



Research Article

The Economic Impacts of COVID-19 on Micro and Small Enterprises: Empirical Evidences from Oromia National Regional State, Ethiopia

Milkessa Wakjira, Fikiru Temesgen*, Chala Hailu and Dabesa Wegari

Ambo University, Ambo, Ethiopia.

Abstract | This article aims to assess the economic impact of COVID-19 outbreak on these businesses to provide policy recommendations to support MSE. Primary data and secondary data were used for this study as the source of data. Three multistage sampling techniques was employ to select 372 MSE in six district towns of Western Shewa Zone by administering personal interview. Descriptive statistics such as percentage, frequency, maximum, minimum, mean and standard deviation were used to measure the association and growth probability of MSEs. The major problems finding in the study area were facing multiple issues such as increase in cost of production, shortage of workers and reduction in sales and profit. More than 70% of participating respondents reported that they could not survive if the present trend lasts more than three months. As a temporary solution to sustain their business 169 (45.40%) reduced the number of their employees, 73 (19.60%) laid off their employees as the result of the pandemic crisis. The findings of study are consistent with previous studies and so that national authorities must continue taking a host of measures to provide support to ensure continuity and minimize damage in the small and micro enterprises sector. Therefore, for this study, Policymakers have to come together, and coordinate their work in the financial as well as the productive and service sectors in Ethiopia.

Received | November 25, 2020; **Accepted** | May 18, 2021; **Published** | November 23, 2021

***Correspondence** | Fikiru Temesgen, Ambo University, Ambo, Ethiopia; **Email:** fikttems@gmail.com

Citation | Wakjira, M., F. Temesgen, C. Hailu and D. Wegari. 2022. The economic impacts of COVID-19 on micro and small enterprises: Empirical evidences from Oromia national regional state, Ethiopia. *Sarhad Journal of Agriculture*, 38(1): 76-80.

DOI | <https://dx.doi.org/10.17582/journal.sja/2022/38.1.76.80>

Keywords | COVID-19, Economic impact, SMEs, Policy recommendation

Introduction

In developing economies, micro and small business enterprises make a significant contribution to local employment and to overall gross domestic product (GDP). An economic downturn due to COVID-19, to which Small and micro enterprises are especially vulnerable, hits developing economies at the heart. In breakable time, this poses an extra challenge. An economic downturn may well push communities already impacted by poverty and food insecurity, and with limited economic diversity and low levels of investment, over the edge. Often, in fragile and conflict-affected settings, the state has limited ability

to track and contain the spread of the virus, and to treat those affected by it (IFC, 2020).

Small and micro enterprises is one of the sector given recognition in the country's industry development plan and believed that it serves as vehicles reducing poverty and unemployment at urban center and as it reinforces the economic development. As specified in Ethiopian government national plan, the industrial strategy has given outstanding focus to strengthen micro and small enterprise. This study helps to assess the knowledge and attitudes of micro and small Business Enterprises towards the Covid-19 disease. This study helps to find out the knowledge gaps

among the people regarding the Covid-19 and the misconceptions and superstitious beliefs prevailing in the society about it ([Worldometer, 2020](#)).

Small and micro enterprises experienced a larger decline in businesses activity compared to medium and large firms an unsurprising finding since most of the country's Small and micro enterprises halted operations due to their inability to implement preventative health measures such as provision of on-site lodging for employees, and sanitizers and hand washing equipment for customers ([IFC, 2020](#)).

The COVID-19 pandemic is badly hurting the Small and micro enterprises sector in Ethiopia, which constitutes the majority of the business and an important driver of growth. One of the important issues regarding the Small and micro enterprises in the study areas were the problem of demand supply. There is a great gap between demand and supply in order to satisfy the satisfaction of the firms. COVID-19 demoralizes all the actors of Small and micro enterprises starting from input supply to the final consumers. People kept their distance to provide community and to have service from Small and micro enterprises in order to keep them from COVID-19. The aim of the study was to assess the income loss due to COVID-19 at each chain of production particularly focused on the firms, consumers and managers ([ILO, 2020](#)).

Now days, in Ethiopia, particularly in the study areas there are many challenges which hinder Small and micro enterprises to be sustainable their business during the COVID-19. Many of the important problem raised from them is there is crucial lack of information which have great impact of the business in order to handling their consumer. While the number of consumers were minimized from their consumers the looking for close and their income going to decrease accordingly. This is not the problem raised in study areas only, but it can exist all over the corner of the country.

The current studies available on the negative economic impact of the pandemic on nation's economy or individual sectors like Small and micro enterprises are based on simple assumptions. Such type of studies cannot justify for planners and policy makers in allocating the nation's scarce resources for the purpose sought. This study would fill this gap. Therefore, the

aim of this study was critically attempted to critically examine the economic impact of COVID-19 on Small and micro enterprises in the Ethiopian context by employing appropriate data and techniques at local level.

The ultimate goal of this study is, therefore, to assessing the economic impact of the corona virus on the Small and micro enterprises in Ethiopia with the aimed to identify the problems of owner of the Small and micro enterprises in Ethiopia.

Materials and Methods

Source of data

Both primary and secondary data were used as the source of data. Primary data sources were traders, consumers, managers and Small and micro enterprises from three purposely selected kebeles. Secondary data were collected from the published materials and supported data were taken from the trade and market development of the study areas.

Sampling techniques

For this study multistage sampling techniques was employed. In the first stage, five enterprises were selected from the total of seven enterprises purposely based on the large number of enterprises engaged in it. These are manufacturing, construction, livestock, services, and traders. In the second stage, 5, 7, 5, 14 and 15 enterprises were selected from each town using 10% sampling intensity from manufacturing, construction, livestock, services, and traders respectively. In the third stage, by using quota sampling 101, 56, 66, 160, 41, and 170 members of enterprises from Inchin, Bako, Gedo, Ginchi, Olankomi, and Ambo towns was respectively which gives a total of 372 respondents.

Method of data analysis

Descriptive statistics were used to analyze Small and micro enterprises owner/manager demographic characteristics. SPSS and STATA software were employed to process the data using percentage, frequency, maximum, minimum, mean and standard deviation were used to analyze the data take from primary and secondary data.

Results and Discussion

Background characteristics of respondents under COVID-19

As shown in [Table 1](#), out of the total 372 respondents,

male respondents constitute 253 (65%) while that of women comprises of 137(35%) of the total respondents. The percentage of respondents age 30-40 (40.05%) is more than one and half of the percentage of respondents age between 40-50 (22.85%). The smallest age group of the respondents 85(22.85%) fall between 40 and 50 with the mean, maximum and minimum age of 33, 45 and 22 for the whole sample population, respectively. About 227(61.08%) of the respondents were married and 88(23.70%) were separated and 57(15.50%) have never been married. Education levels were low in the case of the respondents. Overall, 97(26.08%) of the respondents had no formal education while 56(15.05%) have attended primary/middle school up to six grade, 59(15.86%) had a secondary education, 127(34.14%) had diploma or middle level education while 33(8.87%) had first or bachelor degree.

Table 1: Description of respondents' characteristics.

Variable	Characteristics	Frequency	Percentage
Gender	Male	253	65.00
	Female	137	35.00
Age	20-30	138	37.10
	30-40	149	40.05
	40-50	85	22.85
Education	No formal education	97	26.08
	Six grade and less	56	15.05
	Seven to 12 th grade	59	15.86
	Diploma	127	34.14
	First Degree and above	33	8.87
Marital status	Single	57	15.30
	Married	227	61.08
	Separated	88	23.70

Source: Survey result, 2020.

Status business sector and types of business ownership, and employment size under COVID-19

The great majority of the Small and micro enterprises in which the respondents involved are legally registered 250(67.20%) compared to 122(32.80%) which were not legally registered by the concerned authority (Table 2). The respondent's self-evaluation as poor, middle class and rich and the extent of their dependency on the business they are running as a means of their livelihood and the number of they were accommodating was enquired, summarized and presented in Table 2.

As shown in the above table above, majority of the

respondents classify themselves as middle income earners 139(37.40%) and the remaining 82(22%) and 78(21%) consider themselves as rich and poor, respectively. In terms of dependency, about 208(55.90%) of the respondents depend on the business they are currently running as their livelihood while 184(44.10%) have additional means to survive. Regarding employment size, about 245(65.90%) of the respondents hire 1-5 employees including the manger/ the owner and family labor while 109(29.30%) of the respondents hired 6-10 employees. The remaining 10(2.70%) of the respondents hired 11-15 workers.

Table 2: Description of firm's characteristics.

Category/ variable	Characteristics	Frequency	Percent
Status	Registered	250	67.20
	Unregistered	122	32.80
Business sector	Service	284	76.30
	Industry	88	23.70
Ownership types	Proprietorships	65	17.50
	PLC	87	23.40
	Partnerships	220	59.10
Self evaluation	Poor	78	21.00
	Lower Middle income earner	73	19.60
	Middle income earner	139	37.40
	Rich	82	22.00
Dependency on business	Dependent	208	55.90
	Not dependent	164	44.10
Employment size	Self-employment	8	2.20
	1-5	245	65.90
	6-10	109	29.30
	11-15	10	2.70

Source: Survey result, 2020.

Information sources and subsequent perception about the pandemic

As shown in the (Table 3), the biggest source of information for the respondents for hearing about the pandemic was social media 140(37.50%), followed by mass media 117(31.50%) and family members 75(20.20%). Health staff was the least source of information on the pandemic 40(10.80%) in the study area.

The estimated distribution of time period by the respondents in which the pandemic may lead to the close of their business if the current trend continues was computed at 120 (32.26%) for the two to three months category, while the six months to one year

category was computed at 107(28.76). The one month and less and three to six months category were computed at 50(13.44%) and 95(25.54), respectively. However, this would depend on the restriction set by the government and the local and global condition of the pandemic. The current glaring truth of the situations of SMEs in the study area was that all of them were experiencing decline in their business activities at a faster rate.

Table 3: Awareness of respondents about the pandemic outbreak.

Variable	Sources	Frequency	Percent
Information Sources	Family members	75	20.20
	Social media	140	37.50
	Health staff	40	10.80
	Mass media	117	31.50
Estimated close down Time-period	One month or less than	50	13.44
	Two to three months	120	32.26
	Three to six months	95	25.54
	Six months to one year	107	28.76

Source: Survey result, 2020.

Table 4: Major reasons for the disruption of the business and consequences.

Disruptions	Consequences	
	Reason for disruption	Consequences
Decrease in demand	114 30.60	Monthly average total revenues 0-25 88 23.70
Movement restrictions	134 36.00	26-50 147 39.50
Unavailability of inputs	124 33.30	51-100 137 36.80

Source: Survey result, 2020.

Effects and consequences of the pandemic on the respondents business

The great majority of the respondents report that their business was affected by various factors like decrease in demand for their products and services 114(30.60%), movement restrictions and lockdowns 134(36%) and unavailability of inputs 124 (33.30%) (Table 4).

Multiple problems faced by the respondents

The critical problems the respondents faced as the result of COVID-19 is many and varied. In addition to the problems stated earlier, there are multiple

problems affected each business as shown in Table 5.

Table 5: Multiple problems faced by respondents.

Types of Problems	Yes		No	
	Fre- quency	Per- cent	Fre- quency	Per- cent
Shortage of raw materials	310	83.30	62	16.70
Transporting finished goods	326	87.60	46	12.40
shortage of cash inflows from sales and loan	348	93.50	24	6.50
Shortage of workers	360	96.80	12	3.20
Increase in cost of production	372	100.00	-	-

Source: Survey result, 2020.

As shown in the Table 5, more than 80% of the respondents face multiple problems as the result of the outbreak of the pandemic and things like shortage of workers 360(96.80%) and shortage of cash flow from sales and loan sources 348(93.50%) being critical. The increase in cost of production affected the whole sample population of the survey and hence need serious approaches to tackle the problem as increase in cost of production affects the healthy operation of the business.

Conclusions and Recommendations

Overall, our paper contributes to assessing the economic impacts of COVID-19 on micro and small enterprises in Ethiopia. Multistage sampling techniques were selected to have a total of 372 respondents. Both descriptive statistics were used for this study as the method of data analysis. Our results provide due to the COVID-19 outbreak and restrictions to shut down the business, the SMEs have been extremely affected. In addition, those firms that have very low cash reserves are vulnerable and may not survive during the ongoing outbreak of COVID-19. Therefore, this study recommends that policy instruments have been introduced by the government in a coordinated way, to support Small and micro enterprises effectiveness of interventions until the economy recovers in Ethiopia.

Novelty Statement

In Ethiopia, more than 80% of the respondents face multiple problems as the result of the outbreak of the pandemic and things like shortage of workers 360(96.80%) and shortage of cash flow from sales

and loan sources 348(93.50%) being critical due to COVID-19 on micro and small enterprises

Author's Contribution

Milkessa Wakjira, Fikiru Temesgen, Chala Hailu and Dabesa Wegari jointly design the research article, administered the questionnaire, code, analyze data, interpret research results, and jointly write research report.

Conflict of interest

The authors have declared no conflict of interest.

Reference

- IFC, 2020. International finance corporation. Helping small businesses navigate through COVID-19. March 20, 2020. <https://www.uneca.org/.../insights-african-businesses'-reactions-and-outlook-covid-19>
- ILO, 2020. International labor organization. Addressing the impacts of COVID-19 and Enterprises Briefing Note. May 21, 2020. <https://www.ilo.org/empent/units/boosting...enterprise...en/index.htm>
- Worldometer, 2020. COVID-19 Coronavirus Pandemic, 2020 Available at: <https://www.worldometers.info/coronavirus/> Accessed on: 2020 March 29