
COVID-19 UNCERTAINTIES AND PAKISTAN'S ECONOMIC PROBLEMS DURING THE PANDEMIC

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Abstract

In the present era, the COVID-19 appeared as a dangerous virus that ruined all most all economies of the globe. The present paper attempts to review the economic problems and uncertainties that affected the Pakistani economy in the COVID-19 pandemic waves. The study is based on a desk review. The data are derived from reliable sources to achieve the purpose of the study. The study's findings suggest that the economy of Pakistan has confronted significant challenges in the pandemic. These problems include economic and financial problems, business problems and firms operating problems. Besides, the study provides evidence about the impact of COVID-19 on revenue and employment within the firms of Pakistan. Furthermore, the study's findings would provide some guidelines about the problems that exist in the pandemic. Therefore, the government of Pakistan must take initiatives if any pandemic may appear. Finally, the study may provide the summarized insights into the economy of Pakistan, particularly concerning economics.

Keywords: COVID-19 uncertainties, Economic problems, Financial problems, Business problems, Unemployment, Wage loss

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1. Introduction

Across the globe, the COVID-19 pandemic has banged all economic sectors and their development (Shah et al., 2020; Soomro and Shah, 2021a). The attitudes of individuals has been decreased towards entrepreneurship (Soomro et al., 2019; Memon et al., 2019; Soomro et al., 2020; Lakhan et al., 2021). According to an estimation of WTO, GDP would be contracted by 5.2% and decrease up to 40% trade globally. Likewise, Pakistan is also not free from such crises, as it confronts a weak economy with the reflection of poor macroeconomic setup and low acquiescence with IMF conditions. In 2020, an entry of COVID-19 had brought numerous economic shocks and uncertainties, which slash the GDP growth low at -0.38%. The growth trends show that the economy of Pakistan has shrunk about 9% (last quarter of 2020), subsequent in unemployment of 3-4 million individuals. An unparalleled pandemic and its effects are imminent huge. UN report regarding the impact assessment of COVID-19 of Pakistan shows a high contraction in the manufacturing sector in early 2020. Three key sectors, such as agriculture, industry and service sectors, has confronted massive economic recessions throughout the first quarter of 2020. From them, the services sector has hit the toughest, along with the agriculture and manufacturing sectors. Logistics, tourism, hospitality, and entertainment have suffered a lot with the loss of revenues. The construction activities have stepped down, which significantly reduced the tourism and food services happenings, particularly in Pakistan's northern. UNIDO (2020) claims that SMEs confronted a significant shortage in export orders, resulting in a massive loss in both employment and revenues. However, the expectation regarding the growth of Pakistan highlight that unemployment is likely to upsurge by more than 3-4m (PIDE, 2020).

Consequently, these bleak and complicated situations underline the significant uncertainties become the prospects for the virus caseload is quiet tremendously high, if pandemic's occurrences keep it up (Soomro et al., 2021). If these situations may continue, the economy of Pakistan would severely suffer, starker and do not accomplish the sustainable development goal (SDG), which are built for inclusive resilience in infrastructure, sustainable industrialization and adoptive innovation. Therefore, the present study reviews the impact of the COVID-19 on Asian economies along with Pakistan.

2. Overview of COVID-19 spread in the South Asian economies

The COVID-19 is spread in South Asia with incredible speed and magnitude. The overview of the pandemic suggests a large number of the population is affected, recovered and went into the mouth of death. In the business and entrepreneurship, it have ruined the developing economies and entrepreneurial perceptions of aspirants (Soomro and Shah, 2020; Soomro and Shah, 2021b). According to Worldmeter (worldometer.com), ensured cases of the COVID-19, which were noted first in China at the end of last year, after exceeding 9.7 million in the particular South Asian countries as of 11 November 2020 with an enormous increase (Table 1). India is a country that appeared with a massive number of total cases of 8,636,011. Out of them, 8,013,783

covered, and 127,615 were swallowed by death. However, other Asian nations, i.e., Bangladesh, Sri Lanka, Nepal, Maldives and Afghanistan, have confirmed 6127, 41, 1148, 41 and 1581 deaths, respectively (Table 1). Interestingly, till 11 November, there was no death case found in Bhutan. However, Pakistan confirmed 7021 death cases on 11 November 2020 (Table 1).

Table 1. Total COVID-19 cases in South Asian countries up to 11 November, 2020

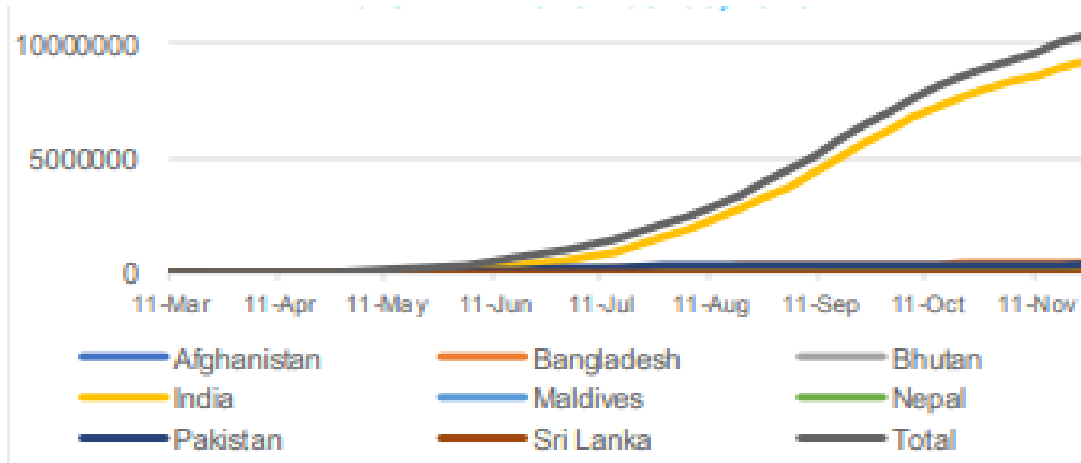
Country	Total cases	Deaths	Recovered
Bangladesh (BD)	425,353	6127	343,131
India (ID)	8,636,011	127,615	8,013,783
Sri Lanka (SL)	14,715	41	10,183
Nepal (NEP)	199,760	1148	160,577
Bhutan (BHU)	364	0	343
Pakistan (PAK)	348,184	7021	320,065
Maldives (MAL)	12,030	41	11,182
Afghanistan (AFG)	42,609	1581	34,967

Source: Islam et al., 2020

A few months' data underlines an enormous increase of new COVID-19 cases (1,553,653) in South Asia. These numbers are getting a cumulative total of 10,607,189 definite cases along with 155,177 deaths. It also offers a 17% growth than the earlier recording month when cases enlarged by 29%. Despite deteriorating trend due to premature control initiatives, i.e., travel restrictions, and lockdown the overall condition remains breakable and not under control. At the beginning of winter, the increasing COVID-19 spread/ cases trend is noted in Nepal, India, Pakistan, and Sri Lanka have elevated anxieties for a potential second wave. Sri Lanka is indicated with double cases, which vastly increase up to 40%. At the same time, India verified 1,342,840 new cases to carry the cumulative total to 9,431,691 cases. However, the monthly rate of COVID-19 cases substantially decreased from 30% compared to an increase of 17% last month and decreased weekly (Figure 1 and 2).

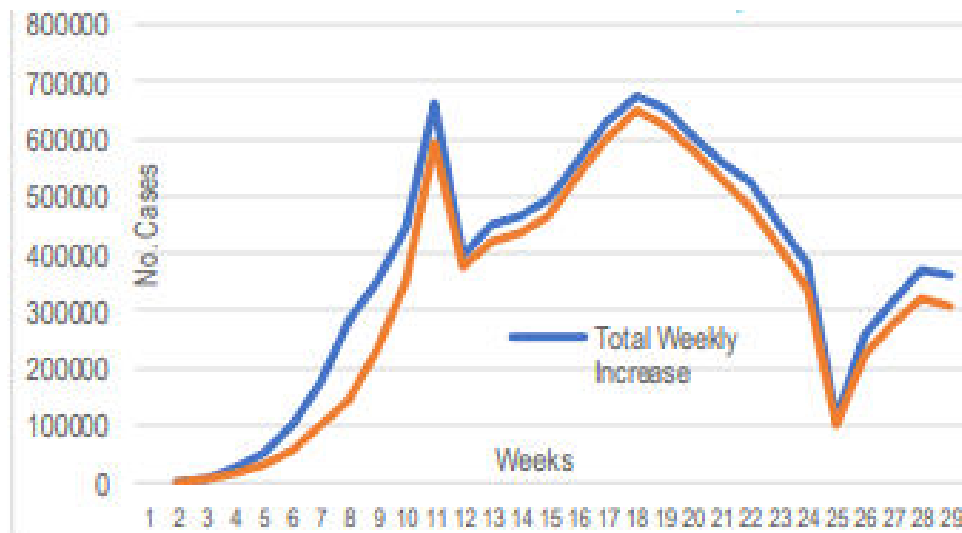
Subsequently, the data of last month shows an increase of new cases as 67,260 with 41%. In Pakistan, 65,838 cases new cases have appeared with a 20% increase. Bangladesh also confronted the issue of an increase of 57,647, which yields a 14% increase. Likewise, in Afghanistan, 4,947 new cases were detected, with an increase of 12%. Besides, Maldives recorded 1378 (12%) addition of new cases. Finally, Bhutan confirmed a rise of 14% in new cases (50 cases) (SAARC, 2020).

Figure 1. Trends of South Asia confirmed cases (March 11-November 30, 2020)



Source: SAARC Disaster Management Centre

Figure 2. Trends of South Asia weekly increase (March 11-November 30, 2020)



Source: SAARC Disaster Management Centre

According to WHO (2020), the Asian countries have improved their efficacy of testing the COVID-19. The World Bank (2020) survey claims that the official numbers are wholly devaluing the actual spread of COVID-19. However, schools have happening re-opening in Pakistan, Sri Lanka and Afghanistan after the five months closure due to the pandemic. Such provisional closures have negatively affected the learning of 434 million children who cannot attend schools and must depend on home-based or remote learning. The absence of access to the internet has worsened disparities and the learning crisis, mainly for the poor. Because of extended school closings, it is projected that children in the region have experienced a learning loss of half a year of learning-adjusted years of schooling. Likewise, it is predicted that the

dropout ratio of students would increase up to 5.5 million students from the education system. Besides, this would add to the prevailing 29 million children of primary and lower secondary age are out of school (World Bank, 2020). Remarkably, there would be greater gender risk among the needy, poor and vulnerable girls as they lose their online learning.

3. Data sources

We employed desk review methods to gather the data. The data for the study is derived from reliable sources and surveys of UNIDO, which were conducted online from 15 April to 15 May 2020 among the South Asian regions. Besides, we derived the data from the UNIDO networks and SMEDA (Ministry of Industry and Production, Small and Medium Enterprise Development Authority) in Pakistan, i.e., project associates and firms contributing to UNIDO projects, Chambers of Commerce and Industry. We focused on the data which shows the present impact of COVID-19 and the likely effects of COVID-19.

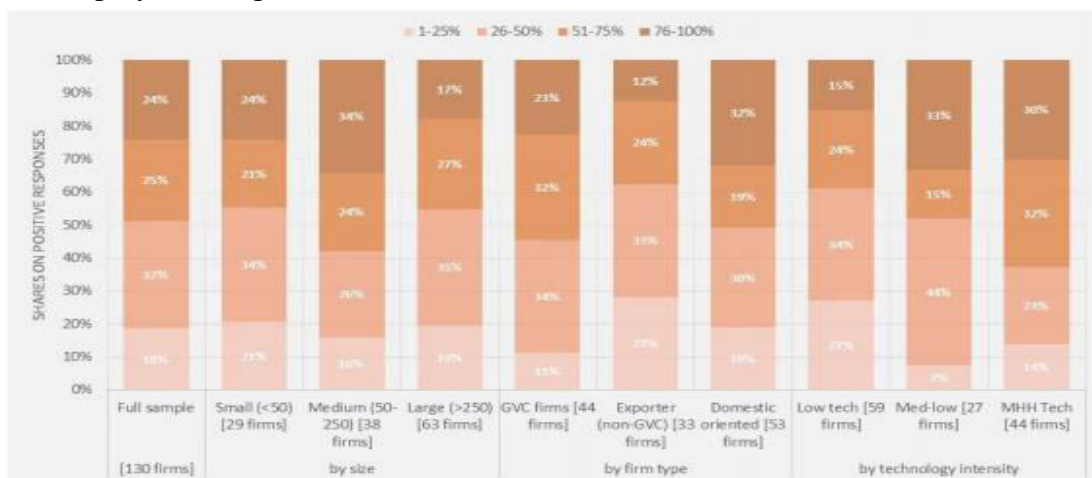
4. Findings

4.1 Employees incapable to work:

More than half of the workers did not come to work or unable to go to work in the firms. This situation made the worst situations for GVC firms. The absences of the workers made due to several reasons. For instance, several workers in Sialkot were limited due to lockdowns and movement restrictions. Most of the working/ labour returned to their villages and were involved in their traditional farming in the agricultural sector and related activities. Due to the closure of transport, these individuals found difficulties in returning to their original or working places.

Besides these uncertainties and indeterminate income streams in the urban site, the workforces choose to stay in their rural areas. In such places, their urban cost was low, and there was a possibility of earnings. The percentage of all activities of all sectors are given below in figure 3.

Figure 3. Employees incapable to work



Source: UNIDO, 2020

4.2 Key financial problems:

Across the firms, payments of wages are noted as significant challenges to the firms. The firms' cash cycles were interrupted mainly due to the lockdown decisions of the government of Pakistan. These problems created a lot of issues in liquidity and money flow. Also, such problems made financial anguish for the several firms, which confronted complications in fulfilling all of their regular payments. These periodic payments include social security payments and the salaries of the old-age benefits of employees. Most of the firms also complained as they have penalized instead of rewarded for recalling their workers—such created excessive pressure on firms confronting threatening situations. The payment of invoices postured a delinquent since firms were incapable of understanding attainable due to disturbances in the cash credit cycles. Outflows were wedged throughout supply chains. Those firms mainly dependent on imported inputs face huge losses, i.e., importers of raw plastic materials were hit predominantly hard due to their funds being stuck in the market (Figure 4). The fixed costs comprising utilities, regular staff wages and rent, continued amassing. On the other hand, firms had no sales and are fraught to make ends meet. This situation was more challenging, particularly for medium firms, as they required the 'muscle' of large firms and suppleness of small firms.

Figure 4. Key financial problems



Source: UNIDO, 2020

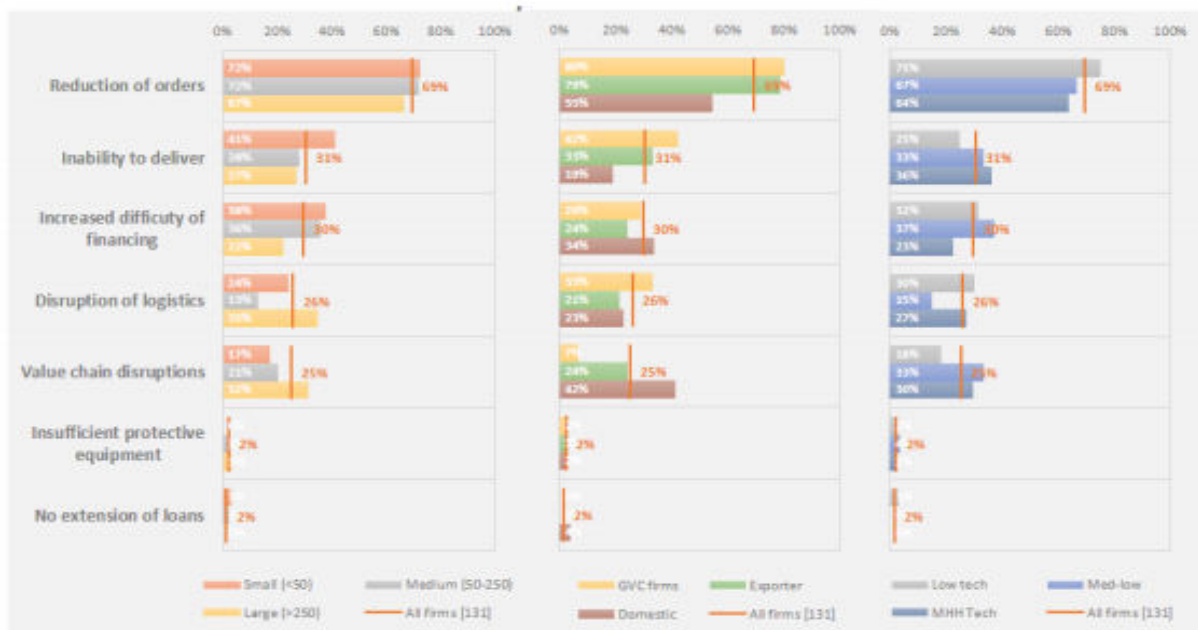
4.3 Key business problems:

The firms are affected due to lower demand, nearly 1/3. Most of them were foreign oriented which were suffered a lot. The firms have been victimized by the significant challenges of deficiency of order in the markets. An important reason is that consumption stock is associated with speedy unemployment, a decrease in incomes, and the shutting of businesses at the

domestic and global levels. In Pakistan, the industries like garments and surgical have practiced a widespread halt in orders from US and European customers, as the major exporting economies were under a severe lockdown. Likewise, the footwear business faced a quick drop due to the closure of sales points. Although many footwear manufacturers transferred to e-commerce, the support mechanism and core infrastructure for online sales are still weak progress. Still, the economy of Pakistan lacks digital technology and digitally starved, which confines potential domestic sales. Transference to the digital marketplace needs a diverse set of skill labour, systems of sales, and health management of warehousing and logistics. However, such healthy networks need time.

Concerning auto sales, these are noticed very low in Pakistan (Figure 5). The last quarter of FY2020 highlights that two leading firms, i.e., Toyota and Honda, found a lack of demand due to plants' shutdown. Consequently, it has negatively impacted the sale of repair, maintenance and spare parts (Figure 5). The data further shows that all the secondary indicators provided the indicators of the actual decrease in demand, subsequent in or due to chain of problems, i.e., financial snags, logistics and supply chain problems.

Figure 5. Key business problems



Source: UNIDO, 2020

4.4 Key operating problems:

The inflow of cash remains a significant apprehension of large firms. However, small firms are hugely affected to fulfil the contracts. In Pakistan, a substantial number of supply chains are ultimately link-up with the informal segment. It infers that to one side from huge companies, the supply chains of leading businesses—irrespective of their size are associated with the cash

economy. For utmost companies, subsequent orders are realized as the sources of profits through credit payments. Usually, such payments are between 30-90 days but depend upon the industry. The credit sales model was employed to manage the duration of credit sales and the cash inflow in the market. Simply, manufacturers trade to wholesalers on credit. In turn, they sell to retailers and once again they make cash flow back from retailers. The Pakistan's government was indeterminate about implement a lockdown in March, and its communication foretold that a great lockdown was not practicable. However, provincial officials have set a severe lockdown lacking a specific time. Such a situation has disrupted the cash cycle. Retailers left unsold stocks; thus, they failed to collect the payments and could not make the payments to wholesalers, and the wholesalers were also unable to pay industries for their inputs.

This disturbance shaped serious liquidity concerns in the marketplaces and especially for manufacturers. Such cash deficiency, trade constraints and disruptions in goods' flow caused input deficiencies (Figure 6). Moreover, a shutting of markets and workers shortage caused small firms not to distribute on their assurances—such consequent dearth caused in price rambles of several inputs, generating more glitches within supply chains. For example, the industries that rely on imported steel (surgical industry) were unavailable because of the ports' lockdowns. Likewise, several firms in the cutlery industry were observed to shut down individual factories as they could not achieve their promises at the primarily decided prices.

Figure 6. Key operating problems



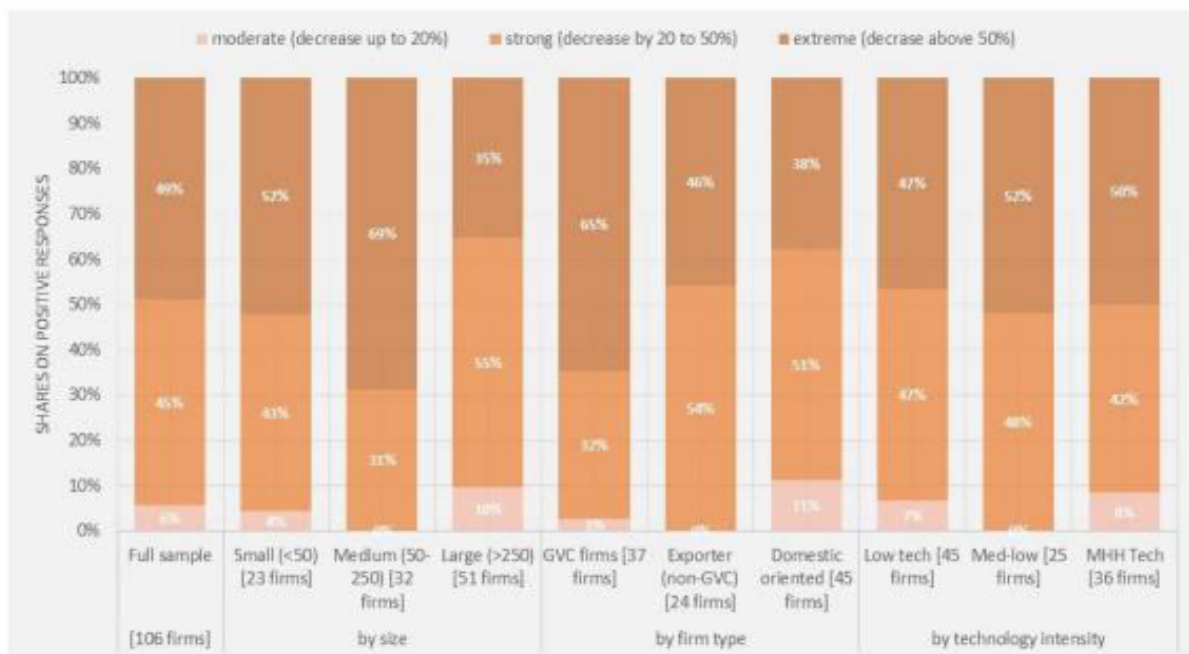
Source: UNIDO, 2020

4.5 Impact on revenue and employment

In the analysis, layoffs were not a ranked mitigation measure. The firm size and type considered nearly 50% of 118 firms. The study found domestic downstream and small-size firms as slightly less optimistic. The data shows that the domestic-oriented firms have significantly affected and decreased their production from 51% to 38%. Some technological intensity firms have dropped their productions above 50%. Likewise, small and medium firms have also decreased their production moderately up to 20%. However, an extreme decrease is noted for 20% to 59% of GVC firms (Figure 7).

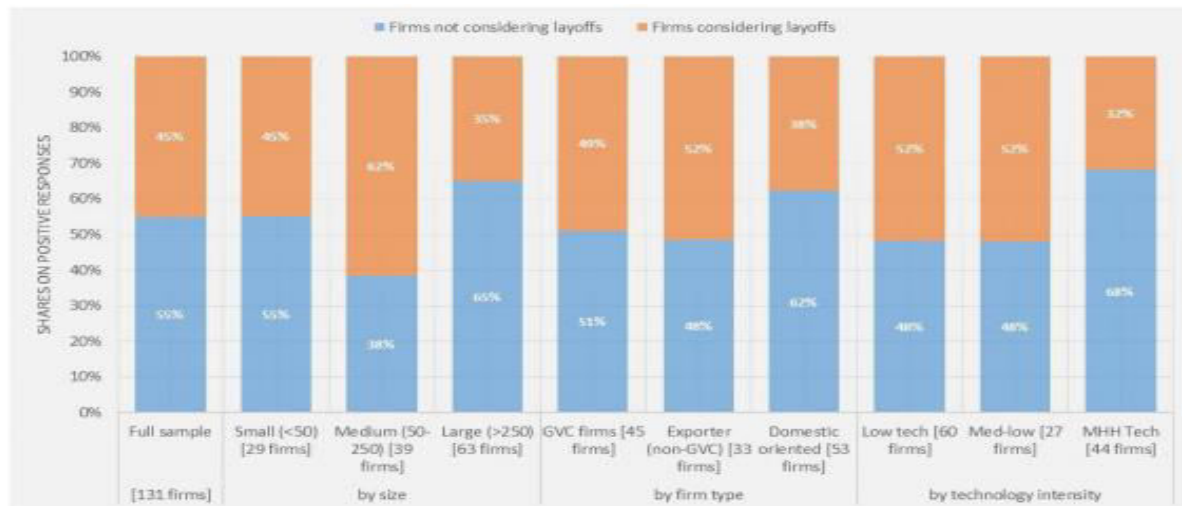
Besides, the pandemic has seriously affected employment. The data of UNIDO’s study of the samples of 231 firms highlights that small, medium and large firms have decreased their work from 55% to 45%, 38% to 62%, and 65% to 35%, respectively (Figure 8). Likewise, other firms like GVC, exporter and domestic firms have reduced the size of their employee and technology intensity.

Figure 7. Severity of expected deadline in profits



Source: UNIDO, 2020

Figure 8. Impact on employment



Source: UNIDO, 2020

4.6 Monthly wage loss

To assess wage loss among at-risk workers (paid workers) on a monthly basis, the monthly wage is multiplied by the number of paid employed workers at risk of job distraction in each sector. The study made an estimation based on the postulation of economic activity. Suppose, if actions are influenced for longer, aggregate wage loss would be multiplied under both scenarios. The analysis does not contain the self-employed workers who are possible to face underemployment due to the LFS. In scenario 1, income loss among paid employees would total PKR 100.39 billion for one month. However, in scenario 2 (strict restrictions), such increases to PKR 145 billion for one month. Because of data constraints, no approximations can be obtainable on income loss for the 5.7 million self-employed workers probably to lose income under scenario 1 and the 9 million under scenario 2 (Table 2).

Table 2. Average monthly wage loss of paid employees in at-risk employment (PKR billion)

	Monthly earnings of paid employees in vulnerable employment (Rs.)	Wage loss	
		Scenario 1	Scenario 2
Manufacturing	12,450	14.48	25.34
Construction	16,056	46.88	60.27
Wholesale and retail trade	13,313	14.91	23.86
Transport/storage & communication	16,555	12.15	18.22
Community/social & personal services	11,806	11.23	16.85
Others	23,734	0.73	0.88
Total		100.39	145.43

Source: Pakistan Institute of Development Economics (2020)

5. Conclusion

The purpose of the study was to review the uncertainties and economic problems created through COVID-19 in the context of Pakistan. The investigation is concluded by reviewing the different reliable sources containing the existing knowledge about such a phenomenon. In South Asia, COVID-19 has a feast with great speed. A significant ratio of the population has enormously into the mouth of death. It brought substantial problems in terms of business downturns, workers unemployment, economic and financial crises etc. About more than half of the workers did not go to their works and become unemployed. All types of firms, including small, medium and large, were seriously affected due to the pandemic. The wages also were seen as significant problems for the workers. The cash cycles of the firms were intermittent due to the lockdown decisions of the government of Pakistan. The firms have been mistreated by the significant challenges of deficiency of order in the markets. Firms largely confronted the problems of the inflow of cash. A considerable number of supply chains are affected. Therefore, in the future, if the COVID-19 may continue, the government of Pakistan should consider the steps which may be favourable for reducing the problems, i.e., unemployment, financial and business problems and also of the daily wages' workers.

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