

## **Covid-19 Pandemic: Impacts on Household and Small Business**

**By**

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### Abstract

The advent of COVID-19 virus can not only be seen as a global pandemic and public health crisis, it has seriously affected the world economy and financial markets. On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic, posting to over 3 million cases and 207,973 deaths in 213 countries and territories. The impacts have severely affected individual economy and business firms. Cost and unemployment have increased, reduction in profit and income, dilapidation in manufacturing industries and disruptions in the transportation service. It is against this backdrop, this paper presents a critical review of negative impacts of the pandemic in the context of Nigeria and proffers solutions on how it can be leveraged to steer towards a better and more resilient economy. The paper diagnosed the danger of relying on lockdowns and movement restrictions. And it also outlines recommendations for economy growth and development in a resilient post- COVID-19 world. It is very obvious that most governments and administrators in the world underestimated the risk of spread of COVID-19 virus, outbreaks are not likely to disappear in the near future, and proactive international actions are required to not only save lives but also protect economic prosperity. Governments will have to strike a balance between health, economic and social policy interventions to mitigate the negative impact of the COVID-19 pandemic measures to prevent the spread of the virus have dampened prospects for economic growth due to the prolonged impact of lockdowns and restrictions on travel and movement of goods and lastly African countries should boost trade by looking at negotiating a free trade area with China.

**Key words:** COVID-19, Economy, Lockdown, Pandemic, SMEs.

### Introduction

Covid-19 pandemic is an unprecedented global crisis, affecting human health and economic welfare across the globe. It is first and foremost a health crisis, with government around the world taking measure to prevent the spread of the virus. Yet the pandemic has also resulted in a planet-wide economic showdown affecting trade, investment growth and employment. A framework for the immediate social-economic response to covid-19 warns the impact of covid-19 for outweighs the health crisis, it affects all societies and economic and their core and therefore will most likely increase poverty inequalities global scale (UN, 2020).

Africa, being a highly vulnerable continent as at the time of writing this paper, the total confirmed cases of covid-19 in Africa stand at 5,820,211 cases; with about 26,494 recoveries and 12,108 deaths recorded (WHO, 2021). These represent a 48.3% recovery rate and about 3.6% fatality rate, respectively. However, there have been a lot of debates on the reasons for the low cases of covid-19 recorded in Africa (World Bank, 2020; OECD, 2020; Diop and Asongu, 2020) it was rather

argued that the low number of confirmed cases of covid-19 recorded in Africa was due to low testing capacity and not necessarily because of location or the effectiveness of containment policies.

Nigeria recorded its first case of covid-19 on 26<sup>th</sup> of February, 2020. This index case

was an imported case by an Italian on a business trip to Ogun state, Nigeria. Consequent upon this and in consonance with the measures taken across the world, the country took various measures to contain the spread of the covid-19 pandemic and these include, full or partial lockdowns, testing, contact tracing, case isolation, among others.

Nigeria and caused suffering to poor citizens was because of weak institutions that were ineffective in responding to the pandemic and the lack of adequate social welfare programme that would have catered for majority of the poor citizens and vulnerable citizens who were affected by the crisis.

### Statement of the problem

There is no doubt therefore, that one of the greatest problems that bedevil Nigeria economy today is as complex and intractable as finding a best way in

tackling its spread among people. The spread of the COVID-19 virus continues disrupting economic activities and negatively impacts manufacturing and service industries. And also the lockdown has led to major revenue drops for most and the survival of many is at stake. With the majority of the country's employment depending on the health of small and medium-sized enterprises.

### **Objective of the study**

The principal objective of this study is to examine the impacts of the COVID-19 pandemic on micro, small and medium-sized enterprises and households in the context of Nigeria.

### **Conceptual exploration**

#### **The impact on the Nigeria economy**

Before the pandemic, the Nigeria government had been grappling with weak recovery from the 2014 oil price shock, with GDP growth tapering around 2-3% in 2019. In February, the IMF revised the 2020 GDP growth rate from 2.5% to 2%, as a result of relatively low oil prices and limited fiscal spaces. Relatedly, the country's debt profile has been a source of concern for policy makers and development practitioners as the most recent estimate puts the debt service to revenue ratio at 60%, which is likely to worsen amid the steep decline in revenue associated with falling oil prices. These containing factors will aggravate the economic impact of the COVID-19 outbreak and make it more difficult for the government to weather the crisis.

#### **Lockdown: The impact on small businesses**

Small companies tend to be vulnerable during an economic crisis, in part because they have fewer resources with which to adapt to a changing context. The ICT COVID-19 Business Impact Survey gathered evidence on how the pandemic affected 4,467 companies in 132 countries. Analysis of this data collected from 21 April-2 June 2020 shows that the pandemic has strongly affected nearly two-thirds of micro and small business operations, compared with about 40% of large companies. One-fifth of SMEs said they risked shutting down permanently within three months. In Africa, two out of three businesses

said they had been strongly affected by COVID-19, mostly involving reduced sales (75%) and/or difficult access to inputs (54%). Service companies have been the hardest hit around the world in accommodation and food service. For instance, 76% of surveyed firms said partial and full lockdowns strongly affected their business operations.

### **Shutdown impacts**

Have affected countries and regions where the pandemic led governments to adapt measures shutting down economic activity. Such containment efforts have hit hardest in tourism, travel, wholesale and retail, hospitality and entertainment. In the short run, governments in affected countries have focused on keeping SMEs in these sectors afloat.

### **Shutdown risk higher for smaller and youth-led firms**

SMEs are likely to face more severe resource constraints than larger firms and thus find it harder to survive when negatively affected by the COVID-19 crisis. Not surprisingly, one-fifth (21%) of SMEs reported that they risked shutting down permanently within three months, highlighting the need for rapid government action to assist some companies. Youth-led firms were also at higher risk of permanently closing their business. About 26% of youth-led firms reported that they risked shutting down permanently within three months, compared with 18% for non-youth-led firms.

Youth-led companies felt more threatened by pandemic-induced bankruptcy than those in other companies. This contrasts with the survey findings regarding severity of impact, where the percentage of young entrepreneurs that reported being strongly affected by COVID-19 was similar to the rest of the population.

It suggests that even though youth-led firms may be no more exposed than others to the pandemic's economic impacts, they are more susceptible and less able to cope. Even after taking into account that youth-led firms tend to be smaller, it appears they find it harder to adapt to turmoil. Possible reasons include lack of diversification, social networks, experience and access to resources.

The data also indicate that young entrepreneurs have had a somewhat different attitude to government support measure during the covid-19 crisis; young entrepreneurs found it easier, on average, to access information and benefits from covid-19 related government assistance programmes. They were significantly more likely to view rent subsidies as most helpful, for example employment programmes and support to self-employed people were popular among young people. In Nigeria the federal government came up with an economic sustainability scheme named as survival fund, to assist the small and medium entrepreneurs with a grant and covid-19 TCF loan and also special public work which was targeted to employ about 774,000 young Nigeria across the country for the period of three months and with a monthly stipends of #20,00 each.

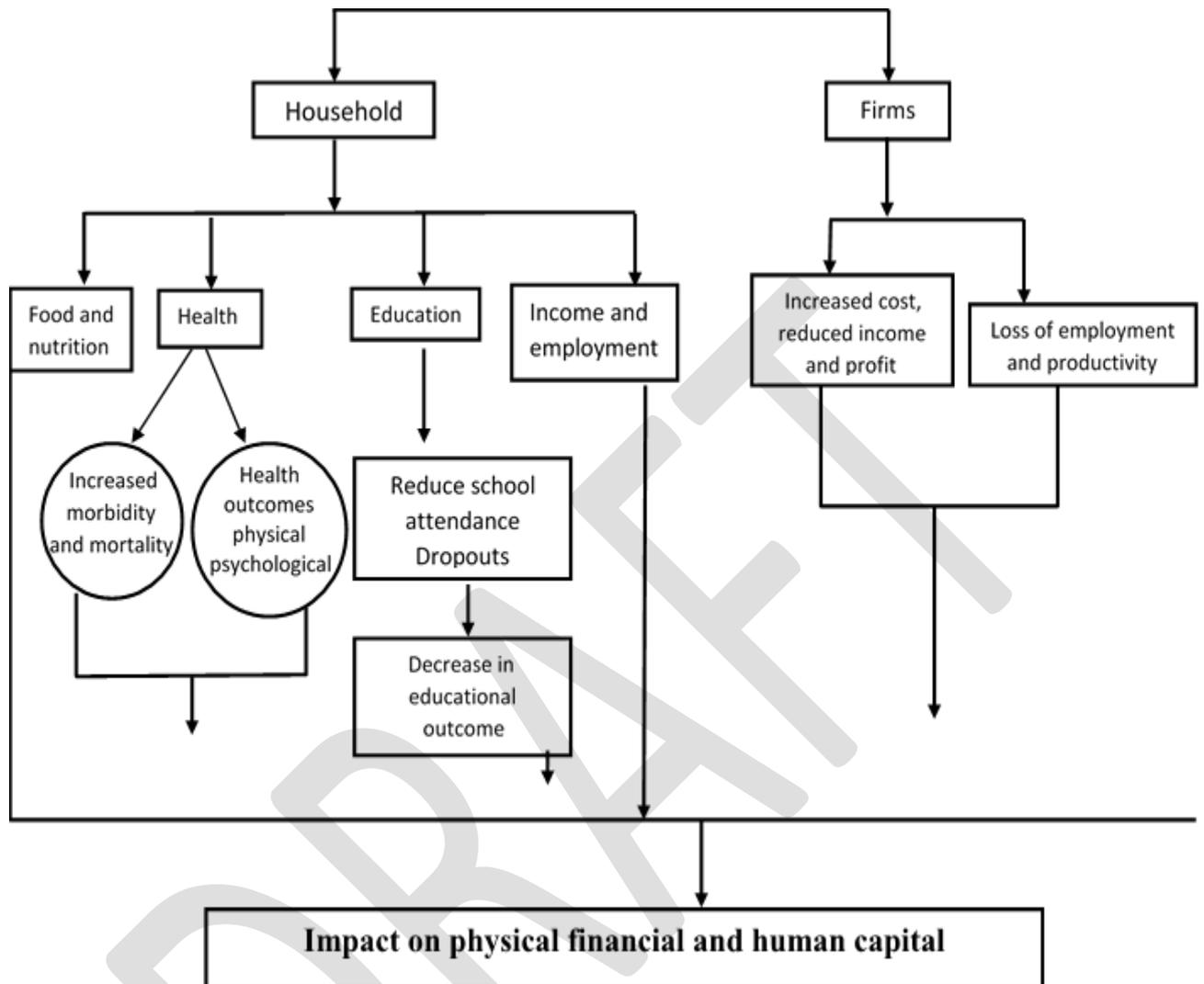
#### **Micro economic consequences**

Currently, it is difficult to properly assess the economic consequences of Covi-19 at household level and firm levels. This is due to the mobility of conducting household survey which has restrained

the possibility of carrying out research in this particular are of knowledge, the paper discusses possible micro economics consequences based on recent literature available at national and international levels.

The micro economic consequences of COVID-19 can be experienced at household level and at the firm level. At household level, the major effect will be on food security, health, education and labor market. At firm level, the businesses will suffer from increasing cost, reduced income, profit, and loss of productivity in the workplace. The disproportionate effects, however, are on poor and vulnerable. The world Bank (2020) estimates that the pandemic will push 49 million people into extreme poverty in 2020 with about 16 million (32 percent) in south Asia alone, second to sub-sahara Africa. Accordingly, south Asian countries, including Nepal, that have experienced rapid declines in poverty will face a significant decline in food security and rise in malnutrition among children (The world Bank 2020).

**Chart 1: A frame work for the microeconomic consequences of covid-19**



### **The fall in household consumption**

In Nigeria partial or full restrictions on movement, thus causing consumers to spend primarily on essential goods and services, low expectation of future income, particularly by workers in the gig economy that are engaged on a short-term /contract basis, as well as the working poor in the information economy and the erosion of wealth of the decline in assets such as stocks and home equity the federal government has imposed the lockdown in Lagos and Ogun states as well as Abuja which have the highest number of corona virus cases combined sub national governments have quickly followed suit by imposing lockdown in their state. Nigeria has a burgeoning gig economy as well as a large informal sector, which contribute 65 percent of its economic output movement restrictions have not only reduced the consumption of nonessential commodities in general, but have affected the income generating capacity of these groups, thus reducing their consumption expenditure.

### **Food Insecurity**

Since the pandemic began, the rates of moderate or severe food insecurity among Nigerian households have increased significantly – for most households, reduced incomes due to business closures and job losses, has coincided with an increase in food prices.

The Food and Agriculture Organization (FAO) defines food insecurity as a situation that exists when people lack regular access to enough safe and nutritious food for normal growth and development and active and healthy life. This may be due to the unavailability of food and or lack of resources to obtain food. Severe food insecurity is akin to hunger and defined as when people have run out of food and gone on entire day without eating at times during the year. According to the National Bureau of Statistics (NBS) August 2020 Covid-19 impact monitoring report, 68% of Nigeria households experienced moderate or severe food insecurity in August, down from 76.8% in June and almost double the rate of 37% measured in the NBS Jan/Feb 2019 General Household panel (GHS) post-harvest survey.

The health implications of pandemic are both physical and mental. A though statistic show that elderly population are disproportionately affected from covid-19 in terms of infection, hospitalizations and deaths, the resultant physical and mental health problems can be a concern for all age groups, specifically, under 5 children are particularly affected due to poor nutritional intake (originating, for example, in food supply disruptions) and irregularity in their immunization schedule (originating in reduced mobility). Studies have shown that the nutritional status and immunization has an effect on physical and cognitive development in the short run, and consequent effect on labor market outcomes in the long run (Alex- Petersen, 2017; Bloom, Canning, and Shenoy, 2011; Butikofar, Molland, & Salranes, 2018; MCGovern, Krishna, Aguayo, & Subramanian, 2017)

### **Methodology**

The researcher adopted content analysis as the research methodology, in it, he used some other literature of other authors in the field and after review, drew conclusions.

### **Conclusion**

This study has examined the micro economic impacts of covid-19 pandemic in Nigerian. In estimating the effect of covid-19 related shocks, and findings have shown that the covid-19 pandemic has insignificantly caused a decline in basic microeconomic variables in Nigerian. This was consequent upon the Sunday measures taken the spread of the virus. The number of infected cases has therefore had significant correlations with economic activity. More so the study revealed that the majesty of small and medium businesses, particularly in manufacturing, hare experienced a severe decline in access to inputs, alluding to the risk of over reliance on international rather than regional or domestic supply chains.

### **Recommendations**

- In order to address the economic crisis, government should have scrambled to alleviate the impacts of covid-19 on small

business, introducing policies to help them cope with the short-term financial risks and long-term business implications.

- Although there is a cash transfer program in place, the federal government should improve efforts towards enhancing the efficiency and effectiveness of the distributive mechanisms to reach households that are worst-hit by the pandemic.
- There is also a need to bring about a policy coherence across various sectors. For example, an integrated approach to manage health and education crisis is important since they are both critical for over-roll development of human capital, resilience in one sector without the in complete and meaningless. In this context, it is also important to ensure that there is no coordinator failure. For the effective handling of the crisis, it is important that there is both a vertical and horizontal coordination of government both across and within different tiers of government and lastly African countries should boost trade by looking at negotiation at free trade area with China.

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## AWARDS & ACHIEVEMENTS

- Award of Excellence from Nation Association of Niger State Student Ahmad Bello University zaria, Chapter.

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