

**CORONAVIRUS PANDEMIC: BUSINESS AND FINANCIAL IMPACT ON
NIGERIAN ECONOMY**

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Abstract

Countries have moved away from multilateralism and responded by fighting for themselves with several measures to protect their people and economies, regardless of the spill-over effects on the rest of the world as a result of coronavirus pandemic. Expectedly, government and businesses in Nigeria were not prepared for a disruption of this magnitude foisted by the COVID-19 and are now actively making plans and formulating policies to survive the pandemic. As a country solely depending on oil to drive the economy, the COVID-19 effect hit the nation harder than well-diversified economies. Its in this light that the study concludes that Nigeria have to use this crisis as an opportunity to reconstruct the country and its economy. The economy shutting down and the overloaded public healthcare systems show that the entire economic system needs to be reinvigorated as the lockdown shown how vulnerable people could be in the face of nature.

Key words: Covid-19 pandemic, Business Impact, Financial Impact, Monetary Policy, Fiscal Policy, Recovery Paths.

Introduction

It is unfortunately indisputable that the Novel Coronavirus Disease (COVID-19) outbreak in China has quickly spread over the world and significantly affected it. This crisis is a major public health and economic concern with long-term global consequences. The Nigerian Centre for Disease Control (NCDC) reported 58,848 cases as of September 30, 2020, with 50,358 patients discharged and 1,112 deaths. While the economic losses have already been extraordinary on multiple fronts, the toll continues to rise. Countries all across the world have moved away from multilateralism and responded by battling for their own interests, implementing a variety of policies to safeguard their own people and economies, regardless of the consequences for the rest of the world.

Nigeria's government and industries, predictably, were unprepared for a disruption of this magnitude wrought by COVID-19, and are currently busy making preparations and devising regulations to withstand the pandemic. Similarly, Nigeria's economy would see varied degrees of contraction (Aref-Adib & Martin, 2020). The COVID-19 effect will hit a country that relies primarily on oil to drive its economy harder than a country with a well-diversified economy. Previous forecasts of strong economic growth through 2020 have been revised downward. COVID-19 has triggered this event, which has been exacerbated by concerns about a large drop in oil prices due to an excess supply of crude oil around the world.

Following weeks of quarantine to prevent the virus from spreading further, governments have gradually eased restrictions in order to resurrect their economies. Should this be successful, COVID-19's influence may be limited. However, if the number of verified cases continues to rise, full lockdown may be reinstated for longer periods of time. As a result, aggregate demand may continue to suffer for the rest of the year as consumers and businesses are forced to cut back on spending.

In response to COVID-19, the government is bolstering the Nigerian economy by offering a combined stimulus package of roughly 3.5 trillion in targeted measures to individuals, firms, and manufacturers, according to CBN governor (2020). These initiatives are intended to aid the federal government in its immediate fight against COVID-19, as well as to help the Nigerian economy become more resilient and self-reliant. Countries may continue to turn inward, and globalisation as we know it today may be extinct for a generation. Nigeria as a country cannot continue to rely on wealthy countries for food, education, and healthcare. The moment has come for Nigeria to fully transition into a modern, smart, and inclusive economy that is self-sufficient, rewards hard effort, protects the poor and vulnerable, and can compete globally in a variety of important sectors (Adekoya & Aibangbee, 2020).

FINANCIAL/ECONOMIC IMPACT OF COVID-19

The federal government has relied on crude oil exports as its principal source of revenue since 1960, leaving its finances vulnerable to oil price fluctuations. Prior to the COVID-19 issue, the latest data suggest that government health spending per capita was relatively modest, at \$27.84, according to Aref-Adib and Martin (2020). With crude oil exports accounting for 76 percent of Nigeria's foreign exchange (and 11.8 percent of GDP), the 60 percent drop in oil prices since the start of 2020, to below \$30 a barrel, has significantly cut export revenues. Export revenues are expected to drop by \$5 billion (1.3 percent of GDP) in three months and \$8.6 billion (2.2 percent of GDP) in six months as a result of the reduction. The oil price shock alone is expected to reduce the value of exports by 34% over the course of the year. The COVID-19 crisis has resulted in depleted foreign exchange reserves and significant pressure on the naira, Nigeria's currency. The stock market is likewise in the red. Nigeria's current inflation rate is 13.71 percent for the month of September 2020. (Aref-Adib & Martin, 2020).

The federal government has identified 10.65 million people across the country as being eligible for cash transfers. However, it is unclear how people without bank accounts, which account for roughly 60% of the adult population, will be able to receive these payments, especially given the country's low adoption of mobile money. Over 2 million internally displaced individuals escaping the Boko Haram conflict will receive two months' worth of food supplies in the coming weeks.

Businesses have benefited from President Buhari's instruction to institute a three-month moratorium on all TraderMoni, MarketMoni, and FarmerMoni loans with immediate effect. This moratorium also applies to loans made by the Nigerian Export-Import Bank, the Bank of Agriculture, and the Bank of Industry that are backed by the federal government.

The Petroleum Product Pricing Regulatory Agency decreased the price of gasoline from 145 (\$0.37) to 123.5 (\$0.32) per litre starting of March 18th, 2020. It is thought that by encouraging mobility inside the country during the epidemic, this will not increase the population's exposure to the virus.

Donors' assistance

The Jack Ma Foundation has provided 20,000 testing kits, 100,000 masks, and 1,000 medical use protective suits and shields to Nigeria, as well as other African countries. The country also intends to raise \$6.9 billion (1.7 percent of GDP) from multilateral lenders, with the IMF

contributing \$3.5 billion, the World Bank \$2.5 billion, and the African Development Bank \$1 billion (Camron & Sarah, 2020).

Rich Nigerians and philanthropists have made significant contributions. Tony Elumelu, the chairman of the United Bank for Africa, made a N5 billion (\$12.9 million) commitment to provide beds for isolation centers and intensive care units. Nigerian Aliku Dangote, Africa's richest man, and other business leaders have contributed N1 billion (\$2.57 million) each to help the government combat the pandemic (Camron & Sarah, 2020).

Monetary and Financial Policy

The Central Bank of Nigeria has maintained its present monetary policy rate in response to the crisis, but has also implemented a number of extra measures. The official exchange rate has been lowered by 15%, easing downward pressure on the Nigerian currency (Aref-Adin & Martin, 2020). This is part of a larger effort to unify the numerous exchange rates in the investor and exporters window (the official foreign exchange rate), as well as the retail and wholesale windows. The Central Bank has now agreed to allow the official foreign exchange rate to fluctuate in accordance with market forces.

In addition, the Nigerian Central Bank has lowered interest rates on all of its interventions from 9% to 5% and established a N50 billion (\$139 million) targeted loan facility. It injected N3.6 trillion (2.4 percent of GDP) into the banking system as liquidity. This includes N100 billion (\$257 million) for health care, N2 trillion (\$5.14 billion) for manufacturing, and N1.5 trillion (\$3.86 billion) for damaged companies in the real sector.

Business Impact of COVID-19 and Recovery Paths

The uncertainty in Nigeria's financial market has ramifications for the economy and, as a result, for businesses (Ekeruche, 2020). This study found that if firms lose capital and investors lose money, both corporations and people are inclined to cut back on their spending. It means that fewer investors will be ready to inject money into enterprises to ensure their long-term viability, while lower consumer purchasing power naturally lowers business returns.

Non-essential businesses will be forced to close temporarily, reducing productivity and production. For example, the research noted that the detrimental impact of the closure of a fabric plant in China that supplies raw material to practically all textile mills in Nigeria should be considered. In this event, Nigerian businesses will be compelled to shut down or function at a reduced capacity. Non-essential commodities will also be less in demand due to

the stay-at-home laws and the uncertainty brought on by the epidemic. As a result, because most businesses deal with non-essential commodities, this tendency will continue to spell death for them (Sanni, 2020).

The worries stemmed from Nigeria's excessive reliance on imported items over locally produced goods. Nigerian traders, according to experts, will face a number of obstacles as a result of the COVID-19 outbreak. Because the market is in a panic, the manufacturing process of goods will be disrupted, resulting in inflation and shortages in the market.

According to Sanni (2020), Nigeria's overdependence on imports means that the country produces essentially nothing, implying that businesses' output will inevitably decline, jeopardizing their long-term viability.

The Central Bank of Nigeria (CBN) is hoping to mitigate the economic impact of the coronavirus pandemic by lending money to industries, businesses, and individuals that have been hit the hardest by the virus (Ekeruche, 2020). The overall cost of the stimulus program is \$9 billion dollars. It included 129 million dollar loans to hoteliers, homes, and airlines, 387 million dollar loans to the healthcare business, and 2.6 billion dollar loans to the manufacturing industry (Adekoya & Aibangbee, 2020). The loans are available at a 5% interest rate.

Nigeria's federal government is delaying the reimbursement of business intervention funding. The CBN's loans are intended to assist critical sectors in surviving, particularly the pharmaceutical and manufacturing industries, by allowing them to tap into local production and reduce their need on foreign exchange for imports. Businesses, on the other hand, will require greater government lending assistance to stay alive. Taking on too many loans, on the other hand, will be difficult for some businesses, and if the pandemic continues, the CBN will have to accept that the majority of these loans will become bailouts with no payback. Nigeria may face an oncoming recession as a result of the COVID-19 pandemic's economic impacts (Adekoya & Aibangbee, 2020).

The recession will be triggered by a decrease in productivity in general. Additionally, limiting travel will result in a considerable drop in income, consumer expenditure, and economic output (Ozili and Arun, 2020). Most economic slowdowns, on the other hand, are triggered by financial or supply and demand chain shocks; the coronavirus pandemic will combine all of these shocks together. Financial market disruptions would be the result of the shocks to the financial system. At the same time, the demand and supply chains will be influenced by uncertainty and movement restrictions, which will limit consumer spending

and lead to the closure of companies and service providers. The Nigerian economy will suffer as a result of the combination of these consequences.

The Central Bank of Nigeria, as the country's monetary authority, has maintained its present monetary policy rate while also introducing a slew of financial policy measures aimed at mitigating the detrimental effects of COVID-19. The CBN's initiatives include granting a loan repayment moratorium, aligning the official exchange rate with market forces, devaluing the exchange rate by 15% to relieve downward pressure on the naira, and unifying the multiple exchange rates. In addition, the CBN has lowered the interest rate on all of its initiatives from 9% to 5% and has made available N50 billion (\$139 million) in targeted lending facilities for company development.

The Central Bank of Nigeria (CBN) has also injected N3.6 trillion (2.4 percent of GDP) into the banking system. This includes \$2 trillion (\$5.14 billion) for manufacturing and 1.5 trillion (\$3.86 billion) for damaged industries in the real sector. Furthermore, banks have been granted regulatory forbearance, allowing them to temporarily restructure the tenor of existing loan facilities to the oil and gas, agricultural, and manufacturing sectors, and the loan-to-deposit ratio policy has been strengthened, allowing banks to extend more loans to businesses and boosting the economy (Ozili, 2020).

Nigeria's federal government announced a fiscal policy stimulus plan at \$15 billion (\$38.6 million, or 0.01 percent of GDP). The Lagos State Government received a \$10 billion (\$25.7 million) grant, and the Nigerian Centre for Disease Control received a \$5 billion (\$12.9 million) special intervention fund (Camron & Sarah, 2020; Ozili, 2020). To mitigate the impact of COVID-19 on business survival, the FGN has devised a cash transfer scheme that identifies 774 thousand people across the country to help with the hardships that arise as a result of COVID-19. A total of 20,000 dollars will be awarded to each citizen in the country, with a thousand persons in each local government being chosen as eligible. Beginning in October, the initiative will run for three months. The Nigerian Export-Import Bank, the Bank of Agriculture, and the Bank of Industry have all been granted a moratorium by the federal government.

Declining in Demand Channel

The combined impact of COVID-19 and lock-down regulatory responses implemented to restrict the virus's transmission has resulted in a broad dampening of global demand. Nigeria's main export, oil, has seen a drop in demand as a result of the lower demand. For example, India, Spain, the Netherlands, South Africa, France, and Italy, the top five major oil

export destinations, are all fighting the pandemic and are on lockdown. The disruption created by oil market conflicts (initiated by Saudi Arabia and Russia) is complicating this process by disturbing demand and supply dynamics in global oil markets (KPMG, 2020). Oil prices have plunged below \$30 per barrel, and oil inventories have grown as demand has slowed. Domestic demand is likely to diminish as the spread of COVID-19 cases in Nigeria increases and spreads throughout multiple states, combined with domestic policy responses such as movement restrictions and company closures. This may deteriorate as businesses respond to new economic realities by laying off people, exacerbating the country's unemployment rate.

The Financial Channel

The Twin Shocks are projected to disrupt global capital flows to emerging markets, particularly Nigeria. Given the importance of Foreign Portfolio Investment (FPI) as a major source of investment in both capital and fixed income markets, as well as a critical source of foreign exchange inflow (KPMG, 2020). Nigeria's foreign exchange reserves and exchange rates will be put under substantial strain if global capital flows are depressed. Beyond the dynamics of foreign portfolio inflows, these Twin Shocks may have an impact on the banking sector's access to trade lines from international banks, which in turn will have an impact on the domestic economy's external trade activities.

Table 1: COVID-19 CASES, DISCHARGED AND DEATH CASES ON MONTHLY BASIS

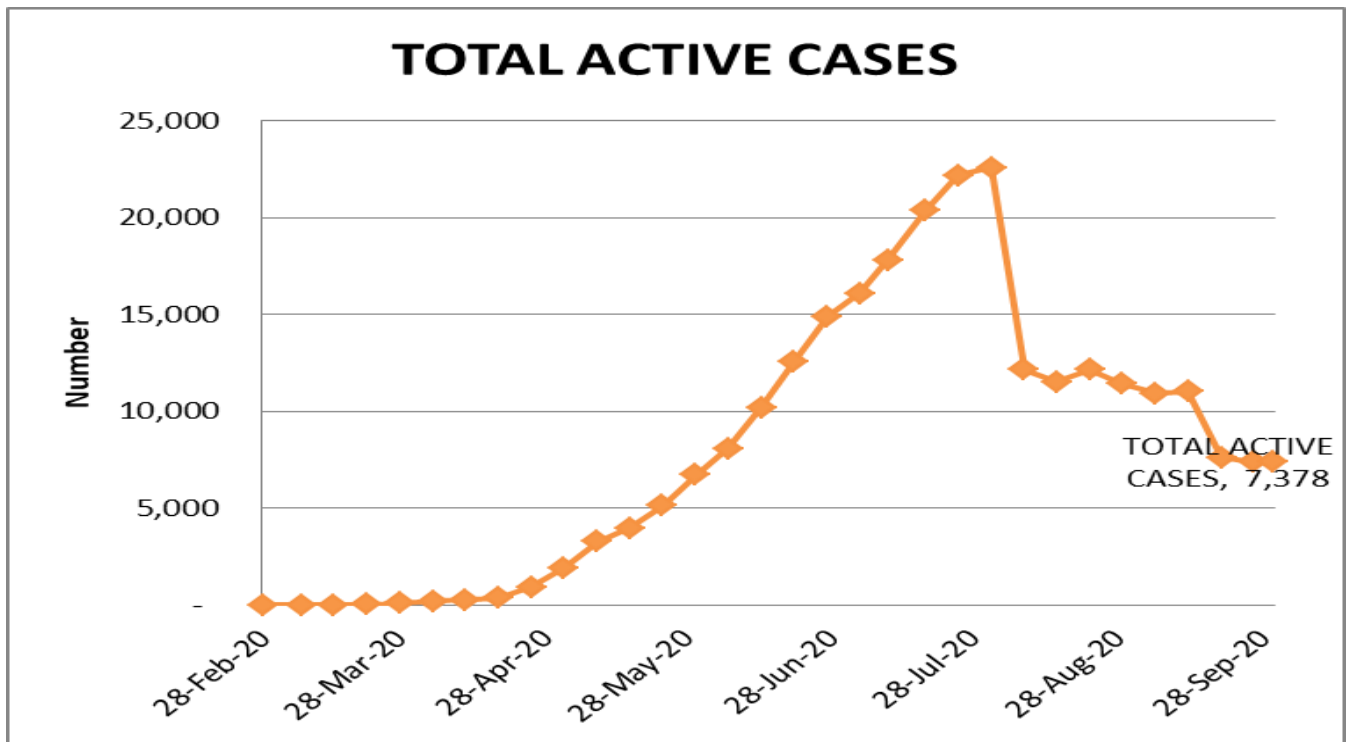
Date	CONFIRMED CASES	DISCHARGED CASES	DEATH CASES	ACTIVE CASES
February	1	-	-	1
March	139	9	2	128
April	1,932	319	58	1,555
May	10,162	3,007	287	6,868
June	25,694	9,746	590	15,358
July	43,151	19,565	879	22,707
August	54,008	41,638	1,013	11,357
September	58,848	50,358	1,112	7,378

Source: Nigeria Centre for Disease Control (2020) COVID-19 in Nigeria.

Table 1 above reveals that as at 30th September, 2020 a total number of 58,848 confirmed cases were reported, 50,358 discharged, and 1,112 confirmed fatalities with 519,140 tests

carried out in the last seven months from all 36 states in Nigeria including FCT. From the table above, it can be seen that the rate of the confirmed cases continuing to increase at an increasing rate in the month of June and death cases also rises as well as discharges cases.

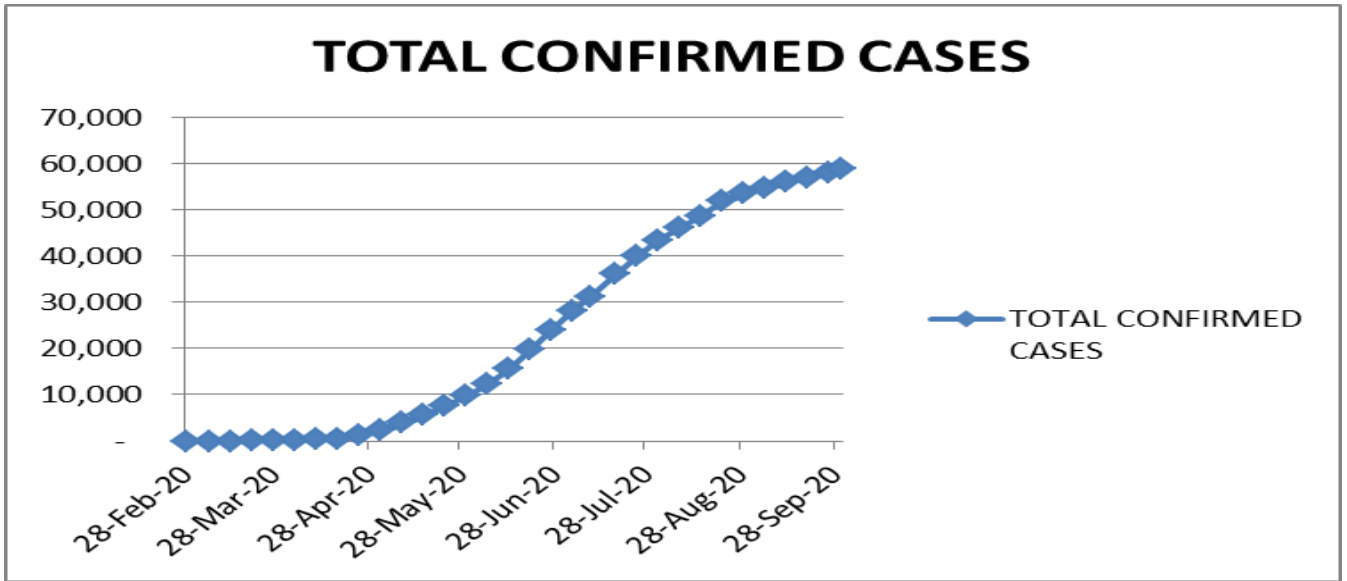
Table 2: Graphical Representation of Total Active Cases of COVID-19 Cases in Nigeria.



Source: NCDC (2020) COVID-19 in Nigeria.

Table 2 above shows an increasing trend active cases from 28th April till 28 July 2020 and downward trend of the monthly total active cases from 8th August, 2020. The decrease in the rate of active cases indicates that law of diminish return has come to play as a result of public awareness to curb the pandemic spread by the government.

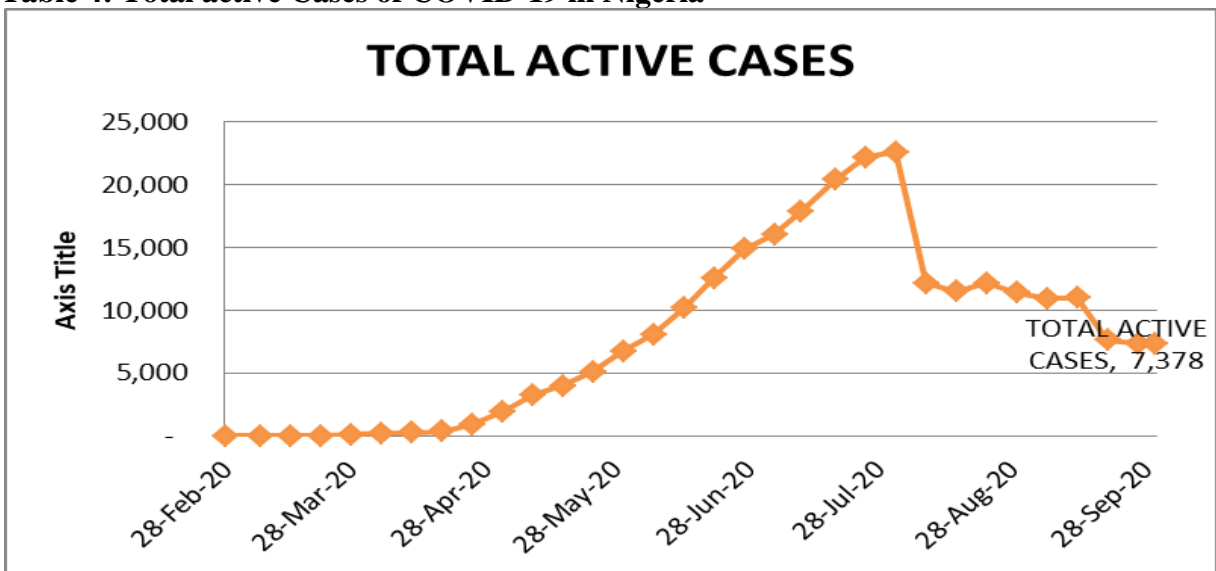
Table 3: Confirmed Cases of COVID-19 in Nigeria as at 30th September, 2020



Source: NCDC (2020) COVID-19 in Nigeria.

The above graph revealed the confirmed cases of COVID-19 on monthly basis. As can be seen above, the trend of confirmed cases of COVID-19 drastically increasing upward. This demonstrate that wide coverage of COVID-19 test centre across the states in Nigeria unlike before where the samples collected usually send to Lagos, Abuja, Ibadan and Kano as the case may be.

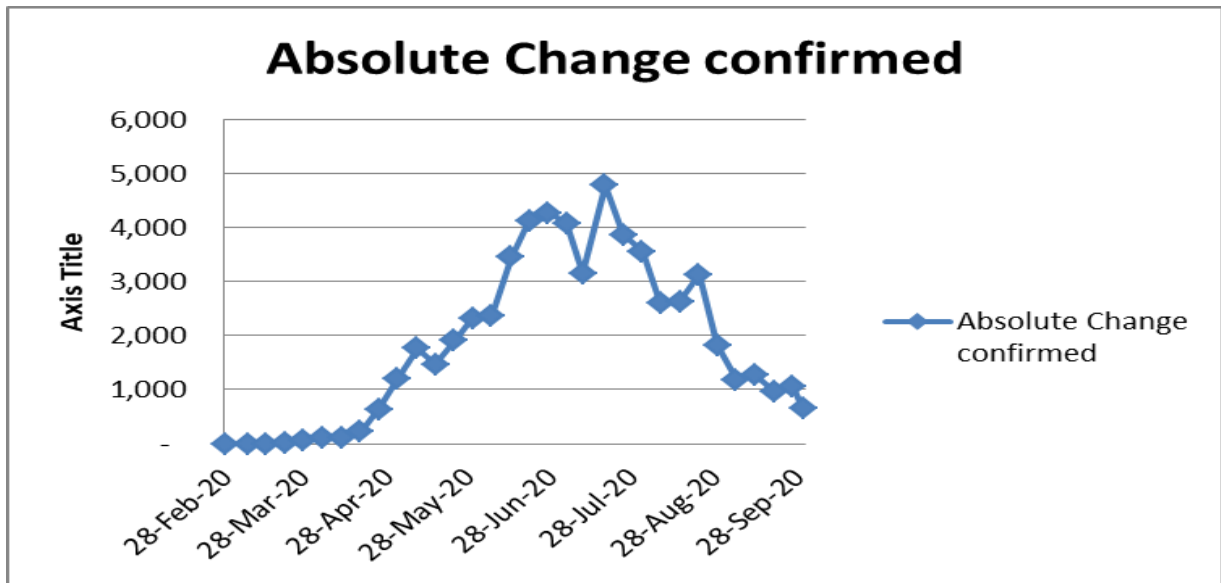
Table 4: Total active Cases of COVID-19 in Nigeria



Source: NCDC (2020) COVID-19 in Nigeria.

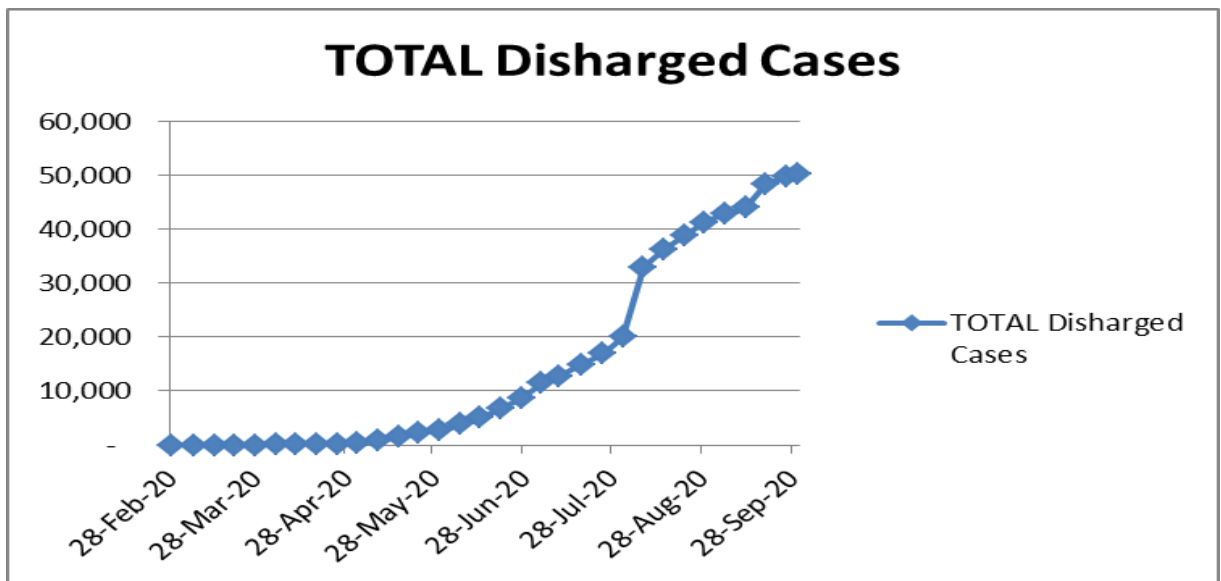
From the graphical illustration above, it can be revealed that total active cases to 7,378 by the end of september, 2020. The graphical illustration also revealed that total active cases reached its peak as at July 28 and continue declined as at 1st of August and somehow stagger between August and September ending.

Table 5: Absolute Change Confirmed Cases of COVID-19 in Nigeria



Source: NCDC (2020) COVID-19 in Nigeria.

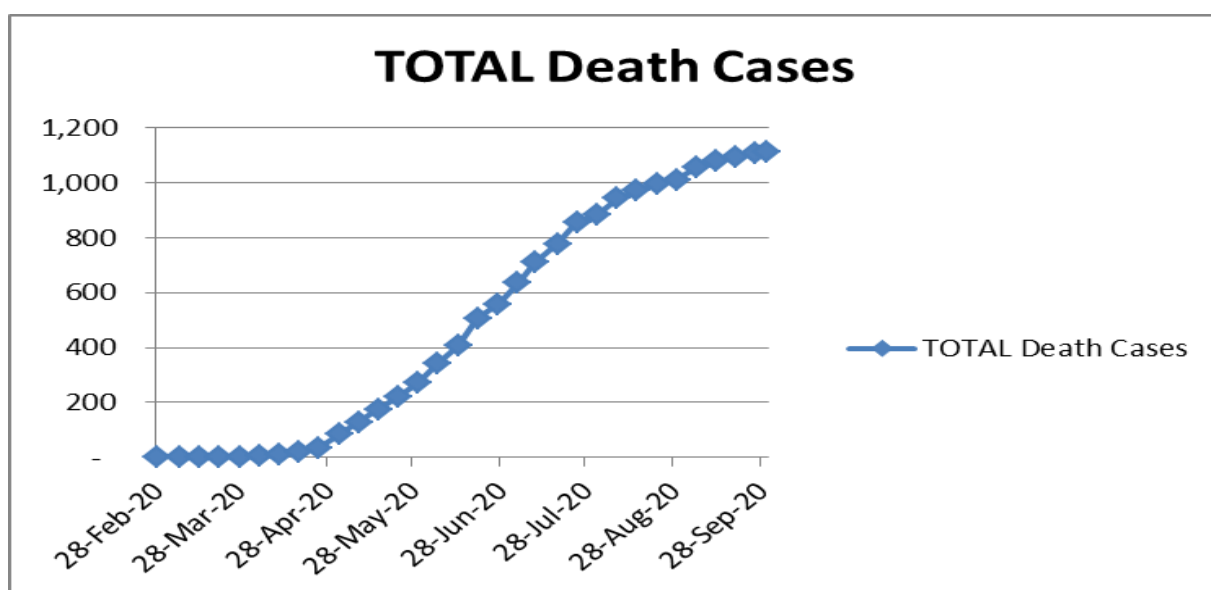
Table 6: Total Discharged Cases of COVID-19 in Nigeria



Source: NCDC (2020) COVID-19 in Nigeria.

The above graph revealed that discharged cases of COVID-19 shoot up by June and continuing increasing till the September 28th. This is as a result of more medical experts, drugs, test kits etc are all available for use and applied.

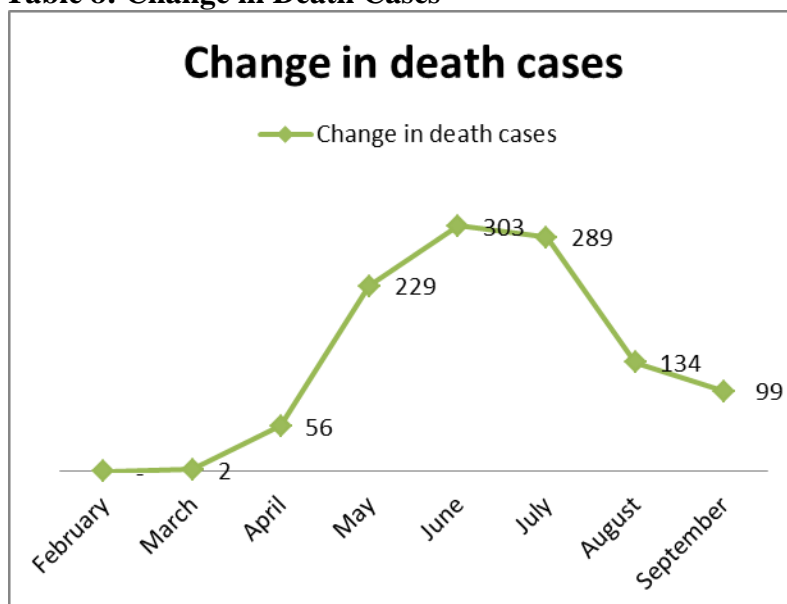
Table 7: Total Death Cases of COVID-19 in Nigeria



Source: NCDC (2020) COVID-19 in Nigeria.

From the above graph, it demonstrate numbers of casualties reported as a result of COVID-19 pandemic. This does not peculiar to Nigeria only but cut across the countries all over the world. As cases increases, the death cases recorded increase but at a decline rate as demonstrated in the graph.

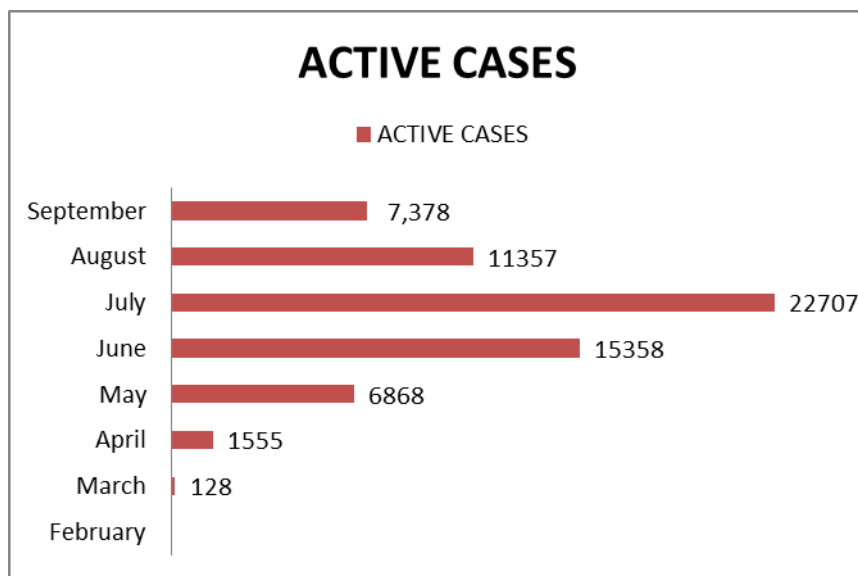
Table 8: Change in Death Cases



Source: NCDC (2020) COVID-19 in Nigeria.

The above graph supported the declined in the deaths cases recorded. As can be seen in the graph, the changes in deaths cases recorded move from 56 to 229 and also increase further to

303 but at a decreasing rate then decline to into being in the month of July and continue declining up to the month of September.



Source: NCDC (2020) COVID-19 in Nigeria.

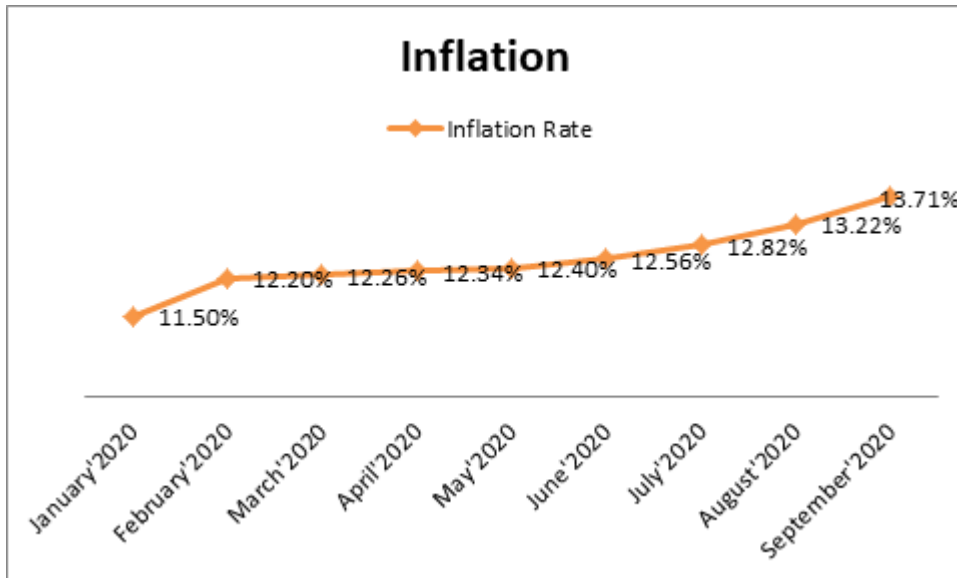
Inflation Rate by Month (%)

Monthly	Inflation Rate
February 2020	12.20%
March 2020	12.26%
April 2020	12.34%
May 2020	12.40%
June 2020	12.56%
July 2020	12.82%
August 2020	13.22%
September 2020	13.71%

Data Source: National Bureau Statistics (NBS), 2020.

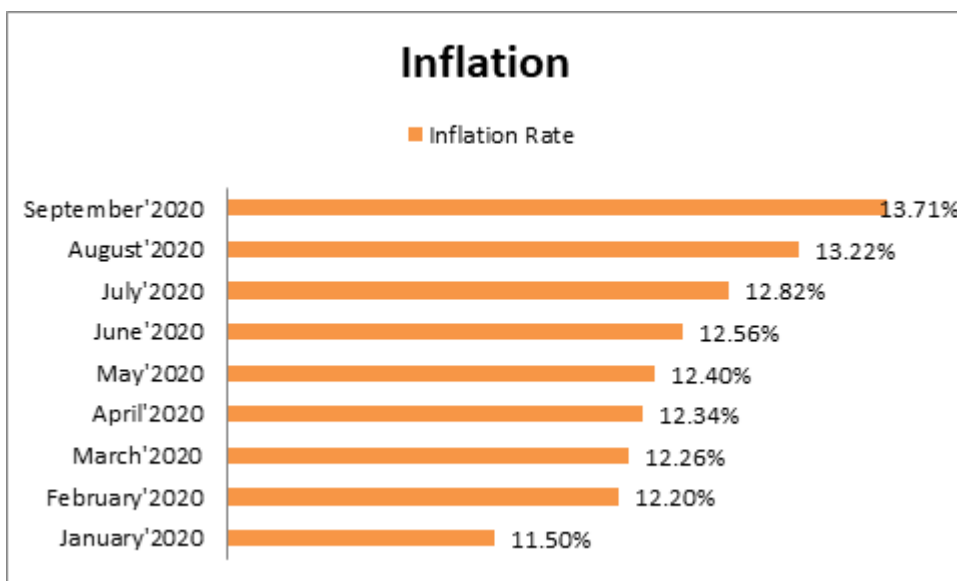
From the table above, as the country battles with the economic crises that came with the covid-19 pandemic, Nigeria's inflation rate hits its highest in 24 months. According to the latest CPI report released by the Nigeria Bureau of Statistics (NBS), inflation rate increased

to 12.34% (year-on-year) in April 2020 from 12.26% recorded in March 2020, the increase rate continue drastically in the month of May, June, July, August and September (12.40, 12.56, 12.82, 13.22 and 13.71) respectively.



Source: National Bureau Statistics (NBS), 2020.

The graphical illustration showed steady increased in inflation rate from January up to the month of June and the increment shoot up in the month of July and continue increasing up to the month of September. Apart from the rise in the rate of inflation, what draws the attention of this study is the magnitude of the rate of increase which is very worrisome. The magnitude of the rise in the inflation rate rose by as much as +0.4% in August 2020 to +0.49% in September 2020. The magnitude of the increase has been on the rise since January 2020 and this rise is expected to continue till the 1st quarter of 2021.



Source: National Bureau Statistics (NBS), 2020.

The above supported the graphical illustration previously demonstrated in the study. It can be clearly seen that increase in inflation rate in June up to the month of September is at an alarming rate which is dangerous and will have negative effect on the growth and development of the country. Therefore, may spell doom for the vibrant in the economy of a nation.

Conclusion

We don't yet know how severe Covid-19's spread will be in Nigeria in the coming months, if not years. But we do know that whatever happens to the economy during the crisis, and whatever damage is done, Nigeria must use this catastrophe to rebuild the country and its economy. The economy's collapse and overburdened public healthcare institutions demonstrate that the entire economic system requires revitalization. Importantly, the lockdown has demonstrated how vulnerable individuals, no matter how powerful, may be in the face of nature. Nigerian administrations at all levels should not miss out on this chance to repair the country's infrastructure. At the federal level, the President must implement a reconstruction and development program to ensure the country's long-term viability; state governors must act more holistically and less nepotistically for the good of all; and local government chairmen must be more accessible and accountable to their constituents. Following Covid-19, the next several months will be crucial for Nigeria, as they will define the country's political and economic trajectory.

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