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SOME QUESTIONS ABOUT THE IMPACT OF THE COVID-19 PANDEMIC ON THE DEVELOPMENT OF BUSINESS ENTITIES

Abstract: The article deals with some issues of the impact of the global pandemic on business entities. The authors put forward several options-forecasts. The article proves that the current crisis does not have a systemic basis. The paper substantiates the need to focus the state's efforts on supporting all small businesses, while large businesses should become a support for the state, which has a significant resource for the effective withdrawal of the Russian Federation to the post-coronavirus world.

Key words: government support, crisis, small business, COVID-19 pandemic, business development.

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Introduction

The spread of the coronavirus and the restrictive measures imposed everywhere in countries, along with self-restrictions of the population, have had a rapid impact on both national economies and the global economy as a whole. It is also worth noting the non-systemic nature of this crisis and its special nature of development: first, the economy is falling not from the disease and virus, but from the measures taken by the state to stop it; second, the key feature of today's crisis is a controlled decrease in activity due to government actions; third, the distribution of costs is extremely uneven due to the complete shutdown of some industries, the transfer to a remote format and work in compliance with strict sanitary and epidemiological measures [1,3,7].

Literature review

From the end of 2019 to the present, Russia has seen a growing interest of researchers in studying the state of the economy in the context of a pandemic. It is worth noting the scientific articles of such experts as Karavaeva, Bukhvald, Soboleva et al.; Drobot, Erokhina, Dzhergeniya, Lev, Kolpakova, Ivanov, Lev, Leonenko, Leshchenko, Solovyova, Makarov, Shirokova, Arutyunyan, Putintseva, Shapiro, Pechatkin, Torkanovskiy, Tsvetkov, Dudin, 2020 and others.

Main part

The empirical part of the study

As empirical base of the study consists of data from the International Monetary Fund (IMF), Bloomberg, Bank of Russia, Ministry of economic development of the Russian Federation, Federal state statistics service of the Russian Federation, the Center

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for macroeconomic analysis and short-term forecasting, analytical center "NAFI", Center for strategic research, etc.

Results

In this study, the authors put forward several hypotheses to prove or disprove:

1. Big business has a significant margin of safety, and the COVID-19 pandemic does not significantly affect its functioning.

2. Small businesses do not have a safety cushion and are not ready to provide for themselves during this period, and it is difficult to get state support due to reasons related to the size of the business, the specifics of its activities, etc.

3. Russia is entering this crisis with a certain economic baggage, which, with effective government decisions, will contribute to the stabilization of the economy and a smooth exit from the crisis.

Business and the pandemic

As you know, a number of external and internal factors affect the efficiency of enterprises. In this regard, enterprises analyze the risks associated with changes in the internal and external environment, adapt their business to changes in the country and the world [9,13,15]. However, some factors that have a low probability of risk occurrence can sometimes cause more damage than factors with a higher probability of their occurrence. An example of this situation is the coronavirus pandemic that has gripped the world since December 2019. Below we will analyze the dynamics of the situation in Russia "in numbers". Data from the second decade of March 2020 to October 30, 2020 were taken as the time period for the analysis. The choice of this particular period for analysis was motivated by the following considerations:

1. Until March 10, the number of people infected with COVID-19 coronavirus infection in Russia was calculated in units and was statistically insignificant. This also helps to minimize market failures caused by the friction between Russia and OPEC+, and the resulting decline in the cost of oil on world markets and the 10-15% devaluation of the Russian ruble that followed.

2. In Russia, the self-isolation regime was introduced by Russian President Vladimir Putin from the last days of March, which allows us to assess the economic trends both before and after this event.

3. Analysis of statistical data for one month (October 2020) is more than enough to see the reaction of the corporate segment to changes in the business environment.

So, in Russia, during the analyzed period, there was a sharp exponential increase in the number of people infected with COVID-19.

Analyzing the Chinese and Italian scenarios for the development of the pandemic, the President immediately announced decisions to counter the

increase in the number of cases during his address to the population of the Russian Federation on March 25, 2020. In particular, measures were announced for self-isolation of the population, for providing business support measures, for modernizing tax rates, etc.

We will analyze how these orders were implemented based on official data.

1. at the beginning of the self-isolation regime, a positive attitude of the population towards it was observed everywhere. People got the opportunity to "rest again", the finances of the population did not suffer serious losses during this period (29.03.2020–05.04.2020).

2. Further, with the extension of the self-isolation regime, the financial cushion of the population, a significant part of which cannot work remotely due to some specifics, began to thin out. At the same time, it became clear that the state could not provide the income level of self-isolated individuals, including through subsidies, nor properly control the movement of the population. As a result, a significant part of the population began to violate the established regime and attend work (including by the "partisan method"). All this resulted in a clear and steady decline in self-isolation indices.

The conclusion is obvious: representatives of small and medium-sized businesses, seeing the lack of support measures from the state and not knowing a clear deadline for the end of restrictive measures, decided to take care of themselves. Unfortunately, this approach is fraught with the development and strengthening of negative feedback, as a result of which the epidemic will only gain momentum and instead of a potential month and a half, it has all the chances to last at least 6-9 months or more.

The analysis shows that only the introduction of strict measures in Moscow, such as digital passes and huge fines, is an effective means of blocking the movement of the population around the city (in recent days, there has been a more stable dynamics).

On the other hand, the situation with large businesses is noteworthy, which during the period of restrictive measures does not incur serious losses, since it enjoys the full support of the government. In particular:

- On April 15, 2020, the Russian leadership made a proposal to allocate 23 billion rubles to support Russian air carriers that were seriously affected by the spread of the COVID-19 coronavirus infection;

- for a number of strategic enterprises, the state provided loans with state subsidies in the amount of the key rate of the Bank of Russia, moreover, half of the loan is secured by state guarantees of the Ministry of Finance of Russia;

- 3.5 billion rubles were allocated to reimburse the costs of tour operators associated with non-refundable air transportation tariffs, as well as to organize the export of tourists from foreign countries

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where there is an unfavorable epidemiological situation.

There are other similar examples of government support for large businesses.

As a result, it can be concluded that as of the end of June 2020, large businesses practically did not suffer losses (at least according to external indicators) due to coronavirus infection.

In General, it can be noted that the self – isolation regime had almost no effect on the market value of Sberbank shares-the maximum deviation of the value of one share from the average value for the entire analyzed period was 8.67%, which fits into the normal dynamics indicators.

As for the share price of JSC Aeroflot, it is obvious that the company's share price has declined somewhat even before the introduction of the self-isolation regime and before the measures announced by the President to support the industry. However, in the future, after the termination of mandatory days off at the beginning of April 2020, the positions were won back, and the exchange rate stabilized by the end of the month. In other words, we can state that JSC Aeroflot was quite stable in the eyes of investors at the end of April 2020.

The MICEX and RTS stock indexes are also fairly stable during the analyzed period.

Additional evidence of the absence of a negative impact of the COVID-19 pandemic on the Russian corporate market segment is the lack of correlation between the number of people infected with coronavirus infection in the country and the indicators analyzed above [4,14].

The analysis shows that for all the above dependencies, the coefficient of determination has a value significantly less than 50%, i.e. it is impossible to talk about the presence of a relationship between the indicators.

Thus, the first hypothesis was confirmed: large businesses do not suffer serious losses as a result of the current situation.

As for representatives of small businesses, according to data obtained from a survey initiated by the Agency for strategic initiatives, compared to last year, 84.03% of small businesses in the country have reduced revenue.

Among the main problems today that hinder the harmonious development of business, there is a drop in demand for manufactured goods and services, difficulties in doing business due to restrictions imposed at the state level, the need to fulfill obligations to pay wages, rent payments, and additional costs associated with the growth of the currency exchange rate, etc[5,10,11]. The drop in demand for goods and services is currently observed in various sectors of the economy, but the most affected are tourism, trade, transport, catering, service and entertainment, fashion and beauty industries, and others.

Business representatives at the time of the growing epidemiological crisis are taking various local measures to level the scale of damage to business, as well as at the state level, all possible support is provided for large and small businesses in the country, namely:

- measures to preserve jobs;
- tax support measures (changing the procedure for paying VAT, canceling taxes for small businesses);
- measures on credit conditions (prohibition on early repayment of loans and deferred payment of loans for a year).

In General, entrepreneurs are pessimistic about the effectiveness of government support measures for business.

Thus, it is established that small businesses will suffer the most damage as a result of the coronavirus pandemic.

Nevertheless, the Russian Federation has approached this crisis with quite "favorable" prerequisites:

- low level of public debt (less than 15% of GDP compared to the global average of 80%);
- significant level of reserves (about 10% of GDP in the NWF);
- relatively low inflation rate;
- non-zero Bank interest rates;
- an adequate package of assistance to business

is not related to economic components, but to political actions [6,12].

Thus, according to the third hypothesis, we can say that with competent political actions, the Russian Federation is able to overcome the existing non-systemic crisis and get out of it, minimizing the damage.

Conclusion

After analyzing the current situation in the Russian Federation against the background of the developing coronavirus pandemic, the authors come to the following conclusions:

1. Compliance with the self-isolation regime allows to contain the spread of infection, but not all citizens and businesses have sufficient funds for a long non-working period.
2. Big business does not incur serious financial losses and will be the basis on which the country can rely in the process of overcoming the current situation.
3. The most affected category is small businesses, especially in the service sector, as the risk of "contact" infection in such enterprises is the highest. Switching to remote work and developing their business on the Internet allows business representatives not to bring their enterprise to bankruptcy, and only 21% of respondents are not sure that their businesses will be able to continue working and keep their jobs after the pandemic. However, not

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everyone took advantage of the support from the state for various reasons.

4. Russia has a significant potential for a "soft" way out of this situation if two conditions are met: self-isolation of citizens and effective decisions taken

by the state to control the spread of the pandemic and support businesses. In other words, the main role in overcoming the current situation and crisis is played by the state.

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