International Journal of Commerce and Finance, Vol. 9, Issue 1, 2023, 101-122

Surviving the Threat of COVID-19: A Review of Smes' Adaptive Strategies

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Submitted: *14.01.2023* ***Accepted:*** *24.05.2023* ***Published:*** *06.07.2023*

Abstract

This study seeks to explore and assess the feasibility of SMEs' adaptive strategies considering the limiting stimulus and peculiarity of SMEs in developing economies. Noting evidence paucity and fragmentation in relation to SMEs' adaptive strategies during the pandemic (COVID-19), this study collates evidence related to the settings of developing economies as a way of augmenting the realities of the SME sector. The study assumes a literature review approach inclined on tracking available evidence on how SMEs maneuvered the challenges introduced by the COVID-19. The intuition presents to SMEs an opportunity to weigh the plausibility of alternative strategies to navigate the business now and for referral purposes in case of another crisis. Online trading, change in business models, remote work, reconfiguring budgets and reducing overheads, and re-negotiating debt obligations emerged as popular strategies adopted by SMEs. However, the efficacy of these strategies in developing countries remains a concern on account of inadequate stimulus packages, SMEs' low management capacity to handle the changing business environment, operating losses, poor uptake of technology and technological literacy, the limiting costs linked to the adoption of technology amongst many. Policy imperatives designed to undo these limitations can prop the SME sector post the pandemic.

Keywords: Surviving, COVID-19, SMEs, adaptive strategies

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JEL classification: L1, L22

1. Introduction

Despite the immediate manifestation of the effects of COVID-19 on global stock markets, the property industry (real estate), tourism and unemployment; the pandemic's effect on small and medium enterprises (SMEs) was not timeously established owing to data limitations given the informality of SMEs especially in developing economies (Fairlie, 2020). This evidence lag explains the likely ill-timed SME intervention mechanisms in developing countries – a policy error concomitant with poorly-developed SME sector. Regardless of the evidence lag, the pandemic's effects were independent of enterprises' size, and SMEs were disproportionately shaken by the pandemic (Hasanat et al., 2020; Engidaw, 2022). The UNCTAD (2022) records that at the height of COVID-19 induced instabilities, many SMEs ceased operations, and many were at the verge of closure or were increasingly vulnerable. But, why SMEs in particular?

SMEs contend with a dynamic external environment and the pandemic pronounced new hitches on SMEs – adding to the plethora of challenges they already navigate on a daily basis. The pandemic's impact on small businesses was particularly acute, mostly on account of worsening vulnerability and inferior capacity to manage the pandemic given SMEs' size. The vulnerability of SMEs exceeded that of large firms on account of poor "financial capacity, a weak supply chain capability, and a lower level of mastery of digital tools and technologies" (OECD, 2021: p 2).

Whilst financing is an aged limitation for the growth and development of SMEs (Abraham, Schmukler & Abraham, 2017), it persisted as the domineering cause of SMEs' failure during the pandemic (Cowling, 2020). The financial position of small businesses was worsened by prolonged lockdowns, translating to closed and inaccessible markets – in turn leading to suppressed volume of sales against an accumulation of costs. Also, cash was tied up in stock leading to financial illiquidity. Although the cost structure[1] for SMEs remained unaltered, SMEs were not making money, leading to losses and headwinds related to business and capital losses. Consequently, many SMEs were forced to operate below capacity, thereby introducing a financial strain.

[1] An aggregate of fixed and variable costs.

Suppressed access to finance for SMEs during the pandemic widened the financing gap for SMEs as banks became stingier, outside state-sponsored COVID-19 relief packages. As much as most governments took measures to address economic impacts of the pandemic, responses varied from country to country. Stimulus packages, expressed as a proportion of the GDP were better in developed countries thus, SMEs in rich economies received superior support than those in developing countries (UNCTAD, 2022). The IFC (2020) estimated that 65m businesses – translating to 40% of formally registered small businesses in developing economies got an annual financing gap amounting to $5.2 trillion. This amount is equal to 1.4 times of the present scale of global lending to small businesses. Globally, East Asia and the Pacific stands outs with the largest share of SME financing gap (46%), trailed by Latin America and the Caribbean (23%) and Europe and Central Asia (15%). Conventionally, small businesses find it tough to access finance from banks as they struggle to prove their credit-worthiness and fail to avail assets to secure loans. Given the stifled access to finance situation during the pandemic, SMEs in developing countries had to consider other financing options as stimulus packages and most traditional sources of finance were not tenable.

Another challenge small businesses faced was the inability to reorder stock or inputs timeously. Lockdowns, travel restrictions as well as COVID-19 tests resulted in inefficient movement of goods and services. SMEs operating in logistics and the moving of goods faced significant hurdles compared to large businesses (UNCTAD, 2022). Businesses especially dependent on logistics as well as imports had snags in moving their wares across borders. As a result, many businesses could not operate at full capacity and this was evident in developing countries whose economies are highly dependent on imports. Two out of three African businesses are said to have experienced reduction in sales by a magnitude between 54% and 75% owing to their inability to access inputs (ITC, 2020).

The pandemic-induced challenges led to loss of business viability, eroded balance sheets, and insufficient working capital and for some SMEs, rental arrears accumulated. These innumerable challenges aggravated SMEs' risks and consequently led to business closures in some instances. A couple of weeks into the pandemic saw SMEs laying off a large number of workers and in worst cases closures ensued (Bartik et al. 2020). This affected SMEs' vital role of driving economic development (Muriithi, 2021), job creation, poverty alleviation, as well as supporting the attainment of SDGs (Puriwat & Tripopsakul, 2021). The actual count of SME closures globally remains unconfirmed although UNCTAD (2022) projected 2.6 million SME closures in the Latin America and the Caribbean (LAC) region whereas 80% of Chinese small businesses temporarily shut their doors in February of 2020 (Dai et al., 2021). Whilst the pandemic at its zenith led to the closure and insolvency of businesses (Amankwah-Amoah et al., 2020), it also pressed the surviving small businesses to adopt new and changed operating strategies to guarantee their survival and growth (Verma & Gustafsson, 2020). The 'changed ways' of operating are referred to as adaptive strategies in this study.

Whereas a multiplicity of adaptive strategies were employed by SMEs to avert the challenges posed by the pandemic, the evidence remains not only sparse, but fragmented (country/region/sector-specific) (see Engidaw, 2022; Adam & Alarifi, 2021; Arslan et al., 2022; Dzingirai, Tshuma & Sikomwe, 2021; Hossain, Akther & Sultan, 2022; Murithi, 2021 and Pu et al., 2021). Notable also is the emerging nature of the subject as new evidence is slowly showing up and the pandemic's oscillating nature implies that SMEs might be in the doldrums for long. As such, small businesses are still reconnoitering ways to forestall the challenges that befell them due to COVID-19.

Despite the foregoing, research has shied away from not only consolidating SMEs' adaptive strategies to the pandemic, but is delinquent of a review of the collective effectiveness of the same. A review of SMEs adaptive strategies is a policy imperative in the event of another pandemic as much as it edifies scholarly appreciation of the varied coping mechanisms adopted in different economic environments. Accordingly, this study is structured to assess the feasibility of diverse adaptive strategies whilst considering the peculiar case of SMEs in developing countries as they were overly affected by the pandemic. The understanding is that SMEs contribute significantly to global economies and post the pandemic, SMEs are still exploring further copying mechanisms. Therefore, this paper details adaptive strategies to prop SMEs survival and growth. To the best of our knowledge, we are the first to channel effort towards aggregating and reviewing the disjointed evidence on SMEs' adaptive strategies to mitigate COVID-19 challenges.

As a way of methodology, the paper resorts to a desktop review of literature on SMEs' COVID-19 adaptive strategies from the year 2019 to 2022.[2] Whereas the paper presents evidence on

[2] This is the period COVID-19 manifested across the world and effected unforeseen damage to the economies and the SME sector in particular.

various SMEs' adaptive strategies, care is taken to align the feasibility of such strategies to the context of SMEs in developing countries.[3] Although this research area is nascent, this study benefits from the budding literature and provides insights for SMEs' innovative or practical options to strengthen their business models. To accomplish this, the second section presents the strategies adopted by SMEs to circumvent the pandemic's challenges whilst a discussion of the feasibility of the strategies to SMEs in developing countries is detailed in section three. To end the study, the fourth section proffers policy conclusions.

2. SMEs' COVID-19 adaptive strategies

Literature upholds that whilst the unfamiliar circumstances introduced by crises potentially modifies the business stimulus, the effect of the crises on businesses is a function of management's competency (Mandják, Wimmer & Durrieu, 2017). Accordingly, SMEs embraced several practices and strategies to defy the difficulties introduced by the pandemic (Thorgren & Williams, 2020). Despite the sparse evidence, this section relies on studies that focused on SMEs' COVID-19 adaptive strategies as a way of creating a knowledge portal on the same.

Online Trading

Migration to digital platforms has been viewed by many as an inescapable strategy that businesses had to make use of to access or reach markets. The move to digitalization brought relief to many businesses that were stuck owing to lockdown and restriction in movement. Digital platforms enabled SMEs to reach more clients, in foreign, local and remote locations as well as source resources and inputs worldwide. By realization, the COVID-19 crisis had plenty imbedded business opportunities capable of instilling growth. E-commerce during the pandemic appealed to resident and confined clients owing to movement restrictions, and it also enabled digitalization of markets thereby 'forcing' businesses (SMEs in particular) to adopt online trading and scale their internet infrastructure. The COVID-19 pandemic is reportedly responsible for a 30% boost in retail SMEs operating e-commerce services. In conjunction with social media, e-services enabled retail SMEs to market their businesses online (Beckers et al, 2021). This for many businesses was viewed as the COVID-19 silver lining as it created

[3] MSMEs in developing countries faced the worst COVID-19 brunt and were not adequately cushioned by the state-sponsored stimulus packages.

awareness and allowed businesses to tap into opportunities, they were oblivious of. Most businesses were stretched towards growth.

In the United States, about 51% of SMEs were said to have scaled online interfacing with their customers, 36% of personally operated businesses reportedly conducted all sales online; whilst 35% of entities that altered their operations during the pandemic extended the use of digital payments (Sandberg, Stanford & Buttle, 2020). Many firms quickly embraced online trading, especially those in the food delivery business, entertainment, and clothing sectors.

The inadequate, if not the absence of digital readiness amongst most SMEs came into the limelight during COVID-19. Most SMEs, especially micro businesses embraced digital technology slowly as they lacked funding for the transition. In developing countries SMEs faced particular challenges owing to illiteracy, power shortages and the quality of available infrastructure (Prakash, Kumar, & Verma, 2021). There is mounting confirmation that SMEs that failed to adopt online means of doing business faced higher chances of failure compared to their digitalized counterparts (OECD, 2021).

Change of strategy and business models

Confronted with sudden unpredictability which for some included the threat of extinction, some small businesses had to quickly counteract COVID-19 challenges by innovating or altering the model of the business as an initial reaction to the pandemic's challenges. Small businesses were compelled to change their business models either temporarily or permanently. A study featuring 32 startups in Australia concluded that the pandemic-induced adversities and opportunities instigated changes in business models for most start-ups (Guckenbiehl & Zubielqui, 2022). The crisis also induced the practicing of novel management styles aligned to a quick understanding of the changing business environment, restructuring and transforming operations as well as managing the human resources. This was confirmed by a survey of 259 SME managers in Saudi Arabia with results showing better performance and improved prospects of endurance and continuity (survival) for the SMEs (Adam & Alarifi, 2021). Small businesses are noted to have employed a wide range of business model innovations. Omar et al. (2020), states that SME managers also altered their financing and marketing models to enhance their relevancy in the face of COVID-19-enduced crisis.

Australian exclusive eateries started offering boxed deliveries accompanied with Do It Yourself instructions to enable clients to cook at home whilst breweries transformed their unique selling propositions to deliver groceries with sit-in only diners switching to delivery of food to clients' homes (Cruz, 2022). Clauss et al. (2021) on their case study of 5 SMEs in Austria, Germany and Liechtenstein, also noted small business to have temporarily changed models. Businesses either switched product lines or switched to another industry that was COVID insensitive. A case is mentioned of a cooking oil producer switching to retail (including selling masks, toilet paper and delivery services).

Business model innovations during COVID-19 appear to be endless. In developing countries, businesses in the tourism industry especially lodges and hotels had to temporarily give up their facilities as COVID-19 quarantine or isolation centers. The 2020 Botswana COVID-19 Report informs that the Botswana Tourism Organization (BTO) and the Hotel and Tourism Association of Botswana (HATAB) discussed a possibility to partner with hotels to offer accommodation for all COVID-19 quarantined individuals. These partnerships were done in the bid to generate revenue for businesses that were not sustainable during the pandemic.

A Hungarian survey suggests that whereas 24% of small businesses intended to go back to their pre-pandemic business models, 41% opted to carry on with the business models established during the crisis (OECD, 2020). However, Cruz (2022) notes that SME owners were unsure of the effect of changed business models and value proposition on their brands after the pandemic. From that viewpoint, effecting brand innovation was uncommon with most small businesses as they sort to evade probable losses post the pandemic.

Changing business strategies was also affected by regulatory requirements to enter controlled sectors. There was need to be licensed especially to enter certain sectors that were buoyant during the pandemic, for example shifting to pharmaceuticals. While the South-East Asian report by OECD (2021a) showed that the effect of the crisis warranted modifications and adjustments to prevailing regulatory frameworks such as easing or flexible application, African SMEs lacked government backing and readiness to offer financial support and assurance to ease the situation of affected SMEs (Muriithi, 2021). That coupled with lockdowns, and social distancing made it difficult for change in industry to be seamless. According The Finmark Trust (2020) legal compliance and the political and economic environment led to more business closures post COVID-19 lockdowns.

Identification of new entrepreneurial opportunities

Although COVID-19 prompted some businesses to temporarily close down due to unsustainability of businesses, exceptional businesspersons were creative enough to identify and commercialize new opportunities. A survey done by Stephan et al. (2021) on 5206 entrepreneurs in 23 countries shows that 66.1%, 54.2% and 54.2% entrepreneurs in Australia, Chile and Japan recognized new business opportunities inclusive of digitalization, health and beatitude, resident and foreign, sustainability and novel business models and restructuring of business operations. For example, efforts were on course to backshore production processes to local markets in place of relying on foreign and offshore traders. Opportunities relating to backshoring production processes included new local farmer collaborations in selling their produce to local consumers. However, of the sampled entrepreneurs; Bangladesh, China and Pakistan recorded the lowest count of new recognized business prospects at 9.5%, 18.7% and 19% respectively.

The Business Formation Statistics (BFS) from the U.S. shows that the total tally of applications to register new businesses rose by 20.6% from 2020 to 2021 indicating a surge in entrepreneurial activity. Industries that experienced more growth than others included retail, professional services, construction, transportation and warehousing (Betterton, 2022). This was pinned to the mandatory reformation of companies for the duration of COVID-19. Cloud-based accounting was mentioned to have experienced a melodramatic surge in usage, just like other internet-based services.

Establishing extra sources of finance

Available literature (Orem, 2021; Bell, 2020; Tong, Xie & Xiao, 2021) indicates that crowdfunding[4], Rotating Savings and Credit Associations (ROSCAs) as well as prepayments by customers are some of the adaptive business financing options that small business embraced. As COVID-19 disrupted most traditional funding sources for SMEs, small businesses started to consider innovative financing options such as crowdfunding and blended financing to better manage their financing needs. However, the downside of crowdfunding was that the process was involving and consequently not good for small business owners that didn't have time and energy to undergo the process. Precisely, crowdfunding gained momentum in developed

[4] Crowdfunding is the process of raising money from a group of individuals via online platforms. Crowd funders frequently raise considerable amounts of money without getting loans, using all of their savings, or becoming dependent on venture capitalists or banks

countries like the United States. In many developing countries especially Africa (Chao et al, 2020) and India (Raveena & Sunayana, 2022) the crowdfunding phenomenon was somewhat lagging as it was still at its infancy[5].

Bell (2020) also noted that SMEs in countries with underdeveloped banking systems, underprivileged people, and secluded societies inclusive of people of color bridged their financing challenges making use of the innovation in microfinance such as microloans such as rotating savings and credit associations (ROSCAs) and innovations such as collateral free microloans supported by social capital. ROSCAs involve a group of people who pool funds on a weekly or monthly basis from their personal savings and retained profits and give to members on a rotational basis. The downside of ROSCAs though is their failure to meet all the financing needs for businesses as subscriptions are typically small. In China, as the COVID 19 impact caused revenues to plummet, many companies in the hospitality industry responded by launching prepayment products hoping to realize instant cash flows. The idea of prepayment was hinged on the advantage of financing services and costs prior to delivery.

Networking

A study by Fougesatto et al. (2020) on the role of SME networking capabilities in Brazil during the pandemic concluded that creating partnerships amongst unlocked inter-company communication, strengthened linkages with former business partners, fostered emotional support as well as scaling SMEs' capabilities for lessening the impact of COVID-19 and smoothening inter-company affairs during the crisis. A survey of nearly 50 libraries conducted by the American Library Association ALA (2022) exposed that libraries were collaborating and helping small businesses in need of their assistance during the peak of COVID-19. These services were sought by the worst COVID-affected businesses dealing in food and accommodation, buying and selling of wares, education, shows and performance. The majority of the libraries confessed cooperating with communities through representative groups such as SME associations, NGOs, tertiary institutions of learning and chambers of commerce in an effort to assist business entities.

Bullough and Renko (2018) are imperative of small business owners' partaking in trainings that edify business and corporate development and participate in collaborative workshops that

[5] Crowdfunding especially in developed countries gained momentum during the pandemic. Initially it has raised many doubts and still has many critics as many people are still familiarizing with it.

enable learning ways of overcoming business challenges. The core idea behind networking capabilities in times of crisis is that relationships between organizations amplify the generation of not only strategies but resourcesing businesses during crises (Dyer & Singh, 1998).

Remote work (working from home)

The *State of Remote Work* by Buffer (2021) states that almost 98% of the workforce prefer to work remotely even for the rest of their careers. Internet based platforms like Zoom, Microsoft Teams as well as other interactive tools such as WhatsApp amongst many digital tools ensured the continuity of collaborative work amongst workers. The collaboration of workers was critical during COVID-19 as it heightened morale to workmates separated by travel restrictions and quarantine regulations (The Southern Bank Company, 2022). Remote working countered the movement restrictions which affected the mobility of workers during lockdowns.

Remote work however was not an option for all SMEs. SMEs involved in construction and production in need of actual attendance of workers did not benefit much from remote working. The effectiveness of remote work thus depended on the type of small business, the infrastructure available as well as the economic environment. The Harvard Business Review (2020) notes that the US, Europe and China were ready for remote work while most nations in Asia and Africa seemed ill prepared. Some small businesses did not have the requisite infrastructure in place to successfully shift to remote work. The same challenges were also identified by the OECD (2021) in a policy note which stated that shifting to remote work was not easy for developing economies as most jobs are not designed to be remotely executed or the skills and resources to ensure remote working were lacking.

Reconfiguring budgets and reducing overheads

When the pandemic took its toll, many SMEs' financial well-being decreased thereby curtailing their growth potential. Many of them were compelled to perform business budgets analysis, cut unnecessary expenses, as well as make room to grow their revenues. An Arlington Research commissioned by Kaspersky (2021) based on a survey of small businesses employing less than 250 workers in 22 countries inclusive of Latin America, Russia, Africa, Middle East, North America and Europe, and Asia-Pacific questioned 3,150 managers participating in company budget setting found that 38% of small businesses had to cut their budgets in order to survive. Another 35% scaled down salaries for hours worked; and 34% shut their physical premises; 24% had to cut spending on information technology and tech-support, 19% for online security while 12% laid off workers permanently (see Figure 1).

What is eminent is that SMEs had to reduce costs and survive on a lean budget and in dire circumstances, some costs were neglected despite them falling due. Owing to reduced business viability, some SMEs neglected bill payment (11%), reduced employment costs or stopped employing as well as diverting/stopping new investments. The gist in all this was to remain afloat despite the reduced earnings.

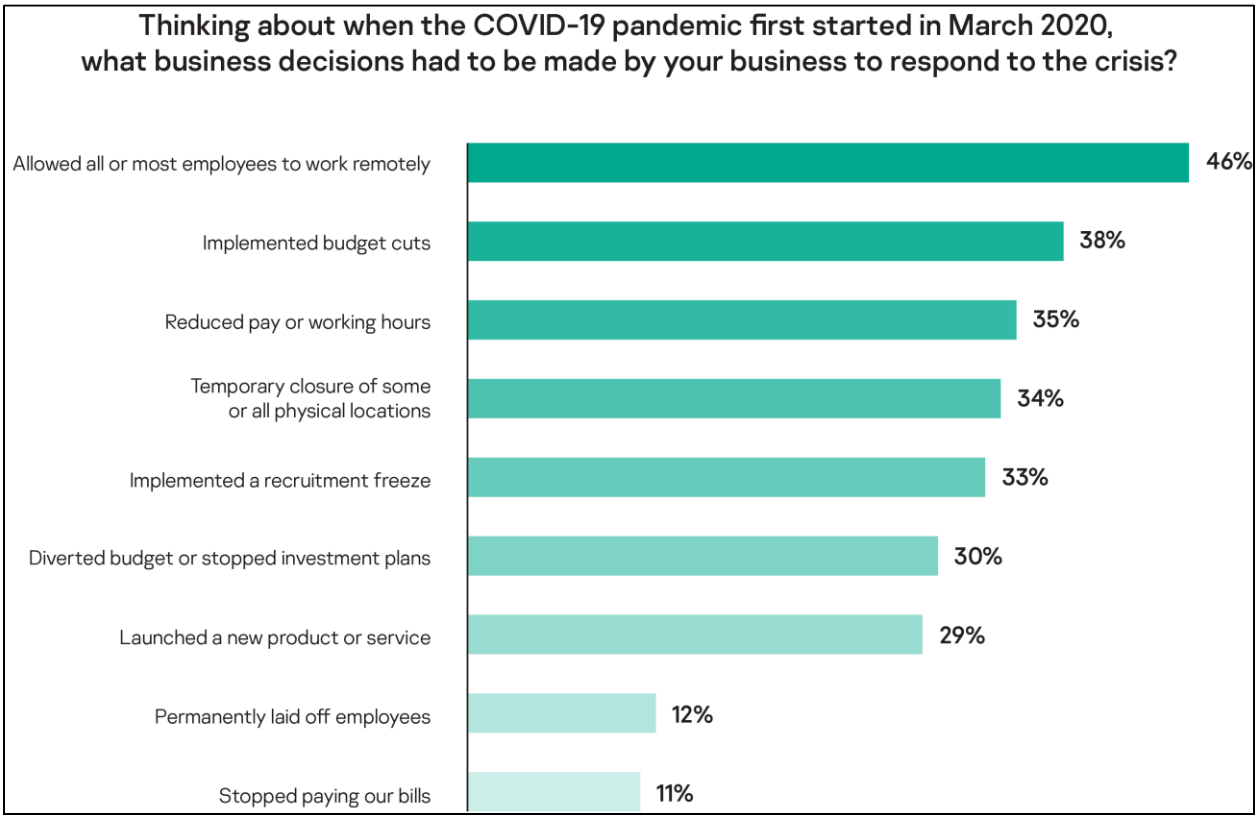

Figure 1: Small businesses' Response to the COVID-19 crisis

Source: Kaspersky (2021)

Re-negotiating debt obligations

COVID-19 related challenges interrupted many small businesses, leading to reduced revenues and consequently making SMEs unable to service loans as they fell due (World Bank, 2022). This prompted small businesses to renegotiate their loans. As an example, some SMEs adopted the debt snowball method where smaller debts were paid quickly[6]. During the pith of the pandemic, Dore et al. (2020) suggested ways of emotionally **s**upporting customers as well as small businesses. One of these includes small businesses' ability to negotiate flexible solutions when dealing with financial challenges. Some SMEs negotiated penalty waivers from financial institutions, grace periods for service termination from utility providers as well as lenience on enforcing late-payment fees for small businesses experiencing hardships. In America, companies were advised to **scrutinize every cost** as every dollar mattered. Companies hanging by a thread were being advised to try to renegotiate contracts with suppliers and landlords, and refinance debt (Kost, 2020). However, the NCRC (2021) points out that there is evidence of discrimination whereby white-owned SMEs had higher bank loan modification approval rate compared to Latino and black-owned SMEs.

Strengthening customer relationships

On account of pandemic-imposed limitations on businesses, it became tough for small businesses whose customer base is usually thin to communicate as well as maintain customer relations in the same way they used to. Small business had to reassess and embrace new ways of reaching customers as well as attract new ones.

According to Kays (2020), close to 45% SMEs sought alternative means of communicating with clients as customer demand and communication are companies' biggest priorities. Some businesses embraced online trading thereby creating a huge social media presence while others engaged personalized email marketing. Turner (2022) added that there were also efforts on the part of small businesses to educate customers to embrace technology, making up for order delays that were unavoidable during the pandemic (examples of which include calling customers and notifying them of delays) as well as relaying COVID-19 protocols and updates on to customers on their social media channels.

It should be noted however that customer service had its own snags as both small business owners and customers were navigating the use of technology. Kays (2020) added that the effectiveness of technological channels depended on the resources that small businesses had at their disposal.

[6]Snowball method involves paying off the smallest of all loans as quickly as possible. Once that debt is paid, funds are rolled onto the bigger debt owed. Ideally, this process would continue until all accounts are paid off.

Resilience Culture

In the face of adversity, SMEs first had to ascertain their survival, invest in continuity and then seek sustainability of operations into the future. Accordingly, SMEs had to embrace resilience capabilities and plans. Resilience goes beyond only adaptive capacity. Instead, it meant learning to counter the new, yet challenging settings to overcome crisis-induced business disruption (Martinelli, Tagliazucchi & Marchi, 2018). Hossain, Akter and Sultana (2022) also affirm this from a small business viewpoint. They highlight that to subsist during the COVID-19 crisis, some SMEs embraced "organizational resilience view" implying that small businesses had imbedded capacity to quickly master the challenges introduced by the pandemic, invent own and case specific solutions and eventually roll out strategies meant to capitalize on the opportunities presented by the pandemic. SMEs adopted a resilience culture whereby they engaged various strategies to go over the challenges and these include "reconfiguration, leveraging, sensing and interpreting, learning and knowledge integration, as well as encourage positive employee relationships to enhance resilience" (Hossain, Akter and Sultana, 2022).

3.The feasibility of adaptive strategies for SMEs in developing countries

Whilst literature suggests the above-mentioned COVID-19 adaptive strategies for SMEs, it is important to consider the feasibility of these strategies in the context of SMEs' operating environment in developing/emerging economies. The success of the adaptive strategies is a function of the obtaining circumstances in developing economies, which in turn determines not only the recovery of the SMEs but the growth and development of the sector. Of note is that SMEs in developing countries had a limited scope of options in mitigating challenges posed by COVID -19. A survey of 17 African countries executed by the African Management Institute (AMI) shows that 87% of entrepreneurs were unsure of the survival chances of their businesses during COVID-19 crisis (Harrison, 2020). The uncertainty was largely attributable to structural problems inherent in many developing countries. Extant literature (COMESA, 2020; OECD, 2020; Hossain, Akther & Sultana 2022; The Graca Machel Trust (2021) reveals that developing countries' SMEs' ability to mitigate COVID-19 challenges is inhibited by stunted financing, delinquent managing, graft, limited exposure and lack of relevant business training, infrastructure challenges, and deficient profits, challenges linked to the hosting of social media, faulty and lagging technologies, as well as the cost associated with digital media literacy. Jolevski, et al (2021) also posit that firms that endured the pandemic managed because they were bigger and more productive, were innovative and used digital technologies and had the advantage of operating in less burdensome environments.

Strategies like online trading, networking as well as remote work where dependent on the possession of digital infrastructure that sometimes demanded substantial investment. In African countries, the digital divide discriminates against rural SMEs thus technology based interventions remained an urban trend and a privilege for big and stable firms. Most SMEs did not have the resources to seamlessly migrate to digital platforms. Instead, they got a sudden call to shift to digital platforms at the zenith of the pandemic. Unfortunately, most SMEs did not have time and capacity to pull together resources to prepare themselves for such sudden and unplanned shifts. A survey of SMEs in Singapore confirms that digitalization is unfordable as supported by 56% of the respondents (Baharudin, 2020). Effectively, SMEs in developing countries could not capitalize on the benefits of online trading.

Developing countries' SMEs' ability to tap into advantages of digital platforms was also hampered largely by the fact that work depended on physical production and markets. Online platforms were not a reprieve for all SMEs in developing economies. Many SMEs function by way of providing physical touch to clients and such businesses serve specific geographical locations, a feature of most informal small businesses in developing countries (OECD, 2020). Businesses in developing countries are largely skewed towards manual work (construction, small scale mining, manufacturing, farming, hairdressing, street vending, mechanics, events, and catering) and as such cannot happen online. Concurrently, consumers had bounded access to the internet, thus the actual digital reach of SMEs to the local market was stifled. A study by Nyanga and Zirima (2020) revealed a drop in SME activity as the effect of lockdowns hindered productivity because small businesses could not shift to the use of digital technologies as their work was dependent on physical presence. Gottlieb et al. (2021) asserts that less than 10% of town jobs in developing economies can be executed remotely and this is characteristic of lowly paid jobs and self-employed individuals whose remote working opportunities are limited.

On another note, those that managed to embrace digital technologies had to compensate by either laying off workers or reducing salaries. A comparison of wages pitying pre and post COVID-19 shows that workers got 22% less than their pre-COVID-19 wages. This was affirmed by a survey executed by Islam et al. (2021) based on 2300 cottage and SMEs in

Bangladesh. As much as some SMEs recorded a steady rise in business returns, they continued paying workers below the pre-COVID-19 levels 6 months post the pandemic.

The ability to tap into other entrepreneurial activities, adopt innovative business models and establishing new sources of finance required that businesses be sufficiently liquid to do so. Inopportunely, SMEs in developing economies especially in Africa have no guaranteed financing sources, and the owners and managers are not only deficient of sufficient business training, but they lack innovative problem solving abilities and they are not financially stable to sponsor their enterprises. Approximately 65 million enterprises constituting 40% of small businesses in developing economies got an annual financing gap of $5.2 trillion. This amount is equal to 1.4 times the present worldwide loaning to SMEs. Why is it so?

Most developing countries financial markets are shallow and thus cannot meet business financing needs. Moreover, the effect of the pandemic also affected financial markets – triggering a further reduction in access to finance (OECD, 2020). Limited access to financial markets, scarcity of resources, unpreparedness and limited managers' tactical options in managing the Covid-19 crisis (Eggers, 2020). Additionally, the support rendered to SMEs by governments in developing countries was minimal and stimulus packages were inadequate to assist SMEs' recovery. This is opposed to the circumstances of SMEs in rich countries where business support schemes and financial access is enhanced (Muriithi, 2021).

Developing countries SMEs had a limited choice of mitigatory strategies save for aligning budgets and reducing overheads, strengthening customer relationships as well as establishing extra sources of finance. Pu et al. (2021) confirm that due to COVID-19 many companies in developing countries downsized and scores of workers were either dismissed or their salaries were reduced. For SMEs in South Africa, the majority cut back on business spending to survive (Kalidas et al, 2020). Businesses also had to maximize on the avenues of strengthening customer relationships by being transparent about their circumstances and engaging customers to support them buy buying local. Smith (2020) suggested that customers can help some businesses during COVID-19 by buying local and buying extra. On the financing side, SMEs had to depend on ROSCAs (Bell, 2020), personal savings and loans from friends and relatives (World Bank, 2020). These could not however meet all their financing needs. Summarily, SMEs in developing countries got to build again post the pandemic as most of them barely managed to survive, scaled down operations or closed operations.

4.Conclusion

The evidence on SMEs' adaptive strategies during the COVID-19 pandemic is still developing and remains not only sparse by fragmented. This study explored and collated the adaptive strategies adopted by SMEs to avert the effects of COVID-19 on the operations and survival of small businesses. Existing literature documents SMEs' response to these challenges to include online trading, business models innovations, remote work strategy, establishing extra sources of finance, among others. However, in as much as adaptive strategies have been employed globally, inopportunely, SMEs in developing countries had a limited choice of these. The effectiveness of the adaptive strategies in developing economies was hampered by structural problems characterizing developing countries. Whereas policy ought to better support SMEs post the pandemic, it remains the responsibility of SMEs to try the broad array of alternative strategies and increase the survival chances and growth post the pandemic.

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