

POST COVID EFFECTS ON SMALL BUSINESSES IN NIGER

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ABSTRACT

There will be need for learning new skills and having new mind set to deal with this new normal. Businesses and humanity today are faced not only with the COVID-19 pandemic, but with ground shifting disruptions on the business, technological, environmental, trade and financial fronts as well. These challenges are so complex, global and interrelated that no government or intergovernmental organization will be able to solve them alone. The post-pandemic recovery period provides a unique opportunity for global cooperation to rebuild the local and international order in the fields of local, national and multilateral trade.

Introduction

The year 2020 will no doubt go down as one of the memorable years that changed the global economy significantly. The pandemic with its origin from China that eventually found its way into almost all the countries of the world has affected businesses, people, places and governments in a way that has changed the way businesses are run and operated. In order to stem the ferocious tide of this deadly pandemic, countries after countries adopted measures aimed at curbing this Virus. Initially, the seriousness and the danger of this Corona Virus were downplayed not until thousands and millions were affected with deaths in six figure digits emerging that strict measures were then introduced by the affected countries and other preventive measures taken by other countries. In Africa and especially Nigeria, fears were expressed as to our preparedness and response to this ravaging virus.

Through some cheer Divine intervention, the fatality rate pointed south to the relief of everyone. However, what the Covid 19 missed in human fatality in Nigeria could not be said of businesses as lots of

businesses ran under and others totally obliterated due to the impact and measures adopted by Government to stem the spread of the Virus. The Covid-19 pandemic has revealed the frailties of many SMEs and from a trade perspective there are now many additional issues to address.

The disruption of supply chains saw 'lead' firms passing many of the risks to SMEs in developing countries, resulting in widespread job losses and bankruptcies. In Nigeria, there are about 41, 543, 028 enterprises designated as Micro, Small and Medium Enterprises (MSMEs) accounting for 99.8%, 0.17%, and 0.004% respectively with Lagos, Osun, and Oyo as the top states with the highest number of SMEs (NBS, 2017). SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment. Micro-enterprises are small businesses with less than 10 employees and have less than 5millionNaira in assets excluding lands and buildings. Unsurprisingly, a large majority of micro-businesses are sole proprietorships.

SMEs however, have more distributed ownerships with 65% as sole proprietorships, 21% as private limited liability companies, 6% as faith-based

ownerships, and 5% as partnerships (NBS, 2017). With the larger number of enterprises in Nigeria being a micro-enterprises, any business and economic shocks will unavoidably affect various sectors and livelihoods of many citizens. As the world is currently being ravaged by the COVID-19 pandemic, nations are grappling with how to contain the spread and limit its effect within their borders. The government has used different measures to control the spread of the virus and these include the closure of airports, schools, market places, and worship centers among others. The closure by the Federal Government of Nigeria started on 30 March 2020 with Federal Capital Territory, Lagos, and Ogun States having the first share being the first states with the COVID-19 cases in the country (Presidential Task Force on COVID-19, 2020).

Impact of Coronavirus-COVID-19- on Nigerian SMEs

Economically

It is not deniable to conclude that, there are many other disruptions caused by COVID-19 especially for public and private sectors where there are closures of business activities. It has significantly affected global economy in general and Nigerian economy in particular. The negative impact of COVID-19 manifests significantly on the economic activities in the country. Undoubtedly, the health impact of the COVID-19 is an integral part of economic implication of COVID-19 because it was devastating for business transactions. Most business transaction since the outbreak of COVID-19 recorded low sales whereby most SMEs reported decline and financial losses in the source of income. However, prior to the outbreak of COVID-19, literature has shown a concern about the challenges of financing of SMEs towards its effective performance.

Financially

A lot of SMEs were indebted to the banks and could not service their loans due to low patronage occasioned by lockdowns and business closures. The debilitating financial effects of the pandemic on small businesses created cash flow problems as many could not pay their workers and had to shut down their operations.

Profitably

The consequential effects of the pandemic affected bottom line as sales and income plummeted. Many businesses could not make profits and several of them reported losses.

Sustainability

Many small scale businesses could not sustain their pre pandemic operations. Many of their clients and customers were greatly affected by the measures taken to curb the virus by the government and this led to many business been unable to sustain full operations. Many who asked their workers to work from home could barely break even.

Debt repayment

Many of the SMEs had to start renegotiating their loans but some could not survive and this led to high rise in loan defaults and this further impacted their ability to further access more credit.

Socially

The outbreak of COVID-19 in Nigeria has virtually affected all facets of life such as: education, social activities, political, governance, and economic dealings. More importantly, the economic experts have noted that, the impact of COVID-19 pandemic has gone beyond what SMEs can cater for in Nigeria. Many businesses had to cancel their social engagements with their clients as interactions were restricted to only family members at a time. Those given to clubbing and partying could not do so as businesses in the hospitality.

Business disruptions

Operations of many small businesses were disrupted. Travel bans were imposed and even after those restrictions were lifted many businesses could not restock.

Effects on Supply chain

The lasting effects of the pandemic are as yet unknown, but it has disrupted supply chains, reduced international travel by about 70%, crashed commodity prices – particularly of oil and metals – and reduced exports of skins and leather products, footwear, vehicles and clothing by over 20%. China, the European Union and the United States account for over 63% of supply chain imports and 64% of supply chain exports and are major importers of raw materials, parts and components, meaning that their lockdowns had global ramifications.

Business closures

According to the National President, Association of Small Business Owners of Nigeria (ASBON), coronavirus has created negative impact on the overall operations of SMEs in the country. It is due to this negative consequence that, there are a lot of cut downs in the production. It is observed that, many businesses especially Small and Medium Enterprises (SMEs) in Nigeria have collapsed as a result of negative effect of the COVID-19 pandemic. There is vulnerability with regard to the business transactions especially SMEs despite the fact that, priority has been given to protection of life and health conditions of the citizens. 41.3% of businesses reported that they were temporarily closed because of COVID-19. A far smaller number— 1.8%—reported that they were permanently closed because of the pandemic. By contrast, only 1.3% reported that they were temporarily closed for other reasons; 55.5% reported that they were still operational.

Movement and Travelling restrictions

However, the pandemic of coronavirus or COVID-19 has caused more than enough detriment to all spheres of human endeavors at the international level in general and Nigeria in particular. In the context of Nigeria, COVID-19 pandemic resulting to lockdown in main political and commercial capitals of the country (i.e. Lagos and Abuja). Several efforts have been made to address the health challenge caused by COVID-19. In addition to provoking a decline in merchandise trade, the pandemic crisis has hit services heavily, with travel and tourism among the most affected sectors. During the period from the onset of the pandemic to 7 May 2020, 113 countries imposed global travel bans. The World Tourism Organization estimates international tourist arrivals could decline by 60%-80% in 2020 from a year earlier – a reduction 15 to 20 times greater than during the 2008 global financial crisis. The World Travel and Tourism Council estimates that 100.8 million jobs in travel and tourism are at risk, more than half of them in Asia

The Response of the Government

Indeed, SMEs immensely contribute to the overall economic development of Nigeria but it has not efficiently expanded and strengthened. Nonetheless, literature posits that that are different resources such as oil which significantly have impact on the economic policy formulation in Nigeria and the policy is expected to support the economic condition of the poor citizens in order to achieve sustainable economic growth in the country. Notably, the Nigerian government has solely relied on the oil as the source of revenue and overwhelming studies have canvassed for the diversification of the economy. Nevertheless, COVID-19 has affected the decline in the oil price which is the prime source of revenue to the government. Hence, the government is expected to provide

support and assistance in form of palliative measures to the citizens. At the global level, there has been advocacy for collective effort in addressing multifarious challenges emanating from COVID-19. It has been interestingly asserted by the Director-General of International Labour Organization (ILO), Ryder (2020) that: Workers and businesses are facing catastrophe, in both developed and developing economies... We have to move fast, decisively, and together. The right, urgent measures could make the difference between survival and collapse. Prior to the current scenario of COVID-19 in Nigeria, the country's economy is still evolving and the evolvment has been affected by the COVID-19 which requires urgent measures to address it.

Strategies for Post- COVID-19 Economic Recovery in Nigeria

Undeniably, COVID-19 has caused uncertainties in all spheres of human endeavors. Hence, there has been concerted effort in facing the current reality in the world in general and Nigeria in particular. Many countries worldwide have been responsive and supportive to the citizens in the time of difficulties. The current COVID-19 pandemic is the period at which citizens need attention and support of the government (Ryder, 2020). Undoubtedly, the intervention of the government is very significant especially by concretizing it into short- and long-term plans especially towards coming out of the crisis with strong economic viability as literature contends.

For instance, in the UK, Canada, Europe, US etc., there are support initiatives especially where the government attempt to pay wages of employees at risk of losing their jobs (Ryder, 2020). Concerted effort and effective response of the government can provide meaningful tranquility to the citizens through the provision of palliative measures. Thus, there is emphasis on three major strategies explored in this paper

namely: Government funds support, roles of leaders of SMEs and Emergency Economic Stimulus Bill. Each of these is explained in the subsequent paragraphs. First, as a response, the federal government of Nigeria sought for assistance of \$3.4 billion from the International Monetary Fund; \$2.5 billion from the World Bank and \$1 billion from the African Development Bank in order to bridge the vacuum created by COVID-19 pandemic.

It is not disagreeable to contend that, there was need to diversify various aspects of small and medium enterprises (SMEs) especially manufacturing, agriculture etc. as an attempt to respond to the impact of COVID-19 on the country's economy. Second, the role of leaders of SMEs is significant for an expansion of businesses despite the fact that, the government has been trying to foster health sector in order to respond to the challenge of COVID-19. It should be reiterated that digitization of business operations is also significant for further exploration of business opportunities in the SMEs. In so doing, the support for local production because COVID-19 affected the raw materials importation from China as being incessantly mentioned.

Thus, the government in the recent time especially through Central Bank of Nigeria is giving support for business loans in order to strengthen the existing and new businesses especially towards addressing post COVID-19 economy. This can be considered as a great innovation in making national economy thrive after the scenario of COVID-19. Third, since the current hardship of COVID-19 has potential of losing jobs by some employees, thus, in order to safeguard people's job, the government has taken proactive step through an Emergency Economic Stimulus Bill 2020 before the House of Representatives in order to incentivize businesses to protect the employees.

It is specifically mentioned that, company should not retrench staff between

the 31st March 2020 and 31st December, 2020 with an exception of rationale to a breach of Labour Act. This initiative undeniably is in right direction especially in encouraging the employers to retain their employees and consequently save the loose of jobs. Nonetheless, there is no explicit way through which the government attempts to finance the tax refund and pay its workers. It has been practically demonstrated that the government is interested in ensuring that the employees are safeguarded from losing their jobs. For instance, the Central Bank of Nigeria (CBN) has suspended banks that layoff of their staff without substantial justification or reason (MSMEs, 2020). It is not disagreeable to posit that, the governmental policies should be directed towards giving priority to survival of citizens through effective strategies for economic viabilities. Hence, implication of the study is explained.

Conclusion

There is no doubt that things can never be the same again for businesses in particular and humanity in general. There will be need for learning new skills and having new mind set to deal with this new normal. Businesses and humanity today are faced not only with the COVID-19 pandemic, but with ground shifting disruptions on the business, technological, environmental, trade and financial fronts as well. These challenges are so complex, global and interrelated that no government or intergovernmental organization will be able to solve them alone. The post-pandemic recovery period provides a unique opportunity for global cooperation to rebuild the local and international order in the fields of local, national and multilateral trade.