

Affects of COVID-19 on Small and Medium Industries & Businesses: Strategies to Survive in Pandemic

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Abstract:

The Novel Corona outbreak came into eyes of the world in December 2019, when Wuhan city of china got badly affected by the COVID-19. As the days passed, the virus spread all over the world. Almost more than a million cases were reported causing more than five hundred thousand casualties all over the globe. This research is an exploratory research that indicates the factors that affected the economy of the world and the new ways of the businesses that were discovered due pandemic situation. Severe lockdowns have been observed in China, Europe and all over the world. These lockdowns badly affect the functioning of businesses and international supply chains, companies and manufacturing firms, which resulted in the unemployment of millions of people all over the world. If the same pandemic situation continues, many more businesses and organization may shut down their operations and millions of more people may get unemployed. As the fixed cost and expenses of the companies and organizations remain the same, it might force the companies to shut down the operations to avoid further losses. South Asian countries are facing even more bad times due to a lack of advancement in medical sciences and technology. Also, they have to import Corona testing kits and medicines, which results in an increased burden on the economy of the country. Therefore, they need to improve the medical facilities to cope with the unfavorable medical emergency conditions in the future. This research indicates the long term policies that should be adopted in such kind of pandemic in future time. This research focuses on the problems related to small and medium industries which can be operated with low number of labor while area of large industries is wide open for research.

Keywords: Small Business, Small Industries, COVID-19, Pandemic, Economy.

1. INTRODUCTION

We have observed the worst lockdowns in China & Italy, which led to badly disturb the consumption and production behaviors of the individuals. As a result some severe kind of shortages of many products was noticed; including products of daily use for example bread,

soap, surgical masks, milk, etc. On the other hand, the demand for many products was decreased very badly resulting in the downfall of many companies.

The number of COVID-19 infected persons is increasing day by day in Pakistan, India and other South Asian countries as well. These countries have not any impressive medical technologies or advanced medical structures. This is an alarming situation and a serious threat of losing millions of more lives. As these countries already have low literacy rates and unsound economic conditions: so, it is very difficult to guide people about the sensitivity of the issue.

It is observed that buying behaviors and purchasing patterns of the South Asian customer is also changed. As there is a situation of complete lockdown, so the demand for products is increased, which results in shortage of many products like food items, surgical masks, latex gloves and medicine. COVID-19 widespread caused enormous disengagement among small businesses. Whereas businesses' convictions around the term of the emergency change broadly. The proprietor anticipated the disengagement of this economic interruption in mid-summer [1]. On the other hand, many industries are near to shut down because of the Pandemic situation.

As each day passes, the novel Corona spreads to more & more countries of the world and new countries enter the World Health Organization's (WHO) list where the virus has been reported. However, the number of infected persons in china is decreasing quite rapidly. On the other hand number of infected persons in Pakistan, Europe, America, India, and Iran is increasing day by day. WHO has declared an emergency worldwide. The COVID-19 has not only resulted in the worst health conditions all over the world but also disturbed the economy of the world very badly.

1.1. Role of Small and Medium Industries

Small and medium industries plays an important role in supporting and developing the economy of both developed and developing countries, providing industrial employment and lowering the number of unemployed people. Small and medium industries highly influence the economy of third world countries.

This research focuses on the economic effects of COVID-19 on different countries. The spread of Coronavirus caused a loss in the stock markets of the world, a decrease in the prices of the stocks and a decrease in nominal interest rates that also affected the GPD of affected countries [2]. The prosperity of small and medium industries of third world countries is far more important than in first world countries. These industries have badly suffered from the current pandemic situation of COVID-19.

1.2. Industries Suffered from COVID-19

Small and medium industries are suffering badly due to the prevailing pandemic situation as Small and Medium Enterprises (SMEs) and small businesses are not often backed by huge

investments. It is almost impossible for small businesses to survive without continuous business operations. The fight for survival becomes more difficult as there is great uncertainty about the duration of the currently prevailing pandemic situation. It is impossible to predict that for how much time the same situation will continue. In the short term, local quarantines would possibly damage businesses. Families who are not direct victims of COVID-19, may also face monetary hardships [3].

The transportation and traveling industry are also badly affected as there is a situation of complete lockdown. No one is availing the travel services and most countries have clearly defined the traveling policies that restrict travelers to travel. Flight operations of every airline of the world are affected causing a loss of millions of dollars to the industry. If this situation continues for some more months, it is expected that thousands of people associated with the travel trade may lose their jobs and the industry may face serious economic loss.

The businesses associated with import and export are facing even more hard and harsh times. The trading between all the worlds is almost at a halt and the persons linked with import and export are facing somber financial problems. In this situation when the business is completely shut down, it is very difficult for the industry to survive [4]. The industry already has faced a loss of millions of dollars and it will surely increase as the lockdown continues.

The retail industry has also greatly suffered all over the world due to the currently prevailing pandemic situation of COVID-19. The retail stores of the entire world from America, Europe and Britain to the markets of China, Pakistan and India are facing the situation of lockdown resulting in loss of millions of dollars. Earning the bread and butter for the families is becoming a difficult job for the persons associated with the retail industry. A number of these business closures may be an enduring sense of the inability to pay progressing costs. The effect on little businesses around the world is likely to be unembellished [5]. A huge number of businesses may become bankrupt or they may close their operations if the same lockdown situation continues for a few more months. This would result in jobs loss of thousands of people which can be proven as a worst economic and a life threat for affectees.

The food business and restaurant industry have faced a more difficult situation as compared to any other business. Since the outbreak of the Novel Corona Virus, the restaurants of the affected cities were sealed by the orders of the governments and instructions of the world health organization to implement the proper precautions of social distancing. Only home delivery and takeaway are offered by most of the restaurants, which led to a decline in the revenue of the restaurants. This virus can be easily transmitted from one person to another and no proper vaccine is publically available in the markets for Coronavirus. So the only solution is to take all precautionary measures to avoid possible huge losses [6].

The tourism industry is also facing serious losses as the world is at a pause and no tourists are visiting the tourist attractions or tourist spots. The tourism industry of South Asia has especially

suffered very badly due to novel Coronavirus as it out broke in the spring season and this season is considered as a peak season for the tourism industry. Tourists from all over the world visit the hill stations of South Asian countries, especially Pakistan to see the natural beauty of green hills, flowing rivers, freezing glaciers, diverse cultures and delicious foods. Hundreds of thousands of tourists visit the northern areas of Pakistan in the spring and summer season every year and make their time lifetime moments, but this year almost no tourists visited these sites resulting in a loss of millions of dollars to this industry.

The pandemic situation also affected oil-producing countries/economies. The low demand for oil from the international market worsened the balance of payment of many oil-dependent countries. The limited international and local traveling due to lockdown all over the world resulted in a major shortfall in revenue of oil-dependent countries like Saudi Arabia, Qatar, and Bahrain [7].

The current pandemic situation affected the education industry as well as other sectors. The closure of educational institutions resulted in an unutterable educational loss of students. The closure of intuitions someway created job loss for the teachers, administrative staff and helping staff working in the educational institutions. The students studying in foreign countries faced even more hard times because of the lockdown situation [8].

Not only the above-mentioned trades or businesses have been affected due to pandemic situations. Infect the impact of the novel Coronavirus is felt in the health and economic sector across the globe:

- The giant car manufacturing brand Ferrari has stopped operations in Europe.
- The Tokyo Olympic Games have been postponed.
- All tourist attractions are empty all over the world.
- Print and Electronic Media groups are facing the worst loss as there is a huge drop in revenue from advertisements.

2. RESPONSE POLICY TO PANDEMIC SITUATION

In response to the worst situation caused by the COVID-19, the governments and other institutions took different measures to cope-up with the worst condition that has aroused.

China, United Kingdom, Italy, Pakistan and all other Corona-affected countries declared a medical emergency. The governments implemented Stay Home policy, awareness programs are launched to keep the people stay at their homes as it the only solution to decrease the number of COVID-19 patients. Some countries even used the military to enforce the Coronavirus “Stay at home policy”. Almost every country made public quarantines; international borders of the entire world are sealed for the common public to travel. The entire air, land and sea border is shut down.

South Africa, China, UK, USA, Singapore, Italy, Saudi Arabia, Qatar, Japan, Germany, India, Australia and Pakistan have implemented Social Distancing policy in the highest interest of the citizens. All public gatherings are discouraged and banned. People are advised to have a safe distance of almost six feet from one another. Some countries temporarily released prisoners from overcrowded prisons to avoid the possible loss of their health and lives.

Because of the closure of the educational institutions the academicians, higher education governing bodies and the governments tried to conduct online classes, which increased the significance of online education. These classes were conducted using Learning Management Systems (LMS) and different online software. The response of the students to online education was not so impressive. Only a small percentage of the students can avail satisfactory educational services using online facilities. Especially students attaining higher / practical education do not see online education as the best alternative to formal education. Moreover, the educational institutions that did not have any online learning platform or strong LMS had faced even worst situations due to the shutdown of the institutions. The countries like UK, Canada, USA, Italy and Australia lost billions of dollars in education revenue as many of the foreign students had to quit their courses or shift them, or had returned home because of the pandemic situations in the entire world [9].

As the world is under lockdown condition, and even it is not possible for the folks to live their lives without any economic activity. The pandemic has caused a huge dislocation in small businesses. Businesses are adjusting to the pandemic situation in a variety of ways, some businesses have developed their online selling portals where they are providing online selling services, different payment modes are used, e.g., credit cards. Some of the retails stores are also providing Cash On Delivery (COD) services to their clients. Many businesses have been associated with online selling websites (like Ali Baba, Daraz, Big Bazar) to continue their economic and business activities. The companies who made investments to construct the flexible infrastructure have the opportunity to turn the pandemic into opportunities [10].

3. IMPACTS OF COVID-19 ON PAKISTAN'S BUSINESS

After a long break, Pakistan's industry is struggling to recover from the hit it has taken from Coronavirus restrictions. COVID has affected many businesses in Pakistan like surgical goods & medical instruments, cotton & cloth industry, fruits, agriculture, etc. Some impacts of the pandemic are mentioned in Table.1.

Table.1: COVID-19 impacts on farm Households in Pakistan [11] [12]

Industry/ Business	Effects
Agriculture	Loss on Record Due to COVID-19
Labor Force	73.3% left without a source of income
GDP Growth for 2019-2020	-0.4% (re-estimated)
Wages & Non-farm Earnings	33.3%
Unavailability of traders	46.5%

Rice-Wheat Cropping Zone(reasons for not selling or unable to sell)	(16.7% kept for self-consumption)
Vegetables & Fruits	23.4% (unable to visit markets/cities) 24.4% (offered price was very low)
Milk	46.5% (traders not available)

3.1. Economic Impact on Industry:

Table.2 shows the economic impact on the industry of Pakistan.

Table.2: Flanders Trade, CORONAVIRUS – the situation in Pakistan [13]

Economic Impact	Loss Due to COVID-19
PIA has suffered a loss	PKR 31.9 Billion due to lockdown and suspension in services.
Surgical Goods & Medical Instruments	(-) 13.39% to PKR 5.3 Billion (approx) in Aug 2020 compared to 6.1 Billion (approx) in July 2019
Cotton Cloth	(-) 2.15% to PKR 24.4 Billion in Aug 2020 compared to PKR 24.9 Billion in July 2020.
Fruit Markets	(-) 30.67% to PKR 4.9 Billion in Aug 2020 compared to PKR 6.9 Billion in July 2020.
Sports Industries	After COVID-19 (PKR 101 Billion) Before COVID-19 (PKR 106 Billion)

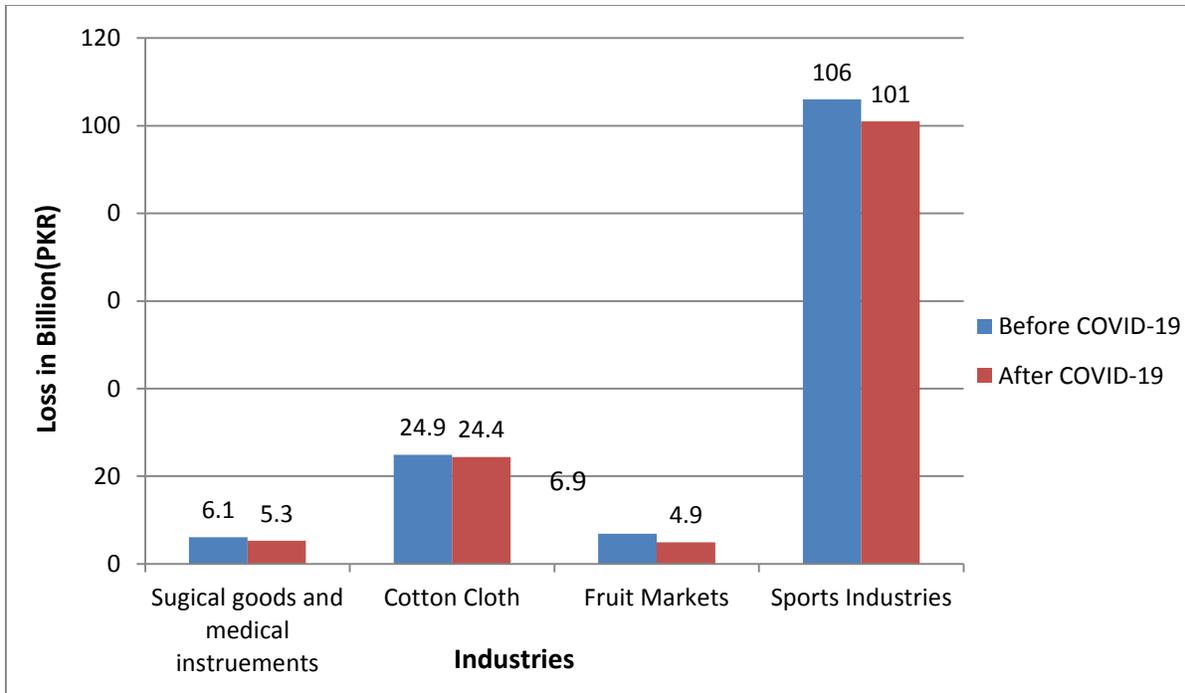


Figure 1 Impact of COVID-19 on different Industries

COVID-19 has a huge impact on sports industries. It declines from 1.6 trillion to 1.1 trillion. 25% workers of this industry lost their jobs during the lockdown period. Another 25% of the workers are at the risk of losing their jobs if the situation remains the same. Almost 80% of the customers are lost due to lockdown pandemic as sports activities are suspended.

The graph below shows the negative economic impact of COVID-19 on Surgical Goods & Medical Instruments, Cotton Cloth and Fruit Market industry.

4. BRIGHTSIDE OF THIS PANDEMIC

We have seen that the pandemic of 2020 resulted in the worst losses of the century till now. The economy of the world came to collapse, thousands of businesses faced losses and millions of employees suffered. Millions of people suffered from health issues and more than five hundred thousand lost their lives. The stock markets of many countries crashed [11].

The policymakers of different countries made difficult decisions to respond to the pandemic situation resulting in positive and negative effects on the economy. Many countries declared a medical emergency. Some countries implemented strict lockdown restrictions that resulted in triggering stagnation and economic collapse somehow. It was a difficult task to form and implement such fast policies. The policies faced a lot of criticism and it is a hard task to convince people in such a situation of fear and anxiety.

But after all this, there is a bright side that COVID-19 has persuaded governments to take long-lasting actions to deal with such situations in the future. The countries with an average health system can take steps to strengthen their health management systems. Many advanced countries like Italy and Spain improved their health care systems. Third-world countries faced the worst situation because of a lack of infrastructure and advanced health care systems. But now along with the advanced countries, South Asian countries are trying to improve health care systems and bring reforms in infrastructure and public hospitals. This situation of pandemic and lockdown accentuated many businesses to test their capability on online platforms.

Many businesses of small and medium industries were only using traditional methods of business, but the lockdown situation has drawn their attention for advanced methods of working. The financial institution improved their experience of dealing with shortcomings of funds. Some governments took this situation as an opportunity to improve their financial and economic systems.

5. CONCLUSION

The world is now trying to bring the situation to a normal routine. Along with the government, doctors and paramedics are working hard to bring this situation of restlessness and unease to an end. China has successfully coped with this pandemic and finally, there are no more Corona patients in the People's Republic of China. Life is coming back to routine in china but there is still a need to develop more advanced health care systems to easily deal with such situations in the future. Advanced work frames should be developed that are easily implementable and moldable. Industries of all the sectors should be ready to quickly adopt new working patterns as required by the situation. The losses suffered from the current pandemic should be considered as an experience that would help to deal with any unfortunate situation in the upcoming times. In future, we will investigate the impact of such pandemic situation on large scale businesses.

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