The impact of Covid-19 on small businesses in the North of Iraq

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ABSTRACT

This study examines the impacts of COVID-19 on small businesses in the Northern region of Iraq. The survey sample included 235 people in Erbil governorate. According to the results, small businesses in all sectors in the region have been affected negatively by COVID-19. The COVID-19 has had negative effects on 74% of participants’ business; this means that most of them have suffered huge losses, to the extent that some of them have suffered huge losses more than the profit of the several months before COVID-19. Based on the survey result, sales on debt have increased so much that the average of these sales in debt is 86.4%. The majority of participants pointed out that during the outbreak of coronavirus, most people paid more attention to the price of the product than to the quality.

Keywords: COVID-19 pandemic, Small Business, Debt-Sale and Unemployment.

INTRODUCTION: We may not have heard of the Spanish flu until a few months ago, but we may have noticed the coronavirus crisis that swept the world in early 2020. The COVID-19 disease has had significant effects on the global economy as well as regional and international trade since it has appeared at the end of 2019. Coronary artery disease has not only restricted the scope of public activity in unprecedented ways, but it has also reduced general economic activities, especially in key sectors such as the service sector, small and large businesses, catering, hotels, and tourism. The disease, sometimes known as the "mother of epidemics", killed between 20 and 50 million people between 1918 and 1920. Scientists and historians estimate that one-third of the world’s population, which at the time was 1.8 billion, contracted the disease, with more deaths than the end of World War I. Besides, The World Bank estimated that it cost the world economy $800 billion (Garrett, 2008). Baker et al. (2020) concluded in their research that no previous outbreak of COVID-19 including the Spanish flu had a negative impact on the stock market, particularly the U.S. stock market, in the 20th century. Due to the Spanish flu, it had only a minor negative impact. They used the methods to develop these points due to the daily movement of the stock market at the beginning of the 19th century and due to the general fluctuations of the stock market in 1985. They also rated more informed explanations for the unprecedented market reaction to COVID-19. The evidence accumulated shows that government restrictions on businesses and voluntary social distancing, which have a strong impact on the service economy, were the main reasons the U.S. stock market responded to the earlier epidemics of 1918 that were more serious than COVID-19. With the coronavirus disease epidemic at the end of 2019 and its global epidemic in 2020, the Organization for Economic Co-operation and Development (OECD) said that COVID-19 was the main cause of the global crisis since the financial crisis of 2008, which will lead to a widespread recession and halve economic growth. The COVID-19 started with a health shock and eventually turned into an economic shock due to declining demand. This shock can be compared to the financial crisis of 2008. During the financial crisis of 2008, governments resorted to monetary and fiscal measures such as increasing the money supply by the central bank and enforcement by the government of expansionary fiscal policies to counter the severe recession by adding dynamism and speed to the money supply in the economy. The strength of the financial crisis of 2008 provided an opportunity for the supply of labor, the revitalization of trade, and the revitalization of the transport system. However, during the COVID-19 crisis, most economic sectors were closed due to supply and demand restrictions. These include service providers, non-core retailing, tourism, and transport, which accounted for a significant share of GDP (Nicola et al., 2020). In a scientific study, Farzanegan et al. (2020) conducted on small tourism businesses; a positive relationship was examined between these businesses and coronary disease at the time of coronary disease outbreak. Their regression analysis showed that countries exposed to high tourism flows are more prone to COVID-19 deaths. Odel (2016) reported that globalization has many benefits; it also has significant disadvantages, one of which is the worldwide spread of diseases. Today, the economies of many countries are directly and indirectly affected by the outbreak of the coronavirus. Various economic sectors such as tourism, the aviation industry, the automotive industry, exports and imports, and many influential sectors of the economy have been affected by the COVID-19. Due to the instability created in the global economy, the stock market index has fallen in many countries. Only, in the United States, the stock index has fallen by about 10 percent, and this has also affected the global price of gold, where the price of an ounce of gold is around $ 1,900. Oil prices have plummeted to below $ 40 a barrel amid falling demand, especially in China's economy. Some analysts believe that if these conditions continue, there is a possibility of further reduction in oil prices. Declining demand is the first domestic sign of the spread of coronavirus in the country. Therefore, the decrease in sales in these sectors can prepare the ground for deepening the recession in the country. In small and medium businesses (SMEs), some exceptions like; tax
exemption, exemption from municipal taxes, reduction of water, electricity, and gas costs, and finally insurance support for these jobs and their employees by paying unemployment insurance until the normalization of society can be somewhat of a loss. However, the loss of these jobs and unemployment may prevent thousands of people, and the results of this synergy will certainly be for the government and the people (AKbay and Naji, 2020). In the period between the early stages of the disease and the end of the disease, GDP growth will hamper and decline, while in some countries it will be reduced by up to 10%. In addition, the results obtained based on previous crises, workers and employees will lose their jobs due to this disease (Farzanegan et al., 2020). Cajner et al. (2020) found in a scientific study that unemployment rose dramatically to 21 percent in most U.S. states and reached almost 13 percent in June with the opening of public spaces. The results showed that job losses are disproportionately concentrated in fewer employees and lower wages. Since the end of June, the percentage of job losses between small and large businesses has converged. Moreover, Fairlie (2020) mentioned that the widespread shutdown of markets and businesses in Iraq and worldwide because of the COVID-19 is unprecedented. Shops, Malls, markets, factories, and several other businesses have been locked by policy mandate or downward demand shifts. Several of these closures may be permanent due to expenditures and survive the shutdown. The impact on small businesses globally is likely to be severe. According to Bartik et al. (2020), the damage country’s economies and their impacts on small businesses will be much greater if the crisis lasts for many months. This suggests great potential economic benefits for the action that can certainly lead to a rapid reopening of the economy.

O B JECTIVES: The objectives of this research are; 1. To analyze the effects of Corona-Virus on the financial situation of small businesses. 2. To investigate the effect of this disease on the rate of unemployment. 3. The effect of COVID-19 on product’s quality and price and debt-Sales in the northern region of Iraq.

MATERIALS AND METHODS: The methodology of the study is based on the literature reviews and comparison analysis and questionnaires as primary data. The data has been collected based on a questionnaire survey that was prepared and distributed on more than 235 persons. The questionnaire survey was done in the North Iraq. Analyzing and explaining were done by the SPSS program.

R E SULTS AND DISCUSSION: With the global spread of the coronavirus, global markets have been severely affected by the COVID-19, and the economies of most countries have shrunk. Falling oil prices, rising global gold prices, and a sharp drop in stock markets have been among the effects of the disease (AKbay and Naji, 2020). Social reactions have been dramatically affected and, by their very nature, have led to a reduction in financial interactions at the national and international levels. Meanwhile, the capital market of each country as part of the financial system has suffered in this health crisis. The research findings will be analyzed and discussed through those questions that had been asked in the research’s survey. Table 1 is showing that most of the participants who do business in the research area (92.3%) are the man. It means that the role of women is not too much in the business in Iraq. In terms of participants’ qualifications, 74% of the participants are under bachelor’s holders. On the other hand, the results show that doing business in Iraq does not rely on high qualifications, rather an investment depends more on the social background of the business. The average age of participants is about 38 years old and their working experiences are around 11 years. Commonly those smallest businesses are done in small towns, as large businesses are more concentrated in the provincial capitals or big cities. As three main places had been selected for research, table 1 shows that 96% of candidates were from governorate and towns.

| Gender of participants | Frequency | Percent |
|------------------------|-----------|---------|
| Male                   | 217       | 92.3    |
| Female                 | 18        | 7.7     |

| The education level of participants | Frequency | Percent |
|------------------------------------|-----------|---------|
| Non-educated or Primary            | 33        | 14.0    |
| Secondary                          | 54        | 23.0    |
| High School                        | 44        | 18.7    |
| Diploma                            | 44        | 18.7    |
| University                         | 60        | 25.5    |

| Location of participants | Frequency | Percent |
|--------------------------|-----------|---------|
| Governorate              | 84        | 35.7    |
| Town                     | 141       | 60      |
| District                 | 10        | 4.3     |
| Total                    | 235       | 100     |

Table 1: Demographic characteristics of participants

The noteworthy is that almost all of the sellers that are around 77.4% do not own any of their places; only 22.6% do have their place (table 2). Odel (2016) mentioned, when a country faces a financial crisis, the government should pay much more attention to the financial supervision and regulation policy. However, what is seen in the results is the absence of government, the government should have made the necessary decisions at the time of the corona outbreak, especially about reducing or exceptions of property taxes, and asked property owners to reduce rents. Unfortunately, the results show that only 34% have been discounted for their monthly rent or not received the rent for some period.

The coronavirus has had a major negative impact on the global economy. As the world struggles with the subprime analogy of the last recession, as corporate credit in two factors, that funds a real economy boom and the debt held on banks’ balance sheets. Those factors limit the systemic risk of a potential shakeout in credit, though this risk cannot be dismissed.
Table 2: Effects of COVID-19 on small businesses.

| Frequency | Percent |
|-----------|---------|
| Rent | Owner | 53 | 22.6 |
| Rent | 182 | 77.4 |
| Total | 235 | 100.0 |

Effect on Business

| Frequency | Percent |
|-----------|---------|
| Positive | 61 | 26 |
| Negative | 174 | 74 |
| Total | 235 | 100.0 |

Rate of effect

| Frequency | Percent |
|-----------|---------|
| 10% | 23 | 10.2 |
| 20% | 37 | 15.7 |
| 30% | 21 | 8.9 |
| 40% | 28 | 11.9 |
| 50% | 50 | 21.3 |
| 50% | 75 | 31.9 |
| Total | 235 | 100.0 |

Continues on Job

| Frequency | Percent |
|-----------|---------|
| Yes | 145 | 61.7 |
| No | 90 | 38.3 |
| Total | 235 | 100.0 |

Sales on debt

| Frequency | Percent |
|-----------|---------|
| Increase | 203 | 86.4 |
| Decrease | 32 | 13.6 |
| Total | 235 | 100.0 |

Product’s quality

| Frequency | Percent |
|-----------|---------|
| None | 63 | 26.8 |
| Few | 121 | 51.5 |
| Some extend | 27 | 11.5 |
| Much | 24 | 10.2 |
| Total | 235 | 100.0 |

Quality/Price

| Frequency | Percent |
|-----------|---------|
| Quality | 24 | 10.2 |
| Price | 211 | 89.8 |
| Total | 235 | 100.0 |

CONCLUSION AND RECOMMENDATIONS: Based on the obtained results from this study, we concluded that the majority of businesses in this part of Iraq are managed by men and at the same time, they do not have a high degree of education. In addition, most of them do not own a place and have rented. The outbreak of coronary disease has had a significant negative impact on sales, but the positive and significant point is that most traders have pointed out that they are still able to continue their work. On the other hand, in this research as well, most of them pointed out that during the outbreak of coronary disease, sales on credit have increased a lot, and customers have paid more attention to the price of the product than the quality of the product. Finally, we obtained that the coronavirus has caused unemployment to increase from 2.89 to 2.13 before and after the corona disease. Therefore, considering the problems that the world in general and the northern region of Iraq have faced it are highly recommended the government take some actions that can be minimized in these recommendations:

1. Forgiveness or tax deduction for the duration of the COVID-19.
2. Tax exemption of place’s owners until the end of the corona.
3. Reducing rental rates fairly.
4. Raise and pay monthly employees’ salaries regularly.

CONFLICT OF INTEREST: Authors have no conflict of interest.

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