

# The Impact of COVID-19 Pandemic on SMEs and their Restoration in Pakistan

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## Abstract

The research was carried out to highlight the impact of the COVID-19 Pandemic on SMEs in Pakistan and their restoration. The study was conducted to identify, investigate, and analyze the COVID-19 outbreak on Pakistani SMEs. Moreover, the study also aims to assist the policymakers and practitioners in identifying the right strategies to respond and curtail the impacts of the on-going pandemics on SMEs. The significance is further placed on the substantial risks brought through external environmental uncertainty to SMEs and assist these enterprises in predicting the risks in the early stage of the business decision-making and planning to counterfeit the COVID situation measures. The SMEs' fundamental problems are the adverse outcomes of pandemic situations and lockdown aspects. Lastly, SMEs' survival may be a real problem considering the pessimistic effects on Pakistan's economy's outbreaks. It was prescribed to make sure that these companies were restructured financially by pooling additional investment into the company in the form of holdings or issuing more financial shares in case of medium-sized corporations to increase the financial working capital cycle so that the companies could eradicate the possibility of Liquidity Crises.

**Keywords:** Crises, lockdown, Pandemic, uncertainty

Article Received: 18 October 2020, Revised: 3 November 2020, Accepted: 24 December 2020

## 1: Introduction

### 1.1 Background

The outburst of the pandemic coronavirus disease in 2019 has immensely influenced the national and global economies. It has severely affected several enterprises as they have faced varying amounts of losses in the process. Also, the organizations are contemporarily facing various dilemmas which incorporate the decrease in the demand levels from the consumers and other businesses, the

disruptions in the supply chain, the cancellations of the export orders, shortages of the raw materials used in the production, and the disruptions in the transportation. The coronavirus spread has not just affected Pakistan's economy. However, it is quite vivid that the global economy has experienced and is in the process of experiencing the impacts of the COVID-19 outbreak.

Moreover, it is being argued that the principal victims of the outburst are the micro, small & medium-sized enterprises as they do not attain or possess enough

resources such as financial and managerial when compared to the substantial organization. Moreover, the COVID will likely continue to exist. These firms will remain affected as they are bound and dependent on their routine transactions with a limited customer pool. Hence, they are suffering due to the falling stock levels that are inefficient to meet the demand levels, while few find it hard to manage and operate smoothly in the foreseeable future.

Small-medium enterprises (SMEs) are deemed the lifeblood or the backbone for many of the worldwide economies as they attain the potential of generating employment levels for a larger number of individuals in the country, enhancing the levels of income improving the overall standard of living. The contribution made by SMEs to the economy of Pakistan is about 30% of the GDP, 25% to exports, and 78% to industrial employment, which depicts that they play a vital role in the economic development of the country and therefore are directly proportional for a thriving and progressive economy (Syed Akhtar, 2018). Similarly, the on-going pandemic situation will hamper the SMEs' operations as they are substantially dependent on the cash economy, which has been severely affected due to the COVID 19 situation. Hence, the overall research objective is to identify, investigate, and analyze the COVID-19 outbreak on Pakistani SMEs. Moreover, the study also aims to assist the policymakers and practitioners in identifying the right strategies to respond and curtail the impacts of the on-going pandemics on SMEs. The significance is further placed on the substantial risks brought through external environmental uncertainty to SMEs and assist these enterprises in predicting the risks in the early stage of the business decision-making and planning to counterfeit the COVID situation measures. The SMEs' fundamental problems are the adverse outcomes of the pandemic situation and lockdown aspects. For instance, the retail and the hospitality industries have been adversely affected due to the outbreak of the virus.

Moreover, the organizational revenues have decreased by about 50% caused due to the lack of demand for luxurious goods and services. Also, liquidity problems have emerged due to complete shutdowns and low demand levels, which have led to delays in the vicious delivery cycle, limited sales, and delays in the payments. The employment levels in the economy have fallen due to cost-cutting, due to which the layoffs of the temporary staff have become evident. Lastly,

SMEs' survival may be a real problem considering the pessimistic effects on Pakistan's economy's outbreaks.

## 1.2 Research Objectives

- To assess the impacts of the COVID-19 on SMEs and the economy in Pakistan
- To reflect upon and analyze the impact of the COVID-19 on Pakistan's services sector
- To assess the Framework for SME Sector Development in Pakistan and the impacts on the macroeconomic environment

## 1.3 Research Questions

- How will the COVID-19 Influence activities carry out by the SMEs in Pakistan?
- How will Pakistan's service sector be affected through COVID-19's adverse effects?
- How would the theoretical frameworks on the SME Sector Development in Pakistan analyze the macroeconomic environment?
- How will the problems amid COVID-19 be tackled and resolved to stimulate Pakistan's SME development?

## 1.4 Scope of the Study

This study's prospects are immense as it curtails the skill gaps and ensures that the development of the SMEs in Pakistan is kept restored and the effects of the COVID-19 are tackled and managed to the extent possible. Similarly, the research also provides additional information to the Ministry of Economic Development of Pakistan on the awareness of SMEs' performance. It could also assist in understanding approaches to be taken to elevate and enhance the economic revenue. Moreover, the ideas that are being suggested and incorporated are vital as sources of information for future-based research. Also, Pakistan's young economists and youth will be able to improvise their knowledge of the government's strategic and supportive measures on the SMEs' awareness of the SMEs' performance. Furthermore, the various aspects of awareness will shed light on the economic issues and enhance the economic insights, thereby contributing the society as a whole.

## 2. Literature Review

The initial literature review carried out by Mohsin, Junrong, and Wenju reflects on the impacts of the COVID-19 on the economy and SMEs in Pakistan and globally to assess both, positive and negative aspects caused by the spread of the Pandemic. It highlights that the disease's impact can be witnessed through the lockdown executed in the cities across the world, which affected society and the economy. The immobility of labor due to the governments' restrictions to avoid the widespread of the virus, travel bans, suspension of the airline, and the downswing in the economy are all essential effects that have emerged and adversely influenced the situation for future economic growth and sustainability. Moreover, it is being assessed that the COVID-19 might have a severe ramification to the global GDP growth as the foreign direct investment may shrink as the returns may fall, and the potential savings in the local banks will be preferred for safer options in times of more significant uncertainty which may shrink it up to 5-15%. Moreover, it is being predicted that about 25 million people are on the verge of losing their jobs due to the COVID-19 consequences (Mohsin, Junrong, & Wenju, 2020). A loss in the employment rates in Pakistan's economy is likely to curtail their earnings, which could shrink their purchasing power and buying ability and lead to greater poverty levels if the government subsidies and incentives are not sufficient. Moreover, the ILO predicts that the impact of COVID-19 is likely to widen towards the economic output in terms of food services, real estate, wholesales, and retail trade will be more inclined towards the higher side and that in sectors such as defense, social work activities, education, public administration, and the human health will be lower (Syed Akhtar, 2018).

The impact would be worsening for Pakistan as it falls in the developing countries category and does not cater to efficient health infrastructure and its inability to pay off heavy debts. Moreover, the capital cash flows have been unstable, which poorly affected the planning and decision-making concerning strategy formation. It is further anticipated the poverty levels are likely to increase by around 11 million people. It has been further detailed that Pakistan has lost about one-third of the revenue while its exports have fallen by about 50% amid the COVID-19 outbreak and lockdown situation (Syed Akhtar, 2018). Moreover, it is anticipated that Pakistan might fall into a recession as the GDP growth for the year 2020 is

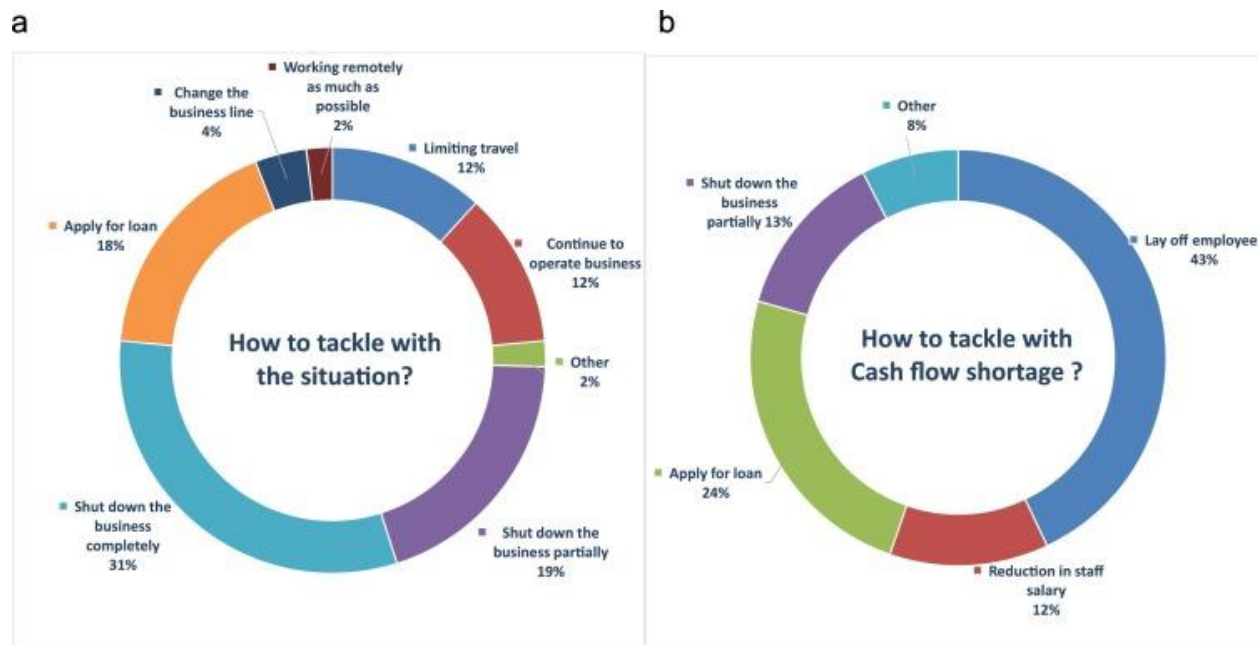
expected to shrink by 1.3% following the national and global activity slowdowns, which have devastatingly influenced the current economic activity fiscal year. Amid lockdowns in the country, it is being reported that the majority of the labor force comprises the daily wage earners such as transport workers, construction workers, laborers, and waste recyclers were and continuing to be affected adversely due to the closedown of the SMEs due to the lockdown situation in the country which has curtailed their daily earners and has led to widespread in the poverty levels (Mohsin, Junrong and Wenju, 2020).

The textile and the apparel industry being the SMEs of Pakistan, have been influenced primarily due to the lockdown's imposition. For instance, 54% of Pakistan's manufacturing sector exports food, tobacco, textile, and beverages, a fall in demand for the export of these sectors will likely curtail the economic growth activity levels in Pakistan and could potentially generate substantial levels of unemployment as these small businesses may not be able to manage their cost levels as planned. Moreover, the agricultural sector has been affected as the non-availability of labor and transport in the harvesting periods has faced severe issues (Aderemi, Ojo, Ifeanyi, and Efunbajo, 2020). Furthermore, the transportation industry is also affected as many local transportation drivers such as the bus, taxi, and rickshaw are not allowed to operate and therefore have been set home, which has adversely affected their earning potentials and imposed more significant poverty concerns for the economy. Hence, the close of the businesses and the disruption of national supply chains significantly impact retail and wholesale, warehousing, and communication services. The SMEs are expected to face a liquidity crisis and hard hit by the on-going crisis, which comprises sectors relating to clothing, food, electronics, shoes, and saloons (Mohsin, Junrong, and Wenju, 2020). The liquidity issues are likely to be faced by these organizations amid the on-going crisis.

In contrast, those organizations that are still operating their businesses face extra costs to buy masks, sanitizers, gloves, and others to manage the employees' health and safety. The effects of the COVID-19 are further taking a spill-over effect as Pakistan's currency devalued, which imposed an even more significant threat for the businesses. It will be made imports more expensive, due to which the balance of payment was adversely affected. However, the exports did become cheaper

due to the currency advantage to the neighboring and other countries. However, the increase in the savings due to the COVID-19 situation curtailed the demand for exports for the goods and services thus, and the negatives outweigh the positives in this regard (Aderemi, Ojo, Ifeanyi, & Efunbajo, 2020). Furthermore, the unemployment rate is expected to reach about 8.1% for the fiscal year 2020-

21 amid the COVID-19 Pandemic, as the outbreak's impact is said to leave deep scars on the Pakistani economy. Therefore, most significantly, the SMEs effect needs to be empirically assessed to better cater to the impact and enable the policymakers and practitioners to develop strategies to assist these businesses in surviving from the on-going pandemic crisis (Mohsin, Junrong, & Wenju, 2020).



To tackle the outburst, the SMEs have adhered to various strategies to curb the Pandemic's influence. The full shutdown situation was the most highly rated strategy catering to about 31% of the enterprises adapting it in Pakistan. Similarly, about 19% of the organization chose to opt for a partially closed down strategy to tackle the situation, whereas 18% of the enterprises applied for loan availability to support the operations and activities. However, 12% of the enterprises still chose to continue the operations. In comparison, 4% of the participating enterprises opted for a change in business line to the most

demanding prospect to tackle the COVID-19 challenge (Mohsin, Junrong, & Wenju, 2020).

Moreover, 2% of the businesses have struggled or are in the process of it when shifting to the remote working environment. It is considered one of the most effective ways of tackling the virus, as staying home keeps the individuals safe and minimizes their exposure to get infected (Aderemi, Ojo, Ifeanyi, & Efunbajo, 2020). Another significant way of minimizing the threats of exposure is by restricting or minimizing the traveling, which was opted for by about 12% of the participants.

Furthermore, to tackle the cash flow shortage issues, about 43% of SMEs opted for the laying off employees' option as the cost of wages and other expenditures had to be curtailed for future survival. On the contrary, 12% of the organization chose to reduce the staff salary instead of laying them off (Mohsin, Junrong, & Wenju, 2020). The impacts continually are in the processes of improvements, and the situation is not yet at a halt. Therefore the measures still need to be accompanied virtually to ensure the impacts are minimized towards quicker recovery from the Pandemic (Aderemi, Ojo, Ifeanyi, & Efunbajo, 2020).

Another literature review undertaken by AsifJaved on the Impact of the COVID-19 on Pakistan's services sector implies that the Sectors, including tourism, hospitality, and transport, are likely to be affected in the service sector. Similarly, millions of SMEs in Pakistan may not be able to cope up and service amid the COVID-19 situation in the long-term due to the lack of cash flow. Also, SMEs may not be able to peg higher revenues in such conditions due to the falling demand levels and the unavailable resources or could only be attained at a relatively higher price, which could be more costly, influencing these organizations' overall profitability. The impact on the SMEs operating in the service sector will be immense as it provides more significant employment in this sector, and the COVID-19 will increase the cost of these organizations as a result of which the employment will be affected poorly in this sector as redundancies and laying-off labor force will be the final result. The Hotels and restaurants will face a loss of about \$253.7 million as it is reported that about 90% of the rooms in Pakistan's hotels have no booking, which forms the primary cause of the loss of revenues in the industry. Moreover, the transportation services have slowed down and estimated loss recorded at \$253.7million as traders highlighted that the transportation activities have curtailed by 80% amid lockdown and the non-availability of food and workshop facilities have caused problems for the drivers, which has affected the SMEs operating in the sector (Asif, 2020).

Pakistan tackled the situation by imposing lockdowns to avoid the virus's spread and regain its economic position. The economic survey of Pakistan for the year 2019-20 highlighted that Pakistan faces a negative growth rate for the first time. The service sector incorporating the SMEs has also turned negative. This has

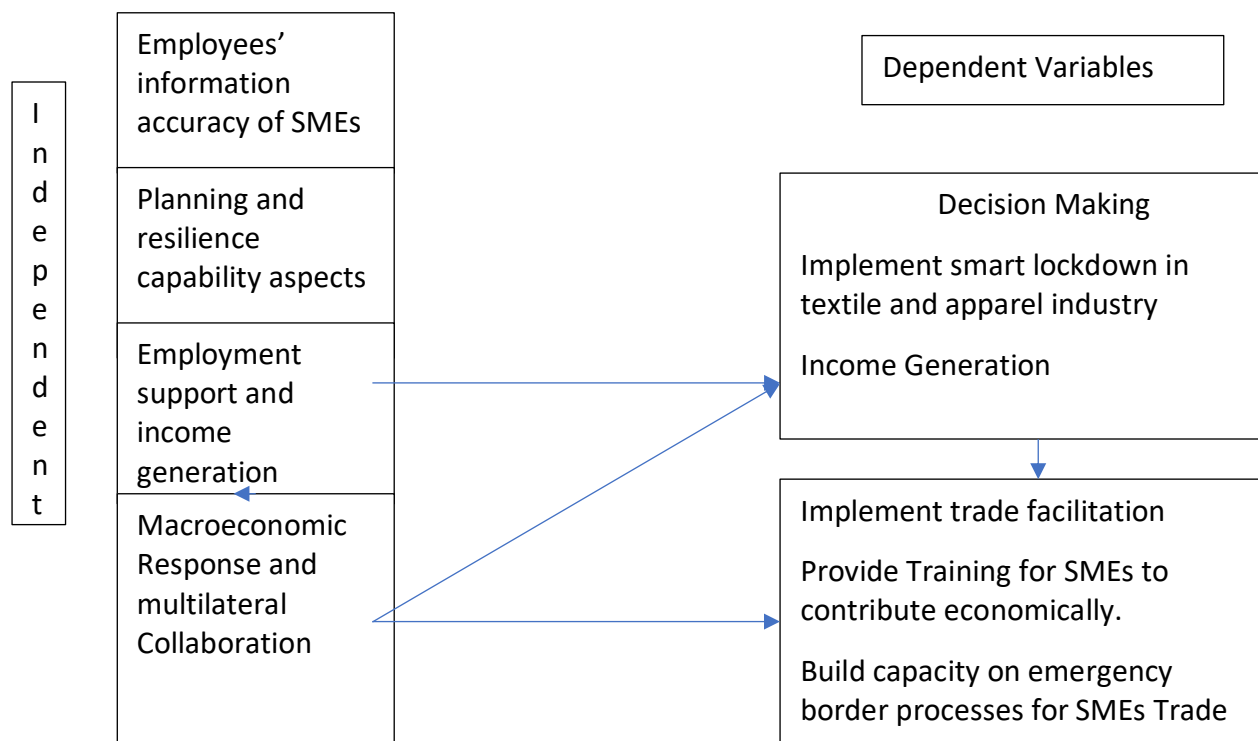
contributed to a significant setback for the economy, and the fall in economic activities will further increase the rate of unemployment and poverty levels in the country. Moreover, the lockdown has further affected the SMEs operating in the service sector as they may not survive one month based on the cash flow (Akhtar, 2018). The Punjab and Khyber Pakhtunkhwa are the key regions where the vulnerable employment percentage is the highest, and they are exposed to the threats in the subsequent months if the impact remains severe with time. It is, therefore, mandatory to undertake specific measures to minimize the impact of the exposures. For example, France implemented the partial unemployment policy to curtail the extent of layoff with the government's support and assistance (Aderemi, Ojo, Ifeanyi, & Efunbajo, 2020). Considering this in mind, Pakistan's government has not stayed behind when it comes to helping the SMEs and the individuals coming out of the pandemic situation. For instance, Pakistan's government has announced relief packages for SMEs, which seem to be a promising prospect. However, it should be easy to access and transparent to make it more viable to ensure that the trust factor is developed and avoid any further grievances and conflicts. It will only contribute to the organization's further downfall (Asif, 2020).

The delaying of the utility payments and the relaxation in the taxes and duties could be another measure to assist the hotel industry as it will curtail their costs. Similarly, the labor force, primarily the young individuals, could be provided incentives through the provision of free training and development program and access to online learning platform to ensure they attain the new method and procedures with ease and contribute to incrementing the output level of the Pakistani economy to enhance their economic growth and development towards better (Aderemi, Ojo, Ifeanyi and Efunbajo, 2020). Similarly, the provision of learning and employment provision is one of the critical aspects. However, it could impose a severe challenge for the government, for which the survival of the business activities is mandatory. The government should further focus on the self-employment program, which can effectively create and respond to the unemployment crisis. The IT sector and e-commerce also attain the ability to revive economic activities and employment creation. The government needs to develop suitable strategies to ensure that the best comes out of the contemporary situation (Asif, 2020).

The dependent variables in the regression approach will be the Implement smart lockdown in textile and apparel industry, Income Generation, Decision Making, Implement trade facilitation, Provide Training for SMEs to contribute economically, Build capacity on emergency border processes for SMEs Trade. Independent variables would-be employees' information accuracy of SMEs, planning and resilience capability aspects, employment support & income generation, Macroeconomic Response, and multilateral Collaboration as

depicted by the framework diagram below. For instance, Pakistan's government has announced relief packages for SMEs, which seem to be a promising prospect but to make it more viable. It should be easy to access and transparent to ensure that the trust factor is developed and avoid any further grievances and conflicts as it will only contribute to the organization's further downfall (Aderemi, Ojo, Ifeanyi and Efunbajo, 2020).

### **Conceptual Framework: Independent and dependent variables:**



## Materials and Methods

### 3.1 Framework for the development of SMEs

One of the frameworks concerning SMEs is the legislative environment. It emphasizes that regardless of the enhancement in the standard operating environment and legislation in Pakistan, the SME sector has faced problems in numerous areas that have affected its competitiveness. A conducive and SME-oriented environment will require the assessment concerning the regulatory burden imposed on SMEs. Therefore, developing the new policies and regulatory frameworks is significant in promoting the SME sector's growth and competitiveness. However, it must be ensured that the SME sectors are cordially involved in securing the new legislation's inputs for successful completion motives (Soomro, Shah, & Mangi, 2019).

The institution framework implies the input that the SMEs provide to Pakistan's growth and development. To cater to this view, consultations with the private sector and close cooperation are valued much as they will ultimately lead to result-oriented support programs. To ensure this, a detailed institutional review is to be carried out. Additional needs for strengthening the institutional goals can be reflected upon, identified, and given priority for better motives. The Small and Medium Enterprises Development Authority (SMEDA) can be regarded as Pakistan's only public sector premier promoting the movement of SME development (Chaudhary and Trzecieliński, 2018). It requires further strengthening in terms of the human and financial resources to cater to the SMEs' needs, which contemporarily are restricted and outreach is limited (Soomro, Shah, & Mangi, 2019).

The financial access for SMEs in Pakistan has been a critical issue as commercial loans and leasing have almost reached the ceiling level in tapping the SME sector's financial potential. The need is to access the informal sources along with internally generated trade credit for financing. Thus, the critical issue has been the isolation and not the SMEs' size (Soomro, Shah, and Mangi, 2019). The resulting outcome is the lack of information and institution support, market access, and financial viability. To cater to this, the best practices as per the framework incorporate the government's support in Pakistan to establish the guarantee schemes against commercial finance and the encouragement of equity support programs (Chaudhary & Trzecieliński, 2018).

The former, credit guarantee scheme, will ensure access to loans from the financial institutions, strengthen environments for banks based on fair competition and potential, and broaden the institution abilities for SME enhancing commercial activity and SME financing, leading to boost in the productivity levels, creation of employment, and economic growth in the economy (Chaudhary and Trzecieliński, 2018). The latter, Equity Participation Fund, will ease the access to equity financing by facilitating substantial potential growth of SMEs. It will function through the government's finance, accompanied by private sector investments (Soomro, Shah, and Mangi, 2019). Therefore, it will ensure that the SMEs carry out the projects' eco-green aspects in a sustainable manner that may be funded for non-current asset financing support. The SMEs in the development or early stages will be financed for the working capital need. At the same time, those established and aiming for long-term financing for the expansion of the business. Innovation purposes will be supported most as per the frameworks leading to fruitful outcomes (Chaudhary & Trzecieliński, 2018).

### 3.2 Research Philosophy

The gathering and analysis of the data can be referred to as the research philosophy. The study presently carried out is based on positivism as it caters to objectivity in comprehending the social world. This research philosophy is typically dependent on the facts that are either gained or observed through measurement. Hence, the provision of factual knowledge and trust are vital and useful in the positivist motives. However, the researchers' role in positivism is often limited as the data collection cannot be carried out. The objectivity element in the research process will ensure that any of the subjectivities of the researchers' opinion or belief is aligned and not contradictory.

### 3.3 Research Approach

The approach of the research mainly incorporates two of the critical approaches, that is, the inductive and the deductive approach. The development of the theory based on the general observations by using mandatory specifics caters to the research approach's inductive approach. On the contrary, the deductive approach is used to elaborate the causal association of the concepts and the variables in the approach. It will help measure the research concept quantitatively as the purpose of the research is to assess the impacts of the COVID-19 Pandemic on SMEs and their restoration

in Pakistan. The deductive research approach would be appropriate in quantifying the impacts of the COVID-19 Pandemic on SMEs and their restoration in Pakistan.

The approach is being used through carrying out the hypothesis by involving the survey as the number of inputs in the process of 200 respondents in the matter.

#### 4. Results and Findings

##### Correlations

|                     |  | SMEs played a vital role in planning and resilience capability aspects amid COVID-19 | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | SMEs boost the economy's productive potential through employment support and income generation | The unstable capital cash flows have led to poor decision-making and planning by the SMEs | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan |
|---------------------|--|--|--|--|---|---|
| Pearson Correlation | SMEs played vital role in planning and resilience capability aspects amid COVID-19                             | 1.000  | .080   | .820   | .884  | .914  |
|                     | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | .080   | 1.000  | .257   | .088  | .097  |
|                     | SMEs boost the economy's productive potential through employment support and income generation                 | .820   | .257   | 1.000  | .740  | .830  |
|                     | The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | .884   | .088   | .740   | 1.000   | .816  |

|                 |  |      |      |      |      |       |
|-----------------|--|------|------|------|------|-------|
|                 | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan                    | .914 | .097 | .830 | .816 | 1.000 |
| Sig. (1-tailed) | SMEs played a vital role in planning and resilience capability aspects amid COVID-19                           | .    | .131 | .000 | .000 | .000  |
|                 | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | .131 | .    | .000 | .108 | .086  |
|                 | SMEs boost the economy's productive potential through employment support and income generation                 | .000 | .000 | .    | .000 | .000  |
|                 | The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | .000 | .108 | .000 | .    | .000  |
|                 | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan                    | .000 | .086 | .000 | .000 | .     |
| N               | SMEs played a vital role in planning and resilience capability aspects amid COVID-19                           | 200  | 200  | 200  | 200  | 200   |

|  |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|
| The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | 200 | 200 | 200 | 200 | 200 |
| SMEs boost the economy's productive potential through employment support and income generation                 | 200 | 200 | 200 | 200 | 200 |
| The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | 200 | 200 | 200 | 200 | 200 |
| The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan                    | 200 | 200 | 200 | 200 | 200 |

### Regression Analysis

#### Variables Entered/Removed

| Model | Variables Entered   | Variables Removed | Method |
|-------|---|-------------------|--------|
| 1     | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan. The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects. The unstable capital cash flows have led to poor decision-making and planning by the SMEs. SMEs boost the economy's productive potential through employment support and income generation. | .                 | Enter  |

- a. Dependent Variable: SMEs played a vital role in planning and resilience capability aspects amid COVID-19  
 b. All requested variables entered.

**Coefficients**

| Model  | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | 95.0% Confidence Interval for B |             | Correlations |         |       |
|--|-----------------------------|------------|---------------------------|--------|------|---------------------------------|-------------|--------------|---------|-------|
|  | B                           | Std. Error | Beta                      |        |      | Lower Bound                     | Upper Bound | Zero-order   | Partial | Part  |
| 1 (Constant)   | .067                        | .094       |                           | .714   | .476 | -.119                           | .254        |              |         |       |
| The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | -.039                       | .025       | -.037                     | -1.547 | .124 | -.088                           | .011        | .080         | -.110   | -.035 |
| SMEs boost the economy's productive potential through employment support and income generation                 | .155                        | .049       | .140                      | 3.180  | .002 | .059                            | .252        | .820         | .222    | .073  |
| The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | .397                        | .041       | .387                      | 9.605  | .000 | .316                            | .479        | .884         | .567    | .219  |

|   |      |      |      |       |      |      |      |      |      |      |
|---|------|------|------|-------|------|------|------|------|------|------|
| The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan | .539 | .055 | .485 | 9.852 | .000 | .431 | .647 | .914 | .576 | .225 |
|---|------|------|------|-------|------|------|------|------|------|------|

a. Dependent Variable: SMEs played a vital role in planning and resilience capability aspects amid COVID-19

#### Coefficient Correlations

| Model |              |  | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | The unstable capital cash flows have led to poor decision-making and planning by the SMEs | SMEs boost the economy's productive potential through employment support and income generation |
|-------|--------------|--|---|--|---|--|
| 1     | Correlations | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan                    | 1.000   | .158   | -.523   | -.596  |
|       |              | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | .158  | 1.000  | .050  | -.322  |
|       |              | The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | -.523   | .050   | 1.000   | -.198  |

|             |  |       |          |          |       |
|-------------|--|-------|----------|----------|-------|
|             | SMEs boost the economy's productive potential through employment support and income generation                 | -.596 | -.322    | -.198    | 1.000 |
| Covariances | The imposition of lockdown has poorly affected the textile and apparel industry of Pakistan                    | .003  | .000     | -.001    | -.002 |
|             | The protection of employees and information accuracy of SMEs is mandatory when coping up with COVID-19 effects | .000  | .001     | 5.179E-5 | .000  |
|             | The unstable capital cash flows have led to poor decision-making and planning by the SMEs                      | -.001 | 5.179E-5 | .002     | .000  |
|             | SMEs boost the economy's productive potential through employment support and income generation                 | -.002 | .000     | .000     | .002  |

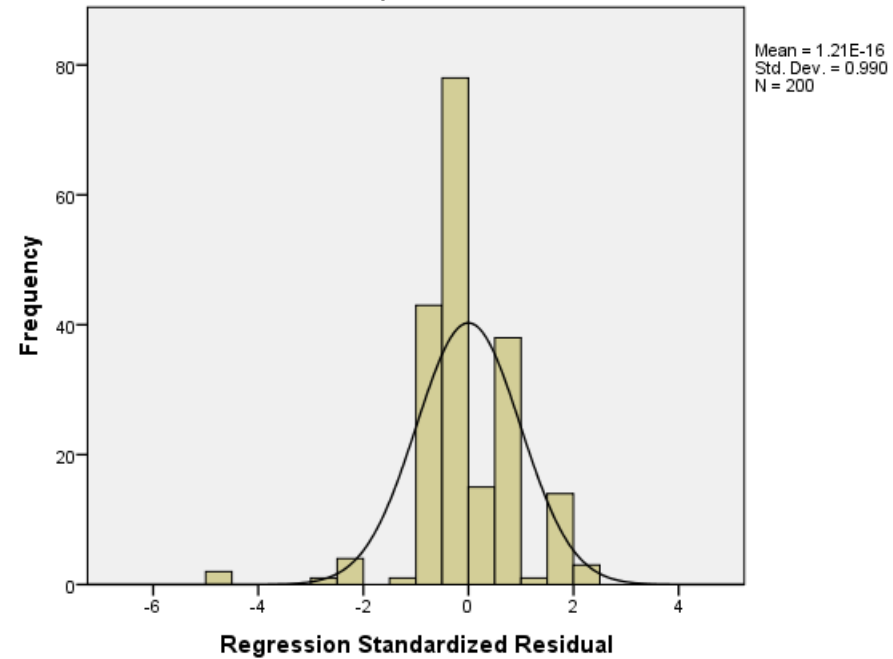
a. Dependent Variable: SMEs played a vital role in planning and resilience capability aspects amid COVID-19

#### Residuals Statistics

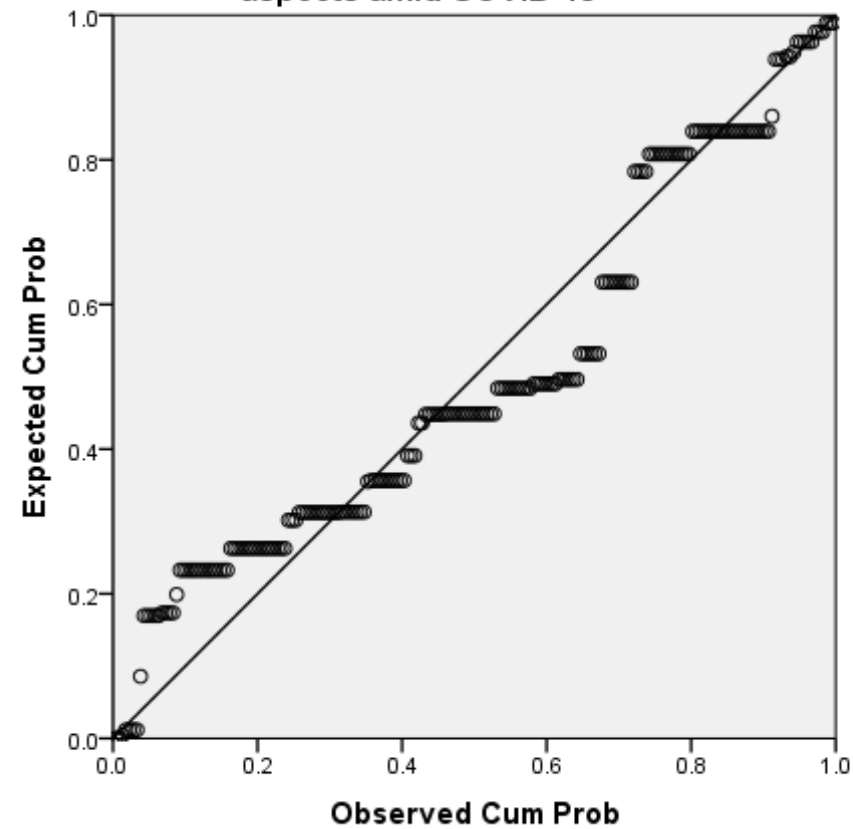
|                      | Minimum  | Maximum | Mean   | Std. Deviation | N   |
|----------------------|----------|---------|--------|----------------|-----|
| Predicted Value      | .9654    | 5.4078  | 2.7150 | 1.27614        | 200 |
| Residual             | -1.98095 | .99597  | .00000 | .42930         | 200 |
| Std. Predicted Value | -1.371   | 2.110   | .000   | 1.000          | 200 |
| Std. Residual        | -4.568   | 2.297   | .000   | .990           | 200 |

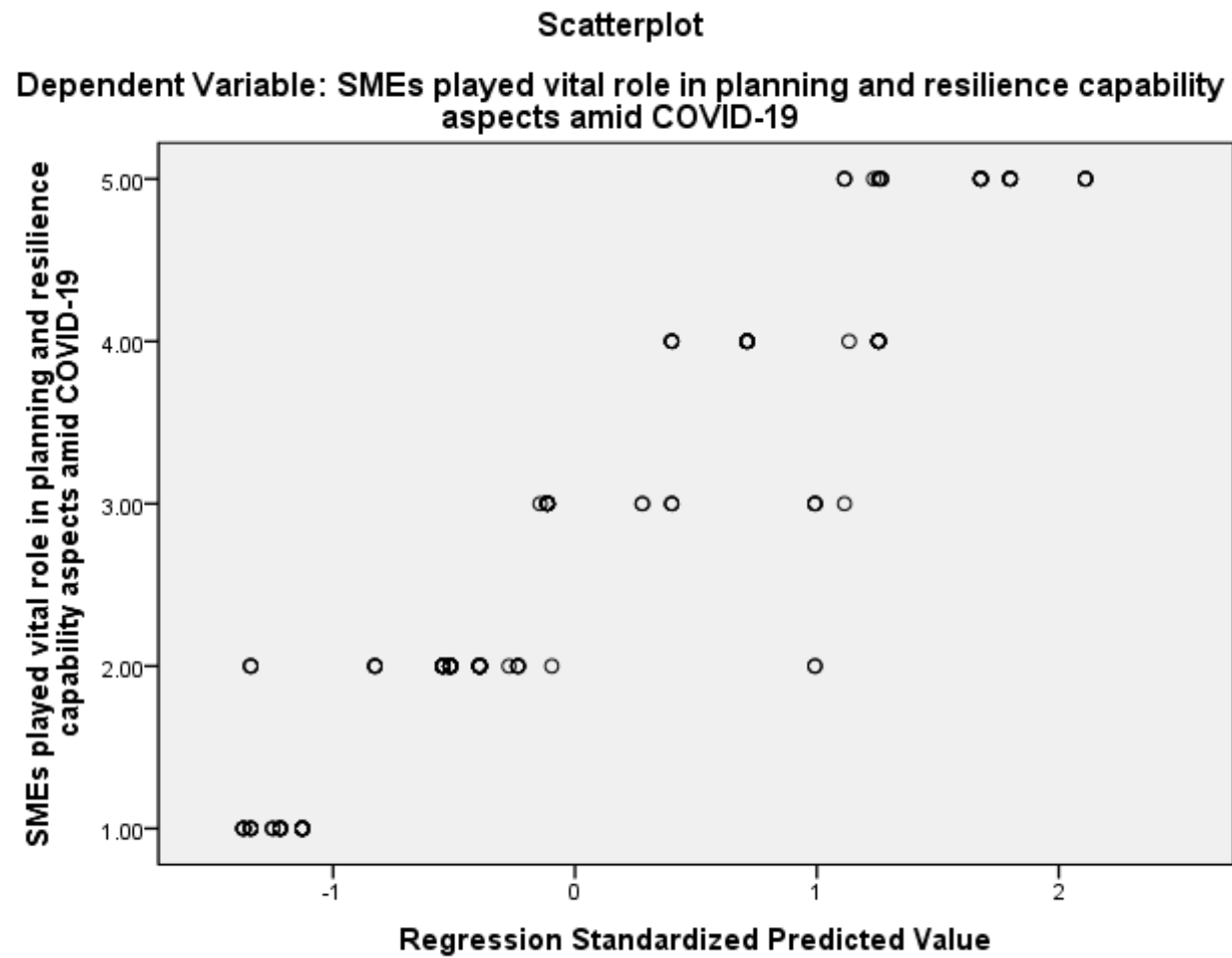
a. Dependent Variable: SMEs played a vital role in planning and resilience capability aspects amid COVID-19

**Histogram**  
Dependent Variable: SMEs played vital role in planning and resilience capability aspects amid COVID-19



**Normal P-P Plot of Regression Standardized Residual**  
**Dependent Variable: SMEs played vital role in planning and resilience capability aspects amid COVID-19**





## Recommendations and Conclusions

### Recommendations

Finally, it can be recommended that many of the small enterprises have been suffering from disrupted supply chains, leading to their shutdown. As a result of this, here are a few recommendations that they can use to survive this Pandemic. For instance, firms can consider restructuring themselves by issuing new shares through an IPO or consulting an Investment Management Firm. In addition to this, many firms face higher production costs due to increasing labor costs and falling profits. Firms can engage in delayering where they can lay off the workers who are no longer required to lower the production costs and maintain or increase their profit margins. In addition to this, firms can also devise up new financial strategies that can allow them to redesign their financial policies. These policies can be aimed at improving the working capital cycle of the company, such as by recovering payments from their receivables to improve the company's cash reserves and overall financial position. Such that, most of the companies which failed during this period of financial or global crisis suffered not due to falling profits but due to falling levels of their liquidity. The main finding was that liquidity was an important determinant in the company's financial position. To ensure that the company keeps operating, they should look forward to pooling additional financial investment and improving their cash flows.

### Conclusion

It can be concluded that many of the companies have been affected during this Pandemic, due to which many companies ended up ceasing their operations within Pakistan. Many companies faced a massive disruption within their supply chain networks which led to their production of different goods being stopped. As a result of this, many companies fell into the hands of the financial crisis and eventually ended up ceasing their operations from Pakistan. Much of the companies had a hard time importing their raw materials into Pakistan, due to which

their overall supply chain was disturbed, and their working capital cycle stopped. It can be further concluded based on the findings of the research that typically, all of the independent variables, Employees' information accuracy of SMEs, Planning and resilience capability aspects, Employment support and income generation, and Macroeconomic Response and multilateral Collaboration depicts significant improvement for the bounds as the confidence interval supports the literature and the findings through changes in the values by 0.254, 0.11, 0.252, and 4.79 respectively. Therefore, within the recommendations, it was prescribed to make sure that these companies were restructured financially by pooling additional investment into the company in the form of holdings or issuing more financial shares in case of medium-sized corporations in order to increase the financial working capital cycle so that the companies could eradicate the possibility of Liquidity Crisis.

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