

“SHARED PROSPERITY”: A LOW- HANGING FRUIT FOR POST COVID-19 ECONOMIC RECOVERY AND GROWTH IN NIGERIA

Professor Olawale Ajai

COVID-19 is the latest coronavirus that emanated from Wuhan, China. Inevitably, the contagion spread, mainly through global aviation, tourism and even diplomatic activity. For businesses, much better environmental scanning and scenario planning are indicated.

The Central Bank of Nigeria (CBN) has instituted measures to help cope with the unfolding impacts on the financial services sector and a more strategic attempt to mitigate likely recessionary impacts and risks of credit default by SMEs after the crisis. Lines of credit, tax rebates, loan renegotiation processes, among others, have been made available. More measures are anticipated and an Economic Stimulus Bill recently passed by the House of Representatives has been passed to the Senate. Among other things, the Bill seeks to: Provide tax rebate of 50% of PAYE for registered businesses that avoid retrenching staff who are in their employment between 1 March 2020, (the proposed date of commencement of the law), until 31 December 2020. Many companies are also offering palliatives to customers.

One commentator wondered whether any business will be interested in taking loans at this time, as they will only be concerned with survival. During the Great Depression of 1930, the United States' President Franklin Roosevelt's economic recovery measures, the "New Deal" (I & II) helped the private sector 'overcome risk-aversion and finance new opportunities for growth'. It went beyond merely trying to save businesses and audaciously empowered the poor and recruited the excluded minorities into the national economy. Also, the development model of China was largely successful because it was audacious and people-centred. It abandoned communist dogmas, embraced market efficiency, promoted productivity, innovation and Foreign Direct Investment (FDI).

The global socio-economic order is at an inflection point. Global society will transit, post COVID-19, even more sharply to digitalisation, digital channels and probably more autarky. Countries will seek to build resilience by being more self-sufficient in critical inputs or minimising vulnerability to global supply chain vagaries. They will promote greater digital and social inter-connectedness and higher productivity by refurbishing or innovating around physical and social infrastructure. Developing robust health and food distribution buffers and channels, able to serve all segments of the population seamlessly, will be a sprint target for discerning governments. These governments will place greater focus and emphasis on health, education, agriculture, rural communities, women, youth and empowering the poor. Visionary leaders will embark on quick, systematic, well-executed audacious socio-economic and business innovation.

The New Deal and China development models provide some useful lessons for public policy and economic and strategic management planning post-COVID-19. This crisis will deliver recessionary impacts. Nigeria is ill-prepared to cope with the fall-outs of the petroleum price crisis, global recessionary, innovation and trade redirection shocks. GDP growth is typically delivered by increasing economic activity, capital investment, productivity improvements, innovation, education and infrastructure modernisation. Digital services will be a key enabler of economic recovery and activity in a post COVID-19 world. Pictures of a Minister physically handing out cash transfers in Abuja and reports of the inability of state governments to effectively organise and distribute relief to poor households are pathetic images of failure that must not recur post-crisis.

Audacious investment, innovation and measures designed to mobilise idle economic capacity from the economically and financially excluded – women, youth, agriculture and rural communities (comprising not less than 80 million Nigerians), is a low-hanging fruit and ready route to quicker economic recovery and development for Nigeria. This can rise to a potential market of 135 million if the underserved or entire Bottom of Pyramid (BOP) market is also sufficiently included. For example, it would be unwise not to progress current policies and investments in the agriculture value chain to a point where farmers and food production in urban and rural communities are effectively financially and digitally included and integrated into national distribution channels. Witness how the current lockdown in Lagos State spurred the Mile 12 market to arrange online ordering, packaging and delivery of food items and vegetables to customers. The need for more innovations, for example, ride-hailing transiting to delivery services, as well as in digital merchandising and payment platforms or agent banking/payment networks, as financial and distribution channels for urban poor and rural communities is now obvious. Appropriate public policies, innovation, public and private sector investment to develop these services as cohesive national infrastructure are urgently required. Possibilities for policy, innovation and market development in other areas abound.

Public policy and post-ERGP/Vision 20:2020 economic strategy should go beyond palliatives. Audacious socio-economic strategy and measures are required. They must emphasize human capital and sustainable development, not just physical infrastructure. It's not merely about subsidies or special intervention agencies. Policy must stimulate open competition, high productivity, investment and innovation by the private sector to overcome risk aversion and embrace opportunities for investing in new markets and opportunities for growth. Organisations should not merely focus on tactical moves for survival. After all, tactical moves must be informed by an

understanding of the “New normal”, not an expected future, but ideation of how things have already changed “today”.

Businesses that will survive COVID-19 and be resilient into the future must WILLINGLY embrace change and INNOVATION now, especially, market-creating innovation. At the minimum, they must creatively and boldly embrace digitalisation, more customer focus/customer-focused products and add new customer segments. Most next level opportunities will lie in redesigning their business models to serve BOP markets.

More audacious and immediate measures to serve the poor and facilitate sustainable development is not a merely ethical but sound business and profit strategy – “shared prosperity”. Public policy must enhance national competitiveness by incentivizing businesses and government to aggressively roll out inclusive financial, digital and other services to every Nigerian, post COVID-19. The next pandemic or global economic shock may be absolutely and irreparably ruinous to Nigerian businesses, economy and society.

References:

1. This is a restyled version of an opinion piece by the author. Available at: <https://medium.com/@SustainableDFS/financial-inclusion-a-low-hanging-fruit-for-post-covid-19-economic-recoveryand-growth-in-nigeria-fa59835fdb32>
2. Marcel Okeke, COVID-19, economic stimulus and time lag, business.am, March 26, 2020. Available at: <https://www.businessamlive.com/covid-19-economic-stimulus-and-time-lag/>
3. Louis Hyman, The New Deal Wasn't What You Think – If we are going to fund a Green New Deal, we need to acknowledge how the original actually worked, The Atlantic, March 6, 2019, Available at: <https://www.theatlantic.com/ideas/archive/2019/03/surprising-truth-about-roosevelts-new-deal/584209/>
4. TVC News, FG begins conditional cash transfers to poor households in Abuja, April 2, 2020. Available at: <https://www.tvcnews.tv/fg-begins-conditional-cash-transfers-to-poor-households-in-abuja/>
5. Tobi Awodipe, COVID-19: Angst, despair, hope...As more states lockdown, The Guardian, April 4, 2020. Available at: <https://guardian.ng/saturday-magazine/covid-19-angst-despair-hopeas-more-states-lockdown/>

6. LBS identifies broad community engagement — Religious institutions key to 80% financial inclusion target, Techpoint.africa, August 20, 2018. Available at: <https://techpoint.africa/2018/08/20/lbs-identifies-broad-community-for-financial-inclusion-target/>
7. C.f., Laura Goldman, et al, (2016), Inflection Point: Unlocking growth in the era of farmer finance. Available at: https://www.rafllearning.org/sites/default/files/inflection_point_april_2016.pdf?token=OS8hc14U
8. Irobusa Osazuwa, COVID-19: Mile 12 market launches website ‘MOBILE MARKET’ for Lagos residents to place orders, WuzUpNigeria, March 31 2020. Available at: <https://wuzupnigeria.com/covid-19-mile-12-market-launches-website-mobile-market-for-lagos-residents-to-place-orders/>
9. Christensen, C. M., et al, (2019). *The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty*, Harper Business, New York.
10. Rivkin, J. W. et al (2015). “The Challenge of Shared Prosperity: Findings of Harvard Business School’s 2015 Survey on U.S. Competitiveness”. Available at: <https://www.hbs.edu/competitiveness/Documents/challenge-of-shared-prosperity.pdf>
11. C.f., The Harvard Gazette, “NATIONAL & WORLD AFFAIRS: An ailing economy”, September 15, 2016. Available at: <https://news.harvard.edu/gazette/story/2016/09/an-ailing-economy/>

Professor Olawale Ajai teaches Social and Political Environment of Business at Lagos Business School