COVID-19: BUSINESS RESILIENCE AND DEMAND STIMULATION IN INFORMAL SECTOR IN ANAMBRA STATE, NIGERIA.

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Abstract
The informal sector is instrumental in the economic structure of a country. It is associated with a high population as well as increased demand for products sold within this sector. Unfortunately, its inability to remain resilient amidst the COVID-19 pandemic had a significant impact on the sector. Therefore, this paper investigates the impact of business resilience on demand stimulation in the informal sector in Anambra State. The study identified risk assessment as an aspect of business resilient measures which involves three processes: risk identification, risk analysis, and risk evaluation. The above-listed resilient measures demand high financial commitment which most times these informal sector businesses cannot afford. This affected the informal business’ ability to withstand the pandemic shock. The paper, therefore, recommended the provision of credit to firms in this sector to keep them alive and ensure demand stimulation of their products. It also recommended capacity building and strengthening in both institutional and individual spheres to keep businesses in this sector afloat in the event of a disruption.

Keywords: business resilience, informal sector, COVID-19, demand stimulation.

INTRODUCTION
The informal sector plays a key role in the economic structure of many developing countries especially, Nigeria. They are instrumental in generating income in a country. In Nigeria, the bank of industry (BOI) has declared the informal sector an important economic factor that contributed to about 65% of the country’s GDP in 2017 (Ogunde, 2019). The informal sector is dominant in all developing countries of the world. The ILO (2018) report indicates that informal employment is the main source of employment in Africa, accounting for 85.8% of all employment. They employ the highest labor force and also, most of the labor force working informal businesses is engaged in informal businesses to generate more income and sustain themselves. The contribution of the informal sector to the development of the economy in terms of job creation, capital saving and mobilization efficiency, strong links with other sectors, use of local technology training for entrepreneurs and self cannot be overemphasized (Fasanya et al, 2012). According to Muriithi (2021), the contribution of the informal sector especially in Sub-Sahara Africa of 63.6% is the highest in the world with countries like Benin, Togo, and Niger having over 70% of the GNP (Gross National Product) coming from the sector. Despite their contribution to the economy, they are highly vulnerable and lack opportunities (such as access to finance, public infrastructure, and markets) to grow and contribute in a more meaningful manner. People working in this sector

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are vulnerable to impoverishment, hunger, and disease and they lack the necessary social protection coverage and support mechanisms if they lose their livelihood. Informal workers include – waste recyclers, street vendors, transport workers, construction workers, domestic workers, and many more. The economic crisis triggered by the spread of the COVID-19 virus is radically different from past economic crises. This distinction has important implications for how the shock has transmitted throughout the economy. In contrast, the root of the COVID-19 crisis lies outside the financial sector, Unlike in previous global crises, during the COVID-19, economies have faced a combination of a supply shock (most immediately, employees cannot go to work, impairing production, disrupting supply chains, freezing investments) and a demand shock (notably, households and firms cannot buy certain goods and services), which reinforce each other (Eichenbaum et al. 2020). The shock has transmitted throughout the economy, affecting firms and industries especially the informal sector. Some of the industries that have been hit hard by the pandemic crisis, such as restaurants, retail stores, and service firms (hospitality, leisure, and hotels) will last for only a few weeks if revenues cease. A firm's ability to continue operating during the pandemic shock thus depends on whether it can raise additional financing. The resilience of this sector is also tightly linked to the magnitude and duration of the pandemic shock and how much of the economic losses are borne by the different stakeholders that interact with the firms. The informal sector refers to that part of the economy that is not registered, not taxed, less monitored, and does not benefit from government support like employment benefit, retirement, or social protection programs. In other words, the informal sector refers to all economic activities by individuals and economic units that are in law or practice not covered or insufficiently covered by the formal arrangement. They include trade (sales in commodities), agriculture, construction, manufacturing, transport, and services. Due to their nature and size, informal businesses are always vulnerable to any economic downturn hence they were adversely affected by the COVID-19 pandemic. At the end of December 2019, an outbreak of disease was reported which was later proved to be caused by a novel coronavirus. On the 30 January 2020, the world health organization declared a public health emergency of international concern (World Health, 2020). Subsequently, it further declared the disease to be a pandemic in March 2020 as a result of the severity and rate of infection. The Covid-19 pandemic was accompanied by lockdowns, curfews imposed by the government which brought about a total shutdown of some informal businesses. The African Management Institute (AMI), in a survey that participated informal business owners from 17 African countries reported that 87% of business owners were uncertain about their business survival during the pandemic while another group (67%) cried that COVID-19 control measures put in place by the government such as lockdowns, curfews, and social distancing have negatively affected business survival (Harrison, 2020). Most of the fast-food, roadside restaurants, trader's shop, and construction companies, supermarkets, and many more were seriously affected. The owners of these businesses began to struggle not only for business survival but also to cater for daily bread. Thus, the need to adopt measures for business resilience became paramount. Business resilience is the ability of a business/organization to survive and continue operations after the occurrence of disruption or loss. For a business to remain resilient after a disruption, there must have been certain measures the business has put in place to assess risk, make sound decisions and provide coverage in the event of a loss, disruption, or bad event. Most of these informal businesses fail to adopt these resilient measures because of the high cost of adopting these measures. According to Adeniji (2020), the needs of the informal sector for resuscitating its business are access to finance, skills, tailored service delivery. Irrespective of the high population found in the informal sector businesses, the lack of these resilient measures listed above can affect the
survival or continuity of these businesses in the event of a risk/disruption. The COVID-19 pandemic has been deemed as the greatest disruption and threat the world has faced since the Second World War. It is not the deadliest or the most infectious disease, but the level of globalization and interconnectedness of the world renders it particularly destructive to societies globally. African Centre for Strategic Studies (ACSS, 2020). The informal sector was highly affected by this disruption as most of the road-side vendors, traders, construction workers were forced to stay at home due to the lockdowns/curfews imposed by the government. The UN (2020) report on the analyses of the impact of the pandemic indicates that the health and economic impacts of the virus are being borne disproportionately by the informal sector. The lockdowns, curfews imposed by the government affected the demand for products of these businesses as customers were forced to stay in their homes which made restocking of goods difficult because the old ones were still in the market and leading to a rise in the prices of new stock of goods sold in this sector till date.

The extant reviews indicate that a study is yet to be done on “COVID-19: Business Resilience and Demand Stimulation in the Informal Sector in Anambra State, Nigeria which this study is set to cover. The objective of this paper is to discuss the impact of business resilience on demand stimulation in the informal sector focusing on the trade sector in Anambra State, Nigeria. Specifically, it discusses the influence of risk assessment on customer loyalty and decision making from these businesses affects their product value.

LITERATURE REVIEW
This paper was anchored on demand management theory, which was developed by the Water System Research Group led by Stephenson in 1995 at the University of the Witwatersrand, South Africa. The circumstances surrounding this theory were the scarceness of water in South Africa and the high demand by the population for water resources in the region. The theory states that a balance should be created between demand/usage of water and supply/availability of water. According to Stephenson (1995), the traditional approach to demand management is to meet demand with more expensive schemes such as water tariffs, metering, charges or discharges until demand balances supply. This theory is relevant to this paper because it shows the need to create a balance between high demand for products in the informal sector and little or no supply of goods from trade businesses in this sector as an after-effect of the COVID-19 pandemic. These businesses failed to adopt business resilience measures because they were too expensive to adopt and as a result, they could not withstand the shock brought by the pandemic to remain in market and ensure continuous supply of goods. One way to create this balance is for these informal businesses to adopt business resilience measures in order to remain in market and continue operations of supplying goods to the market to meet the growing demand of products in this sector.

Business Resilience and Demand Stimulation
Business resilience is the ability of an organization to quickly adapt to disruptions while maintaining continuous business operations, safeguarding people’s assets, and maintaining overall brand equity. The ISO (International Organization for Standardization, 2017) defines business resilience as the ability of an organization to absorb and adapt in a changing environment to enable it to deliver its objectives and to survive and prosper. Business resilience is the mechanism put in place by a business to absorb disruptions without significant impairment to the business operations. In simple terms, it means taking a blow and recovering from it. A framework for resilience in a business requires that the business must adhere to certain principles among others; of risk assessment and management and effective communications to improve decision making in line with its vision and purpose. The scope, characteristics, and nature of the informal sector determine the adoption of business resilient measures or not. Business resilience is a necessity for informal businesses to ensure business continuity or survival. However, most of these informal sector businesses especially those
involved in trading activities have not adopted business resilient measures to survive or continue business operations after a disruption because these measures require training and demand huge financial commitment. The UN (2020) report on the analyses of the socio-economic impact of the pandemic indicates that the health and economic impact of the virus are being borne disproportionately by the informal sector. The informal sector is associated with a high population and as a result of high demand for the products sold within this sector. This effect led to more people regressing into abject poverty due to lack of sales, lockdown of income sources, and many more, etc. Demand stimulation can be seen as arousing or increasing consumer's demand for an organization's product. Generating demand requires much more than just releasing products to the market but ensuring that the products are what the customer needs. An increase in demand in the informal sector is a function of the enormous population that exists in the sector and the law or restriction imposed by the government through lockdowns, and curfews affected demand for products in this sector. The higher the population in the informal sector, the higher the demand for goods in that sector. According to Adeniji (2020), the informal sector contribution to Nigeria GDP was about 70-80% as a result of high population and increase in demand for products sold in this sector; but since the government imposed lockdown and restricted movement measures across the country due to the COVID-19 pandemic, demand for products in the informal sector came to a complete standstill and restocking of previously sold stock provides difficult and more expensive. The prices of most consumer and household products have risen geometrically and this has remained the same for most commodities. Few of these businesses used one or two channels of delivery, for example, home service delivery, and online business but there is still a need for the informal businesses to put strategic business measures in place to continue their operations and adapt to the change in demand by the population. Adeniji (2021) establishes that the informal business needs three things to become more resilient and stimulate demand for its market. They are access, skill acquisition, tailored service delivery, and channels of access. However, these measures need huge finance to adopt these skills and strategies which most or this entire informal sector cannot afford. Consequently, there is a need for the government to combine efforts with the finance sector to keep informal businesses in operation by introducing business resilience measures so they can remain in operation and continue to meet the demand of the population in this sector.

Risk Assessment and Customer Loyalty in the Informal Sector
Risk assessment is an aspect of business resilient measure that a business undergoes by identifying hazards and risk factors that have the potential to cause harm to the business, analyzing the risk, and then evaluating it. It involves three processes: risk identification, risk analysis, and risk evaluation. Customer loyalty, on the other hand, is a measure of a customer’s likeliness to do a repeat purchase with a company or brand. It is the result of customer satisfaction, positive customer experiences, and the overall value of the goods or services a customer receives from a business. During the time the world was on lockdown, digital technology flourished. Customers started patronizing online businesses thus accelerating the adoption of electronic commerce. Countries had to shift towards embracing digital platforms such as teleworking, remote learning, online service delivery, online health services, teleconferencing, and e-commerce (International Trade Center ITC, 2020) In Nigeria, during the COVID-19 pandemic, the telecoms industry experienced a boom—this was due to a rise in demand for data and airtime for voice-related services that sprung up in the wake of lockdowns in major cities of the world. Customers had to depend on these services to work from home (WFH), maintain social ties, access entertainment, and training, etc. Some businesses also relied on these services to carry out skeletal operations and home service delivery. Furthermore, one of
Nigerian’s large telecoms service provider, MTN Nigeria released its unaudited financial result for the first quarter of 2020 showing increased data revenue by 32.4%, fintech revenue by 22.9%, voice revenue by 12.7%, and service revenue by 13.4%; this implies an average growth in revenue of about 20.3% (Klynveld Peat Marwick Goerdeler, KPMG 2020) The media font had its impact in two opposite directions: positive and negative. The positive aspect was that the demand for TV programs (e.g., DSTV, GOTV), streaming (Netflix, YouTube) and online gaming continues to rise while movie productions, premieres, live broadcasts of major sports events, example NBA, Football, tennis were postponed. Likewise, large enterprises carried out commercial advertising as a risk management resilient strategy by collaborating with the government and non-governmental organizations (NGOs) in combating efforts towards reducing the COVID-19 spread as well as providing relief packages to the poor such as Indomie, Dettol hand sanitizers, and many more which they used as a strategy to retain customer’s loyalty.

Most of the informal businesses that did not adopt risk assessment and management as their business resilient strategy suffered losses as they could not survive the disruption caused by the pandemic leading to the complete shutdown of some of the informal businesses. One of the biggest obstacles that informal businesses face is access to finance. The government as a major key player in the informal sector has a part to play for these enterprises to thrive amidst and after the pandemic.

### Decision-making and Product value in the Informal Sector

Nnabuife et al. (2020) assert that one of the challenges facing the informal sector is the non-participation of the informal entrepreneurs in decision-making. The informal sector is always forgotten when major government decisions are made because they are not registered, not taxed and less monitored. This affects their ability to participate in major decision-making that affects their business operations and brand loyalty. The ILO (2018) estimates that the share of the urban labor force in the informal sector is the highest in Africa and accounts for 50% of urban employment. This shows that informal activities in this sector are very important in any African country and possibly in developing countries and as such the value of products of businesses in this sector must be taken into consideration to maintain the continued increase in demand for goods in the sector. The value of a product is the benefit that a customer gets by using a product to satisfy his/her needs irrespective of the price associated with it.

The ILO (2020) report shows that economic losses faced by people in the informal sector were due to reduced demand, lack of market access, and the loss of mobility of people and goods. The result on the immobility of goods affects the value of the product as some of the products sold in this sector as these goods become expired or stale. Thus, ultimately reduce demand for goods sold within this sector. The cost of lockdown was associated with an increase in prices of goods and reductions and/or shifts in demands and consumption patterns.

The informal economy is not completely insulated from the global value chain, for example, a large number of informal sector operators often traveled to China to buy electronic goods, cosmetics, and hairstyling and beauty products. The suspension of international travels had a devastating impact on these informal traders. According to ILO (2020), although the overall impact of border closures on African economies may be too early to determine, it is expected that similar interruptions in supply chains will translate into reduced income not only for retailers, but also money changers, transporters, and other people operating within different parts of the chains. This makes the inclusion of the informal economy actors in national responses to COVID-19 a necessity to protect the citizens in Nigeria and enabling these businesses to take a major part in major decision-making affecting their businesses.

Four related empirical works were reviewed on “The impact of COVID-19 on MSMEs in Developing Countries” (Nicholette, 2020) showing that the outbreak of the pandemic exacerbated the challenges faced by the MSMEs as well as the lockdowns, curfews imposed by the government to...
contain the virus and called for government intervention to support these MSMEs. Similarly, another work was reviewed on “Informal Sector and Nigerian Economic Prospects: The Covid-19 Experience” (Nnabuife et al, 2020) highlighted the challenges facing the informal sector such as institutional inadequacies, unsafe working conditions, poor enforcement, and non-participation of the informal entrepreneurs in decision-making and also; that the impact of COVID-19 brought about a reduction on all elements of total demand in this sector. An analysis was made on “The informal Sector and Economic Growth of both South Africa and Nigeria: A Comparative Systematic Review by (Etim et al, 2020) which revealed that excessive bureaucratic hurdles from government, GDP per capita, lack of social protection survival tendencies, inflationary tendencies acted as drivers to the informal sector in South Africa and Nigeria and recommended the provision of policy incentives that might help sustain and improve the informal sector in these two countries.

The white paper on “Harnessing Innovation and Emerging Technologies to address the impact of COVID-19 in Africa (AUD-A-NEPAD, 2020) was also reviewed presenting that the COVID-19 pandemic was a big hit on Africa because they lacked the global tools systems that predict, manages and monitors emerging challenges that the pandemic brought which required rapid innovation and technologies, rapid and flexible responses and adaptable strategies.

The study found out that a platform is created where African governments are provided with technical support to assist them to respond to new developments and concerns such as the COVID-19 pandemic. A review was done on “Financing Firms in Hibernation during the COVID-19 Pandemic (Didier et al, 2020) which revealed that the pandemic brought heavy turmoil on the economic activities worldwide leading to hibernation of firms; and their valuable relationships with workers, suppliers, customers, government and creditors could be broken if nothing is done about financing these firms. It recommended that if all stakeholders (firms, workers, suppliers, government, and creditors) share the burden of the economic activities, firms are more likely to survive and also government should work with the financial sector in keeping firms afloat.

CONCLUSIONS AND IMPLICATIONS
The coronavirus (COVID-19) outbreak has imposed a heavy toll on economic activities worldwide. This study discusses three broad issues related to the businesses in the informal sector following the disruption of the COVID-19 pandemic and the challenges for policymakers: First, it discusses the nature of COVID-19 and its impact on the informal sector, the adoption of business resilience measures to boost demand stimulation and risk assessment of business and how it can sustain customer loyalty. It is concluded that huge financial commitment is needed for any business to be resilient, measures which could be adopted are adequate financing, skills acquisition that will suit the current strategy in carrying out business transactions and tailored delivery as the impact of COVID-19 have caused changes and brought about the new normal which as a result of the need for social distancing, people prefer to stay away from crowded places, place an order online for whatever product or service they require and expect an effective tailored delivery service to be implemented in carrying out the business transaction. It is also concluded that informal businesses do not take time to adopt risk assessment measures that can help the business to be resilience in the face of any disruption.

Final thoughts for further consideration can be undertaken when implementing policies that are related to different firms, countries, and generations. Most of these unregulated businesses that ceased operations during the lockdown would need some minimal funds which can be provided by the government in the form of palliatives, survival funds etc. to stay afloat and remain ready to reopen. This buttresses the need for adequate financing which was identified as one of the business resilience measures, relevant skills and tailored service delivery must be imbibed as businesses will have to adjust to the current trends and will need
these measures in their day-to-day trading activities to carry out transactions either online or in physical stores. These consequences of the pandemic called for strategic reforms that would sustain the informal sector and also prepare them for any future crisis. To effectively utilize her resources and remain resilient in the “new normal,” the economy requires capacity building and strengthening in both institutional and individual spheres to keep businesses in this sector afloat.

REFERENCES


