

The Effect of Recession on Nigerian Families and Expected Ways out For Individual Families

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Abstract: *The current economic recession in Nigeria emerged like a thunderbolt at the instance of the negative growth rates recently released by the National Bureau of Statistics (NBS). This admission was just an official declaration of the situation the Nigerian masses have been battling with for quite some time. The antecedents in the country provided justification for this economic woe. Also, the present situation substantiates the effect of an absence of a clear policy direction of the government.*

Keywords: Recession; Families

1. INTRODUCTION

The economic recession in Nigeria is caused by both endogenous and exogenous factors. There have been symptoms of a recession in the Nigerian economy, just that it became full-blown under the President Muhammadu Buhari's civilian regime due to certain drastic actions taken to solve perennial domestic economic problems. It is not abnormal for a market economy to go through a business cycle: boom, recession, and recovery. What matters is how long the phase of recession is managed to avoid a depression. The economic recession has serious negative impacts on government revenue, employment, income vulnerability, inflation, human health, infrastructural supply, poverty and natural resource management in Nigeria. Recovery and sustained economic development are desirable, but presently, Nigeria is a dependent capitalist economy. It is also not the first time Nigeria is experiencing economic recession, as the economy experienced recession in the 1970s, 1980s and 1990s. The global economic (financial) crisis of 2007/2008 affected Nigeria as a periphery economy that is dependent on the global trade. Nigeria has unrepentant, unpunished corrupt political class, over relies on the Federal Government revenue, over depends on crude oil, to a large extent, feeds on imported food, lives on foreign finished household electronics and communication manufactures, military gadgets, transport and electricity, infrastructure inputs, cloth in imported textiles and garments and drives in 100 percent imported cars. These are the root causes of the recession.

In study the researcher tends to identify the effect of current recession on Nigerian families, expected ways out for individual family

2. RECESSION

The National Bureau of Economic Research defined a recession as a significant decline in economic activity spread across the economic, lasting more than a months, normally visible in real gross domestic product (GDP), Real income, employment, industrial production and whole sale- retail sales”

Economic Recession can also be defined as a negative real GDP growth rate for two consecutive quarters (say first and second quarters). From the definition above , Nigeria is passing through economic recession currently; since her first and second quarters growth in 2016 are -036% and – 1.5%

3. THE CAUSES OF RECESSION

The following are the major causes of recession in any given economy as drawn from the great lesson of depression 1981, 1991, 2004, 2008-2009 global economic recessions. They including:

- ❖ High inflation, a general rise in price of goods and service which h leads to low purchasing power
- ❖ Accumulation of debt servicing especially foreign debts.
- ❖ High- interest rate –discouraging investors
- ❖ Fall in aggregate demand, fall in wages and income.
- ❖ Mass unemployment and general loss of confidence on the government due economic indices.

4. OTHER CAUSES OF ECONOMIC RECESSION IN NIGERIA FAMILY

Poor economic planning: Poor economic planning and implementation of her economic planning is the major cause of Nigeria current recession – budget delay , exchange rate policy .Yes the government has proclaimed the usual generalities that every government indulges itself in

- (a) Diversifying the economy, (b) Improving manufacturing / mining sector, (c) Raising agricultural output, (e) encouraging foreign investment among others, yet no concrete evidenced strategic plan for growth.

No doubt, the government has taken some steps like elimination of dollar purchase privileges for importers of 40 items such as –rice, cement, toothpicks, private planes, poultry, meat, margarine, wheelbarrows, textiles and soaps. The government on the other hand has caused serious poverty in the land by itself. This is because the government through its policy widens the gap between the rich and the poor – creating more economic hardship. For instance, when the CBN was selling dollars at N315 and people were buying at N480, the highly placed individuals in the country were putting calls across the banking industries to get dollar at the official rate. This they later resell at the parallel market rate of N480.

High inflation rate: Government banning the importation of certain essential agricultural products like –rice without considering gestation period is error. Removal of fuel subsidy shouldn't be simultaneous with the banning of these agricultural products. Major causes of inflation; speculation in stock market due to budget delay, rise in domestic oil price due to the household price skyrocket.

High interest rate: Interest rate is at between 26.77-27% is extremely high for investors. The high interest rate is discouraging investors. The poor investment culminates into high rate of unemployment in the country, reduction in aggregate demand especially from the household

1. **High taxation:** It is only in Nigeria that I see government charging high tax rate during economic recession. Small business is slaughtered with high interest rate. But high interest and tax rate has lowered Nigeria aggregate demand.
2. **Policy conflict:** The economic policies appear conflicting. How? High interest rate, high tax rate are tight monetary measures. But the government told the public it is adopting expansionary policy-budget deficit.

5. POSSIBLE MEASURES TO END RECESSION IN NIGERIA FAMILIES

What tool(s) or option(s) a government elects to use to get its economy out of recession depends on what caused the recession in the first place, and which one will have the most minimal adverse impact on the people, or drive the economy deeper into recession or outright depression; but, it must choose something. In choosing, it must also consider the areas or regions of the nation, or section of the economy where the option will work best, especially in terms of fiscal stimulus policy. Which regions of the nation, or segments of the economy, will a fiscal stimulus generate the most multiplier effect? Also, which policy will have the most immediate impact on the economy, tax cuts, fiscal stimulus, credit relaxation, or quantitative easing? It is important to

consider all of these before choosing an option, or a combination of options.

- a. **Reduction in tax rate:** Government should reduce tax rates on individuals, small business, and corporations by lowering the tax rate by at least 10 percentage points. The government instead of reducing tax rate to increase purchasing power, rather increased the tax rate killing so many small scale business. Foreign investors will be encouraged with reduction in tax rate. This will increase inflow of dollar to Nigeria economy, and ultimately increase investment and standard of living. And this will solve the problem of high exchange rate.
- b. **Effective spending:** Mere increase in government spending will not solve the problem of recession. It is strategic spending in areas with high multiplier effect such as aggregate demand. Nigeria needs to expand her export earnings and production through wise investment. Otherwise might likely end in a classical Malthusian situation where the resources cannot support the population. Injecting more funds into the economy is not bad, but there is need for diversification, allowing free flow of naira and stabilizing the oil sector, modernizing agricultural sector. By this, Nigeria can spend her way out of recession wisely.
- c. **Enhanced access to credit:** Here, the Nigerian government especially the federal and the state government should grant soft loan for small and medium scale enterprises, to enable them boost gross domestic product (GDP) of the country. In the same vein, agricultural credit should also be given to farmers to enhance adequate food production and reduce the price of farm produce in the country (Nigeria).
- d. **Nigerian government should increase her expenditure on skills:** This is one point that most African countries had always neglected. It is only skills that lead to production. People are looking for problem solver. So government should invest in skills acquisition in IT, telecommunication, agro-allied, sports among others.

The training should be 80% free practical. There is need for multiple competence, particularly among youths as a measure to curb increase global joblessness. The greatest challenge today in Nigeria is unemployment. The government should partner with private organizations, to organize entrepreneurship and skills acquisition programs for the youths. There should be high level of transparency in the program to ensure the best candidates are picked. This way, Nigeria will soon see herself on top of the fastest growing economy in Africa.

- e. **Increase agricultural produce and exports:** In the 1960s, agriculture was the main base of Nigeria, in

terms of GDP, foreign exchange earnings, and employment. Today, Nigeria spends about 10 billion US dollars a year on the importation of agricultural products. Nigerian government led by Buharirai, should stop talking and start working. Enough of talk, people want to see actions. The youths as earlier stated, should be encouraged to go into farming. They should be trained free on various agricultural sectors.

6. THE NIGERIAN FAMILY

A family, which is usually made up of people who are related by blood, marriage, or adoption, is very important to most Nigerians. There are two major family types; the nuclear family, which is made up of one man, his wife, and their unmarried children, and the extended family, which is usually made up of a series of nuclear families. Culturally, most Nigerian cultural groups practice patrilineal descent, have patriarchal authority, have patrilocal rule of residence, and are generally patricentric in outlook. The children are socialized with this arrangement in mind, and female children are consciously socialized to serve and be subordinate to males. This hierarchical structure has sometimes led to dissolution of marriages on the grounds of the birth of only or mostly female children (Omokhodion 1996).

In Nigeria, having many children is fashionable and is a status symbol. For example, although a large family brings a greater economic burden, many families in the eastern part of Nigeria have ten or more children. Thus, the national fertility rate was estimated at 6.31 children per woman in 1995. The birth rate was 43.26 births per 1,000 people, while the death rate was 12 deaths per 1,000 populations. However, the infant mortality rate was 72.6 deaths per 1,000 live births due to the poor medical facilities and the poverty of most Nigerians. This rate is one of the highest in the world and had a negative influence on the birth rate. The maternal mortality rate is also high.

A unique feature of the Nigerian family is the existence of a loose matrilineage and use of various terms to describe households and unions. For example, some households are headed by women. This may be the result of the women being widowed or divorced. The women might also be *out-side wives*. This term describes women who function as wives to married men who live with their original wives and have extra wives outside their homes. These men are mobile husbands who move among their various partners, spending nights, having sex with their partners, and supporting them financially. These outside wives use the surname of their "husbands," and in many cases, are known to the man's original wife. Those who are not part of the culture may find this confusing, but the practitioners seem to manage well. The Nigerian legal system has improvised ways of accommodating such women and their children. In many cultures in Nigeria, there is no such status as illegitimate child.

7. FAMILIES AND RECESSION IN NIGERIA

Economic recession is a downturn in the economy. In a recession, families with little or no buffers to resist the effect of recession are most likely to be hit severely but there are ways the unfortunate condition could be managed. The researcher writes on how to improve situation while awaiting economic interventions from FG in near future.

8. EFFECTS ON FAMILIES

Family Relationships

The effects of no source of income to meet basic family needs and obligation may cause frictions among families, which may lead to long lasting damaged family relationships. For instance, some families had already cancelled holidays abroad, sold houses and changed children's schools to public schools as a way to cope with recession.

Loss of Opportunities

Due to lack of availability of funds, small scale business owners may lose willingness to take advantage of emerging opportunities during recession, which may stunt business growth significantly.

Job loss

Job loss or unemployment is usually high during recession as employers deploy rightsizing approach to cut overhead cost- Job loss destabilises families, which may trigger other unintended consequences like depression and alcoholism that may have serious effect on wellbeing.

Financing Education

To finance children education usually becomes tougher during the recession as schools would adjust tuition fees upwards due to high operating cost, parents with three or four children in high schools and universities are at the cross-roads at the moment.

Considering Priority

Families are expected to know when draw thick line between needs and wants and prioritise accordingly- this is highly considered necessary during recession period as income had shrunk- the needs like shelter, health care, feeding clothing and schooling should be treated as priority over any other wants.

9. SOLUTIONS TO FAMILY

Taking a lower-paying job would reduce short term pressure in meeting basic obligations- this is a short term measure to stay afloat while looking for high-paying jobs. You may consider borrowing from friends and families but this may not bring a desired short-term relief as envisaged. Long term strategies may include registering with professional job-finder organisations for effective job search. You may also consider change of carrier path or acquiring new sellable skills during the economic recession do not write-off relocation as this may reposition you competitively.

We implore families to synchronise and work together to tackle the damaging effects of economic

hardship- this may positively help family ties. Families may jointly visit local parks for picnic or have cheap dinner in a decent low-profile restaurant around.

Generating instant income to cater for family needs should be top priority this period- we would suggest that this is not the time to take big risk in starting new business, it is better to focus on research and search for investors and partners

Many families are already switching to cheaper schools around with same qualities and standards, which we consider a good step in direction- but this, may not work for university students. For under-graduates, we suggest on-campus business or total switch to part-time schooling programme, which allows students to combine work and learning for self-financing purpose.

Families should come to terms and realities on time on how priorities expenses while adapting to new economic realities and coping with necessary adjustments.

10. CONCLUSION

With more people out of work, and families increasingly unable to make ends meet, the pressure on demands for government-funded social services increases. Since governments also experience drops in revenue collection during recession (something that, in some cases, lead to the recession in the first place), it becomes difficult to meet the increased demands on social services. Worst hit are those who are either on fixed income – social security checks –, Medicaid, and Medicare services (the elderly and disabled). Unlike those on wages and salaries who experience little or no reductions in salaries, the fixed income earners usually experience cuts in their benefits and services provided by the government, and these cuts increase the level of hardship the families are already feeling. Another, and probably the most devastating, social effect of economic recession is destabilization of families. With the loss of a job, every plan for the future – college education, home purchase, vehicle replacement, and other family-enhancing plans are all suspended, and may never be reactivated or achieved. All of the above enumerated effects of an economic recession father exacerbate the situation the longer it lasts. It is more of a vicious cycle – a cause-and-effect; effect-and-cause situation. Now, how does a nation get itself out of an economic recession? What tool(s) or option(s) a government elects to use to get its economy out of recession depends on what caused the recession in the first place, and which one will have the most minimal adverse impact on the people, or drive the economy deeper into recession or outright depression; but, it must choose something. In choosing, it must also consider the areas or regions of the nation, or section of the economy where the option will work best, especially in terms of fiscal stimulus policy. Which regions of the nation, or segments of the economy, will a fiscal stimulus generate the most multiplier effect? Also, which policy will have the most immediate impact on the economy, tax cuts, fiscal stimulus, credit

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