



GSJ: Volume 10, Issue 1, January 2022, Online: ISSN 2320-9186

www.globalscientificjournal.com

UNLOCKING THE ECONOMIC GROWTH OF NIGERIA POST COVID-19:

ISSUES AND CHALLENGES

BY:

DR. J.K.J OKONKWO, PhD

Department of Public Administration

Akanu Ibiam Federal Polytechnic, Unwana, Ebonyi State, Nigeria.

Onlykayjay4all@gmail.com

+2348165956577; +2348058425003

Abstract: This publication looked at the possibility of unlocking the economic growth of Nigeria after COVID-19. The major objective of the work was to suggest ways of opening up the economic growth of Nigeria post COVID-19. The research was purely explorative in nature. Explanatory research design (mainly literature research) was adopted for this work. The nature of Nigerian economies before and during the pandemic were reviewed. Also highlighted, was Nigerian government's attempts to cushion the effects of the pandemic occasioned by COVID-19. Among the many recommendations put forth to unlock the economic growth of Nigeria post COVID-19 was the need to adopt knowledge economy in the stead of the present consumption economy. It was concluded that the key to unlock the economic growth lies in embracing

knowledge economy, fighting insecurity and corruption, addressing leadership and followership deficiency, reducing cost of governance, etc.

Keywords: COVID-19, Economic Growth, Economy, Knowledge economy, Unlocking.

I. INTRODUCTION

When in December 2019, the corona-virus disease otherwise known as COVID-19, broke out in Wuhan, China, little did we know that the novel pandemic will take the devastating dimension it has assumed. No one anticipated that it will take a global proportion, bringing the world to a flatline. By March 2020, barely three months of the outbreak, virtually all human institutions and activities were affected. Throughout the world movements were

restricted, local and international flights were stopped, educational institutions were closed, sporting activities were put on hold, hotels and recreational institutions were not spared, social gatherings were prohibited. In fact, phrases like lockdown, social distancing, hand washing, face/nose masks, stay safe, stay at home, inter-State movements, palliatives, etc., became the order of the day. Families were forced to bond.

Nigeria got its first share of the pandemic on February 27, 2020, when an Italian citizen in Lagos tested positive to the disease. Ten days later, on March 9, 2020, a second case was reported in Ewokoro, Ogun State. It was then that Nigeria and Nigerians came to realize that the virus is not just a white man's disease as many hitherto believed. As at November 2, 2021, almost two years after, the pandemic had claimed over 5,023,023 deaths worldwide from the 247,963,274 confirmed cases. In Nigeria, within the same period, 2,898 deaths from 212,051 confirmed cases have been reported by the Nigerian Centre for Disease Control (NCDC). Ebonyi State has become one of the epic centres in the South East with 32 deaths from 2,062 confirmed cases.

Economically, socially and politically, the world has never been the same and may not likely be same again. Worse still, the pandemic is not in a hurry to go, with many variants being reported. Invariably, world economy has been devastated: many jobs have been lost, companies folded, small and medium enterprises gone extinct. In Nigeria, families, organizations and indeed the

governments are yet to recover from the adverse impact of the pandemic.

II. OBJECTIVES OF THE STUDY

The major objective of this work is to put forth suggestions on how to revive the Nigerian economic growth devastated by the COVID-19 pandemic. The specific objectives include:

- (i) to evaluate the Nigerian economy before COVID-19;
- (ii) to assess the Nigerian economy during COVID-19;
- (iii) to postulate a long run solution to the economic growth of Nigeria after the covid.

III. METHODOLOGY

The research was purely explorative in nature. The research design adopted is explanatory research design. The bulk of information, including raw data for the work emanated from literature research.

IV. NIGERIAN ECONOMY BEFORE COVID-19: A SYNOPSIS

Nigeria's Gross Domestic Product (GDP) recorded normal growth of 2.55 percent in real terms in the fourth quarter of 2019, from 2.38 percent growth recorded in fourth quarter of 2018 (Oyekanmi:2019). This represented a 0.17 percent point increase in the growth of the economy. This was the highest quarterly growth performance since 2016, according to the National Bureau of Statistics – NBS. The

value of Nigerian economy in 2019 stood at N19.53 trillion as against N19.28 trillion recorded in 2018. The real growth of the oil sector in the 4th quarter of 2019, according to the NBS, was 6.36 percent, indicating a 7.98 percent compared to the negative growth of 1.62 percent in the fourth quarter of 2018. Non-oil sector growth was 2.26 percent in the fourth quarter of 2019, indicating a 0.44 percent lower than the rate recorded in the corresponding quarter of 2018.

Generally speaking, the Nigerian economy recorded a growth rate of 2.27 percent annually compared to 1.91 percent in 2018 (NBS). Major economic indicators in Nigeria in the year 2019 (fourth quarter) are given as follows:

1. GDP - 448 billion USD
2. Per capita income 2,230 USD
3. Poverty rate 40 percent of population
4. Unemployment rate 8.53 percent
5. Inflation rate 11.40 percent

Source: *Data from NBS, ADP and the World Bank*

This was the situation before COVID-19 pandemic.

V. THE CHARACTER OF THE NIGERIAN ECONOMY DURING THE PANDEMIC

Since its arrival in Nigeria in February 2020, the pandemic is still ravaging. Just like most other economies of

the world, the sharp drop in Nigeria's GDP growth is largely due to the slowdown in economic activity after the country resorted to a lockdown from April, 2020. In the wake of the pandemic, the World Bank forecast a decline of -3.2 percent for 2020 – a five percent- point drop from its previous projection. The steep drop in oil prices during the pandemic amid a drop in global demand left Nigeria drastically shorn of earnings given its dependence on the commodity as its biggest revenue source. The US slashed its crude oil imports by 11.67 million barrels in the first five months of 2020, compared to what it bought in the same period of 2019 (Kazeem,2020).

Incidentally, the Nigerian economy entered a recession in the same year, reversing three years of recovery, due to the fall in crude oil prices as a result of decline in demand in world market, and measures taken to contain the spread of COVID-19. Inflation rate rose to 12.8 percent from 11.40 percent in the previous year. The rise in inflation was occasioned by higher food prices due to constraints on domestic suppliers.

In 2020, the economy shrank by 1.8 percent, being its deepest decline since 1983

(World Bank:2021). The World Bank described the situation thus: “The COVID-19 crisis drove the economic slowdown; the external context was marked by capital outflows, intensified risk aversion, low oil prices, and shrinking foreign remittances”. According to the Apex Bank, before the COVID, 40 percent of Nigerians (about 83 million people) lived below poverty line of \$1.90 per day, while another 25 percent

(53 million) were vulnerable. With COVID - 19, many of the vulnerable invariably have joined the poverty line.

As at the last quarter of 2020, economic indices in Nigeria read thus:

1. GDP \$429.42 billion (declined by -4.17b)
2. Per capita income \$2,083 (declined by 7.9%)
3. Poverty rate 40 percent of population
4. Unemployment rate 33.3 percent (increased by 24.8 percent)
5. Inflation rate 13.25 percent (increased by 1.8 percent)

Source: Data from NBS, ADP and World Bank.

Currently, as at the second quarter of this year, going by available data from NBS and the World Bank, the indicators revealed thus:

1. GDP - \$514.05 billion
2. Per capita income - \$2,300
3. Poverty rate - 40 percent of population
4. Inflation rate - 17.75 percent

VI. ATTEMPTS BY NIGERIAN GOVERNMENT TO UNLOCK THE ECONOMY

The Nigerian government has put some measures in place to ameliorate the impact of the COVID on the economy. Foremost among these include the following:

(a). *The Economic Stimulus Act, 2020:* On March 24, 2020, the Nigerian House of Representatives passed the Emergency Economic Stimulus Bill to provide support to businesses and individual citizens of Nigeria. *The Act* aims at providing 50 percent tax rebates to businesses that are registered under The Companies and Allied Matters Act (CAMA), so they can use the savings from tax to continue employing their current workers. Unfortunately, most Nigerian petty and small businesses are unregistered and could not access the incentive.

(b) *Cash Transfer:* In April 1, 2020, the Nigerian Federal Government announced that it would make transfers of N20,000 to poor Nigerians and vulnerable households, registered in the National Social Register. However, only about 11 million people or 2.6 million households are registered on the NSR platform (Dixit, Kofoworola and Onyejekwe:2020). Nonetheless, because more than 87 million Nigerians live on less than \$1.90 a day, the cash transfers would only get to a fraction of the poor.

© *CBN Stimulus Package:* The Central Bank of Nigeria stimulus package offers a credit of N3 million to poor families negatively impacted by the COVID-19. Because the loans require collateral and are not interest-free, the poor for whom it was intended could not access the facility.

(d) *Agricultural, Small and Medium Enterprises Scheme (AGSMEIS):* The AGSMEIS is a current initiative of the CBN where Nigerians can access up to N10 million loan, at 5% interest per annum, without collateral. The AGSMEIS is a

voluntary initiative of the Bankers' Committee approved at its 31st meeting held on February 9, 2017. The Scheme requires all banks in Nigeria to set aside 5 percent of their profits after tax (PAT) annually. The scheme is to support the Federal Government's efforts and policy measures for the promotion of agric business, small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment. However, the conditions for accessing the loan are so complex that very few Nigerians can afford it. Apart from accessing the loan through an Entrepreneur Training Institute, the following other conditions must be met:

- (i) Evidence of registration of business by the Corporate Affairs Commission (CAC)
- (ii) Evidence of tax payment
- (iii) Letter of introduction, from either a pastor, Local Government chairman, village head, senior public servant, etc
- (iv) BVN
- (v) Letter of Guarantee
- (vi) Certification by an EDI
- (vii) Passport photo of the applicant and his guarantor
- (viii) Valid ID card

The stiff financial sacrifice applicants had to make to qualify for the loan; especially the compulsory training from a CBN-certified EDI is a serious drawback. This could be why only 27,956 beneficiaries got N106.96 billion in the first quarter of this year, according to MPC (Monitoring Policy Committee) report of the CBN.

(e) Youth Investment Fund: The Federal Executive Council (FEC) on Wednesday, July 22, 2020, approved a N75 billion Youth Investment Fund. The Fund is created to support entrepreneurs between the ages of 18 and 35. According to Sunday Dare, the Minister of Youth and Sports Development, persons within the age group with genuine business ideas are advised to pitch the ideas in any of the 125 Micro Credit Banks across the country and qualified candidates will have access to the fund. As at the first quarter of 2021, the Federal Ministry of Youths and Sports Development disclosed that it has disbursed the sum of N1, 629,000 to only 5,200 youths.

(f) Food Assistance: Following the imposition of lockdown from April, 2020, the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development, came up with plans to provide food rations to vulnerable households in the land to curb hunger. But this idea was defeated as the government was not able to provide food support to everyone who needed it, as the distribution system was marred by corruption. Moreover, the food items were stacked in warehouses all over the country. These were later to be looted during the End-SARS revolution.

VII SUGGESTIONS ON HOW TO UNLOCK THE ECONOMIC GROWTH OF NIGERIA POST COVID-19

It is crystal clear that most of the measures put in place by the Nigerian government to reengineer and reinvigorate the economy have not really positively impacted on the citizenry. The bare truth is that presently, the

economy is approaching a failed stage and if nothing drastic is done, it will collapse chock-a-block – given the GDP growth ratio of -13.9 percent, GDP annual growth of 5 percent, unemployment rate of 33.3 percent, and inflation rate of 17.01 percent. It is based on the foregoing that we put forth the following measures that can be leveraged upon by the government to unlock the economic growth of post COVID-19 Nigeria. Unlocking Nigeria economic growth has to be done in two phases - at the short run and long run stages.

In the short run, the following immediate measures have to be taken:

1. Government must stop further external borrowing. External loan by Nigeria has grown at 366 percent since 2015 (Uja, Umoru, Egwuatu and Nnorom: 2021). Nigeria's foreign debt profile was about \$9.7 billion in 2015. Official figures from the Debt Management Office (DMO), put the external debt stock at \$32.859 billion as at March 31, 2021. At present, a new loan request to the tune of \$4.054 billion is before the National Assembly. If this is granted, it will bring external borrowings in 2021 alone to \$12.3 billion. Borrowings were occasioned by decline in internal revenue. There is no doubt that borrowing for infrastructural development is a welcome development but the risk of ending up in a debt trap is capable of further blocking economic growth. Economic growth occurs when governments and the private sector

incur capital expenditures that boost production and increases outcome and income levels. One does not need rocket science to know that if huge amount of external debt needs to be repaid; then there will be less money left for investment purposes. In the 2022 budget estimate before the National Assembly, for instance, N5.01 trillion out of the total budget figure of N16.39 trillion has been earmarked for debt servicing. Thus, external borrowing, in the final analysis, hampers economic growth. About three weeks ago, the President of African Development Bank, Dr. Akinwumi Adesina, pointed out at the just concluded midterm retreat for Nigerian ministers, that Nigeria has a debt challenge, with debt-servicing gulping 73 percent of government revenue. In his words, "Nigeria must decisively tackle its debt challenges... . The big issue is how to service the debts and what that means for resources for domestic investments needed to spur faster economic growth...". Secondly, external debt leads to what economists call "vicious cycle of debt". Debt cycle refers to the cycle of continuous borrowing, accumulating payment burden and eventual default. A country with a high amount of external debt raises caution among prospective lenders and they become unwilling to lend more money (as in our case). Since it cannot raise further debt, the country might fail to repay external debt – a

situation known as sovereign default. Therefore, the debt cycle culminates in an almost bankrupt nation, and many other lender-nations facing bad loans.

2. Government should step up the fight against insecurity. It is well known and documented that no economy can grow in the face of rising insecurity. Omole (2020) opines that security is an essential prerequisite for true and lasting economic growth. According to him, the epidemic proportion of criminality and violence in Nigeria has ramifications for the economy. He identified ten consequences of growing insecurity on Nigeria's economic growth as:
 - (i) disruption of economic activities;
 - (ii) decimation of consumer confidence;
 - (iii) decrease in foreign direct investment;
 - (iv) disproportionate defense spending, vis-à-vis, other economic sectors
 - (v) the struggle for personal survival undermines innovation;
 - (vi) increase in brain drain
 - (vii) perverse incentives – from massive ransom demanded by hostage taking;
 - (viii) decline in productivity;
 - (ix) possible national isolation – tourists do not visit unsafe places;
 - (x) deepening corruption at all levels.

Strong/stable economy fosters national security, whereas insecurity is a hindrance to a long term economic prosperity, hence the need to bring under control the state of general insecurity that currently affects most of the zones of the country.

Under the short term measures, issues bothering on leadership/followership deficiency and aggressive agricultural development must also be addressed.

In the long run, the best approach to unlocking the economic growth of Nigeria post COVID-19 is by embracing knowledge economy in the stead of the present consumption economy. Global economy is moving towards knowledge economy, bringing with it the best practices from each country's economy, especially in this era of information and communication technology. Knowledge economy is a shift from the traditional agriculture, manufacturing and services based (classical) economies. Nigeria must move with the rest of the world.

In simple terms, Hayes (2021) conceptualizes knowledge economy as a system of consumption and production that is based on intellectual capital. "In particular, it refers to the ability to capitalize on scientific discoveries and basic applied research". The World Bank (2021) defines knowledge economy to base four pillars namely,

1. Institutional structures that provide incentives for entrepreneurship and use of knowledge.

2. Availability of skilled labour and a good education
3. Access to information and communication technology (ICT) infrastructures.
4. A vibrant innovation landscape that includes academia, the private sector and civil society.

Knowledge economy addresses how education and knowledge can serve as productive assets or business product to be sold and exported to yield profits for individuals, businesses and the economy.

This component of the economy relies greatly on intellectual

capabilities instead of natural resources or physical contributions.

In the knowledge economy, products and services are based

on intellectual expertise, advance technical and scientific fields,

encouraging innovation in the economy as a whole (Hayes:2021).

The challenges in embracing knowledge economy in Nigeria are enormous. First, our educational system is in a mess, characterized by infrastructural decay, neglect, waste, low budgetary allocation, sordid conditions of service, dichotomies that segment tertiary education, high emphasis on paper qualifications - all resulting to low standard compared to other emerging nations.

The second factor is brain drain challenge. Many Nigerians with specialized-skills and competencies are leaving the shores of this country in droves, in search of greener pastures. And since one of the key factors that drive knowledge economy is the availability of skilled labour and good educational system, this ugly development must not be allowed to continue. Governments should make conditions of service attractive and find a way of encouraging Nigerian workforce in the Diaspora to return home.

The third challenge is the phobia for STEM phenomenology. Knowledge economy is basically rooted in Science, Technology, Engineering and Mathematics (STEM). But in the young generation, unfortunately, the ratio between the STEM - based pupils/students and art/social science - based ones in Nigeria is skewed towards the latter.

In addition, poor budget allocation to education and technology is a serious challenge to the move towards knowledge economy. The Nigerian education system has been poorly funded in the past years, falling below the UNESCO recommended standard. In the last decade, for example, the highest the education system has had was in 2015 when it got 10.7 percent of the budget out of UNESCO's recommendation of 26 percent. Below is a table depicting budgetary allocation to education from 2011 to date:

YEAR	PERCENTAGE OF NATIONAL BUDGET
2011	9.3
2012	9.86
2013	10.1
2014	10.5
2015	10.7
2016	7.9
2017	7.4
2018	7.04
2019	7.05
2020	6.7
2021	5.6

7.9 percent is proposed for the educational sector in the 2022 appropriation. With this poor trend, it will be difficult to unlock the economy. The endogenous economic growth suggested here cannot be achieved with the kind of attention Nigerian governments have and continue to give to the educational sector.

VIII CONCLUSION

It is obvious that the COVID-19 is not in a hurry to leave us. It is equally obvious that the current economic strategies

in place in Nigeria will not be able to take us to the economic Promised Land, hence we should rise from this conference to proffer solutions to the following challenges that stand on the way of unlocking the economic growth of Nigeria post COVID-19:

- Security challenges facing Nigeria – which is serious impediments to agricultural production as well as investment;
- Declining government funding in education and technology – which is key in embracing knowledge economy which in turn is the long run solution to unlocking the Nigerian economy now and after the corona-virus;
- Mono-commodity economy that has driven our economy for over 5 decades;
- Leadership and followership deficiency, which has been identified as the ‘trouble with Nigeria’; (Achebe, 1984)
- Investment in the youths in the stead of handouts in the name of empowerment;
- Structural bottlenecks that hinder productivity and revenue earnings potential of the huge non-oil sectors;
- Reducing cost of governance at all levels.
- Advising the government from seeking further foreign loans.

REFERENCES:

1. Achebe, C. (1984). *The Trouble With Nigeria*. Oxford: Heinemann Educational Publishers.
2. African Development Bank (2021). *Nigeria Economic Outlook*. Afdb.org.
3. Dixit, S., Kofoworola, O. and Onwujekwe, O. (2020). "How Well has Nigeria Responded to COVID-19?" *Brookings*, brookings.edu.
4. Ekundayo, O.O.S (2019). "Education in Nigeria is in a Mess from Top to Bottom. Five Things Can Fix it", in *The Conversation*, March 26.
5. Hayes, A. (2021). "Knowledge Economy". *Invesopedia.com/term*.
6. Kazeem, Y. (2020). "Here is How Covid-19 Has Battered Africa", in *World Economic Forum*, weforum.org/agents.
7. National Bureau of Statistics (2019). *Nigerian Gross Domestic Product Report*. Nigerianstat.gov.ng.
8. Okonkwo, J.K.J (2021). "Towards Post Covid-19 Economic Recovery and Adjustments In Ebonyi State: The Role of Government Appointees in Ebonyi State, Nigeria", *World Journal of Innovative Research*, vol. 10, Issue 1, Jan. 2021, pp 12-15.
9. Omole, C. (2020). "Ten Consequences of Growing Insecurity in Nigeria", in *Financial Nigeria and Finance*, Feb. 10.
10. Oyekanmi, S. (2019). "Between Hunger and the Virus: The Impact of the Covid-19 Pandemic on People Living in Poverty in Lagos, Nigeria" in *Nairametrics*, July.
11. The World Bank (2021). "Nigeria Economic Update: Resilience through Reforms". June 2021.
12. The World Bank (2021). "The Knowledge Economy. The Kam Methodology, and World Bank Operations", Jan. 22, pp 5-8.
13. Ujah, E., Umoru, H, Egwuatu, P and Nnorom, N. (2021). Nigeria's Foreign Loans Set for all Time high at \$45n as Buhari begs for additional \$4b loan", in *Vanguard*, September 143, vanguardngr.com