

## COVID19 AND ECONOMIC CRISIS IN NIGERIA

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### Abstract

*The study examines the COVID19 and economic crisis in Nigeria. The outbreak of COVID19 which has originated from Wuhan province in China had some direct effects on Nigerian economy. The study shows that the Covid-19 pandemic and the recent oil price downturn has affected Nigeria, caused Nigeria economic crisis in 2020. The structural problems in Nigeria at the time prolonged the depression. The Nigeria government cannot control the outbreak of COVID19 and this has put the poor citizens into hardship as a result of ineffective and weak economic system. Social welfare programs which could have helped the poor and vulnerable citizens who were affected by the crisis are poorly handled. The study concludes that Covid19 pandemic and the fall in oil price have affected Nigeria economy which had caused economic crisis in 2020. The government needs to straighten the economic system to boost the economy and also make use of proper welfare programs to cushion the effect of pandemic in the nation.*

**Keywords:** COVID19, Economics Crisis.

## 1.0 Introduction

The COVID-19 is defined as illness caused by a completely unique corona virus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV), which was first identified amid an outbreak of respiratory disease cases in Wuhan City, Hubei Province, China. It was initially reported to the WHO on New Year's Eve, 2019. On January 30, 2020, the WHO declared the COVID-19 outbreak a worldwide health emergency. On March 11, 2020, the WHO declared COVID-19 a worldwide pandemic, its first such designation since declaring H1N1 influenza an epidemic in 2009. Illness caused by SARS-CoV-2 was termed COVID-19 by the WHO, the acronym derived from "coronavirus disease 2019." The name was chosen to avoid stigmatizing the virus's origins in terms of populations, geography, or animal associations.

The corona virus began in Wuhan, Hubei Province, China. Residents who lived in Wuhan had some link to a large seafood and live animal market, which suggest that the mode of transmission of corona virus was from animal to person. The virus has been named "SARS-CoV-2" and therefore the disease it causes has been named "corona virus disease 2019" (abbreviated "Covid-19"). The first known patient of Coronavirus started experiencing symptoms in Wuhan, China on 1 December 2019. Since then, there are over 800,000 reported cases round the world.

The Covid-19 pandemic affected the worldwide economy in two ways. One, the spread of the virus encouraged social distancing which led to the shutdown of financial markets, corporate offices, businesses and events. Two, the speed at which the virus was spreading, and therefore the heightened uncertainty about how bad things could get, led to flight to safety in consumption and investment among consumers and investors (Ozili and Arun, 2020). There was a general consensus among top economists that the coronavirus pandemic would plunge the world into a global recession. Top IMF economists such as Gita Gopinath and Kristalina Georgieva stated that the Covid-19 pandemic would trigger a global recession.

The crisis caused by the coronavirus pandemic is dipping the world economy to unknown since the Second World War adding to the misery of the economy that is already struggling to recover from the pre-2008 crisis. Further than its impact on human health, COVID-19 is disrupting an interconnected world economy through global value chains, which account for nearly half of global trade, abrupt falls in commodity prices, fiscal revenues, foreign exchange receipts, foreign financial flows, travel restrictions, declining of tourism and hotels, frozen labor market ( Ozili and Arun, 2020).

Within a decade Nigeria has witnessed two economic crises, the economic crisis of 2009 and the 2016 economic crisis. The 2009 economic crisis was due to global financial crisis and that of 2016 economic crisis was as a result of the rapid fall in the oil price in the international market. The 2009 downturn was caused by a combination of the after-effect of the 2007-8 global financial crises, bank poor loan underwriting process, bad risk management practices and bad corporate governance of banks (Sanusi, 2010). The major causes of 2009 economic crisis were banks. The causes of 2016 economic crisis was sudden decline in oil price which has caused the oil revenue to drop rapidly of which it affected Nigerian foreign reserve (Adeniran and Sidiq, 2018). This has brought about huge balance of payment deficits joined with the existing high debt burden which forced Nigeria economy into second recession in the decade.

Economic crises are not new in Nigeria. During the 2016 recession, the monetary authority in Nigeria defended the local currency from forced devaluation against the dollar and adopted a managed float foreign exchange system, which worked well from 2016 to 2019. In the aftermath of the 2016 recession in Nigeria, it had been almost widely believed that unexpected and sustained decline in oil price was the foremost important explanation for recessions in Nigeria. But in 2020, nobody thought that a public health crisis could cause economic crisis in the country. What made the 2020 depression different from other economic crises or recessions in Nigeria was that the majority economic agents, who should have helped to revive the economy, were unable to interact in economic activities because of fear of contracting the Covid-19 disease, while other economic agents did not engage in economic activities when the government imposed and enforced its social distancing policy and movement lockdown in Abuja, Lagos and Ogun states on the 30th March of 2020 (Ozili, 2020).

The corona virus outbreak which manifested from Wuhan province in China had spillover effects in Nigeria. The outbreak became unmanageable in Nigeria and has put the poor citizens into suffering as a result of weak institutions to work effectively in responding to the Pandemic and the lack of proper social welfare programs which could have catered for poor citizens and vulnerable citizens who were affected by the crisis. The panic toward collapse of the economy brought about fright buying, foreign currency hoarding, by business speculator, flight to safety in consumption, households on essential commodities business and government asking staff to work from home to avoid operating costs (WHO, 2020).

## **2.0 Literature**

Economic growth is always used interchangeably with economic development, hence scholars of economics used this concept as a topic for discussion often times. A clear distinction between economic growth and development was made by (Jhingan, 2003) where he posits that economic development means the “non-quantifiable measure of the growing economy” i.e. the Economic, social and other changes that cause growth. Examples include changes in techniques of production, social attitudes and institutions etc. despite the distinction, it is important to know that, there is no development without growth as observed by (Iyoha, 2016).

Peterson K. Ozili (2020) on Covid-19 pandemic and economic crisis in line with the Nigerian experience and structural causes he assessed that the economic downturn in Nigeria was triggered by a combination of declining oil price and spillovers from the Covid-19 outbreak, which not only led to a fall within the demand for oil products but also stopped economic activities from taking place when social distancing policies were enforced. The government skilled the crisis by providing financial assistance to businesses and not to most households that was suffering from the outbreak. The monetary authority adopted accommodative monetary policies and offered a targeted 3.5trillion loan support to some sectors. These efforts should have prevented the economic crisis from occurring but it did not. Economic agents refused to interact in economic activities for fear of contracting the Covid-19 disease that was spreading in no time at the time. In his research, he analyzed that the Covid-19 spillovers to Nigeria and the structural weaknesses in Nigeria’s infrastructure that helped bring on the current economic crisis and discuss prospects for reform.

Monika, Sodanil and Shankar (2020) took a research on the Effect of COVID-19 on Economy in India in regards to reflections for Policy and Programme. It was observed that the outbreak of COVID-19 brought social and economic life to a standstill. The study focus is

on assessing the impact on affected sectors, such as aviation, tourism, retail, capital markets, MSMEs, and oil. International and internal mobility is restricted, and therefore the revenues generated by travel and tourism, which contributes 9.2% of the GDP, will take a serious toll on the GDP rate of growth. Aviation revenues will come down by USD 1.56 billion. Oil has plummeted to 18-year low of \$ 22 per barrel in March, and Foreign Portfolio Investors (FPIs) have withdrawn huge amounts from India, about USD 571.4 million. While lower oil prices will shrink the current account deficit, reverse capital flows will expand it. Rupee is continuously depreciating. MSMEs will undergo a severe cash crunch. The crisis witnessed a horrifying mass exodus of such floating population of migrants on foot, amidst countrywide lockdown. Their worries primarily were loss of job, daily ration, and absence of a social security net. India must rethink on her development paradigm and make it more inclusive. COVID 19 has also provided some unique opportunities to India. There is a chance to participate in global supply chains, multinationals are losing trust in China. To 'Make in India', some reforms are needed, labour reforms being one among them.

Di Quirico (2010) shows that the 2007 on his research on the global financial crisis affected Italy's economy due to lack of structural reforms prior to the crisis. Italy had barely recovered from twenty years of political instability and economic decline. The 2007-8 global financial crisis further worsened the economic situation in Italy. The widespread corruption (i.e., granting business contracts on the idea of political connections instead of by merit), the absence of investment in new projects for economic process, and the inability of the ruling government to initiate real reforms contributed to the depression in Italy.

Thailand was also suffering from the Asian depression. Glassman (2001) showed that the Economic crisis in Thailand was rooted in declining profitability of the manufacturing sector during a time of increased global export competition and over-capacity in Asia. This triggered the economic downturn throughout the Asian region, with Thailand falling first due to its significant liabilities, and other countries being pulled into forced devaluation through financial contagion effects (Glassman, 2001).

Olapegba (2020) assess the knowledge and perceptions of Nigerians about COVID-19. They find that some Nigerians have misconceptions about COVID-19, as an example, some respondents believe that COVID-19 may be a bioweapon of the Chinese government. These misconceptions prevented them from taking maximum preventive measures. They suggest that evidence-based campaign should be intensified to remove misconceptions and promote precautionary measures.

Ohia (2020) predict that the effect on COVID-19 will be severe in Africa because African countries have fragile health systems. They argue that Nigeria's current national health systems cannot respond to the growing number of infected patients who require admission into intensive care units. They suggest that Nigeria should explore available collective measures and interventions to deal with the COVID-19 pandemic. Jacob et al (2020) show that the COVID-19 pandemic affected higher institutions in Nigeria through the lockdown of schools, reduction of international education, disruption of academic calendar of higher institutions, cancellation of local and international conferences, creating teaching and learning gap, loss of man power in the educational institutions, and cut in budget of higher education. Adegboye (2020) examine the early transmission of COVID-19 in Nigeria, and show that the COVID-19 cases in Nigeria were lower than expected. Adenomon and Majamaa (2020) examine the impact of COVID-19 on the Nigerian stock exchange from the

2nd January 2020 to 16th April 2020. The results revealed a loss available returns and high volatility available returns during the COVID-19 period in Nigeria.

### **3.0 Research Design**

In defining design, Odo (2002), stated that design means outlining the name of the equipments and other materials the researcher intends using and applying same to successfully execute the practical aspect of the research. The researcher used survey study method. The people involved in the study were adults of both male and female who cut across all socioeconomic status.

#### **3.0.1 Method of Data Collection**

The researcher made use of two sorts of data. These include primary and secondary sources of data. Primary Source of Data includes all methods adopted by the researcher together with relevant information through interview, personal observation and questionnaire administration.

Secondary Source of Data is Economic and structural data collected by already published document such as Central bank of Nigeria, World Bank, Oxford etc. The sample period was from January 2020 to June 2020.

In general, the questionnaire was the primary data collection instrument, the questionnaire was administered through drop and pick method to the people. The questions were designed to collect qualitative and quantitative data. Also personal interview which involves face to face conversation between the interviewer (researcher) and the interviewee (respondent) was also used.

### **4.0 Discussion of Findings**

From the analysis it was discovered that COVID-19 (Coronavirus) has affected day to day life and ran down the global economy. Findings show that COVID-19 has rapidly affected our day to day life, businesses, disrupted the planet, trade and movements.

Regarding the Healthcare, respondents shared their views on been affected by challenges in the diagnosis, quarantine and treatment of suspected or confirmed cases, high burden of the functioning of the existing medical system, patients with other disease and health problems are getting neglected, overload on doctors and other healthcare professionals, who are at a very high risk and disruption of medical supply chain.

On how Covid19 affected economic crisis and development, respondents agreed that the pandemic slowed the manufacturing of essential goods, some agreed that it disrupted the supply chain of products, others said the pandemic has caused losses in national and international business, many believed it has resulted to poor cash flow in the market and some said it has significantly slowed down the revenue growth of the country.

#### **4.1 The direct effect of Covid-19 on Nigerian economy**

There are five major ways in which Covid19 pandemic affected the Nigerian economy. First, the Covid19 pandemic affected borrowers' capacity to service loans. The banks were unwilling to lend because more and more borrowers are making effort to repay the loans given to them before the covid19 outbreak. Second, oil demand shocks occurred which has resulted on sudden decline in the price of oil. There was drop in the price of crude oil from US60 per barrel to as low as US30 per barrel in March 2020. In the period of Covid19 pandemic people were not travelling any longer and this has brought about continued fall in

the demand of fuel for aviation and automobile fuel which have affected Nigeria's net oil revenue as well as Nigeria foreign reserve. Third, the supply shocks occurred in the global supply chain as many importers closed down their factories and shut their borders, China in particular. Nigeria was severely affected because Nigeria is an import-dependent country and as a result Nigeria witnessed shortage of crucial supplies like pharmaceutical supplies, spare parts, and finished goods from China. Four, there were effect on national budget. The national budget was initially designed at oil price of US 57 per barrel but the fall in oil price to US30 per barrel has made the budget to be outdated. In this regard, new budget has to be formed in line with low oil price. Finally, the Nigerian stock market has been affected by Covid19 pandemic. Major market indices in the stock market plunged when investors pulled out their investments into so-called safe havens like US Treasury bonds. Stock market investors lost over NGN2.3 trillion (US\$5.9bn) barely three weeks after the first cases of coronavirus was confirmed and announced in Nigeria on January 28, 2020. The market capitalization valued at NGN13.657 trillion (US\$35.2bn) on Friday, February 28, 2020 depreciated by NGN2.349 trillion to NGN11.308 trillion (US\$29.1bn) on Monday 23 March 2020. The All-share index closed at 21,700.98 from 26,216.46 representing 4,515.48 points or 20.8 per cent dropped.

### **5.0 Conclusion & Recommendation**

From the analysis and findings, the study shows that the Covid-19 pandemic and the recent oil price downturn has affected Nigeria, caused Nigeria economic crisis in 2020. The structural problems in Nigeria at the time prolonged the depression. The scope and severity of the depression may be a clear signal that growth and development reforms are needed in Nigeria. In retrospect, the Nigerian government used fiscal and monetary stimulus package as a partial solution to revive falling aggregate demand during the outbreak. It used public money to slow the speed of business closures and therefore the spread of coronavirus, though a number of the policy responses are inefficient to tackle the pandemic. Therefore, the study recommends that there is a need for government to strengthen the economic system and also use efficient and effective welfare programs so as to boost the economic system.

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## APPENDIX

### QUESTIONNAIRE ON COVID 19 AND ECONOMIC CRISIS IN NIGERIA

1. GENDER

Male ( )

Female ( )

2. RELIGION

Christianity ( )

Muslim ( )

3. QUALIFICATION

SSCE ( )

NCE ( )

OND ( )

B.Sc/B.Ed/B. ( )

M.Sc/M.Ed/M.A ( )

Ph.D ( )

4. What are healthcare challenges encountered during the period of the pandemic?

i. \_\_\_\_\_

ii. \_\_\_\_\_

iii. \_\_\_\_\_

iv. \_\_\_\_\_

v. \_\_\_\_\_

vi. \_\_\_\_\_

5. How has Covid19 affected economic development in Nigeria?

i. \_\_\_\_\_

ii. \_\_\_\_\_

iii. \_\_\_\_\_

iv. \_\_\_\_\_

v. \_\_\_\_\_

vi. \_\_\_\_\_

6. How has Covid19 affected economic development in Nigeria?

7. What are the direct effects of COVID19?

i \_\_\_\_\_

ii \_\_\_\_\_

iii \_\_\_\_\_

iv \_\_\_\_\_

v \_\_\_\_\_