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COVID -19 Impacts on World Business Economy

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Abstract — The cornerstone for globalization was laid down by brave adventures who were on a quest to discover countries which were isolated from the rest of the world. The diverse culture, cuisine, attire of the people from the newly discovered countries was something which attracted more travelers. It is evident that the lockdown has had severe impact on all global economies whether it would have a lasting impact depends upon on the growing rate of each country and their ability to indulge in production activities even with the restrictions in place due to the rising cases and this solely lies in the hands of the government. If a sizeable number of citizens are vaccinated this would help in achieving herd immunity which would result in decreased infection rate. As the cases decrease the government is more prone to relaxing the lockdown restrictions and lift the curfew which would aid the industries to start production and gradually the economic activities would flourish.

Keywords* — *Impact of Economy; Business World; Business Economy.

1. Introduction

The cornerstone for globalization was laid down by brave adventures who were on a quest to discover countries which were isolated from the rest of the world. The diverse culture, cuisine, attire of the people from the newly discovered countries was something which attracted more travelers. The three major races Negroid, Caucasoid and Mongoloid were crucial when it comes to promoting trade and commerce throughout history one cannot completely disregard the contribution of the European seafarers, the silk route etc.

Countries which have abundant natural resources have always been a hotspot for colonialization throughout centuries. The British who were the first to embark upon this journey had subjugated 163 countries by 1945 itself. Plundering the resources of a nation is not an easy task and they were able to do that through many conscientious strategies like helping one feudal lord defeat another and keeping them indebted to the crown for their support and by weakening the martial forces of a country through divide and conquer techniques. The Portuguese, Dutch and the French also followed a similar approach

Industrial revolution in 1617 was another major event which had a huge impact on the global economy, the labour force was considered expendable and were underpaid for a while however the formation of trade unions helped them fight for their rights. The Marxist views were starting gain momentum in central Europe and the spread of these ideologies also affected the interest of the colonial powers in their colonies. The subsequent world wars also didn't help much to hold on to their power and clout in the colonies which eventually lead to the independence of these countries.

Many attempts have been made between countries to gradually improve the trade relations between them this resulted in the General Agreement on Tariffs and Trade between 23 countries with an intent to reduce the trade tariffs. This further evolved into the World Trade Organization which has around 164 member states. Every nation had its own economic system which they intended to follow although a few countries experienced difficulty in following one particular system hence went for hybrid economic systems like Mixed Economy. India is a good example of mixed economy since it wanted to follow the socialist model at first but later on adopted LPG in 1991 which paved way for a lot of foreign players in the Indian market.

Globalization is now in its peak due to the fast growing E-Commerce portals like Amazon in the past decade they have dominated almost all major markets and were able to garner more customers through their attractive offers, discounts, services, etc. Their presence in the market is an indicator that customers have moved on to a new phase where they feel that the store purchase experience isn't necessary and they are content as long as the product is returnable. Despite these major changes in the buyer's attitude and the selling platform it is highly unlikely that all businesses would be reliant on such platforms.

The pandemic had wreaked havoc on all businesses regardless of the size and nature. Service providers found it difficult to provide their services due to the restrictions and some industries have adopted alternate methods through

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which they could deliver. For instance the Information Technology sector was able to implement work from home, Education Industry was able to implement online classes and examinations without much hassle. The same cannot be said for other industries as they found it difficult to cope with the pandemic because of the lack of alternative methods to conduct their businesses.

2. Impact on Working Class

COVID-19–related job losses wiped out 113 straight months of job growth, with total nonfarm employment falling by 20.5 million jobs in April .The COVID-19 pandemic and associated economic shutdown created a crisis for all workers, but the impact was greater for women, workers, lower-wage earners, and those with less education .Women held more nonfarm payroll jobs than men for the first time during a period of job growth but COVID impacted negatively even for women.

3. Financial Sector Policy Interventions – Liquidity Support and Risk Mitigation – World Bank Report

The financial sector can do more for extenuation of the COVID-19 impacts on the economy by providing bridge financing and restructuring of loans for viable firms to help them alleviate the impacts of the crisis, adapt to the new operating environment, and, eventually, contribute to the recovery stage.

Rising financial sector vulnerabilities have high impact on evolving markets such as Western Balkans whose financial systems are less equipped to manage weather shocks. The national financial sectors in the region are stable, it is essential to monitor credit and liquidity trends closely as COVID poses serious threat, globally and locally since 2019. The prolonged financial stress will require measures to prevent the build-up of financial stability risks.

The COVID-19 outbreak establishes both supply and demand shock's full magnitude, duration and financial, fiscal, and social consequences are still not clear. The rapid global spread of COVID virus has touched proportions and prompted a flurry of emergency measures such as rate cuts, tax deferrals, travel bans, liquidity support, and mandatory closure of businesses, limitations on gatherings to contain the spread, and avert a dislocation in financial markets. While incremental easing of lockdown measures has been initiated in the region, households, and firms, especially MSME (Micro Small Medium Enterprises), are confronted by plunging incomes, disruptions in supply chains, liquidity crunch, and tighter credit conditions are together delaying deliveries and payments. It also and causing job losses, finally firm closures and bankruptcies. Less profitability, reduced asset quality, and a drop in growth of credit can have second round.

4. Financial Sectors Today

While national financial sectors are stable, it is highly important to monitor credit and liquidity trends very closely because, COVID poses very serious threat, globally and locally since 2019. As countries deal with the full impact of the pandemic, they have the advantage that their financial systems indicators are generally sound. In 2019, bank capital adequacy averaged 18.3 %, it is far above the regulatory minimum. Compared to 1.7% a year earlier, profitability as measured by return on assets has slipped to 1.6%, but the ratio of liquid to total assets averaged 29% and loan-to-deposit ratios are below 100 across the board.

5. Financial Sector Vulnerabilities

Financial systems are affected through four main channels: The impact of a crisis on the financial sector depends on the sector's ability to mitigate four risks: (a) Market risk: Acute swings in investor sentiment combined with sharp uncertainty may increase funding costs on both international and domestic markets for government sector and the private sector. (b) Liquidity risk: Market volatility has encouraged demand for liquidity. Moreover, cash flow conflicts in affected firms and public demand for cash could tighten funding and liquidity conditions for banks, and eventually affect private sector. Increased demand for forex instruments especially could cause a serious liquidity crunch. (c) Credit risk: Dimming economic forecasts will heighten NPLs and discourage both banks and nonbanks from loaning to support real activity. Credit risks are compounded when cash depend firms and households have debt obligations. They may fail to secure bridge financing to cover loss of income. (d) Risk to earnings and resilience: The previous risks might weaken the profit and earnings in financial sector, if stressed conditions persist. These risks have more impact on changing markets like Western Balkans whose financial systems are less equipped to weather shocks. Governments must deal with volatile markets even their financing needs and funding costs increase, foreign capital outflows, and investor behaviour becomes more unpredictable (World Bank. 2020. "'Fighting COVID-19 Europe and Central).

Financial Sector severely disrupting. High unofficial euroization constitutes a tail risk for financial stability in countries where banks are threatened by indirect credit risk because of their exposure to unhedged borrowers and by possible increased demand for forex instruments. Although Non-Performing Loans have been decreasing throughout the region, they are still high in Albania and BiH. The effect of clouded economic predictions on asset quality and interest of banks to lend can help to create a vicious cycle of substandard financial sector performance and falling economic growth.

Further risks stem from monetary and crisis management limitations and private sector debt vulnerabilities. In terms of crisis prevention, BiH, Kosovo and Montenegro have very less control over monetary policy, which makes it harder for them to manage liquidity. Although the last decade has seen significant improvements, throughout the region there are still weaknesses in the existing crisis management, supervisory and resolution frameworks. Moreover, private sector vulnerabilities have increased from a combination of such factors as the level of both corporate and household debt, and the currency and maturity structure of debt. Especially, the financial health of companies is an influencing factor because, debt from the 2008–09 crisis are still unresolved.

6. Mitigating Financial Sector Vulnerabilities and Supporting – Corporate Liquidity

The financial sector can do much to help mitigate the impact of COVID-19 on the real economy. Bank bridge financing and restructuring of loans for sound borrowers who have become cash-strapped can help them alleviate the impacts of the crisis, adapt to the new operating environment, and, eventually, contribute to the recovery stage. Here, lines of credit and partial credit guarantees can provide additional financing to keep viable enterprises in operation and restore credit flows to boost investment. In the recovery phase, exporters and firms integrated in supply chains would also benefit from tailored export financing, factoring, and credit insurance mechanisms. Financial sector measures to support the economy should be broad, transparent, and rapid while balancing financial stability concerns. Emergency measures should be time-bound and have clear exit strategies. Prudential measures can responsibly create capital space for banks to resume lending.

This can be done through the release of countercyclical capital buffers, release of the conservation buffer, and temporary bans on executive bonuses, dividend payouts, and share-buybacks. Countries might also introduce regulatory forbearance measures such as temporary, well-targeted moratoriums on loan repayments. Other measures, particularly freezing classification and provisioning, could rapidly create serious risks for banks and customers alike, let alone making supervisory responses even more challenging unless they are temporary and closely monitored. They need to therefore be carefully assessed on a case by case basis. At the same time, prolonged financial stress will require measures to prevent the build-up of financial stability risks. Central banks and supervisory authorities will need to monitor financial soundness more intensively, especially credit and liquidity trends. To prevent second-round effects on the economy and support financial stability, building up macro prudential, insolvency, and financial safety net frameworks will be crucial. Crisis management can effectively manage with weak financial institutions plus an insolvency framework that can resolve the difficulties of ailing firms quickly. It will help mitigate values that is destroying defaults throughout the supply chains, relieve financial stress, and sustain the flow of credit to support the economy.

Financial authorities across the region have already stimulated to limit the economic fallout and maintain financial stability. They are closely monitoring liquidity and credit trends in light of rising financial stability concerns. Regulatory and supervisory authorities in Albania, BiH, Kosovo, Montenegro, and Serbia introduced regulatory forbearance measures such as moratoriums on loan repayments and changes to credit risk classifications (BiH). The National Bank of North Macedonia has extended the number of past-due days after which a credit is considered nonperforming and in Albania, BiH, and Montenegro supervisory agencies have suspended bank dividend and bonus payments. As for monetary policy, the central banks of Albania, North Macedonia, and Serbia have all cut their policy rates. Serbia's has also launched a liquidity support program for banks through repo and swap transactions, and North Macedonia's has changed denar reserve requirements for new and restructured loans and postponed application of liquidity requirements to allow banks to focus on lending to businesses and households. The Bank of Albania has lifted the ceiling on the loans that commercial banks receive from the central bank and has announced that should there be further liquidity constraints, it may resort to quantitative facilitation through purchase of government securities and ultimately use of reserves within the statutory limits. Lastly, governments in Albania, BiH, Montenegro, North Macedonia, and Serbia have announced direct financial support to businesses through loans and credit guarantees, to be distributed via development finance institutions, new guarantee funds, and the banking system.

7. Impact of Covid 19

7.1 Impact on the Stock Market

The stock market was very volatile in the last financial year with a slight surge during the announcement of the budget but the projections for this year indicates that the market won't fall as bad as last year. The only solace is that a lot of individuals have started investing and more have set up trading accounts the interest among general public has started to spike up. The industrial activity has steadily gone up the transition has been smooth from last year's

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impact. Despite all the panic a lot of participants are baffled by the fact that the market is resilient to the second wave. Once the government initiates huge vaccination drives throughout the country a lot of industries and retail units will get back to its feet which will help the economy to recover within a short span of time.

7.2 Impact on Employment Rate

Centre for Monitoring Indian Economy released data which indicated that unemployment has again started rising in the country. The impact is quite severe in urban areas where the unemployment rate is close to 10 per cent the major reason for that being migrant labourers retreating to their native places. The strict nationwide lockdown to contain the virus spread has hugely contributed the unemployment rate and gig workers have been affected due to this.

Sectors which were heavily affected by the lockdown found it difficult to keep its workers employed and those who did retain their employees opted to go for pay cuts. Due to the loss of employment household income has fallen down drastically.

7.3 Impact on Different Industries

Industries like Pharmaceuticals, Information Technology have been able to resist the impact of the lockdowns however real estate hasn't done really well compared to last year and has been predicted that it would stagnate. The demand has fallen down however the prices aren't falling at the same rate despite the potential incentives and subsidies which would be offered by the government to propriety developers there isn't any guarantee that the sector would do well.

Agriculture wasn't affected drastically because the lockdown was imposed after the sowing season and since most IT companies have adopted the Work From Home model they are able to sustain and in some cases they have performed phenomenally since the have cut costs like rent, electricity and travel allowance to employees. The most affected sectors are travel, retail, consumer durables, mass entertainment and automobiles.

7.4 Impact on International Relations

Throughout history there are several events which are of high significance because they have influenced world politics. Events like the plague, assassination of Archduke Ferdinand, fall of Berlin Wall, Attack on the world Trade Centre, and advent of the World Wide Web etc. have all had severe repercussions and have acted like a spark which triggered a series of other events like a chain reaction.

Whether the current Covid-19 pandemic would fall in the above category is a question which could only be answered by historians of the future however one cannot deny the fact that the pandemic had also played a huge role when it comes to influencing the global politics. Through vast advancement in the field of medicine and technology the effect of the previous endemics and pandemics have been curtailed and very rarely they reach a rapid infectious stage but Covid-19 a variant of the SARS COVID virus is an exception and it has had a very severe effect on all major countries. Lockdowns which were imposed as a precaution had hampered significant economic activities like production and distribution.

Despite all this there hasn't been any shift in power or clout and the superpowers of the world have managed to hold on to their strengths and the pandemic has had little to no effect on these countries who have kept their power and wealth intact.

7.5 Impact on Mental Health

Mental health of the people around the globe has been quite unstable. The fear of contacting te virus and in some cases fear of death due to infection has led to a lot of stress. The lockdown and curfew imposed by the government has made things even worse. Being stuck in the home has not made it easy for individuals and many are seeking the help of medical professionals. Since a horde of people have lost someone closer to them they find it difficult to get back their regular life and even the government has appointed counsellors for this purpose. People around the world are seeking some sort of emotional support when they have contacted the virus since the isolation is taking a toll on their mental health.

Apart from the above factors there are other reasons such as unemployment, work from home, and lack of socialization are also responsible for the psychological stress everyone's going through during the lockdown. The World Health Organization, together with its partners, is providing guidance during the pandemic for health workers, managers of health facilities, people in isolation and members of the public more generally, to help them look after their mental health.

7.6 Impact on Third World Countries

The impact of the pandemic on developing and underdeveloped countries is much worse and it is difficult to assess the damage at the early stage. Given the situation surveys could not be conducted and other methods are quite inaccessible to the people below the poverty line. The severity cannot be established if accurate data is not collected. IMF has given estimates which makes it easy to

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infer the impact of the pandemic on third world countries. COVID-19 is believed to be a temporary shock to economic growth, this is supported by the fact that countries like China have had a quick recovery firm recession and many believe this could be the case for other countries as well however the economic damage could last longer for majority of countries, this could push the families further into poverty and they cannot rely on assistance from the government also. If the economy is not able to bounce back it would have severe consequences.

It has been estimated that a lot of counties from the African continent like Nigeria and the Republic of Congo could face log-lasting impact which could be a huge setback for their development and Asian countries like India, Bangladesh and Philippines are estimated to have a quick recovery and recession would reverse fast due to the increasing growing rate of the economy

7.7 Impact on GDP

Many forecasts have suggested earlier that the Gross Domestic Product (GDP) would definitely contract and would revert back to normal rates only when the lockdown is relaxed and production activities happen in a full swing.

Forecasters heavily relying on GDP might also not provide a clear picture on the status of the economy since it does not take into account the value of household work and the environmental damage which other production activities cause.

India's gross domestic product contracted 23.9% and the economic growth suffered its worst fall on record in the April-June quarter which has surpasses its previous recorded in 1996. The already-declining consumer demand and investment also weighed in on the lockdown.

Except for China, all other major economies have felt the negative impact of coronavirus pandemic. In the April-June quarter of 2020, Chinese economy grew by 3.2%. The United Kingdom has reported a 21.7% contraction in the April-June quarter of 2020. It is their second consecutive quarterly decline. France's GDP contracted by a record 18.9 per cent, Italy's GDP contracted 17.7%. Canada's GDP contracted by 13%, Germany's GDP by 11.3%. It is the steepest since the country's statistical office started to track quarterly economic data a half-century ago. Japan's economy contracted a record 9.9% it is the worst economic contraction for Japan since 1980, eclipsing. USA's GDP contracted by 9.1%, this is their largest decline since 1947.

8. Conclusion

It is evident that the lockdown has had severe impact on all global economies whether it would have a lasting impact depends upon on the growing rate of each country and their ability to indulge in production activities even with the restrictions in place due to the rising cases and this solely lies in the hands of the government. If a sizeable number of citizens are vaccinated this would help in achieving herd immunity which would result in decreased infection rate. As the cases decrease the government is more prone to relaxing the lockdown restrictions and lift the curfew which would aid the industries to start production and gradually the economic activities would flourish.

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