THE IMPACT OF COVID-19 ON BUSINESS ENTERPRISES IN NIGERIA

UNITED NATIONS DEVELOPMENT PROGRAMME | NATIONAL BUREAU OF STATISTICS

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THE IMPACT OF COVID-19 ON BUSINESS ENTERPRISES IN NIGERIA


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EXECUTIVE SUMMARY

It is now over a year since the coronavirus outbreak was declared a global pandemic by the World Health Organization. COVID-19 has claimed over 4 million lives and infected over 200 million people worldwide.

The pandemic's impact has touched almost every aspect of modern life, upending public health systems, the global economy, travel, supply chains, community and social ties and how we work. Unemployment has risen, and the global economy shrank by 4.4% in 2020, according to International Monetary Fund (IMF) estimates. The vast majority of nations around the world entered into recessions, having experienced negative GDP growth.

Developing countries have suffered disproportionately due to the socio-economic fallout from the pandemic. Wealthier nations can afford to institute the crippling lockdowns and restrictions necessary at times to arrest the spread of the virus, and to support their populations so they can stay at home in an effort to limit community spread. Many developing countries however were often forced to rely on a mishmash of truncated measures to limit the fallout on populations already living in poverty or who rely on daily work for subsistence.

In addition, while wealthier countries have the resources to pre-order large quantities of vaccine candidates and ramp up inoculations in order to help their countries overcome the challenges of the pandemic, poorer countries have to wait in line to vaccinate their populations, relying on mechanisms like COVAX which have the capacity only to vaccinate a percentage of the populace.

The pandemic had an outsized socio-economic impact on Nigeria, which has one of the highest rates of multidimensionally poor individuals in the world. The economy had already suffered due to a rapid decline in oil prices in recent years and security challenges stemming from insurgent violence and competition for resources, and the fallout from the pandemic plunged the Nigerian economy back into a recession - its deepest in over four decades with real GDP contracting for two consecutive quarters by 6.1 percent and 3.6 percent in Q2 and Q3 of 2020, respectively. The impact, however, has been uneven across economic sectors, with some enterprises feeling the adverse economic effects more so than others.

This bird's eye view, however, offers an aggregate of the overall increase in suffering, poverty, unemployment and business closures prompted by this public health crisis. It obscures the dynamics and developments that together give rise to the aggregate picture. In order to gain a better understanding of these effects at a granular level, UNDP in collaboration with the National Bureau of Statistics has built a comprehensive database of the business environment in Nigeria, offering an unprecedented close-up of the situation in the country and a detailed assessment of the impact of the pandemic on businesses and business owners.

The results of the survey detail the ramifications of the COVID-19 pandemic. Disruption in operations was evident across enterprises with at least two thirds of businesses currently operating in the country having had to close down during the pandemic. The results also shed light on resistance to lockdown directives and regulation by the government, particularly among informal enterprises where a third continued to operate throughout the pandemic. Around one in ten businesses were still closed at the time of the survey.

It is however likely that many businesses were unable to withstand the shock of the pandemic. As many as one in three enterprises interviewed reported knowing of an enterprise similar to theirs that permanently closed due to operational challenges brought about by the pandemic.

A drop in production, sales and revenues was commonly experienced by enterprises across the country, albeit to varying degrees. Median losses in revenue stood at 44 percent relative to revenues in 2019. Meanwhile, the utilities and agriculture sectors emerged as relatively less impacted and some enterprises even reported gains compared to those in the transport and mining and quarrying sectors, for instance. Even after an eventual easing of the restrictions on movement and containment measures, the impact of the pandemic continued to linger with sales and revenues still contracting for 74 percent of the enterprises.

The survey also elucidates the dynamics behind the increase in the national unemployment rate from 27 percent in Q2 2020 to 33 percent in Q4 of 2020, as reported by the National Bureau of Statistics. Forty three percent of the enterprises sampled experienced a decline in the work force - with around 20 percent of workers in the surveyed enterprises losing their jobs during this period. However, 57 percent of businesses were able to maintain their staff strength during the pandemic.

Many businesses, particularly informal ones, also reported poor access to credit and capital to sustain their enterprises, including difficulty paying fixed costs like rent. Many business owners have had to rely on personal savings or leverage support from families and social networks in order to sustain their businesses. The necessity of ensuring access to cheap credit or loans and possibly targeted funds to support enterprises in struggling sectors is further highlighted through the results.

A small minority of enterprises, however, either registered gains or proved to be more resilient across the various facets and elements of business activity that the survey investigated. For instance, those with flexibility and ability to switch to e-commerce models fared relatively better than those unable to leverage digital infrastructure, highlighting the need for more investment in bridging the digital divide among various locales in the country.

This mixed bag of results was reflected in the varying expectations of business owners for the coming year, with some optimistic and others pessimistic about the future and what it holds for their enterprises.

There is a great degree of uncertainty in the short term among enterprises regarding the future viability of their business models. This could be due in part to the possibility of renewed disruption and lockdowns in the event of a third wave of the pandemic or delays in vaccine distribution. This manifested in the expectation among a significant percentage of businesses that the growth of the labour force is likely to remain anaemic, which could have serious consequences for unemployment in the country and necessitates the shoring up of social welfare support.

The combined data gleaned from the survey offers deep insight into the business environment in Nigeria, with detail that is far more granular than is normally available. This data can help guide interventions to support ordinary Nigerians and especially small and medium enterprises in a challenging business environment, to allow them to survive and thrive in a post-pandemic future, and to better target interventions meant to advance the Sustainable Development Goals (SDGs), particularly as they relate to supporting nascent sustainable business ventures.

ACRONYMS

COVAX	COVID-19 VACCINES GLOBAL ACCESS
COVID-19	CORONAVIRUS DISEASE
GDP	GROSS DOMESTIC PRODUCT
IMF	INTERNATIONAL MONETARY FUND
INGO	INTERNATIONAL NON-GOVERNMENTAL ORGANISATION
MSMEs	MICRO, SMALL AND MEDIUM ENTERPRISES
NBS	NATIONAL BUREAU OF STATISTICS
SDGs	SUSTAINABLE DEVELOPMENT GOALS
SGBV	SEXUAL AND GENDER-BASED VIOLENCE
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
WHO	WORLD HEALTH ORGANISATION

INTRODUCTION

On 11 March 2020, the World Health Organisation declared the novel coronavirus (COVID-19) outbreak a global pandemic. As the virus made its way across the globe, it induced radical shifts in the ways we interact, learn, work and co-exist with a new normal defining our day to day.

Far from just a health crisis, the secondary effects of the COVID-19 pandemic have caused substantial damage to the global economy. The unprecedented scale of containment measures employed across the globe, including lockdowns, restrictions on movement and other non-pharmaceutical interventions pushed the global economy into the worst recession since the Great Depression. Income per capita is projected to have shrunk for 178 countries[1] and as many as 115 million people are likely to be pushed into extreme poverty as a result of COVID-19.[2] For the first time since its introduction in 1990, the Human Development Index is expected to decline – a fall equivalent to erasing the human development progress that has been achieved over the past six years.[3]

The initial shock of the pandemic, broad and strict lockdowns, and economic contraction, however, were followed by cautious economic growth in Q4 of last year as countries around the world developed protocols to limit infection, the prospect of vaccines became a reality and our understanding of how the coronavirus spreads grew. This fragile economic recovery remains at risk if challenges to vaccine production and distribution emerge, and if virus variants prove resistant to the vaccines, which is why it is important to take stock of the impact the pandemic has had on business overall. This will allow policymakers, INGOs, civil society groups, and business owners to better assess the damage caused by the pandemic, weaknesses in demand and supply chains, how to future-proof their initiatives and enterprises, and how to build back better as the crisis is overcome.

Nigeria's first COVID-19 case was confirmed on 27 February 2020 in Lagos State. The federal government reacted swiftly with a directive ordering the cessation of movement in Africa's largest city, Lagos, as well as in Ogun and the Federal Capital Territory at the end of March 2020. State-level directives placing similar restrictions on entry and exit as well as movement within the states soon followed.

As economic activities came to a standstill, downside scenarios became a reality, with investors absorbing the implications of disrupted supply chains because of containment measures and spillover effects extending from the real economy to financial markets. Still in the process of recovering from the 2016 recession, the onslaught of the twin impact of a decline in oil prices and the COVID-19 pandemic plunged the Nigerian economy back into a recession - its deepest in over four decades with real GDP contracting for two consecutive quarters by 6.1 percent and 3.6 percent in Q2 and Q3 of 2020, respectively.[4]

The unprecedented global race by research labs, pharmaceutical companies and governments to develop a vaccine has begun to bear fruit. Traditional vaccine development usually takes ten to fifteen years, but just a year into the COVID-19 outbreak, vaccines are being rolled out across the world. Economies are slowly recovering for a variety of reasons such as the prospect of widespread vaccine availability, better protocols to prevent infection, and general optimism that the crisis is finite in scope. This includes the Nigerian economy, which registered a low but positive growth rate in Q4 of 2020.

However, the disruptions in supply chains, ongoing supply and demand shocks and the drop in consumer confidence will leave lasting scars on the businesses and enterprises that make up the backbone of the economy. The impact and recovery will be uneven for businesses across operating models and sectors, putting pressure on the nation's economic infrastructure and subsequently the livelihood and well-being of millions of Nigerians.

Several key sectors of the economy witnessed a significant decline in growth. According to the National Bureau of Statistics (NBS), the services and industries sectors of the country experienced negative growth rates in Q2 of 2020 at -6.78% and -12.05%, respectively. Over the course of 2020, the services and industries sectors contracted by 2.2 percent and 5.9 percent respectively. Meanwhile, the agricultural sector experienced a relatively lower impact, only shrinking by 0.14 percentage points against its performance in 2019.[5] Although the economy picked up a small but positive growth rate by Q1 of 2021, the services sector registered a contraction.

The decline in GDP growth across key sectors is in line with the significant downturn in business activities and fall in income that have affected Micro, Small and Medium Enterprises (MSMEs). Larger firms were not spared either as profits and turnover of goods declined. Consequently, as businesses across the country responded with staff layoffs to stay afloat in the new environment, the unemployment rate increased to 33 percent in Q4 of 2020 compared to 27 percent in Q2 of 2020.[6]

To cushion the effects of the pandemic on businesses, the Federal Government of Nigeria (FGN) employed various response strategies including the following:

- Introduced a N50 billion Targeted Credit Facility (TCF) as a stimulus package to support households and Micro, Small and Medium Enterprises (MSMEs) through the Central Bank of Nigeria (CBN)
- Implemented a three-month repayment moratorium for all TraderMoni, MarketMoni, and FarmerMoni loans. A similar moratorium was imposed on all FGN-funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export Import Bank.
- Directed Nigeria's financial development institutions to engage international and multilateral development partners to negotiate concessions to ease the pains of borrowers under on-lending facilities using capital from the development partners.
- Deferred taxes and bailout funds for some sectors of the economy.

To complement efforts of the Nigerian government and its people in responding to the socio-economic challenges posed by the COVID-19 pandemic, the United Nations Development Programme (UNDP) in collaboration with the NBS conducted this survey to serve as a timely response to provide a curated perspective on the impact of COVID-19 on businesses and enterprises across the country. As the country mobilises to recover from the devastating socio-economic impact of the pandemic, the data collected can inform targeted policymaking and medium- and long-term planning.

Methodology

The National Integrated Survey of Establishment (NISE) frame was used for the selection of all establishments that were considered in this study. A nationally representative sample of 3,000 establishments which cut across both formal and informal sectors from urban and rural areas was selected. This figure comprises 2,100 formal businesses, representing 70% of the total establishments selected, and 900 informal businesses, representing 30% of total establishments. The 70/30 distribution across both sectors was informed by several factors among which are their contribution to the Gross

Domestic Product (GDP), the composition of the frame at the disposal of the Bureau, and the response status of respondents from previous establishment surveys. The primary criterion adopted for delineating business sectors into formal and informal establishments for this survey was business registration with the Corporate Affairs Commission (CAC). Employment size, registration status and response status of the enterprise in previous surveys were also considered for the sample selection.

The establishments included in the study span 18 major sectors of the economy. The sectors' contributions to the half-year 2020 GDP were used to distribute the establishments by sector while Probability Proportional to Size (PPS) was used to allocate the number of establishments to be covered in each of the 36 states and the Federal Capital Territory.

The survey was in the form of a questionnaire and was designed to seek insight into the impact of COVID-19 on i) business operations, ii) business finances, iii) work force and iv) perceptions of business owners during and post-pandemic. The same questionnaire was used to interview both formal and informal enterprises but it was designed in a way that questions meant for either of the sectors could be easily sorted/identified.

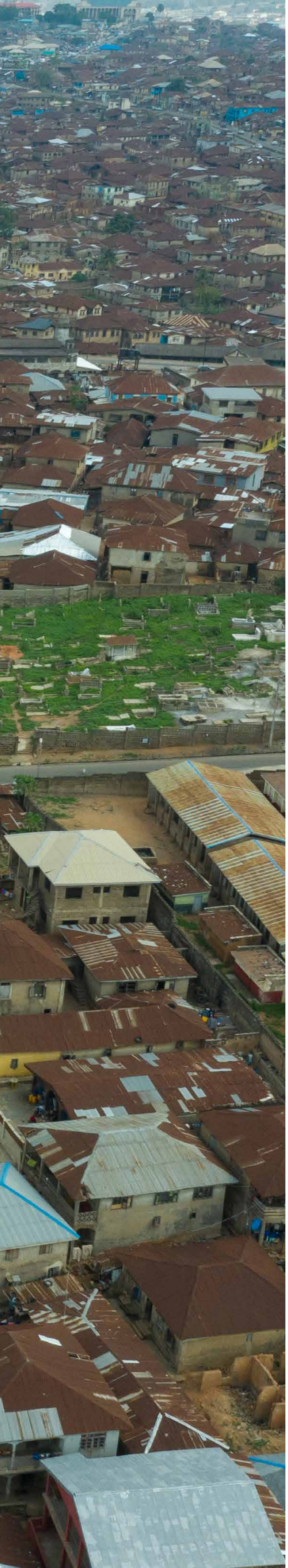
The surveys were conducted between November and December of 2020. A total of 150 enumerators were deployed for the data collection exercise across the country. Each interviewer covered an average of 20 establishments which cut across establishments in both the formal and informal sectors. The formal establishment questionnaires were lodged and retrieved after completion, while informal establishment questionnaires were directly administered to the respondents by the enumerators. All completed questionnaires were retrieved and synchronized to a dedicated server for data processing.

The data processing started with data validation and data cleaning. Afterwards, data analysis commenced with further cleaning of the dataset and analysis of variables in line with the survey objectives.

With a non-response rate of 1.2 percent, the final sample on which the report is based included 2,964 enterprises, of which 73 percent are from the formal sector and the remaining 27 percent being informal enterprises. The findings reported are rounded off to the nearest whole number and throughout the report, the analysis provides comparisons between the responses of formal and informal enterprises. While the Nigerian business environment, including its working population is complex and fluid, this report assesses the impact of the pandemic on formal and informal enterprises separately to take into consideration an important distinction in mode of operation that is reflective of the Nigerian context and to maintain the unit of analysis at the enterprise level.

Following this introduction, the report provides an overview of the profiles of enterprises that make up the sample. It then proceeds to unpack the impact of COVID-19 on enterprises in the country including on operations, production, revenue and sales, and work force. The report also details how these enterprises see their future business prospects, and their perceptions of the challenges ahead as the country recovers from the pandemic. The final section summarises the findings of the report.

In addition to the wealth of evidence that offers a granular understanding of the experiences of enterprises in various sectors during the pandemic, interspersed throughout the report are case studies offering an unvarnished, down-to-earth perspective on how enterprises navigated the new challenges posed by these events. An annex with full details of the methodology and tables of the survey sample are also offered.



OVERVIEW OF SAMPLE

This section presents a general overview of the profiles of the survey population. Figure 1 presents the summary of the sample based on survey design and the actual data collected.

A total of 3,000 (2,100 formal and 900 informal) establishments were selected to participate in the study. However as shown in Figure 1, 2,158 formal and 806 informal establishments responded to the questionnaire for the survey. Thus, the report is based on a sample of 2,964 enterprises which were spread across the country and across the main sectors that make up the Nigerian economy.

FIGURE 1 DISTRIBUTION OF ENTERPRISES BY SECTOR (PLANNED AND ACTUAL)

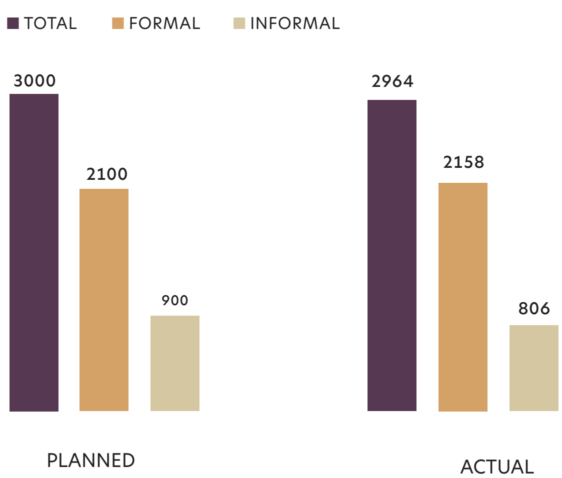
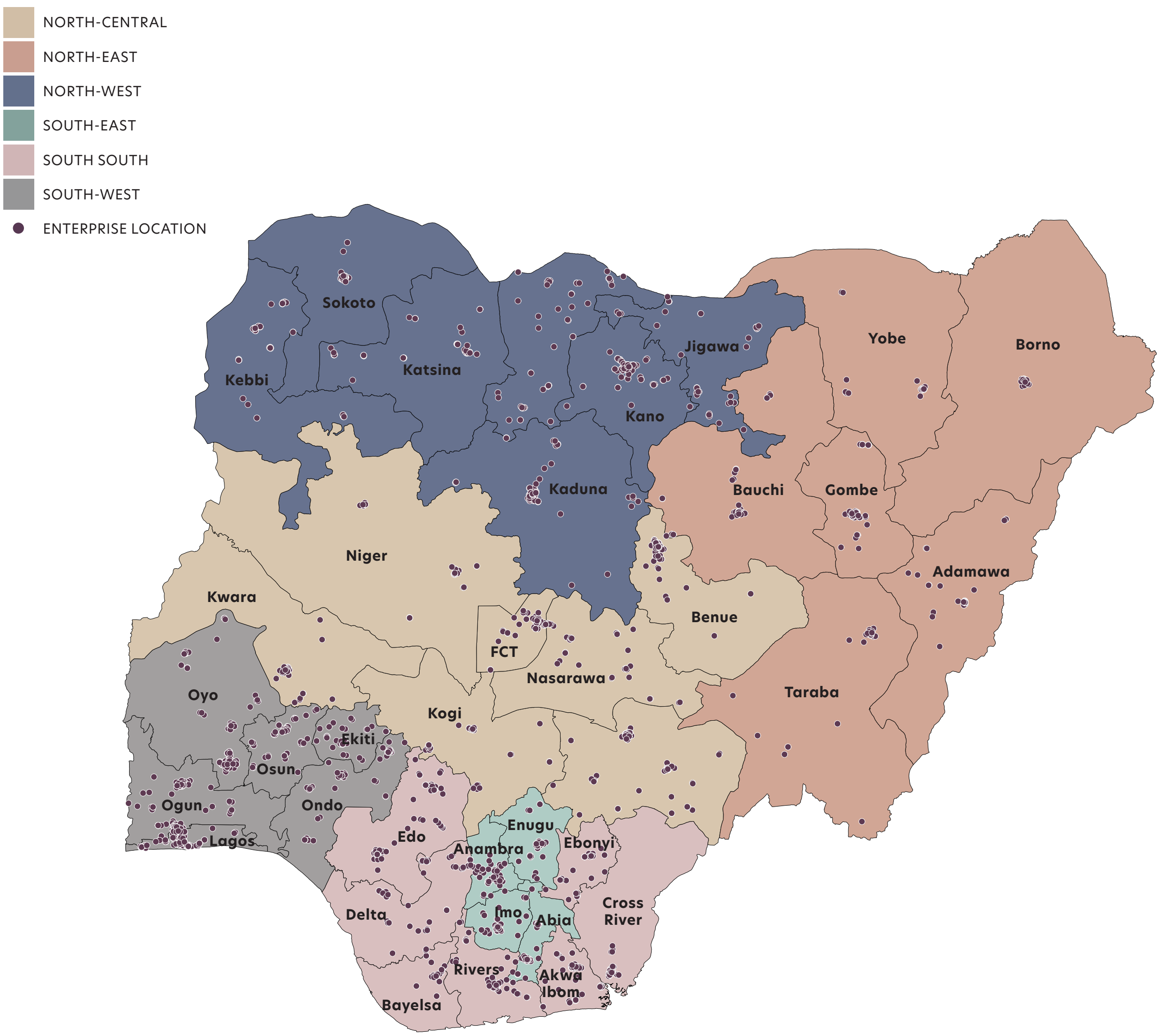


Figure 2 shows a map of locations of the business establishments that formed the survey sample while Figure 3 shows the distribution of establishments by economic sector.

FIGURE 2 GEOGRAPHICAL DISTRIBUTION OF ENTERPRISES



The sample cuts across 18 key economic sectors with the trade[7] sector making up the largest proportion (22 percent) of the establishments followed by manufacturing at 14 percent and agriculture at 13 percent. The utilities sector (0.8 percent)[8] and arts, entertainment, and recreation (1 percent) were the bottom two with the lowest number of establishments in the sample.

To garner further insight about operational modes and structures, enterprises were also asked about the ownership and structure of the enterprise, use of technology, sources of electricity and expenditure on security and informal taxes.

As shown in Figure 4, the most common classification of enterprises was sole proprietorships (68 percent) followed by Private Limited Liability companies (17 percent) and Partnerships (6 percent).

FIGURE 3 DISTRIBUTION OF ENTERPRISES BY ECONOMIC SECTOR

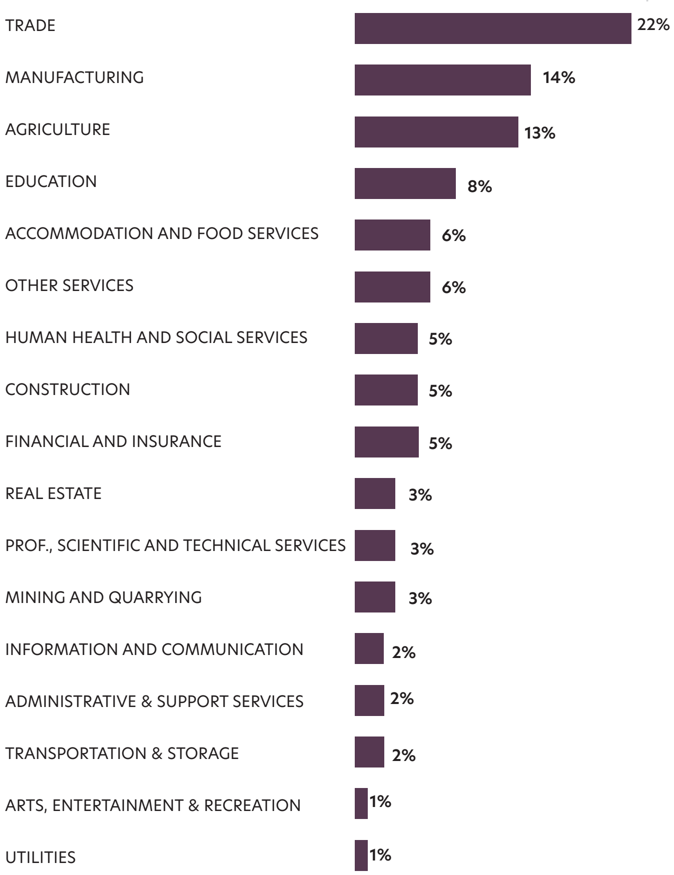
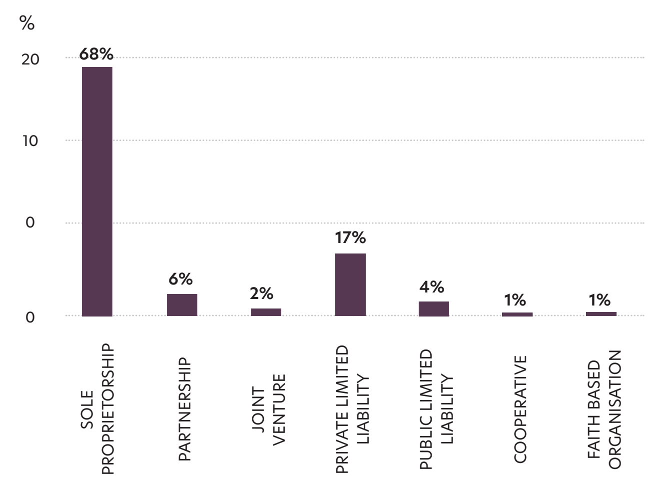


FIGURE 4 DISTRIBUTION OF ENTERPRISES BY BUSINESS CLASSIFICATION



While 90 percent of enterprises use phones in their daily operations, the level of adoption of other forms of technology is relatively low, particularly among those in the informal sector. Over half of the enterprises do not use the internet in their business operations while only 62 percent use mobile banking (Figure 5).

Overall, 81 percent of the establishments are connected to the national grid for electricity (Figure 6). By geopolitical zone, larger proportions of enterprises in the regions of North-Central (86%) and South-West (85%) are connected to the national grid compared to those in the North-East (72%). As expected, a higher percentage of formal establishments (86%) were connected to the national grid compared to informal enterprises (69%).

FIGURE 5 USE OF TECHNOLOGY IN BUSINESS OPERATIONS

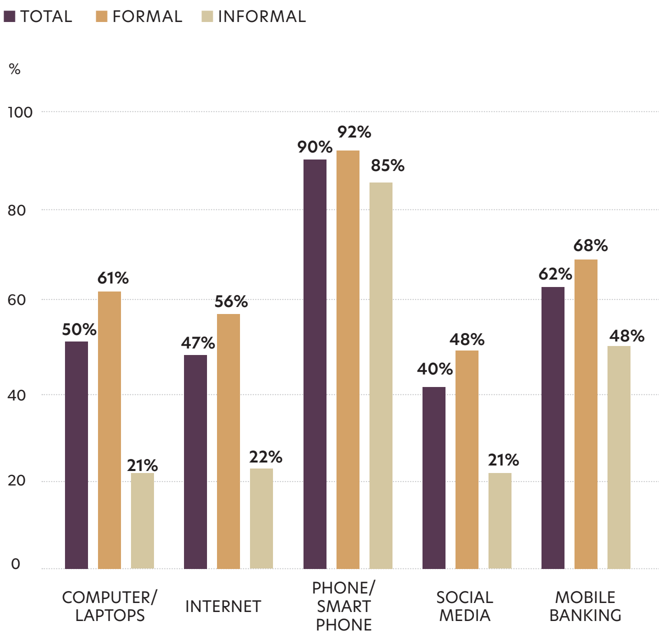
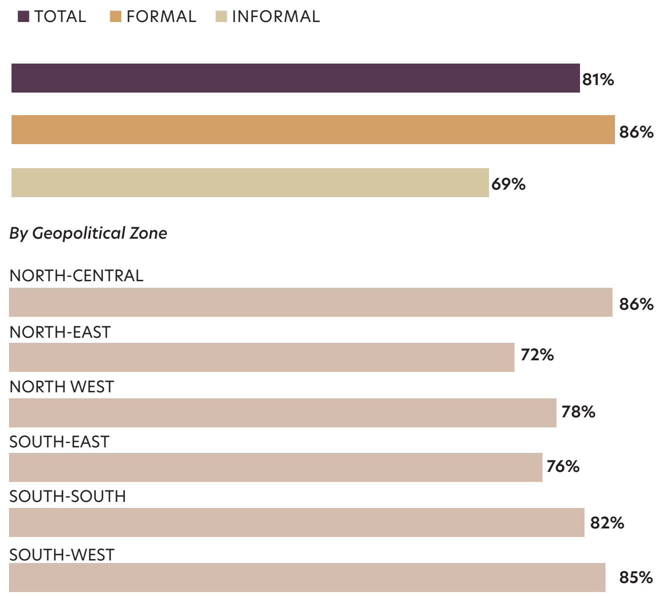


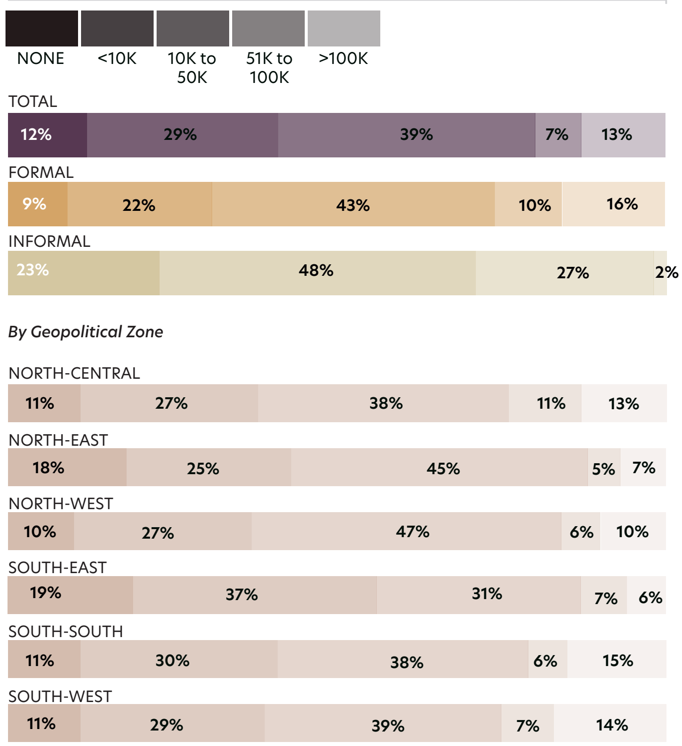
FIGURE 6 PERCENT OF ENTERPRISES CONNECTED TO NATIONAL GRID



Around 88 percent of all establishments incur monthly security expenditures such as compensation for security personnel and alarm systems (Figure 7). Among formal enterprises, this figure was higher at 91 percent while for informal enterprises it was 77 percent. Overall, 39 percent of all establishments spent between N10,000 and N50,000 per month while expenditures in the North-Central and South-West zones were relatively higher.

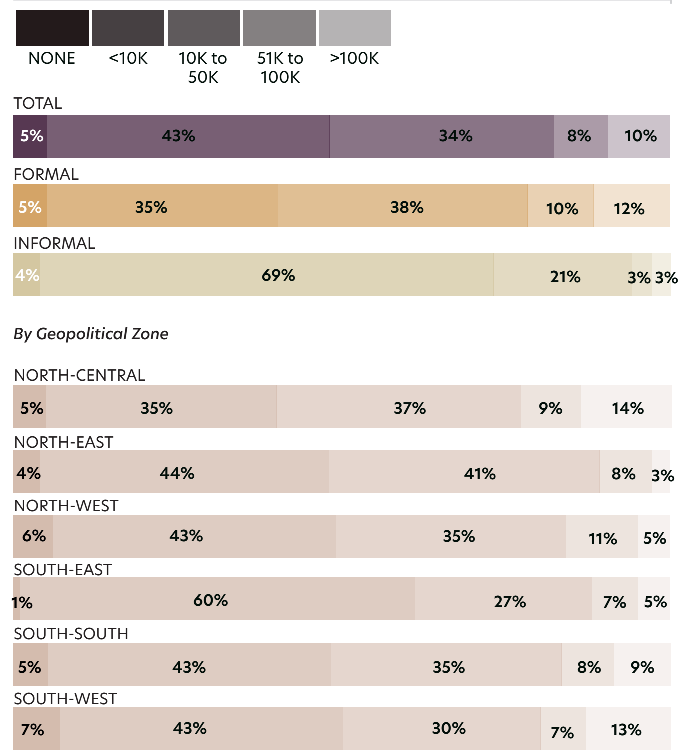
A significant majority - 95 percent - of enterprises reported paying informal taxes with those in the South-East recording higher proportions compared to those in the North-West and South-West (Figure 8). Overall, 60 percent of the formal enterprises were paying more than N10,000/month while 69 percent of informal enterprises were paying less than N10,000/month.

FIGURE 7 AVERAGE MONTHLY EXPENDITURE ON SECURITY BY SECTOR AND GEOPOLITICAL ZONE (IN NAIRA)



*The gradient on the key reflects the ascending ranges of money spent for each category

FIGURE 8 AVERAGE MONTHLY EXPENDITURE ON INFORMAL TAXES BY SECTOR AND GEOPOLITICAL ZONE (IN NAIRA)



*The gradient on the key reflects the ascending ranges of money spent for each category


DC


I/MW
HEAVY DUTY

THE IMPACT OF COVID-19 ON BUSINESS ENTERPRISES

The vast majority of businesses operating in Nigeria suffered due to the pandemic and the subsequent restrictions imposed on businesses to arrest the spread of infections, including lockdowns, restrictions on movement, and other public health measures. The gravity of lay-offs, reductions in hours of operation, and limited access to credit provide insight into its impact on individuals and families whose ability to maintain their livelihoods and generate income were severely curtailed. However, the effects were felt unequally by business enterprises across the country that belonged to different sectors with notable differences between formal and informal enterprises. At the same time, for a small percentage of enterprises, the pandemic bought about some gains.

This section presents key results from the nationwide survey and has been organised in the following manner to assess the impact of the pandemic on different facets and elements of business activity:

1. Impact on operations
2. Impact on production and capacity utilisation
3. Impact on sales, revenue and finances
4. Impact on work force
5. Perceptions of business owners regarding the future of their enterprises and the business environment more broadly, a metric that has not been tracked previously.

A. IMPACT ON OPERATIONS

COVID-19 containment efforts employed in the country and across the world caused most businesses to close shop. As illustrated in Figure 9, overall, 61 percent of businesses operating at the time of survey had temporarily closed down during the pandemic but were slowly reopening amid an easing of restrictions and growing confidence in an economic recovery. Differences in closure rates were observed between formal and informal businesses - while 63 percent of those in the formal sector had previously closed, the figure for informal enterprises was lower at 56 percent.

A third of informal enterprises continued to operate throughout the pandemic, perhaps indicating a resistance to regulation by the government due to lack of alternative means of subsistence for those engaged in informal work, while for formal businesses, approximately a quarter never closed. Since formal businesses are directly regulated by the federal and local governments, those that remained open were likely designated as essential businesses that were allowed to continue operating through lockdowns, such as grocery stores and food vendors, pharmacies, etc.

As expected, a significant majority – 66 percent - of the enterprises reported having closed down as a result of directives related to containment measures (Figure 9). Decline in demand featured as a reason for closure among 13 percent and 15 percent of formal and informal enterprises, respectively. For informal enterprises, closures resulting from restricted access to raw materials was more common than among formal enterprises.

Duration of Business Closure

The duration of the interruption varied across businesses. Overall, however, 64 percent of enterprises closed for three months or less, in line with the second phase of easing of lockdown directives across the country (Figure 10).

FIGURE 9 BUSINESS CLOSURE BY SECTOR

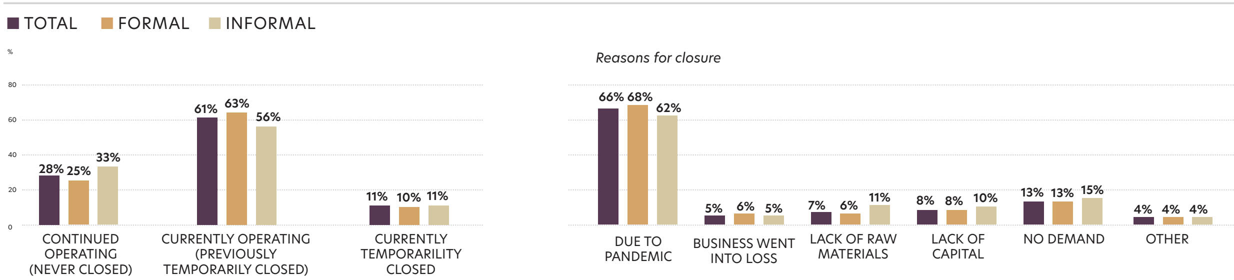
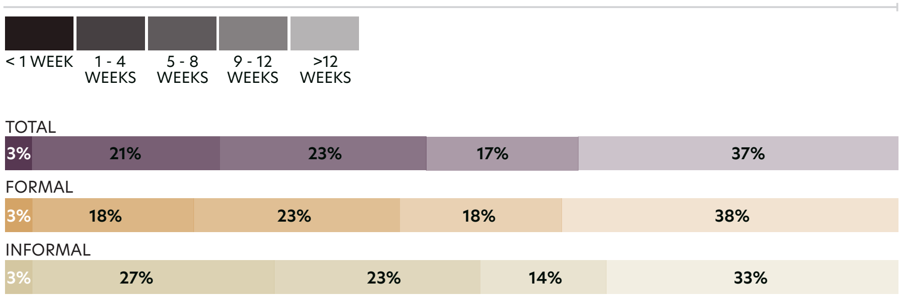


FIGURE 10 DURATION OF BUSINESS CLOSURE



*The gradient on the key reflects the ascending ranges of duration of business closure.

Change in Hours of Operation

Sixty percent of the enterprises experienced a decrease in working hours, while 34 percent indicated that their hours of operation remained the same throughout the pandemic, and 4 percent of the businesses experienced an increase in their hours of operation for the period. The impact on working hours is broadly similar across informal and formal businesses (Figure 11)

Among the 60 percent reporting a decrease in working hours, about 68 percent saw a decrease of between one to five hours in the number of hours of operation. A decrease of six to ten hours was reported by 22 percent of the enterprises.

Change in Operational Costs

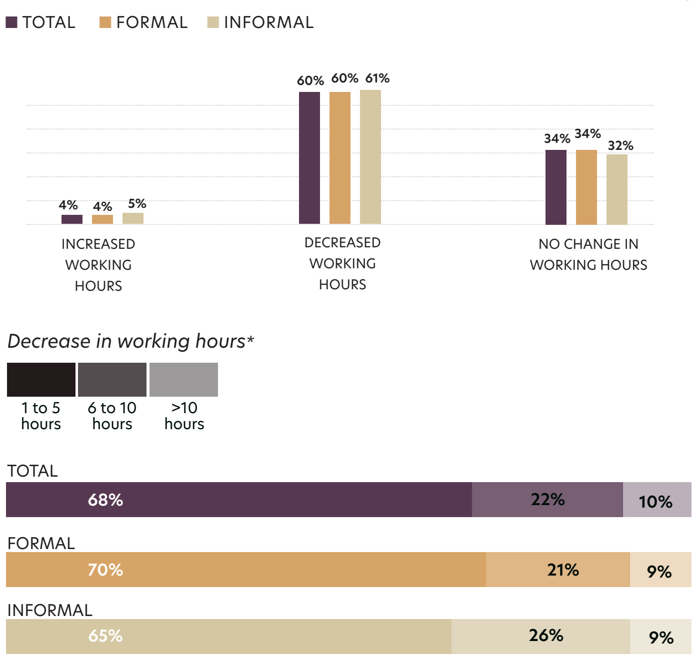
As businesses tried to adapt and react to the shocks brought about by the pandemic and accompanying public health measures, they experienced great changes in overall operational costs.

These were due to some major confounding factors, including a rise in the cost of raw materials likely due to disruptions in supply chains, an increase in transportation costs due to the different lockdown measures and restrictions on movement, and running costs that had to be adapted to ensure the survival of enterprises in the face of reduced demand.

Businesses were asked to compare operational costs between Q2 2020 - Q4 2020 against the previous year, i.e., Q2 2019 – Q4 2019. The survey results showed that 59 percent of businesses reported an increase in operational costs compared to the previous year, while 26 percent experienced a decrease in operational costs, and 16 percent reported no changes in operational costs (Figure 12)

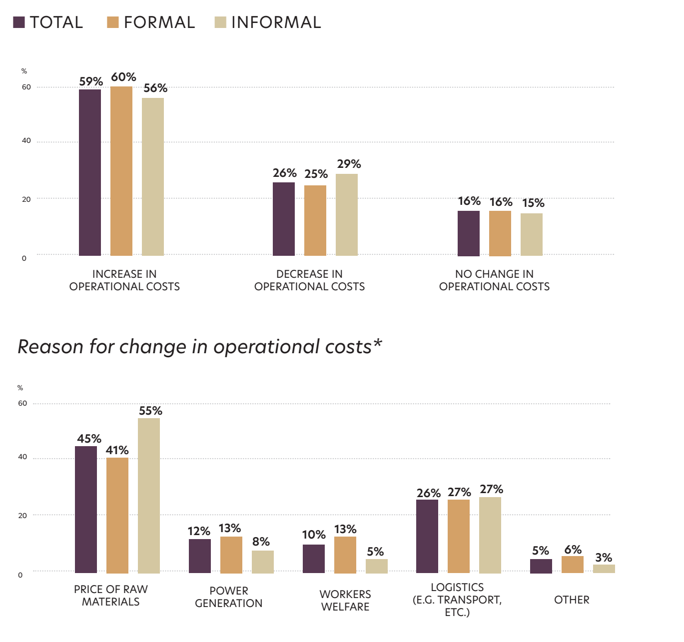
Among businesses reporting an increase in operational costs, survey results show that "price of raw materials" was the greatest contributor at 45 percent, while "logistics/transportation cost" was responsible for 26 percent, "power generation" for 12 percent, and "workers' welfare" for 10 percent of the changes in the cost of business operations in Nigeria.

FIGURE 11 CHANGE IN HOURS OF OPERATION



*Among those reporting decrease in working hours

FIGURE 12 CHANGE IN COST OF OPERATIONS (Q2 2020 - Q4 2020 COMPARED TO Q2 2019 - Q4 2019)



*Among those reporting increase in operational costs

Victoria Chinelo Oduenyi's poultry farm in Anambra State was running smoothly, a source of income for her extended family, whose children she treated as if they were her own.

But when the coronavirus pandemic hit, it all went away in an instant. With profits dwindling, she was no longer able to pay her workers, and was forced to let them go.

"When the pandemic started I laid off three people. I later called back one of them... At one point I couldn't even pay that individual his salary. So he's no longer with me. Everybody has gone."

She worked alone on the farm, which began falling apart, and a robbery made things far worse. In order to keep the business running, she purchased supplies on credit. As the cost of feed and other commodities skyrocketed, she went into debt, halted all work on the house, and could no longer afford to pay for the children's education.

"It affected my family and me, so much so that the children that are done with their secondary school education couldn't go further because of lack of funds. Most of them were sent to learn a trade so as to reduce the cost of training them educationally. Feeding and sending these children to school was tough because everything was just going down and these children are my hope."

A little over a year into the pandemic, things are still difficult.

"I'm still running my poultry farm but not on the same scale as before. And the challenges I encountered in the business made me run into debt. And even though I'd like to buy six hundred chickens like before, I end up buying only a hundred because that's all I can afford now."

"I learnt something in my business during this pandemic - I learnt that whenever I have the resources, I'll invest in more than one business. I won't just depend on one source of income anymore."

—

VICTORIA CHINELO ODUENYI
OWNER, CHIELO FARM
IDEMILI, ANAMBRA

"When the pandemic started I laid off three people. I later called back one of them... At one point I couldn't even pay that individual his salary. So he's no longer with me. Everybody has gone."

—VICTORIA CHINELO ODUEYI

Closure Rates

While the survey does not include perspectives from businesses that permanently closed due to the pandemic, as shown in Figure 13, more than one in three of the enterprises sampled indicated that they knew of businesses that permanently closed due to operational challenges resulting from the pandemic. This figure offers a glimpse into a more far-reaching toll than that which can be gleaned purely from the results of this survey.

B. IMPACT ON PRODUCTION AND CAPACITY UTILIZATION

As shown in Figure 14, in comparison to the year before, 80 percent of enterprises reported experiencing a decrease in production while 14 percent reported increased production levels. No significant differences were observed between formal and informal establishments. Among those reporting a decrease, 24 percent saw a decline in production of less than 20 percent, 63 percent experienced a decrease between 21 percent to 60 percent and 13 percent reported a decline in production greater than 60 percent.

Enterprises were also asked to compare changes in production of goods and services between Q4 2019 and Q4 2020 – i.e., at the time of the interview. The comparison was meant to glean whether businesses that had reopened after lockdowns continued to experience lingering effects of the pandemic and its restrictions on movement and production.

Figure 14 also shows that despite the restrictions having been eased at the time of interview, 74 percent of all enterprises still reported a decrease in production levels compared to the same time last year. On the other hand, 11 percent indicated that they saw an increase in the production of goods and services while 16 percent seemed to have returned to pre-pandemic production levels at the time of the interviews, reporting no changes in production between Q4 2020 and Q4 2019.

The data is indicative that businesses are likely to continue experiencing the impact of the pandemic for some time even after the easing of public health measures. The time needed for an economic recovery to become manifest, and the extent of the damage to enterprises around the country, are both likely to be greater if the country has to endure more pandemic-related shocks, such as a third wave of infections or delays in the procurement and distribution of vaccines.

FIGURE 13 *"DO YOU KNOW OF BUSINESSESS LIKE YOURS THAT HAVE PERMANENTLY CLOSED DUE TO THE PANDEMIC?"*

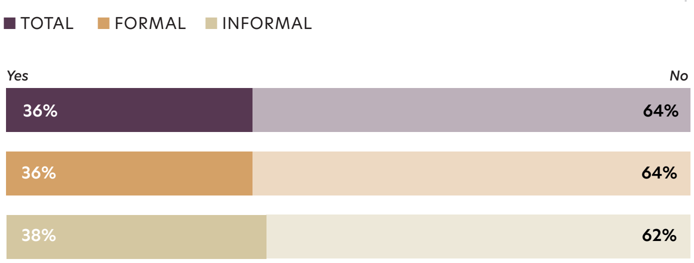
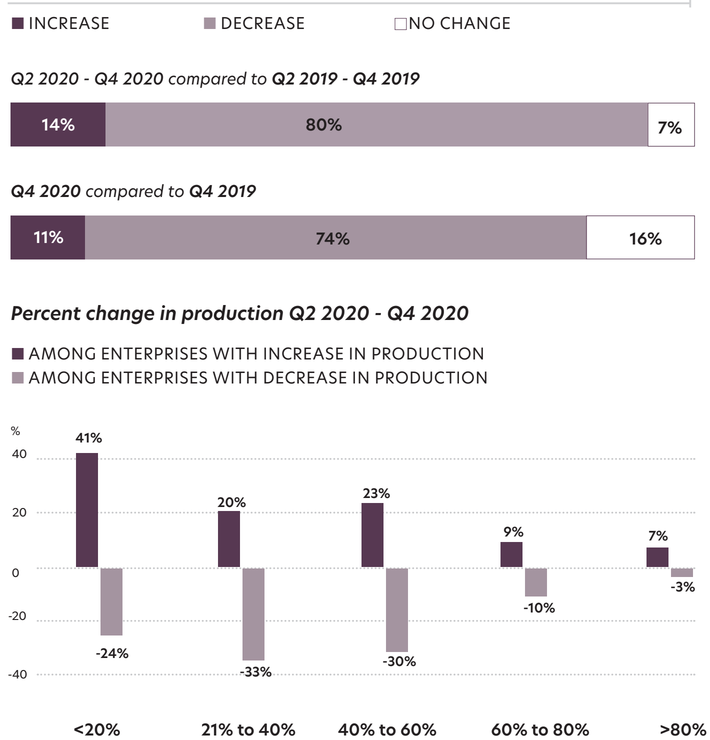
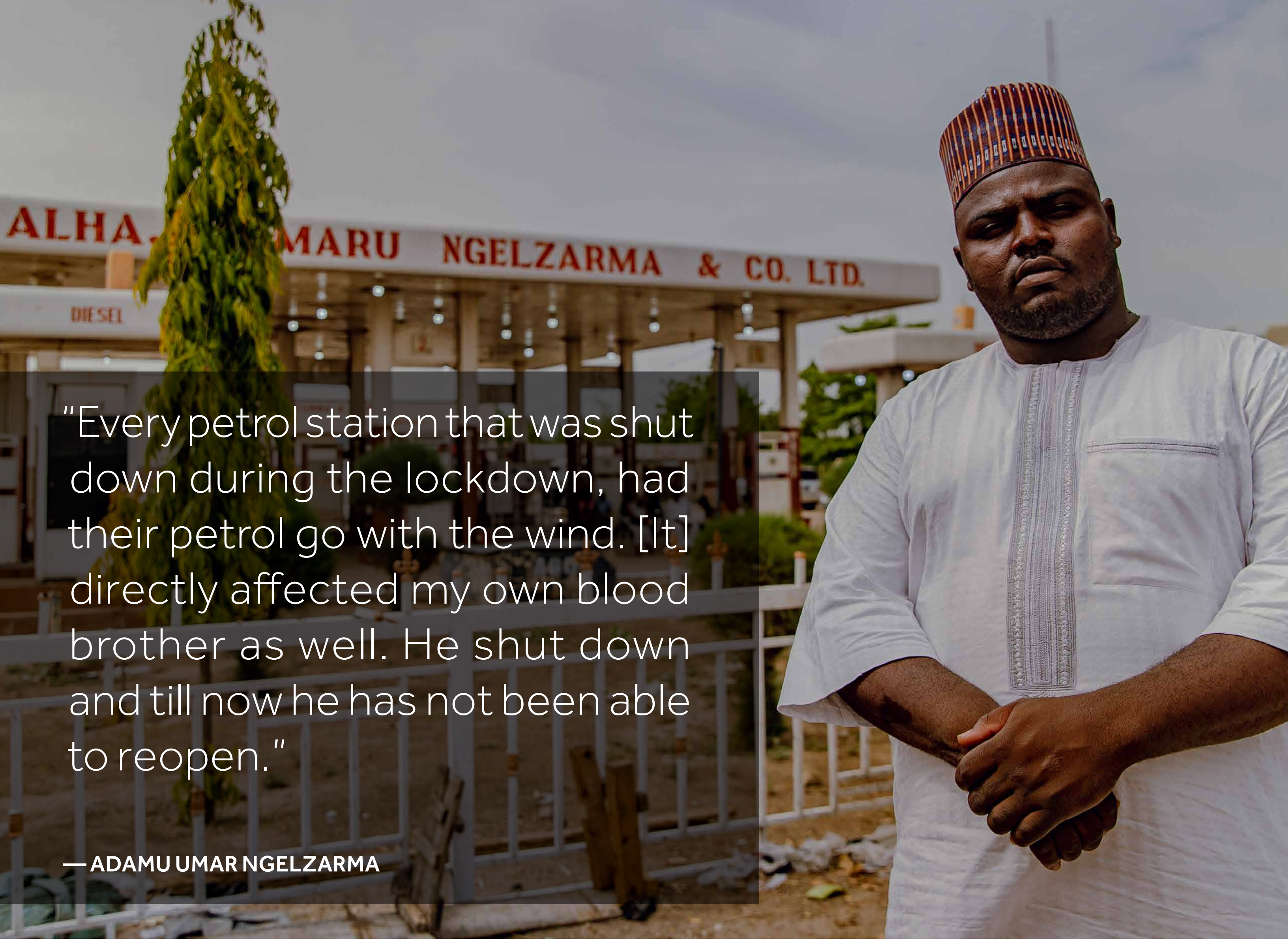


FIGURE 14 CHANGE IN PRODUCTION





"Every petrol station that was shut down during the lockdown, had their petrol go with the wind. [It] directly affected my own blood brother as well. He shut down and till now he has not been able to reopen."

— ADAMU UMAR NGELZARMA

The day the coronavirus pandemic forced a nationwide lockdown in Nigeria, Adamu Umar Ngeizarma received a call from the security services. A buyer and seller of petroleum products in Borno State, he became an essential worker, and he was asked to report to work at his refuelling station. There he found a line of ambulances, including one with a patient onboard, waiting to buy fuel.

"It became a routine for me to go to my workplace and go pick my staff one after the other and bring them to the petrol station," he said.

Revenues continued falling, however. With inter-state travel banned and lockdowns in full force, few vehicles needed refuelling, the fuel fell fallow, and staff members were sent home.

"We don't have any other place to go or any other business to do other than buying and selling of petroleum products. If we do not buy, import and sell, we won't have any means of feeding our families. It's not like we receive salaries at the end of each month in order to buy foodstuff for our families."

The crisis was so severe that his own brother's petrol station was shut down, its petrol stocks declining amid a shortage of capital to keep him afloat.

"Every petrol station that was shut down during the lockdown, had their petrol go with the wind. There have been a lot of such issues which directly affected my own blood brother as well. He shut down and till now he has not been able to reopen."

—

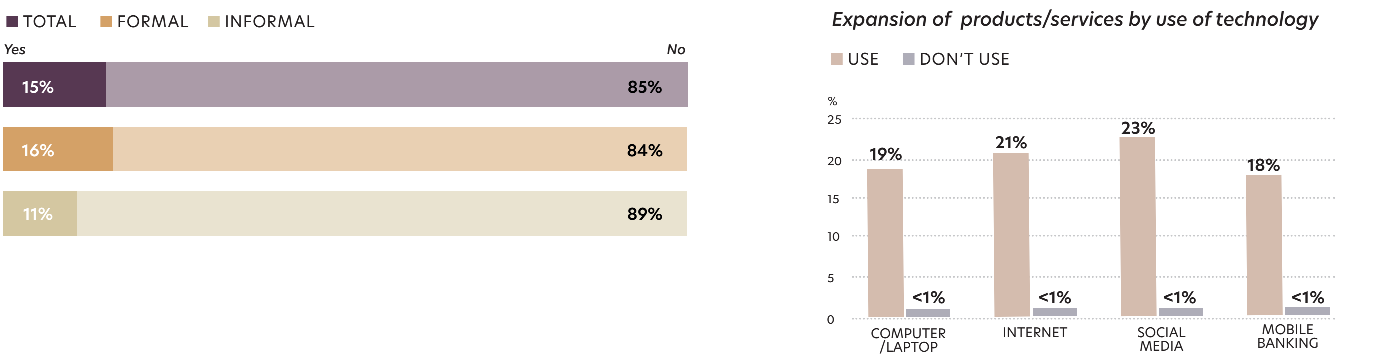
ADAMU UMAR NGELZARMA
OWNER, ALHAJI UMARU NGELZARMA AND CO.LTD
MAIDUGURI, BORNO

Expansion of Products and Services

Just 15 percent of the enterprises expanded either products and services offered or their sales and distribution channels (Figure 15). In the survey responses, businesses that were able to expand during the pandemic said that they primarily did so by including online marketing and delivery services as part of their sales and distribution channels. Differences across the sectors were evident with more formal enterprises employing online marketing while more of the informal enterprises resorted to adding delivery services as part of their operations.

These trends mesh with a broader global movement towards e-commerce and direct distribution to consumers in order to reduce health risks and overcome hurdles imposed by pandemic restrictions. The low proportion of enterprises resorting to expansion of products and services and distribution channels perhaps reflect the relatively lower level of internet and technology penetration in operations in the first place. For instance, as illustrated in Figure 15, results indicate that higher proportions of enterprises that used internet, computers, mobile banking and social media also expanded product lines/ distribution channels relative to those who did not use these platforms.

FIGURE 15 DISTRIBUTION OF ENTERPRISES THAT EXPANDED PRODUCTS/SERVICES



Olatunbosun and Blessing Gold's business was doing well. The couple registered their branding, custom gifts and events planning enterprise in 2015, and word of mouth had helped generate a steady stream of customers enamoured by their creativity.

But when the pandemic began, and lockdowns shuttered schools, churches and other venues, they had to improvise. No longer able to pay their workers, they laid off most or made them into part-time workers, and redoubled their own efforts, working well into the night and the early morning hours to salvage their business, which helped provide for their children and relatives.

And they discovered the power of social media.

"We needed to feed and to survive, so we went back into our archives; all the jobs we had done previously which we had not posted, we started posting them," said Blessing. "We ended up getting positive reactions from people who were impressed with our work. So that was what the pandemic helped us to perform; online sales. We made online sales and that really opened our eyes to online marketing."

"It opened our eyes to know that our clients should not be people we see one-on-one every day, that was one benefit we gained from the COVID-19 experience; the online exposure and online marketing."

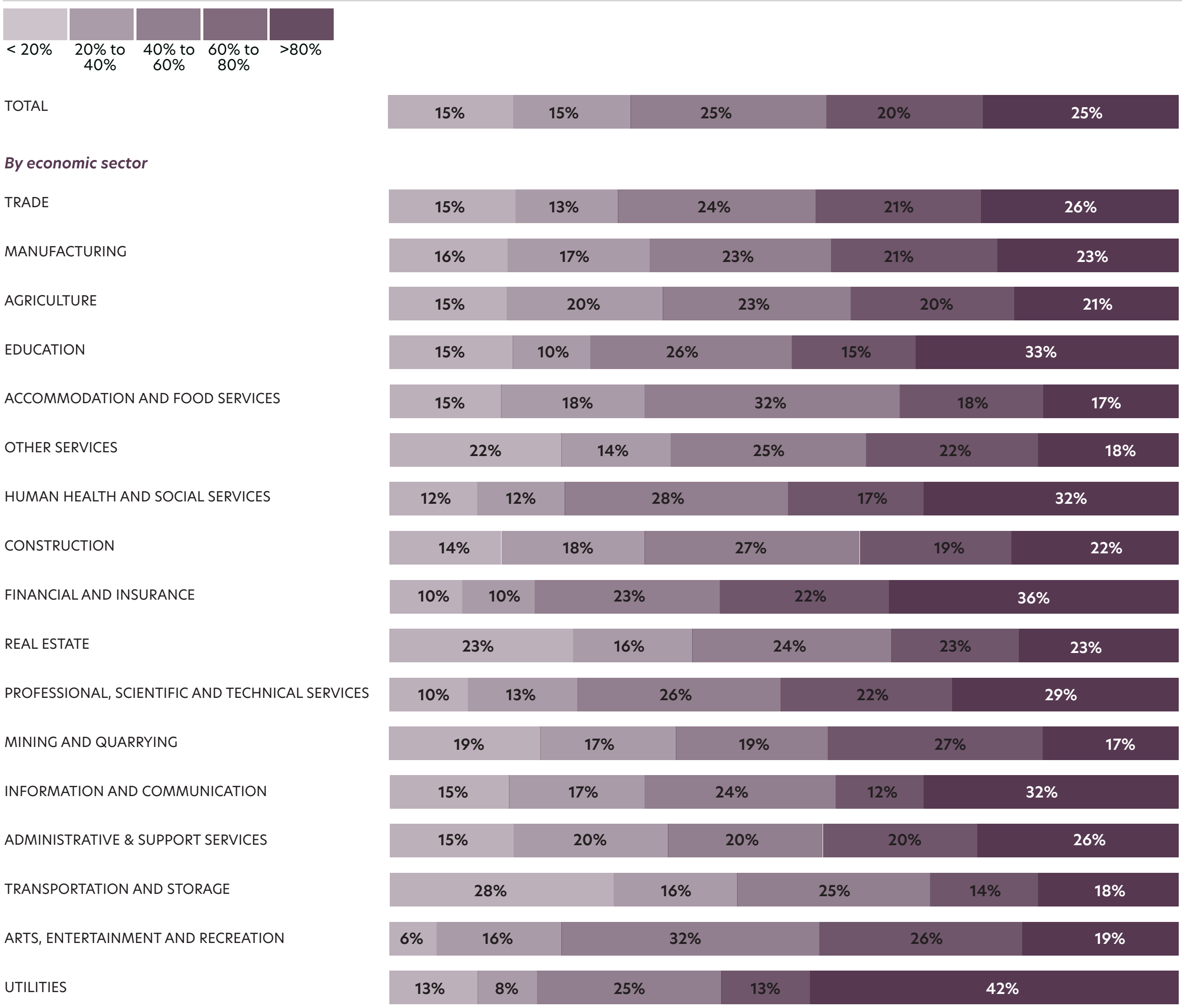
OLATUNBOSUN GOLD AND BLESSING GOLD
OWNERS, GOLDY TOPMAN
ALIMOSHO, LAGOS

Capacity Utilization

Against the backdrop of an overall decline in production of goods and services and increase in operational costs, as shown in Figure 16, at the time of interview, close to one third of enterprises were utilizing less than 40 percent of their business capacity while 25 percent were utilizing 40-60 percent of their capacity while 25 percent reported utilizing more than 80 percent of their capacity. No significant differences between formal and informal enterprises were observed.

Across the different sectors, the utilities sector (electricity, gas, steam and air conditioning and water supply sewerage and waste management), financial and insurance, education and the ICT sector registered significantly higher proportions of enterprises operating at capacities greater than 80 percent. At the same time, the transport and storage sector registered a significantly higher proportion of enterprises operating at less than 20 percent capacity when compared to the national average.

FIGURE 16 CAPACITY UTILIZATION



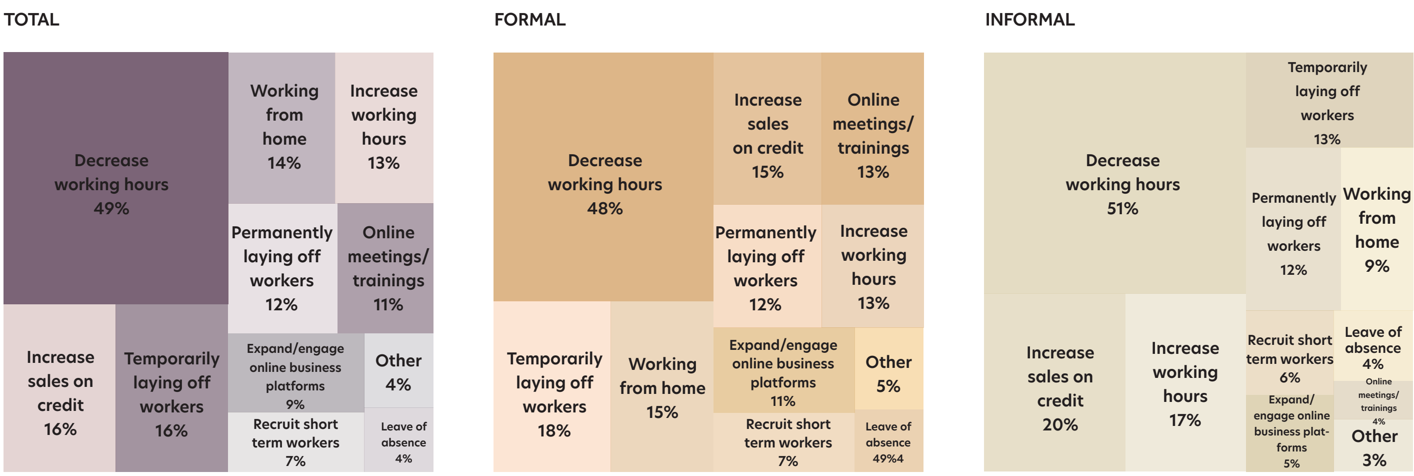
The performance of the utilities and ICT sectors perhaps reflects the remote work trend and lockdown measures, as these sectors are more likely to see usage increases when more people stay home due to shutdowns and restrictions on movement.

Business Resilience

To counter the impact of containment measures on operations, most business enterprises reported reducing their working hours. While 28 percent of businesses said they coped with the pandemic by either permanently or temporarily laying off workers, this figure alone does not capture the extent of loss of livelihood. In addition to layoffs, workers also took cuts to their salaries. The workers and business owners interviewed as part of this report almost unanimously reported reduced salaries.

Differences in adaptive measures taken vary among formal and informal businesses. Expansion of online business platforms and working from home were more commonly reported among formal enterprises, while increase in sales on credit and increased working hours were more common among informal sector enterprises (Figure 17).

FIGURE 17 ADAPTIVE MEASURES TAKEN AS A RESULT OF COVID-19 OUTBREAK



"So the first thing we did was to look at our expenditure profile...we pruned down some of [our] capital projects...dispensed with the services of some staff. The ones that remained, we had to prune down their salaries, including mine."

— SUNDAY OLUMORIN

Sunday Olumorin lived the life of a typical Nigerian professional – he was responsible for providing not only for his immediate family, but also for a panoply of uncles, nieces, nephews, and his aged mother back in the village.

A mortgage banker based in Abuja, Olumorin lent money to customers who wanted to buy or build houses. So when the pandemic hit, people lost their jobs, and banks and businesses were shut down, he knew his bank had to act quickly. Non-performing loans soared as people were laid off or had their salaries pared back and could no longer afford their mortgage payment. His own salary was cut, and the pandemic threatened to upend the entire bank.

"So the first thing we did was to look at our expenditure profile... we pruned down some of [our] capital projects...we looked at staff salaries ... [and] dispensed with the services of some staff. The ones that remained, we had to prune down their salaries, including me. Apart from these, we had to look again at the non-performing loans and ask, 'What do we do?' because with the rate at which the non-performing loans kept rising, the bank would be in serious danger."

The solution was technology.

"We adopted strategies of reaching out to our customers and making our customers transact business with us from the comfort of their homes without necessarily coming to the bank ...we improved our IT infrastructure so that the strategies of working from home and reaching out to our customers from their various locations would be made easy."

—

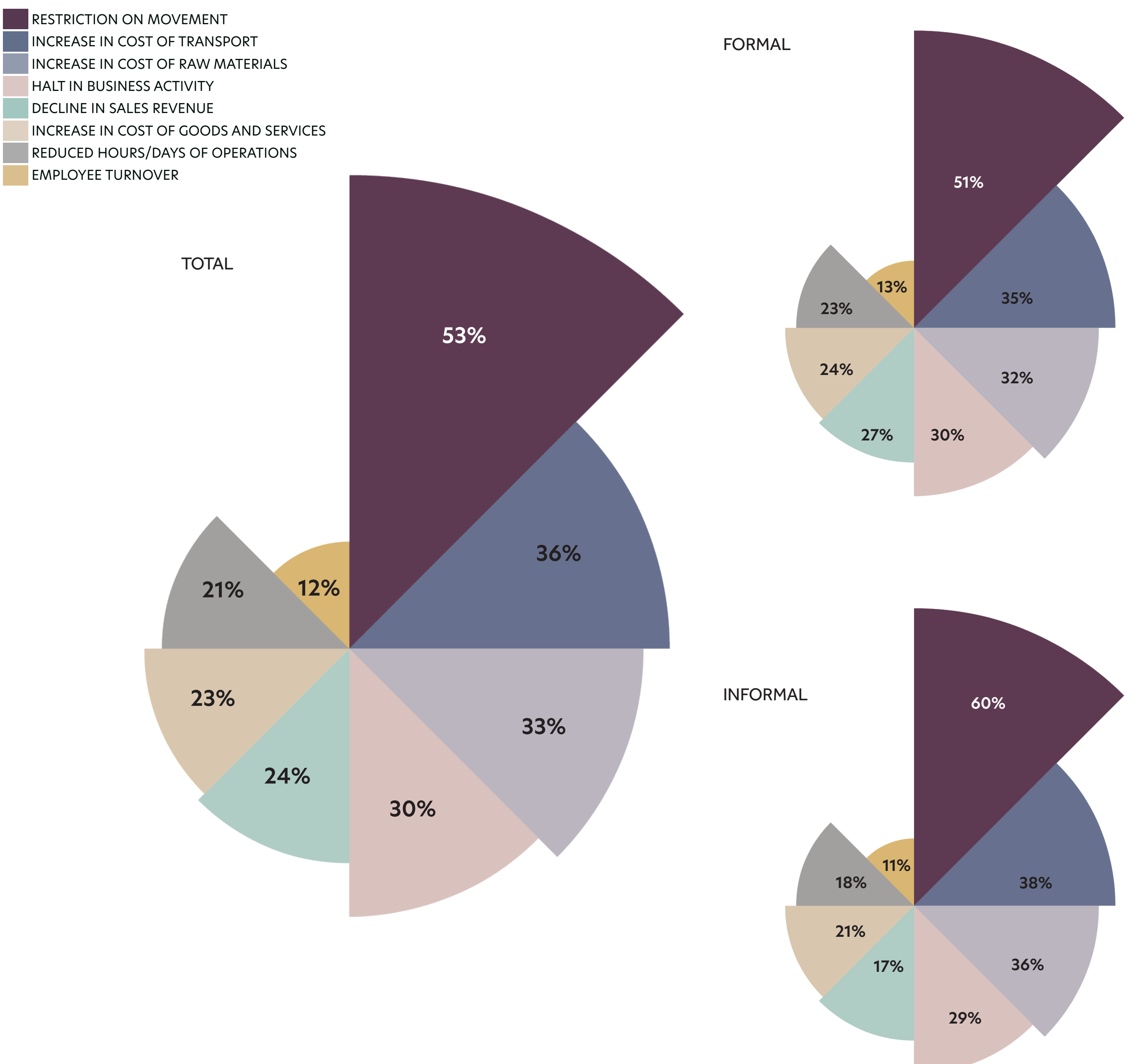
SUNDAY OLUMORIN
GROUP HEAD, OPERATIONS AND IT
INFINITY TRUST MORTGAGE BANK PLC.
ABUJA, FCT

Most Significant Negative Impact of COVID-19

Enterprises were asked to identify the most significant sources of hardship due to the pandemic. Restriction on movement was most frequently cited with 53 percent of the enterprises indicating it had caused disruption to them, while increases in transportation costs were next at 36 percent (Figure 18).

The informal business sector suffered more from restriction on movement while the more formal sector enterprises identified decline in sales revenue as one of the most significant negative impacts on their businesses.

FIGURE 18 MOST SIGNIFICANT IMPACT OF COVID-19 ON BUSINESS ENTERPRISES



Before the pandemic, Alatu cultivated yam, maize, cassava, rice and guinea corn at his farms in Benue State. A farmer for 20 years, he tirelessly tilled the land to provide for his relatives and others who depended on his largesse.

But when the coronavirus arrived in Nigeria, it threw his business into disarray. It became difficult to buy seedlings due to lockdowns, and even harvests at home had no buyers because of movement restrictions. The cost of transporting foodstuffs to market became too high, his tractors fell into disrepair because mechanics could not maintain them, and as the farm started losing money, he was forced to lay off his staff.

"I had to start farming manually and it affected my farming since what I do is mechanized farming and this has been going on since last year."

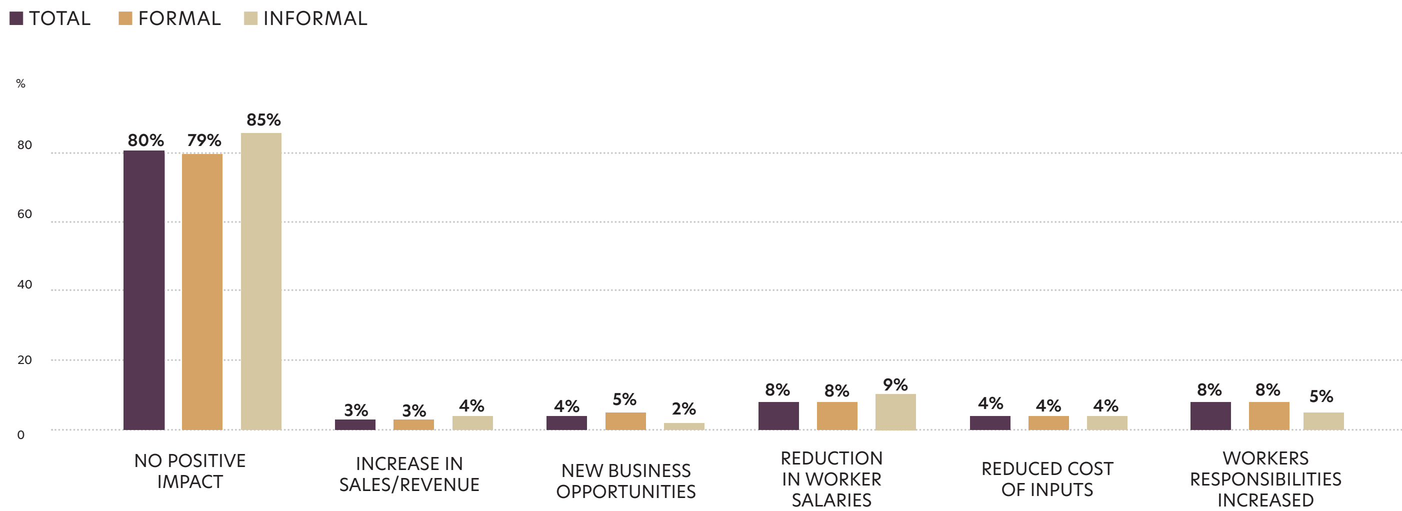
"Now we are begging the government to help us. When this pandemic started I had to downsize my staff but I pray that everything goes back to what it used to be so I can call back my staff to resume their duties, thereby enabling them to feed and cater for their families."

ALATU AHUBI
FARMER
OTUKPO, BENUE

Positive Effects of COVID-19

The survey also queried establishments for any positive effects of the pandemic on their operations. The responses are illustrated in Figure 19. For a large majority – 80 percent – no positive impact as a result of COVID-19 was reported. For approximately eight percent, reduced salaries and increased responsibilities of workers/staff were indicated as a positive impact. Meanwhile, 4 percent of the enterprises indicated that they had found new business opportunities as a positive impact of the pandemic.

FIGURE 19 POSITIVE IMPACT OF COVID-19 ON BUSINESS ENTERPRISES

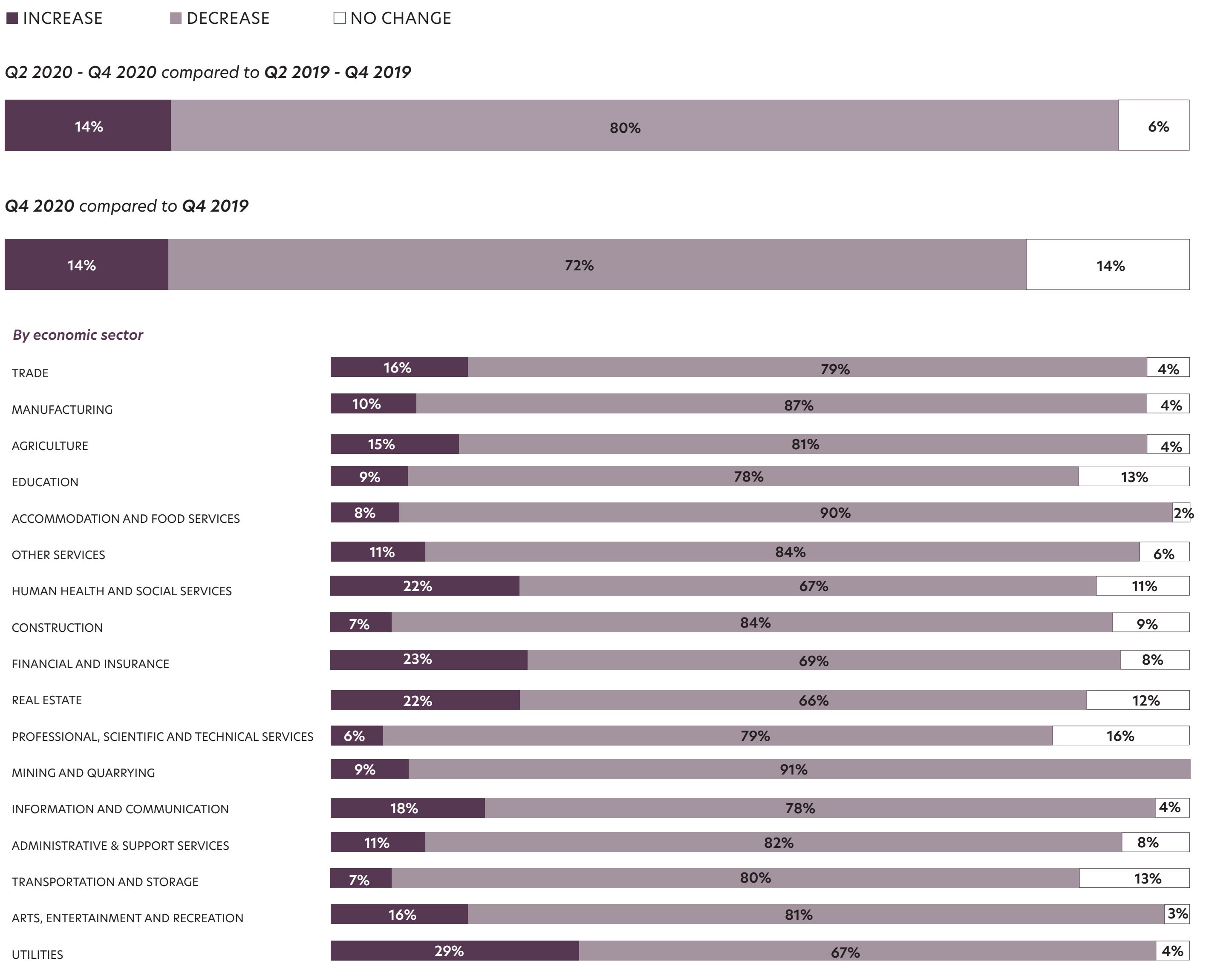


C. IMPACT ON SALES, REVENUE AND FINANCES

Similar to trends seen in production levels, a majority of enterprises - 80 percent - reported a decrease in sales between Q2 2020 and Q4 2020, while sales increased for 14 percent and for another 6 percent no changes in sales were reported during the time period (Figure 20). The mining and quarrying and accomodation and food services sectors registered a relatively higher proportion of enterprises experiencing decline in sales while the utilities sector experienced relatively higher proportions of those reporting an increase in sales.

The last quarter of 2020 showed slight signs of recovery with 14 percent of the enterprises reporting no change in sales in comparison to Q4 of 2019 – compared to the 6 percent who indicated no change in sales since the pandemic.

FIGURE 20 CHANGE IN SALES DUE TO COVID-19



Revenue Gains and Losses Due to COVID-19

Across the sample, 38 percent of the enterprises earned less than one million in revenue in 2019, 41 percent earned between one million Naira to ten million Naira, 13 percent earned between 10 million Naira to 50 million Naira and the remaining 8 percent earned more than 50 million Naira in annual revenue (Figure 21). Differences between formal and informal enterprises are evident with 66 percent of informal establishments reporting annual revenue less than one million Naira compared to 26 percent among formal enterprises.

The contraction in sales of goods and services translated to significant declines in revenue. Eighty one percent of the enterprises reported losses in revenue due to the pandemic (Figure 22). Among formal enterprises, 82 percent indicated lower revenues compared to 2019 while the figure for informal enterprises was lower at 79 percent – perhaps reflective of the higher percentage among this group that did not close operations despite lockdown directives. Similarly, a slightly higher proportion of enterprises with annual revenues over one million Naira in 2019 reported a decline in revenues compared to those with less than one million in revenue.

The utilities, financial and insurance and human and health services sectors reported higher proportions of enterprises registering revenue gains since the pandemic, compared to the year before. At the same time, enterprises in the transportation, construction, arts, entertainment and recreation and education sectors reported significantly higher proportions facing a decline in revenues.

FIGURE 21 DISTRUBUTION OF ANNUAL REVENUE (2019) IN NAIRA

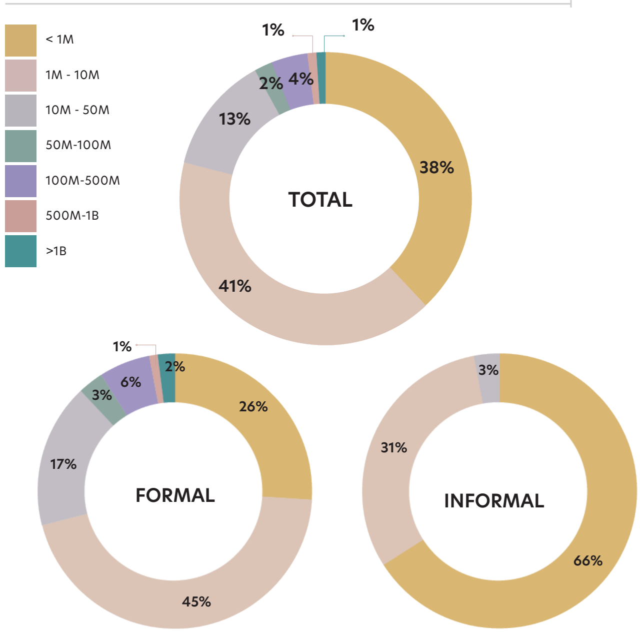
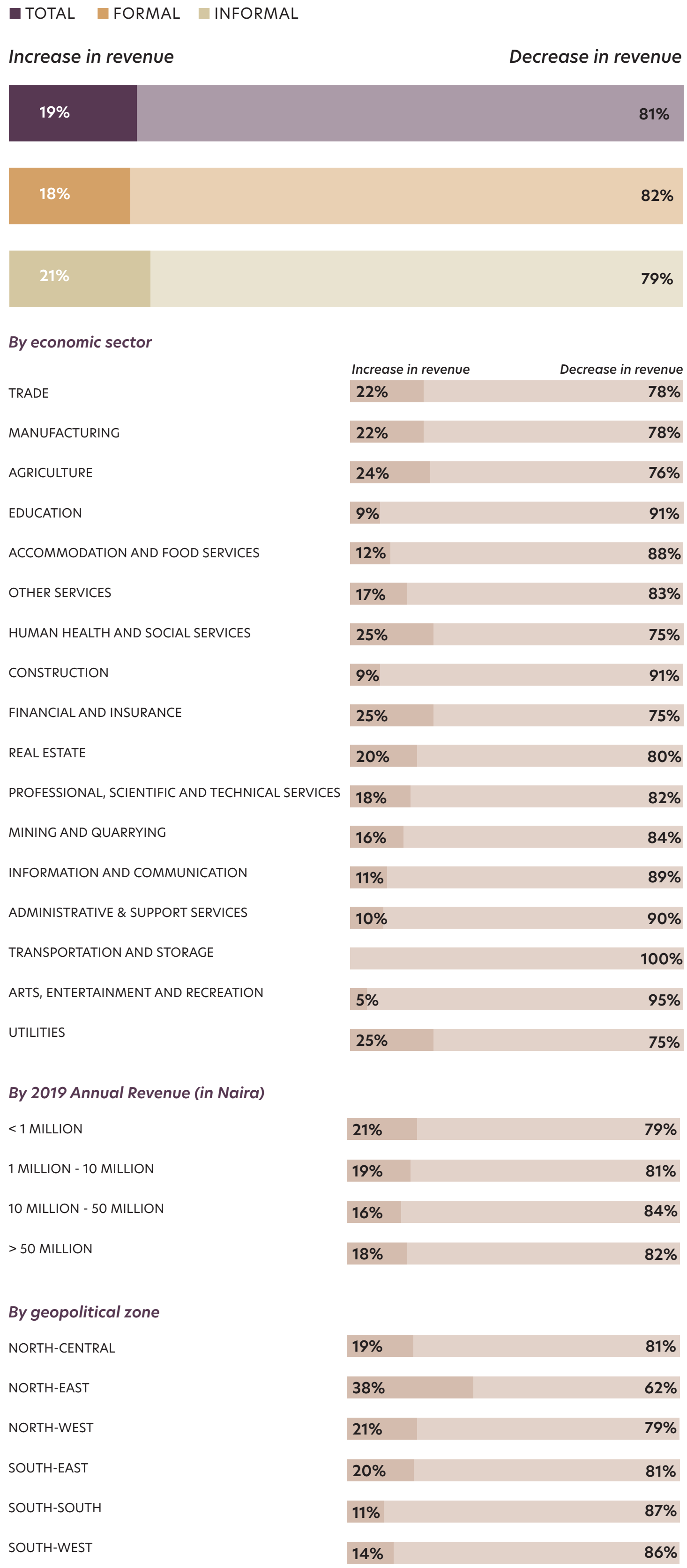


FIGURE 22 REVENUE GAIN/LOSS BY SECTOR



When the coronavirus pandemic forced the Nigerian government to order lockdowns around the country, Goni Yusuf's first thought was about the children. The principal of a school in Kano State, he worried that the 450 students at his institution would fall behind.

"The students themselves are being affected, the school will be also affected, the entire community will also be affected because we are moulding lives for the future. If the school is being closed down, what of the syllabus, how are we going to cover the syllabus?"

Next, he worried about the staff and how the school, which depended on fees to keep the lights on, was going to pay their salaries. The school's management reduced salaries during the lockdown, and sometimes had to plead with teachers when payments were delayed.

But he could do little to improve the lot of the students, who simply had to wait at home for the lockdown to end because limited IT infrastructure made it impossible to conduct remote learning. "COVID-19 arrived unexpected, not every school at that time had access to e-learning and we are part of that. There was nothing on the ground for us to get ... into e-learning, [students] just stayed at home until the government said we should come back to school."

Now, the school is investing more in its digital infrastructure and in its website, hoping to avoid such a scenario in the future, and is setting aside money in a rainy-day fund to cater to future crises.

—

GONI YUSUF
PRINCIPAL, ECWA SECONDARY SCHOOL
KANO, KANO

Across the geopolitical zones, the North-East registered a relatively higher proportion of enterprises that gained in revenue since the pandemic while the South-South and South-West regions had a higher proportion of businesses that lost revenue. As the North-East region also registered a relatively higher proportion of informal enterprises compared to the South-South and South-West, the results provide further insight on formal sector enterprises bearing a larger share of the impact of lockdowns on revenue. The results are perhaps indicative that while formal businesses had more resources to draw upon, they lacked the flexibility of informal businesses, often finding themselves locked into certain fixed costs.

While the amounts vary, among those indicating loss in revenue, the median loss reported was 44 percent relative to 2019 revenues (Figure 23). Of the 19 percent who reported an increase in revenue during the pandemic, the median value of revenue gained, as a percent of revenue in 2019, stood at 35 percent.

It is noteworthy to mention that among enterprises who expanded their product lines and/or distribution channels, a slightly higher proportion also observed revenue gains (13 percent) when compared to enterprises that did not expand production/distribution (7 percent). These results hint at the link between the resilience of businesses and their ability to tap into or switch to e-commerce models for their operations and distribution of goods and services (Figure not shown).

Businesses with Liquidity Challenges Due to COVID-19

Seventy three percent of businesses faced liquidity challenges during the pandemic with no significant differences observed across the formal and informal sectors (Figure 24).

FIGURE 23 MEDIAN PERCENT OF REVENUE GAINED/LOST COMPARED TO 2019 REVENUE

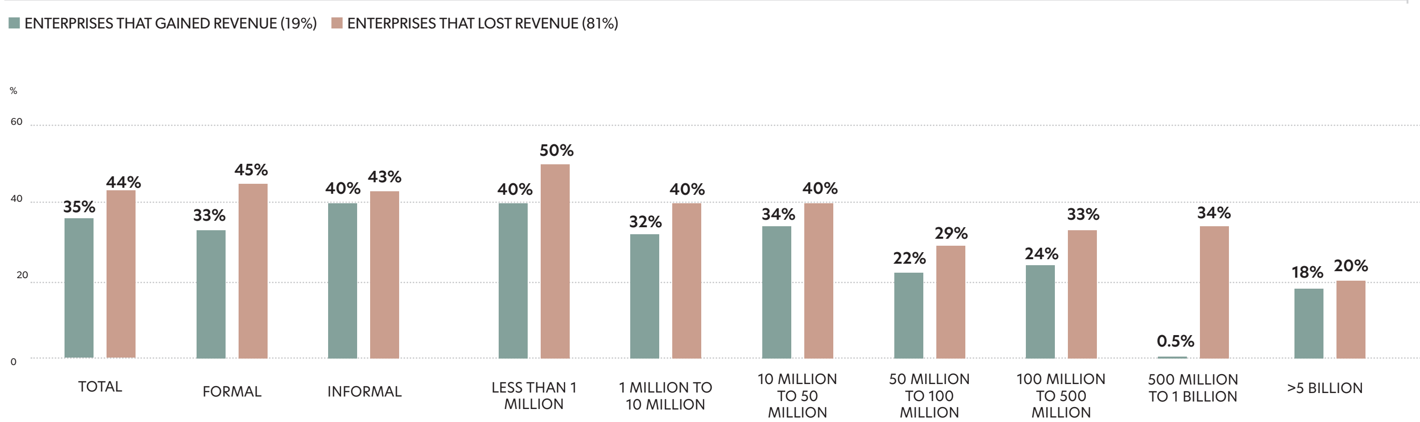
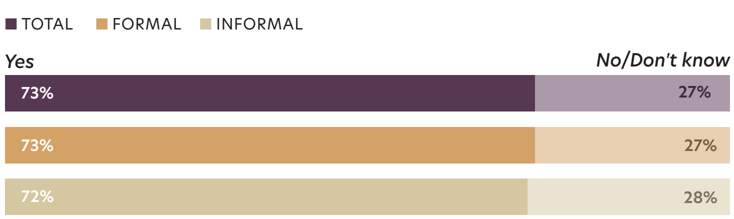


FIGURE 24 *"DUE TO THE OUTBREAK OF COVID-19 PANDEMIC, HAS YOUR BUSINESS FACED CHALLENGES IN LIQUIDITY OR CASHFLOW AVAILABILITY?"*



Most Substantial Financial Problem Faced Due to COVID-19

When asked about the details of the financial challenges faced during the pandemic, challenges relating to worker wages and social security payments were the most common responses. Rental costs were also a concern for 16 percent of establishments. Loan repayment was mentioned by 14 percent of establishments, while delays in payments on accounts receivable were identified by 11 percent of surveyed establishments (Figure 25).

The significant differences in the ability of informal and formal businesses to continue to meet fixed costs like rent indicate that the former enjoy fewer financial resources to draw upon in order to mitigate the impact of loss of sales, particularly since many rely on variable sales levels that can even change from day to day.

Sources of Business Financing During COVID-19

As finances became tighter, many businesses, particularly informal ones, resorted to more traditional means of financing, either by dipping into their own personal savings, or soliciting help from social networks like friends and relatives in order to survive, highlighting how their operations depend more on the communal fabric that surrounds them (Figure 26).

FIGURE 25 MOST SUBSTANTIAL FINANCIAL PROBLEM FACED

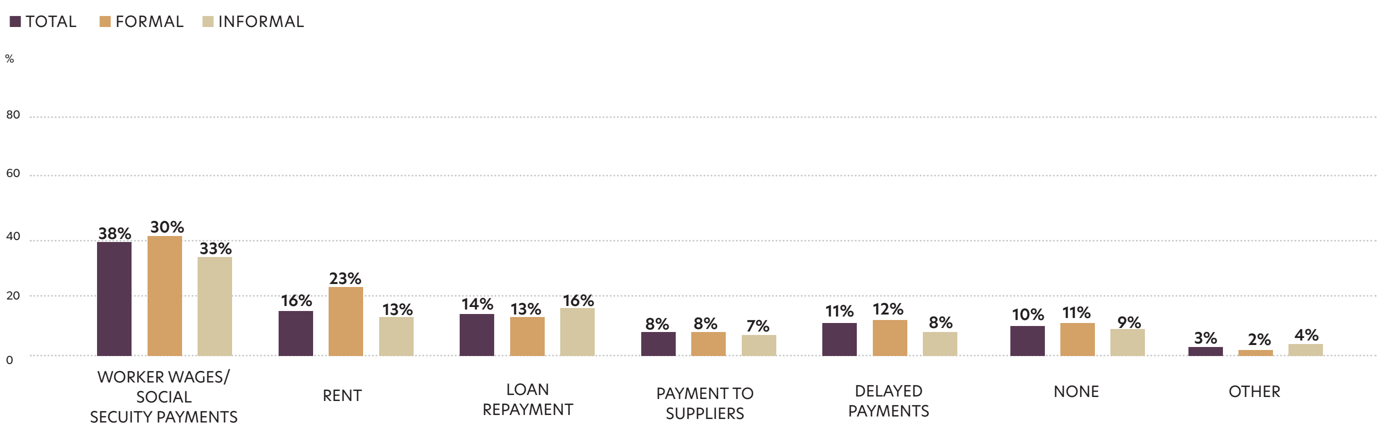
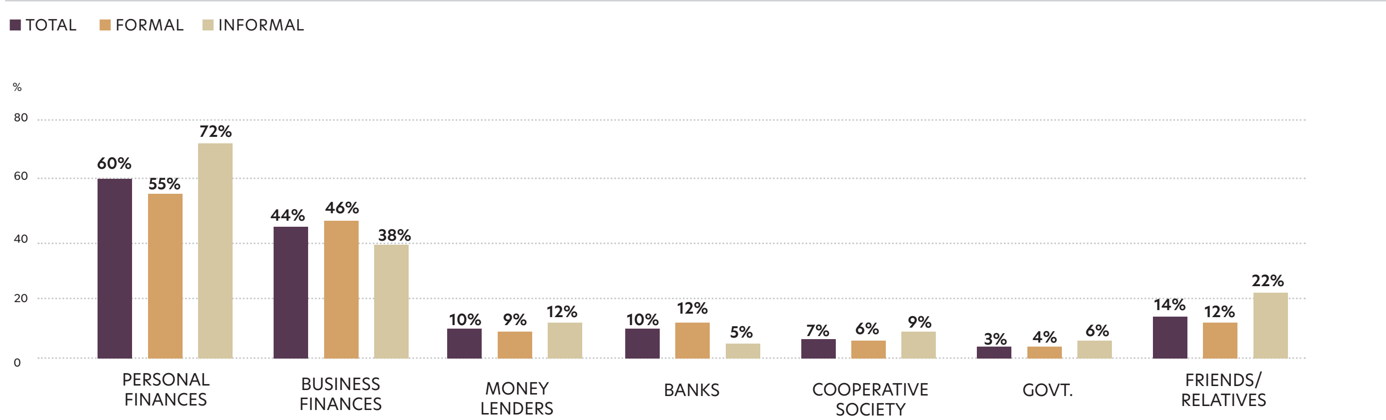


FIGURE 26 SOURCE OF BUSINESS FINANCE DURING COVID-19 PANDEMIC



D. IMPACT ON WORK FORCE

The pandemic period brought with it an increase in the nationwide unemployment rate, which went from 27 percent to 33 percent between Q2 2020 and Q4 2020. Businesses resorted to laying off employees in order to survive, and shutdowns of enterprises severed crucial livelihood lines for households that depended on them for income, coupled with the lack of new business opportunities and reduction in capital investment further limiting new job prospects.

Layoffs and new hires

Prior to the COVID-19 outbreak, the median fulltime staff strength of formal and informal enterprises stood at 12 and five, respectively (Figure 27). During the pandemic, these figures declined and stood at ten and four for formal and informal enterprises, respectively. Across the sample, this results in 20 percent of the initial fulltime work force losing their jobs during this period. Among the formal enterprises, this figure is slightly higher at 21 percent compared to 15 percent among informal enterprises.

Overall, 58 percent of businesses were able to maintain their staff strength, while 28 percent lost up to 50 percent of their initial work force with the remaining 14 percent losing more than 50 percent of their initial work force. These figures however differ between formal and informal enterprises with 62 percent of informal enterprises able to maintain their staff strength during the pandemic compared to 56 percent for formal enterprises (Figure 28).

The accommodation and food services and construction sectors reported a relatively higher proportion of enterprises with losses in employment compared to enterprises in the agriculture or utilities sectors, for instance.

By Q4 2020, for 52 percent of enterprises, the work force was the same as before the pandemic, and 9 percent of enterprises had hired new employees while for 39 percent, the total workforce had shrunk in number (Figure 27).

FIGURE 27 MEDIAN SIZE OF WORK FORCE AND CHANGE IN WORK FORCE

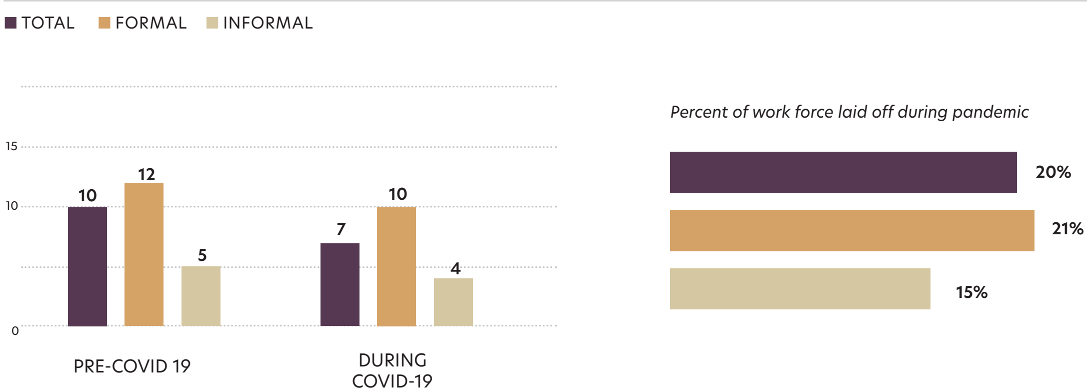


FIGURE 28 PERCENT CHANGE IN WORK FORCE

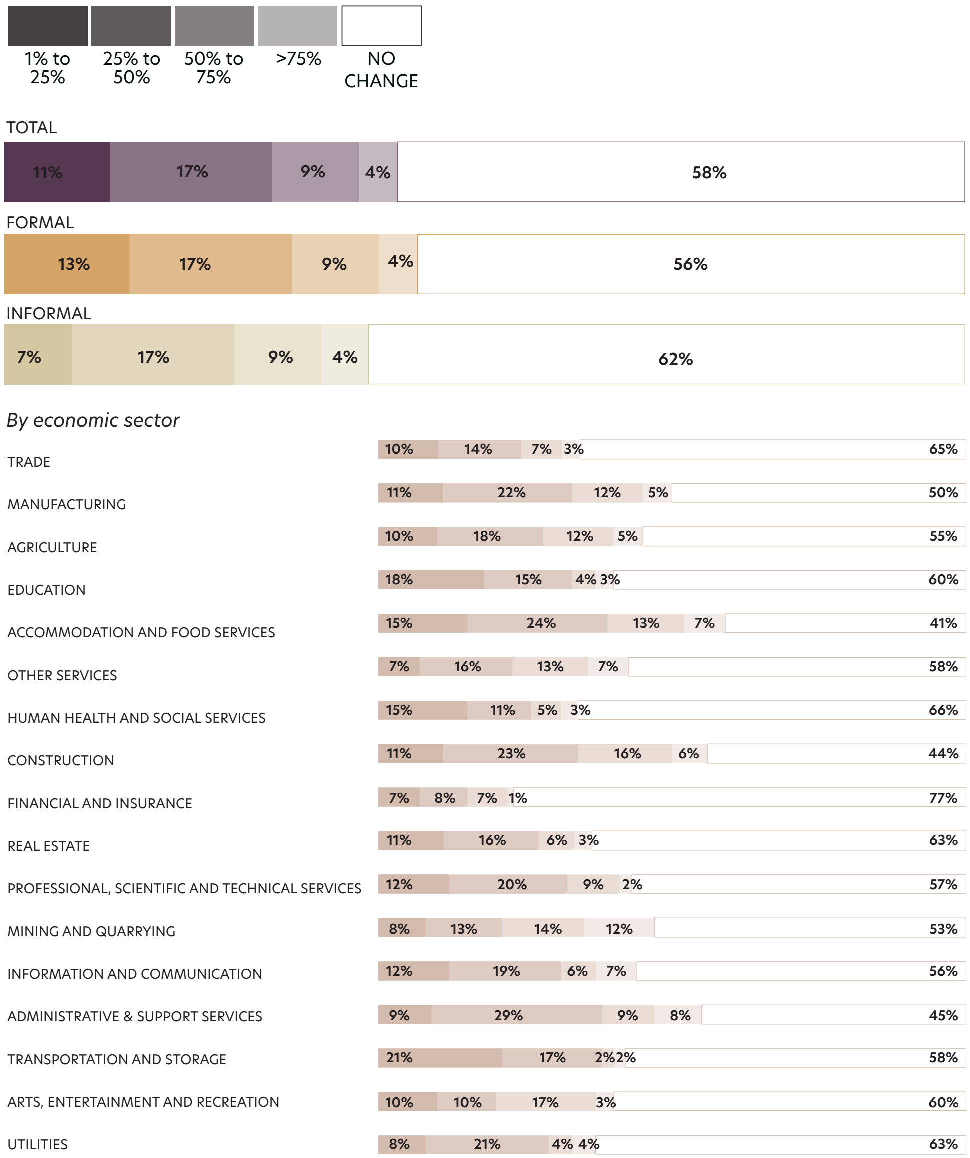
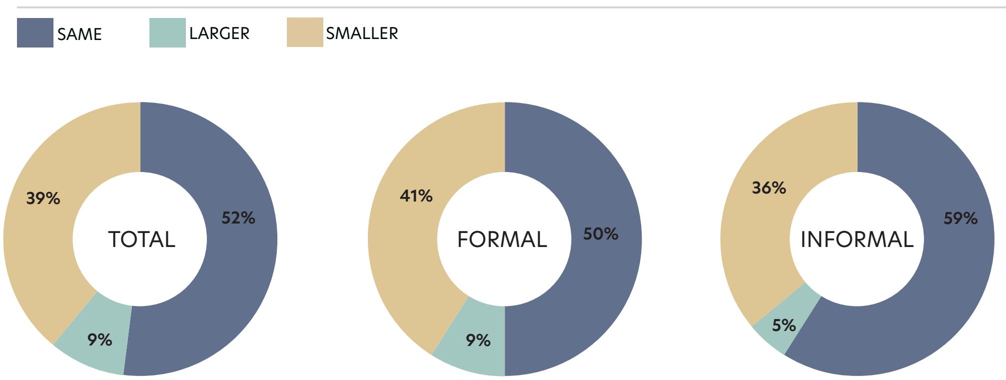


FIGURE 29 SIZE OF WORKFORCE IN Q4 2020 COMPARED TO PRE-PANDEMIC



As Jennifer Poki watched revenues at the hospitality business she managed in Jos State evaporate as a result of the pandemic and lockdown restrictions, there was little she could do.

A single mother of two who is also responsible financially for her siblings and cousins, she watched with alarm as guest bookings were cancelled, food in the refrigerator at her restaurant went bad, and the price of staples and produce skyrocketed. Her staff could do little except cater for the guests that were stuck there because of the ban on travel, if they were even able to make it to the hotel, and as funds dried up, their salaries were slashed.

"Income went down, funds were not forthcoming because of COVID, because everybody was indoors because of the curfew. So, it was just the few guests we had here that got stuck here and could not go back to their various states because of the curfew."

Even when lockdowns were briefly lifted over the weekend so she could buy food for her family, she would end up paying nearly double for a sack of rice.

"We had just like three days then, they opened the markets and streets for people to go about their businesses. So, you know, anything you lay your hands on, if you have the cash, you have to get it because if you don't get that particular thing, you are going to get hungry."

Now, all she can do is wait and hope for the best.

"We were just hoping, praying that everything was going to come back to normal. But even up to now, nothing has come to normal per se... COVID has been a challenge to me personally, in my life, the life of my family, and my kids.

—

JENNIFER POKI
SUPERVISOR, JIKRIT ULTIMATE SUITES LIMITED
JOS, PLATEAU

E. ENTERPRISE OWNERS' PERCEPTIONS

Objective metrics of economic performance are crucial to understanding the impact of the pandemic more broadly on the business environment. However, to offer insight into whether interventions by policymakers and the overall direction of economic activity are conducive to a recovery, and whether businesses are poised to take advantage of the inevitable easing of pandemic restrictions and related confounding factors to revive their enterprises and get back to work, the survey also sought the perceptions of business enterprises themselves.

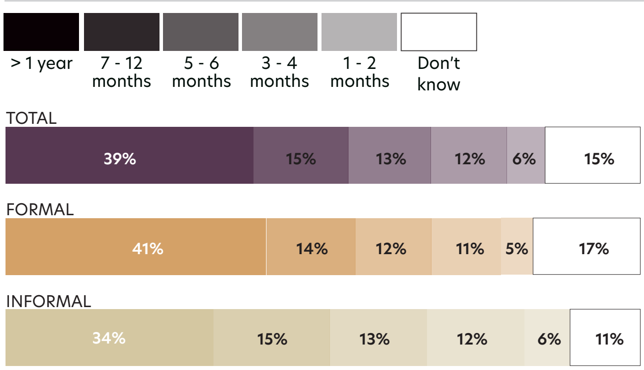
Overall, 39 percent of establishments were confident that their businesses had the capacity to continue operations uninterrupted for over a year. This was higher among formal establishments where the figure stood at 41 percent compared to 34 percent among informal establishments (Figure 30).

This however leaves 61 percent—a majority—with a relatively less confident outlook where their perception of capacity to operate uninterrupted, under current circumstances, was less than one year. The variance in the figures shows the extent of uncertainty plaguing enterprises around the country, many of which have reopened but may be forced to continue operating in less-than-ideal circumstances if pandemic-related developments, such as a third wave of infections force renewed public health measures like lockdowns.

Perception of Work Force Change in Q1 2021

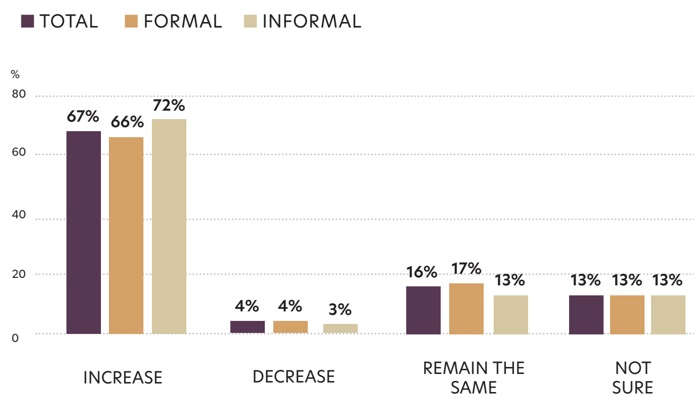
Sixty-six percent of formal and 72 percent of informal business establishments expected the size of the workforce to increase in the first quarter (January to March) of 2021, a forecast that shows a high level of optimism within such enterprises regarding the possibility and rapidity of the economic recovery (Figure 31). However, 17 and 13 percent of formal and informal establishments respectively expected the work force size to remain the same in the first quarter of 2021, a prospect that risks prolonging the period of high unemployment that was ushered in by the pandemic.

FIGURE 30 *"UNDER CURRENT CONDITIONS, HOW LONG WOULD YOUR BUSINESS BE ABLE TO OPERATE UNINTERRUPTED?"*



*The gradient on the key reflects the descending ranges of perceptions of business environment.

FIGURE 31 *"AT THE START OF NEXT YEAR, HOW WOULD YOU EXPECT THE SIZE OF YOUR WORK FORCE TO CHANGE?"*



When Odesomi Benjamin Pelumi took over his brother's IT business in Lagos in 2019, he decided to go all in. The company, a self-styled computer college, was designed to provide training in IT and computing for youth, as well as laptop and computer repairs and sales. Pelumi reorganized the place, painted it, and relaunched the business successfully, until the coronavirus pandemic hit.

"It was just like I went to look for money, gathered up the money, started the business and everything just went down, and I couldn't meet my goals."

The decline in business made it harder to provide for his wife and son, even leaving him unable to afford school fees, which were fortunately waived because children had to stay at home during the lockdown.

But the crisis also forced him to reimagine the business. Rather than the traditional IT route, he decided to sell access to Internet services to workers who now found themselves working remotely without proper connections or hardware at home. He even opened up his office as a makeshift Internet café, where he allowed customers to bring in their devices and work.

With downsizing and a renewed focus on online advertising, his business survived, but only just.

"Downsizing was a very big decision because most of them are also trying to start up their lives, trying to get married, trying to have a family, you understand? So downsizing them is like me taking what they're eating every day. I even still support most of them even though they don't work for me anymore. Because I know they haven't gotten a job yet."

"Throughout last year we couldn't do anything but the way we see it, in this year 2021 and the year after, things will come back to normal...But the government needs to support the youth more... Some of them are so talented that they don't know what they are carrying. They don't know what they have. Their potential is just dying with them."

—

ODESOMI BENJAMIN PELUMI
OWNER, BEETOS COMPUTER TECHNOLOGY
IYANA-IPAJA, LAGOS

CONCLUSION

Nigeria's economy has suffered greatly due to the pandemic, with GDP contracting and the country thrown into its worst recession in four decades. While those indicators reveal the impact of the pandemic in the aggregate, they did little to inform policymakers, business leaders and international partners on the pandemic's impact at the ground level, on the businesses and enterprises that individually make up the Nigerian economy.

A more nuanced and granular understanding is needed of the business environment in the country, and the effects of the downturn on small businesses in Nigeria, which this survey and its results have attempted to quantify.

The survey results highlight some of these primary effects. These include a worrying rise in unemployment and negative growth in key industrial and service sectors, the fact that a majority of currently operating businesses had to temporarily close due to the pandemic (and some still shut down at the time of interview) partly due to a lack of demand, a decrease in production of goods and services by the overwhelming majority of businesses, and a decline in working hours for roughly half of all businesses.

In addition, enterprises have been affected by lockdowns and restrictions of movement which disrupted supply chains, leading to a decline in exports and lack of access to raw materials. Only a third of informal establishments believe they can continue working uninterrupted in the next year. Altogether, informal establishments make up around 60 percent of the country's GDP, spelling potential trouble for the economic recovery, particularly if their challenges are exacerbated by renewed lockdowns, another wave of infections, or delays in vaccine distribution and procurement.

In addition to these findings, more research is needed to study the second-order effects of these disruptions to economic life. Businesses do not exist in a vacuum – their proprietors and employees rely on them to put food on the table. Elsewhere, reports indicate that high levels of unemployment and economic disruption are contributing to negative coping mechanisms like gender-based violence, criminality and insecurity.

Targeted interventions to alleviate the worst of the suffering caused by the pandemic will be necessary in order to shield small businesses from the worst of the effects of this once-in-a-lifetime event. The survey highlights these effects in a granular form and from the perspective of those directly affected. It highlights a range of operational challenges such as access to credit and capital, the need for an expanded digital infrastructure, the high expenditure on utilities and transport, the informal security and protection costs of business operations, the lack of an adequate social safety net especially for informal workers, among others. Addressing these challenges through targeted interventions will help accelerate the economic recovery and create a business environment that is more equitable and sustainable in line with the Sustainable Development Goals (SDGs). This holistic approach can better contribute to improving the lot of both business owners and the communities surrounding them.

ANNEXES

ANNEX I

Sample Design: The National Integrated Survey of Establishment (NISE) frame was used for the selection of all establishments that were considered in this study. A nationally representative sample of 3,000 establishments which cut across both formal and informal sectors from urban and rural areas was selected. This figure comprises 2,100 formal enterprises, representing 70% of the total establishments selected and 900 businesses from the informal sectors of the economy, representing 30% of total establishments. The 70/30 distribution across both sectors was informed by several factors among which are the contribution to the Gross Domestic Product (GDP), the composition of the frame at the disposal of the Bureau and the response status of respondents from previous establishment surveys.

The sampled establishments planned for study cut across eighteen (18) major sectors of the economy. The sectors' contributions to the half-year 2020 GDP were used to distribute the establishments by sector while Probability Proportional to Size (PPS) was used to allocate the number of establishments to be covered in each state. Employment size, registration status and response status of the enterprise in previous surveys were also considered for the sample selection.

Business sector classification: The primary criterion adopted for delineating business sectors into formal and informal establishments for this survey was business registration with the Corporate Affairs Commission (CAC). However, in considering the range of inconsistent responses from the field as it relates to the business registration question, other criteria were introduced during analysis including legal status, economic sector, employment size and the nature of the business for some establishments with no/unclear registration information for the business sector classification.

Survey Instrument: The survey instrument adopted for this study was a questionnaire. The same questionnaire was used to interview both formal and informal enterprises but was designed in a way that questions meant for either of the sectors could be easily sorted/identified.

The following instruments and equipment were provided to all enumerators for the conduct of the survey:

i. Establishment questionnaire
ii. Manual of instructions (mini-guide)
iii. List of selected establishments
iv. Lodgement sheets
v. Computer-Assisted Personal Interviewing (CAPI) devices

Fieldwork trainings: Two levels of training were adopted to prepare all participants who were engaged to carry out data collection activity.

The first level was the training of trainers (TOT) which was held at the NBS headquarters in Abuja and had forty-five (45) NBS officers in attendance, while the stakeholders joined the training virtually. The participants at the training included 37 trainers/monitors (state trainers), six coordinators, two secretariats and other stakeholders. The training lasted for two (2) days.

The second-level training was the training of data collectors and it took place in the 36 states of the federation and FCT in Abuja. The trainers were those trained earlier in Abuja. Participants at the training included interviewers (150), state officers (37), zonal controllers (6), 37 trainers/monitors (one person per state), 37 resource personnel (one person per state) and coordinators (6). The training lasted for three (3) days.

Fieldwork arrangement for data collection: One hundred and fifty (150) interviewers were deployed for the data collection exercise across the country. Each interviewer covered an average of twenty (20) establishments which cut across both formal and informal sectors. The formal establishment questionnaires were self-administered and lodged and retrieved after completion, while informal establishment questionnaires were directly administered to the respondents by the interviewers, and in turn entered into the CAPI devices.

The sample size in each state varied depending on the number of enterprises allocated to the state as per the PPS method employed.

For selected establishments that closed up prior to the commencement of data collection or could not be located, enumerators were instructed to make replacements only by sector. However, replacements could only be done after due consultation with their monitor and/or state officer.

Quality assurance measures: To ensure the quality of the data, various assurance measures and strategies were employed, including electronic data capture. Data collection was done with the use of Android-based handheld devices on which the questionnaire was encoded in order to minimize data entry errors and allow the location of each team to be tracked, and to conduct prompt checks. Other measures in place were high-level committee planning to ensure the success of the project, dual level quality trainings, different layers of monitoring, etc.

Experienced staff of NBS in conjunction with UNDP staff worked on the planning of the survey activities. Two levels of training were put in place.

The first was the training of trainers who in turn trained the data collectors and also monitored the fieldwork immediately after the training and for eight days after. This was to make sure the field officers complied with all instructions given to them during the training. NBS zonal controllers and state officers monitored the survey activities in their zones and state respectively throughout the duration of the survey. State officers were also required to properly review all completed questionnaires before they were returned to NBS headquarters in Abuja for data processing.

Six directorate members of NBS coordinated the survey activities including planning, training, fieldwork, data validation, data analysis, report writing, etc. In addition, the UNDP team also had access to the project server for the purpose of conducting its own monitoring and following the progress of the fieldwork in real time. All completed questionnaires were retrieved and synchronized to the dedicated server for data processing.

Data processing, analysis and report write-up: The data processing started with data validation. This was done to clean the dataset, to check for outliers, as well as to correct wrong classifications that were observed. Thereafter, data analysis commenced with further cleaning of the dataset, analysis of variables in line with the survey objectives and generation of all necessary tables.

Then the report writing for this survey followed. All these processes were done by staff of the NBS with technical support from UNDP. Several channels were deployed for the dissemination and subsequent archiving of this report. Among these were the production of report findings, printing of flyers, and online dissemination through hosting on the NBS and UNDP websites.

ANNEX II

TABLE 1 NUMBER OF ENTERPRISES PER ECONOMIC SECTOR BY STATE

	Agriculture	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply, sewerage, waste management and remediation	Construction	Trade	Accommodation and food services	Transportation and storage	Information and communication	Arts, entertainment and recreation	Financial and insurance	Real estate	Professional, scientific and technical services	Administrative & support services	Education	Human health and social services	Other services	Total
Abia	14	2	13	1	0	4	9	2	3	12	0	3	2	3	5	1	0	5	79
Adamawa	7	0	6	0	1	2	4	0	0	5	0	2	3	1	1	1	0	4	37
Akwa-Ibom	12	0	9	0	0	1	18	4	1	7	0	2	0	1	1	7	6	2	71
Anambra	16	0	7	1	0	1	12	8	5	0	4	6	1	4	0	6	6	1	78
Bauchi	12	1	21	1	0	6	17	1	0	3	0	2	4	0	2	1	3	5	79
Bayelsa	7	1	4	0	0	1	8	5	0	1	0	0	0	1	0	1	2	1	32
Benue	12	2	13	0	0	7	29	23	0	1	1	5	2	4	5	12	18	9	143
Borno	0	1	7	0	0	1	7	0	0	6	0	2	0	0	0	0	0	0	24
Cross River	17	4	5	0	0	3	8	2	0	0	0	2	1	3	1	1	3	0	50
Delta	18	1	9	0	0	5	14	5	0	0	1	3	2	2	2	6	8	2	78
Ebonyi	11	9	11	0	0	1	12	0	0	2	0	0	0	2	0	1	0	4	53
Edo	14	11	11	1	0	4	16	4	1	0	0	4	7	3	0	5	0	3	84
Ekiti	5	0	7	0	0	0	8	2	0	0	0	1	0	1	1	10	1	2	38
Enugu	13	1	2	1	0	4	11	3	4	6	0	2	2	3	3	4	1	1	61
FCT	2	1	6	0	0	5	15	6	1	1	0	5	7	1	4	7	4	2	67
Gombe	37	14	7	0	0	3	9	0	0	0	0	1	1	1	0	0	0	3	76
Imo	18	0	4	0	0	3	11	1	0	1	0	1	1	5	10	0	2	1	58
Jigawa	16	0	9	0	0	2	6	0	0	1	0	1	0	0	0	3	0	0	38
Kaduna	6	2	15	2	0	14	29	6	1	0	0	8	10	5	2	1	2	5	108
Kano	16	6	31	0	0	8	44	10	0	1	5	5	1	6	2	5	4	12	156
Katsina	14	0	14	0	0	2	16	2	0	0	0	1	1	1	1	5	1	1	59
Kebbi	6	0	9	0	0	4	21	5	0	2	0	2	0	0	0	11	2	5	67
Kogi	7	2	5	0	1	2	12	4	0	1	0	4	0	1	0	4	3	2	48
Kwara	4	1	6	1	0	3	8	3	1	1	0	3	1	3	0	5	8	2	50
Lagos	4	1	54	3	2	16	101	37	30	7	10	27	24	24	14	54	41	26	475
Nasarawa	5	0	8	0	0	0	15	2	0	0	0	1	2	3	1	1	1	4	43
Niger	4	1	6	0	1	0	15	3	0	0	0	3	0	0	0	6	3	2	44
Ogun	8	0	15	3	0	2	25	7	0	2	2	9	2	1	2	16	7	6	107
Ondo	7	6	10	0	0	5	20	1	0	0	0	5	6	4	0	4	1	7	76
Osun	6	1	9	0	0	3	14	4	0	0	1	7	1	0	1	6	4	10	67
Oyo	9	2	25	0	1	11	44	7	6	0	6	6	9	2	1	14	5	11	159
Plateau	14	3	8	2	0	6	16	6	1	3	1	2	1	2	4	5	6	13	93
Rivers	20	5	12	2	0	4	11	6	3	2	0	2	2	4	3	5	2	9	92
Sokoto	7	0	9	0	0	3	18	6	1	2	0	5	1	0	0	9	4	0	65
Taraba	8	0	4	0	0	0	5	0	0	1	0	2	0	0	0	7	3	0	30
Yobe	4	0	3	0	0	0	8	3	0	0	0	2	0	0	0	1	1	0	22
Zamfara	11	0	15	0	0	0	27	1	0	0	0	0	1	0	0	0	0	2	57
Total	391	78	409	18	6	136	663	179	58	68	31	136	95	91	66	225	152	162	2964

TABLE 2 PROPORTION OF ENTERPRISES PER ECONOMIC SECTOR BY STATE

	AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION	CONSTRUCTION	TRADE	ACCOMMODATION AND FOOD SERVICES	TRANSPORTATION AND STORAGE	INFORMATION AND COMMUNICATION	ARTS, ENTERTAINMENT AND RECREATION	FINANCIAL AND INSURANCE	REAL ESTATE	PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	ADMINISTRATIVE & SUPPORT SERVICES	EDUCATION	HUMAN HEALTH AND SOCIAL SERVICES	OTHER SERVICES	TOTAL
ABIA	17.7%	2.5%	16.5%	1.3%	0.0%	5.1%	11.4%	2.5%	3.8%	15.2%	0.0%	3.8%	2.5%	3.8%	6.3%	1.3%	0.0%	6.3%	100.0%
ADAMAWA	18.9%	0.0%	16.2%	0.0%	2.7%	5.4%	10.8%	0.0%	0.0%	13.5%	0.0%	5.4%	8.1%	2.7%	2.7%	2.7%	0.0%	10.8%	100.0%
AKWA-IBOM	16.9%	0.0%	12.7%	0.0%	0.0%	1.4%	25.4%	5.6%	1.4%	9.9%	0.0%	2.8%	0.0%	1.4%	1.4%	9.9%	8.5%	2.8%	100.0%
ANAMBRA	20.5%	0.0%	9.0%	1.3%	0.0%	1.3%	15.4%	10.3%	6.4%	0.0%	5.1%	7.7%	1.3%	5.1%	0.0%	7.7%	7.7%	1.3%	100.0%
BAUCHI	15.2%	1.3%	26.6%	1.3%	0.0%	7.6%	21.5%	1.3%	0.0%	3.8%	0.0%	2.5%	5.1%	0.0%	2.5%	1.3%	3.8%	6.3%	100.0%
BAYELSA	21.9%	3.1%	12.5%	0.0%	0.0%	3.1%	25.0%	15.6%	0.0%	3.1%	0.0%	0.0%	0.0%	3.1%	0.0%	3.1%	6.3%	3.1%	100.0%
BENUE	8.4%	1.4%	9.1%	0.0%	0.0%	4.9%	20.3%	16.1%	0.0%	.7%	.7%	3.5%	1.4%	2.8%	3.5%	8.4%	12.6%	6.3%	100.0%
BORNO	0.0%	4.2%	29.2%	0.0%	0.0%	4.2%	29.2%	0.0%	0.0%	25.0%	0.0%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
CROSS RIVER	34.0%	8.0%	10.0%	0.0%	0.0%	6.0%	16.0%	4.0%	0.0%	0.0%	0.0%	4.0%	2.0%	6.0%	2.0%	2.0%	6.0%	0.0%	100.0%
DELTA	23.1%	1.3%	11.5%	0.0%	0.0%	6.4%	17.9%	6.4%	0.0%	0.0%	1.3%	3.8%	2.6%	2.6%	2.6%	7.7%	10.3%	2.6%	100.0%
EBONYI	20.8%	17.0%	20.8%	0.0%	0.0%	1.9%	22.6%	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	3.8%	0.0%	1.9%	0.0%	7.5%	100.0%
EDO	16.7%	13.1%	13.1%	1.2%	0.0%	4.8%	19.0%	4.8%	1.2%	0.0%	0.0%	4.8%	8.3%	3.6%	0.0%	6.0%	0.0%	3.6%	100.0%
EKITI	13.2%	0.0%	18.4%	0.0%	0.0%	0.0%	21.1%	5.3%	0.0%	0.0%	0.0%	2.6%	0.0%	2.6%	2.6%	26.3%	2.6%	5.3%	100.0%
ENUGU	21.3%	1.6%	3.3%	1.6%	0.0%	6.6%	18.0%	4.9%	6.6%	9.8%	0.0%	3.3%	3.3%	4.9%	4.9%	6.6%	1.6%	1.6%	100.0%
FCT	3.0%	1.5%	9.0%	0.0%	0.0%	7.5%	22.4%	9.0%	1.5%	1.5%	0.0%	7.5%	10.4%	1.5%	6.0%	10.4%	6.0%	3.0%	100.0%
GOMBE	48.7%	18.4%	9.2%	0.0%	0.0%	3.9%	11.8%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	0.0%	0.0%	0.0%	3.9%	100.0%
IMO	31.0%	0.0%	6.9%	0.0%	0.0%	5.2%	19.0%	1.7%	0.0%	1.7%	0.0%	1.7%	1.7%	8.6%	17.2%	0.0%	3.4%	1.7%	100.0%
JIGAWA	42.1%	0.0%	23.7%	0.0%	0.0%	5.3%	15.8%	0.0%	0.0%	2.6%	0.0%	2.6%	0.0%	0.0%	0.0%	7.9%	0.0%	0.0%	100.0%
KADUNA	5.6%	1.9%	13.9%	1.9%	0.0%	13.0%	26.9%	5.6%	.9%	0.0%	0.0%	7.4%	9.3%	4.6%	1.9%	.9%	1.9%	4.6%	100.0%
KANO	10.3%	3.8%	19.9%	0.0%	0.0%	5.1%	28.2%	6.4%	0.0%	.6%	3.2%	3.2%	.6%	3.8%	1.3%	3.2%	2.6%	7.7%	100.0%
KATSINA	23.7%	0.0%	23.7%	0.0%	0.0%	3.4%	27.1%	3.4%	0.0%	0.0%	0.0%	1.7%	1.7%	1.7%	1.7%	8.5%	1.7%	1.7%	100.0%
KEBBI	9.0%	0.0%	13.4%	0.0%	0.0%	6.0%	31.3%	7.5%	0.0%	3.0%	0.0%	3.0%	0.0%	0.0%	0.0%	16.4%	3.0%	7.5%	100.0%
KOGI	14.6%	4.2%	10.4%	0.0%	2.1%	4.2%	25.0%	8.3%	0.0%	2.1%	0.0%	8.3%	0.0%	2.1%	0.0%	8.3%	6.3%	4.2%	100.0%
KWARA	8.0%	2.0%	12.0%	2.0%	0.0%	6.0%	16.0%	6.0%	2.0%	2.0%	0.0%	6.0%	2.0%	6.0%	0.0%	10.0%	16.0%	4.0%	100.0%
LAGOS	.8%	.2%	11.4%	.6%	.4%	3.4%	21.3%	7.8%	6.3%	1.5%	2.1%	5.7%	5.1%	5.1%	2.9%	11.4%	8.6%	5.5%	100.0%
NASARAWA	11.6%	0.0%	18.6%	0.0%	0.0%	0.0%	34.9%	4.7%	0.0%	0.0%	0.0%	2.3%	4.7%	7.0%	2.3%	2.3%	2.3%	9.3%	100.0%
NIGER	9.1%	2.3%	13.6%	0.0%	2.3%	0.0%	34.1%	6.8%	0.0%	0.0%	0.0%	6.8%	0.0%	0.0%	0.0%	13.6%	6.8%	4.5%	100.0%
OGUN	7.5%	0.0%	14.0%	2.8%	0.0%	1.9%	23.4%	6.5%	0.0%	1.9%	1.9%	8.4%	1.9%	.9%	1.9%	15.0%	6.5%	5.6%	100.0%
ONDO	9.2%	7.9%	13.2%	0.0%	0.0%	6.6%	26.3%	1.3%	0.0%	0.0%	0.0%	6.6%	7.9%	5.3%	0.0%	5.3%	1.3%	9.2%	100.0%
OSUN	9.0%	1.5%	13.4%	0.0%	0.0%	4.5%	20.9%	6.0%	0.0%	0.0%	1.5%	10.4%	1.5%	0.0%	1.5%	9.0%	6.0%	14.9%	100.0%
OYO	5.7%	1.3%	15.7%	0.0%	.6%	6.9%	27.7%	4.4%	3.8%	0.0%	3.8%	3.8%	5.7%	1.3%	.6%	8.8%	3.1%	6.9%	100.0%
PLATEAU	15.1%	3.2%	8.6%	2.2%	0.0%	6.5%	17.2%	6.5%	1.1%	3.2%	1.1%	2.2%	1.1%	2.2%	4.3%	5.4%	6.5%	14.0%	100.0%
RIVERS	21.7%	5.4%	13.0%	2.2%	0.0%	4.3%	12.0%	6.5%	3.3%	2.2%	0.0%	2.2%	2.2%	4.3%	3.3%	5.4%	2.2%	9.8%	100.0%
SOKOTO	10.8%	0.0%	13.8%	0.0%	0.0%	4.6%	27.7%	9.2%	1.5%	3.1%	0.0%	7.7%	1.5%	0.0%	0.0%	13.8%	6.2%	0.0%	100.0%
TARABA	26.7%	0.0%	13.3%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	3.3%	0.0%	6.7%	0.0%	0.0%	0.0%	23.3%	10.0%	0.0%	100.0%
YOBE	18.2%	0.0%	13.6%	0.0%	0.0%	0.0%	36.4%	13.6%	0.0%	0.0%	0.0%	9.1%	0.0%	0.0%	0.0%	4.5%	4.5%	0.0%	100.0%
ZAMFARA	19.3%	0.0%	26.3%	0.0%	0.0%	0.0%	47.4%	1.8%	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	0.0%	0.0%	0.0%	3.5%	100.0%
TOTAL	13.2%	2.6%	13.8%	.6%	.2%	4.6%	22.4%	6.0%	2.0%	2.3%	1.0%	4.6%	3.2%	3.1%	2.2%	7.6%	5.1%	5.5%	100.0%

TABLE 3 SECTOR CLASSIFICATION BY STATE

STATE	FORMAL	INFORMAL	TOTAL
ABIA	51	28	79
ADAMAWA	24	13	37
AKWA-IBOM	43	28	71
ANAMBRA	50	28	78
BAUCHI	42	37	79
BAYELSA	22	10	32
BENUE	115	28	143
BORNO	19	5	24
CROSS RIVER	41	9	50
DELTA	59	19	78
EBONYI	28	25	53
EDO	73	11	84
EKITI	29	9	38
ENUGU	47	14	61
FCT	60	7	67
GOMBE	41	35	76
IMO	33	25	58
JIGAWA	24	14	38
KADUNA	97	11	108
KANO	121	35	156
KATSINA	39	20	59
KEBBI	35	32	67
KOGI	32	16	48
KWARA	45	5	50
LAGOS	413	62	475
NASARAWA	29	14	43
NIGER	19	25	44
OGUN	74	33	107
ONDO	62	14	76
OSUN	42	25	67
OYO	109	50	159
PLATEAU	74	19	93
RIVERS	69	23	92
SOKOTO	41	24	65
TARABA	26	4	30
YOBE	14	8	22
ZAMFARA	16	41	57
TOTAL	2158	806	2964

TABLE 4 TYPE OF BUSINESS

Status	Total
Sole Proprietorship	2015
Partnership	184
Joint Venture	64
Private Limited Liability Company	509
Public Limited Liability Company	120
Cooperative	27
Faith Base Organization	43
Others Specify	2
Total	2964

TABLE 5 SOLE PROPRIETORSHIP BY ECONOMIC SECTOR

Economic sector	Total
Agriculture	313
Mining and quarrying	49
Manufacturing	322
Electricity, gas, steam and air conditioning supply	13
Water supply, sewerage, waste management and remediation	6
Construction	55
Trade	499
Accommodation and food services	120
Transportation and storage	23
Information and communication	35
Arts, entertainment and recreation	22
Financial and insurance	6
Real estate	55
Professional, scientific and technical services	62
Administrative & support services	43
Education	162
Human health and social services	104
Other services	126
Total	2015

ANNEX III

Endnotes

1 IMF WEO database, April 2021

2 World Bank, COVID-19 to add as many as 150 million extreme poor by 2021. October 2020

3 UNDP. COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery. 2020.

4 National Bureau of Statistics. Nigeria Gross Domestic Product Report (Q4 and Full Year2020).

5 Ibid

6 National Bureau of Statistics. Abridged Labour Force Statistics Q2, 2020 and Labour Force Statistics (Q4 2020)

7 The trade sector does not include businesses that engage in import/export activities, but rather simply the sale of goods and services to consumers and other businesses. Most informal enterprises are part of this sector.

8 This includes businessess in the following sectors: i) water supply, sewerage, waste management and remediation and ii) electricity, gas, steam and air conditioning supply

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