



Covid Impact on Small Business

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Abstract

The sudden attack of COVID-19 has affected human lives and economies to a great extent. The lockdown and restrictions taken as measures by the government to stop the spread of the coronavirus are responsible to shut down many small businesses permanently. In this paper, we will get an idea of how the pandemic has affected small businesses. The world witnessed the largest fall in the number of active businesses. The supply chain got affected due to this and as a result, this affected global trade. Research shows that the impact of the pandemic on the small business and employees have changed the overall business policies facing economic imbalance.

Keywords: Small Business, Covid-19, SARS-CoV-2.

Introduction

The coronavirus pandemic, which first appeared in China, has affected people in more than 188 countries worldwide. The spread of this virus, in addition to the millions of deaths it has caused, has affected many businesses around the world and the global economy in general. The economic cost of the pandemic seems to be enormous, and everyone is wondering how economic recovery can be achieved (Kalogiannidis, et al. 2020). The COVID-19 pandemic has spread at a very disturbing speed to the whole world, infecting millions and affecting the economy of most to a steep downfall resulting in a financial crisis. Global value chains got interrupted due to the coronavirus that connects manufacturers across multiple countries, enterprises are facing a decrease in demand, shortage of raw material, export order cancellation, and transport disruptions. We believe that COVID-19 affected the small businesses because they are lacking funds to somewhat manage or prepare for such a long term disturbance. Besides lockdown was implemented by most countries in late March 2020.

According to a survey, we found that some businesses at that point of time had only about two weeks of cash on hand at that time and had more than \$10,000 in monthly expenses, whereas other companies who earlier made some good profits had only enough cash to sustain for a maximum of two months. Additionally, COVID-19 caused a major economic shock apart from impacting public health. The pandemic had caused massive damages to small businesses within a week and even before the government aid became available (Robert, 2020). Almost half of the businesses had temporarily closed due to the effect and keeping in mind the employees' health concerns. Initially, the regular employees were horrified by the COVID outbreak as the chances of getting infected from a person to another was very high and according to government regulations, people were requested to stay indoors to break the chain of the Novel Coronavirus. But later, they found out that the employers are unable to keep their businesses running due to certain disruptions, as a result, they lost their job.

Even the business that tried to sustain during this time had to reduce its employees by an average of 40 percent since the outbreak. However, the government cannot confirm whether the current business closure is temporary or permanent. Recent analysis after when the government is lifting the lockdown and relaxing restrictions in many states, the government can figure out the active businesses but still, there is no chance of determining the closed businesses as temporary or permanent closure ("COVID-19 and the New Leadership Agenda", 2020). Small business owners who were closed for business due to the pandemic and also faced immense loss during the prolonged period will tend to permanently close their business. Similarly, even the temporary closure of the business is also affecting the owner who somehow managed to keep their business running as the income losses will get reflected in their business for the closed months. As per industries, the number of active businesses faced huge drops in April 2020, with only excepting agricultural businesses. Due to COVID-19, all other businesses like construction, personal services, hotels, restaurants, transportation face a decline in the number of active businesses. The travel & tourism industries are among the most affected sectors as multiple countries banned traveling to stop the spread of COVID-19. The export of skin and leather products, clothing, vehicles, and footwear have dropped by more than 20% since the outbreak. The month of May-June somehow helped businesses to recover. The report from the U.S. Census weekly Business Formation Statistics (BFS) calculation shows that the employer business application fell by over 27% in five weeks from around the middle of March to the middle of April. However, the recent data from Business Formation Statistics also show some proof of businesses bouncing back. Most countries went into lockdown, thus preventing workers and customers from going out of their homes and hampering the supply chains, this resulted in small businesses to go under stress that provides around 7/10th of employments in the whole world and supports around 50% economy globally. Also farmers are in many cases considered "small" entrepreneurs compared to their counterparts in other

sectors of the economy. Therefore, the need for survival leads most of the farmers to unite in order to gain bargaining power(Kalogiannidis,2020).

The Analysis

According to surveys by using data from Current Population Surveys (CPS), we found that during the initial stage of the pandemic and the forced lockdown implementation in the middle of March 2020, small businesses that were operating smoothly for a long time showed a heavy decline in their activity. The number of active businesses was 15 million during the month of February, which drastically dropped to a number of 11 million during the initial period of the pandemic. Though the number somehow got

better when we found the report of May 2020, where it shows the number of active small businesses bounced back and provided us a figure of 12.8 million. However, some businesses failed to roll back due to a lack of enough funds to run the business. The CPS reports also showed that there has been a decline of around 29 % in the total working hours from February to the first week of pandemic, i.e., around the middle of March 2020. Even from the month of February to May 2020, report showed a fall in the working hours of Business owners but that was not more than 20 % and if compared till June then the number shows an approx. 12 % decline in working hours ("Supplemental data measuring the effects of the corona virus (COVID-19) pandemic on the labor market", 2020).

Number of Active Nasiness Owners before and after the COVID-19

	Worked in survey week	Percent change from February	Worked 15+ hours	Worked +30 hours	Total hours worked in business	Unincorporated	Incorporated
June2020	13,794,081	-8%	12,021,520	9,614,237	490,842	8,065,557	5,728,523
May 2020	12,809,946	-15%	11,040,149	8,808,505	448,786	7,292,477	5,517,469
April 2020	11,710,360	-22%	9,821,255	7,684,501	394,678	6,392,480	5,317,880
March 2020	14,475,704	-4%	12,803,107	10,392,909	523,558	8,545,156	5,930,548
February 2020	15,012,693	0%	13,582,876	11,086,054	558,440	8,828,513	6,184,179
January 2020	14,832,717	-1%	13,293,991	11,093,877	551,153	8,649,656	6,183,056

Notes: Estimates from CPS Micordata. Monthly sample sizes are roughly 55,000 for the labor force and 5,000 for business owners.

Source: U.S. Bureau of Labor Statistics

We are further going to discuss the following:

Q1: What impact does the COVID-19 had on small businesses and their profitability?

Q2: What is the impact on employee turnover ratio in small business?

Impact of Profitability on Small business

The sudden breakout of the pandemic due to the COVID-19 impacted almost everything around the world. The world was already facing economic disturbance during 2019, the sudden breakout converted the economic disturbances to an economic disaster. The Coronavirus seemed to be very much infectious and spreads from person to person by direct close contact or even by indirect contact. As a measure to stop the spread of the virus governments from most parts of the world ordered their countries to be put under lockdown to prevent people from coming in contact as a result to stop the spread of the virus. On the other hand, major revenue drops took place as most businesses were at stake. The future of the global economy very much relies upon the small and medium-sized businesses and major employment depending upon how these businesses sustain during this time, whereas, these are the very businesses that are under threat after the COVID-19 breakout. Hence, the economy depends upon how small and medium-sized businesses manage to overcome the crisis.

The government has taken certain measures on the import and export caused by the lockdown to govern the access to the essential goods made the supply chains to go under stress, thus impacting the overall businesses in the whole world. The steps are taken to stop spreading the coronavirus does not only include lockdown but also include confinement, restrictions, and bans on travel, preventing a huge number of people from gathering, and shutting down of schools for a temporary period, and pause in other business or fiscal activities consider as an act to protect the public health during the crisis ("COVID-19 Industry Impacts – Small Businesses", 2020). All these somehow are affecting the economy, directly or indirectly. It is found that the countries and their trading partners that have imposed lockdown shows disturbances in supply chains as exporting and importing of goods were getting hampered. The decline of the supply chain was sharp at the beginning of the pandemic, this in the first few months of 2020 caused the exports to drop sharply in China. The European Union (EU) countries sector and the United States exports faced a drop of 8% and 7% respectively in March as compared to the previous year. Though the later monthly report is supposed to be worse as the maximum number of countries implemented lockdown during the middle of March, hence somewhat activities of business took place during the month. Impacts on export and import businesses like skin and leather products, clothing, footwear, and vehicle faced a fall of more than 20% in export of such goods as found by the research of the sectorial data of the G3 economies which comprise of the United States, China, and the European Union (EU).

Number of Active Business Owners by Industry February 2020 Changes in Number

Industry	Number	Percent	February to April	February to May	February to June
Agriculture	869,661	6%	7%	16%	14%
Construction	2,436,057	16%	-27%	-19%	-8%
Manufacturing	566,192	4%	-11%	-26%	-2%
Wholesale Trade	260,151	2%	-14%	1%	5%
Retail Trade	1,068,484	7%	-10%	-2%	-1%
Transportation	798,325	5%	-22%	-12%	-1%
Information	235,847	2%	-10%	-19%	-20%

Financial Activities	1,301,769	9%	-12%	-6%	-1%
Professional and Bus	3,295,875	22%	-18%	-10%	-7%
Educational Services	329,544	2%	-39%	-10%	-25%
Health services	1,238,335	8%	-16%	-18%	-8%
Arts, Leisure, Hotels	685,009	5%	-35%	-35%	-31%
Restaurant	409,605	3%	-22%	-24%	-13%
Repair and maintenance	512,403	3%	-25%	-22%	-29%
Personal and laundry serv	926,409	6%	-79%	-48%	-26%
"Nonessential" Industry	3,675,939	24%	-38%	-28%	-17%
"Essential" Services	11,336,752	76%	-17%	-10%	-5%

Source : unctad.org

Similarly, the travel sector is considered as one of the most affected sectors among small businesses. The travel restrictions and bans globally affected the industry to fall by its face with zero sales and profits. As predicted by the World Tourism Organization the arrival of international tourists is supposed to fall by 60% to 80% in 2020 as compared to its previous year. Hence considered to be more than 15 to 20 times fall than while during the 2008 global financial crisis. It is also estimated by the World Tourism Organization that more than 100 million jobs in the travel industry are in danger globally, where Asia holds more than 50% of these jobs. In major developing countries travel and tourism businesses involving the arrival of foreign tourists adds up to crucial services export reconsidered primary industries. The small Island Developing States are nine out of ten countries that are economically fully dependent on travel and tourism businesses("How COVID-19 is changing global value chains", 2020).

During this time the rise of the US Dollar value also impacted the reduction in the volume of trade as the exporters who are not within the United States of America need to sustain with excessive costs of the high-value US dollar in which they receive the payment. Similarly, it has been found that the trade volume between countries goes down whenever the value of the US dollar increases against the other currency values of the world. Research shows that a fall of 0.6% in the trade volume gets affected with a 1% appreciation of the US dollar value("How The Coronavirus Is Impacting Small Business Owners", 2020). Hence, there are higher probabilities of reduction in the flow of trade in the year of 2020 among other countries excepting the United States of America ultimately resulting in reducing the availability of US dollars to trading small and medium-sized enterprises.

The European Union (EU), China, and the United States are also among the primary players within global supply chains besides being among the world's largest exporters, making them the ultimate importers of parts, basic materials, and components. These consequences also affected economic partners of the G3 economies as well as the other countries which do not share trading relationship directly with the European Union (EU), the United States, or China due to the lockdowns and confinements. Ultimately, it is found that lockdown in a single economy can result in the complexity of the global supply chain and can cause major ripple effects all over the world. Around 63% of imports of the world supply chain and 64% of exports of the world supply chain are supported by major three supply chain trade hubs i.e., the G3 ("The Small and Growing Business Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs", 2020). However, as per the estimates of the International Trade Centre, it is found that the measures taken to stop the spread of COVID-19 has affected the G3 economies the most among the global players due to their direct connection.

The countries in which the government had to implement a shutdown as a measure to stop the spread of the virus also led to the shutting down of the economy. This act mainly affected the wholesale and retail industry, tourism and travel businesses, as well as hospitality businesses. To be clear, small and medium-sized enterprises sectors suffered the most. A pause in the production in affected economies decreased the availability of inputs for the global supply chain. Due to less demand, the orders have been reduced by the small businesses of the countries where the supply chain got affected. Furthermore, input and output involved in the business demand have affected the overall flow of the supply chain differed by countries. The pandemic affected countries have faced a fall in demand primarily as the shutdown has reduced sales to consumers and businesses. It is also predicted that even after when the pandemic starts to ease, small businesses might start with less investment due to low in-hand capital balance. The spending pattern of every individual will change to compensate for the low income during the pandemic period. Some small businesses might also face credit overstretched, and bankruptcies.

In the countries where the containment measures have been relaxed, The recovery has begun and gradually trying to start their businesses. Though the recovery of the businesses is very much dependent on the country's health situation and how it gets better over time and ultimately resuming the demand of the consumer and accordingly of the businesses. It is found that the demand for buying products has sharply bounced back just after within some week after the lockdown as people missed buying the products from their favorite small businesses during the lockdown period ("Re-opening Businesses in COVID-19: Pros and Cons", 2020). But at this moment it seems that the period of lockdown has permanently affected the pattern of production and demand. Hence, we consider that the economies are being reshaped after the pandemic.

It is difficult to predict how the world will take steps to prevent the spreading of the corona virus and what measures will be implemented to manage and overcome the current crisis in the upcoming times. However, some countries already have been pushed out of the lockdown and some are gradually moving out of the lockdown through practicing some measures to prevent the second wave of the spread of the viruses("Impact of COVID-19 on Small Businesses – Where Is It Worst?", 2020). On the other hand, multiple countries are trying to figure out ways of detecting the traces of viruses in an improved process and most are racing to develop a vaccine against the corona viruses ("New Research: The Real Impacts of COVID-19 on Small Business", 2020).

However, some businesses felt more challenges, whereas some felt easier to recover depending upon the product they sell after the 'new normal' came into the picture. Businesses that tried selling or doing business with the sanitizers and other protective equipment had seen huge profits within a week after the lockdown as the main motive of people was to stay safe from the virus. At the same time,

this scenario is also encouraging to produce sanitizers and face masks to fight against COVID-19 to small businesses to fill the gap they faced during the lockdown. Though it is found that the impact on the small businesses is too severe as compared to others as per the survey reports from the International Trade Centre. According to the survey, around 55% of small businesses mentioned that they have heavily suffered from the pandemic and its measures, considering this as the majority of the small businesses. To approach the aftermath caused by COVID-19 on the health of humans and the economic conditions, the government has taken a few steps. The GDP per capita being the primary key to determine the level of support they are about to get offered by the government. Taken into consideration that the level of measures will be higher where the GDP per person is higher as a percentage of GDP. This as a result provides better governmental support to small industries in wealthier nations as compared to small businesses in poorer countries. However, when the small businesses were approached by the media asking about their required support, they got a clear description of what kind of support they would prefer. They responded to the media and along with requested the government to provide supports like waiving of taxes, temporary tax relief, and financial support by the government would be the most beneficial government measures. Thus, confirming the liquidity crisis followed by the health crisis across the World (Peng, Di & Meng, 2020).

Employee turnovers in small business

The COVID-19 pandemic changed and affected every individual directly or indirectly. The government took measures like lockdown and restrictions to stop the spread of the coronavirus. This strategy made every business activity to have a halt in their activity. In the initial phase of the lockdown, during late March 2020, people thought that things will get to normal and the period will be maximum by July 2020. However, the pandemic seemed to get worse after each case and the lockdown was extended keeping a halt to most business activities. This, on the other hand, affected the employees. The employees who are specifically employed in small businesses had to lose their jobs as the small businesses did not have enough cash to keep their employees during that period. Some businesses at that point of time had only about 2 weeks of cash on hand and had more than \$10,000 in monthly expenses, whereas other companies who earlier made some good profits had only enough cash to sustain for a maximum of 2 months ("Covid-19 Has Upended Business. Which Trends Will Stick?", 2020). Some businesses due to no cash in hand chose to permanently shut down whereas, some others went for temporary shut down and might get back to business once they can recover the losses. The employees of such businesses either lost their jobs or get paid less during these periods. Though most companies that thought of getting back to business after the pandemic has to cut their cost by limiting the employee pays or by retaining only a few employees that the employer felt important to keep. The rest employees are asked to leave the organization ("Special Report on Coronavirus and Small Business - April", 2020).

However, after lockdown when businesses started to operate, we found some ideas that some businesses are following, they implemented unique trends to practice employee management as they believe to have longer-term impacts taking them into a post-COVID-19 world. Higher standards of sanitation and social distancing policies have been implemented in the workplace where the companies have frontline workers. Grocery stores have installed protective screens between employees and the public to

prevent contact. Some businesses have limited the number of employees and customers on-site at a time to avoid gathering and implement social distancing ("Assessing the Impact of COVID-19 on Small-scale Manufacturing Establishments in Ethiopia", 2020). Some businesses provided employees with personal protective equipment kits to be safe from coming in contact with others. Some businesses adopted remote working environments and found that they can keep their business activities running without having to meet people in person. Such companies after seeing the result of the production by their employees were satisfied with their work and are planning to make this a permanent habit of their businesses ("New Research: The Real Impacts of COVID-19 on Small Business", 2020). Also according to (S Kalogiannidis 2020) need special attention on the business communication because has a significant impact on the level of employee performance in an organization during crisis.

Conclusion

The COVID-19 caused great damage to human lives and the economy all over the world. Businesses have faced huge losses due to temporary shutdowns and other measures. People had low income during that time and some had to sustain by the savings they have made. The above summary focused mainly on small businesses and their activities during the pandemic shows us how they had suffered during the period. The result showed that during the beginning of the pandemic the small businesses had very less amount of cash on hand to sustain the lockdowns. The small businesses eventually had to lower down on their cost or to take additional debts or declare bankruptcy. The surveys represented that multiple small businesses will tend to fail due to the financial crisis to revive the business. Employees on the other hand are either getting fired by the employers or have to accept the no work no pay agenda from their employer. Hence, all these affected the global economic structure as the consumers have less cash in hand to buy products and due to this less demand the business cannot afford to take a risk and invest in goods in order to stock up products. The G3 economies that include the United States, the European Union, and China are considered to be one of the strongest in the business economy got heavily affected due to the implementation of lockdown. The United States, the European Union, and China have an important role within the global supply chains as they are counted among the world's largest exporters making them the ultimate importers of parts, components, and basic materials but as they are facing challenges, this is ultimately affecting the economic partners of the G3 economies as well as the countries that directly do not have a trading relationship. However, the government is trying hard to support the businesses that got affected by COVID-19 to strengthen the economy. However, we cannot be sure about when the situation would turn up to be good but we can surely determine that the economies are being reshaped after the pandemic. With slogan "Keeping people connected is keeping people safe" during current crisis we need make all the necessary preparation for the post-covid era (Kalogiannidis, 2020).

Conflicts of Interest

The author declares that there is no conflict of interest regarding the publication of this paper.

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