

COVID-19 PANDEMIC AND ECONOMIC CRISIS IN NIGERIA: THE EXPERIENCE OF SELECTED MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN LAGOS AND OSUN STATES

NWAIMO, EZENWAOKE KINGSLEY
Department of Economics
Adeleke University, Ede, Osun, Osun State.
Phone No: +2347034417451
e-mail: kingsheze@yahoo.com,nwaimo.kingsley@adelekeuniversity.edu.ng

&

BANK-OLA, REBECCA FOLAKE
Department of Economics
Adeleke University, Ede, Osun State
Email: rebecca.bank-ola@adelekeuniversity.edu.ng

ABSTRACT

The world was thrown into the worst economic crisis since World War II in the first quarter of 2020 following the outbreak of covid-19 in Wuhan China. The pandemic forced many economies in the world to lockdown making economic activities to come to a standstill. Nigeria Micro, Small and Medium-sized Enterprises (MSMEs) have been the worst hit by this crisis due to the fragile nature of Nigeria economy before the lockdown. Considering the enormous contributions of this sector to the Nigerian economy, it is obvious that anything that affects this sector would automatically affect the entire microeconomic landscape in the country. This study therefore investigated how covid-19 lockdown affected MSMEs in Nigeria. The study used purposive and simple random sampling to select twenty industries and sixty participants (managerial level) within Lagos and Osun States to participate in this study. Using descriptive analysis, it was discovered that the lockdown which lasted for more than five months (March- August,) 2020 has affected many of the MSMEs negatively while few were able to take advantage of the lockdown to diversify their business activities. It was therefore recommended that, prolonging the lockdown would further worsen the situation of these MSMEs, leading to further loss of investments and jobs. Thus, the Federal Government's N50 billion Targeted Credit Facility (TCF) which was a stimulus package for households and Micro, Small and Medium Enterprises (MSMEs) should be judiciously disbursed to save the economy from further sliding into crisis and/or possible recession.

Keywords: Covid-19 Pandemic, Economic Crisis, Nigeria, Experience, Selected Micro, Small and Medium-Sized Enterprises.

Introduction

The world is currently going through one of the worst pandemics in recent history. The Corona virus which was caused by SARS-Cov-2 started in Wuhan China has spread to virtually all parts of the world. Although a public health problem, but the contagious nature and mutation rate has affected every social and economic activity. Nigeria with almost 200 million people, recorded its first case on of corona virus on February 28, 2020. Since then, it has recorded about 21, 371 cases and 533 Covid-19 related deaths. Nigeria on March 30, announced the lockdown of Lagos, Ogun and Abuja. This invariable implies locking down the commercial and political capitals of the country. While this development might affect every aspect of the economy, the micro, small and medium enterprises are the worst affected. This is because; most of them were caught unawares when they have no investment in effective digital infrastructure to support online business.

The timing of the pandemic did not help matters. It started at a difficult time when government revenue was dwindling. Oil prices had started falling from late 2019 and continued in 2020. This gave rise to situation that the government could not fund the budget and had to resort to borrowing up to 1/3 of the budget. According to the 2017 MSME Survey carried out by the Nigerian Bureau of Statistics and the Small and Medium Enterprise Agency of Nigeria (NBS/SMEDAN) MSME study, they account for 76.5% of total workforce and 49.78% of the country's Gross Domestic Production. This implies that their contribution to the Nigerian economy is huge and significant thus cannot be taken for granted. Furthermore, according to the Central Bank of Nigeria 2004 report, the contribution of Micro, Small and Medium Enterprises (MSMEs) to economic growth and sustainable development is globally acknowledged. Thus, there is an increasing recognition of its pivotal role in employment generation, income redistribution and wealth creation (NISER, 2004).

The lockdown has social distancing and physical distancing as the measurable indices of compliance. This had a direct impact of businesses as all were force to shutdown and movements were restricted. This implied that, raw materials and finished goods were piled up in warehouse and shops. Those in service-based businesses could not operate due to restriction in movement. With no form of palliative and limited cash flow, these businesses might be stretched beyond the limits where it would be difficult to remain afloat (Ozili,2020).

Statement of the problem

The covid-19 pandemic and the eventual lockdown have affected the economy negatively. The MSMEs in Nigeria is a significant sector. It employs 84% of total workforce and contributing up to 48% to GDP, this group is like the "skin of the economy". Hence, Muhammad, Abdulkareem, and Chowdhury, (2017) asserted that, cutting it open ("skin of the economy") will mean that the economy will bleed to death. This will lead to massive job loss, loss of revenue, disruption in the financial because some of them are indebted to banks and other financial institutions.

Though Covid-19 lockdown is a strange and a recent development, its economic impacts are real and enduring (Fleurbaey and Maniquet, 2011). Thus, there are few studies on this area and most of the studies have shown an inclusive direction of the economic impact of covid-19 on the economy. A survey by FATE foundation (2020) revealed that, 94.3% of the respondents

reported being negatively impacted by the pandemic particularly in the areas of Cash flow, Sales, Revenue, Salaries and Wages etc. However, about 47% of businesses felt positive that they will survive the pandemic. Even as 30% were certain that their businesses will not survive the pandemic, 22.8% were unsure. Abioye, Ogunniyi, and Olagunju (2020) in a study on impact of Covid-19 on Micro, Small and Medium-sized Enterprises in Nigeria reported that, most businesses are temporarily closed because of covid-19 pandemic. There are largely cases of reduced production, demand, low sales and income even as there are costs that would still be paid for, such as rents and other fixed costs (Ahmed, Alhassan and Alshammari, 2017).

Because this is still an evolving socio-economic reality, many MSMEs are still rearranging their operations and business strategies to survive the pandemic and safe their investment. According to Fleurbaey and Maniquet (2011), while some might not survive the pandemic due to the fact that, the federal government of Nigeria has not provided a clear cut policy that will enable MSMEs to access any economic palliative to hale them remain afloat post covid-19. Individual businesses have resorted to self-help and innovative approaches to survive (Arrow, Sen, and Suzumura, 2010). This study is therefore aims at ascertaining different economic strategies used by selected MSMEs during the covid-19 pandemic in Nigeria.

Research Questions

1. What economic strategies adopted by MSMEs during the covid-19 pandemic to remain afloat?
2. How have these strategies affected MSMEs business operations?
3. What economic supports would MSMEs need to survive Covid-19 economic crisis?

Methodology

This is a survey that combined both primary and secondary data. It will involve collecting different information from business operators or their representative. This is most appropriate method because there is no perfect homogeneity in the participants.

Population

The population for this study comprised of 60 MSMEs drowns from Lagos and Osun States respectively.

Sampling Techniques and Sample

This study adopted purposive sampling and simple random sampling. Purposive sampling was used to select participants who despite the lockdown, did not close down their business. It was used to select those who are willing to participate in online and other forms of electronic survey. Having gotten the cluster, simple random sampling was used to administer the questionnaire.

S/N	Industry	Number
1.	Fashion and Design	15
2.	Manufacturing	15
3.	Retail	15
4.	Education	15

Instruments

Economic Strategies Questionnaire

Economic Strategy Impact Questionnaire (Negative and Positive)

Economic Support Assessment Questionnaire

Data Collection Procedure

Data collection was done online through emails and other forms of electronic survey like Whatsapp and Zoom interview. Data collection lasted for seven weeks (May 30 -July 15, 2020). The reason was that, the first phase of easing the lockdown did not support the MSMEs activities, the second relaxation had a more supportive atmosphere such that more businesses were allowed to operate.

Method of data analysis

Descriptive data analysis was used to analyse the three research questions.

Presentation of Results

1. What economic strategies were adopted by MSMEs during the covid-19 pandemic to remain afloat?

The question was to identify the economic strategies MSMEs adopted to survive the Covid-19 pandemic lockdown. Many of the respondents, 56 percent identified collaboration and partnership as one of the strategies. Most of the respondents 70 percent reported that, production cost reduction (sourcing materials locally) was the strategy they adopted during the Covid-19 lockdown. However, few of the respondents 45 percent stated that, price slash and promotion was their strategy. Whereas, most of the respondents 78 percent affirmed that, affiliate online marketing was part of the strategies they adopted. Furthermore, a good number of the respondents 65 percent explained that, redesigning of products and services was one of the strategies they adopted. Finally, few respondents stated that credit sales and company direct delivery was part of their strategy. These strategies were in combination of other strategies adopted by the respondents.

2. How has these strategies affected the MSMEs business operations?

The question was to ascertain the impact of the survival strategy adopted on the MSMEs. Majority of the respondents 70 percent stated that they were able to deploy more technology (digital marketing, brand promotion, offshore delivery, e-payments). Many respondents 66 percent submitted that innovation of creative skills in handling issues was one of the impacts the strategy had in their business. Meanwhile, 45 percent of the respondents stated that, exploration of new businesses was part of the impact that the strategy had on their business. However, few of the respondents 35 percent, reported that, increase in revenue formed part of the impact. Finally, it was reported by the respondents that, development of new partnerships had 25 percent impact, access to new market had 30 percent impact and diversification and expansion of business had 25 percent.

However, there were more negative impacts arising from these survival strategies. Majority of the respondents 75 percent reported decline in income. 40 percent said they retrenched their staff even as, many 65 percent of the respondents reported a reduction in sales. Majority of the respondents 85 percent stated that, reduced cash flow was one of the impacts of their

business. Many of the respondents, 70 percent submitted that there was wastage of products. In the same vein, 55 percent of the respondent stated that supply chain distortion and high cost of doing business 70 percent were some of the impacts. It was also observed that, 75 percent of the respondents experienced restricted movement of raw materials and finished goods, whereas many of the respondent 70 percent experienced increase in defaulter rate. Many of the respondents 85 percent reported reduction in salaries and wages. Generally, there were more negative impacts than the positive impacts.

3. What economic supports would MSMEs need to survive Covid-19 economic crisis?

This question was to identify the type of support that MSMEs would need in order to remain afloat. While majority reported pecuniary incentives, only 10 percent of the respondents had access to the 50 billion FG MSMEs bailout fund. The remaining 90 percent were yet to access the fund. Furthermore, most of the respondents 80 percent stated that, access to funding was a support that they would need. However, few of the respondents 35 percent reported that, tax holiday will assist their businesses. Many of the respondents, 50 percent maintained that, lower interest loans would be a good support. Similarly, 65 percent of the respondents reported that, more access to the market was an urgent support they would need. Some respondents 40 percent stated that, extended moratorium would be a huge support. It was observed that, many of the respondents 50 percent identified technology support as a needed support. Moreover, 65 percent of the respondents submitted that, more collaboration will assist their businesses. Meanwhile, 70 percent of the respondents explained that, mentoring and business support initiatives will form a huge support to them. Finally, more than half of the respondents, 60 percent reported that; enhance power supply and low tariff will boost their businesses.

Conclusion

Covid-19 pandemic affected many businesses in the world. In Nigeria, one of the worst hit sectors was the MSMEs sub-sector. However, amid the pandemic, many MSMEs devised strategies that helped them to remain in business. While these strategies impacted positively on some businesses, it impacted negatively on the majority of the MSMEs. Hence, there was urgent need of government support to assist the MSMEs in Nigeria.

Recommendations

Based on the study, the following recommendations were made:

1. Whatever strategy adopted by the MSMEs during the covid-19 pandemic and it was effective must be reinforced after the pandemic. These strategies could be used to complement the usual business strategies.
2. Most of the business strategies had positive impacts despite the Covid-19 lockdown. As the lockdown has been relaxed, these strategies should be extended to new areas and new technology could equally be deployed for greater efficiency.
3. Most MSMEs experienced cash flow problem during the covid-19 lockdown. Hence, the Federal Government's N50 billion Targeted Credit Facility (TCF) which was a stimulus package for households and Micro, Small and Medium Enterprises (MSMEs) should be expedited to save the economy from further sliding into crisis and/or possible recession.

References

- Abioye, O., Ogunniyi, A., and Olagunju, K., (2020). Estimating the Impact of COVID-19 on Small and Medium Scale Enterprise: Evidence from Nigeria.
- Ahmed, H. G., Alhassan, S. M., and Alshammari, F. D. (2017). Social welfare scheme; a neglected component of public health care services in Nigeria. *MOJ Public Health*, 5(3), 101-104.
- Arrow, K. J., Sen, A., and Suzumura, K. (Eds.). (2010). *Handbook of social choice and welfare* (Vol. 2). Elsevier.
- Fate Foundation and Budget It (2020). Impact of COVID-19 on Nigerian MSMEs.
- Fleurbaey, M., and Maniquet, F. (2011). *A theory of fairness and social welfare* (Vol. 48). Cambridge University Press
- Central Bank of Nigeria (2004), Draft National Microfinance Policy and Regulatory Nigeria <http://www.cenbank.org/OUT/PUBLICATION/DRAFT/DFD/2005/MICROFINANCE%20POLICY.PDF> Accessed on June.23, 2020.
- Nigerian Institute of Social And Economic Research (NISER) (2004), Baseline Economic Survey of Small and Medium Scale Industries in Nigeria, National Synthesis Final Report; Survey of Existing Small and Medium Industries Part A (Chapters 1-4), SUBMITTED to Implementation Committee On Baseline Economic Survey of SMIs in Nigeria.
- Muhammad, F., Abdulkareem, J. H., and Chowdhury, A. A. (2017). Major public health problems in Nigeria: a review. *South East Asia Journal of Public Health*, 7(1), 6-11.
- SMEDAN (2017), 'National Policy on Micro, Small and Medium Enterprises. <http://www.smedan.gov.ng/search.php?searWords=National%20policy%20on%20MSMEs>.> Assessed May. 23. 2020.
- Ozili, P (2020). Covid-19 pandemic and economic crisis: The Nigerian experience and structural causes. *Research Gate*.