



## ECONOMIC EFFECT OF COVID 19: EVIDENCE FROM SALALE, OROMIA, ETHIOPIA

### Economics

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### ABSTRACT

This study aimed to analyze the impact of COVID-19 on the economy in Salale, Oromia, Ethiopia. The study used the primary data which was collected from 374 respondents who were living in six towns namely: Fiche, G/Guracha, Kare Goa, M/Turi, Shano, and Shararo. Descriptive methods of data analysis like percentage and frequency were employed. The study has discovered that the ratification of COVID-19 in Ethiopia has disrupted the regular operation of economic activities. This had its negative economic effects like a decrease in daily/monthly income, an increment in the unemployment rate, and daily/monthly expenses. About 36%, 65%, and 34% of respondents disrupted their regular work, faced their monthly/daily average income decrement, and fired their workers respectively. About 71% of respondents faced market supply chain disruption. Therefore, all parties involved should put a lot of effort into reducing the pandemic's impact by taking preventative measures and carrying on with their normal business operations.

### KEYWORDS

Covid-19; Economic effect; Salale; Ethiopia

### INTRODUCTION

Following its outbreak in Wuhan, Hubei, China at the end of 2019, COVID-19 has been spreading globally (WHO, 2020). Social, economic, and health difficulties are among its impacts. Africa faced an increasing number of newly infected cases at an increasing rate (AU, 2020). The 1st case in Ethiopia was confirmed on March 13, 2020. As a result, a state of emergency was declared by the government, and preventive measures had been started. The main preventive measures include physical distancing, staying at home, banning large gatherings and/or social gatherings, movement restrictions, school closures, etc. However, countermeasures have harmed economic activities, particularly in urban areas and the service sector. People with lower economic status were more vulnerable (ILO, 2020).

The key driving force behind the start of this study was the realization that there was a dearth of geographically separated information on the economic effects of COVID-19, and the absence of the time demands for prevention and the development of context-based prevention responses. Planning, targeting, and implementing effective interventions are unachievable without knowledge of the primary economic impacts of COVID-19 and alignment with the regional variation. Furthermore, because COVID-19 is a relatively new virus, its economic impact is rarely understood, and until this study was carried out, no research has been done in the study area (micro level). Examining the economic impacts of COVID-19 and determining which community group was more negatively impacted by COVID-19 and its preventive measures were main goals.

### Review Of Related Literature

Numerous studies have been carried out to examine the financial impact of COVID-19. The following is a discussion of these: According to James K. Jackson et al. (2020), COVID-19 has had a more detrimental impact on world economic growth than anything seen in over a century, with rates ranging from 4.5% to 6.0% in 2020. Due to large levels of debt in developing economies and persistently high unemployment rates not seen since the 1930s Great Depression, the economic consequences of the pandemic may also pose a risk to ongoing labor disruptions. A global economic contraction might push 100 million to 110 million people into extreme poverty, and a decline in annual trade of 9.2%, which would have negative affect on developing economies.

As to Channing Arndt, *ital.*, (2020) lockdown, which is a measure taken to reduce contagion by breaking existing social and economic forms of contact, imposes a severe negative shock on the economy with immediate loss of economic activity followed by medium-term

and long-term economic effects.

Even while African nations are now less affected than other regions, supply chain disruptions or global events may nevertheless have a knock-on effect on the continent's economy (AU, 2020). The strong reliance of African economies on those of other countries indicates that the continent will have a negative economic spillover in 2020, with an average loss of 1.5 percentage points in terms of economic growth. Furthermore, the continent is essentially unable to benefit economically from the widespread COVID-19 in other regions of the world since it is unable to process its raw resources in a way that would meet the potentially large demand for goods and services in both internal and foreign markets.

Alemayehu Geda (2020) claims that COVID-19 has a major impact on the service sector, which has greatly aided in the sector's contribution to both urban employment (70%) and the nation's overall economic growth (46 percent). The service's demand has already completely fallen. For example, following the pandemic breakout in Ethiopia, the hotel occupancy rate decreased.

According to Lulit M. B. (2020), the COVID-19 pandemic is probably going to negatively impact each important area of the Ethiopian economy. Jobs are probably going to take a serious hit. Even though the future is somewhat unpredictable, the COVID-19 situation is probably going to have detrimental medium- to long-term implications. If the shock's magnitude is small, the GDP growth rate should converge to the no-COVID-19 baseline rather quickly.

Degey G. et al (2020) claim that COVID-19 combines numerous shocks, including supply, demand, financial, and health shocks, into a single package. The pandemic's supply-side effects on the economy result from a loss of labor inputs brought on by social separation, travel restrictions, staying at home owing to illness, and production disruptions. Delays in the import of business inputs due to damaged transport networks and border closures are another indication of supply-side effects. Besides, there are demand-side effects including declining international trade in services, fewer traveler arrivals, and income loss; these effects can happen quickly and severely.

MERCY CORPS (2020) reports that households in the Somali Region are impacted in different ways by COVID-19. The decline in food sales was reported, and retailers and wholesalers are having trouble finding inventory, and their capacity to finance loans is being impacted by a sharp drop in sales and revenue. Job losses are already occurring because of this, and they are probably going to get worse in the upcoming period as companies find it harder to pay their employees.

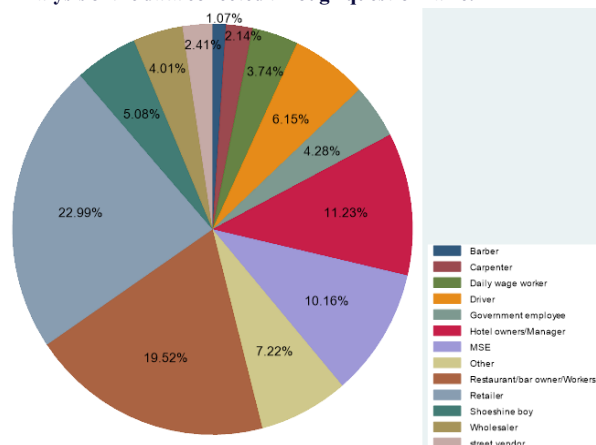
### Research Methodology

This study's targeted group consists of the following: households, the informal sector, street sellers, daily wage workers, shops, traders, milk producers and collectors, hotels, bars and restaurants; and hospitality (transport providers). The technique of multistage sampling was employed. Six Towns (That means Fitcha, Sheno, Shararo, Muka Turi, Gerba Guracha, and Qare Goa) were chosen using a purposive sample technique based on the degree of exposure to COVID-19, high interconnectivity among Towns, high social mobility and economic activity, and the location suitability of the town to collect data.

Furthermore, key informant interviews were purposefully selected from Woreda and Zone offices: Tourism and Culture Offices, Trade and Industry Offices, Transport Sector Offices, Finance and Economic Cooperation Offices, Social and Labor Offices, and COVID-19 Task Force Leaders. Key informant interviews, observation, and a questionnaire were used to gather primary data. Frequencies and percentages were employed in descriptive analyses.

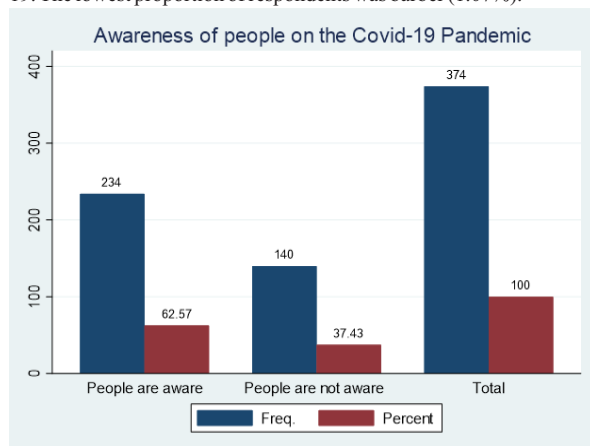
### RESULTS AND DISCUSSION

#### Analysis of the data collected through questionnaire.



**Figure 1:** Occupation of the Respondents

As indicated in Figure 1, the respondents were participating in various economic activities. The highest proportion of the respondents was retailers (i.e. about 22.99%) followed by Restaurant or "Bar" owners or Manager about 19.52%). This is because the larger number of people living in towns participate in retail business activities and are the owner of restaurants or Bars. This indicates that economic activities in which these large numbers of people participate have been blocked and leading to a sharp decline in income as the result of Covid-19. The lowest proportion of respondents was barber (1.07%).



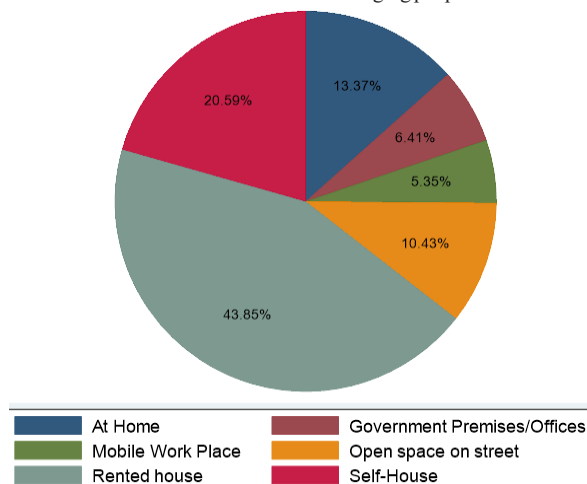
**Figure 2:** Awareness of respondents on the Covid-19 Pandemic

As shown on Figure 2, among the respondents, about 63% reported that they had awareness about the COVID-19 Pandemic while about 37% of them reported they didn't know about it. Thus, the concerned bodies should strengthen their effort to aware people on the effect of the pandemic in the study area through preparing various awareness campaigns.

**Table 1: Household Dependency Ratio**

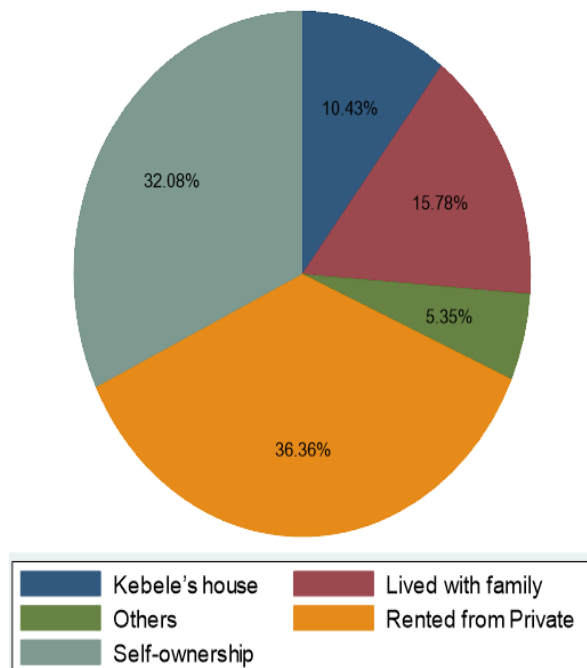
Variable	Obs	Mean	Std. Dev.	Min	Max
Dependency ratio	374	47.49926	85.34699	0	800

The lowest and highest dependency ratios were 0 and 800 respectively. It means that there were respondents whose all members were economically active and there were respondents whose one member of the family was feeding eight people. The mean dependency ratio was about 47 which means on average for 47 economically inactive persons there were one hundred economically active persons who fed them. This indicates that covid-19 is challenging people's lives.



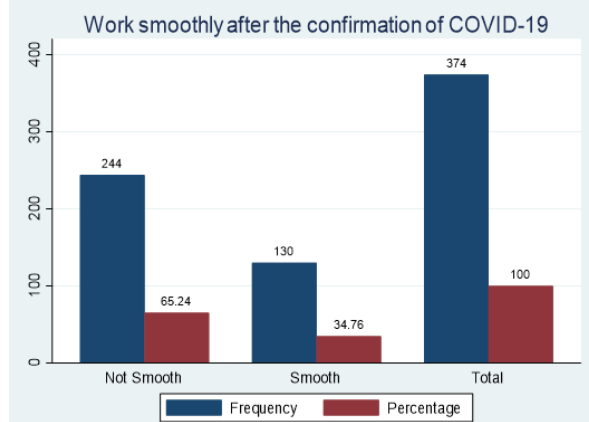
**Figure 3:** Workplace of Respondents

The largest proportion of the respondents (44%) were doing their work in the rented house 6% of respondents were doing their work at their premises provided by the government respectively. So, the probability of individuals who have been working using rented house exposed to the negative effect of Covid-19.



**Figure 4:** Residential House Ownership of the respondents

The largest proportion of the respondents (i.e. about 36%) were living in a house rented from private house owners followed by those who were living in their own house (i.e. about 32%). The smallest proportion of respondents (i.e. about 2%) were living in their relatives' house followed by others which include street people (i.e. about 3%). Households who were living in rented house have been fired by the owner from the house and the probability of exposed to covid-19 was very high relative to others.



**Figure 5:** Working regularly work smoothly after the confirmation of COVID-19

Following the disruption and anxiety caused by COVID-19, almost 65% of the respondents stated that work was not going smoothly following Ethiopia's confirmation of the pandemic.

**Table 2: Monthly Average Income After The Confirmation Of COVID-19 in Ethiopia.**

Decrease of income	Freq.	Percent
Income is not decreased	132	35.29
Income is decreased	242	64.71
Total	374	100.00

About 65% of the participants stated that their average monthly or daily income had been declining following Ethiopia's confirmation of COVID-19. This is particularly because of the state of emergency declared by the government of Ethiopia. The lockdown led to a decrease in the number of buyers and created a shortage in supply which increased the cost of consumer goods and resulted in a decrease in the Daily/Monthly income of the consumers and traders.

**Table 3: The Number Of Workers Decreased After COVID-19**

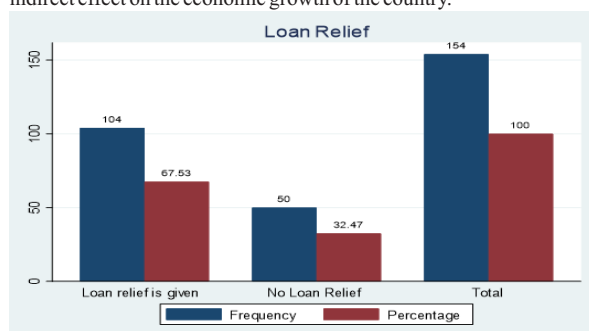
The number of workers decreased after COVID-19	Freq.	Percent
Number of workers is not decreased	309	82.62
Number of workers has decreased	65	17.38
Total	374	100.00

From the respondents who hired worker/s, about 17.4% fired their workers.

**Table 4: Monthly Average Expense For Preventive Materials**

Variable	Obs	Mean Std.	Dev.	Min	Max
Expense	374	332.3422	640.744	0	6000

The emergence of the COVID-19 pandemic in the world exposed people to newly introduced expenses for its preventive materials. Accordingly, the maximum average monthly expense of the respondents was found to be 6,000 ETB while the minimum is Zero ETB. The mean average monthly expense in the study area was about 332 ETB. This has a direct effect on the saving capacity of the household and revenue of producers of preventive materials and an indirect effect on the economic growth of the country.



**Figure 6:** Taking loan relief after confirmation of COVID-19

Of 154 respondents, who took a loan from various sources 104 respondents reported that they benefited from loan relief suggested by the state of emergency declared by the Ethiopian government during that period. But that has its direct effect of decreasing available loanable fund for investment which also put indirect negative pressure on Economic growth.

**Table 5: Facing Market Supply Chain Disruption After Confirmation Of COVID-19**

Facing market supply chain disruption	Freq.	Percent
No disruption	107	28.61
There is disruption	267	71.39
Total	374	100.00

As table 5 indicates most of the respondents reported that they were facing market supply chain disruption after the confirmation of the first case of COVID-19 pandemic in Ethiopia (i.e. about 71% of respondents).

**Table 6: Monthly Loss Of Income After COVID-19**

Variable	Obs	Mean	Std. Dev.	Min	Max
Estimated Monthly loss	374	18319.71	243157.1	0	4700000

The average monthly loss of the respondents after the confirmation of the first case of COVID-19 in Ethiopia ranges from 0 (the minimum) to 4,700,000 (the maximum) ETB. The mean average monthly loss is about 243,157 ETB.

#### Analysis of data collected using interview questions from various officers in the Zone.

After confirmation of COVID-19 in Ethiopia, there was no new investments and employment opportunities created in the study area. Construction sectors decreased/stopped, and the income of daily laborers decreased. Trading activities were also influenced: - by rearrangements of marketplaces and market days; a decrease in the number of participants (buyers & sellers) in marketing activities; and hoarding of products which led to an increment in the inflation rate and uncertainty in trade activities. Transportation services were also influenced: - increment in transportation cost; difficulty in traveling from one place to the other place and weakened all businesses operating in/around the bus stations. It also influenced Investment, Enterprises, and Industry development: - shortage of supply and increment in the price of raw materials; decrease in the number of customers, sales, and revenues; difficulty in establishing and developing enterprise and industry and creating new job opportunities; difficulty in promoting enterprises to the next higher stage and difficulty to provide training for job seekers - it was stopped. Tourism and culture sectors were also affected in the study area: Cultural institutions couldn't operate at their full capacity; Tourist flows were decreased – also income from this sector decreased; Participants in this sector faced great loss and the beautiful cultural activities (like wedding, funeral ceremony) lost their colorfulness.

#### CONCLUSION AND RECOMMENDATION

**CONCLUSION**  
The purpose of this study is to assess the economic effect of Covid-19 in Salale district, Oromia National Regional State. The study used primary data collected from 374 respondents who lived in six cities. The findings of the study indicated that the covid-19 outbreak has affected the normal functioning of various economic activities and social activities in the study area. The study indicated that due to the spread of Covid-19, Enterprises, manufacturing industry, construction sectors have experienced market supply chain disruptions and uncertainty in business activities. Hotels, restaurants, bars, groceries, tourism sectors, transportation sectors and others couldn't operate at their full capacity. As a result, business has weakened, investments have decreased, and unemployment has increased.

The study shows that people are exposed to the cost of newly introduced protective measures for Covid-19. The estimated average monthly cost of respondents was 243,157 ETB in the first three months. Covid-19 has also increased the cost of living; especially on disabled persons, low-income person/dependent, and beggars. The study found that in the rural areas the culture of cooperation on work, locally called 'Dabo', and helping others such as the disabled and the elderly, stopped after the outbreak of Covid-19. This in turn reduces output or income of the individuals and the country. As a result of prohibited social

gathering and restricted markets, cattle fatteners in rural have suffered losses due to reduced demand for their product.

### Recommendation

It was found in the study area that the normal functioning of economic activities was disturbed, as the result of outbreak of COVID-19 in Ethiopia. This had negative economic effects. Thus, great focus should be given to minimize its economic effect. People should use preventive materials which are recommended by the WHO and strengthen their participation in economic activities. The concerned bodies should participate in awareness campaigns on how to prevent the pandemic and participate in economic activities at the same time. The Office of Trade and Industry and other relevant bodies need to monitor, control and evaluate the proper functioning of the market. New market sections should be created in different areas and new market days should be organized to reduce overcrowding. The office should organize and equip various cooperatives to collect from producers and distribute to end users without violating the directives forwarded to prevent the disruption of the Covid-19 supply chain. Local distribution channels should be monitored and controlled; Technically and materially assisted. The supply of inputs and outputs (the product market) must be ensured.

The trade and industry office, and other concerned bodies need to monitor, supervise, and evaluate the proper functioning of markets. New market segments should be established in various areas and new market days should be organized to minimize over-condensation of people. The office should also organize and equip various cooperatives that collect products from producers and distribute them to end users, without violating directives toward COVID-19 prevention, and the supply of inputs and output should not be disrupted. The Social Affairs Office should coordinate and link the most vulnerable people by supporting 'Idir', 'Tkub' and other voluntary organizations with formal structure. Agriculture Office must support local economic activity by providing subsidy for agricultural inputs and encourage farmers to increase productivity without violating covid-19 prevention directive and reduce gap might be created by disrupting imported supplies.

The agriculture office should support domestic economic activities by providing available agricultural inputs, and technical support and encourage farmers to increase their productivity, without violating directions forwarded towards COVID-19 prevention, so that the gap which might be created by import supply disruption will be lessened. The government should allocate special funds for prevention, detection, care, and support for those who are vulnerable to the pandemic, particularly physicians. The government (Investment office, Enterprises and Industry Development Office) should facilitate appropriate credit services and technical assistance to enterprises so that they increase their productivity and avoid job losses.

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### Disclosure Of Interest

The authors declare that there are no competing financial interests or other interests among the authors and there is no conflict of interest between the authors and Salale University (sponsor). Therefore, there are no conflicts of interest to disclose.

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