

## **FUDJISMA PROJECT PHASE 1**

***Theme: How to Grow Your Business in a Challenging Environment***

### **TRAINING MANUAL FOR APPLIED ECONOMICS**

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## 1.0 MODULE ONE: INTRODUCTION TO THE CONCEPT OF ECONOMICS

### 1.1 Meaning of Economics

Economics is concerned with the production, distribution, and consumption of goods and services. It studies how **Individuals, Businesses** and **Governments**, make choices about how to allocate resources amidst scarcity. Economics is the study of how people allocate scarce resources for production, distribution, and consumption. Scarcity is the root of economics.

Therefore, Scarcity is the fundamental and unavoidable phenomenon that creates a need for the science of economics. Scarcity is why you can't have everything, even if you're the richest person in the world. Even if money's not scarce, time and/or physical resources will be. At some level, you're going to make choices about what you spend. Thus **choice** arises because of **scarcity** of resources.

### 1.2 Economic Agents

Most of the decisions are taken by the three economic agent these agents are; **household, firms,** and **government**. They are the basics actors in the economics theory and analysis. Economics study their behavior individually and their interaction as well as their relationship.

- 1- Household: - refers to all the people who live under one roof, and who take joint financial decision. It is assumed that he use the available limited resources so as to satisfy or maximize his satisfaction. They are the major principal owners of factors of production.
- 2- Firm: - refers to all producers who make goods and services out of the available resources so as to maximize profit. A firm is a unit of business organization who employ factors of production to produce goods and services for the use of other firms, household .and government. They are the major users of factors of production and their main objectives in an economy are to minimize cost and maximize profit.

- 3- **Government:-** also known as Central authority, refers to all public agencies, government bodies, and other organization that control and regulate the activities of household and firms in order to create conducive environment for smooth and profitable economics activities. Central authorities involve securities, judiciary, and any other governmental bodies that exercise control over the firm and household.

These three agents of economics are what constitute the subject matter of economic activities ranging from production distribution and consumption. The nature of the inter-dependency between them makes them very important as such that one cannot exist or survive without the other.

## **2.0 MODULE TWO: DEMAND AND SUPPLY ANALYSIS**

**2.1 Demand** can be define as the quantity of goods and services that consumer is willing and able to buy at a particular price and time. Demand for a commodity is not a mire desire for consuming a commodity; it is necessarily supported by ability to pay for the goods and willingness to purchase those goods. This is what is regarded as affective demand.

### **Factors affecting Demand of Commodity**

- i) Price of a commodity
- ii) Price of other commodity also affects the demand for particular commodity
- iii) Consumer's income
- iv) Government policy
- v) Taste and fashion etc.

**2.2 Supply** can be refers to as quantity of commodities that producer or a seller is willing to offer to the market for sale at a particular period of time and price. Therefore supply of a commodity is not total stock of commodity but a portion of total stock which is actually offered for sale at the ruling market. The following factors influences supply of a commodity:

- i. Price of a commodity
- ii. Price of other commodity
- iii. Price of factors of production
- iv. State of technology improvement
- v. Government policy
- vi. Number of producers

- vii. Weather and environmental factors

**2.3 Equilibrium** is the state in which market supply and demand balance each other, and as a result, prices and quantity become stable. Equilibrium price is the price of which quantity demanded and supply are equal while, Equilibrium quantity is the quantity that consumers are willing and able to buy at the same time producers are willing to offer for sale in the market at the ruling price.

**2.4 Government Policies on Demand and Supply Governments** intervene in the activity of producers and buyers so as to stable price and societal welfare through price control, subsidy, and taxation policies.

- i. **Price Control:** - Also called physical control, is a temporary measure by which government intervenes in free market economy in order to regulate prices. It is divided into two as minimum and maximum price legislations.
- ii. **Subsidy:** - this is a payment either in cash or in kind made to producers by the government so as to encourage them produce and supply adequate products. Therefore, it has negative effect on equilibrium price
- iii. **Tax:** - this is a compulsory payment made by the producers to the government in cash, therefore, it is a levy imposed on commodities by government so as to raise revenue. Taxes have positive impact on equilibrium price and discourage producers to produce more.

### **3.0 MODULE THREE: ECONOMICS, ENTREPRENEURSHIP AND BUSINESS ENTERPRISES**

#### **3.1 Concept of Market and Marketing in Economics**

**Market** is a place where two parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers. From economics point of view, the term “Market” does not refer to a particular place rather an arrangement whereby buyers and sellers come in close contact with each other directly or indirectly to sell and buy goods market, where there is no direct physical contact between buyers and sellers.

**Marketing** refers to activities undertaken by enterprises to promote the selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. Some marketing is done by affiliates on behalf of a company. Marketing makes use of the "marketing mix," also known as the four P's (product, price, place, and promotion).

#### **Types of Markets**

Markets vary widely for a number of reasons, including the kinds of products sold, location, duration, size, and constituency of the customer base, size, legality, and many other factors. In economic market can also be categories *perfect market*, *monopoly*, *monopolist*, *oligopoly* etc.

#### **3.2 Concept of Entrepreneurship and Business Enterprises**

The concept of **entrepreneurship** is poorly understood by many. Most people see it as just starting a business and making money. But that is not what entrepreneurship is. It is more than just having a business. Entrepreneurship in this modern age involves thinking of new ways to solve problems and create value. An entrepreneurial spirit is said to be characterized by innovation and risk-taking.

On the other hand, an **entrepreneur** is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

An **enterprise** has two common meaning as; firstly simply refers to a business i.e. either new or existing business, secondly act of taking risk setting up, investing in and running a business. From economic point of view, enterprises are regarded as any business entity own and control by individual or group of individuals with the sole aim of making profit.

### **Forms / Types of enterprises**

From economic point of view, there are **four** distinct types business enterprises namely as small businesses, Medium, large companies and social entrepreneurs. They all engage in **entrepreneurship**.

### **3.3 How does economics connect to entrepreneurship?**

Economic as earlier discussed emerge due to the fact that scarcity exist all level of economic agents (household, firm and government).To effectively and efficiently utilizes the little available resources is what economic propagate. Economic help entrepreneurs (new and existing business) on how to effectively and efficiently plan, organized staff, lead towards maximum utilization of Business resources with the aim of making maximum profit at least running cost.

Business might incur loss at the end of the market; economics teaches entrepreneurs how to continue operating despite the loss through the analysis of market structure and cost of production. Economic also help the already existing investors and the new once on how to go about making investment through the analysis of cost benefit, risk and management analysis.

### **3.4 Role of Entrepreneurship/Business Enterprise in Economic Growth and Development**

Over the past several decades the role of entrepreneurship in economic development has become an essential factor of employment, and innovations bring enhanced the market competition.

Well developed countries are more interested in entrepreneurs than people in white collar jobs. In the economy today, education is being redefined to produce entrepreneurs and not just job seekers. Some of the most important roles of entrepreneurship in economic development of our country include:

- a) Creation of job opportunities - Entrepreneurship creates job opportunities, first for the entrepreneurs. However, entrepreneurs are referred to as job creators as well, because

when they start a business for themselves they create jobs for other people. Once more of these businesses hire people, they reduce the unemployment rate in the country.

- b) Development of Small and Medium-sized Enterprises - Entrepreneurship in a country promotes and gives strength to Small and Medium-sized enterprises (SMEs). The level of entrepreneurship development in a nation is determined by the number of Small and Medium-sized enterprises (SMEs). The more SMEs a country has, the more likely it will attain progress.
- c) Increase in Gross Domestic Product (GDP) and Per Capita Income - Gross Domestic Product is known as the total value of all the goods and services that are produced by a country in one year. Per capita income is the average income earned per citizen or resident of a geographical region in one year. Per capita income is calculated by dividing the total income of a geographical area by the population. Entrepreneurs make use of the resources in a country to produce more goods and services and added value. This will, in turn, increase the Gross Domestic Product of the country. Also, SMEs create employment income for people, thereby accounting for an increase in the per capita income.
- d) Wealth creation and distribution - Through the creation of business entities, wealth is mobilized and distributed by entrepreneurs. The public will benefit from the success and wealth of entrepreneurs. As businesses grow and expand, it allows for more investors to come into the market with their ideas to improve the goods and services and make them available at an affordable rate. The more capital and resources are being pooled into generating product and services, the more entrepreneurs, employees, and the public will benefit from it. Wealth is created for the entrepreneurs and also distributed to the public in the form of employment, goods, and services.
- e) Improvement of the standard of living - The standard of living of a country is usually determined by the per capita income of the country. It is the amount of wealth, goods, and services available to people, especially of the lower socioeconomic class. Entrepreneurship through Small and Medium-sized Enterprises will provide more employment income, this will increase the average per capita income improve the standard of living.

### **3.5 Nigerian Economy and Entrepreneurship/Business Enterprises**

The need for entrepreneurship development in Nigeria has never been so high in the history of Nigeria due to continue growing population particularly working population and rising number of unemployment. Majority of Nigerians used to be entrepreneurs. Before the colonization era, a lot of Nigerians were majorly involved in trading. In fact, the wealthiest at the time were the traders. Entrepreneurship was a way of life for most people then.

During the colonial era, the mode of entrepreneurship changed. The colonial masters brought their goods and made Nigerians their middlemen. Then emerge formal education and the companies established by the colonial masters. A lot of young Nigerians were employed by these companies. As many Nigerians began to accept formal education, most people were being trained to join the labour force and not to be entrepreneurs. The entrepreneurial mindset began to fade away.

Nigeria like other emerging economy witnesses various entrepreneurship development policy strategists with the sole aim of promoting and stimulating the activities of small and medium enterprises as they are regarded today as engine of growth and development. Policy makers and intellectual across the globe agree that entrepreneurship development will lead to Creation of job opportunities to the timing growing, Increase in Gross Domestic Product (GDP) and Per Capita Income, Improvement of the standard of living, Wealth creation and distribution and finally development of small and medium local industries which help reduce over dependence on foreign made goods and services.

## **4.0 MODULE THREE: COVID-19, ECONOMY AND ENTREPRENEURSHIP**

### **4.1 Concept of Covid-19**

COVID-19 is an acronym that stands for Coronavirus disease of 2019. COVID-19 is the infectious disease caused by the most recently discovered coronavirus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019. The WHO recognized the spread of COVID-19 as a pandemic on 11 March 2020 as Italy, Iran, South Korea, and Japan reported surging numbers of cases.

### **4.2 Covid-19 and Its Impact on the Economy**

COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries were



force to shut down. Global world fill the negative impact of the pandemic across different aspect ranging from economic, health, social, religion, political and international inter-dependence

**i. Global Economic**

The globalization of COVID-19 pandemic and its economic impacts are set to run havoc across all economies in the world, throwing many into recession and possibly economic depression. Covid-19 has not only become a public health crisis but has also affected the global economy. Significant economic impact has already occurred across the globe due to reduced productivity, loss of life, business closures, trade disruption, and decimation of the tourism industry. The pandemic affects the emerging economy with highly reducing international business and transaction, foreign remittances, and tighten global credit positions. The pandemic caused the largest global recession in history, with more than a third of the global population at the time being placed on lockdown. Generally, COVID-19 affects the global economy through three channels:

- a) Direct impact on production.
- b) Supply chain and market disruption.
- c) Financial impact on firms and financial markets.

**ii. Nigerian Experience**

The spread of the novel Coronavirus, COVID-19, is causing severe disruption to society, businesses in Nigeria and globally. Nigeria like any other economy in the world suffers from the covid-19 pandemic as it stops and affects virtually all economic activities of the country. Around April 2020, Nigeria announces a total lock down which directly affect business and economic activities. This decision become necessary in other to stop the virus spread, while on the other hand has a negative impact as it witnesses the collapse of so many business and economic activities. To cut it short, all the sectors in Nigeria are either directly or indirectly affected negatively which equally affect the aggregate economic performance. Nigeria is currently facing three shocks resulting from COVID-19 pandemic:

- a) Oil price collapse which leads to drastic fall in foreign earning by the government
- b) Collapse in the IGR at all tears of government along with collapsing small and medium scale local business and

c) Contraction in world trade as a result of COVID-19.

Nigeria is very dependent on the exports of crude petroleum as a source of her national income. With the decline in oil prices, Nigeria is very vulnerable and the need to rethink our revenue generation model is top priority. Moreover, the global pandemic has impacted on the country's trading activities with top trading partners including Brazil, China, India, Japan, US and the European Union.

At the same time, Nollywood, which represents Nigeria's film industry and the second-largest employer in the nation is also going through hard times (Oji, 2020). The question that is generating much heated debate today is that what happens to small and business enterprises that have been contributing to the economic growth and development in terms of job creation, source of lively hood, improving the entrepreneur's welfare, sources of revenue to the government etc.

#### **4.3 Covid19, Entrepreneurs and Business Enterprises**

The spread of Coronavirus (COVID-19) has jolted the world economy suspending business activities and forcing millions of people to stay at home and Business to close down either permanently or temporarily. As restrictions on movement have increased, stakeholders have become increasingly apprehensive about the consequences for small and medium-sized enterprises.

There has been a concern on how the reduction in exports will hit Nigerian local exporters. The concerns emanated from Nigeria's over-dependency on foreign goods over home-based products. Research experts believe that Nigerian traders will encounter several challenges due to the COVID-19 pandemic. Since the market is in a panic state, the production process of goods will be affected, and this will be translated to inflation and scarcity in the market. SMEs in Nigeria mainly rely on imports for inputs, and this has led to a drastic reduction in production capacity as the pandemic has hampered global trade. Overdependence on imports for raw-materials by majority of the small and medium enterprises means that Nigeria virtually produces nothing, which implies that the output of SMEs is bound to reduce hence harming their sustainability.

There are several ways the Coronavirus pandemic affects the operation of Small and Medium Enterprises, on both the supply and demand sides.

a) On the supply side, companies experience a reduction in the supply of labour, as workers are unwell or need to look after children or other dependents while schools are closed and movements of people are restricted. Measure to contain the disease by lockdowns and quarantines lead to further and more severe drops in capacity utilization. Furthermore, supply chains are interrupted leading to shortages of parts and intermediate goods.

b) On the demand side, a dramatic and sudden loss of demand and revenue for Small and Medium Enterprises (SMEs) severely affects their ability to function, and/or causes severe liquidity shortages. Furthermore, consumers experience loss of income, fear of contagion and heightened uncertainty, which in turn reduces spending and consumption. These effects are compounded because workers are laid off and firms are not able to pay salaries. Some sectors, such as tourism and transportation, are particularly affected, also contributing to reduced business and consumer confidence.

Conclusively, small and medium businesses surely suffer and fill the negative impact of covid-19 due to the fact that their operation depends on daily routine activities like wise their survival. Once the economic sectors are in total lock-down, business owners (i.e. small and medium enterprises) have to lay off their staffs as they can't afford to continue paying staff while they are at home contributing nothing to the organization or business. On the side of operation it affects SMSE's productively and profitability. Economist strongly argue that if the situation continues like this, there is every possibility for the collapse of high number of SMSE's in Nigeria in less than a year.

## **5.5 MODULE FIVE: COVID -19 WAY FORWARD**

Developed, emerging and developing countries have put measures in place to support them. While the first concern is public health, wide arrays of measures are being introduced to mitigate the economic impact of the coronavirus outbreak on businesses. Specifically, many countries are urgently deploying measures to support SMEs and the self-employed during this severely challenging time, some countries have focused on more general policies that have the potential to cushion the blow for the economy and businesses.

- I. Government (Federal, State and Local Level)
- II. Economy and
- III. Business Enterprises (SMSE)