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## Firm's performance during covid-19; A case study of Pakistan

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## **Declaration**

I, Shehroz Asif hereby declare that this thesis study titled “Firm’s performance during covid-19; A case study of Pakistan” is solely my work. I followed all the ethical principles in collecting, analyzing, preparing, and compilation of this research report. I have fulfilled all the requirements of the Higher Education Commission to conduct this research and properly followed the quality assurance guidelines. Further, it is affirmed that this thesis has been submitted by me in partial fulfillment of the requirements of the MBA finance department of Bahria University Islamabad.

I undertake that university has the right to withdraw my degree at any time if my written statement is found to be incorrect even after the completion of my graduation.

**(Shehroz Asif)**

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## Abstract

This research work on quantifying the impact of deadly contagious disease which is globally known and declared by WHO as coronavirus epidemic is motivated by inadequacy of existing literature, and attempts to shed light on the issues caused by this disease on the financial performance of the MSMEs firms in Pakistan. The government immediately started taking measures to cope with this virus when it broke out at the end of the year 2019, and extended support to micro, medium, and small-sized firms operating in the country as they are more vulnerable to such external shocks and account for almost 90% of the business economic activities as well as 50% of the employment ratio around the globe, thereby contributing more than 40% of the GDP in developing nations.

However, this study attempts to deepen our comprehension and knowledge regarding the impacts of Covid-fear on micro, medium and small sized firms by using an online survey of these firms from 4 different sectors of Pakistan and exploring aspects such as profitability, sales, and employment conditions. The researcher considered adopting quantitative technique in this study and the results and findings of this research revealed negative effects which are according to the existing scholarly studies conducted so far on the consequences of this Covid-19 crisis.

**Keywords:** - Covid-19 fear, Firm's financial performance, micro, medium, and small-sized enterprises.

## 1.0-CHAPTER NO 1-INTRODUCTION TO STUDY

### 1.1-Background introduction:-

The sudden emergence of novel Coronavirus disease has thoroughly changed the dynamics of the entire globe (Hashmi et al, 2020). This massive outbreak of deadly contagious disease that originated from China in late December 2019, and is now recognized as Covid-19 Pandemic, has completely shocked the world. It, however, prompted an unforeseen wave of economic turmoil and fear in the financial markets around the world (Ellahia et al, 2021). According to the World health organization, due to the lack of capital inflows, the emerging economies and markets do not have enough resources to cope with the effects of this newly emerged epidemic. However, scholars and scientists stressed the urgent need for research to cope with the future challenges and impediments of this deadly contagious epidemic (WHO, R & D Blueprint, 2020).

As stated by UNIDO (2021), this Covid epidemic is unprecedented and the effects that it poses are looming large. Moreover, according to the United Nations Pakistan Coronavirus Socio-economic impact assessment report, the manufacturing sector of Pakistan has contracted deeply in the presence of this deadly contagious virus in the first quarter of the year 2020, and all the three main sectors of Pakistan namely the agriculture sector, industrial sector, and the services sector during this period experienced a significant economic slowdown and loses. However, this epidemic unequally affected these sectors in which the services sector has been the hardest hit, followed by other manufacturing and agriculture sectors in the country. Thus, by investigating these sectors thoroughly in the face of Covid-19, the United Nations Industrial development organization identified the impacts of this disease on firms' performances and how they managed to cope with this crisis so far.

Since its emergence, the covid disease crawled across the entire globe and has thoroughly altered the dynamics of the world for the nations and economies. The millions of people were affected by its transmission as it traveled from one person to another and reached every corner of this planet. To some extent, almost every aspect of life on earth and the culture around it has been influenced by this health and financial crisis. The financial sectors and business operations of almost every kind and size are disrupted, resulting in world trade turning to a complete halt. Moreover, as this contagious disease has started disrupting the normal life of individuals and financial activities all around, the export and trade was expected to shrink almost 13%-32% in 2020 (Azevedo, 2020).

Due to the extreme shocks of this novel contagious disease, the tourism industry was hit hard and dropped to almost complete zero because there was a travel ban, and the restrictions were imposed by the government on the freedom of movement. This scenario has led to extremely rigid immigration policies as thousand numbers of nationals were found stranded at the airports as a result of their visas getting canceled due to travel restrictions. However, the individuals and their families got stuck in different locations across the globe (OECD, 2020).

The covid-19 pandemic was initially confirmed by the world health organization as a world health emergency in January 2020, and along with the setting of certain risks and challenges, the global crises highlight the cracks in the global trust. Moreover, it also poses serious threats and financial challenges for governance and flashes unsuspected dangers of worldwide interdependence. It triggered business risks for both national and international business markets (WHO, 2020).



According to the international monetary fund (IMF), 90 trillion dollar world economies are under economic shocks, since the emergency has evolved into global public health in response to these crises. Further, in these unexpected circumstances, the government started implementing policies to address the public health crises keeping in view the economic considerations (IMF, 2020)

## **1.2-Theoretical Background**

In the wake of this Covid-Pandemic in 2019 initially in Wuhan, the City of China located in its Hubei Province, and due to its gradual spread across other nations, the attention of the researchers and scholars has been directed towards the assessment of its effects on future of every developing and developed economy. The focus of the researchers has been on the deleterious influences of this outbreak on the stock markets of the economies that shed light on the financial viability of Covid fear impacts. The literature highlights the numerous studies conducted by the scholars. For instance, Jabeen et al., (2020) analyzed the potential effects of Covid-19 on the economy and stock market of Pakistan and presented some beneficial facts about the stock markets operating globally with the special attention to the stock market of Pakistan. However, the results and findings of this research indicated that the performance of the stock market of Pakistan (PSX) is revolving around bullish and bearish pools.

Moreover, the impacts have also been investigated to determine the volatile nature of the stock market of Pakistan, and to combat the pandemic they controlled the effect of central banks' interventions, interest as well as exchange rates in this study. Keeping in view the impacts of Covid-19, the research thus provided a substantial rise in the stock market volatility of Pakistan (Syed & Fatima, 2022). In the same way, (Ellahia and Rehmanb et al, 2021) attempted to investigate novel virus ripple effects on stock market return with the focus of evidence from

Pakistan. The scholars of this study attempted to analyze the Pandemic impacts on capital markets of Pakistan thereby, broadening the literature on the consequences of this disease. In understanding behaviors of the stock markets, the study also offered significant policy implications for the participants of the markets.

Ahmed, (2022) studied the performance of the stock market exchange of Pakistan in the face of this Pandemic. The data used was related to positive cases, fatalities, and closing prices of the Pakistan Stock Exchange in this study, the findings of which suggested that the performance of the index is only influenced by the Covid-19 recoveries whereas the fatalities and daily positive cases are unsubstantially related to the performance. Ahmed, 2020 reported that in the stock market, the firms with strong pre-2020 finances faced mild pandemic impacts.

Riaz et al., (2022) determined the investor's behavior in the firms listed on the stock market of Pakistan by considering such determinants that influenced the extent of behaviors of the investors in the face of this contagious disease. The determinants that have been analyzed affecting the behaviors were related to fear of losses, loss aversion, dividends, expected corporate earnings, etc. Besides, Wang et al., (2022) determined the impact of this contagious disease on the stock exchange of Pakistan, by assessing the profitability of the financial markets of the United Kingdom. This research was conducted to report on the risk to tolerance generally and financial risk to tolerance factors that affected the variables of the study thus, concluding that there is a moderate impact of uncertainty between the novel corona disease and the financial risk to tolerance and profitability rate. In addition to this, the economic impact of Corona disease has been forecasted on developing countries- the case of Pakistan (Chohan, 2020).

Moreover, a study conducted on measuring the effects of pandemic fears at the firm level, using one profitability ratio, return on asset (ROA) as a measure of financial performance of the enterprises listed on the Pakistan stock exchange with a sample size of 540 listed firms reported the negative impact of this disease on these targeted firms (Imran, Saleem & Rehman, 2021).

Therefore, as discussed in the previous studies the severe impacts of this corona pandemic, it would be expected that it might reduce the financial performance of the Pakistani micro, medium and small firms in the first quarter since February 2020. In the world literature and particularly in the Pakistani context, the effects of this crisis have not been investigated yet at the firm level in the financial sector and hence, the assessment of this contagious disease is critical for the firms to help them in determining their suitable business models and strategies.

Further, it is reported by Zheng et, al. (2020) that the scholarly literature regarding the impacts of this deadly contagious epidemic on the performance of the financial sector firms is scarce as the majority of the studies assessed the consequences of this virus generally on the performances of stock markets. Notably, as is the case of Pakistan, from January 2020 to date, the stock exchanges faced ping pong effects in the face of this contagious disease (Jabeen et al, 2020).

Additionally, the severe demand and supply shock worldwide created by the Covid fear pandemic resulted in severe turmoil has first and foremost impacted the most vulnerable small business enterprises. In repose to this emergence of coronavirus disease, the government of Pakistan in late March 2020 started imposing lockdown measures in the major cities and in the regions all around the country where the pandemic started to spread rapidly. However, the bans imposed on public transport in the major cities like Rawalpindi and Islamabad dramatically

affected the sector in which the micro, medium and small enterprises were operating and were heavily exposed to the flow of trades ("Research: Impact of COVID-19 on Micro, Small, and Medium-sized Enterprises (MSME) in Selected CAREC Countries – CAREC Institute", 2022).

Rapid policies responses were launched by the government officials of many nations and also by the development banks across the regions just within a few months after the health organization (WHO) on January 30, declared this Coronavirus to be a world health emergency of international concern. The immediate support was provided to the most vulnerable element of the economy such as micro, small as well as medium firms (MSMEs) of Pakistan (ADB, 2020a; Felipe & Fullwiler 2020). Even though the policy responses were implemented and economic relief packages were announced, still this contagious disease quickly spread all around the globe harming the vulnerable small & medium firms, and the IMF (2020 a) and Asian development bank (2020 b) had to revise the predictions of GDP growth rate.

To thoroughly investigate the impacts of this Covid on micro, medium & small organizations, some scholars conducted empirical studies. For instance, a research study carried out in the country USA. Bartik et al. (2020) & Fairlie (2020); the study conducted by the researcher in Pakistan, Shafi, Liu, and Ren (2020); Guo et al. (2020) and Lu et al. (2020) in the second-largest economy China where this virus emerged out; as well as the study of Ferrando & Ganoulis (2020) in twelve European nations.

Several kinds of research were aimed at assessing the severity level and determining the importance of this Covid-19 effect while many other studies investigated the characteristics of the companies and business operations that were hit hard by this deadly contagious disease. Few others highlight the support policy that most of the firms considered to be effective in response to

this crisis. Despite these researches, the existing literature on the impacts of Covid-19 is so limited that the validity of the findings of these studies and generalizability to other regions remain unconfirmed as the coverage of countries is very limited. Thus, the current study is motivated by this limitation in literature and uses survey data of other MSMEs with consideration of different populations and sample sizes in various sectors of Pakistan. However, these sectors and regions are different based on severity level and threats that this pandemic poses in relation to the confirmed infectious cases reported and the death rate.

With the outcomes of this current study, the researcher comes up with numerous variations between these findings and the findings of some previously explored studies. For instance, Fairlie, (2020) made concluding remarks that female entrepreneurial business activities are disproportionately affected by this epidemic. While the findings of this study do not indicate any significant impacts of Covid measures on female-owned businesses, as far as the sales revenue of the firms is concerned. On the contrary, Guo et al. (2020) studied and concluded that the response to the epidemic and business performance of the firms were enhanced by digitalization but the current investigation does not find any such evidence.

### **1.3-Literature Gap**

Keeping in view the extensive literature emerging in the presence of the Coronavirus Pandemic, this study aims to explore the “Financial Viability of Covid fear” in Pakistan. Numerous studies have been conducted so far on quantifying the impact of this deadly virus broke-out at the end of the year 2019 on economies and firm’s performances but still, we identified a gap in the literature regarding its impacts because this virus still exists and presenting major challenges to nations regarding health and financial issues. For instance, Shafi et al., 2020 explored a study on small and medium-sized firm’s performances by using data of 184 MSMEs

that generally measures the impacts of Covid-pandemic and concluded that the performance of these participating firms is severely affected during this pandemic period, but the limitations of this study provide a room for more research by expanding the sample size and performance measure variables. The literature indicated so far that these small enterprises are fighting for survival due to the severe damage caused by the economic downturn, therefore, this current study aimed at exploring the impact of Covid fear by adopting different sample sizes and sectors and using ratios ROA and ROE to measure the performance of the micro, medium and small-sized firms operating in Pakistan.

#### **1.4-Problem statement:-**

Fear of Covid-Pandemic, a widely spread contagious disease resulted in a situation of phobia due to which business activities of operating firms come to halt in financial and non-financial sectors of Pakistan. Some studies showed negative effects on a firm's performances while others indicated no or minimal effect due to strong business models and strategies adopted by targeted firms. This epidemic has caused a tremendous loss to countries and various sectors. As everyone is aware that micro, medium, and small-sized firms contribute a lot to the economies, there was a consensus that this vulnerable sector will suffer a lot in the face of this crisis (Hajjar, 2020). However, as the impacts vary across countries, regions, and sectors, there is still a need to investigate this change caused by this pandemic on micro, medium, and small firms in Pakistan. For this purpose, ROA and ROE are taken as measures to assess the performance of targeted firms, and thus, this study is solely conducted in Pakistan in which the Covid-19 fear is taken as an independent variable and the firm's performance is a dependent variable.

### 1.5-Research questions

- 1- How has the Covid-19 pandemic affected the financial viability of MSMEs in Pakistan?
- 2- Has the performance of the firm affected due to Covid-19 is different from different MSMEs sectors of Pakistan or the same?

### 1.6-Research Objectives

- ✓ The goal of this thesis is to survey the emerging and rapidly growing literature on the financial viability of Covid-19 fear.
- ✓ To explore the severity level of Covid fear impacts on firm's performances.
- ✓ To explore whether all the firm's performances are equally affected by Covid-19 consequences or it is different in different sectors.

The current study is thus, conducted for the addition in the existing studies on exploring the impacts of the Covid- Pandemic on the micro, medium & small-sized enterprises of Pakistan to fill the gap in the studies. It is conducted to clarify the novel virus outbreak influences on the financial performance of these firms that can be measured by the profitability ratios of the firms like return on Assets as well as return on Equity by using the quarterly data in which the disease spread across the country.

Generally, the researcher found in this study that in the first half of the year 2020, these targeted firms of Pakistan have been affected by the Covid-19 crises and it has severely harmed the performances and profitability of the targeted firms. This outbreak attempted to reduce the return on equity and return on assets of the enterprises as well as the revenue growth rates of these firms.

### **1.7-Significance of the study**

This study has been conducted with a specific purpose in mind and can be beneficial for the various institutions in the following ways.

#### **To achieve academic purposes:-**

This study that has been conducted to remove a gap in the existing literature on the threats posed by the Coronavirus disease on various financial and non-financial sectors of Pakistan serves the academia by helping the students to get deep insights on the topic and work on more enhanced ways to improve the findings of the study.

#### **Regulatory Bodies**

This study under the title “Financial Viability of Covid Pandemic- a case study of Pakistan” will enhance the information for the regulatory bodies regarding safeguarding interests in the face of this crisis and how to improve the financial performances of the firms operating in various sectors of the country.

#### **To assist fund managers**

With the help of this study, the knowledge of the institutional managers and owners will be enhanced further which will assist in predicting the most favorable solutions for the firm's performances in case of this natural calamity. This will further provide insights on how to improve the productivity level of the financial performance of targeted firms.



## 2.0-CHAPTER NO 2-LITERATURE REVIEW

### 2.1-Literature Review and Hypothesis formulation

Several scholarly studies have been conducted and the literature work on the severe pandemic effects is available to highlight its adverse effects on almost every sector of the world around us. These negative pandemic outbreak results are just not confined to the healthcare causalities, but they tended to affect financial sectors across the globe resulting in destabilizing the confidence of investors in stock market trading. However, in the face of this Covid-19 outbreak, the sustainability goals of the businesses have lost their momentum (Anser et al., 2022)

To observe the financial viability of the Covid fear pandemic crosswise diverse economic settings, specific literature is presented in detail in this section. For example, Topco and Gulal (2020) explored that stock marketplaces dangerously responded to the shocks to actual oil charges and money exchange rates, due to inflamed COVID-19 diseased cases (Pratapa SK, 2020). The stock market uncertainty is extreme in developing business environment followed by the Middle East and South America; while the Central & Eastern European Community is least affected. Seriously, organizations lessen the financial ruin through numerous stimulus packages to decline stock market uncertainty across republics.

Al-Awadhi et al. (2020) investigated and examined the Chinese stock marketplace to observe the dimness of COVID-19 diseased cases and defined deaths on stock market takings crossways all businesses, thus, creating a negative linkage among them. The necessity for wild response time to contain pandemic cases and defined mortality may support still stock market trends. Li et al. (2020) found that the epidemic of the COVID-19 disease measured the chief driver of stock market uncertainty, caused enlarged safety payments. The best assurance may

have been enhanced through money rules during the current disease. The whole financial actions are vital for defining the fights among board associations and guarantors to settle down their accounts professionally.

The Covid-19 virus broke out in Dec 2019 and the cases that appeared in early 2020 quickly stuck societies and financial prudence (Parnell et al., Ratten, 2020). Businesspersons have suffered a great loss due to measures of social distancing imposed and other familiar operating actions of doing business during COVID-19. Meanwhile, these business owners and entrepreneurs take the chance to solve complications and present situations to benefit the world; they also face serious implications of these conditions to maintain their existence and status (Williams et al., 2017).

The pressure expanded by the coronavirus disease affected the outcomes of the business activities. The economic activities harshly affected by the pandemic consist of the hospitality industry, hotels, transportation, oil and gas sellers, cafeterias, and event managers as they did not have their contingency plans in place. Some businesses rapidly adapted with this emergence to sustain their business environment, for example, restaurants present home delivery of food, hotels open for or with isolation services, and goods marketing over social media platforms. Like this, private and small-sized enterprises provided unique and advanced ways to endure and scale-up businesses during the COVID-19 disaster. It relays business direction for “firm-level social features of appealing in product-market origination, sponsoring advanced behavior within the firm, undertaking rather risky projects and being the first to rise with active innovations” (Wang & Altinay, 2012).

**H0:- Covid-19 pandemic fear has no effect on the financial performance of MSMEs in Pakistan.**

## **2.2- Covid-19 pandemic situation in Pakistan**

In December 2019, this disease was reported as an outbreak of pneumonia of unknown etiology but later on the number of increasing cases diagnosed to be caused by a novel Covid-19 pandemic which instantly spread all around the globe (WHO, 2020b). In January 2020, this has been declared by the world health organization as a public health emergency of international concern after the realization of the severity level of the prevailing situation (WHO, 2020b). On 11 March 2020, after the world health organization declared it as a serious concern, the number of pandemic cases amounted rapidly within a very short time frame across the entire globe (WHO, 2020c). Even after a few months of this spread, still, there was a constant rise in the number of cases and deaths which were increasing rapidly after six months, and in July 2020, almost 14,043,176 confirmed cases of a novel coronavirus in almost 216 economies were reported by world health organization which resulted in 597,583 cases of deaths (WHO, 2020a).

## **2.3Sector-wise Pandemic fear effects**

### **Covid-19 effects on Business Sector:**

In this research, the target sector is the “Business Sector”. The covid-19 disease has severely affected the business operation management processes and buyer behaviors and trends. Due to the fast spread of the virus, the disease has immediate socioeconomic values both for established and emerging countries and is soaring as new usual. According to the World Bank statement on Global Financial Viewpoint (2020), the Covid-19 collapse was the fastest reduction in financial growth between all worldwide collapses. It has opposing effects on economies and

business persons, particularly those belonging to developing nations where administration support is limited.

The main issues that disturbed the business activities and created hindrances are the lockdowns and the immediate control measures by the policymakers. However, the situation is unbeatable; but best practices can be learned from nations like Sweden, and more specifically, from the business owners who managed to scale up their businesses in this pandemic. Theoretical existing literature highlighted the fear issues as a vital indicator warning the business activity for potential and emerging entrepreneurs (Li, 2011; Morgan & Sisak, 2016). The fear has also resulted in low demands and supply of manufactured goods and market inactivity where the small and medium enterprises encountered even more concerns to sustain their business start-up plans. Additionally, in this prevailing pandemic situation, the firms were left with no or partial business activities.

### **Covid-19 effects on Banking Sector:**

The banking industry is vital to the economy because it performs the basic functionality of provision of loans, accepting deposits, and providing financial services. Banks must establish stability to properly perform the essential role of valuable assistance. The banking system's inconsistency is a source of concern, and during the Global Financial Crisis (GFC), the governments of emerging and advanced economies established a major focus for banking stability (Beck, Kunt, & Levine 2009). Instability produces economic collapse; therefore several countries placed economic viability over financial expansion.

The business projects have a tough time supporting and scale-up their processes. There are limited options for converting outdated business models to digital ones. The disease has

made it even tough for individuals to think about alterations in the current structure due to the absence of income and resources capacity. As stated by the World Bank, the Covid-19 collapse will be intense during World War II, and it will tend to create even more blockages for the businessmen in all the fields (World Bank, 2020). As the financial costs would last longer, business activities will face a downtrend nevertheless of their existence in a developing or developed nation. But businesses could face tough situations and financial shocks in developing economies rather than the developed ones (Dahles & Susilowati, 2015; Nasar et al., 2018, 2019).

### **Covid fear impacts on Services sectors**

This deadly contagious disease has posed serious challenges for almost all the economies and industrial sectors of the world because there was a sharp decrease in traveling and economic activities. The sudden emergence of such crises tends to influence the worldwide economies in three possible ways which include impacting firms financially, the effects on production capacity as well as market and supply chain disruptions. However, like all other sectors, the services sector has also faced severe pandemic shocks as the business operations are stopped and thousands and millions of individuals working in the firms are on the verge of experiencing unemployment across the globe (Javed, 2020)

However, in Pakistan, the services sector has a huge contribution to the gross domestic product of the economy and it is a great source for providing employment opportunities for the nationals. Furthermore, it has been reported by the economic survey of Pakistan in 2018-19 that this sector has contributed its share of 61.2% in the country's GDP. The rate of growth in this sector was observed to be 4.71% in 2018-19. According to the state bank of Pakistan in the year 2019, the exports of this service sector were 5781 million dollars (Javed, 2020).

### **Challenges for the manufacturing sector:-**

Due to the decline in demand for imported goods from developing countries like Pakistan, the exporters in the manufacturing sector of the economy faced tremendous financial and operational challenges. Moreover, in the textile sector, several consignments from the exporters were returned and even remain stranded on the port due to the emergence of this novel coronavirus crisis. Unless the pandemic fear situation gets back to normal, no country was willing to bring the exported goods inside the state and the issues were also faced by the exporters in working capital management. Furthermore the small-sized business operating firms most importantly the freelance entrepreneurs have put a lot of effort as the supply chains were disrupted (2022).

Before this current pandemic crisis, the global economic crisis of 2007-08 was recognized as the greatest financial crisis but in this ongoing health crisis, the service sector of the economy faced the hardest hit which has a huge contribution to the nation's economy. Various businesses in the service sector including restaurants, marquees, and marriage halls were forced to shut down due to lockdown and social distancing measures imposed by the state officials. The wholesale and retail trade was also the most affected services sector in the face of this covid-19 pandemic. These two also have a huge contribution to the services sectors besides the transport sector of the country (2022).

### **Worldwide Covid-19 Effects:**

The world is facing a special task due to the rise of the new coronavirus disease-2019 (Covid-19) which has spread to most countries worldwide after the early outbreak in Wuhan, China (Weible CM, 2020). Initially, at the end of December 2019, the response to the appearance of this deadly contagious disease was comparatively slow but after World Health Organization

(WHO) stated coronavirus as a contagious disease, most nations developed and enforced specific rules such as home quarantine, social distancing, wearing of face masks, regular washing of hands, and in maximum cases, nationwide lockdowns for avoiding, treating, and limiting the spread of Covid-epidemic (Hsiang S, 2020). The pandemic waves emerging one after the other continuously tended to increase unease and mental health phobia between persons across the entire globe (Dubey S, 2020). These responses are natural in case of this dangerous and random nature of the virus (Ahorsu DK, 2020).

#### **2.4-The concept & financial performance's indicators**

##### **Firm's Performance:-**

At the firms' level, a vast literature has reported the performance by many proxies including the size of these firms, their profitability index, leverage level, total asset, and many more like shareholder's equity, etc. But this current study is only limited to the discussion of a firm's performance by using ROA and ROE ratios of the targeted firms.

A company's financial performance refers to its ability to maximize profits in the best possible way to deal with its operational and economic activities that involve managing the existing resources and allocation and collection of business funds. However, this issue regarding the firm's profitability has been at the top of the most discussed topics among financial experts, managers, and researchers. It has been reported that dividend growth rate, assets, sales turnover, and profitability are the indicators that measure the financial performance of the firms. Moreover, several other types of ratios, for instance, return on assets, equity and sales can also be used for measuring the performances of the enterprises (Kabir & Saleh, 2020).

The impact of Covid fear on the performance of various firms operating in the industries of China has been investigated using ROA performance indicator as a dependent variable and numerous other elements like leverage, growth rate, size, and cash flow of the firms as an independent variable. The result thus, indicated that this coronavirus epidemic has indeed affected these firms resulting in the reduction of their income and reduced performances. On the other hand, Nigerian private businesses also showed negative performances in the face of this crisis that was measured by the ROA of the firms. The study conducted by the researchers suggested that during this epidemic period the government should include privately operating firms in its stimulus packages that enable them to sustain their profitability and operation of the businesses. Additionally, the financial performance of firms listed on the Indonesian stock exchange was also examined and it was found that this virus caused a substantial decrease in liquidity and profitability e.g., return on assets on these targeted firms during pandemic (Shahimi, Hanafi, Yusuf, 2021).

Shafi et al. (2020) showed a descriptive study to extract the effects of Covid-19 persuaded lockdown on the minor and medium enterprises in Pakistan. Their effort specified that a devastating mainstream of the businesspersons was not ready for such a condition as the lockdown was proclaimed shortly. Neither, they had any strategy to manage such conditions. The numerous studies explored that those businesspersons were facing financial restrictions due to failure in sales and profits. They were facing disturbances in supply chains and reduction in demands along with high transport costs. For their entrepreneurial growth and development, businesses used a variety of methods.

Shafi (2020), for example, undertook a quantitative study to investigate the effects of cooperation on handicraft micro-firms. The study found that collaboration between suppliers,



customers, and competitors, mediated through creative capability, contributes to long-term business growth. However, under emergencies, such as the lockdown and social isolation created by Covid-19, when all business stakeholder interests are at stake, such cooperation becomes difficult or impossible.

Ur Rahman et al. (2021) did a household study to determine the economic effects of Covid-19 on households of various socioeconomic statuses. The coronavirus wreaked on low-income households, forcing them to rely on government support and increased farmer income, according to this study. Households with low income relied on their businesses and employment to support their families. This highlights how a business recovery after a corona pandemic might lead to more resilient economies and reduced vulnerabilities. People who lost their jobs due to the corona pandemic may be able to re-enter the workforce as a result of the business's recoveries. However, before designing suitable development policies, it is essential to recognize the opportunities and challenges that entrepreneurs meet.

### **2.5-Covid-19 effects on Small and mid-size businesses (SMEs)**

The ongoing Covid-19 pandemic has impacted SMEs in the majority of areas. Small and medium enterprises are in a much worse situation as a result of the pandemic. Another study looked at over 5,800 businesses that were connected to the network and found that the Covid-19 epidemic had harmed only one cooperative and small partnership. Due to a lack of resources, businesses have been temporarily closed as a result of the pandemic (Bartik et al., 2020). Commercial enterprises have also revealed the negative consequences of Covid-19 on the business environment (Seetharaman, 2020). Forceful and involuntary business closures, as well as operational constraints, impacted small and medium-sized firms to a great extent (Fairlie, 2020).

In the literature review, the variables that supported and restricted entrepreneurial activity during the COVID-19 epidemic were discussed. Even though pandemics still have a greater impact on developing countries, it is vital to research and investigate the situational response and strategies used by entrepreneurs in those countries to deal with the Covid-19 crisis.

**H2:- The COVID fear outbreak has negatively impacted the financial performance of the micro, medium, and small firms of Pakistan.**

### **Fear of Financial Disaster**

This fear of financial disaster has several allegations. Its purpose might contain a plan to reach a goal. The fear of the indefinite is a driving force to take benefit of the uncertainties of the other party. The several characteristics of fear have not only remained studied as a plan to motivate workers in business settings but it is similarly used by political parties to establish their plans and growth policies (Townley, J., 2013). Fear arises from such an accidental situation; in some circumstances, we can expect the result, and in further cases, the outcomes remain unidentified. Rapid changes in the social basic situations lead to worry and fear between people.

Research reveals that these variations create trouble between the masses and require people to take strict decisions for example self-harm and suicide (Zivin, K.; Paczkowski, M.; Galea, S., 2019). Research studies specify that the financial disaster contains redundancy, financial miseries of workers, and professional insecurity (Giorgi, G.; Shoss, M.K.; Leon-Perez, J.M., 2020). Giorgi (2021) also described the financial crisis as a command stressor together with multiple issues of a worker's financial life, as well as the fear of employment loss and job uncertainty.

The literature also studies the fear of financial disaster as an advanced concept and describes it as an awareness of the worker about the association that something for example economizing will take place in the organization shortly (Giorgi, G.; Arcangeli, G.; Cupelli, V., 2020). A study discovered that the main reason for suicide was the burden that there are no jobs in the marketplace and job loss. Continued financial disaster leads to financial poverties between the people employed or trying to find work. These sufferings cause mental distress and fear of joblessness amongst the employees. The financial disaster has an important effect on working people (Shoss Mindy, K.; Tahira, M.P., 2012).

Micro, medium, and small-sized enterprises (MSMEs) have considerable importance for generating business economic activities as they constitute the majority of the registered business firms. Moreover, they tend to drive innovation if merged with other large organizations, supply the bulk of employment opportunities, and in case there exist favorable conditions. MSMEs are typically fragile at the same time, as they do not have access to essential resources and finances. However, due to their fragile nature, they are first to feel the hit of negative economic shocks; but if the government considers their importance to the economy and tries to implement beneficial policies, these small firms can drive maximum advantage and the country's financial recovery (Sonobe et al., 2022).

### **Business Requirements**

Entrepreneurship would require innovative activities to have a competitive edge in the marketplace. As specified by Lerner et al. (2018, p. 52), "important to the study of entrepreneurship is the essentiality of the business activities." Keeping in view the Covid-19 crisis across the world, it is uncertain how businesspersons have planned and moderated their business dangers, but a few success stories. Entrepreneurship studies were issued throughout the

Covid-19 disease. They scarcely discovered the businesspersons' viewpoint to endure and scale up their enterprises throughout Covid-19 (Linan, Ratten, & Salamzadeh et al., 2020).

Thus, this report measures the performance of small and medium-sized firms termed as MSMEs operating in Pakistan. Pakistan being a large country has met with tremendous economic shocks, periodic instabilities and confronted the limitations in infrastructure, but at the same time, it is recognized as having significant economic potential. Therefore, the rest of this research study proceeds in the following manner.

Chapter no 3 comprises of methodology and the research & survey design sections. It attempts to highlight the possible sources of data collection and sample selection bias and describes the characteristics of the targeted firms based on their size etc. The questionnaire, variables, and data collection and analysis are discussed in detail. The next chapter no 4 reports on the findings of the study and the regression analysis and provides future recommendations for the scholars by highlighting the limitations of the study. Finally, the section next to it, chapter no 5 concludes the paper with the summary of key findings of the survey analysis and the final thoughts.

### **3.0-CHAPTER NO 3-RESEARCH METHODOLOGY**

#### **3.1-Introduction to Research methodology:-**

This third section of the paper contains a practical research model to analyze the impact of Covid pandemic fear on the performance of micro, medium, and small-sized firms operating in different sectors of the country, Pakistan. The methods to conduct this research study have been followed in steps by the researcher to reach the specific results and findings of the study in the next section IV.

#### **3.2-MSMEs in Pakistan- Methodology**

The specific purpose of this research report is to quantify the effects of Covid pandemic fear on the performance of micro, medium, and the firms that are small in size across major cities of the nation, and thus, their representative sample that reflects the main sectors of their operations were identified and selected for survey to quantify epidemic effects on the business operations of those firms. This sample was specifically adopted for making a comparison of the firm's situation from February 2020 onwards till June 2020 and the month before the covid outbreak.

To gather data on the variables of the study, only those firms were contacted to participate in the surveys which were actively operational at the time of the study. Furthermore, it was based on government data. The questionnaire to be sent for the survey was comprised of 15 questions and the interviews were conducted keeping in view the restrictions imposed for the covid-19 disease through telephonic conversation over the period from January 2020 to June 2020.

### **3.3-MSMEs Pakistan Context & Survey**

To assess the impacts of a pandemic fear on business operational activities, 150 medium and small sized firms were surveyed by the researcher. This research survey took place between January to June 2020.

### **3.4-Research framework:-**

To gather and analyze the data, the design of the research defines which steps are required to be followed to reach the findings and conclusion of the study. The whole process of collecting, analyzing, and validating the data is greatly influenced by the selected research model, so it is of immense importance. This process attempts to define the methods, techniques, and strategies to be adopted, the appropriate sample size to be selected, and how the data thus obtained during the whole process has to be analyzed. Therefore, it is very important to understand and properly implement the research model.

This research study considers using various approaches as a data-gathering technique by keeping in view the time frame limitations in which the study is being carried out. The researcher, however, considered adopting the mix of questionnaires and interviewing techniques over voice and video conferencing to generate the most accurate responses. The interviews were also conducted through direct telephonic conversation with a view of the limitations that most of the participants and respondent firms of the study fall in the category of suppliers and vendors who are not well versed with English speaking and understanding language, they can only communicate in their local languages like Urdu and Punjabi.

### **3.5-Population & Sample data**

The population for this research study consists of all the micro, medium & small-sized enterprises operating in different manufacturing, services, and retail & trade sectors of Pakistan.

Moreover, from this population, the sample of 150 firms was selected using a simple random sampling technique and the data for this sample was obtained from 1 Dec 2019 to 30 June 2020. The survey was conducted across these sectors by sending an online questionnaire to 200 firms and almost 157 firm owners participated in this survey and shared their opinion.

The micro, medium, and small business owners and entrepreneurs who participated in the survey were from major cities of the country like Rawalpindi, Islamabad, Lahore, and Karachi. To analyze the collected data, a descriptive statistical analysis approach was employed by the researcher. To maintain the confidentiality of the participants, their participation was fully voluntary. Moreover, to fulfill the objectives of the study, before the data collection process an ethical consideration was mentioned in the guidelines of the survey designed and distributed. Four main sectors were considered manufacturing, trade, retail, and services. The micro, medium, and small enterprises that were considered sector-wise as research sample study are as follow:-

- 1- Sole trader
- 2- Micro-sized (1-10 members)
- 3- Small-sized ( 11-50 members)
- 4- Medium-sized ( 51-100 members)

### **3.6-Data collection sources:-**

To collect data for this research study, the existing published scholarly literature and the annual financial reports of the targeted micro, medium, and small firms were reviewed by the researcher. Therefore, the open-sourced data using a search engine like Google was used to gather information related to the independent and dependent variables studied in this research.

Moreover, this research work aimed to analyze the financial viability of the Covid-fear pandemic by collecting data from the four major MSMEs sectors of Pakistan, which took place in two stages i-e qualitative approach and that further proceeded towards the quantitative approach. By using a qualitative approach, the already published literature has been examined by the researcher to collect relevant information and to establish a theoretical framework of the study. In the next phase, the gather stats were analyzed further using the quantitative approach of the research so that the hypotheses formulated in the study can be justified.

### 3.7-Survey Questionnaire:-

The questionnaire format used in the study was designed to take important inputs of the participants which were utilized as opinions from the industry experts, vendors, or suppliers, and interviews over video or voice conferencing were also used to obtain the input of the same in an attempt to maintain the consistency of the data and information thus obtained. Moreover, for extracting genuine and accurate responses for the study, only the experienced personnel of the companies were contacted to maintain the credibility of the information. However, during the interviews conducted by the researcher, the nature of the questions asked was direct, one-on-one, and was kept as neutral as possible.

Additionally, the questionnaire thus formed was divided into sections, the first section (A) containing the personal information of the respondents, section (B) containing company profile, and section (C) containing 15 questions on Covid-fear scale and impact on business performance. Almost 157 firms were contacted which belong to different sectors, and 10 interviews were conducted due to the time limit from which the number of responses obtained was 8. The small and medium-sized firms operating in different sectors of Pakistan that were reached by the researcher in the limited timeframe were all factory owners and workers and



major players or entrepreneurs in the industry. The questionnaire and responses are attached in the appendix. To collect responses, the questionnaire containing 15 questions was sent to the respective micro, medium, and small firms (attached in appendix 1). The responses for the interviews conducted through telephone and video call are attached in appendix 2. However, the questionnaire format is as follow:-

- 1- Personal information
- 2- Company profile
- 3- Covid impact and government support measure

To measure the financial viability of covid fear on business processes 150 firms were surveyed with the technique of interviews taking place from 1st Dec 2020 to April 2020. Additionally, this questionnaire was adopted from the existing study conducted with the consideration of analyzing the adverse effects of Covid-19 on micro, medium, and small enterprises ("Research: Impact of COVID-19 on Micro, Small, and Medium-sized Enterprises (MSME) in Selected CAREC Countries – CAREC Institute", 2022)

### **3.8-Tool & Techniques of data analysis**

For the purpose of measuring the impact of Covid-19 on form's performance, the regression model was applied with SPSS software version 2.0. The outcomes, thus obtained by performing this analysis were used for concluding remarks. The regression analysis as a measurable strategy was adopted in the examination and the effect of certain variables being studied was considered to be statistically significant for  $p, 0.05$ . Furthermore, the review of already published studies to obtain relevant data will be accurately analyzed and filtered to enhance the validity and accuracy of the information generated. The results obtained depending

upon the variables being studied will be compared with each other and the graphics like charts, tables, and graphs would be included for data analysis.

### 3.9-Research Model

#### **Independent variable= Covid fear impact**

The outbreak of the covid-19 pandemic has an impact on everyone's physical, mental, and psychological health as well as the financial health of the firms around the planet. Therefore, this pandemic fear was utilized as an independent variable in this study.

#### **Dependent variable= Firm's Performance**

As a dependent variable, financial performance is used. The outbreak of the covid-19 pandemic has had a significant impact on the working environment of a wide range of businesses. As a result of the COVID-19 pandemic, researchers and academics are paying closer attention to professional performance. The performance of the business sector was used as a dependent variable in this study.

### 3.10-Research Equation

#### **Firm's Performance= $\alpha$ + $\beta$ COVID19+ $\gamma$ firm's controls + $\epsilon$**

The performance of the targeted micro, medium, and small firms is assessed by using two ratios ROA & ROE. Covid-19 pandemic the core explanatory variable is measured by the logarithm of pandemic cases and the control variable at the firm level is the size of the firm. The alpha ( $\alpha$ ) and beta ( $\beta$ ) are two measures used to assess the performance of the given firms concerning market index, along with R-square and the standard deviations.

## **Summary of research Methodology**

### **Inclusion Criteria**

The study included those who had access to social media and were able to analyze and read English. Participation was completely voluntary, and completing the survey shows written consent.

### **Study Duration**

This research study included the data from 1st Dec 2019 to June 30.

### **Research Instrument**

The participants were given access to an online questionnaire based on Ahorsu et al., (2020) "Fear of COVID-19 Scale." The FCV-19S is a set of questions designed to assess COVID-19 infection fear. Questions were scored on a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree).

### **Sampling Technique**

A voluntary response sampling method was used; an online questionnaire was issued to 180 people, of whom 157 responded.

### **Data Collection**

Social media sites such as WhatsApp, Facebook, and Twitter were used to circulate the link to the online questionnaire. Data on existing data, fear perceptions, and causes were collected. For analysis, the data is collected and maintained in MS Excel.

**Research Methodology:** - Qualitative and Quantitative

**Data Collection Techniques:** - Questionnaires and telephone interviews

**Sampling technique:** - Simple random sampling

**The target population of the study:** - Formal active MSMEs in four main sectors of Pakistan

**Geographic coverage:** - Major cities Rawalpindi, Islamabad, Lahore, and Karachi

**Interviews length and questions:** - 15 simple multiple-choice questions and interviews taking 15-20 minutes.

## 4.0-CHAPTER NO 4-Findings and Discussion

### 4.1-MSMEs context and survey result

MSMEs in Pakistan, which consist of almost 90% of all the firms and employ almost 80% of the non-agriculture labor workforce tends to make a significant contribution to the economy. According to SMEDA, the MSMEs in Pakistan make 40% contribution to Gross domestic product and round about 25% contribution to the export earnings of the country (SMEDA, n.d.7). In addition to this, the MSMEs segment of the country is composed of numerous small-sized businesses and therefore, covers the marginalized areas that are more widely distributed. However, considering the importance of both social and economic contribution, the development of this MSMEs sector of the economy is very critical for the government (Khawaja, 2006). The micro, medium, and small-sized firms are defined officially by the state bank of Pakistan and are used as a benchmark in terms of targeted financial assistance. According to the definition provided by the state bank of Pakistan, micro-sized firms are those which employ less than 10 employees and small-sized enterprises consist of almost 50 employees.

Nearly 54% of all the small and medium-sized activity is in wholesale, retail, restaurants, and the hotel business as indicated by the Pakistan Bureau of statistics. On contrary to this, service providers and industrial establishment contribution are 20 to 23 percent respectively. Furthermore, of the MSMEs which are involved in wholesale and retail activities, 98% of them employ less than 5 members and only 1 percent of these Pakistani firms employ more than 10 people. In the manufacturing segment, even less than 5 individuals are employed by 87% of the firms and only 2% employ more than ten individuals. This pattern, however, is broken by the mining sector of the country in which round about 56% of the firms employ 6-50 people

(Khawaja, 2006). In Pakistan, MSMEs primarily is recognized as a less formally organized sector in which almost 96% of the business firms are owned and operated by an individual as a sole proprietary firm.

#### 4.2-Descriptive statistics of the study:-

Descriptive statistics are being used by the researcher to illustrate the basic characteristics of the sample respondents selected to conduct this research study.

#### 4.3-Demographics characteristics of survey participants:-

The maximum respondents of the survey were males working in different industrial sectors of MSMEs in Pakistan the details of which are presented below in the table:-

**Table No1:- Participant’s division based on gender**

Gender	Frequency Distribution	Percentage (%)
Male Respondents	78	51%
Female Respondents	74	48.4%

**Table No 2:- Distribution by ages of respondents**

Age of respondents	Frequency	Percentages
Up to 25	102	68%
26-30	37	24.7%
31-35	10	6.7%
36-45	1	0.7%

46 & above	0	0%
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This table indicates that the majority of the respondents fall in the age range of up to 25 comprise of 68% of the targeted sample. 24.7% comes in the age range of 26-30. Moreover, 6.7% comes under 31-35 and 1 percent is above 36 years of age.

**Table 3:- Distribution of participants by firm's sector**

MSMEs sector	Frequency	Percentage
Production & Manufacturing	83	53.9%
Services sector	54	35.1%
Trade or retail	17	11%

53.9% of the respondents were related to the service sector so according to the survey responses, the services sector has the hardest hit in this pandemic. Almost 35.1 % belong to the production and manufacturing sectors and the other 11% are related to trade or retail.

**Table 4:- Division of participants based on the industry they belong to**

Industrial Sector	Frequency	Percentages
Financing, insurance & real estate	43	27.4%
Construction	24	15.3%
Information Technology	38	24.2%
Pharmaceutical	6	3.8%

Agriculture, forestry	5	3.2%
Travel & tourism	15	9.6%

This table shows that the maximum of the respondents belong to real estate and financial industries and 24.2% are operating under the information technology industry.

**Table No 5:- Regression Analysis**

**Variables Entered/Removed**

Model	Variables Entered	Variables Removed	Method
1	SIZE, ROA, ROE <sup>b</sup>	.	Enter

**a. Dependent Variable: COVID**

**b. All requested variables entered.**

**Table No 6:-Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972 <sup>a</sup>	.944	.942	.29593

**a. Predictors: (Constant), SIZE, ROA, ROE**

Table 6 highlights the impacts of Covid fear on the firm's performances and showed that Covid-19 had a substantial association with the financial viability of firm performances and thus this result supports the hypothesis of this research study. (R=0.972). However, based on the



adjusted value of R square = 0.942, these factors indicate 94.4% variation of the dependent variable that is the firm performance measured by ROA and ROE.

**Table No 7:- ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	141.800	3	47.267	539.738	.000 <sup>b</sup>
	Residual	8.407	96	.088		
	Total	150.207	99			

**a. Dependent Variable: COVID**

**b. Predictors: (Constant), SIZE, ROA, ROE**

This table illustrates the findings of ANOVA statistics in which the value of P is 0.000 which revealed that there is a strong relationship between the two variables i-e Covid-19 and the firm performance.

**Table No 8:- Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.006	.113		.056	.955
	ROA	-.070	.053	-.054	-1.314	.192
	ROE	.085	.062	.066	1.376	.172
	SIZE	.958	.064	.956	14.961	.000

### **a. Dependent Variable: COVID**

The above table no 8 shows that with a high level of  $\beta$ , the independent variable has a great impact on the dependent variable. Thus, the results of the study revealed a substantial association between the two variables i-e Covid pandemic fear and firm's performance with t-test statistics 14.961 and the significance level 0.000.

### **Survey result of Covid-Pandemic impact**

According to the findings of this survey, the Covid pandemic had a very significant negative impact on micro, medium and small enterprises across the country Pakistan as the business sectors and firms of all sizes faced tremendous challenges and hurdles such as temporary closure and halt in response to the precautionary measures imposed by the government of the country.

### **MSMEs and Covid-19 Impacts**

Maximum respondents almost 54.8% are agreed that their firm performance was negatively impacted by this covid-19 pandemic.

### **Impact of Covid-19 by firm's sector:-**

53.9% of the respondents were related to the service sector so according to the survey responses, the services sector has the hardest hit in this pandemic. Almost 35.1 % belong to the production and manufacturing sectors and the other 11% are related to trade or retail.

### **Impact on working conditions**

57.3% of the respondents reported that they were partially working due to the lockdown restrictions imposed by the government when this Covid-19 pandemic emerged at the end of the year 2019. Other 50.3% of the businesses were completely come to halt due to severe pandemic effects as they could not survive due to financial constraints. These were mostly the business owners and entrepreneurs who recently started their businesses 1 or 2 years ago before the emergence of this coronavirus disease. So, they had not proper resources for running their businesses. The sole traders and the small and micro-sized firms considered reducing their working hours as the remote work was not suitable for all types of enterprises operating in various sectors.

### **Impact on the profitability of the firms**

As a result of this survey, 56.1% of the participants agreed that their sales revenue and profitability were badly impacted by these covid-19 lockdown measures as they faced material shortages. This has negatively impacted the demand and supply of the products manufactured by the MSMEs.

### **MSMEs coping with Covid fear impacts**

Most of the MSMEs reported that in the face of this Covid pandemic they had to reduce their staff in February 2020 as they were worried about the increasing number of covid cases. This practice has badly affected the working conditions and operations of the firms. However, 58.6% of the enterprises reported that they are taking measures to cope with the challenges of this crisis and did not receive any support from the government during this time of crisis.

## **Trade, Industry and Business Performance throughout Covid-19**

As stated in previous sections, Pakistan's economic space to absorb any big shock was already limited. Unlike most other countries, Pakistan lacks the financial resources to assist businesses on the point of collapse as a result of the pandemic. According to Pasha and Kardar's projections, the industrial sector is expected to decrease by 14–22% in the fourth quarter of FY20, while the services sector is expected to contract by 11–15%. Agriculture is expected to grow by only 1% this year. The World Bank forecasts a 2.1 percent decrease in industrial growth and a 1.7 percent decrease in service sector growth in FY20. The industrial and services sectors are predicted to remain weak in FY21, with growth rates of 0.7 percent and 0.8 percent, respectively.

Businesses and industries are in serious trouble, according to reports from the ground. Because of the COVID-19 situation, Pakistan's flagship carrier, Pakistan International Airlines (PIA), which was already losing money, has been named as the airline most likely to go bankrupt in the next two years (Kotoky, 2022). According to Pakistan's Ministry of Aviation, the sector might lose up to PKR 25 billion in just two weeks of lockdown (Waqas Ahmed, 2020). The lockdown was costing Pakistan Railways PKR 1 billion every week. The vehicle industry has been hit extremely tough, with sales falling roughly 50% (Aamir Shafaat Khan, 2020).

The pharmaceutical industry has witnessed a 50 percent decline in sales and a 300 percent increase in the cost of raw materials as a result of Prime Minister Khan's decision to ban all trade with India (Usman Hanif, 2020). Revenues in the telecommunication sector have also dropped by 10–15 percent due to a drop in voice traffic during the lockdown. Because of the

restrictions on travel, a large portion of the telecommunication earnings came from pre-paid cards, which are not being refilled as regularly as they formerly were (Khurram Hussain, 2020).

Small and medium enterprises, particularly small traders, are also suffering. A one-day countrywide lockdown was predicted to cost the economy around PKR 60 billion in 2014. Extrapolating from this and adjusting for 2020, the economy will lose at least PKR 100 billion per day, which is supported by early April projections of a PKR 2.5 trillion loss. According to a recent survey, small companies in Rawalpindi's key commercial centers are losing nearly PKR 600 million every day (Shahram Haq, 2020). The organization of large, tax-paying organized businesses claimed a loss of PKR 900 billion in 45 days of lockdown in an appeal to Khan.

## **5.0-Conclusion and research recommendations**

In the year 2020 due to the outbreak of Coronavirus disease, tremendous demand and supply shocks were experienced by the world economies and no country was immune to its effects. However, to cope with this outbreak government considered imposing lockdown measures and the primary effects of micro, medium and small firms were felt through these measures. The business operation throughout the world, transportation, trade, and employment all the areas were severely affected in the face of these pandemic lockdowns. The larger and stronger economies of the world with their strong business models were in the position to face the crises by implementing massive stimulus measures including direct business subsidies and furlough schemes but the emerging economies like Pakistan that is discussed in this report had limited capacity for offering relief measures.

In Pakistan, various micro, medium, and small firms operating across the country suffered business losses and supply chain disruption resulting from this the fear of this disease

Due to the movement and travel restrictions imposed by the government, the major contraction was seen in the demand of goods and the workers were not able to get to the places of their employment and hence it badly affected the working conditions in the firms. This has resulted in temporary business closure as well as a complete halt to the business operations as more of the MSMEs are engaged in the service sectors and trade and retail and they experienced negative shocks due to this massive outbreak. Several firms and business owners that participated in the survey reported that they were forced to operate partially during a lockdown or their businesses were completely come to halt.

Moreover, the results and findings of this survey study indicated that most of the firms in various industrial sectors were relying on their resources and did not receive any support from the government. Therefore, there is a need for a further research study to investigate support programs and to establish why there was a lack of inefficient and poor uptake of these governmental support programs. It seems like there was inadequacy in allocating business resources by the government and other relief packages and support programs or perhaps they were targeted poorly. There is also a possibility that the MSMEs were not well aware of these policies and programs or they might have faced bureaucratic impediments in a way to access these government subsidies.

### **5.1-Future recommendations**

In light of the importance of micro, medium, and small enterprises to nations' economies and creating employment, the government official and the policymakers should recognize the importance of their contribution towards the prioritization and the development of these firms regardless of the slowdown caused by this coronavirus outbreak. Additionally, first of all, they

need to consider the threats posed by this pandemic on the performance of these firms for the establishment of economic development policies and plans.

Furthermore, it is required by the government to thoroughly investigate the reasons why there were fewer uptakes of government support programs by this micro, medium, and small enterprises operating across the country. However, the needs and requirements of firms of different sizes and nature including sole traders and micro firms required to be properly assessed in different sectors of the country.

Better coordination with small and medium-sized firms should be a priority of the policymakers to investigate what has worked best for them and which areas need further improvements. It is because without proper coordination and being able to assess MSMEs, it will not be easy for the policymakers and government officials to assess performance formulate policies and design support that is suitable for the betterment of firms. To gather timely data related to the performance of MSMEs, more resources and government attention is required to be focused and this is especially true for Pakistan where the timely and up-to-date statistical data is not available for the MSMEs sector.

To identify issues being faced by MSMEs across different sectors of Pakistan it is recommended to conduct regular quick surveys so that more time and real-time feedback can be provided to the government and this is especially crucial in the territory of recovery from the consequences of the Coronavirus epidemic. To appropriately measure the progress of the firms, the standard firm-level surveys should be adopted by the government similar to the ones conducted by world banks or other such financial institutions to immediately identify the issues on the regional level.

Keeping in view this covid-19 outbreak and unprecedented spread of its fear, it is required by the nations to act astutely and in an ad-hoc fashion because there are lot many recipients who are not well-aware of the assistance provided by the government and how to have accessed this aid. In the light of this unawareness, clear and comprehensive campaigns are required to be designed and established to make MSMEs recipients aware of all government relief packages. This should be intended to make this assistance easy to be accessed by those who need it in times of crisis.

The survey conducted in this study has highlighted that businesses are in need to quickly modify and diversify their channels of selling goods and services because the utilization of online selling processes is very low making it difficult for the business organizations to identify potential consumers of the products and possible gap in the target markets. However, to facilitate sales and trade by small firms, the government should play its role in digital transformation by making considerable investments in internet platforms and broadband infrastructure.

Several businesses with informal existence and MSMEs typically encounter many challenges and hurdles to accessing finance and government assistance so it is necessary for the policymakers that they should consider enhancing the capacity of financial institutions and banks in addition to the more targeted assistance provided to firms. Furthermore, to ensure a sustainable recovery of the firms suffering from pandemic crises, the government should speed up its efforts of formulating policies that can bring improvements in the business environment for MSMEs.



## **5.2-Limitations of the study**

Although this current research study attempted to provide insightful practical & theoretical implications regarding Covid shocks experienced by MSMEs in Pakistan still there are some limitations due to time constraints and the availability of relevant information that make a room for further research studies to be conducted on this topic. Moreover, the size of the population sample selected to find results for this study was not adequate for the representation of the respective targeted industries and sectors.

The covid-19 outbreak resulted in creating new obstacles and numerous other challenges regarding the health and safety of workers, besides creating financial and social consequences. Therefore, in the future, the scholars can have the opportunity to consider the health and safety challenges that the companies are facing to assess the impact of coronavirus disease in more depth and to provide more accurate information with different sample sizes about the consequences of ongoing pandemic fear.

Further limitations of this research study are as follow:-

### **1-The country data**

On MSMEs sector across the country, Pakistan does not possess the definite, timely, and accurate statistical measures which make it difficult to analyze the exact contribution of micro, medium and small enterprises to the economy

### **2- Informal business activities:-**

In several regions of the country, the informal existence of entrepreneurship businesses tends to form a considerable portion of employment and economic activity and thus the various

lockdowns restrictions imposed by the government created hindrance in surveying informal business enterprises. These were the business firms that were not registered formally and however, cannot be located on the government databases as these records were used to identify and contact respondents of the survey.

The identification of this nature of firms with informal existence and engaging with them for collecting meaningful data requires different research methodology to be adopted like more indirect methodology and focus groups of respondents which cannot be available through phone call interviews. However, in consideration of the size of the informal business sector and the significance, it has in the generation of business economic activity and employment, the researcher of this study recommends that it should be made a priority to examine the effects of this coronavirus pandemic fear on the unregistered firms of the country.

### **3-Closure of enterprises**

One of the most devastating consequences of this covid fear pandemic was the closure of most of the firms due to which the researcher had to consider telephonic conversation to interview participants of the survey as there still restrictions are imposed and direct interviews were difficult. Moreover, it was not easy to locate the businesses that were completely halted, and thus the sample selection was based on the government-held databases of firms that were active or partially operating.

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Appendix 1

No.	Questions	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5) n (%)
1	Do you have any fears and concerns about Covid-19?					
2	Do you get anxious when you think about Covid-19?					
3	Do you get nervous while watching the news about Covid-19 on TV or social media?					
4	Did Covid-19 Scenario bring any positive change for your firm performance?					
5	Has the pandemic lockdown scenario affected the industry you are operating in?					
6	Has the lockdown negatively impacted your firm's financial performance?					
7	Were you partially operational due to lockdown imposed during the Covid outbreak?					
8	Was your business					

	completely halted due to lockdown in response to the covid pandemic?					
9	Was there any significant decrease in your sales/Profitability/Revenue in the lockdown scenario?					
10	Have you faced difficulties with your material supplies or shortages?					
11	Have the demands of goods fluctuated due to the Covid crises?					
12	Has your firm faced a reduction of employees during February 2020?					
13	Have you faced issues related to supply chain disruption and profitability ratios?					
14	Are you taking measures to cope with the negative impacts of lockdown on employment conditions in your firm?					
15	Did you receive any support from the government to support your business during the Covid-19 outbreak?					

## Appendix 2

**Few telephone interview responses collected from the respondents are discussed below:-**

1-Covid-pandemic fear has badly affected our business. All of our operational activities come to halt in March when the lockdown was imposed in the country and we experienced a huge financial loss and had to pay salaries to the employees for the previous month.

2- Yes, we were operating partially and had considered reducing our workforce from March till June.

3-We faced severe pandemic shocks in February as the import orders were getting canceled and the supply chain operations were disrupted.

4-We were not in the position to take any decision regarding the operational activities because we started our business a few months before these Covid-19 crises and we faced a lot of challenges regarding resources and material shortages. Moreover, we had to cancel several orders as the movement was restricted in the country.

5-We did not receive any support from the government during this crisis period. We were trying to take some measures to cope with this disease but it was very difficult to manage the business in strict lockdown restrictions and we were forced to shut down the operational activities from March till June 2020.