movement of people and goods have affected sourcing from the global market. This uncertainty had faced majority of SMEs in the world. The viability of SMEs in Nigeria was of much concern and majority of them have been cash strapped. This report showed that Kenyan SMEs have closed their operations in order to protect clients from the disease. Banks had become reluctant to lend entrepreneurs starving the sector further. A study by International Trade Organization (2020) established that the pandemic has affected almost 55 percent of SMEs' operations. This survey noted profound disruptions on global supply chains and resultant loss of manufacturing exports in China, USA and EU. The SMEs in these regions have impacted SMEs and left international trade in turmoil. This study identified four major themes that would be put in place to rejuvenate SMEs during the Covid 19 period. There is need to strengthen the resilience of SMEs to withstand future shocks, the need to step up efforts to help SMEs to become digital, the need to make supply chains more open and inclusive, and to ensure that businesses across the world were sustainable and climate friendly in their operations

Literature reviewed has revealed inadequate empirical findings that evaluate the relationship between Covid 19 and performance of SMEs in Kenya. Most of the studies have been done outside Kenya creating a contextual gap. Additionally, scanty studies have done focusing on performance of women run SMEs in this period of Covid 19 pandemic in Africa, Kenya in particular. This study was destined to fill these gaps.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

A mixed research design combines both qualitative research and quantitative research (Bryman & Bell, 2015). A mixed research design was adopted for this study. According to Schoonenboom and Burke (2017) a mixed research design methodology provides a significant insight of data and reveals the research problem better than using one type of design. As noted by Green (2013) a mixed research design enables a researcher to compensate for any limitations inherent in qualitative research as well as quantitative research design. Descriptive research design was adopted in this study to collect and analyze the opinion of women beneficiaries of KWFT loans on their experience on economic impact of Covid-19 on performance of SMEs. A research design is a conceptual structure within which research is conducted (Kothari, 2014). Descriptive research design studies all the design information to obtain pertinent information concerning the status of the phenomena and draws conclusions from the facts discovered (Kumar, 2014). Using this design, the researcher attempted to find answers to questions by assessing economic impact of Covid 19 on performance of SMEs. The target population of the study consisted women SMEs funded by KWFT in Garissa Township Sub County. In the current study, the target population was 20 SMEs that were active during the corona period. The group leaders were selected purposively because they were accessible, experienced and had detailed information concerning KWFT and its activities. A census method was used to select a study population of 20 group leaders. A census method is useful when the target population is too small to select a sample (Mugenda & Mugenda, 2003; pp44). Each group leader then became a unit of observation.

Researcher administered questionnaires were used to collect views from women group leaders who were assumed to have low literacy levels to respond adequately to research questions in written form. According to Mugenda & Mugenda (2012) a researcher administered questionnaire is an effective research tool used to collect information from the study population with low literacy levels. The questionnaires had both closed-ended and open ended questions. Piloting of the research instruments was done to ensure content validity, correct wording, clarity of expression and understandability. Piloting was done on a sample of 10% of the respondents that were excluded from the final study. Cronbach alpha coefficient method was used to test the reliability of the research tools. The research tools were administered twice to the same group of respondents in an interval of two weeks. The questionnaires that were used in the pilot study were coded, and their responses tested to generate their reliability coefficient by use of SPSS Version 24. A reliability of 0.87 was obtained and considered significant for this study. The research instruments were tested and pretested on the randomly selected respondents to ensure that the research tools were accurate and would be correct to be used by others. Content validity was used for this purpose. Collected data in this study was edited, carefully coded and categorized into different themes according to the research variables. Quantitative data in this research was analyzed by descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS version 24). Qualitative data was analyzed by use of content analysis. The study used ANOVA, T-Test and Regression Analysis to establish the relationship between the independent variable and dependent variables. Chi square was used to test the hypothesis at

0.05 confidence level. Thereafter results from data analysis procedure were tested to establish if they were statistically significant in order to decide on whether to reject or accept the null hypothesis hold at 0.05 confidence level.

The researcher endeavored to maintain ethics while carrying out this research. The researcher sought permission and approval from the relevant authorities. The researcher did not provide details of the informants. The participants were therefore assured of their anonymity.

4.0 Findings

The response rate for this study was 100%. The findings were obtained from descriptive and inferential statistical analysis. The study's objective was to assess economic impact of Covid 19 on performance of SMEs in Garissa Township Sub County, Kenya.

4.1 Descriptive Analysis of Economic Impact of Covid 19 on Performance of SMEs

This section provides an analysis of the economic impact of Covid 19 on performance of SMEs. To establish the economic effects of Covid 19 on performance of SMEs, respondents were asked to answer a set of questions. The results are shown in Table 1. The first question enquired on whether business sales of SMEs went down during the period of coronavirus. The feedback indicates that 30% of the respondents agreed to the statement while 70% disagreed with the statement. This is reflected by a mean of 1.7000 and a standard deviation of 0.47016. The respondents were also asked whether they experienced shortages of business goods/stock for their businesses during the coronavirus period. The results shows that 25% of the respondents agreed to the statement while 75% disagreed with the statement. This is reflected by a mean of 1.7500 and a standard deviation of 0.44426. The third question enquired whether the respondents had experienced business losses during this coronavirus period. The results show that of the respondents 35% agreed to the statement whereas 65% of the respondents disagreed to the statement implying that most SMEs continued operating their businesses profitably despite the pandemic. This is reflected by a mean of 1.6500 and a standard deviation of 0.48936. The respondents were asked if their business turnover had gone low during this period of corona pandemic. The results indicate that 90% of the respondents agreed to the statement while 10% disagreed to the statement. This is reflected by a mean of 1.100 and a standard deviation of 0.307794.

The respondents were also asked whether their businesses faced financial problems during this era of Covid 19. The results obtained show that 85% of the respondents agreed to this statement while 15% disagreed to this question. This is reflected by a mean of 1.1500 and a standard deviation of 0.36635. Asked on whether the respondents had received any financial assistance to boost their businesses during this period, 15% agreed while 85% disagreed to the statement. This is reflected by a mean of 1.8500 and a standard deviation of 0.36635.

The respondents were asked whether the loan repayment period had been lengthened by the lender in this period of coronavirus. The feedback obtained from this study established 55% that of the respondents agreed to the statement while 45% of them disagreed to it. This is reflected by a mean of 1.4500 and a standard deviation of 0.51042. Asked whether the repayment period for the loans was adequate, 73.3% agreed to the statement whereas 26.7% disagreed to this

statement. This is reflected by a mean of 1.2667 and a standard deviation of 0.45774. The respondents were further asked on whether the loan interest rates from the microfinance institution had been reduced in this period of coronavirus. The findings of this study established that 60% of the respondents agreed to the statement while 40% disagreed to it. This is reflected by a mean of 1.4000 and a standard deviation of 0.50262. Asked on whether the interest rates reduction was adequate 100% of the respondents agreed to this statement without anyone refuting this claim. This is reflected by a mean of 1.000 and a standard deviation of 0.0000. The respondents were also asked whether they had laid off some of their employees during the coronavirus pandemic. The results of this study established that 45 % of the respondents agreed to the statement while 55% disagreed to the statement. This is reflected by a mean of 1.5500 and a standard deviation of 0.51042. Again, the respondents were asked whether they had been able to pay their business suppliers in time. 70% of the respondents agreed to the question while 30% disagreed to it. This is reflected by a mean of 1.35000 and a standard deviation of 0.48936. The respondents were also asked whether their businesses were able to generate profits during this period of coronavirus. The results show that 70% agreed to the statement while 30% disagreed to the statement. This is reflected by a mean of 1.3000 and a standard deviation of 0.47016. Finally, respondents were asked on whether they would close up their business due to Covid 19 pandemic. 25% of the respondents agreed to the statement while 75% disagreed to the statement. This is reflected by a mean of 1.7500 and a standard deviation of 0.44426.

Table 1: Respondents' Opinions on Economic Impact of Covid 19 on Performance of SMEs

	Yes		No		Not sure		Mean	Std. Dev
	f	%	f	%	f	%		
Your business sales have gone down in this period of coronavirus	6	30.0%	14	70.0%	0	0.0%	1.7000	.47016
You experienced shortages of business goods/stock during the coronavirus period	5	25.0%	15	75.0%	0	0.0%	1.7500	.44426
Have you experienced business losses during this coronavirus period	7	35.0%	13	65.0%	0	0.0%	1.6500	.48936
Has business turnover gone low during this period of corona pandemic	18	90.0%	2	10.0%	0	0.0%	1.10000	.307794
business experienced financial problems	17	85.0%	3	15.0%	0	0.0%	1.1500	.36635
If yes, have you received financial support	3	15.0%	17	85.0%	0	0.0%	1.8500	.36635
Has the loan repayment period been lengthened in this period of coronavirus	11	55.0%	9	45.0%	0	0.0%	1.4500	.51042
If yes, is the repayment period adequate?	11	73.3%	4	26.7%	0	0.0%	1.2667	.45774
Has the loan interest rates been reduced in this period of coronavirus	12	60.0%	8	40.0%	0	0.0%	1.4000	.50262
If yes, is the reduction adequate?	12	100.0%	0	0.0%	0	0.0%	1.0000	.00000
Have you laid-off your business employees during this coronavirus period?	9	45.0%	11	55.0%	0	0.0%	1.5500	.51042
Are your business activities sustainable in this period of coronavirus	13	65.0%	7	35.0%	0	0.0%	1.3500	.48936
Have been able to pay your business suppliers in time?	14	70.0%	6	30.0%	0	0.0%	1.3000	.47016
Is your business able to generate profits during this period of coronavirus?	14	70.0%	6	30.0%	0	0.0%	1.3000	.47016
Are you likely to close up your business during this period of coronavirus?	5	25.0%	15	75.0%	0	0.0%	1.7500	.44426

Source: Field Data (2020)

4.2 Regression Analysis of Economic Impact of Covid 19 on Performance of SMEs

The model $y = \alpha + \beta_1 X_1 + u$ was subjected to a test using linear regression to establish whether economic impact of Covid 19 was a predictor of performance of SMEs. Algebraically the model is follows: $y = \alpha + \beta_1 X_1 + u$

Where y =Dependent variable (Performance of SMEs)

X_1 = independent variable (Economic Impact Covid 19)

α = constant

β_1 =the coefficient of the independent variable

u = the error term.

Table 5 shows level of significance of various economic factors affecting the performance of SMEs during the covid-19 period. As can be seen from the table only shortages of business stock has p value of less than 0.05, implying a positive relationship with performance of SMEs. All the other variables have p values more than 0.05 hence had no significant relationship with the dependent variable (performance of SMEs).

Table 2: Coefficients^a of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant) performance of SMEs	-.017	2.439		-.007	.995
		-.083	.469	-.052	-.178	.862
	Has the loan interest rates been reduced in this period of coronavirus?	.117	.390	.120	.299	.771
	Have you laid-off your business employees during this coronavirus period?	-.033	.162	-.035	-.206	.840
	Are your business activities sustainable in this period of coronavirus?	-.733	.377	-.733	-1.946	.078
	Have been able to pay your business suppliers in time?	.583	.817	.560	.714	.490
	Are you likely to close up your business during this period of coronavirus?	-.033	.766	-.030	-.044	.966
	Have you experienced shortages of business goods/stock during the coronavirus period?	.767	.220	.696	3.478	.005
	Your business sales have gone down in this period of coronavirus?	.350	.316	.336	1.107	.292

a. Dependent Variable: Performance of SMEs

b. Independent Variable: Economic impact of covid 19

Source: Field Data (2020)

Table 3 represents a regression model on economic impact of Covid 19 on the performance of SMEs. As shown in the table, the coefficient of determination R square is 0.011 and R is 0.105, at significance level of 0.05. The coefficient of determination indicates that -4.4% of the variation on economic impacts of Covid 19 influence the performance of SMEs. It means that -4.4% of the variation in the performance of SMEs is explained by economic impact of Covid 19. This implies the existence of a negative relationship between economic impact of Covid 19 pandemic and the performance of SMEs.

Table 3: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.105 ^a	.011	-0.044	.50000
a. Dependent Variable: Performance of SMEs b. Independent Variable: Economic Impact of Covid 19 Source: Field Data (2020)			

4.3 ANOVA Computation of Economic Impact of Covid 19 on Performance of SMEs

The ANOVA results in Table 4 confirms further the appropriateness of the model fit for this data. The calculated p value of 0.660 is more than the critical value of 0.05. This computation implies a negative relationship between economic impact of Covid 19 and performance of SMEs. The results further indicate that economic impact of Covid 19 negatively influences the performance of SMEs. The F-statistics of 0.200, shows that the results are not significant (P>0.001) and it is very likely that they are computed by chance.

Table 4: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.050	1	.050	.200	.660 ^b
	Residual	4.500	18	0.250		
	Total	4.500	19			

a. Dependent Variable: Performance of SMEs

b. Independent Variable: Economic impact of Covid 19

Source: Field Data (2020)

The results further indicate that economic impact of Covid 19 pandemic negatively influence the performance of small and micro enterprises as shown in Table 5. The fitted model $y=1.833-167$ economic impact of Covid 19 results to a decrease in performance of SMEs by the rate of $-.167$ (-16.7%).

Table 5: Coefficients

Model	Coefficients B	Std. Error	t	Sig.
(Constant)	1.833	.425	4.309	.000
	-0.167	.373	-.447	.660

a. Dependent Variable: Performance of SMEs

b. Independent variables: Economic Impact of Covid 19

Source: Field Data (2020)

4.4 Hypothesis Testing

To determine whether economic impacts of Covid 19 influence performance of SMEs null hypothesis was tested.

H₀: There is no significant relationship between economic impacts of Covid 19 and performance of small and micro enterprises in Kenya.

Decision rule: The rejection of the null hypothesis if calculated p value is smaller than the table value of 0.05 and vice versa.

ANOVA results indicated in Table 4 and Table 5 confirm the appropriateness of the model fit for this data since the computed p value of 0.66 is much more compared to the critical value 0.05. These findings imply that there is no significant relationship between economic impact of Covid 19 and the performance of SMEs. This led to acceptance of the null hypothesis which states that, “There is no significant relationship between economic impact of Covid 19 and performance of small and micro enterprises” is accepted. Consequently the alternate hypothesis was rejected.

4.5 Discussion of Findings

The findings of this study are linked to the research conducted by Syriopoulos (2020) who established that SMEs were bound to face challenges of lack funds and liquidity, employees, customers and technology during the Covid 19 pandemic. Consequently, most SMEs would not be able to service their customers, to pay wages to workers and were unable to comply to their commitment with the supplies. The findings of the study are also differs with a research survey carried out by OECD (2020) which showed that Corona pandemic affected SMEs globally in relation to a drop in sales, a decrease in revenue and general expectation of a severe loss of revenue. The study's findings are also aligned to a survey by the ILO (2020) which established that the coronavirus pandemic has affected economies of many nations globally, especially the SMEs which have experienced a lot of challenges on demand and supply of goods and services. This has made business companies to experience reduction in labor supply necessitated by workers remaining at home to look after the family members. These findings concur with the research by International Trade Centre (2020) which established the coronavirus outbreak had great effect on employment. Consequently, the crisis will have significant impact on achievement of United Nations Sustainable Development Goals.

5.0 Conclusion

The findings of the study revealed that there was no significant relationship between the economic impact of Covid 19 and the performance of SMEs funded by KWFT in Garissa Township Sub County. Only shortages of business stock had a positive relationship with performance of SMEs. The overall implication is that, providing women clients with sufficient Covid regulation would not compromise their SMEs activities. Proper management of Covid 19 regulations can lead to improved performance of SMEs in terms of business growth, profit making and sustainability of business activities.

5.1 Recommendations

This study recommends the followings:

- i. The government of Kenya should provide guarantees to SACCOs to support SMEs and/or establish lending to SMEs.
- ii. The SMEs owners should be supported, financial and non-financial, to ensure their business have resilience levels to withstand economic downturns and closures, during and after the corona pandemic.
- iii. The SMEs should be assisted by increasing their liquidity. This can be done by extending liquidity to Micro Finance Institutions and work with them to increase availability of credit to SMEs, at lower interest rates and prolonged repayment period.
- iv. Provision of social safety net to people rendered jobless due to coronavirus pandemic by the government. This can be done by offering cash transfers to the vulnerable in the SMEs sector.
- v. Boost inclusive economic growth as the coronavirus prolongs in the economy. This should include supporting SMEs to accelerate growth through business development support and increasing access to finance and markets to revive employment

- vi. SMEs should be encouraged to embrace digitalization of their activities to remain relevant during and after the covid-19 period.

References

- Alvarez, S. & Busenitz, L.W. (2001). The Entrepreneurship of Resource Based Theory. *Journal of Management* 27 (6)
- Ata, D. (2020). The role of SMEs in Asian economic growth: SME Finance Forum
- Barney, J.B. & Clark, D.N. (2007). *Resource Based Theory: Creating and Sustaining Competitive Advantage*. 2007; Oxford University Press
- Barney, J.B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*. vol. 17, No. 1, pp.99-120
- Barney, J.B. (2011). *Gaining Competitive Advantage*. 4th Edn, Harlow: Pearson Education Limited
- Black, J.A. & Boal, K.B. (1994). Strategic Resources: Traits, Configurations and Paths to Sustainable Competitive Advantage. *Strategic management journal*. 1994; vol. 15, issue 52
- Brymann, A. & Burgess, E. (2015). *Business Research Methods*. 4th edn, New York: Oxford University Press.
- DIHK (2020). Auswirkungen des Coronavirus auf Deutsche Wirtschaft. Berlin ECPPS, (2018). Improving the Economic Freedom FBS (2020). National Federation of Self Employed and Small Businesses
- Federal Reserve Bank of New York (2020). Can Small Firms Weather the Economic Effects of Covid-19?
- Foss, N, J. (2011). Entrepreneurship in the Context of the Resource Based View of the Firm. SMG Working Paper No.8
- Grant, R.M. (1991). *The Resource Based Theory of Competitive Advantage: Implications for strategy Formulation*. 1991
- Green, E. (2013). *Qualitative Methods in Management Research*. London: Thousand Oaks. IFC (2020). SME initiatives
- IFC (2020). Uncertainty, Fear, and Coronavirus: The New Reality for African's Entrepreneurs
- ILO (2020). ILO Monitor: Covid-19 and the World of Work, ILO. Accessed 7 May 2020
- ILO (2020). ILO Monitor: Covid-19 and the World of Work; ILO
- International Trade Centre (2020). SMEs Competitiveness Outlook, 22 June 2020
- International Trade Centre (2020). Supporting Small Businesses through the Covid-19 Crisis
- Juergensen, J., Guimon, J., & Narula, R. (2020). European SMEs amidst the Covid-19 Crisis: Assessing Impact and Policy Responses. *Journal of Industrial and Business economics*

- Katua, N.T. (2014). The Role of SMEs in Employment Creation and Economic Growth in Selected Countries. *International Journal of Education and Research*, Vol2 No.12
- KBA (2016). *Financing Small and Medium Enterprises: The Reconciliation of Borrower-Lender Expectations*
- Kenya Private Sector Alliance (2020). *Business Perspective on Impact of Coronavirus on Kenya's Economy*
- Kenya Vision 2030 (2007). *A Globally Competitive and Prosperous Kenya* Kinuthia, K. (2020). *SMEs Driving Kenya's Economy*. Daily Nation.
- Kothari, C. (2014). *Research Methodology: Methods and Techniques*. 2nd edition; New Age International Publishers, New Delhi, India
- Kumar, R. (2014). *Research Methodology: A Step by Step Guide for Beginners* (2nd Ed.) New Delhi: Sage Publication
- KWFT (2020). *Kenya Women Micro Finance*, www.kwftbank.com
- Lu, Y., Wu, J., Peng, J. & Lu, L. (2020). The Perceived Impact of the Covid 19 Epidemic: Evidence from a Sample of 14807 SMEs in Sichuan Province, China. *Environment Hazard*, Vol 19, Issue 4.
- Lukam, C.P. & Sunday, N. (2020). *Impact of Covid-19 on Micro, Small and Medium Businesses in Uganda*
- Magzter (2020). *Impact of Covid-19: Smes Sector Must Develop Strategies to Fight Back*
- Mahoney, J.T. & Pandian, J.R. (1992). The Resource Based View within the Conversion of Management. *Strategic management journal*.1992; 15 (5), pp. 363-380
- Mugenda, O.M & Mugenda, A.G. (2003). *Research Methods: Quantitative & Qualitative Approaches*. Revised Edn, ACTS Press, Nairobi
- Mugenda, O.M. & Mugenda, A.G. (2012). *Research Methods: Quantitative and Qualitative Approaches*. Act Press, Nairobi
- OECD (2017). *Enhancing the Global Contributions of SMEs in Global and Digitalized Economy*
- OECD (2020). *Corona Virus (Covid-19): SMEs Policy Responses*
- OECD (2020). *Coronavirus (Covid-19): SME Policy Responses*
- OECD (2020). *OECD Economic Outlook, Interim Report, March 2020*, OECD Publishing, Paris
- OECD (2020). *OECD Economic Outlook, Vol 2020, Issue 1*, OECD Publishing, Paris
- Policy Brief (2020). *Articulating the Pathways of the Social Economic Impact of the Coronavirus Pandemic on the Kenyan Economy*
- Private Sector Development (2020). *Economic Impacts of Covi-19 in Fragile Contexts and How SMEs Can Help*
- PROPARCO (2020). *Covid-19-Supporting African SMEs: A Priority Development Issue*
- Russo, M.V. & Fouts (1997). Resources-Based Perspective on Corporate Environmental Performance and Profitability. *Academy of Management Journal*, 1997; 4:534-559

- Schoonenboom, J. & Burke, J. (2017). How to construct a Mixed Methods Research Design
Strathmore Business Club (2020). SME's, Kenyan Economy and Covid-19
- Syriopoulos, K. (2020). Impact of Covid 19 on Entrepreneurship and SMEs. Journal of
International Academy for Case Studies, Vol 26, Issue 2 UIA, (2016). SMEs Driving
Economy
- UNIDO (2020). Impact of covid-19 on the Manufacturing Sector in Egypt. April World
Economic Forum (2015). Why SMEs are key to growth in Africa.
- WTO (2020). Helping MSMEs Navigate the Covid-19 Crisis, WTO