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DEPARTMENT: ANATOMY **COURSE:** ENTREPRENEURSHIP

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TOPIC: ROLE OF SMALL AND MEDIUM SCALE BUSINESS TO CUSHION THE LOCKDOWN SYNDROME.

Introduction.

The drastic measures to keep people at home as the COVID19 pandemic spreads have dealt heavy blow on the small business sector. These vital businesses provide local amenities and experiences that enrich our lives and anchor our communities, and they are a critical source of income and wealth generation for their owners. They are also the primary drivers of the nation's net job creation and productivity growth. These usually informal sector small businesses have greater credit constraints and are more sensitive to weak consumer demand, and are often hit the hardest in economic downturns. The COVID-19 recession is uniquely damaging to them, especially those relying on foot traffic and social distancing. We are facing a trade-off between social challenge and economic collapse. That is because much economic activity in this sector involves physical interactions among people, including in the retail trade, restaurants, tourism, live entertainment, and most forms of office work. With social distancing being enforced, such activity comes to a halt.

Worse, COVID-19 is the first pandemic to have struck a thoroughly integrated global economy. Most goods today are products of global supply chains, where physical interactions

in one location are connected to physical interactions elsewhere. Stop the physical interactions in one place, and the economic fallout is felt in many others. As policy makers prepare relief measures to support small businesses, it is important that they realize that small businesses especially in the informal sector experience economic contractions in different ways compared to larger businesses in the formal sector of a nation's economy.

COVID-19 and the Challenges of small and medium scale businesses.

A recent rapid survey of businesses across Africa reveals that in Uganda for instance, three quarters of surveyed businesses have laid off employees due to the risks presented by COVID-19, and subsequent containment measures. Indeed, the results suggest that lockdown measures have reduced business activity by more than half (Lakuma&Sunday, 2020). The result indicate that micro and small businesses experienced a larger decline in business activity compared to medium and large firms. Consequently, a majority of micro and small businesses, particularly in the service sector, predict they will have to close within one to three months if the pandemic persists and current restrictions are maintained across all of Africa.

Unemployment will likely worsen if the risks associated with COVID-19 persist and containment measures are sustained or escalated. Notably, over 75 percent of employees projected to lose their jobs permanently are from the service sector. Given most services in Africa involve face-to-face interaction that contravenes the social distancing requirement, the challenge becomes real.

It is also important to observe that the majority of small and medium businesses, particularly in manufacturing, have experienced a severe decline in access to inputs, alluding to the risk of overreliance on international rather than regional or domestic supply chains for raw materials and intermediates. This finding calls for micro, small and medium businesses to

explore the possibility of regional or domestic value and supply chains to stabilize their sources of inputs, while also saving on scarce foreign exchange.

Government Economic and Fiscal measures.

It is instructive to note that across Africa, micro, small, and medium enterprises are being squeezed in the face of COVID-19 and associated business restrictions. Many governments are offering liquidity interventions to support firms in addressing immediate liquidity challenges, reduce layoffs, and avoid firm closures and bankruptcies. In other to free up more cash for businesses, many governments are considering the following:

1. Tax rate reduction
2. Reducing taxable income
3. Offering tax credits
4. Offering tax refunds.
5. Recapitalizing commercial banks and micro-financial institutions with extra liquidity to provide flexible emergency loans
6. Use of technology for access to credit, like mobile money and other e-platforms are being activated to simplify loan application processes and reduce turnaround times for MSME loans.

In Nigeria, for instance, regulatory and tax authorities, especially in areas most affected by COVID-19 have announced the following:

- a. Central Bank Nigeria (CBN) Economic measures

These are

- Extension of moratorium: all CBN intervention facilities are granted a oneyear extension on all principal repayments. New amortization schedules will be provided for all beneficiaries. This is effective 1 march, 2020.
- Interest rate reduction: Interest rates on all applicable CBN intervention facilities are to be reduced from 9% to 5% per annum for 1 year with effect from 1 March, 2020
- Creation of a #50billion targeted credit facility: This will be administered through the NIRSAL Microfinance bank for households, small and medium-sized enterprises that have been significantly impacted by COVID-19, including but not limited to hoteliers, airline service providers, health care merchants etc.
- Regulatory Forbearance: The CBN has directed all banks, accepting deposits, to consider temporary and time-limited restructuring of tenor and loan terms for business and households most affected by the outbreak of COVID-19. This is particularly applicable to oil and gas, agriculture and manufacturing sectors.

b. FGN Welfare Programme

i. 3-Month Moratorium on certain government loans-

TraderMoni, MarketMoni and FarmerMoni are small scale government loans which provide petty traders, farmers and small business with access to capital. The beneficiaries of these government loans, estimated to be about 2 million, are to enjoy the loan repayment holiday of 3 months.

Also, a similar moratorium extension is granted to loan facilities funded by the federal Government and disbursed by the Bank of Industry, Bank of

Agriculture and the Nigeria Export-Import Bank respectively.

c. House of Representatives Economic Stimulus Bill 2020 –

This Bill provides for the following reliefs to be granted to corporate bodies and individuals in Nigeria.

- i. Special Tax rebate- any Nigerian company which maintains the same employee status without retrenching any staff from 1 March to 31 December 2020, would be entitled to a 50% income tax rebate of the actual amount due, or paid as pay as you earn (PAYE) tax.

d. Business Continuity Plan of Federal Inland Revenue Service (FIRS)-

This plan is expected to mitigate the impact of the Pandemic on taxpayers. Part of the measures put in place by FIRS to reduce the impact of the Pandemic on businesses and other economic activities of taxpayers include

- i. The due date for filing companies Income Tax (CIT) returns has been extended by one month.
- ii. Taxpayers can file CIT returns with FIRS without an audited account, provided that the audited accounts are filed within two months after the revised due date of filing.
- iii. Timeline for payment of withholding tax and filing of value-added tax returns has been extended from the 21st of every month to the last working day of the month.

Conclusion.

These are trying times for individuals and corporations globally. The measures taken so far are intended to galvanise a return to economic stability using the stimulus packages to mitigate the impact and bolster the small and medium scale business to drive this anticipated recovery. It is

imperative in these times and going forward for micro, small and medium businesses to explore the possibility of regional or domestic value and supply chains to stabilize their sources of inputs, while also saving on scarce foreign exchange.

References.

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