

Covid-19's Socio-Economic Impact On Small and Medium Enterprises and Household Income in Enugu State, Nigeria: The Political Economy Perspective

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ABSTRACT: *The COVID-19 pandemic transformed the world economy and brought about a new normal; among other things, businesses suffered a setback, with household incomes decreasing as a result of job losses and company closures. The main objective of the study is to examine how COVID-19 has affected small and medium-sized companies in Enugu State from a socioeconomic perspective and how that has affected household income. Both primary and secondary sources were employed to gather the data. Small- and medium-sized business owners as well as households in the Enugu metropolitan area received hundred (100) surveys. A percentage and frequency table was then used to assess the data that had been gathered. The results show how the COVID-19 epidemic has impacted consumers' short- and medium-term purchasing power as shown by the rise in demand for critical commodities at the expense of non-essentials due to panic buying. Second, SME operators have a sizable problem as a result of the COVID-19 pandemic-related fall in crude oil prices and the country's currency's subsequent depreciation. Thirdly, the ability of small and medium-sized enterprises (SMEs) to operate is harmed and/or they have severe liquidity issues as a result of a steep and rapid decline in demand and revenue. Consumers also experience loss of income, fear of the disease spreading, and greater uncertainty, all of which have a negative impact on their spending and consumption. The study found that by ensuring investment and providing relief to households, the government and big businesses should maintain acting to lessen the impact of COVID-19 on businesses and household income.*

KEYWORDS: COVID-19, political economy, socioeconomics, small and medium businesses, and household income.

INTRODUCTION

Small and Medium-Sized businesses (SMEs) frequently go unnoticed by larger manufacturing companies yet offer vital services. Their contributions to the economy include, among other

things, the quick uptake of new technology and the creation of jobs. The national GDP of the countries also benefits from their participation. According to PWC (2021:1), "the SME sector is crucial for the expansion of jobs, the economy, and exports in major industrialized economies". In South Africa, SMEs make up 91% of all enterprises, 60% of all jobs, and 52% of all GDP. According to Esiri and Omomia (2020:5), "SMEs account for 90% of businesses, 84% of employment, and 48% of the national GDP in Nigeria. This industry also produces well-known entrepreneurs because it is a breeding place for the brightest minds.

In 2020, the deadly COVID-19 virus swept the globe, crippling both service provision and productivity. As borders were blocked and restrictions placed on the movement of people and products to stop the virus's spread, the economies of the world came to a grinding standstill. SMEs "experienced a decline in business due to the stagnating economy and market demand, as well as the disruption of supply chains due to the lockdown," according to Daniel (2021:3). "While some businesses closed, others faced challenges such as raw material shortages and logistical disruptions,". In this context, the goal of this research is to examine the socioeconomic impacts of COVID-19 on Small and Medium-Sized Enterprises and Household Income in Enugu State.

Objectives of the Study

The aim of this study is to investigate the socioeconomic impacts of COVID-19 on small and medium-sized enterprises in Enugu State and how such impacts affect household income.

1. To examine how COVID-19 will affect small and medium-sized businesses
2. To investigate methods for economic recovery following COVID-19.
3. Examine COVID-19's summary and its effects on the family economy.

Research Questions

1. What impact did COVID-19 have on small and medium-sized businesses?
2. What are the plans for economic recovery following COVID-19?
3. What impact does COVID-19 have on the family economy?

READING REVIEW

COVID-19's Socioeconomic Effects on Small and Medium-Sized Businesses

Most businesses are small or medium-sized enterprises (SMEs), but the definition of an SME and what it means vary from country to country. For instance, Innovation, Science and Economic Development Canada (ISED, 2020:1) states that the term "SMEs" refers to "businesses with fewer than 500 employees, while in the EU, a business with fewer than 250 employees is classified as an SME."

The SME sector is one of the major developed economies' backbones, as well as an important tool for wealth creation and job creation, they also provide auxiliary services that larger enterprises frequently overlook, SMEs encapsulate our country's commercial activities, regardless of the sector, because they produce what we require, transport it to consumers across the country, and perform other necessary tasks in between. They accomplish all of this despite challenges like inadequate working capital, fierce competition from larger companies, difficult access to credit, and other factors. Onyinyechukwu (2020:7) also stated that "SMEs play an

important role in the political economy by promoting and strengthening reforms. Despite the significant contributions that SMEs have made to the Nigerian economy, as correctly noted by Onyinyechukwu and other scholars, the sector still faces many difficulties''. These difficulties include, among others, little or no government involvement in providing stimulus to SMEs and creating an environment that is conducive to the smooth operation of businesses, as well as multiple taxation.

The COVID-19 pandemic has been a recent challenge for SMEs in Enugu and Nigeria generally. COVID-19 is a contagious illness caused by the most recent coronavirus (2020), and it was unknown before its outbreak in Wuhan, China, in December 2019. Currently, COVID-19 is a pandemic affecting numerous countries worldwide. the virus is present in more than 150 countries, and it spreads from person to person through droplets.

Schools, churches, museums, hotels, bars, nightclubs, recreation centres, and markets were among the places that were forced to lock down due to the outbreak of this deadly virus; flattening the curve and observing social/physical distance were the goals of this total/partial lockdown; businesses were forcibly and compulsorily shut down; small and large businesses were left with no choice but to lay off employees, which resulted in a loss of livelihood and jobs.

The state government of Enugu announced a complete lockdown on March 31, 2020, with full enforcement by the state's relevant security agencies. All citizens were required to wear face masks, borders were closed, a curfew was announced, and Keke was open from 7 am to 7 pm. Schools, places of worship, markets, and public offices were all required to remain closed. Levels 12 and above were asked to continue with their normal activities.

Transportation companies are forced to leave their vehicles parked in their parking lots all day because the Ogbete market was closed, which causes those who deal in perishable goods to see their inventory go to waste in warehouses. As if all these issues weren't enough, there are more and more reports of hoodlums robbing stores, which not only negatively impacts the entire community but also the individual businesses involved.

In KPMG Nigeria's (2020) study on COVID-19's effects on SMEs, three grey areas were identified: supply chains, demand, and the financial market. According to KPMG Nigeria, the negative effects of COVID-19 on developments in countries are significant. These effects include direct disruption to global supply chains due to factory closures and quarantined workers, which has led to a shortage of inputs/components and will purposely hinder the availability of goods.

Demand: Due to panicked purchases of necessities at the expense of non-essentials, there has been an increase in demand; for example, a surgical face mask that ordinarily costs ₦100 was sold for ₦500 each, prompting locals to improvise a face mask that they now sell for ₦300. Prices for essential goods have increased due to the rise in demand, but producers of non-essentials have suffered because of the COVID-19 pandemic.

Financial market: As a result of the decline in anticipated cash inflows, a comprehensive cash management strategy is now needed to ensure business continuity, which has affected the ability to identify operating costs. The study finds that as liquidity positions deteriorate due to lower cash flows, fast-moving consumer goods (FMCG) will be most affected.

The Federal Government of Nigeria (FGN) has issued directions on loan moratoria (SMEs), to alleviate the impact of the epidemic on the financial circumstances of enterprises, particularly small and medium-sized ones, and to rev up SME operations and bring them back on course. Ibrahim (2020:4) ‘believes that micro, small, and medium-sized enterprises (MSMEs) are crucial to the economic development of African countries because they foster innovation, create jobs, especially for young people, and act as a source of customers for larger firms throughout the supply chain’. They also provide essential goods and services to homes and businesses, which keeps the continent's economies growing.

There are three main ways the COVID-19 pandemic has impacted SMEs, according to the study, which is in line with an earlier study by KPMG Nigeria (2020): the supply side, the demand side, and the financial market. On the supply side, businesses experience a decrease in the availability of labour because off workers being ill or having to care for children or other dependents while schools are closed, as well as restrictions on people's freedom of movement. According to the demand side, consumption and spending are also decreased due to consumers' income loss, fear of contagion, and increased uncertainty, employee layoffs, and businesses' inability to pay salaries compound these effects, and some industries cause a sudden, dramatic decline in demand and revenue, which causes severe functional impairments and/or severe liquidity shortages for small and medium-sized businesses (SMEs).

Larger and smaller businesses are both affected by these different effects, but the impact on SMEs is particularly bad, in part because of their size-related higher levels of vulnerability and lower resilience. The virus's effects could have a negative ripple effect on the financial market, leading to even lower confidence and credit.

The survey's findings are based on 337 responses and 210 fully completed questionnaires, with each respondent representing a business that operates in one or more of Africa's 54 countries. The survey was jointly developed by International Economics Consulting Ltd. and the African Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (UNECA) between April 14 and April 20, 2020.

Enugu State Government Intervention to Support SMEs' Survival in The State

Most of the initiatives are as follows: The COVID-19 pandemic hurt the economy, particularly small businesses, so the Federal Government of Nigeria, in partnership with the Enugu State Government, issued directives regarding loan moratoriums to mitigate the effect of COVID-19. To increase funding for SMEs in the state, the Enugu State Government also worked with Lidya Nigeria to provide non-collateral cash advances for MSMEs to support the growth of their businesses and lessen the impact of the pandemic. For more information, go to www.enugusme.en.gov.ng/lidya. Individuals or SMEs must have a minimum monthly turnover of N500,000 (the average of your total debit and total credit on your bank statement).

To encourage Micro, Small and Medium Enterprises (MSMEs) to register their businesses, the Federal Government of Nigeria, in collaboration with the Central Bank of Nigeria (CBN) and NIRSAL Microfinance Bank, is offering a loan worth N10 million for MSMEs seeking access to credit through the Agric-Business, Small and Medium Enterprises Investment Scheme. The Government also partners with the Corporate Affairs Commission (CAC) for free business name registration for MSMEs.

METHODOLOGY

The Study's Methodology

To collect information from SME owners in the Ogbete Main Market in the Enugu metropolitan area, a survey method has been used for this research. The data collected was then appropriately analyzed.

Subject of Study

There are many supermarkets in Enugu that offer sizable selections of (primarily western) goods, but the more challenging attraction is to go to a local market, where you can not only find a wider selection of items at more reasonable prices but also get a feel for the atmosphere of a typical market. Many large markets can be found in Enugu City, and most rural communities also have markets. The main market of Enugu is Ogbete.

Every market has a different layout with various sections designated to goods, such as groceries, apparel, electronics, books, vegetables, grains, etc. Everyone is more than willing to direct you to one of these locations. The market used to be open from 8:00 am to 6:00 pm, but due to the COVID-19 pandemic outbreak, it is now closed. According to IgboGuide.org (2020), Ogbete's main market is the largest and most affordable marketplace where you can buy almost anything

Sample and Population

Operators of Small and Medium-Sized Enterprises (SME) in the Ogbete market in Enugu, Nigeria; the respondents were carefully picked owing to their significant roles in the topic under consideration, therefore the sample size is 100, and there are 100 participants in the study.

A tool for data collection

The instrument was a five-item questionnaire that was validated by two experts, one from the Department of Public Health at Torrens University in Australia and the other from the Department of Public Administration at Enugu State University of Science and Technology. The reliability and consistency of the instrument were determined using the Cronbach Alpha statistical technique, which yields an internal consistency coefficient of 0.801.

Analysis of Data

Items were measured using the Likert scale method based on the following: Highest Extent=5, Highest level =4, Very Minimal =3, Low Scope=2, and Low=1. Data collected were analyzed using a percentage and frequency table.

Presentation of Data

What impact does the COVID-19 pandemic have on customers' short- and medium-term purchasing power? Frequency Table 1.

Options	Frequency	percent
low	6	6%
Low Scope	13	13%
Very Minimal	6	6%
Highest Level	33	33%
Highest Extent	42	42%
Total	100	100%

field survey as a source (2022)

The results show that 42% of respondents believe the COVID-19 pandemic has a very high extent effect on consumer purchasing power. During the pandemic, the market was shut down because SME operators were not selling their goods, and consumers could not access essential commodities. As a result, whenever the government relaxes the curfew, consumers tend to rise in demand for essential goods at the expense of non-essentials due to panic buying.

Table 2 of frequencies: How much has COVID-19 affected SME operators?

Options	Frequency	percent
low	4	4%
Low Scope	8	8%
Very Minimal	3	3%
Highest Level	42	42%
Highest Extent	43	43%
Total	100	100%

field survey as a source (2022).

According to 43% and 42% of respondents in table 2 above, the operators of Small and Medium Enterprises are severely harmed by COVID-19 because of the decline in crude oil prices, the devaluation of the currency, and the curfews and lockdowns imposed by the international, national, state, and local governments to stop the virus' spread. Borders were closed, affecting the flow of people and goods; as a result, perishable goods were prohibited from entering.

CONCLUSION, RECOMMENDATION, AND SUMMARY OF FINDINGS

Summary of the results

The results so far are outlined as follows:

1. The spike in demand for needs at the expense of non-essentials owing to panic buying illustrates how the COVID-19 epidemic has affected consumers' short- and medium-term purchasing capacity.
2. SME owners have a major problem because of the COVID-19 pandemic-related decline in crude oil prices and the country's consequent currency depreciation.
3. Consumers also experience loss of income, fear of the disease spreading, and increased uncertainty, all of which hurt their spending and consumption, and small and medium-sized businesses (SMEs) suffer from a sharp and rapid decline in demand and revenue because it makes it difficult for them to operate and/or causes serious cash flow issues.

CONCLUSION

Since businesses were cutting costs to survive and the number of fatalities was rising daily, the income of households and SMEs suffered, as did the price of crude oil on the international market and the worsening exchange rate for exporters, it is impossible to overstate the negative effects of COVID-19 on Small and Medium Enterprises (SMEs) and the household economy.

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