

The Impact of COVID 19 Pandemic on the Entrepreneurial Environment

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Abstract

The whole world, including our country, has fallen into a collapse whose limits have not been well acknowledged yet facts that make people live in an unsafe environment. It is early to foresee how things will be at the end of this epidemiological crisis.

Generally, the immediate answer under the form of emergency measures has been strong and relatively homogenous in all the countries and it has contributed substantially to the limiting of the pandemic effects on the economy in the Euro area. Since all the countries within the Euro area have been affected economically at the same time and in a similar manner, fiscal answers under the form of emergency measures have been relatively similar in terms of their dimension and the applying field of the instruments used.

Key words: pandemic COVID 19, lockdown, entrepreneurial environment, advanced technologies
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1. Introduction

The COVID 19 pandemic has changed the world, and Romania does not make any exception from this ongoing process. Possible psychological effects (caused by fear, anxiety, distancing from the loved ones) will be amplified by the social ones (isolation, lack of direct interaction, breaking-up of classic/family/entourage/ relationships/socialization) and by the economic ones (the fear of employment loss, the decrease in the standard of living). (Todorean,2020, p.23)

This pandemic has generated a series of quite challenging questions: How will people circulate in the future (free or conditioned by an immunity certificate)? Will there be a change in life style? After the pandemic has ceased will people be able to return to their initial habits of treating flu or season colds?

The effects of this pandemic have a direct, strong and personal impact on each of us and they have affected profoundly and immediately every individual's life, communities', societies' and countries' we live in and of the whole world as well. (Todorean, 2020, p.25)

The pandemic crisis has forced many employees to transfer their activities in online. This pandemic will probably trigger technological evolutions and will probably bring about new scientific discoveries.

Digitalization and computerization will be propelled by the pandemic effects, and innovation in the digital field will be significantly pushed on. The proof lies in the fact that after months of restricting economic activities, the NASDAQ stock index which shows the investments in informational technology (IT) has recovered from its initial loss of 30% from the beginning of the pandemic.

One of the most disputed measures taken at global level during the COVID pandemic refers to social distancing (called later on physical distancing in order to avoid negative social associations). The methods of social distancing include quarantines; travel restrictions, closing of schools, of employment places, stadiums, theatres or shopping areas. Some specialists consider social distancing as the new principle of society organization. (Sfetcu, 2020, p.50)

2. Theoretical background

At the moment specialized studies on COVID 19 are currently in their infancy. The paper is based on specialized studies that try to capture and fully analyze the manifestation of this virus, how this virus will affect the world "tomorrow", how business will be conducted globally. The literature addressed in this paper aims to analyze the deep geopolitical reorientations, changes in the world economy and global finance, as well as valuable lessons in the fight against the pandemic.

What will be the differences between the lifestyle before and after the pandemic? How much the Romanians' life standard will be affected by? In what way human life quality and life style will be changed? How interpersonal and professional relationships will evolve? How the notion of personal welfare will be reinterpreted? What new meaning will satisfaction, happiness and human fulfillment get? Having so many questions without answers, social and economic research opportunities emerge to be analyzed. Over time, researchers will seek to find answers through specialized work dedicated to this virus.

3. Research methodology

The paper aims to analyze the impact of COVID 19 virus on global activities. COVID 19 has wreaked havoc worldwide, socially and economically. This epidemic has led to physical isolation, but also to an unprecedented removal of knowledge through the avalanche of false news and misinformation. Over time, the world has faced various challenges, which have been studied by many specialists.

The research method aims to assess how the global world has managed to organize itself in the face of this devastating virus. The business environment has been significantly affected, and the measures taken since the outbreak of this virus were intended to help businesses around the world avoid bankruptcy. It is difficult to make a detailed x-ray of the impact of COVID 19 on the business environment, but it is worth noting how all countries around the world have come together to reduce the shock of the global economy.

It is difficult to predict what the world will look like after this pandemic, but it is interesting how this pandemic has taken responsibility and united economies around the world by strictly adhering to measures to combat this virus.

4. Findings

4.1. COVID 19 - a major threat at global level

Despite the emerging development of new intelligent and advanced technologies, the humankind has found itself suddenly incapable of coping with such a challenge – the COVID 19 pandemic.

Anxiety has derived from both the disease severity and especially from the lack of clear prevention and treatment means of the new virus at that moment.

The economic problems brought together in the past have become worse in our country. Therefore, at the beginning of the present crisis, Romania has started to be aware of the necessity of implementing a serious program of economic recovery and of society in general. Covid 19 crisis has made the Romanian economy be regressed and it has stopped most of the developing projects. The successes in the recovering of economy are modest due to the economic structure based on consumer society and import dependence.

It is interesting to anticipate how the world framework will look like after this epidemiological crisis ends up. Specialists are trying hard to find answers to a series of questions regarding the outbreak of this pandemic: How will life style and the quality of human life change? How will the notion of individual welfare be re-comprehended? How will happiness, satisfaction and individual fulfillment be redefined?

The strong enhancement of uncertainties and perturbations caused by Covid 19, have influenced the world economy. Trade tensions between the two big economic powers, USA and China, despite the signing of a trade agreement, have been visible and become more and more profound as it results from the analysis of more indicators.

The decline in trade exchanges has got more and more accentuated, bringing about higher and higher tensions regarding trade, a sudden decrease in demand and the products' prices in this pandemic context. All these facts have led to a decrease in and dragging of the existing investments as well as to the blocking of new investment projects.

Governmental authorities found themselves in front of some unprecedented challenges when this pandemic broke out, in 2020, triggering thus an extremely strong answer from the point of view of fiscal policy. Public budgets have been significantly affected as fiscal position, on one hand as a consequence of the increase in expenses which were made in order to combat the crisis, on the other hand, the fiscal incomes decreased leading to a pronounced recession and also due to the measures taken in order to provide companies and population with financial support.

Consequently, the share of budgetary deficit aggregated in GNP in the Euro area has increased from 0.6% in 2019 to 8% of GNP in 2020, according to the data provided by Eurostat in December 2020.

Fiscal policy has changed its orientation from a relatively expansionist character in 2019 to an accommodating one in 2020, of 4.8% of GNP, due to the powerful economic support given by the governmental authorities. These supportive measures and their dimensions have been applied differently, from one country to another depending on the emerging necessities and on the reaction of the sanitary institution to Covid 19 epidemics.

Due to previous experiences in terms of economic and sanitary crisis, regarding the rapidity and the way of applying the support provided by all the governmental authorities in the Euro area, there has been an increased capacity of reaction for the periods of crisis, instability and stress factors.

The geographic structure of international trade reflects the place and share of different countries and groups of countries in international trade exchanges, the degree of economic development being the essential factor to determine the level of export trade of a country. Therefore, the higher the development level, the higher the export and import volume is, as a consequence of production diversification and consumption demands of the population and vice versa. (Costea, 2009, p. 48)

The lockdown imposed in most countries by restrictive measures has generated a decrease of 15.3% of economic activities in the Euro area in the whole economy, only in the first half of the year.

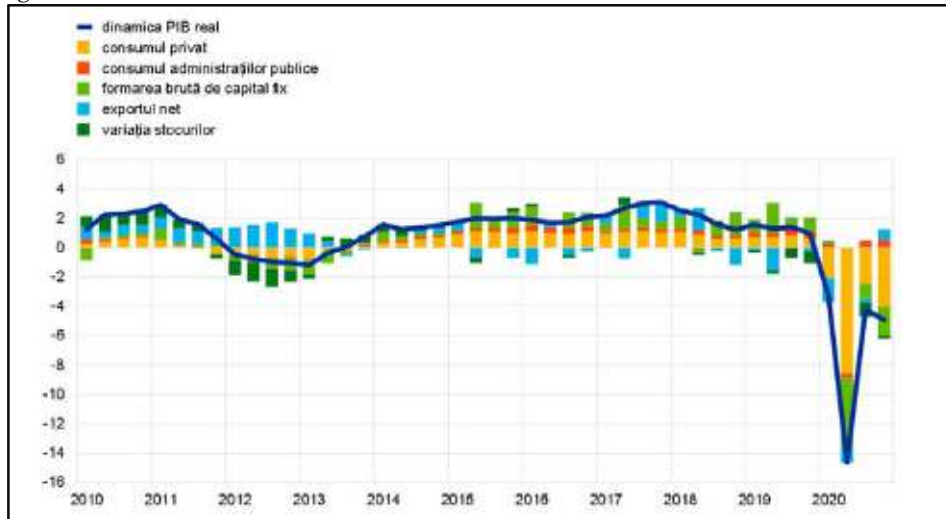
The removal of some measures starting from the end of the second term has led to a revival of economic activities in the third one. On the occurrence of the second wave, in the autumn of 2020, the economic activity has registered a new regress and the high number of infected cases as well as the quarantine periods of the last term of the year contributed significantly to the descending slope.

At the end of the year 2020, the economic activity in the Euro area, was by 4.9% below the level prior to pandemic, showing that heterogeneity of most countries affiliated to: Spain declared a decrease by 9.1% whereas The Netherlands registered only a 3.0% one.

The same restrictive measures have led to diminution of private consumption in the Euro area, by almost 8% in 2020 and to an increased saving rate, but their amortization was made by major public transfers.

Solidarity policies which have in view the harmonization of production conditions and factors as well as the equalization of circulating conditions sustain directly the free circulation of goods, services and capitals within the European Union. (Conea, 2020, p.52)

Figure no.1 . Real GDP in the Euro area



Source: <http://ec.europa.eu> The long-term effects of the pandemic: insights from a survey of leading companies

4.2. COVID 19 Influence on Business Environment

The impact of COVID-19 epidemics on the Business Environment in Romania shows the situation of private organizations in our country. A significant number of companies have taken measures in order to survive the crisis caused by Covid-19, the most frequent ones are the financial ones which protect the short-term and medium-term cash flow, followed by those of staff protection and those of activity pivoting.

The European Commission Report on the measures meant to help European enterprises to avoid bankruptcy throughout the pandemic allows the member states to ask for support for the enterprises affected by the Covid crisis. Of the measures aimed at by the European Commission to manage efficiently the Covid crisis the following ones should be mentioned (<https://ec.europa.eu/commission/presscorner/detail/ro>):

- to provide under safety conditions of freedom of movement and to eliminate controls at internal borders;
- to provide cross border interoperability of following-up applications;
- to provide liquidities meant to enterprises in the tourism field, especially to SME;
- to save jobs by a financial support up to 100 billion Euros within the program SURE. This program provides member states with the possibility of covering the costs of national labour systems on short-term and of similar measures which allow enterprises to protect their places of employment;
- to inform the citizens on the local tourism offer, to promote attractions of local and European tourism as a safe touristic destination. Thus, the European Commission will collaborate with the member states in order to promote a system of vouchers within which clients should support their favourite hotels or restaurants.

The estimations made by the European Commission showed that the budgetary measures taken as reaction to Covid pandemic, have risen in the year 2020 to almost 4.2% of GDP of this year all over the Euro area.

Most supplementary expenses approved were found either in the costs directed towards the field of public health or in supplementary supportive measures meant to help companies and population's household.

In the Romanian environment, a strong blow was sent by the hospitality sector (HORECA) which contributes by 5% to GDP. Lately Romania's government has implemented a series of measures meant to revive these sectors affected by the pandemic crisis, as follows:

- to exempt from payment the specific tax, allowance tax which is not being influenced by turnover;

- to provide temporarily technical employment as long as the individual contract of work is suspended on the employer’s demand but up to 75% of the value of gross average salary approved per economy;
- to give deductions from payment of the annual tax and also from that of real estate ones which are being used for economic activities and which are owned or rented, as well as a significant reduction from this tax for hotels and restaurants, thus providing these companies with financial support.

At present, the companies of HORECA can request and have access to public assistance systems which suppose to provide all enterprises in the field of tourism with financial support, including accommodation units, travel agencies and food service structures whose activity has been strongly affected by the Covid 19 pandemic.

5. Conclusions

The year 2020 will remain a reference year as regards the world economy which has undergone a strong recession caused by the Covid 19 pandemic. Different from the crises since 2008 and 2011-2012, the source of this recession lies beyond economy because the virus has affected by turns the developed countries and the less developed ones. World international trade chains have been seriously affected by and stability of international financial markets have reached critical phases.

The isolations and quarantines caused by the pandemic, by locking-down daily and industrial activities, including tourism, have had a strong impact on the environment and climate due to pollution decrease. In China a 25% reduction of carbon emissions and a 50% reduction of nitrogen oxide emissions were registered. (Sfetcu, 2020, p. 35)

According to a recently made study on big companies within the Euro area, the respondents mentioned most frequently as long-term effects of the pandemic, the appeal to home work and intensive use of digital technologies.

Increase in the number of virtual appointments, confinement of long-term business travels and significant increase in e-trade were also mentioned. 75% of respondents consider that online work does not diminish the employees’ productivity and „remote” working style will become a long-term decision. The time saved by the reduction in business travels, better and easier handling of family and professional commitments as well as an increase in connectiveness are real benefits which reluct against the disadvantage of the decrease in informal personal interactions. (<https://ec.europa.eu>)

The COVID-19 pandemic has brought about a paradigm change at world level, with powerful impact on world economy and on scenarios of long lasting development. The governments’ reaction through decisive measures of supporting economies in view of moderating the impact on the economic field have led to the reduction of the external shock suffered by world economy.

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