
The financial Impacts of (COVID-19) on financial reporting quality Airlines Companies: British Airlines

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Abstract

At the beginning of 2020, China declared a state of emergency due to the spread of the new Corona virus in Wuhan, which is one of its largest major industrial cities, and the new disease was soon detected as an epidemic in China, and on March 11, the World Health Organization classified COVID-19. However, it is a pandemic due to the large increase in the number of cases infected with this disease in all countries of the world. Based on the precautionary measures taken by all countries to limit the spread of the virus, and considering the aviation sector is the fastest means of transmission around the world, flights of this sector have been suspended between all countries in order to contain the epidemic.

The COVID-19 outbreak across the world has imposed a series of social distancing restrictions for motivating the impact of the pandemic (Coftas et al. 2020). Airlines are also severely affected by the pandemic (Sparke & Anguelov, 2020). The proposed research is based on analysing restrictions caused by the COVID-19 on the efficacy of airlines with respect to new social distancing norms (Seo and Itoh, 2020). For this purpose, the focus is on British Airlines, which is one of the largest airlines in the world being greatly hit by the ongoing pandemic. The COVID-19 outbreak across the world has imposed a series of social distancing restrictions for motivating the impact of the pandemic (Coftas et al. 2020).

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Keywords: COVID-19, Global Airlines Companies, British Airlines.

1.1: Research Aim

The research aims to analyse the impact of COVID-19 on airlines company by focusing on the case of British Airlines.

1.2: Research Objectives

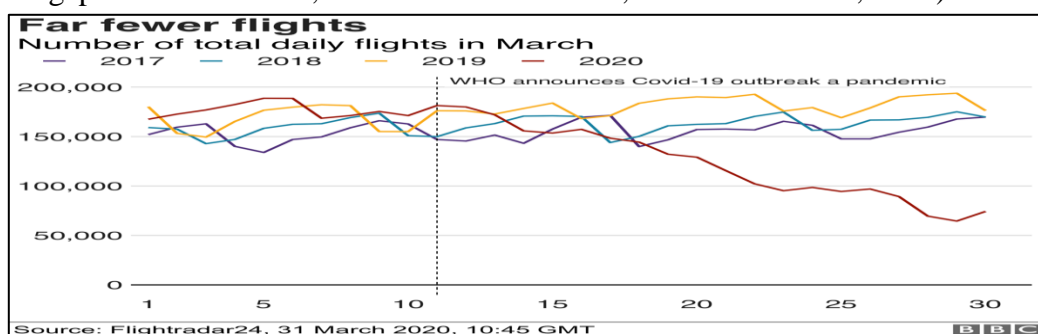
- To analyse how COVID-19 slowed down the demand for airlines and travelling
- To identify how COVID-19 will impact future travelling and ways for managing social distancing
- To ascertain new flying norms, customer service, and better crowd management at airports amidst COVID-19 scare

1.3: Research Question

How COVID-19 will affect the business operations of British Airline and what will be the impact on travellers and airline?

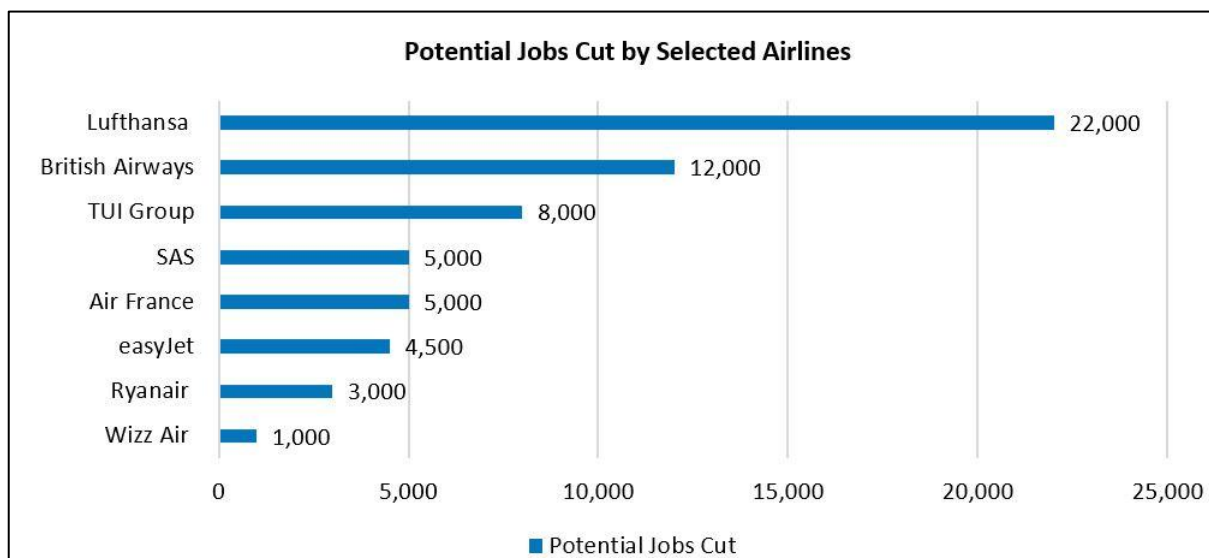
2. Literature Review

Coftas et al. (2020) found that there is an increasing risk of travelling by airlines amidst the rising concern caused by the pandemic. There is a possibility of passengers infecting seats and social distancing is of utmost importance. Also, airlines have a difficult time in trading-off between economic productivity and the resulting impact on health risks and factors. Baum et al. (2020) suggested that the impact of COVID-19 is high at the macro (policy and government), mess (organisational), and micro (employees). All airlines need to make sure that these elements are covered critically for smooth operations of airlines. There has been a loss of revenue for all major airlines across the world. Vietnam Airlines, United Airlines, Singapore Airlines. Air New Zealand, Cebu Pacific, and British Airlines have faced a serious decline in their revenue during the pandemic period (Vietnam Airlines 2020, United Airlines 2020, Singapore Airlines2020, Air New Zealand 2020, and Cebu Pacific, 2020).



Source: Anon (2020)

The above graph shows a decline in the number of flights for British Airways in 2020 when COVID-19 was labelled as a pandemic. Maneenop et al. (2020) reported that many airlines started laying-off employees because of loss of revenue and travel restrictions. Nižetić (2020) added that many airlines also raised issues on lower mobility of passengers and dreaded fear of contracting an infection while travelling resulting in loss of air revenue. Baum et al. (2020) further added that there might be a sense of uncertainty regarding air travel. However, the situation will be normalised within months as people start travelling. Also, Iacus et al. (2020) suggested that European airlines are likely to suffer more compared to other airlines because of the travel ban on short and long distances. There is also a possibility of contracting revenues and job losses of more than 25-30 million. The below figure-2 shows potential jobs cut by selected airlines and British Airways is expected to cut 12,000 jobs amidst rising cases of COVID-19 across the world.



Source: Aziz (2020)

3. Research Methodology

The research methodology is based on using qualitative insights by focusing on the interpretivist philosophy, inductive approach, and qualitative research design (Tobi and Kampen, 2018). The interpretivist philosophy is based on generating new insights and developing new findings (Abutabenjeh & Jaradat, 2018). The inductive approach is based on generalising data and information. The qualitative design is helpful in generating narratives and inputs, which arise from experiences and lived phenomenon (Seidel et al. 2017).

There are two major forms of collecting data. Primary data is collected from primary sources in the form of interviews, surveys, and observational studies (Leatherdale, 2019). Secondary data is collected through secondary sources like published books, journals, and academic materials (Sendall et al. 2018). The researcher will be using secondary data for the proposed research because of the dearth of time, limitation in terms of contacting relevant people for collecting primary data and information, and the pandemic still at a nascent stage with little clarity on its impact on airlines (Alexander et al. 2020).

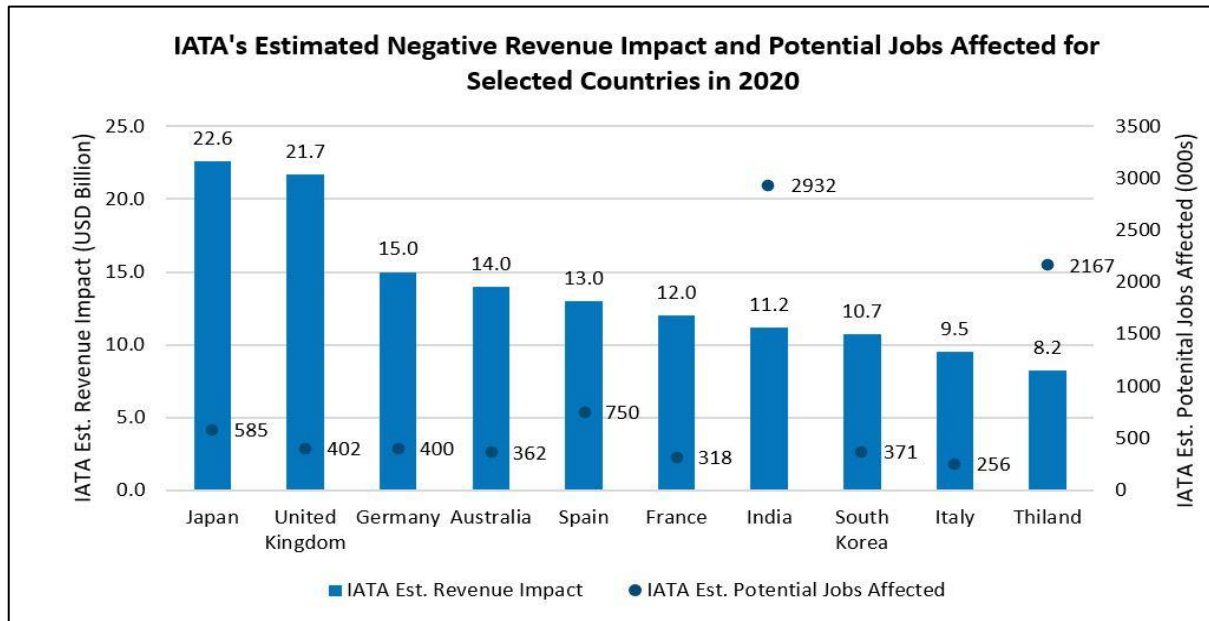
It is important to mention that reasons for not conducting quantitative research is based on little reliability surrounding the research topic (Gregory, 2019). The impact of COVID-19 is still at a nascent stage and views and opinions of people are important rather than ascertaining the relationship between various variables (Dodds and Hess, 2020). Therefore, the focus is more on generating qualitative insights helpful in understanding the impact of COVID-19 critically and coherently (Alexander et al. 2020). For validity and reliability, past research works, and ongoing research papers will be referred to. Also, the focus will be more on investigating existing findings and relating them back to the research topic coherently (Fox and Aldred, 2018).

4. Findings and Discussion

Anon (2020) stated that the pandemic has hit the travel industry hard and the impact can be seen on British Airways. The airline is expecting that the demand will not recover for years and is flying only 20% of its schedule. There has been a reduction in pay by 20% and job cuts by 20%-30%. AP (2020) further reported that flight cuts, rules and regulations regarding quarantine, a ban on travelling, less movement of flights, and the UK taking off some countries from the list have affected the possibility of generating revenue.

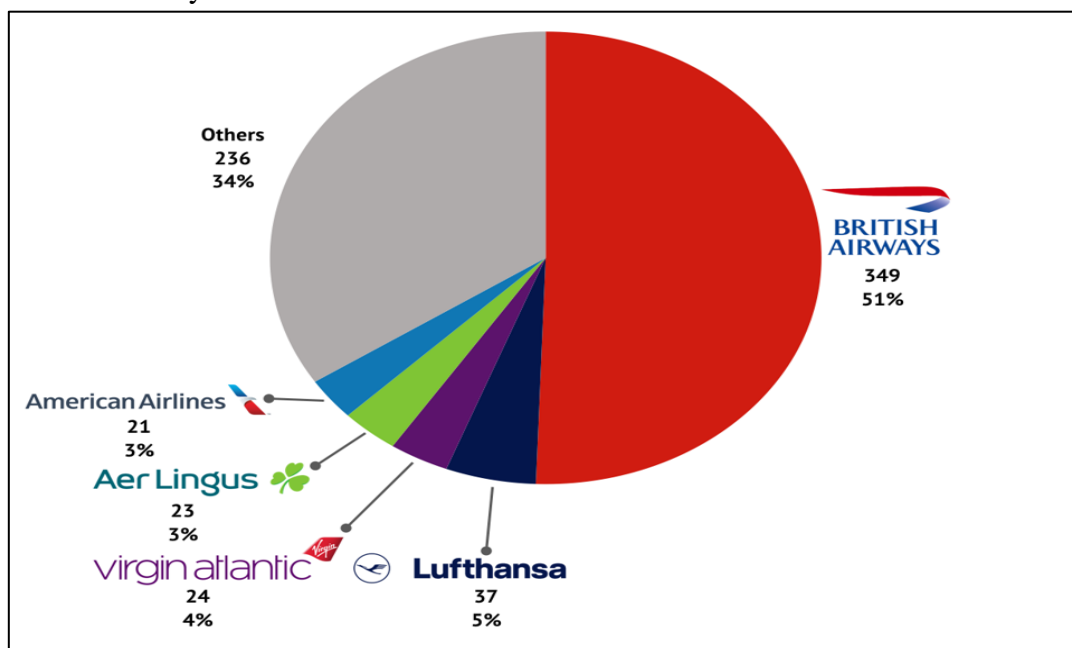
The demand is not expected to rise in the current year, as people are doubtful off travelling during such a crisis period. However, the company has decided to raise \$3.27 billion from shareholders with a vision of filling the finances and bracing for a chaotic future. The airline has lost one quarter because of flight ban and reduction in flying capacity. The current situation is further concerning, as, after serious of grounded planes, rage possibility of a tentative return to normalcy has been thwarted by the rise of COVID-19 cases with a possibility of the second wave and more travel restrictions likely to be imposed. Also, the US and India have been the biggest markets for British Airways and both countries have been severely hit by the COVID-19 with a potential loss of millions in the current year.

Horton (2020) further added that British Airways is looking to increase productivity by lowering airfare with a view of emerging from COVID-19 crisis in an efficient manner. The focus is more on efficiency and flexibility with improved customer satisfaction. Even though there is a lack of finding regarding how travellers will be motivated or revenue will be increased, there is a hope of changing business and consumer environment, as the pandemic weakens. As per the below, figure 3, it was found that the revenue impact on British Airways was quite high along with potential jobs affected. It clearly shows that the impact of COVID-19 has been severe on revenues and employment of the organisation.



Source: Aziz (2020)

According to Horton (2020), British Airways holds the largest slot at London Heathrow Airport (51%), which is also profitable. However, there is also a risk to this slot portfolio in response to COVID-19. The double-digit capacity-cut will affect the operational capability of the airline along with affecting the profitability, which might be balanced by efficiency gains made because of layoffs.



Source: Horton (2020)

5. Conclusion

Based on the analysis of the research topic, it is important to reiterate the research question for making concluding remarks. The research question was based on “How COVID-19 will affect the business operations of British Airline and what will be the impact on travellers and

airline". Based on the analysis, it was found that the surge in COVID-19 cases has resulted in a downward trend of profitability for the company. The company has also cut 12000 jobs for improving operational efficiency. The safe distancing norms are likely to result in a reduced number of passengers with growing fear over travelling. Also, several countries have imposed a ban on travelling, which has resulted in fewer slots for British Airways. Overall, it can be concluded that COVID-19 has badly affected the business prospect of British Airways with a negative impact on travellers across the world. The situation might worsen in Europe with the second wave of COVID-19 becoming an apparent reality. However, as the pandemic is still continuing, there is a need to analyse the research question with further research.

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