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## THE IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS ACTIVITIES IN UKRAINE

**Abstract.** *The article discusses the financial security and business resilience to the impact of the COVID-19 pandemic. The bibliometric analysis allowed to determine the appearance of terms in time and revealed the latest research topics. Systematization of literature sources and approaches to solving this problem showed that business in Ukraine and other countries had suffered significantly from introducing anti-epidemic restrictions, the need for which is recognized by the world community. The consequences of such measures were manifested in falling GDP, industrial production index, and declining investment activity at the state level. Unemployment has risen significantly, leading to an additional burden on the Compulsory State Social Insurance Fund of Ukraine in the event of unemployment. The negative effects of the pandemic crisis have also been reflected in the deterioration of businesses' financial performance, especially in industry, transport, temporary accommodation and catering. In these types of economic activity, the share of unprofitable enterprises reaches 73%, which significantly undermines the financial security of Ukraine. The study aims to assess the impact of the pandemic crisis on business and analyze ways to mitigate such impacts, which should be used at the state level in Ukraine. The study's methodological tools were the methods of scientific abstraction, comparative and systematic analysis and synthesis, systematization, and logical generalization. The study results showed that the pandemic had the greatest impact on small and medium-sized businesses, where more than 60% of entrepreneurs suffered losses or went bankrupt altogether. Big businesses have become more resilient, but they have also faced significant problems with a general decline in business activity, disruption of logistics processes, losses from employee illness and anti-epidemic measures. Analysis of the risks that arose in the business due to pandemic factors showed that they are manifested in a decrease in revenue and profit, deteriorating profitability, increased costs for storage of finished products and marketing activities. The study showed that in today's economic environment, effective government support for business should be carried out to form an appropriate mechanism that uses the socio-economic potential of business entities and effectively allocates financial resources.*

**Keywords:** pandemic crisis, risks, financial stability, profit, financial result of business activity, state support.

**Introduction.** The massive health crisis caused by COVID-19 has forced governments worldwide to take drastic measures such as administrative closures, quarantines, and restrictions on mobility and social contacts to curb the spread of the virus, which has led to stagnation in the global economy. All over the world, businesses are experiencing a decline in business activity, declining profits, and financial obligations to suppliers, employees, creditors and investors are depleting the liquidity reserves of

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enterprises. As a result, enterprises' solvency crisis can have serious long-term negative consequences for most countries' economies, reducing employment, productivity, and financial security of a business.

On March 16, 2020, strict quarantine began in Ukraine due to the pandemic, as a result of which most enterprises suffered economic losses and financial instability. The business had to adapt to quarantine conditions to improve the quality of goods and marketing components, create competitive products, and look for new markets and investors.

**Literature Review.** In 2020, the COVID-19 pandemic sparked research into the impact of this factor on business financial security. In this regard, we should first note the work (Fedulova and Dzhulaj, 2020) in which the authors, using foreign experience, analyze in detail the risks faced by the business recently around the world and in Ukraine in particular and suggest ways to improve the safety of its activities from the standpoint of maintaining financial stability.

Also noteworthy are the article (Ivanyuk and Masliy, 2020), where the authors systematize the factors of forming a favorable business environment and business security and determine the main guidelines of its state support in the context of increasing global pandemic challenges.

Gorbulin V. and Danyk Y. (2020) consider the strategic priorities of economic security formation in the conditions of a pandemic at different economic system levels in their article.

This list is far from complete, with the pandemic development, new publications and research results are constantly emerging to find effective ways to ensure business security in these conditions.

Methods of modern bibliometric and visual analysis were used to complete publishing activity in the field of financial security of business in the conditions of pandemic crises. The scientometric database Scopus was chosen for this study, and the keywords were «financial security», «business», «pandemic», «financial» (words are presented in English without translation, i.e., the language of the original articles).

Initially, publications where the terms: «financial security», and «business» occur, were analyzed. One hundred sixty-four units of such materials were found in the Scopus database (as of the beginning of 2021). The first publications in this area are of 1933 (the Great Depression of 1929-1933); however, their rapid growth has been observed since 2008 following the spread of the world economy's crisis. In 2020, the number of such materials was 22 units.

Visualization of the studies was performed using VOS Viewer. 25 keywords were identified (frequency of use > 3), followed by refinement to 15 words (duplicates and terms that are not relevant for this analysis were excluded, such as «review», «article», etc.). Thus, 15 keywords were grouped into 4 clusters (Fig. 1). It should be noted that in cluster 3 (blue) the concept of «financial security» is most correlated with the concepts of «small business» and «finance», based on which it was concluded that the financial security of a small business is one of the trend areas of research.

The next stage of research was the analysis of publications with the keywords «financial security» and «pandemic», but only 11 such publications were identified (although they were published in 2020-2021), which is very little for a full analysis.

Therefore, the next step of the study was to analyze publications with key catches «business», and «pandemic». There are 1692 articles and books in this field (1994-2021). Chronologically, publications on this topic can be divided into 3 stages: 1994-2005 - 1-2 publications per year, 2006-2018 - 5-10 publications per year; 2019 to date - a sharp increase in publications (in 2020 - 1118 units, which is 66% of the total number in the sample). This indicates that the scope of research in this area is at the stage of initial growth. The analysis shows a wide range of scientific areas of research in various business areas under the influence of the pandemic.

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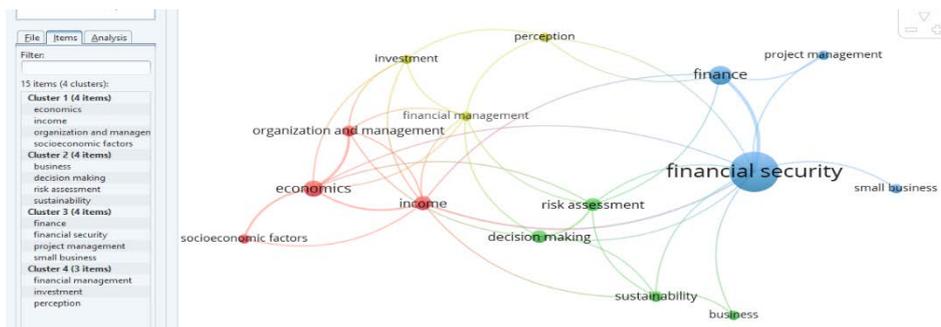


Figure 1. Visualization of the most commonly used terms in materials on the financial security of business

Sources: developed by the authors on the basis of Scopus using VOS Viewer software.

The authors conducted the analysis with keywords «finance» and «business» and «pandemic». According to these features, 147 publications were identified (1997-2021), while in 2020, there was a sharp increase in their number (118 articles). Fifty-one keywords were identified (frequency of use > 3), then their number was specified to 35, as duplicates and those that are not relevant for this analysis were excluded. Thus, VOS Viewer 35 keywords were formed into 6 clusters (Fig. 2). The circles' size reflects the density of the use of terms and the thickness of the lines - the density of connections between terms.

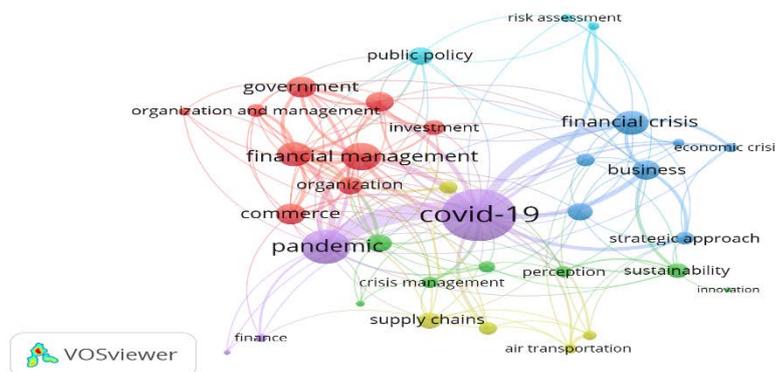


Figure 2. Visualization of the most commonly used terms in materials devoted to the financial aspects of business in a pandemic

Sources: developed by the authors based on Scopus using VOS Viewer software.

For all terms in publications, the overlap is also visualized (Fig. 3), which allows determining the appearance of terms in time-based on the year of their publication, and therefore it is possible to identify the latest trends in research in the academic field.



negative» or «negative». In general, quarantine measures aimed at imposing restrictions on the business have led to a generally negative impact on its situation (Fig. 5).

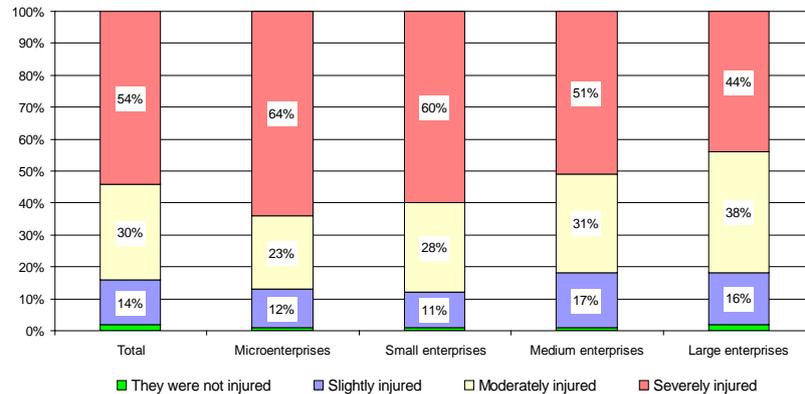


Figure 4. The impact of a pandemic on the business sector depending on the scale of the business

Sources: developed by the authors on the basis of (ITC, 2020).

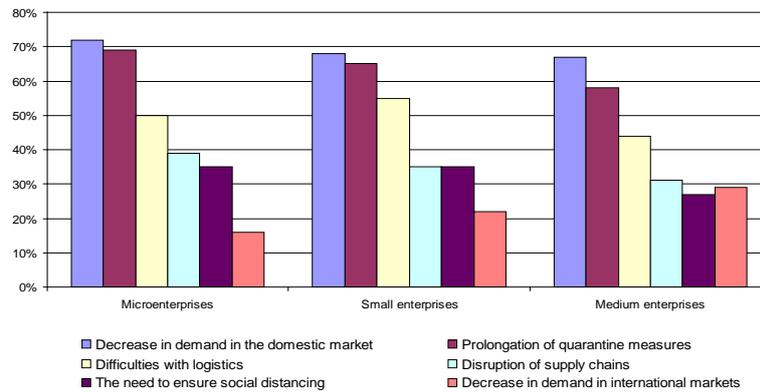


Figure 5. The impact of pandemic restrictions on business in Ukraine

Sources: developed by the authors on the basis of (Report, 2020).

As shown from the figure, the second most crucial factor is the continuation of quarantine measures, which harms 69% of micro, 65% of small and 58% of medium-sized enterprises, respectively. Also, about half of the respondents mentioned difficulties with logistics as a negative factor. One in three small and medium-sized businesses has experienced problems due to supply chain disruptions and the need to maintain social distance in the communication process. Declining demand in international markets was also influential for exporters.

Thus, it can be said that the pandemic crisis has become a challenge for most businesses, so the issues of ensuring their financial security, i.e., the ability to maintain a positive financial result, not lose their value and meet the principles of sustainable development.

It should be noted that a pandemic does not always hurt the financial security of businesses. A striking example of its positive impact on the company's value is the rising share price of the American communications technology company Zoom Video Communications (Fig. 6), which specializes in providing conferencing using cloud technology. Zoom offers software products that allow to conduct video conferencing, online meetings, chat and ensure the work of remote workstations.



**Figure 6. Quotes of shares of Zoom Video Communications in 2020-21**

Sources: developed by the authors on the basis of (Stock quotes ZOOM, 2021).

The pandemic's rapid spread has forced most countries to implement various measures to support businesses' financial security. Most of these measures provide tax benefits, soft loans, weakening administrative regulations for businesses that have suffered the most from the introduction of quarantine restrictions.

Of course, these are not all examples of government incentives to ensure a business's financial security during a pandemic. Figure 7 systematizes the tools of such support in terms of the world experience of its implementation.



**Figure 7. Business support tools during a pandemic**

Sources: developed by the authors on the basis of (Map, 2020).

As can be seen from the figure, almost every country in the world uses specific tools to support business, which is determined by the characteristics of national economies. At the same time, debt financing, employment support, tax benefits, and reduction of administrative influence on business activities became the most widespread.

With the onset of the pandemic in Ukraine, the requirement to pay tax on commercial real estate and the land was stopped, the quarantine of COVID-19 was defined as force majeure for legal contracts, and tax audits of companies were suspended. Subsequently, the list of support measures expanded and changed depending on the development of COVID-19 (Table 1).

Table 1. List of measures of state support of business during quarantine restrictions

<i>Financial support</i>
Temporary disability benefits
Partial unemployment benefits
Assistance to employers in case of loss of income from quarantine restrictions
Help for entrepreneurs who have children
Business assistance under affordable credit programs 5-7-9
One-time individual entrepreneur assistance for UAH 8,000.
One-time compensation to SDRs
<i>Tax benefits</i>
Moratorium on tax audits
Temporary abolition of fines
Tax holidays for entrepreneurs
Postponement of the use of RRO by entrepreneurs
Partial repayment of taxpayers' tax debt
Exemption from taxes and fees of FOP 1 group
<i>Moratorium on inspections</i>
Moratorium on scheduled inspections for the entire period of quarantine
Restrictions on quarantine inspections
<i>Simplification of obtaining permits and licenses</i>
Automatic renewal of licenses and retail sale of alcoholic beverages and other permits and licenses
Simplification of the production and sale of personal protective equipment
<i>Fixed terms of crediting and recognition of quarantine by force majeure</i>
Prohibition of increasing interest rates for the use of credit
Reduction or deferral of rent payments
Recognition of quarantine by force majeure

Sources: developed by the authors on the basis of (List, 2020).

According to Prime Minister Denis Shmygal, the Ministry of Economic Development, Trade and Agriculture, together with the Ministry of Finance, are considering the possibility of sectoral support for particular industries during quarantine measures in the future.

**Conclusions.** The economic consequences of the COVID-19 outbreak put unprecedented pressure on the entire business, which is unable to maintain its commercial and operational activities without ensuring financial stability. Maintaining financial stability requires firms to adapt existing business planning systems to more turbulent and uncertain business conditions in which internal and external factors collectively pressure profitability, cash flow, and access to finance. Now is a perfect time to re-evaluate and update the business planning process with particular attention to the primary internal and external data, which affects the company's financial performance.

In light of the slowdown in the global economy, even the most profitable businesses can quickly become financially unstable if the control over funds is not properly formed. COVID-19 identified existing problems in cash management and arranged aggressive «stress testing» of companies in terms of their readiness to adapt to the current realities of the local and global financial market.

Thus, in improving the financial security of business entities, it is necessary to develop various measures and mechanisms to increase financial stability, reduce receivables, reduce accounts payable, and increase the organization's liquidity of assets and solvency. Through their practical application, firms can stabilize their financial performance, improve economic performance, and ensure an increase in positive cash flow, which will ultimately affect production activities' financial security.

In current economic conditions, adequate state support of business should be carried out to form an appropriate mechanism that uses business entities' socio-economic potential and effectively allocates financial resources.

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### **Вплив пандемії COVID-19 на діяльність бізнесу в Україні**

Стаття присвячена питанню забезпечення фінансової безпеки та стійкості бізнесу до впливу пандемії COVID-19. Проведений бібліометричний аналіз дозволив визначити появу термінів у часі та виявив останні тренди щодо тематики дослідження в академічній сфері. Систематизація літературних джерел та підходів до вирішення даної проблеми засвідчила, що бізнес в Україні та в інших країнах значно постраждав від запровадження протиепідемічних обмежень, необхідність яких визнана світовим суспільством. На державному рівні наслідки таких заходів проявилися у падінні ВВП, індексу промислової продукції, зниженню інвестиційної активності. Значно зріс рівень безробіття, що призвело до додаткового навантаження на Фонд загальнообов'язкового державного соціального страхування України на випадок безробіття. Негативні наслідки пандемічної кризи проявились також у погіршенні фінансових результатів діяльності суб'єктів господарювання, особливо у промисловості, транспорті, тимчасовому розмішуванні і організації харчування. В цих видах економічної діяльності питома вага збиткових підприємств досягає 73%, що суттєво підриває фінансову безпеку України. Основною метою проведеного дослідження є оцінювання впливу пандемічної кризи на діяльність бізнесу та аналіз шляхів пом'якшення такого впливу, що доцільно використовувати на державному рівні в Україні. Методичним інструментарієм проведеного дослідження стали методи наукової абстракції, порівняльного та системного аналізу й синтезу, систематизації і логічного узагальнення. Результати дослідження показали, що найбільше пандемія вплинула на малий та середній бізнес де більше 60% підприємств зазнали втрат, чи взагалі збанкрутували. Більш стійкими виявились підприємства великого бізнесу, але їм вини зіткнулися із значними проблемами, пов'язаними із загальним зниженням ділової активності, порушенням логістичних процесів, втратами від захворювання працівників та проведення протиепідемічних заходів. Аналіз ризиків, що виникли в діяльності бізнесу внаслідок дії пандемічних факторів показав, що вони проявляються у зменшенні виручки та прибутку, погіршенні показників рентабельності, збільшенні витрат на зберігання готової продукції та маркетингову діяльність. Дослідження показало, що в сучасних економічних умовах ефективна державна підтримка бізнесу повинна здійснюватися з метою формування належного механізму, що використовує соціально-економічний потенціал суб'єктів підприємницької діяльності та ефективно розподіляє фінансові ресурси.

Ключові слова: пандемічна криза, ризики, фінансова стійкість, прибуток, фінансовий результат діяльності бізнесу, державна підтримка.

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