Impact of COVID-19 lockdown and social distancing policies on small businesses in south-eastern Nigeria: whither the stimulus packages?

Victor Chidubem Iwuoha, victor.iwuoha@unn.edu.ng
University of Nigeria Nsukka, Nigeria

Ernest Toochi Aniche, anicheet@fuotuoke.edu.ng
Federal University, Otuoke, Nigeria

Gerald Ekenedirichukwu Ezirim, gerald.ezirim@unn.edu.ng
University of Nigeria Nsukka, Nigeria

Ikenna Mike Alumona, ikennaalumona@yahoo.com
Chukwuemeka Odumegwu Ojukwu University, Nigeria

Josephine Nneka Obiorji, joeobiorji@yahoo.com
University of Nigeria Nsukka, Nigeria

This article examines the specific or sub-sectoral effects of COVID-19 lockdown measures on small business units, thus departing from previous studies which only focused on general effects. Based on qualitative and cross-sectional survey methods, the article depicts a cross-sectoral disparity in the patronage level and income stream of customers of small businesses found on the streets of south-eastern Nigeria. The article identifies the gap in the policy interventions meant to cushion the negative impacts of COVID-19 lockdown and social distancing policies on small businesses. Hence, state policy interventions have not had the cushioning impact on small businesses in south-eastern Nigeria. A pro-poor approach towards the review of the policy interventions is highly imperative.

Key words COVID-19 pandemic • lockdown and social distancing • policy interventions • economic stimuli • small businesses • Nigeria


Introduction

In spite of its novelty, there is a growing literature on the impact of COVID-19 lockdown on micro, small and medium businesses. But most of these studies
concentrated on developed economies. Fairlie (2020) evaluated the impact of COVID-19 on small businesses at the early stage of the pandemic while Humphries, Neilson and Ulyssea (2020) assessed the effects at the advanced stage. In the same vein, Donthu and Gustafsson (2020) focused on how the coronavirus pandemic affected businesses and industries. Bartika et al (2020) examined the implication of COVID-19 restrictions on small businesses. Juergensen, Guimón and Narula (2020) appraised the impacts and policy responses of the measures on small and medium enterprises in Europe. Similarly, Chen et al (2020) assessed the effect of the pandemic containment measures on the economies and businesses in Europe and the United States of America. Bouary (2020) appraised the economic implications of the coronavirus pandemic for small and medium-sized enterprises (SMEs) in China. Other negative outcomes that affect small businesses or jobs and resultant insecurity of livelihoods have also been captured in existing literature (Pedersen and Minnotte, 2016; Minnotte and Varud, 2020; Iwuoha, 2020).

Only a few of these studies focused on developing countries in Africa. Ozili (2020) interrogated the socio-economic impact of COVID-19 and the policy responses of some African states including Nigeria. Lakuma and Sunday (2020) in their studies noted that there is a decline in small and micro businesses in all sectors of the economy due to COVID-19 containment policies in Uganda. Mogaji (2020) discusses the short-term and long-term effects of the pandemic on transportation businesses in Lagos State, Nigeria.

Although important studies show blanket conclusions that COVID-19 lockdown measures have had a negative impact on the informal sector (Fairlie, 2020; Donthu and Gustafsson, 2020; Bartika et al, 2020; Juergensen et al, 2020), this present article focuses on the specific or sub-sectoral effects of lockdown measures on a number of small business units. Using qualitative analysis which includes logical interpretation of some selected interviews, the article portrays how state policies relating to COVID-19 lockdown and social distancing measures entrenched a cross-sectoral disparity in the patronage level and income stream of small businesses found on the streets of south-eastern Nigeria. It thus underpins that patronage and income levels shrunk in most of the small businesses while only a few of the small businesses had increased patronage and income levels despite the lockdowns. The article also identifies the loopholes in the policy interventions meant to mitigate the negative impacts of COVID-19 lockdown and social distancing measures on small businesses. The important questions therefore are:

1. What are the differential effects of COVID-19 lockdown and social distancing policies on small businesses?
2. What are the gaps in policy responses or interventions put in place to cushion the effects of COVID-19 lockdown and social distancing policies on small businesses?

Elitist nature of lockdown and social distancing policy and its implications for small businesses in Nigeria

Iwuoha and Aniche (2020) demonstrate the elitist nature of policymaking in Nigeria with regards to COVID-19 lockdown and social distancing policies. They apply the elite theory to explain the predicament of the sub-urban slum dwellers who are
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Impact of COVID-19 lockdown and social distancing policies on small businesses among the poorest in Nigeria, as well as the effects of the purely elitist lockdown and social distancing policies on their survivability.

The major assumption of elite theory is that in every political society including democracies, it is the minority who rules and decides for the majority (Pareto, 1935; Varma, 1975). This numerical minority forms the political class or governing elites while the numerical majority constitutes the masses of the political society (Michel, 1915). Thus, the poor masses are often excluded from policy process because their opinions and interests are rarely factored into the policy process (Pareto, 1991; Dye, 2000). The case of Nigeria is no different as public policies are primarily though not exclusively in the interests of the elites. Therefore, public policies (like COVID-19 containment policies and policy interventions on businesses in Nigeria) are usually reflections of the interests of the elites and not that of the poor masses. As such, small business owners in the informal sector were marginalised by the policy responses such as stimulus packages because they are ill-informed and poorly educated. Hence, the implementation of such lockdown and social distancing policies indirectly perpetrates alienation of the people and social injustice in society in which the poor get more impoverished.

Sub-sectoral impact of lockdown and social distancing policies on small businesses

Importantly, the small businesses affected by COVID-19 lockdown measures are shown in Table 1 and have been categorised under three clusters. These include fashion/event, food/drug and general merchandise.

Sub-sectoral assessment of the small businesses reveals that fashion/event-related businesses such as clothing/footwear, catering and decoration, tailoring, camera/video coverage services, shoemaking and hairdressing/barbering saloon, had worst performances during COVID-19 lockdowns when compared to the food/drug-related sub-sectors, including restaurant/beer parlour, foodstuff, bakery/confectionary, fruit/vegetables (Iwuoha and Aniche, 2020). This implies three scenarios. First and foremost is that potential customers of these small businesses had been under lockdowns with restricted movements and therefore could not easily access important services. Second, is that the livelihoods of the potential customers of these small businesses had also been seriously affected by the lockdowns. Third, these small businesses were not considered as essential services by customers who were forced to cut discretionary spending. Hence the lockdown measures have established a chain of inhibitive cyclic trickling effects on small businesses as well as their potential customers.

The lockdowns and social distancing policies came with the ban or strict observance of low-key ceremonial activities such as weddings, traditional events, burials, conferences and seminars, religious activities, parties and limited social gatherings. This drastically affected and stifled the livelihoods found within the fashion/event-related cluster as indicated earlier. The mostly affected livelihoods within this particular cluster were the camera/video coverage, clothing/footwear and tailoring services. A clothing/footwear businesswoman stated that, ‘my business is going down everyday people are not buying new clothes and shoes because they had no money to buy’, while a camera/video-man complained that, ’I now find it difficult to feed my family because of this government restriction of social gatherings, and that is where we eat from.’


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On the other hand, the food/drug-related sub-sectors, including restaurant/beer parlour, foodstuff, bakery/confectionary, fruit/vegetables, generally maintained their normal sales or average performances during the lockdowns. This is because people had to eat and feed their families in order to survive, and also take pills for their health problems despite their lean purses during the lockdowns. However, customers were generally very frugal and miserly in their food-related spending. According to a restaurant owner, ‘Most of my customers still come to patronize me, but they don’t come here as often as before. They now spend little money on food. But as you know, whether lockdown or no lockdown, people must eat food to survive.’ Similarly, a foodstuff vendor remarked that, ‘Customers still come to my shop as usual, but since this lockdown, they only buy small quantities of food items.’

The general merchandise category had similar experience of low patronage and income levels. In this category were sub-sectors such as supermarkets, ICT/computer centres, electrical accessories/repairs, stationers, except chemist/pharmacy stores, which recorded very high patronage and improved income levels during the COVID-19 lockdowns. Interestingly, this impressive performance had been particularly attributed to the limited access to healthcare centres and hospitals occasioned by COVID-19 lockdowns. Two reinforcing narratives are adducible for this surprising trend. First, the rise in COVID-19 infections resulted in panic and fear among the citizens, hence, many sick people were afraid to visit their healthcare centres and hospitals to avoid being suspected and quarantined due to their symptoms. Second and also of importance, some healthcare workers got infected with COVID-19 resulting to the shutdown of a number of hospitals and healthcare centres. This situation induced or impelled an increased reliance of the majority of the people on chemist/pharmacy stores (that is, over-the-counter drugs) for their healthcare needs.

A popular pharmacist revealed:

I know you will be surprised to hear that we even had more customers now than before [prior to lockdown]. The secret is that many people now rely on us since this COVID-19 lockdown for their health problems, and they get the drugs they need from us easily. Some people usually call their doctors on the phone to tell them the particular drugs to buy. Do you know that some of these people that come here are afraid to go to hospitals because they don’t want to be declared infected with COVID-19 and quarantined?

**Impact of inconsistent, conflicting and irregular lockdown and social distancing policies on small businesses**

Essentially, the conflicting nature as well as the inconsistent and irregular timing of lockdowns across the states in Nigeria ranged from total to partial and ease of lockdowns, which allowed for indiscriminate and irregular enforcement of lockdown protocols (Iwuoha and Aniche, 2020). These were further complicated with the imposition of curfews, restriction of movements and bans on social gatherings including markets and street businesses at irregular intervals. In most cases, the government allowed half-day operation of some businesses. This was sometimes combined with partial opening of food markets, and intermittent opening/closure of other street businesses in south-eastern Nigeria (see Table 1). These brought serious conflicts, confusion and contradictions, making it too difficult for small business
operators to understand the specific periods that require lockdown compliance and enforcement. The researchers observed that most of the shop owners across the study areas visited had no clear idea on the actual status of lockdown policies in their areas. This explains why many small business operators lamented over a deep cut in their daily patronage and income levels. As observed by a bookshop owner, ‘We are on lockdown so business is slow. You know schools are not opened yet. But the worse is that they [security officials enforcing lockdowns] can’t even allow us to do our business for a full day. They keep chasing us about. We lose our customers daily.’

Any mitigating impacts of policy responses and interventions on small businesses?

Except the Federal Government through the Central Bank of Nigeria (CBN), none of the five states in the south-eastern Nigeria has announced or implemented policy interventions to cushion the economic impact of the COVID-19 containment policies on small businesses or informal sector of the economy. Table 2 shows the federal economic policy interventions for small business during the COVID-19 lockdown.

A combination of factors, such as lack of information on availability of the funds and how to access them, lack of guarantors and collateral, have, however, resulted in marginalisation of small business owners as big business owners have hijacked the process. Most of the small business owners interviewed are not aware of the intervention funds and stimulus packages or the processes of accessing them such as submission of an application containing a biometric verification number (BVN), business registration, business plan and so on. Some small business owners do not even operate a bank account.

From the interview, we observed that there were communication gaps on the part of small business owners. The few who knew about the funds encountered some challenges in accessing them because of the collateral requirements and loan conditions such as needing two acceptable guarantors, the personal guarantee of the promoter of the business, life insurance of the key person, comprehensive insurance over the asset and so on. The collateral requirement of ‘acceptable’ guarantors is a serious policy gap that gives the lender the liberty and latitude to determine or define ‘acceptable’ guarantor. Such policy lacuna is a recipe for abusing the process. The few small business owners (who intend to apply) lamented that they are experiencing challenges in convincing people to stand as their guarantors while others who had been able to submit their applications are complaining about delay in the feedback from the lender. The bottom-line being that none of the respondents has been able to access the funds and as such have been schemed out of the process. Therefore, the policy interventions have not had the cushioning impact on their businesses.

Discussion of results, conclusion and recommendations

The article has been able to analyse the specific effects of lockdown measures on small business units. It shows a cross-sectoral disparity in the patronage level and income stream of small businesses found on the streets of south-eastern Nigeria. This highlights the need for state policies that will increase people’s access to healthcare and medical facilities (including mobile healthcare services) during pandemics.
Table 1: Small businesses affected by COVID-19 lockdown measures

<table>
<thead>
<tr>
<th>City or town</th>
<th>Location of business (street/urban road)</th>
<th>Average number of residents/households on each street/road</th>
<th>Stages of implementation of lockdown measures</th>
<th>Distribution of small businesses found on each street</th>
<th>Use of security forces for implementation of lockdowns</th>
<th>Level of success of lockdown implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owerri</td>
<td>MCC, Orji, World bank, Onitsha, Orlu</td>
<td>1200</td>
<td>*Total lockdown (April–May 2020) *Curfew 8pm–6am. Only essential services were allowed movement (April–June) *Partial lockdown (businesses open 8–4pm) (June–July 2020)</td>
<td>*Clothing/footwear *Catering/decoration *Tailoring *Camera/video coverage *Hairdressing/barbering saloon *Shoemaking *Restaurant/beer parlour *Foodstuff *Bakery/confectionary *Supermarkets *Fruits/vegetable items *ICT/computer centre *Electrical accessories/repairs *Stationers *Chemist/pharmaceutical</td>
<td>Police, civil defence officials, thugs (agboro boys)</td>
<td>full</td>
</tr>
<tr>
<td>Nsukka</td>
<td>University market, Ofulonu, Obba, Obukpa, Onuiyi</td>
<td>500</td>
<td>*Partial lockdown with markets/street businesses closed (April–May 2020) *Curfew 8pm–6am (April–June) *Partial lockdown (markets/businesses open 8–4pm) (June–July 2020)</td>
<td>*Clothing/footwear *Catering/decoration *Tailoring *Camera/video coverage *Hairdressing/barbering saloon *Shoemaking *Restaurant/beer parlour *Foodstuff *Bakery/confectionary *Supermarkets *Fruits/vegetable items *ICT/computer centre *Electrical accessories/repairs *Stationers *Chemist/pharmaceutical</td>
<td>Police, civil defence officials, thugs (agboro boys)</td>
<td>partial</td>
</tr>
</tbody>
</table>

Source: Authors’ field study (2020)
Table 2: Timelines of Federal Government of Nigeria (FGN) and Central Bank of Nigeria (CBN) policy interventions and reasons for their inaccessibility by small business units

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy interventions</th>
<th>Interest rate</th>
<th>Purpose/target</th>
<th>Reasons for lack of accessibility by small businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 April 2020</td>
<td>50 billion Naira targeted credit facility (TCF)</td>
<td>5% per annum (all-inclusive) up to February 28, 2021, reverting to 9% per annum (all-inclusive) as from 1 March 2021.</td>
<td>To support households and micro, small and medium enterprises (MSMEs) affected by the COVID-19 lockdown</td>
<td>‘Lack of information on how to access the fund. ‘Inability to meet the fund conditions such as guarantor, collateral, incorporation, etc.</td>
</tr>
<tr>
<td>21 May 2020</td>
<td>100 billion Naira credit intervention scheme</td>
<td></td>
<td>To cushion the effects of coronavirus pandemic on businesses, particularly those in the health sector.</td>
<td>‘Lack of knowledge of processes involved in accessing the fund. ‘Inability to provide bank account because most of the small businesses are un-banked.</td>
</tr>
<tr>
<td>17 July 2020</td>
<td>2.3 trillion Naira stimulus package and survival fund</td>
<td></td>
<td>To enable micro, small and medium enterprises (MSMEs) to survive the pandemic economic challenges.</td>
<td>‘Un-incorporation of most small businesses. ‘Lack of collateral.</td>
</tr>
<tr>
<td>19 July 2020</td>
<td>60% of its 220 billion Naira Micro, Small and Medium Enterprises Development Fund (MSMEDF) for women entrepreneurs and 2% of the wholesale component of the fund to economically active physically challenged persons, 10% of which is meant for start-up businesses.</td>
<td></td>
<td>To encourage women and physically challenged entrepreneurs in MSMEs.</td>
<td>‘Lack of information. ‘Lack of guarantor. ‘Lack of collateral security.</td>
</tr>
</tbody>
</table>

Source: Nairametrics (2020).
The article also identified the gaps in the policy interventions meant to alleviate the negative impacts of COVID-19 lockdown and social distancing protocols on small businesses. As usual, small business owners in the informal sector were marginalised by the policy responses because they are ill-informed and poorly educated. The article further noted that a combination of factors – such as poor information dissemination on availability of the funds and how to access them as well as a lack of guarantors and collateral – has conspired to ensure bigger business owners hijacked the process at the expense of smaller business owners. The resultant effect is that none of the respondents has been able to benefit from the funds and as such have been side-lined from the process. Therefore, the state policy responses have not had the desired mitigating effect on their businesses.

The article recommends the following pro-poor rejigging of the policy interventions:

1. To give preferential treatment to small businesses most affected by the COVID-19 lockdown and social distancing policies.
2. To bridge the gaps in the policy interventions by defining, identifying or specifying what constitutes an ‘acceptable’ guarantor.
3. To increase access to the fund or make the fund easily accessible to the small business units by amending the policy to lower the conditions and requirements for accessing the fund.
4. To close the communication gaps by devising pro-illiterate means of disseminating the information such as direct (door-to-door) and indigenous means of communication using local languages.

Notes

1 Interview with 35-year-old businessman in Aba-Owerri road, on 8 June 2020.
2 Interview with 28-year-old cameraman along Bida road, Onitsha on 6 July 2020.
3 Interview with 41-year-old food seller in MCC road on 15 June 2020.
4 Interview with 33-year-old woman along Onuiyi road (behind Ziks Flat, Nsukka) on 17 June 2020.
5 Interview with 36-year-old pharmacist along Orlu road, Owerri on 23 June 2020.
6 Interview with a Franco bookshop owner, New market road/Iboku street, Onitsha on 6 July 2020.

Funding

This article received no funding support.

Acknowledgement

We appreciate the cooperation of the interviewees, and the editing and plagiarism checker assistance of Dr Agaptus Nwozor.

Conflict of interest

There is no conflict of interest.

References


