

CHAPTER EIGHT

The Impact of COVID-19 On Economy and Higher Education in Nigeria**¹Isaac Udo Alexander & ²Eno Jackson Obot**¹Department of Industrial Technology Education²Department of Business Education

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Abstract

The spread of the coronavirus encouraged physical distancing which led to the shutdown of financial markets, corporate offices, businesses and events. Secondly, the exponential rate at which the virus is spreading, and the heightened uncertainty about how bad the situation could get, led to flight to safety in consumption and investment among consumers, investors and international trade partners. This study focused on the impact of COVID-19 on economy and higher education in Nigeria. This study treated the impact of COVID-19 on the Nigerian economy, impact of COVID-19 on higher education in Nigeria as well as strategies to cushion the impact of COVID-19 on economy and higher education. The impact of physical distancing policies on economic activities and stock market indices were considered in the study. Physical distancing policies and lockdown restrictions were imposed and there have been arguments that such social policies could trigger a recession. The students have experienced major teaching interruptions in their studies; and have experienced major interruptions in assessments. It was suggested among others that tertiary institutions in Nigeria should upgrade their method of instructional delivery and include online teaching, which is now championed as an alternative form of educational delivery. Also, the Federal Inland Revenue Service (FIRS) as well as State Inland Revenue Services (SIRS) should waive payments on personal and corporate income tax for the second and third quarter of 2020, considering that the shock has affected the income and profits of households and businesses.

Keywords: COVID-19, Coronavirus, physical distancing, pandemic, economy, higher education.

Introduction

The COVID-19 pandemic brings unprecedented challenges. COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus'. Demand for many goods and services have fallen dramatically, whilst some manufacturers either have shortages. In Nigeria and around the world, borders are being closed and societies change the way they live. As the entire country (Nigeria) come under quarantine orders and consumers reduce human contact, manufacturers have recognized and realised that their response to the novel COVID-19 Pandemic has a significant impact on businesses. The coronavirus COVID-19 *pandemic* is the defining global health crisis and the greatest challenge faced since World War Two. Those that respond by rising up to the occasion

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would seek innovative ways of dealing with the situation while those who react may struggle with adapting to the changes, they need to make to remain profitable and resilient in a time like this.

Nigeria's high dependence on imports aggravates its vulnerability to contracting the COVID-19. In 2019, raw materials constituted 70% of the total imports from China into Nigeria (National Bureau of Statistics, 2020). The restriction currently imposed on cross border trade has significantly distorted supply chains for manufacturers and Nigerians have seen the effect on the economy. The economy of Nigeria is a middle-income, mixed economy and emerging market, with expanding *manufacturing*, financial, service, communications, technology and entertainment sectors. Manufacturers need to be more agile, local and responsive to consumer needs, whether it is by increasing supplies or relying more on e-commerce. Agile organisations which could meet the needs of their consumers by localising their supply chains, offering a high degree of convenience and communicating clearly with their target market, would better ride through the crisis. For most retailers and fast-moving consumer goods companies (FMCGs), business continuity will depend on the quality and viability of both their suppliers and their customers. There is need therefore, to seek partnerships with local suppliers and distributors on innovative supply and distribution models; and channels that will ensure the availability of products and services to customers and consistent customer engagement throughout the period (Ozili & Arun, 2020). For example, in view of the lockdown in cities across the world and in Nigeria, many restaurants are offering online orders and home deliveries and, in some instances, refreshing their menus entirely to appeal to customers who have been home bound (Murphy & Wyness, 2020).

Many countries including Nigeria have (rightly) decided to close schools, colleges and universities. The severe disruption is felt by many families; teaching is moving online, on an untested and unprecedented scale. Student assessments are also moving online, with a lot of trial and error and uncertainty for everyone. Many assessments have simply been cancelled. Importantly, these interruptions will not just be a short-term issue, but can also have long-term consequences for the affected students and are likely to increase inequality. The country's meagre institutional and national capacities, weak healthcare systems and gregarious way of life may prove catastrophic should the virus continue to spread at the same rate and intensity as in other critically affected countries. The impact of such a calamitous scenario is easy to imagine and frightening to predict.

The Impact of COVID-19 on the Nigerian Economy

Lately, the Nigerian government grappled with weak recovery from the 2014 oil price shock, with GDP growth tapering around 2.3 percent in 2019. And now in 2020, the COVID-19 crisis is causing all components of aggregate demand, except for government purchases, to fall. The constraining factor aggravates the economic impact of the COVID-19 outbreak and makes it more difficult for the government to weather the crisis. According to Horowitz (2020), **the following reflects the effect caused by the pandemic:**

- 1) Partial (or full) restrictions on movement, thus causing consumers to spend primarily on essential goods and services;

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- 2) Low expectations of future income, particularly by workers in the gig economy that are engaged on a short-term/contract basis, as well as the working poor in the informal economy; and
- 3) The erosion of wealth and expected wealth as a result of the decline in assets such as stocks and home equity.

The gig economy is based on flexible, temporary, or freelance jobs, often involving connecting with clients or customers through an online platform. The gig economy could benefit workers business and consumers by making work more adaptable to the needs of the moment and demand for flexible lifestyles. Elliot (2020) said that movement restrictions have not only reduced the consumption of nonessential commodities in general, but have affected the income-generating capacity of these groups, thus reducing their consumption expenditure. The coronavirus outbreak led the government to impose restrictions on non-essential travel within and outside the country, indefinitely suspending tourism travel, work visas and immigrant visas. Restaurant businesses have been affected during the pandemic mainly through the government-announced ‘stay-at-home policy’ and ‘physical distancing’ movement restriction. *Physical distancing* involves physically keeping yourself away from other people, but staying socially connected, and the World Health Organisation (WHO) would like everyone to adopt this distinction. It is possible to keep connected and have relationships with other people, without being physically present in the same room. During the coronavirus outbreak, the event industry has been affected by the federal government lockdown rule. The lockdown has prompted cancellations of events such as live music shows, conferences, weddings, parties, corporate events, brand launches, trade shows, and more (Ozili & Arun, 2020). **Investments by firms have also impeded** economic boom largely due to the uncertainties that come with the pandemic-limited knowledge about the duration of the outbreak, the effectiveness of policy measures, and the reaction of economic agents to these measures—as well as negative investor sentiments, which are causing turbulence in capital markets around the world (El-Erian, 2020). Indeed, the turbulence according to Lavy (2015) has led to a massive decline in stock prices, as the Nigerian Stock Exchange records its worst performance since the 2008 financial crisis, which has eroded the wealth of investors. Taking into consideration the uncertainty that is associated with the pandemic and the negative profit outlook on possible investment projects, firms are likely to hold off on long-term investment decisions.

On the other hand, **government purchases keep increasing** as government runs budget deficits; utilizes fiscal stimulus measures to counteract the fall in consumer spending. However, for government that is commodity dependent, **the fall in the global demand for commodities** stemming from the pandemic significantly increased the fiscal deficits. The restrictions on movement of people and border closures foreshadow a **decline in exports**. Already, countries around the world have closed their borders to nonessential traffic, and global supply chains for exports have been disrupted. Although according to (Horowi, 2020), the exports of countries that devalue their currency due to the fall in the price of commodities (like Nigeria), will become more affordable, the limited markets for nonessential goods and services nullifies the envisaged positive effect on net exports. States like Lagos and Ogun, which are major production hubs have been shut down by the government to effectively curb the spread of the virus. However, Federal Government of Nigeria has articulated key monetary and fiscal measures aimed at

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cushioning the economic impact of the virus. Sequel to this, organisations need to work in tandem with the government to ensure that any stimulus or actions are aligned (El-Erian,2020).

Impact of COVID-19 on Higher Education in Nigeria

Higher education is tertiary education leading to the award of an academic degree. Higher education, also called post-secondary education, third-level or tertiary education, is an optional final stage of formal learning that occurs after completion of secondary education. This is a new area for both teachers and students, and assessments would likely have larger measurement error than usual. Research shows that employers use educational credentials such as degree classifications and grade point averages to sort applicants (Piopiunik, et al. 2020). The increase in the noise of the applicants' signals would therefore potentially reduce the matching efficiency for new graduates on the labour market, who might experience slower earnings growth and higher job separation rates. This is costly both to the individual and also to society as a whole (Fredriksson, et al. 2018). The careers of university students may be severely affected by the COVID-19 pandemic. They have experienced major teaching interruptions in their studies, they have experienced major interruptions in their assessments, and finally the final year students are likely to graduate at the beginning of a major global recession. Poor market conditions at labour market entry caused workers to accept lower paid jobs, and that this has permanent effects for the careers of some. Oreopoulos, et al. (2012) showed that graduates from programmes with high predicted earnings can compensate for their poor starting point through both within- and across-firm earnings gains, but graduates from other programmes have been found to experience permanent earnings losses from graduating in a recession.

Educators and students around the world felt the ripple effect of the coronavirus as colleges and universities were instructed to shut down after the coronavirus was declared a public health emergency by the World Health Organisation (WHO). The outbreak had a more severe consequence on schools that did not have an online learning platform. On the positive side, the coronavirus outbreak increased the importance of online education and distance learning, but the reality is that only a small percentage of Nigeria's education is taught online. In the aftermath of the pandemic, cost recovery through financial contribution from beneficiaries in the form of fees or loan repayments would not be easy, since economies would have seriously declined – if they indeed survive a total collapse. The expansion of public universities would be abruptly frozen. Private providers, which are dependent on tuition and other fees, would also be hard hit, with many facing downsizing or even closure, as they receive little or no support from governments (Rangvid, 2015). On a positive note, this threat – and the approaches to overcome it – may be catalytic for long-lasting changes in Nigerian education sector. Among others, diversified means of educational delivery, in particular a non-residential model, may become more mainstream, more acceptable and more respectable e.g. home schooling.

While global home schooling will surely produce some inspirational moments, some angry moments, some fun moments and some frustrated moments, it seems very unlikely that it will on average replace the learning lost from school. But the bigger point is this: there will likely be substantial disparities between families in the extent to which they can help their children learn.

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Key differences according to Oreopoulos, *et al.* (2006) include the amount of time available to devote to teaching, the non-cognitive skills of the parents, resources (for example, not everyone will have the kit to access the best online material), and also the amount of knowledge; it is hard to help the child learn something that one does not understand. Consequently, this episode will lead to an increase in the inequality of human capital growth for the affected parents.

Importantly, the lockdown of institutions not only affects internal assessments. Depending on the duration of the lockdown, one potential alternative for the cancelled assessments is to use ‘predicted grades’, but Murphy & Wyness (2020) showed that these are often inaccurate, and that among high achieving students, the predicted grades for those from disadvantaged backgrounds are lower than those from more advantaged backgrounds. Another solution is to replace blind exams with teacher assessments. Evidence from various settings show systematic deviations between unblind and blind examinations, where the direction of the bias typically depends on whether the students belongs to a group that usually performs well (Burgess & Greaves 2013). A characteristic of the higher education sector in Nigeria is the presence of private institutions. These private institutions usually operate along a business model and are heavily dependent on students’ fees to cover staff salaries and operational costs. While public institutions may eventually receive assistance from the state to overcome the consequences of COVID-19, the private ones may be forced to stop their operations for lack of funds (Financial Times, 2020). Closure of these institutions has a dramatic impact on the higher education sector and the countries’ economic development.

Strategies to Cushion the Impact of COVID-19 on Economy and Higher Education

In order to cushion the effects of COVID-19, the following strategies have to be implemented:

Economy:

1. Diversification priorities to alternative sectors such as agriculture, solid minerals, manufacturing and services sectors, has to be intensified. This is one practicable way to saddle through the current economic uncertainties and instabilities.
2. Promoting public private partnership so that the economy will be able to recover quickly from difficult conditions in the future.
3. Introduction of virtual interactions to replace face-to-face engagements during buying and selling.

Higher Education:

1. The use of distance learning programmes, open educational applications, and platforms by schools and teachers to reach learners remotely can be helpful. These could include integrated digital learning platforms, video lessons, Massive Open Online Courses (MOOCs), and broadcast through radio and television. The success of this strategy hinges on the use of high-technology or low-technology solutions, which are based on the reliability of local power supply, internet connectivity and digital skills of teachers, students, parents, and guardians.
2. An equitable and inclusive learning environment for the students has to be provided to ensure continuity in learning for all, irrespective of socio-economic background.

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3. Adoption of public-private partnership with non-profits and other government agencies who are working to remedy the effect of the pandemic on education. Such efforts can be supported through the provision of funds at this critical time.

Conclusion

The study has analysed the coronavirus outbreak and its impact on economy and higher education. As a result, many governments made fast policy decisions that had far-reaching positive and negative effects on the economy. Physical distancing policies and lockdown restrictions were imposed, and there have been arguments that such social policies can trigger a recession. Many countries including Nigeria have (rightly) decided to close schools, colleges and universities and the severe disruption is felt by many families: teaching is moving online, on an untested and unprecedented scale. Federal Government purchases keep increasing as government runs budget deficits; utilizes fiscal stimulus measures to counteract the fall in consumer spending. However, for government that is commodity dependent, the fall in the global demand for commodities stemming from the pandemic significantly increased the fiscal deficits. The careers of university students may be severely affected by the COVID-19 pandemic. The students' career have experienced major teaching interruptions in their studies, they have experienced major interruptions in their assessments, and finally the final year students are likely to graduate at the beginning of a major global recession. Let it be remembered that whatever the problem is, education remains the solution. The future is the responsibility of all to make the world a better place through quality and inclusive education.

Suggestions

Given the size and scope of the economic and educational impact of the pandemic, there is the need to implement other recovery strategies to stimulate demand. Based on this, the following suggestions were made:

1. With cash transfer program in place, the federal government should improve efforts towards enhancing the efficiency and effectiveness of the distributive mechanisms to reach households that are worst-hit by the pandemic.
2. The Federal Inland Revenue Service (FIRS) as well as State Inland Revenue Services (SIRS) should waive payments on personal and corporate income tax for the second and third quarter of 2020, considering that the shock has affected the income and profits of households and businesses.
3. FIRS and SIRS should delay tax collection for the worse-hit sectors including tourism, the airline industry, and hoteliers in order to enable them recover from the steep decline in demand.
4. Federal Government of Nigeria through the Presidential Taskforce on COVID-19 should issue appropriate guidelines and relax the lockdown on education sector.

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5. Tertiary institutions in Nigeria should upgrade their method of instructional delivery and include online teaching, which is now championed as an alternative form of educational delivery.
6. Federal Government through public private partnership should provide portable solar electronic devices to students for learning even at a distance especially in remote places.

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