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CORONAVIRUS PANDEMIC OUTBREAK AND FIRMS PERFORMANCE IN NIGERIA

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Abstract: The World Health Organization (WHO) has declared a global public health emergency on coronavirus pandemic outbreak, and in response to this, nations affected by this scourge are enforcing strict measures to combat the virus. To understand the impact of these strict measures adopted by countries of the world, this study investigated the effect of Coronavirus pandemic outbreakon the performance of private businesses in Nigeria. The survey research design was adopted for the study. The data was sourced from questionnaires administered online to owners of private businesses and financial analysts in Lagos State, Nigeria. The result from the linear regression revealed that Coronavirus (COVID-19) Pandemic harms both the financial and non-financial performance of private businesses in Nigeria. The study concluded that that Coronavirus (COVID-19) Pandemic harms firm performance in Nigeria. The study, therefore, recommended that the government should include privates business in its stimulus packages or palliatives programmes to keep private businesses in operation after the pandemic.

Keywords: Coronavirus, Pandemics, infectious diseases, private business, performance

1.1 Introduction

The world is currently dealing with the reality of the Coronavirus (COVID-19) Pandemic, which has led to a huge economic loss for thousands of businesses across the globe. This loss is out rightly attributed to the government's order of shutting down business operations (Tashanova, Sekerbay, Chen, Luo, Zhao & Zhang, 2020). In Nigeria, it is the same scenario as the major economic hub States are on lockdown as a result of the upsurge of the virus. This lockdown features the restriction on transportation of people and goods, significantly disrupt outputs and exports, hinders the growth of the private business by undercuts in the investments due to the loss of investors' confidence in the market (Jung, Park, Hong & Hyun, 2016).

Against the backdrop of government lockdown and a halt of business activities, private businesses financial and non-financial performances would be affected. A sharp decline in sales which would subsequently lead to insufficient cash flow in carrying out various operations, financing and investing activities. Inventory will become obsolete and lead to a loss in economic value. The financial implication as a result of the decrease in the sale

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will ultimately lead to private businesses pack up and downsizing which will cause job loss (increase in unemployment). The main thrust of this article is to empirically ascertain the effect of COVID-19 pandemic on firm's performance in Nigeria and to the best of researchers' knowledge, none of the studies looks at this area in Nigeria.Against the above backdrops, the following research questions were raised.

i. What is the impact of COVID-19 pandemic on the financial performance of firms in Nigeria?
ii. What is the effect of COVID-19 pandemic on the non-financial performance of firms in Nigeria?

The remainder of the paper is organised as follows: Section two focuses on the literature review and hypotheses development. Section three addresses the methodology with an emphasis on the theoretical framework and model specification. Section four presents data analysis, interpretation and discussion of findings. Section five concludes.

2. Literature Review and Hypotheses Development

2.1 Coronavirus (COVID-19) Pandemic

The Coronavirus disease also called COVID-19 emerged in December 2019 in China in Wuhan city in Hubei province of China (McKibbin & Fernando, 2020). This pandemic has spread across 210 countries and territories around the world and 2 international conveyances (Worldometers, 2020). Following the outbreak in China, the virus has recorded new epicentres for its outbreak, the United States of America, Spain, Italy, France and Germany, having confirmed cases of over a hundred thousand (Worldometers, 2020). Amidst, the risk posed by this virus on public health, the World Health Organization (WHO) has declared it as a global pandemic and calls for health sectors of the world and government to take it seriously (McKibbin& Fernando, 2020). The spread of the infectious disease is still on the rise despite many efforts people and government of nations to contain it, such as containment, an individual measure of protection, the authorization of the use Hydrochloroquine and other drugs that have not been clinically tested (Addi et al, 2020).

There are uncertainties as to how the COVID-19 is transmitted, although most medical researcher and centres for disease control have noted that it is transmitted via a fluid contact with an infected person (Kim, 2020, Addi et al, 2020, Bai, Yao, Wei, Tian, Jin, Chen & Wang, 2020, NCDC, 2020). They further noted that symptoms of the disease on an individual includes, sore throat, dry cough, fever, shortness of breath, and in the worse stage acute pneumonia and death. According to NCDC (2020), the incubation period for COVID-19 is between 2-14 days. Bai et al (2020) asserted that the reason for the high level of the spread of the virus on individuals across the globe as a result of the symptomatic and asymptomatic nature. Failure to identify and properly manage both symptomatic and asymptomatic COVID-19 cases by mass/wide COVID-19 testing or screening of the population puts the race at risk (Addi et al, 2020), also this would significantly affect the way of life of people, as well as businesses across the globe.

In Nigeria, the same feat befalls the private sector (businesses) and government. As at 9:30 pm 11th April, there are 318 confirmed cases 70 discharged 10 deaths. The virus tends to be spreading to states in the country, Lagos- 174 FCT- 56 Osun- 20 Edo- 12 Oyo- 11 Ogun- 7 Bauchi- 6 Kaduna- 6 Akwa Ibom- 5 Katsina-4 Delta- 3 Enugu- 2 Ekiti- 2 Rivers-2 Kwara- 2 Ondo- 2 Benue- 1 Niger- 1 Anambra- 1 Kano-1 (NCDC Twitter Handle, 2020). This has led to the federal government taking radical steps like the issuing of an executive order to lock down the major economic hub of the country with a view of the virus.

2.2 Firm Performance

Theoretically, the definition of firms' performance is hinged on the economic view of profit maximization of the organization and the stakeholders' view of satisfying the need of a group or individuals who are affected by the

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activities of the same organization (Aifuwa, 2020). Leaning, on this exposition, the make-up of firms' performance is financial and non-financial performances (or strategic or operational performance).

Financial performance is a subjective measure of how a firm effectively and efficiently utilises its assets to generate resources (Nnamani, Onyekwelu & Ugwu, 2017). The financial performance of an organization is classified in subsets of profitability performance (return on assets (ROA), return on equity (ROE), return on investment (ROI), economic value added (EVA), net income /revenue andearnings before interest, tax, depreciation and amortizationmargin (EBTIDA), market value performance (earnings per share (EPS), change in stock price, dividend yield, stock price volatility, market value added (MVA) and Tobin Q)while growth dimension of performance consists ofmarket share growth, asset growth, net revenue growth, net income growth and many employees growths (Santos & Brito, 2012).

Non-financial performance measures include employee performance,social performance, corporate governance performance andenvironmental performance. Because of the study, we measured both financial and non-financial performance of firms qualitative – based on the perception of financial experts.

The COVID-19 pandemic in Nigeria has resulted in business leaders and owners having to swiftly mobilize and make short term decision. A decision such as the reduction in production output and or even shutting down operation temporarily could have long term implications that may not be foresighted. This, thus, would have an impact on private business financial performance, as a result of the lockdown policy or order by the President of the Federal Republic of Nigeria.Empirical studies have also suggested that both pandemics and epidemics harm the financial performance of firms. Kim, Kim, Lee and Tang (2020) investigate the influence of macroscopic and infectious epidemic disease outbreaks on the financial performance of the restaurant industry. Nine events on four epidemic disease outbreaks during 2004–2016 were analyzed. Event study method and Mann-Whitney U test were used as the research method and inferential statistic respectively. They found out that confirmed the negative influence of epidemic disease outbreaks on the restaurant industry, and identified all the three firm characteristics serve as risk-mitigating factors. Similarly, Jung, Park,Hong and Hyun (2016) investigated the effect of an epidemic outbreak on consumer expenditures. Data for the study was gotten from scanner panel data on consumers' debit and credit card transactions. The result from the regression analysis revealed that epidemics that outbreaks caused considerable disruption in total consumer expenditures with significantheterogeneity across categories. They further added that customers alter their behaviors to reduce the risk of infection.

Based on the empirical findings, the study envisaged a significant reduction in investment, cash flow and bank deposits. Hence, the study hypothesis that;

Ho_1: Coronavirus (COVID-19) Pandemic has no negative impact on financial performance

As the Coronavirus pandemic continues to rise, businesses are forced to shut down the operation, and as a result of this employees become jobless. Also, board members in private businesses will not able to carry out their monitoring role. It is worth mentioning that private businesses in Nigeria significantly contribute to a large extent in reducing the rate of unemployment. Historically, issues such as youth unemployment and poverty, in general, were thought to be the responsibilities of government and civil society (Fagge & Zubairu, 2014). Private business took up these responsibilities notwithstanding that it deviates from their motive of profit-making, and to a great extent, they are doing just fine in solving the problem of youth unemployment in Nigeria. Even after the end of this pandemic, privates businesses would be forced to lay-off a large number of workers to survive and remain financially feasible, which

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could significantly increase unemployment in the economy would There we hypothesize that;

Ho_2: Coronavirus (COVID-19) Pandemic has no negative impact on non-financial performance

3 Methodology

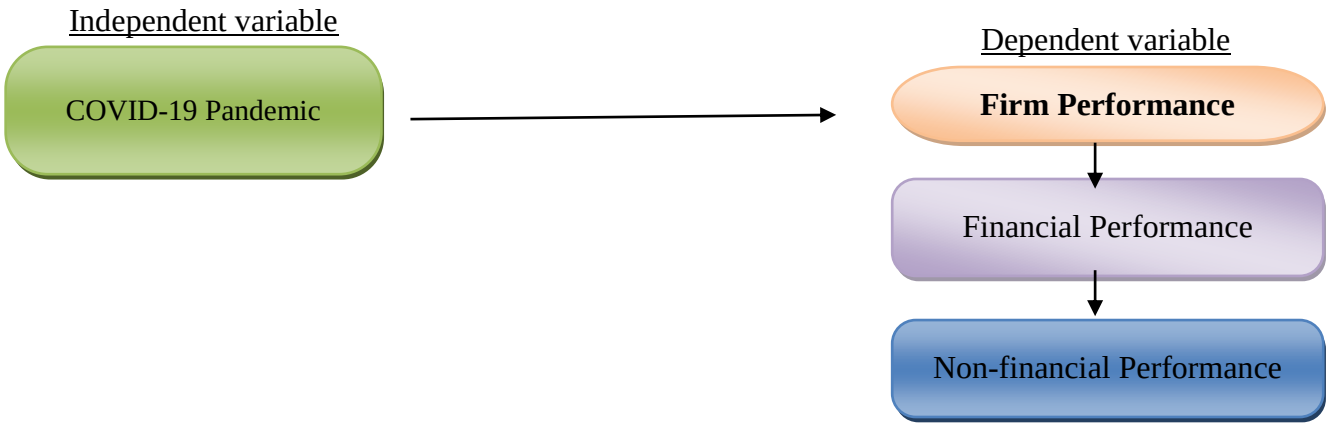
3.1 Theoretical framework and Model Specification

3.1.1 Theoretical Framework

This study is hinged on the Rational Choice Theory. The Rational Choice Theory also is known as the Choice theory is an economic principle that assumes that individual always make prudent and logical decisions that provide them with the highest and personal benefits or satisfaction. The theory is based on the assumption that individual tries to actively maximize their advantage in any situation and therefore consistently try to minimize their losses (Wikepedia, 2020).

In this study, this theory was used to understand and provide a rationale for private businesses decision to shut down of operation as a result of COVID-19 pandemic. Owners of private businesses have the main goal of profit maximization, and as a result of the scourge of the global pandemic, this goal may not be achieved. The shutting down of businesses will harm their performance (financial and non-financial performance). The financial performance of private businesses will be negatively affected as a result of low patronage due to the lockdown in the country.Sales decline would occur, which would lead to low profit. Against the backdrop of low patronage, owners of private businesses are left with no choice than to lay off staff. This implies that the staff would lose their jobs.

3.1.2 Model Specification



Flowing from the theoretical framework we specified our model as;

$$FirmPerf = f(COVID\text{-}19) \quad \ldots\ldots(1)$$

In econometric form:

$$FirmPerf = \beta_0 + \beta_1 COVID\text{-}19_i + \varepsilon_i \quad \ldots\ldots(2)$$

Also, recognizing the nature of the dependent variable, we specified our model as;

For financial performance;

$$FinPerf = f(COVID\text{-}19) \quad \ldots\ldots(3)$$

In econometric form:

$$FinPerf = \beta_0 + \beta_1 COVID\text{-}19_i + \varepsilon_i \quad \ldots\ldots(4)$$

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For Non-financial performance;

NFinPerf = f(COVID-19) ……..…….....……..…….....(5)

In econometric form:

NFinPerf= $\beta_0 + \beta_1$COVID-19$_i + \varepsilon_i$.…….....……..(6)

FirmPerf = Firm Performance;
FinPerf = Financial Performance;
NFinPerf = Non-financial Performance;
β_0 = Constant;
COVID-19 = Coronavirus Pandemic
β_1,= Coefficient of explanatory variable
ε = Standard error
i = Cross sectional (Companies)
A priori expectations $\beta_1 < 0$

3.2 Research Design

Inclined on the positivism research philosophyand the deductive research approach, the research design adopted for this study was the mono-method quantitative research designwith the help of a survey strategy.A survey research strategy was adopted for this study because it enabled the researchers to get information from respondents on the subject matter under investigation (Aifuwa, Embele & Saidu, 2018). Owners of private businesses and financial analyst in Nigeria made p the population of the study. The target population consisted of online business staff in Lagos State. Lagos state was chosen because it has the highest cases of the COVID-19 cases in Nigeria (NCDC, 2020).The sample size was scientifically derived using Crochan's (1977)size formula for an infinite population, which yielded three hundred and eighty-four (384). We analysed the online questionnaire when the response rate was 100%.

3.7 Method of Data Collection and Analysis

Primary data (questionnaire) was designed and used to collect information from the respondents surveyed. The questionnaire was administered online using the Google document platform. The online platform was considered the best medium to administer the questionnaire because of the current situation of the COVID-19 pandemic in Nigeria. The Cronbach Alpha statistics were used to determine the internal consistency of the item of scale constructed in the questionnaire. Our hypotheses were tested using the non-parametric inferential Statistic– Linear regression after converting the categorical data into continuous data. The Statistical Package for Social Sciences (SPSS) version 21 was used to analyse the questionnaire.

4. Data Analysis, Interpretation and Discussion of findings

In this section, a reliability test and linear regression test was analyzed and interpreted.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.719	15

Source: Authors' Computation, 2020

The overall Cronbach's Alpha was **.719** reliable. George and Mallery (2003) and Aifuwa and Okogie (2015) provided the following rules of thumb: "_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, and_ < .5 – Unacceptable", therefore the result can be rated "Acceptable", hence we can see that Cronbach's alpha is **.719**, which indicates a high level of internal consistency for our scale.

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4.2 Inferential Statistics

Table 2: Model Summary

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.826	1.164		2.428	.022
	COVID19	-8.487	1.101	-9.036	-7.708	.036
a. Dependent Variable: FINPEF						
Adjusted R Square = -.33; Std. Error of the Estimate = 0.521; F (1,383) = 3.13, P = 0.013						

Source: Authors' Computation, 2020

The result of the Linear Regression as presented in Table 2 shows that there exist a negativeand significant relationship between Coronavirus Pandemic and Financial Performance of private businesses in Nigeria, $T(1, 383) = -7.708$, $\beta_1 = -8.487$, $p = 0.036$. This indicates that a unit increase in COVID-19 pandemic will reduce private businesses financial performance by -8.487. The result, therefore, rejects the null hypothesis that (COVID-19) Pandemic has no negative impact on financial performance.

Table 3: Model Summary

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.826	1.164		2.428	.022
	COVID19	-3.138	1.204	-4.112	-2.607	.017
b. Dependent Variable: NFINPEF						
Adjusted R Square = -.21; Std. Error of the Estimate = 0.234; F (1,383) = 2.15, P = 0.014						

Source: Authors' Computation, 2020

The result of the Linear Regression as presented in Table 2 shows that there exist a negative and significant relationship between Coronavirus Pandemic and Non-Financial Performance of private businesses in Nigeria, $T(1, 383) = -2.607$, $\beta_1 = -3.138$, $p = 0.017$. This means that a unit increase in COVID-19 pandemic will reduce private businesses non-financial performance by -3.138. The result, therefore, rejects the null hypothesis that (COVID-19) Pandemic has no negative impact on non-financial performance.

5. Summary, Conclusion and Recommendations

The objective of this study was to empirically ascertain the effect of COVID-19 pandemic on firm performance in Nigeria. The study achieved this objective by sourcing data via a questionnaire which was administered online to private businesses owners in Lagos. The study employed the Linear Regression to test the hypotheses stated in the study. The study concluded that COVID-19 pandemic negatively affects firm performance in Nigeria. The study, therefore, recommended that the government

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should include privates business in its stimulus packages or palliatives programmes to keep private businesses in operation after the pandemic.

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APPENDIX

Dear Sir/Madam,

REQUEST FOR YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE

I am a postgraduate student from University of Benin. As part of the requirement for the completion of this work "*Coronavirus Pandemic Outbreak and Firms Performance in Nigeria*". In this regard, you have been duly selected as a member of the sample.

I wish to appeal to you to assists this study by kindly sparing a few minutes to complete this online questionnaire. You are not required to disclose your identity. I also wish to assure you that your answer will be treated in strict confidence and used for the stated academic purpose only.

Section A: Demography of Respondents
Please tick in the boxes provided, the option that reflects your demographic status

Q1- What is your Gender?

1. Male ( )
2. Female ( )

Q2- What is your Religion Status?

Muslim ( ) Christianity ( ) Other ( )

Q3- What is your Educational Qualification?

1. PhD ( )
2. Master's Degree ( )
3. First Degree/HND ( )
4. Diploma/NCE ( )
5. Others ( )

Section B: **Coronavirus** (**COVID-19) Pandemic**

Please find below the list of statements that may affect your assessment on ***COVID-19 Pandemic in Nigeria***. Kindly indicate the extent you agree or disagree with the statements using the questionnaire guide;

Questionnaire guide: *Strongly Disagree (SD), Disagree (D), Agree (A), Strongly Agree (SA).*

S\n	STATEMENTS	SD	D	A	SA
	Current Situation of the COVID-19 Pandemic				
1	Social distancing is crucial to reducing the spread				

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	of COVID-19				
2	Border closure can curtail the spread of COVID-19				
3	Total lock down in the country is the best precautionary measure to contain the spread of the virus				
4	By avoiding all non-essential travel to countries will automatically reduce the spread of COVID-19				
5	Hydrochloroquin can be used to successfully treat COVID-19				

Section C: Firm Performance in Nigeria

Please find below the statements that may affect your assessment on ***Performance of firms in this current dispensation***. Kindly indicate the extent you agree or disagree with the statements using the questionnaire guide;

Questionnaire guide: *Strongly Disagree (SD), Disagree (D), Agree (A), Strongly Agree (SA).*

S\n	STATEMENTS	SD	D	A	SA
	Financial Performance				
1	The effect of COVID-19 outbreak will definitely have no implications on firm`s performance in Nigeria				
2	The advertisement and promotion cost will significant reduce after the pandemic				
3	When the firms enhancing on rightsizing across its resource spectrum cannot improve the performance				
4	Pandemic – driven economic recession has no implication on firm`s performance.				
5	Businesses can still make huge turnover during the COVID-19 Pandemic				
	Non-Financial Performance				
1	Work-from-home will make a significant difference				

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	only when transaction initiation, processing, payment and delivery can be done online				
2	During pandemic board members would be still able to carry out its monitoring role.				
3	After the COVID-19 pandemic private businesses will not reduce her workforce				
4	Private businesses advertisement cost will not increase after the pandemic is over				
5	The scourge will not have an effect on private business image				

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