



IMPLICATIONS OF COVID-19 POLICY RESPONSE ON ECONOMIC SUSTAINABILITY IN NIGERIA

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ABSTRACT

Nigeria has been facing a serious economic crisis since the decline in oil prices. The situation was worsened by the appearance of the COVID-19 pandemic in Nigeria. Since the virus was reported in Nigeria, several policy measures have been put in place to cushion the effect of the pandemic both on public health, and on the economy in general. This paper reviews the effectiveness of these policies in combatting the pandemic, and their sustainability on the economic situation of Nigeria.

KEYWORDS: *Public Health; Economic Sustainability; Coronavirus; COVID-19*

1. INTRODUCTION

Following the outbreak of the COVID-19 pandemic, the government put in place a lot of measures to control the spread of the virus in the country. Top on the list of policy measures adopted was the social distancing and lockdown of cities where the virus had the most impact. From the 30th of March 2020, Nigeria has officially been on lockdown. The lockdown originally started in Lagos – the country's commercial capital; Abuja-the country's capital; and Ogun state – because of its proximity to Lagos. The outbreak had begun in the country's commercial city, Lagos, thus, bringing a halt to a lot of informal economic activities that contribute immensely to the nation's overall GDP. The center for the studies of the economies of Africa stated that besides the obvious health challenges of the pandemic and its effects on humans, the economic interruptions and fears brought about by the virus would take its toll on the world economy.

Economic consultants, finance agencies, and even most central banks admit that though the virus would affect the economy negatively, the effects would be brief. This belief is related to the global economic crisis of 2007, but on a closer look, it would be discovered that the 2007 meltdown had its roots in the united states' mortgage crisis which was mainly an economic crisis whose ripple effects spread to other economies. In comparison with the COVID-19 virus, the 2007 economic crisis seems insignificant and containable (cseaafrica.org, 2020). From all indications, this virus is exerting intense pressure on the global economy thus, the challenge facing every economy is how to achieve a sustainable economy given the situation at hand. A country's

economic, social, and political policies' sustainability has a great impact on its development. Consequently, emergent social, economic, and political responses to similar needs could only be addressed with reforms and policy reviews. Nevertheless, the achievement of sustainability in a country remains an exclusive duty of its leaders, and policymakers as this allow for strong and sustained growth and development in the economy (Azubuike & Ebere, 2019).

Every political leader, business owner, and, indeed every human desire a sustainable economy because sustainability gives rise to growth. In Nigeria, however, the achievement of sustainability has been almost impossible due to the heavy incidence of corruption and political instability (Ogbo, Eneh, Agbaeze, Chukwu, & Isijola, 2017). Sustainability as a concept has been in existence for a long time but it was seen mainly as a concern of factories and companies who needed to reduce the impact of their production activities on the environment and lower waste (Yvon, Jib, & Rick, 2011). From experiences over the years, people have realized that a sustainable economy is an economy that can preserve its wealth and bounty for coming generations and not just that which thrives for a while. In its real sense, sustainability translates into satisfying our present wants without hampering the ability of the next generation to satisfy theirs (Kuhlman and Farrington, 2010).

1.1 Statement of Problem

The world has been faced with a one-of-its-kind health emergency with the appearance and fast-spread of COVID-19. The virus, which is said to have its origin from bats, was transferred to humans through a yet-to-be-named intermediary – an animal,



in China's Hubei province, Wuhan in December 2019 (Singhal, 2020). The coronavirus COVID-19 pandemic is leading as a modern-day health crisis and man's biggest challenge since the second world war. The virus has spread to every continent except Antarctica since its appearance in Asia, last year; and every day in Europe and America, new cases arise (undp.org, 2020). The transmission of the virus occurs when contaminated air from the sneeze and cough of a carrier is inhaled. Similarly, transmission occurs when humans touch their mouth, nose, and eyes with hands that have had contact with contaminated surfaces or infected hands ((africacdc.org, 2020). Details regarding the virus are sketchy, including the health conditions it would trigger but beyond the effects on human beings, and the health conditions that would result, the virus brings with it some sort economic of disruption and uncertainty that affects every economy of the world. Nigeria generates 87% of her foreign exchange and earns more than half of her revenue from oil exports. Therefore, the fall in oil prices to less than \$30 per barrel from the beginning of the year has resulted in a fall in government revenue. The fall in the demand for oil is calculated to exceed the loss of almost one million barrels daily as was discovered during the recession of 2007- 2008. Coincidentally, this is happening at the same period that the OPEC and Russia -two key players in the world oil market are in a tussle over cutting output. The effects of this price war between these two may affect the already declining oil prices adversely (cseaafrica.org, 2020). To combat the virus, and to cushion its effects on human health, Nigeria's government put in place some policy measures and even though the measures are for good, they come with some hitches. The lockdown, for instance, poses a lot of economic hurdles and is taking a toll on the demand for oil.

1.2 Objectives of The Study

The main objectives of this study are:

1. To examine government and fiscal policy responses to COVID_19 in Nigeria.
2. To determine the extent to which these government and fiscal policies will affect economic sustainability in Nigeria.

Social Distancing and Lockdown

The world health organization and leaders all over the world advised the people to observe social distancing and this resulted in a standstill in economic activities due to the massive self-isolation. All non-essential workers were ordered to remain indoors because having few people walking the streets could help reduce the spread of the virus and possibly reduce the mortality rate. However, the majority of Nigerians earn their living from the informal economy; if they do not go out for a day, that invariably implies staying hungry for that day. In order words, staying indoors would guarantee reduced exposure to the virus and more exposure to

hunger. Moreover, a large number of Nigerians do not have adequate shelters so they are stuck up in a shack with no electricity, water supply, and in the case of any health emergency, the hospitals lack the necessary facilities with which to cater to them. An initial two-week lockdown was imposed on Lagos, Abuja, and Ogun states on the 30th of March 2020 by the federal government. The lockdown was extended to another two weeks on the 13th of April. Nonetheless, the lockdown came with specific rules. They include:

1. Confining everyone to his residence except those who provide essential services, those seeking medical care, or those who seek an essential commodity.
2. Restriction of movement between and within the affected states except for individuals who deliver essential goods, and services.
3. Closure of malls and retail shops except for such places where essential commodities are sold. The shops must identify the staff on duty and enforce hygiene measures and social distancing policies in line with the guidelines issued.
4. Suspension of inter-state commuter services including bus services, passenger rail services, air passenger transport, maritime, e-hailing services for the lockdown period.
5. Limited transport services for the movement of services, workers, and goods in response to COVID-19 and to seek medical attention or provision of essential services. Transport services existing during the lockdown must enforce social distancing and hygiene measures (statehouse.gov.ng, 2020).

Policy Measures by the Central Bank Of Nigeria

In response to the pandemic and the dive in oil prices, the Central Bank of Nigeria, in a memo released on 16th March 2020 with the reference FPR/DIR/GEN/CIR/07/049, outlined certain policy measures that would help stabilize Nigeria's financial market. The circular which was titled, "CBN Policy Measures in response to COVID-19 Outbreak and Spillovers", mentioned the following:

1. Extension of the moratorium for all CBN intervention facilities

As a result of the weakness in private sector savings, making loans with low-interest rates available at longer periods is important to put the economy in the path of sustainability. The CBN, in an attempt to promote sustainability in the economy, granted an extra one-year grace on principal repayments to all its debtors beginning from March 1, 2020. In this regard, every financial institution involved has been



mandated to draw up new repayment schedules for all loan recipients.

2. Reduction in the applicable interest rates on all CBN intervention facilities –

Interest rates make the flow of funds easy, and also enables financial entities to effectively perform their intermediary roles. For this reason, the central bank of Nigeria reduced interest rates on all its interventions from 9%-5%. This reduction takes effect from March 1, 2020.

3. Creation of a N50 Billion Targeted Credit Facility

Because of the low-capacity of savings of the small and medium scale enterprises, they are easily affected by economic shocks especially one posed by the pandemic. The CBN, thus, created a fifty-billion Naira credit targeted at the small, and medium scale enterprises, and households who have been affected by the pandemic.

4. Credit Support for the Healthcare Industry

The healthcare sector has been put under intense pressure because of the outbreak; for this reason, the central bank has mapped-out a hundred million Naira intervention scheme. This intervention is made available to hospitals, pharmaceuticals, and other healthcare providers who wish to either expand their scale or build new drug manufacturing centers or construct new hospitals.

5. Regulatory forbearance

Deposit Money Banks (DMBs) now have the permission to extend the duration of credits given to households and businesses that were affected by the pandemic. It is expected of deposit money banks to temporarily restructure loans especially those offered to businesses in the manufacturing, agriculture, and oil and gas sectors.

6. Strengthening of the CBN Loan/Deposit Ratio (LDR)

In an attempt to maintain the existing LDR policy in the face of the outbreak, the central bank has decided to increase support to deposit money banks by providing funds to them. This helps improve the capacity of DMBs to provide loans and credit to businesses and households. (Central Bank of Nigeria, 2020).

Implications of these Policy Measures

Unemployment: the pandemic would be a major reason for unemployment in the country. This unemployment would be more evident in the informal sector because a large number of Nigerians earn their living by working menial jobs. The lockdown would, thus, leave a lot of people without jobs. The cleaner who cleans the office complex, the

vulcanizer in the road corner, the driver, and so on are equally affected. Furthermore, to cut costs and adapt to the changing times, some companies would disengage a lot of people thereby making more people unemployed. This loss of employment would also be felt in the tourism and leisure sector. Hotels and restaurants are all under lock and key meaning that all those who work in such places would be left idle. Other sectors would be adversely affected, for example, Nigeria's film industry, known otherwise as Nollywood, would be badly hit. This sector, which has been named the second largest employer in the country; employs over a million people and churns out more than a thousand movies yearly. However, every activity related to movie production has come to a halt because its production center, Lagos, is on lockdown. Consequently, people who initially earned a living from movie making would be left jobless (Aref-Adib, 2020).

Decreased export earnings: the closure of borders and the constraint on the movement of people foretell a fall in exports. The global export chain has been interrupted by the closure of borders around the world except for non-essential services. And even while the products of countries that devalue their currency due to a decrease in price like Nigeria does might seem inexpensive, the restrictions on nonessentials does not allow for any favorable effect on net exports (Ekeruche, 2020). Moreover, favorable export earnings result in high employment, economic growth, and so on (Pettinger, 2017)

Inflation: keeping prices of goods and services stable is one of the major objectives of a present-day economic system. The achievement of this goal is very essential because a failure to do so comes with a lot of negative consequences (Asekunowo, 2016). Because of the pandemic, a lot of manufacturing businesses have been put on hold making it impossible for new products to enter the market. As a result, the existing goods in the market would become a lot more expensive than it used to be. Furthermore, a lot of people are buying out of panic because they are uncertain when the lockdown would be lifted and when the virus would be properly contained, this attitude raises demand without a corresponding increase in supply which results in an unhealthy increase in price.

Decline in consumption: if constant investments are made in the economy, there is an increase in employment levels and high economic activity. Consequently, national income increases (Rafiy, Adam, Bachmid, & Saenong, 2018). There would be a reduction in household demands and consumption in Nigeria as a result of the COVID pandemic. This is because there would be corrosion of wealth resulting from the fall in the value of stocks and shares. Furthermore, the restrictions on movement and production would induce people to spend only on essential commodities. Similarly, the unemployment



faced by the people in the informal economy makes for low-income expectations thus, resulting in limited consumption. This reduction in consumption will result in low economic activity and low national income.

Low Investments: because of the inadequate knowledge regarding the virus, and its duration, a lot of individuals would hold back on investments. Firms will only invest if they are confident about future costs, demand, and economic prospects. If there is uncertainty (e.g. political turmoil) then firms may cut back on investment decisions as they wait to see how event unfold (Petinger, 2019). Negative investor-confidence, doubts about the efficacy of government policies regarding the virus, and general public reaction also contribute to lower investments (Onyekwena & Ekeruche, 2020). However, some technology companies like Apple, Facebook, Amazon, Google, and Microsoft giants are taking advantage of the pandemic. Their stocks are said to have outdone others since COVID-19 was declared as a pandemic (CBInsights, 2020).

Increased Government Spending: in an attempt to counter the decline in consumer demands and spending, the government increases its spending. The government, therefore, finds itself trying to make the economy work by increasing spending (Naufal, 2018). This increase in government spending, even though they are for good, can also be detrimental to the economy. Increased government spending helps increase cost-effectiveness for firms and induce the private sector to invest thereby bringing about growth in the economy. expenditure contributes positively to economic growth. On the contrary, certain academics believe that an increase in government expenditure slows the economy down. They posit that in the government's quest to raise expenditure, it might charge higher taxes and increase borrowing which reduces aggregate demand by way of dissuading people to work. Similarly, production costs are raised, and investors discouraged from investing when income tax is high. Likewise, government borrowing has a crowding-out effect on the private sector resulting in a fall in private investments. (Olulu, Erhieyovwe, & Andrew, 2014). Countless papers have attempted to use the disparities in government expenditure in various regions to categorize the effects of fiscal policy. These studies leveraged on the federal government's habit of allocating funds to states for non-economic needs; like the allocation of federal road allowances based on the outline of the highway interstate system. Variations like these are a pointer to how government spending affects the local economy (WILSON, 2012)

CONCLUSION

This paper assessed the Nigerian economy at the time of the coronavirus pandemic. It considered government and fiscal policies that were put in place

to cushion the overall effects of the pandemic and their implications on the Nigerian economy. The policies even though they are for good, pose some problems. It is important that while the government tries to ease the pressure imposed by the virus on the economy, they should consider their implications so that they do not create more problems while trying to solve one.

Recommendations

It is obvious that increased government expenditures make for increased investment both in the private, and public sectors, better standard of living, and economic growth and development. So, to achieve sustainability, the government has to increase its spending. Furthermore, Nigerians must focus on producing their products. The healthcare sector is another sector that would benefit immensely from the COVID 19 pandemic if policymakers decide to pay attention to the shortcomings highlighted by the pandemic. A whole lot of policymakers and other wealthy citizens travel abroad for medical checkups neglecting the local health sector but the COVID-19 pandemic made it impossible to travel abroad for medical treatment. The government must make a committed effort in developing Nigeria's healthcare sector. More health facilities with the necessary equipment should be constructed. More importantly, policymakers should look for alternative ways to generate revenue other than oil. Individuals are also advised to take better care of themselves by eating healthy foods and exercising regularly.

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