ANALYSIS OF FINANCIAL AND SOCIAL COSTS OF CRISES MANAGEMENT IN 2020- THE NIGERIAN EXPERIENCE

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ABSTRACT

Nigeria as a third-world country has survived and is still striving through some major/minor crises over the last three decades. The friction or halt in business activities enforced by these phenomena attracts financial and non-financial costs. The main objective of this study is to analyze the financial/social costs of crisis management in 2020- the Nigerian experience.

The span of this study is from 2017 to 2021 with the Agricultural sector as the sampled population. Descriptive and inferential statistical tools, such as one sample t-test and multiple regressions were employed using secondary data.

The study found that there is a significant difference between financial/social costs before and during the covid 19 era in Nigeria given a critical p-value of 0.000 with the level of allowed error as 0.005 level of significance. Results also showed that the extent to which crises explain the variation in financial/social cost is 67.6 percent with rigid lockdown having the most effect with a beta value of 0.909.

It was concluded that the coronavirus had a significant effect on financial/social costs during the COVID-19 era in Third World Countries (Nigeria). Based on the findings of the study, it was recommended that the creation and enhancement of a national crisis management committee are unavoidable. This committee should consist of professionals from all works of life that should be abreast with the ongoing newness in their various fields alongside ready crisis combat teams. This committee should operate a culture of pre-planned readiness attitude to timely combat possible crises with a high rating of both national and regional economies. Furthermore, the committee should be on alert, and well-funded, and funds must be managed efficiently with little or no political interference.

Keywords: COVID-19, Insurgencies, Civil Unrest, Public Health Crisis, and Crisis Management

1.0 INTRODUCTION

Crisis happen at some point in our existence with little or no prior information, bringing about changes that could be threatening or even deadly. National crises could either take the tone of civil unrest, public health, financial/economic crises, political crises, or a combination of any
or all of these. It is worthy of note that any of these could lead to economic crises. Nigeria as a third-world country has survived and is still striving through some major/minor crises over the last three decades. Mentioning crises to an average Nigerian in terms of civil crisis means Boko Haram renewed and diversified approach to insurgency, banditry, farmer herder’s terrors, kidnapping and return of Niger Delta crises, communal violence, ethnic violence, cult violence, piracy, election violence, militancy, or criminality among other civil disturbances. Also, outbreaks of EBOLA, and Lassa Fever in the face of public health emergencies are already prevalent and now the COVID19 Pandemic is in its different phases and lockdowns on the other hand.

These crises incur/create inherent costs (financial cost effect resulting from committed cost and social cost such as an increase in the cost of production resulting from crisis) and cost of management streaming into economic crisis. The magnitude of its effect on the economy depends on a pre-planned readiness attitude, the technological know-how in the field of contention, the period it takes to combat the crisis, and so on, that is crisis management. The friction or halt in business activities enforced by these phenomena attracts financial and non-financial costs bringing to mind questions such as how to manage committed/sunk/depreciation costs for crises to reduce their effect on the cost of goods sold and overhead costs on the level of productivity. Also, if crises destroyed infrastructures, what’s the way forward? These phenomena attract significant financial and social costs which may be studied quantitatively or qualitatively using counter-accounting techniques. The main objective of this study is to examine the financial and social costs of crisis management in 2020- the Nigerian experience. While the specific objectives are to determine the difference between financial/social cost before and during the COVID-19 era in Nigeria and evaluate the extent to which coronavirus crises affects financial/social cost during the COVID-19 era in Nigeria. Hypotheses were formulated and stated in their null forms such as there is no difference between financial/social cost before and during the COVID-19 era in Nigeria and coronavirus crises do not have any effect on financial/social cost during the COVID-19 era in Nigeria.

2.0 LITERATURE REVIEW

The Niger delta crisis first arose in the early 1990s over tensions between foreign oil corporations and a number of the Niger Delta’s minority ethnic groups who feel they are being exploited, particularly the Ogonis, Ijaws, and Urhobos. Ethnic and political unrest continued throughout the 1990s. The struggle for oil wealth has fueled violence between, ethnic groups causing the militarization of nearly the entire region by ethnic militia groups, Nigeria's military, and the police force. The violence has contributed to Nigeria's ongoing energy supply gap by discouraging foreign investment in new power generation plants in the region. This contributed to the relocation of most of the foreign corporations out of the affected states and some even left the country. Militancy in the Niger Delta has reached a seemingly high level, which has contributed to the crumbling economy of Nigeria, as their series of attacks on oil facilities have reduced the barrel production of crude oil per day in the region, which poses an imminent threat with the ongoing recession in the country. The identified reasons have been the cutbacks on the amnesty arrangements, the environmental degradation and continuous deprivation of the oil-rich regions from the proceeds of the oil derived from their region, and the demand for ownership of the region by residents. Through the means of empirical study Duruji and Ayodele (2017) pinpointed several reasons for the resurgence of militancy in the Niger Delta.
region, and the viability of the group’s bluff in crippling the Nigerian economy, if the ongoing situation is not controlled. Continued Inadvertency of the government and expropriation of the Niger Delta contributes to the resurgence of militancy, which has led to a free fall of the oil production and revenue generated within the region; it has also threatened the national security of Nigeria at large (Idowu, 2012). Agitations by some ex-militants, new militant groups, and concerned residents in recent times have only served as a pointer to the fact that there is a dire need for the demands of the people to be met than the settlement of the militant groups for temporary peace, (Nwogwugwu & Alao, 2012). In addition to this, Aminu (2013) said, there is evidence in the existing literature that connects the violence in the Niger Delta to the different unattended age-long challenges faced by the residents of the region, and the negligence of the government and oil majors in both psychosocial and environmental development

Following the Niger Delta crisis is the Boko Haram insurgency with its first notable attack in 2009 which led to the massacre, death of many, and loss of valuable properties. Since then till date, there have been many attacks mostly in the northern region of the country. These attacks have resulted in the shutdown or relocation of some business activities. The activities constitute a complex web of insecurity in the country (Shuwa, 2021) sponsoring threats to destabilize the nation. It turned out that Boko Haram and Banditry depressed the whole economy, especially the real sector including agriculture and services. The growth rate and growth declined by 0.24% and N8795 respectively. Foreign direct investment declined by N43.8 billion and investment by N314.7 billion. The Poor and absolute poor who survive on less than $1.00/day increased by 1.42861 million and 1.452853 respectively and 21.6 million hitherto rich people were reduced to the poverty bracket. Relative poverty as signified by the exchange rate rose by N12.65/US$. Insurgency perpetuated itself by 24000 and though unemployment is one of the causes in Nigeria, Insurgency caused more unemployment. Corruption rose by N4.257 billion while consumption fell by N2.9 trillion thus confirming that insurgency is inimical to growth and development, (Aruofor & Ogbeide 2022). While the Niger Delta insurgency was disrupting business activities in the south, Boko Haram was in the North bringing the country’s economy into an epileptic state.

Apart from civil unrest disrupting business activities in Nigeria, the public health crisis has also disrupted business activities such as Lassa fever, Ebola virus disease, and now the novel COVID-19. The Ebola virus disease (EVD) epidemic in Guinea, Liberia, and Sierra Leone is the longest, largest, deadliest, and most complex and challenging Ebola outbreak in history. It is unprecedented in terms of its duration, size of infections and fatality, and geographical spread. Unlike the past outbreaks, which lasted for a very short time, the West African case has lasted for more than one year and has not yet fully abated. Nigeria was also affected by a smaller outbreak that spread as far as Lagos, Port Harcourt, and Enugu in Nigeria with its first transmission via air travel. Nigeria, which recorded 20 cases including eight deaths was declared free of Ebola on 19 October 2014 as a result of the proactive measures for containing the EVD, such as the use of volunteers trained in epidemiological issues, the involvement of the private sector, and the decentralization of the health management system. EVD in Nigeria had a minimal effect due to a pre-planned readiness attitude.

Also, Nigeria is one of the West African countries experiencing Lassa fever (a rare viral hemorrhagic fever) year in and year out. It is a disease of immense public health significance. discovered in 1969 in Lassa village in Borno State Nigeria following the death of two American
missionary nurses, (Akinbodewa, et. al., 2016). Epidemics arising from human-to-human transmission have equally been established in healthcare institutions in West Africa. It is endemic in West Africa, with 300,000-500,000 cases and 5,000 deaths occurring yearly across Nigeria, Sierra Leone, Guinea, and Liberia. A significant percentage of the infections remain asymptomatic, mild, or self-limiting and may pass unnoticed, (WHO. 2017). The most current outbreak occurred in late 2017 and early 2018, before which there had been over 13 major outbreaks between 1969 and 2015 (NCDC. 2017). Poverty and lack of education are twin candidate predisposing factors, hence their association as an economic challenge. According to NCDC (2017), Nigeria experiences an outbreak in most of the states, with the fatality profile sometimes strange and unclear.

The recent Lassa outbreak might have exposed some inherent gaps and improving health system challenges in determining how Nigerian communities and other prone countries can proactively mitigate, prepare and respond to this and other emerging and re-emerging infectious diseases of poverty (Mofolorunsho, 2016). An epidemic of Lassa fever between 2015 and 2016 showed how overwhelming the challenge was on the healthcare system in Nigeria at that time (Tambo, Adetunde, and Olalubi, 2018). The nature of the infection response makes it very difficult to gain experience from previous outbreaks to improve the management of future re-emergence (Nasir and Sani, 2015). Although the disease carries an epidemic nature that attracts sudden response from the government, not many sustained intervention program is in place.

The predominant health crisis faced by countries world allover is the coronavirus which began in Wuhan, Hubei Province, China. Residents who lived in Wuhan had some link to large seafood and live animal markets, which suggests that the mode of transmission of coronavirus was from animal to person. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (“Covid-19”). The first known patient of Coronavirus started experiencing symptoms in Wuhan, China on 1 December 2019. Since then, there have been over 23,000,000 reported cases around the world (John Elflein, 2020). Nigeria’s first case was dated 27 February 2020. The virus has been reported to spread even with a total shutdown of the country hence the inability to curtail it without a dive into an economic crisis. As of 13th September 2020, the total affected is 56,256 with a death number of 1082, (NCDC, 2020) which not only had an effect on the population size but also harmed the human resource capital base that medical experts and its likes were among the deceased.

Crises are events that most likely happen with no prior information and bring about change that could be threatening or even beyond deadly. Ulmer (2012) defines it as moments of threat. Crises management (CM) is about being prepared to handle adversity, minimize impact most effectively, and facilitate the management process during chaos (Sapriel, 2003). Also, Mcdonald (2012) viewed CM as the systematic attempts by an organization to avert crises or effectively manage those that take place or are likely to occur. Crisis management could be productive anchoring of chaos theory.

The threat in every crisis has financial implications such as inflation of prices, loss of time, devaluation of committed cost, reduction in human resource capital (due to death or incapacitation of experts/citizens as a result of crisis), depreciation/destroy of properties, and so on. An experience of any form of crisis creates social costs. Social cost is the total cost
to society. It includes private costs (supposed production cost) plus any external cost created by crises (examples of external costs; costs incurred due to roadblocks, hikes in prices due to crises). Reducing the effect of any form of crisis from the occurrence, reducing and cutting short its span requires social cost which depends on the nation’s financial capacity and ability to acquire grants and aid from other nations whether monetary or expertise.

3.0 METHODOLOGY

The study area is the Nigerian economy, West Africa has had over 23,000,000 cases; experiencing different stages of lockdown made it suitable for the research topic. The study period is five years (2017-2021) consisting of the period of no lockdown, partial lockdown, and rigid lockdown periods. The study focused on an Agric-based company (Okomu oil palm plc from the Agriculture sub-sector) of the Nigerian Stock Exchange, the sector being the largest sector in the economy that has contributed to the real GDP of the nation to a tune of 26% of 2021. Okomu oil palm plc uses oil palm (Elaeisguineensis) as its major raw material. For this study, descriptive and inferential statistical tools such as t-test, chi-square, and multiple regressions were adopted. The independent variables for this study are crises measured with the different phases of lockdown such as no lockdown period (NLD), partial lockdown period (PLD), and rigid lockdown period (RLD), while the dependent variable was financial/social cost which was measured by total expenses (this included committed cost, cost of goods sold, other expenses incalculating the increase in cost due to crises). In adopting any method in a research study, it is imperative to put into consideration the approach that will yield the most productive result relevant to the problems at hand. In this regard, data for this study/research is gathered from secondary sources.

Hypothesis one which states that there is no difference between financial/social costs before and during the COVID-19 era in Nigeria was achieved by a one-sample t-test while chi-square and multiple regressions were employed to validate hypothesis two which states that coronavirus crises do not affect financial/social cost during the COVID 19 era in Nigeria. To test this we adopted a model specification as shown below:

\[ Y = f(X_1, X_2, X_3) \] \hspace{1cm} eqn.(1)

\[ E = f (RLD, PLD, NLD) \] \hspace{1cm} eqn.(2)

Explicitly the model is specified as:

\[ E = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e \] \hspace{1cm} eqn.(3)

Where:

\( Y \) = Financial & Socialcost

\( E \) = Expenses

\( X_1 \) = Rigid lockdown

\( X_2 \) = Partial lockdown
X3= No lockdown

e = Error term

4.0 RESULTS AND FINDINGS

Hypothesis one states that there is no difference between financial/social costs before and during the COVID-19 era in Nigeria. Financial/social cost before was expenses that fall within the first quarter of 2017- second quarter of 2019 while financial/social cost during was expenses that fall within the fourth quarter of 2019 - fourth quarter of 2021. Employing one sample t-test results were presented in Tables 1 and 2. Results showed that there is a significant difference between financial/social costs before and during the COVID-19 era in Nigeria. This agrees with the work of Duruji and Ayodele (2017) who pinpointed that the resurgence of militancy in the Niger Delta region that is in crisis has the viability of crippling the Nigerian economy, if not controlled. The difference in the above-stated result could be perceived as anti-economic thrive which could be a result of the slowdown or near shutdown of some economic activities due to lockdowns. As such managing such crises in an economic terrain subsequently should look into the possible avoidance of rigid lockdowns.

Table1. One-Sample Statistics on the difference between financial/social costs before and during the COVID-19 era in Nigeria

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>expenses</td>
<td>20</td>
<td>1.4000</td>
<td>.50262</td>
</tr>
</tbody>
</table>

Table2. One-Sample Test on the difference between financial/social costs before and during the COVID-19 era in Nigeria

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
<th></th>
<th></th>
<th>95% Confidence Interval of Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
<td>df</td>
<td>Sig. (2-tailed)</td>
<td>Mean Difference</td>
</tr>
<tr>
<td>expenses</td>
<td>12.457</td>
<td>19</td>
<td>.000</td>
<td>1.40000</td>
</tr>
</tbody>
</table>

Hypothesis two states that the coronavirus crisis does not have any effect on financial/social costs during the COVID-19 era in Nigeria. The financial and social cost was measured by expenses (expenses factoring increases due to crises, that is price hikes), while crises were measured by periods of lockdown, partial lockdown, and no lockdowns. Employing multiple regressions results as presented in table 3 indicated that the coronavirus crises had a significant effect on financial/social cost during the COVID-19 era in Nigeria by R² =0.676, showing that coronavirus crises accounted for 67.6% of the variance on expenses in the study area while, results in table 4 showed that the F statistic was 11.125 and the critical value 0.000 which implies that coronavirus crises significantly affect expenses at 0.05 level of significance. In this case, all the predictor variables (no lockdown, partial lock, and rigid lockdown) explain a variation in expenses, and the overall model is significant. Lastly, table 5 shows the coefficient
of the predicting variables. It was observed that rigid lockdown had the highest effect with a beta value of 0.909 followed by no lockdown with a beta value of 0.358 and lastly by partial lockdown with an inverse beta value of -0.399. Thus equation 2 was valid.

Expenses = .005 + 0.909 RLD + 0.352 PLD - 0.393 NLD — eqn. 2

Affirmatively, crises significantly affect financial/social costs in Nigeria during the pandemic era confirming that insurgency (crises) is inimical to growth and development, (Aruofor & Ogbeide 2022), especially in cases where there is no pre-planned readiness attitude, the technological know-how in the field of contention alongside provision for a crises combat team and so on.

Table 1. Model Summary of the coronavirus crisis does not have any effect on financial/social costs during the COVID-19 era in Nigeria.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. The error in the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.822*</td>
<td>.676</td>
<td>.615</td>
<td>.31179</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), NLD, PLD, RLD

Table 2. Anova of coronavirus crisis does not have any effect on financial/social costs during the COVID-19 era in Nigeria.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.245</td>
<td>3</td>
<td>1.082</td>
<td>11.125</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>1.555</td>
<td>16</td>
<td>.097</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.800</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), NLD, PLD, RLD
b. Dependent Variable: expenses

Table 3. The Coefficients of the coronavirus crisis do not have any effect on financial/social costs during the COVID-19 era in Nigeria.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td>0.05</td>
<td>0.338</td>
<td>.909</td>
<td>.014</td>
<td>.989</td>
</tr>
<tr>
<td>RLD</td>
<td></td>
<td></td>
<td>9.09</td>
<td>.169</td>
<td>.358</td>
<td>5.380</td>
<td>.000</td>
</tr>
<tr>
<td>PLD</td>
<td></td>
<td></td>
<td>3.32</td>
<td>.141</td>
<td>.358</td>
<td>2.503</td>
<td>.024</td>
</tr>
<tr>
<td>NLD</td>
<td></td>
<td></td>
<td>3.93</td>
<td>.166</td>
<td>.399</td>
<td>2.371</td>
<td>.031</td>
</tr>
</tbody>
</table>

a. Dependent Variable: expenses
5.0 SUMMARY, CONCLUSION, AND RECOMMENDATIONS

The general objective of this study was to examine the financial and social costs of crisis management in 2020 - the Nigerian experience. This study adopted both descriptive and inferential statistical tools.

The study found that there is a significant difference between financial/social costs before and during the covid 19 era in Nigeria given a critical p-value of 0.000 with the level of allowed error was 0.005 level of significance. Results also showed that the extent to which crises explain the variation in financial/social cost is 67.6 percent.

It was concluded that the coronavirus had a significant effect on financial/social costs during the COVID-19 era in Third World Countries (Nigeria).

Based on the findings of the study, it was recommended that the creation and enhancement of a national crisis management committee are unavoidable. This committee should consist of professionals from all works of life that should be abreast with the ongoing newness in their various fields alongside ready crisis combat teams. This committee should operate a culture of pre-planned readiness attitude to timely combat possible crises with a high rating of both national and regional economies. Furthermore, the committee should be on alert, and well-funded, and funds must be managed efficiently with little or no political interference.

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