

Covid-19 Northern Nigeria Business Impact Survey

In May 2020, LINKS conducted a rapid online business survey in cooperation with Local Business Chambers across Kaduna, Kano and Jigawa. The survey aimed to understand the extent and nature of the impact of Covid-19 on businesses along with coping mechanisms and required support. The survey targeted formal and informal, micro, small, medium and large-scale businesses across all sectors of the economy. 3,136 firms were contacted using an online questionnaire comprising 32 questions in sets of semi-structured and closed ended questions. LINKS received 653 responses.

Respondents Location, Sector, Size and Ownership

Three quarters of respondents are based in Kano, with a further 16% for Kaduna and 8% from Jigawa.

76% from Kano



Half of respondents operate in the services sector with 32% in agriculture and 16% in industry

50% in Services



Three-quarters of respondents are micro, 22% small, 3% Medium and 1% large.

75% Micro



Three-quarters of respondent businesses are owned by men. 23% women owned and 1% not reporting

76% Male Owned



Key Takeaways from the Survey?

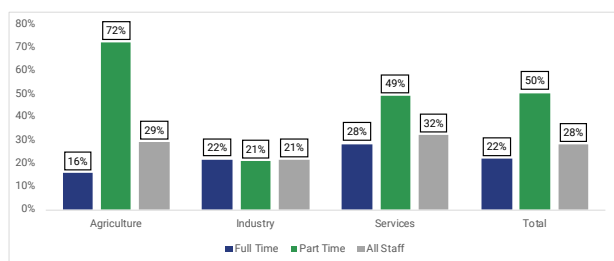
- 1. High Job Losses:** Close to 30% of the workforce across Kano, Kaduna and Jigawa might have been laid off due to Covid-19. This presents a major risk to education, household welfare and government revenue to support communities and business;
- 2. High Revenue Losses:** Over 80% of firms have seen high drops in revenue with almost 60% reporting drops of 50% or more;
- 3. Challenges Across the Board:** Firms are facing supply side and demand side challenges that need to be addressed concurrently;
- 4. Fewer and Weaker Firms in the Future:** 10% of firms report that it is likely they will close for good. Some firms have implemented coping mechanisms, however actions such as selling assets may weaken their future viability as well as reduce their ability to leverage assets as collateral for loans;
- 5. Reduced Opportunities for Growth:** Firms expect less opportunity (lower demand) and less capital available for growth in the future. 25% of firms expect lower sales in the future with approximately 20% reporting Covid-19 has resulted in lost investment for growth;
- 6. Many Firms Plan to Pivot:** Almost 90% of businesses are looking to identify new business opportunities post Covid-19. This is possible in response to: 1) a response to emerging opportunities and realities in the market; 2) the need to build up new lines of business for future resilience; 3) the existing business is no longer viable;
- 7. Funding to Remain Open is Urgent:** 30% of firms identify funding to remain operational as urgent (with 1 month) with 39% identifying as required overall.

Employment has fallen by an average of 28% across sectors and 83% of firms report drops in revenue.

What has been the impact of the Covid-19 on employment?

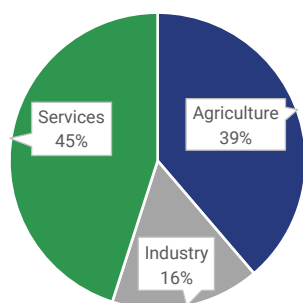
Businesses in our sample employed a total of 3858 staff before the lock-down with 28% of employees losing their jobs due to Covid-19. Part time employees in the agriculture sector were hardest hit with 72% laid off. The services sector lost the most jobs overall, with a third of employees laid-off (full time and part time). High job losses risk household welfare, child education and government revenue in the long run.

Jobs Lost Per Sector - 72% Part-Time Workers in Agriculture



In which sector are firms most likely to lay off workers?

Of firms reporting lay-offs, 45% were in services and 39% in agriculture. Further analysis is required to understand why they laid off more than industry, but it may reflect higher levels of part-time workers in these sectors.



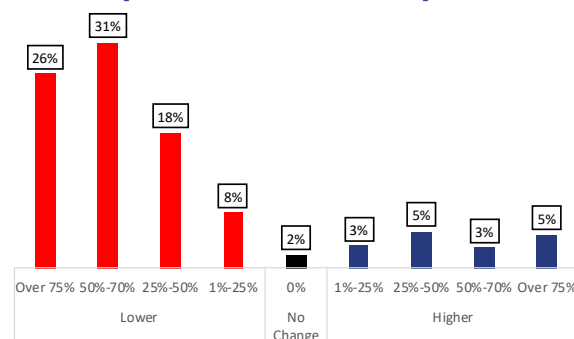
What has been the impact of Covid-19 on Revenue?

All Sectors

Over 80% of firms have seen reductions in revenue with almost 60% of firms reporting drops in revenue of 50% or over. 16% of firms across all sectors saw revenue increase during the lock-down period.

Across all sectors 57% of respondents reported drops in revenue of 50% or more. Drops over 50% represent major risks to future business viability.

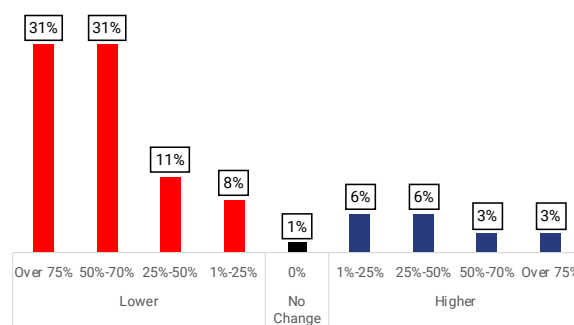
83% Report Revenue Drop



Agriculture

Of the 212 respondents in agriculture, those reporting drops in revenue is closely aligned with the average across all sectors at 82%. However, 62% of firms have report drops of 50% or more, meaning at the most extreme level of losses, the agriculture sector faired worse than average.

62% Report Revenue Drops over 50%

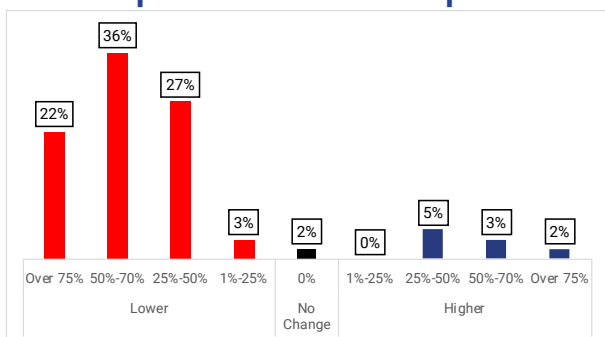


Businesses have been hit by an array of complex supply and demand side challenges all at once. The scale of the challenge is immense.

Industry

The number of firms in industry reporting drops in revenue is almost 90%, 7% above average. These firms find themselves in the difficult situation where many were not deemed essential services (such as in agriculture) and have less flexibility for home based work (such as in services).

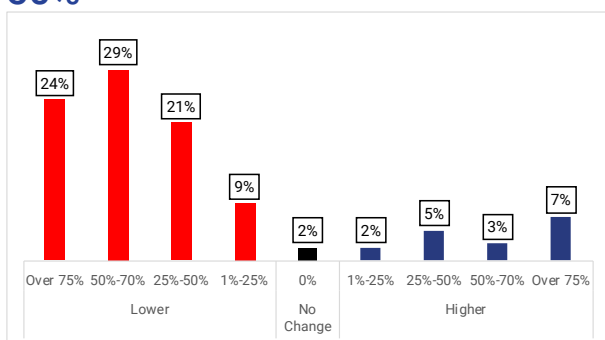
88% Report Revenue Drops



Services

While 82% of firms in the services sector report drops in revenue the number of firms with drops of 50% or more is 53%. This is 9% lower than for agriculture and 5% lower than in industry. Some firms in the services sector may have been able to continue to work from home, reducing the extent of losses at the extreme end.

53% Report Revenue Drops over 50%



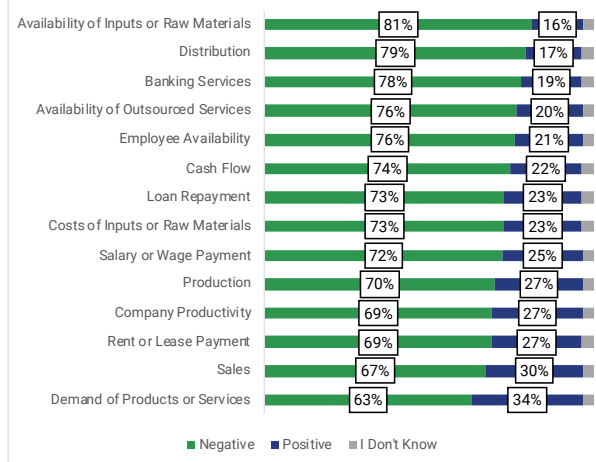
In what way did Covid-19 impact your business operations?

This section looks at how Covid-19 impacted different aspects of a respondents day to day operations. Results are presented at an aggregated level since

there was little variation across sectors.

Availability of inputs and/or raw material is reported by 80% of respondents as the most negative impact of Covid-19. Distribution, banking services, availability of outsourced services, employee availability and cash flow are all rated by over 75% of respondents as highly negative.

Availability of raw material is the biggest reported challenge



While still ranked negatively overall, approximately 30% of respondents reported Covid-19 having a positive impact on demand for products as well as sales. It appears that some firms were also able to reduce rent payments with 27% of respondents reporting positively on this indicator.

What steps have you taken to cope with the impact of Covid-19?

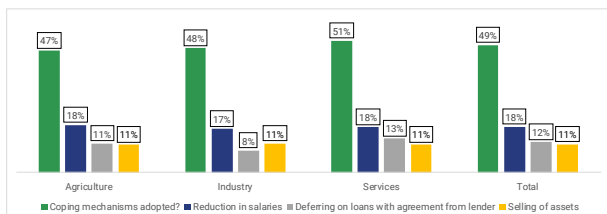
As described above, 17% of respondents reported laying off workers as a result of Covid-19. However, there are other measures that firms took to manage the fallout from the disruption caused by Covid-19.

Approximately 50% of firms in the sample reported taking some measures to deal with the impact of Covid-19. The most common coping mechanisms, apart from worker lay-offs included, reducing staff salaries (18%), deferring payments on loans (12%), and selling of assets (11%).

Some firms have reduced staff salaries while others have renegotiated loans or sold assets as they struggle to cope with falling sales and risk of closure.

There is little variation across sectors in terms of response. However, firms in the industrial sector were less likely to defer payments on loans (8%), compared to the services sector (13%) and agriculture (11%).

11% of respondents have resorted to selling assets manage the impact of Covid-19



11% of firms in the sample reported that they had sold assets to cope with Covid-19. Firms that have resorted to selling assets increase the risks of not being able to function fully as they begin to open up again.

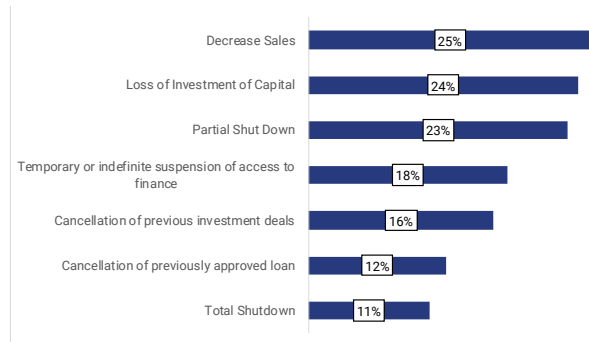
Looking Forward: Where is Covid-19 most likely to impact your businesses financial viability?

This section identifies likely loss of financial opportunity and financial security for firms as they begin to open up. Firms responded on how revenues would be affected due to loss of market (decreased sales or partial shut-down) as well as how financial security or investment was lost due to loss of capital, loans or investment opportunity.

A quarter of firms expect their market opportunity to be reduced as a result of Covid-19 due to decreased sales, and partial shut down.

25% expect a smaller market and reduced sales post Covid-19

Approximately 20% of firms see loss of financial security as a likely outcome from Covid-19 from loss of investment capital, suspension of access to finance, cancellation of previously agreed loans or deals. Finally 11% of firms see total shut down as a likely outcome from Covid-19.



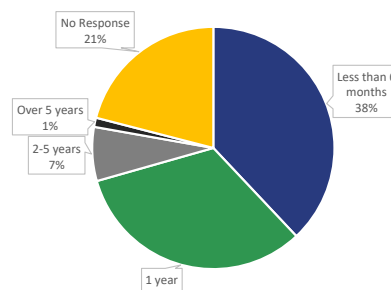
What are your most urgent needs to support your recovery?

Funding to remain operational is the most urgent need reported - 30% within one month. This is followed by a need to access inputs (24% within a month) as well as establishing new technology solutions to allow the business to operate in the new business environment (21% within a month).



What is your estimated recovery period for your business after Covid-19

Close to 90% of firms believe they can recover from the impact of Covid-19 within one year. 9% of firms believe it will take 2-5 years to recover while 2% report recovery taking over 5 years.



In what ways has Covid-19 pushed you to re-think or adjust your business model?

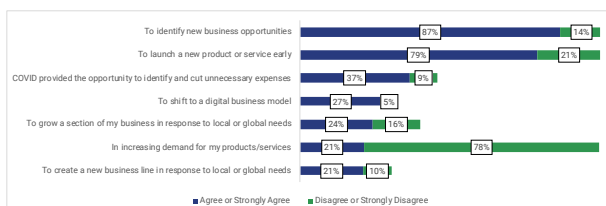
There is no doubt that businesses face immense challenges due to Covid-19. The crises has also force firms to rethink their business models.

When asked whether they agreed or disagreed with a sequence of statements, firms responded along the following lines.

There is strong disagreement (78%) with the statement that Covid-19 has increased demand for products / services. The statements where there was most agreement was that firms would need to identify new business opportunities and feel the need to launch new products onto the market rapidly. This indicates that many business owners are looking to pivot their business based on the realities of the new market. Additionally, close to 40% of firms expect to emerge from the crises with lower cost structures.

One opportunity where responses are lower than expected is on the shift to digital business model. Only 27% of respondents agreed that they are planning to make the shift.

Over 70% of firms are planning to make adjustments to their business model and almost 90% of are looking to identify new business opportunities



With as many as 30% jobs lost and 10% of firms gone, LINKS together with public and private partners will need to expand focus toward supporting surviving firms adapt, innovate and grow in a post-Covid economy.

This new reality requires financial support to enable firms survive and adapt, new investment for research and innovation and the introduction of new structures and services to manage and facilitate change.

Where Next for LINKS?

Investment

On the investment side focus is required to support businesses that were previously growing to access capital for survival. While most businesses have gained some years of experience in the market, they find themselves in a situation with low working capital and depleted cash reserves. There is also a need to push for new investors to enter the market and create new jobs. LINKS should work with the federal and state government along with banks and MFIs to introduce relevant financial instruments for a post-Covid market. These instruments could include:

1. Working capital loans to maintain operations. This could be done in the form of government backed tax credits used as collateral for loans from banks;
2. Adjustment grants, loans and/or investments for firms to pivot to new business opportunities and new business methods;
3. Bringing in new investors to strengthen and innovate in weakened value chains.

Innovation

On the innovation side a greater focus is required on supporting businesses innovate into new opportunities. While previously, innovation might have focused on bringing new entrants into the market, a stronger focus might be placed on supporting existing businesses innovate to survive and grow. Support in this area could include:

1. Market intelligence and training for businesses in KKJ on where they need to adjust to survive and support firms pivot to new opportunities;
2. Support surviving firms adopt new technologies and methods of operation to reduce costs, retain jobs in existing business lines and generate new jobs in new areas;
3. Support firms understand and grow markets in a post-Covid economy including, for example, online marketplaces.

Business Environment

The need for automating and streamlining compliance with business regulations through e-government takes on a new urgency in a Covid world. Social distancing requirements means firms should no longer be required to be physically present when complying with procedures. LINKS should support state and federal government:

1. Roll out e-government, and simplify and automate business procedures;
2. Review and adjust regulation as necessary based on the new realities within the economy and for businesses;
3. As firms adjust, government can demonstrate the benefits for formalisation through improved services and more responsive structures. A positive response from the state presents an opportunity to encourage more businesses into the formal sector, generating increased revenue to support communities and business.

About LINKS

LINKS is a seven year programme funded by DFID. We are focused on working with public and private stakeholders to create jobs and increase incomes in Jigawa, Kano and Kaduna States. We will achieve this by:

- **Unlocking investment** and finance into new and expanding primary, productive, supporting and supply chain businesses, in target value chains;
- **Supporting high potential innovations** that make individual and preferably multiple value chains more productive, competitive, equitable and attractive to investment. Screening, introduction, piloting and development, prior to handing over successes to the investment pillar to scale up through investment and finance.
- **Encouraging the formalization of jobs and firms**, which ultimately should increase the number of firms and workers captured under the tax net, while leading to finance and investment benefits for the firms themselves.