



IMPACT OF ECONOMIC RECESSION ON TOURISM: A STUDY OF EVENT MANAGEMENT IN ILORIN, KWARA STATE, NIGERIA

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ABSTRACT

Event management is a fast growing professional field in the tourism industry capable of providing socio-economic benefits. However, the 2016-2017 economic recession in Nigeria had some adverse effects on the operators of the event centres in Ilorin metropolis, Kwara State. This study was therefore conducted to assess the impact of the recession on event management in the study area which is an aspect of tourism and hospitality. A random sampling technique was used to select 23 event centres in the study area. A structured questionnaire was used to collect primary data which were analysed using a descriptive statistics and t-test. Findings revealed that average monthly patronage of the centres dropped from 6 before the recession to 2 during the recession. There was 32.6% reduction in the revenue of the event centres from before the recession to during the recession while the average monthly expenses increased by 55.6% during recession. The major coping strategies adopted during recession were cutting down of all expenses and reducing the number of employees. T-test analysis revealed that there was a significant difference in the patronage ($t = -10.619$, $P = 0.00$), revenue ($t = 8.963$, $P = 0.00$) and expenses ($t = -5.624$, $P = 0.00$) at $P < 0.05$. The study recommended that government through its development financial institutions should give financial assistance to the operators of the event centres in a time of national financial crisis to enable them remain in business and contribute to economic development.

Keywords: Event centres, Economic recession, Impact, Coping strategies

Introduction

Event management is a fast growing professional field in which tourists constitute a potential market for planned events and the tourism industry has become a vital stakeholder in their success and attractiveness (Getz, 2008). The Accepted Practices Exchange Industry glossary of terms (APEX, 2005) defines an event as, an organized occasion such as a meeting, convention, exhibition, special event, gala dinner, fashion shows, musical concerts, corporate seminars, exhibitions, wedding celebrations and theme parties. According to Etiosa (2012) events can impact on a host community through various means, examples

of which could be in form of foreign exchange earnings, income and employment generation. Event and event tourism can also impact socio-culturally on a host community by way of strengthening the values or traditions of the community. With all the socio-economic benefits of event as a part of the tourism industry in a country like Nigeria, it has been observed that it can be affected adversely by economic challenges one of which is recession.

Recession is as a phase of economic cycle which occurs after two consecutive quarters of negative growth featuring reduced output and investment, rise in unemployment due to job loss, decline in the availability of credit,



fluctuation in forex market, downsizing and layoff as well as reduced amount of trade and commerce (Shido-Ikwu, 2017). During such difficult times, people and communities are forced to make some difficult lifestyle and budget choices as event management often find it high on the list of potential sacrifices. For example, numerous events have been scaled back or even cancelled as government officials seek to balance their budget. In addition, corporate sponsors are wary of appearing to support external marketing programme budgets while simultaneously reducing their staff budgets.

The Nigerian economy started showing symptoms of recession when National Bureau of Statistics (NBS, 2016) reported a negative growth of -0.36 percent in the first quarter of 2016. The country then went into a full-blown recession as a result of another negative growth of -2.06 percent in GDP in the second quarter of the same year. In the third quarter of 2016, the Federal Government of Nigeria made an open declaration that Nigerian economy was in recession. According to Afirnia (2017), the economic recession was caused by fall in demand for Nigeria's crude oil, crude oil supply glut, activities of insurgents, over-dependence on importation among other factors.

The value of events had come under scrutiny due to the economic recession. The event industry was perceived as a money wasting industry. This tone of the public conversation had caused an unnecessary slow motion on large range of events. As Lee and Goldblatt (2012) argued that events had become low priority during challenging economic conditions as the individuals who were major event goers, suffered the hardship of finance and had to give up going to events but to support their urgent daily needs.

Economic recession has created an enormous amount of adverse effect for the event industry, such that individuals and cooperate bodies have become afraid of holding any events that may be considered too lavished, and has severely limited the earnings of event managers. Individuals and government are discouraged from hosting of events for the fear of being publicly ostracized for unnecessary spending. Likewise, revelation within the event industry shows that there is a drastic reduction in attendance to events as well as massive cancellations of events due to the impact of economic recession.

It is based on the fore-going that the study was carried out to assess the impact of economic recession on event management in Ilorin metropolis, Kwara State, Nigeria. Specifically, the study made attempt to determine the number of patronage, revenue generated and expenses of the event centres before recession and during recession. It also ascertained the coping strategies adopted by the event centres in sustaining their services during recession.

Methodology

Ilorin is the capital of Kwara State in Nigeria which is located on Latitude 8°24'N and 83°6'N, and Longitude 4°10'E and 4°36'E. The population of Ilorin is projected to be 953869 as at 2017 using the population growth rate of 2.64% (NBS, 2018). The city is a conference of cultures, populated by Yoruba, Hausa, Igbo, Fulani, Nupe, Baruba, other Nigerians and foreign nationals. The city also presents a range of tourist attractions such as the Sobi Hill, which is believed to have offered protection to natives during intertribal wars in ancient times. Ilorin can therefore be characterized as metropolis since it occupies a central position as the largest and most influential commercial and



administrative town of Kwara State and as such, it has been experiencing the need to accommodate rapid urban growth. Ilorin Metropolis cuts across three Local Government Areas, namely Ilorin West, Ilorin East and Ilorin South local government areas.

The study population consists of the entire event centres in Ilorin metropolis, Kwara State. Ilorin metropolis consists of the urban area of Ilorin. A total of thirty event centres were identified within the study area in March, 2017. 23 event centres which represent 75% of the total identified event centres in the area as the time of the study were randomly selected. The operator of each of the selected event centre was further selected to give a total of 23 respondents as the sample size of the study. The operator was either the owner or the owner of the event centre who was capable of giving the required data about the centre at the time of the study.

A well-structured questionnaire was used to collect primary data from the respondents while 42 copies were retrieved and analysed. The data were collected in the second quarter of 2017 while the country had not exited the recession. The country exited the recession in the second quarter (Q2) of 2017. Data gathered from the respondents were analysed using charts, means, standard deviations, frequencies, percentages and t-test.

Results and Discussion

Socio-economic Characteristics

Table 1 revealed the result of various socio-economic characteristics observed in this study. The study revealed that majority (82.6%) of the respondents were male indicating that event management in Ilorin is

a male dominated business. Larger proportion (73.9%) of the respondents were in the age bracket 31-50 years. The mean age of the respondents was 39.3 years implying that they are relatively young people in their active ages. This can be an advantage for the respondents as young people are known to be more open to new ideas even in business. Most (91.3%) of the respondents had tertiary education showing that they were educated. The relatively high level of education of the event centre operators is expected to be an advantage for them. A study carried by Goldman (2011) in the United States of America found that hospitality managers and owners with college degrees have better working abilities as well as manage costs effectively. Most of the respondents (43.5%) had event management experience of 6-10 years, the mean years of experience was 7.7 years indicating that they had a relatively long years of experience in event management. The major source of capital (60.9%) for the business was personal savings. This has serious implications for the volume of investment that can be made by the event centres operators. The event centres operators may not be able to raise huge capital for investment in the industry since a majority of them could not raise capital from formal financial institutions e.g banks. Small businesses in Nigeria are mostly financed through personal savings and loans from informal sources such as families, friends and cooperative associations. Gbandi and Amissah (2014) found that the failure of small businesses in Nigeria is largely attributed to their inability to secure long-term debt that will grow the business, which aligned with the findings of this study.



Table 1: Socio-Economic Characteristics of event centre operators

Variables	Frequency	Percentage%	Mean	Standard deviation
Sex				
Male	19	82.6		
Female	4	17.4		
Age (years)				
≤30	4	17.4	39.3	9.2
31-50	17	73.9		
> 50	2	8.7		
Education				
Tertiary	21	91.3		
Secondary	2	8.7		
Years of experience				
2-5	8	34.8		
6-10	10	43.5		
11-15	5	21.7		
Sources of capital				
Personal savings	14	60.9		
Loan from banks	2	8.7		
Cooperative	-	-		
Family and friends	7	30.4		

Source: Field survey 2017

Patronage of the event centres before and during Recession

Table 2 reveals the number patronage of the event centres before and during recession. Majority (56.5%) of the event centres had 4 events before recession while 52.2% recorded 1 event during recession. The average monthly patronage before recession was reduced from 6 events to about 2 events during the recession. This implies that the

recession had led to reduction in the patronage of the event centres. The purchasing power of people gets reduced during economic crisis forcing them to prioritise expenses. Lee and Goldblatt (2012) have opined that spending on events do not make top of the list of priority at such times.

Table 2: Patronage of the event centres before and during Recession

Monthly Patronage (events)	Frequency	Percentage %	Mean	Standard deviation
Before recession				
4	13	56.5	6.0	2.67
8	8	34.8		
12	2	8.7		
During recession				



1	12	52.2	1.6	0.67
2	9	39.1		
3	2	8.7		

Source: Field survey 2017

Revenue of event centre before and during recession

Table 3 reveals that a larger percentage (43.5%) of the event centres generated ₦300,000.00-500,00.00 monthly before the recession while 65.2% generated less than or equal to ₦300,000.00 during the recession. An average of ₦414782.61 was generated as monthly revenue by the event centres while an average of ₦279565.22 was generated during the recession. This implies that there was a reduction in the revenue of the event

centres during the recession. The reduction expectedly could be as result of drop in the patronage of these centres during the economic recession. Kapiki (2012) reported a significant reduction in revenue of hotels and other hospitality outfits in Thessaloniki during recession in the country. Similarly, Lee and Goldblatt (2012) observed that half of the respondents' profit margins in the United States of America decreased during recession.

Table 3: Revenue of the event centres before and during Recession

Monthly revenue (₦)	Frequency	Percentage %	Mean	Standard Deviation
Before recession				
≤300,000	8	34.8	414782.61	157303.11
300,001-500,000	10	43.5		
500,001-700,000	4	17.4		
>700,000	1	4.3		
During recession				
≤300,000	15	65.2	279565.22	124260.66
300,001-500,000	7	30.4		
500,001-700,000	1	4.4		

Source: Field survey 2017

Expenses of the event centres before and during Recession

Table 4 indicates that 56.5% of the event centres incurred less than ₦100,000.00 as expenses during the recession while 69.6% recorded ₦100,000.00–200,000.00 expenses during the recession. The mean monthly expenses of the event centres increased from ₦108913.04 before the recession to ₦132826.09 during the recession. This

indicates an increase in the operating cost of the event centres during the recession which is also expected to reduce the profit made by the event centres. Kapiki (2012) opined that profitability in the majority of hotels sampled in his study decreased due to the financial crisis and increase in cost of living. This result shows that majority of the event centres incurred more expenses to manage their business during recession.



Table 4: Expenses of the event centres before and during Recession

Monthly expenses (₦)	Frequency	Percentage %	Mean	Standard Deviation
Before recession				
<100,000	10	43.5	108913.04	46562.68
100,001-200,000	13	56.5		
During recession				
<100,000	5	21.7	132826.09	50245.44
100,001-200,000	16	69.6		
>200,001	2	8.7		

Source: Field survey 2017

Coping strategies adopted by event centres during recession

The major strategies adopted by the event centres to sustain their services during the recession (Table 5) included ‘cutting down unnecessary expenses’ (91.3%), ‘reducing number of employee’ (56.5%), ‘not giving of credit facilities’ (34.8%), ‘keeping and maintaining an eagle eye on cash flow’ (34.8%) and ‘reducing staff salary’ (34.8%).

Strategies that were related to reducing operational cost topped the list of the strategies adopted by the even centres to cope during recession. The finding from this study is in line with that of Lee and Goldblatt (2012) who reported that invent industry owners adopted measures such as reducing overall expenses and increasing marketing to cope with recession in the United States of America.

Table 5: Coping strategies adopted by event centres during recession

Coping strategies	Frequency	Percentage %	Rank
Exiting all other investment and focusing on this ones	3	13.0	9 th
Keeping and maintaining an eagle eye on cash flow	8	34.8	3 rd
Cutting down unnecessary expenses	21	91.3	1 st
Increasing advertising effort	5	21.7	6 th
Reducing staff salary	8	34.8	3 rd
Reducing number of employee	13	56.5	2 nd
Increasing the fees charged customers	5	21.7	7 th
Investing in other business while keeping this one	3	13.0	7 th
Not giving credit facilities i.e. pay before service	8	34.8	3 rd
Taking care of your existing customers by giving them incentives	2	8.7	9 th



Difference in patronage before recession and during the recession

Table 6 reveals that there is a significant difference between the patronage of the event centres before and during the economic

recession (t = -10.619, P = 0.00). This is an indication that the economic recession had an impact on event centres by significantly reducing the patronage of the event centres.

Table 6: t-test analysis of difference in monthly patronage before and during the recession

Variables	N	Mean	Df	t-value	P value	Decision
Patronage before recession	23	2	22	-10.619	0.000	S
Patronage during recession	23	6				

N= Sample size Df= Degree of freedom S= significant, P<0.05

Test of difference in revenue before and during the recession

Table 7 reveals that there is a significant difference between the revenue of the event centres before and during the economic recession (t = 8.963, P = 0.00). This is an

indication that the economic recession had a led to a significant reduction in the revenue of the event centres. Thus there is need for assistance to be given to the event centres so as to keep them in the business.

Table 7: t-test analysis of difference in revenue before and during the recession

Variables	N	Mean	Df	t-value	P value	Decision
Revenue before recession(₦)	23	414782.61	22	8.963	0.000	S
Revenue during recession(₦)	23	279565.22				

N= Sample size Df= Degree of freedom S= significant, P<0.05

Difference in monthly expenses before and during the recession

Table 8 reveals that there is a significant difference between the expenses of the event centres before and during the economic

recession (t = -5.624, P = 0.00). This is shows that the economic recession had significantly increased the expenses of the event centres during recession implying a significant impact on the expenses of the event centres.

Table 8: t-test analysis of difference in monthly expenses before and during the recession

Variables	N	Mean	Df	t-value	P value	Decision
Expenses before recession(₦)	23	108913.03	22	-5.624	0.000	S
Expenses during recession(₦)	23	132826.09				

N= Sample size Df= Degree of freedom S= significant, P<0.05

Conclusion and Recommendation

The economic recession experienced in 2017 had significant impact on event centres in Ilorin, Kwara State. The patronage of the centres significantly dropped from 6 events to 2 during the recession. Revenue generated by

the centres was also significantly reduced by 32.6% while the expenses incurred increased significantly by 55.6%.The study revealed that there was a drop in the patronage of the event centres during recession. Theme asures adopted by the event centres to cope during



the economic recession include cutting down unnecessary expenses and reducing the number of employees. The study recommends that financial assistance should be given to event centres operators by the government through its development financial institutions to enable the centres cope with the shocks that come with economic crisis in the country. This can be in form of soft loans and other incentives. This will enable the centres provide jobs and contribute significantly to the economic development of the country.

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