

THE IMPACT OF COVID-19 ON THE FIRMS: RESULTS OF THE THEMATIC SURVEY CONDUCTED BY CSCPA OF ISTANBUL

Nazım EKREN

Istanbul Commerce University, Turkey

Elçin AYKAÇ ALP

Istanbul Commerce University, Turkey

Mefule FINDIKÇI ERDOĞAN

Istanbul Commerce University, Turkey

Yeliz GÜNER

Istanbul Commerce University, Turkey

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Abstract

Traditionally, while economic policymakers do their policy decisions using macroeconomic indicators like the unemployment rate, inflation rate, growth rate etc. and also business activity data collected from national surveys on households and businesses. Above all, the quality of data and information obtained during crisis periods are particularly important in terms of handle the crisis and the policies and precaution to be formed by the economic management to solve the crisis. Identifying the problems of firms that have become vulnerable to the uncertainty that arises with crises will be a roadmap for the policy decision duration of policymakers.

In this study, the effects of the Covid-19 pandemic have analysed with the special thematic survey in April 2020 which applied by the Chamber of Sworn-in Certified Public Accountants (CSCPA) of Istanbul. Thus, it was ensured that the problems that occurred during the pandemic period and came back to the agenda were evaluated. Eventually, the impact of the pandemic on the business world has been revealed through the consideration of sworn-in cpa that dominate the financial statements of the firms.

Keywords: Covid-19 pandemic, Effects of the pandemic, Business problems by firm scales

1. Introduction

In the new type of Coronavirus (Covid-19) pandemic, which started in China in November 2019 and quickly spread to the whole world and turned into a pandemic, the number of cases was 46.5 million and the number of deaths was 1.2 million as of October. With the effect of the pandemic, the sudden lockdown of production in China caused the global supply chain to break. In this period, with global supply and demand shock, social and economic life has brought to a standstill with the precautions that governments have tightened day by day. The supply and demand shock created by pandemic has been shown to make a significant impact on Turkey's economy.

Economic activity, which has significantly stagnated in many sectors, such as tourism, transportation, energy, construction, production, catering, clothing, entertainment has caused sharp declines in consumption and investment expenditures. It has been inevitable that this decline will negatively affect the unemployment rates which are already high, and the growth rate figures that began this year with an expectation of recovery. Especially, the fact that the contraction in demand may continue for a long time due to the permanent changes caused by the process in consumer behaviors may limit the positive effects of support and stimulus package for continuing production, preventing dismissal of workers and providing new employment in the public and may cause an increase in unemployment.

Traditionally, while policy makers on economy do their policy decisions takes into account employment and business activity data collected from national surveys on households and businesses. Above all, the quality of data and

information obtained during crisis periods are particularly important in terms of handling the crisis and the policies and precaution to be formed by the economy management to solve the crisis. The uncertainty processes that occur with the crises make the real and financial sectors more vulnerable to risks. That is why it is very important to identify the problems of the firms that the backbone of the economies during the pandemic process that has become on the world agenda as of the end of 2019 and rapidly affects the decision and operation mechanisms of all governments. Especially the determining the priority problems of firms will be a roadmap to prevent greater losses that the real sector may experience in emerging market economies, which are more sensitive to vulnerability. In this context the effects of the Covid-19 pandemic have examined in April 2020 with the surveys carried out within the scope of the "Chamber of Sworn-in Certified Public Accountants of Istanbul Economic Expectation Index Project" which preparations and studies started in 2017. It was ensured that the problems that occurred during the pandemic period and came back to the agenda were evaluated. Eventually, the impact of the pandemic on the business world has been revealed and evaluated by the sworn in cpa who dominate the financial statements of the firms.

2. Literature

There is a rapidly growing literature analysing the relationship between Covid-19 and the economy. When consideration of the literature, it is generally discussed how the economy will be affected by this health crisis. In the studies, especially the direction of growth figures and in what way much the real/financial sectors indicators may be negatively affected have analyzed. The general opinion of the studies is that Covid-19 caused an economic crisis due to demand and supply shocks (Ayittey vd., 2020; Brinca, Duarte&Faria-e-Castro, 2020; Eichenbaum vd., 2020; Makridlis&Hartley, 2020; Correia, Luck&Verner, 2020).

In the literature, studies investigating the sector-specific effects of Covid-19 generally analyze which sectors are affected more (Buchheim, Krolage&Link, 2020; Gu vd., 2020; Nicola vd., 2020; Brinca, Duarte and Faria-e-Castro, 2020; Shen et al. , 2020; Bartik et al. , 2020; Akbaba, 2020;, Öztürk et al. , 2020), but on the contrary, studies investigating the problems and expectations of the sectors are very few (Nakiboğlu and Işık, 2020; İnce; 2020). These studies contributed to the literature in terms of identifying the problems of firms.

Buchheim, Krolage & Link (2020) aims to determine the time point when German firms become aware of the negative economic effects of the Covid-19 pandemic. In this context, the authors used Ifo Business Survey data, which is applied monthly to firms in Germany. The study was tried to determine whether firms took precautions by forecasting the possibility of crisis or whether they were unexpectedly impacted when the crisis reached their domestic markets. The results show that when the coronavirus crisis reached Europe, firms were not ready. Despite spreading of the Covid-19 outbreak in Asia before the Europe, the dimensions of the crisis in the business world were not understood until March, when Italy's first regional curfew and Germany's primary schools were closed. As the crisis reached their domestic markets, the commercial outlook of firms gets worse sharply throughout March, with the strongest decline after the German government announced the nationwide school closure on 13 March. The study shows that these two events led to an unprecedented decrease in the commercial outlook of six standard deviations and a large increase in commercial uncertainty. Besides, while the commercial outlook of the firms decreased in the wide majority of the sectors, a small part (4.9%) of the companies benefited from the Covid-19 crisis.

Gu et al. (2020) analyzed how companies in China are affected by COVID-19. The analysis is based on daily data from three sources showing activities affected by COVID-19 in China over the period 2019-2020. First, it consists of original electricity usage data covering 34,040 firms in Suzhou, second, some variables such as industry information, ownership and firm scale (registered capital), and lastly the number of Covid-19 cases. According to the results, it was determined that while the manufacturing industry was exposed to the greatest negative impact, industries such as software, healthcare and social services were positively affected by Covid-19. In addition, it was stated that private firms suffer more from state-owned enterprises and foreign-owned firms and determined that small firms experienced an additional 30% decrease compared to large-scaled firms.

Nicola et al. (2020) tested the relationship between the agricultural sector and the COVID-19 pandemic. As a result of this study, it was specified that the global demand collapse in hotels and restaurants reduced the prices of agricultural commodities by 20%. On the other hand, it has been specified that there has been a recession of more

than 50% in sectors such as tourism, energy, education and finance. Therefore, it was underlined that the agricultural sector will be less affected by the global pandemic.

Brinca, Duarte & Faria-e-Castro (2020) analysed the sector-level labour demand and supply shocks of the Covid-19 pandemic with the Bayesian SVAR method on monthly statistics of working hours and worker wages. It seems possible that two-thirds of the decline in the growth rate of working hours in March and April 2020 will be due to negative labor supply shocks. Most of the NAICS -2 sectors are subjected to negative labour supply and demand shocks, and especially the leisure and hospitality sector is subjected to major negative supply and demand shocks. It has also been determined that other sectors such as information and retail trade experienced insignificant supply shocks and in some cases even positive demand shocks.

Shen et al. (2020) analyzed the impact of Covid-19 on corporate performance using financial data from Chinese companies. The results showed that Covid-19 has a negative impact on firm performance. The negative impact of Covid-19 on firm performance is more pronounced when a firm's investment scale or sales revenue is small. These findings are among the first empirical evidence of the relationship between the pandemic and firm performance. For sectors affected by the pandemic such as tourism, catering and transportation, it has been revealed that there is a significant decrease in corporate performance in the first quarter of 2020. The negative impact of the pandemic on the production, operation and sales of these sectors was identified and it was shown that this was reflected in the negative rate of return.

Bartik et al. (2020) aim to determine the impact of the coronavirus on small firms. In this context, the study conducted a survey with more than 5,800 small firms between March 28 - April 4, 2020. The results show that both the financial fragility of many small firms and the significant impact of Covid-19 on firms. It is specified in the study that small businesses constitute 50% of employment in America and are deeply affected by the crisis. Especially, it was determined that 43% of the firms in the retail sector closed down, so this situation causes 40% employment loss because of the multiplier effect of the sector. In the study, firms were asked about the expectation of continuing to operate until the end of 2020 according to different crisis scenarios. Firms' expectation of remaining to continue operating in a 1-month crisis was above 68% in all sectors except arts and entertainment, personal services, tourism and accommodation, while the rate in a 6-month crisis situation declined to 39%. Besides, the study includes results, the expectations of firms regarding the long-term impact of Covid-19, as well as their perceptions of aid programs offered by the public authority.

Akbaba (2020) investigated the effects of the Covid-19 pandemic on tourists. The study was done by applying a questionnaire to 495 people. According to the results, it was specified that tourists experience motivational exhaustion in participating in tourism activities. Also, it was specified that this exhaustion experienced by tourists negatively affected their intention to buy, recommend and pay more.

Öztürk et al. (2020) investigated the impact of the Covid-19 pandemic on the real and financial sectors using data on Borsa Istanbul sector indexes. As a result of the study, it was found that the pandemic had a negative impact on nearly all sectors. Generally, the three main sectors (industry, services and finance) are nearly equally affected, while differences at the level of sectors are specified. Metal products, machinery, sports, tourism, transportation, banking and insurance sectors are the most affected sectors. On the other hand, food, beverage, wholesale and retail trade were identified as less affected sectors.

Şen (2020) aimed to analyse the degree to which catering firms operating in the Marmara Region were affected by the Covid-19 pandemic and the precautions that they took if any. As a result of the data obtained from 14 participants in the study, the capacity decrease rates of the firms were determined. It has been observed that the long period of time the firms have been in the sector is not a factor in taking measures against the decrease in capacity. Also, it has been specified that all firms have taken the precaution to protect human health in their services due to the pandemic.

Tayar et al. (2020) has examined the relationship between the COVID-19 and Turkey economy. The study was used 10 different Borsa Istanbul sector index (electricity, transportation, finance, industry, technology, food-beverage, trade, textile, tourism and services) and the total number of cases disclosed daily between 17 March to 28 April 2020. According to the findings, it has been specified that the electricity, transportation, financial, industrial and technology sectors were economically affected by the Covid-19 pandemic. In addition, it was specified that all sectors except the trade sector were economically negatively affected by the pandemic. The biggest cause of this negative impact has been shown as the precautions taken against the pandemic and the decreasing demand and supply. The reason for

the positive coefficient of the trade sector was evaluated as the increase in online shopping and the continuity of activities in the sector.

Kılıç (2020) analysed the effects of the Covid-19 pandemic on sectors in terms of financial markets. In the study, the returns of BIST sector index were analyzed using the event analysis method. It has been determined that the Covid-19 pandemic, which has caused many negative effects in the economy, also has a generally negative effect on the BIST sector index returns. While it was specified that the textile and tourism sectors were exposed to the highest negative impact, it was concluded that the trade sector provided positive returns during the pandemic process.

Ince (2020) aimed to determine the effects of Covid-19 on firms which are operating in Bitlis. In this context, semi-structured interviews were done with 16 firms' owner. According to the results, it was determined that firms' owner had more problems in paying rent and salaries of employees during the coronavirus process. Also, it has been specified that firms which generally consist of small and medium enterprises didn't sufficiently benefit from the policies and stimulus packages.

Nakiboğlu & Işık (2020) aimed to specified Covid-19 impact on the economy. In this study, authors applied survey to 894 firms' owners, and as a result, it was determined that there is a consensus that the Covid-19 pandemic has impacts on the economy. Firms' owners stated that "economic stimulus given are insufficient", "small firms face to the risk of closing down" and "unemployment will increase". The views of firms' owners did not differ according to the legal status of their firms and firms structure such as family business. However, the views of firms' owners differ according to women firms' owners, a monthly income of 5000 TL - below, the turnover of less than 100,000 TL, undergraduate education level and those with 15 years or less activity. Generally, it was specified that their views on the effects of the Covid-19 pandemic on the economy were more negative.

3. Methodology and Results

3.1.Data

This study is an extended part of the Chamber of Sworn-in Certified Public Accountants (CSCPA) of Istanbul Economic Expectation Index Project, which has been published since 2017, for the pandemic period. The Economic Expectation Index of the Istanbul Chamber of Certified Public Accountants is a survey of sworn-in cpa registered in the chamber, a study that collects data and information through these surveys, and has started to appear in the press since 2019. The effects of the Covid-19 pandemic were investigated with the surveys applied in April 2020. During the pandemic period, the problems that occurred and / or came back to the agenda were evaluated, and the impact they created in the business world was evaluated by SCPA, which has a first-hand command of the financial statements of the enterprises.

The study aims to provide a road map of the measures to be taken during and after the Covid-19 pandemic. A part of this study has been previously published in Ekren, Alp and Güner (2020) book. While the book is investigated by putting forward the first 5 most important impact in each category, this study includes all problems and solution suggestions for the relevant categories. The open-ended questionnaires were processed to assign categories in suitable to numerically analyzed. While reporting the problems and solution suggestions received from the sworn-in cpa who replied to the questionnaire at these stages, they were not changed but standardized while classifying.

Within the scope of the study, firms are investigated by classifying them as large, medium and small in as much as expectations for economic indicators and sensitivity to economic indicators differ depending on the scale of the firm. While calculating the Economic Expectation Index, two measures are used for the scale of the firm: the turnover and the number of employees in the firm. Although both groups provided information on the scale of the firm, their views on the economic course were investigated separately.

Three basic separations are made in the financial turnover grouping. The separation is as "0-10 Million TL" small-scaled firms, "10-50 Million TL" medium- scaled firms and "50 million TL over" large-scaled firms. Firms are separated into three basic groups according to "number of employees". Grouping is "less than 50 employees" small-scaled, "50-250 employees" medium-scaled and "more than 250 employees" large-scaled firms. In this survey, which was conducted in April 2020, the question of "the 3 most important problems encountered and solution suggestions" was asked open-ended. The applied questionnaire was approved by the ethics committee. We obtained permission from CSCPA of Istanbul to use the survey data in the study.

The process was continued until the number of surveys ensure the minimum number of survey sample scale. While the number of questionnaires collected is 266, the total number of problems and solution suggestions reported is

805. The process was continued until the number of surveys ensure the minimum number of survey sample size. It has known that there are many sworn in cpa in Istanbul. However, taking into account that there are approximately 5000 sworn in cpa are active on this job, 266 usable survey results were got in the study. This number shows are valid for 95% confidence and 5.85% level of statistical error.

Especially, the surveys organized in this process are intended to reveal the impact on firms due to the Covid-19 pandemic and the precautions taken in this process. The evaluation made as a result of the analyses of the questionnaires were collected in 20 main groups. The categories used in categorizing open-ended questions are given in the annexes.

3.2. Results

3.2.1. Problems Encountered in Firms and Solution Suggestions

The results are collected under 20 subtitles; the rates of the subtitles are given in the table below. In this context, contraction of demand and financing problems have the highest share with 21.81% and 20.92% in general results. These two problems are followed increasing costs (9,57%), lack of qualified employee (9,31%), collection and legislation problems (8,31%) by close percentages. The problem with the highest rate in the Covid-19 period is contraction of demand. The coronavirus caused changes in consumer behaviour and spending trends, so the domestic and foreign markets were negatively affected. These trend is expected to continue in course of the pandemic period. By opening new markets and taking precaution to facilitate international trade, it can be made possible for firms to overcome this difficult period more easily.

Financing problems have the second-highest share among the problems seen during the pandemic period. Problems that are experienced in economic activities during the period cause problems in the firms' access to financing resources. Facilitation in loan contracts and debt restructuring of the firms should be offered as a solution for firms to overcome this difficult period more easily. The incremental costs (increase in cost) is the third-highest share with 9.57%. The decrease in spending rates due to the curfew negatively affected the turnover of firms. The precautions taken to protect the health of the employees cause additional costs for firms. Fluctuations in exchange rates also caused the fixed costs of firms to increase. Costs of firms can be reduced with solutions such as extending the content of short-time working pay and duration and tax reduction.

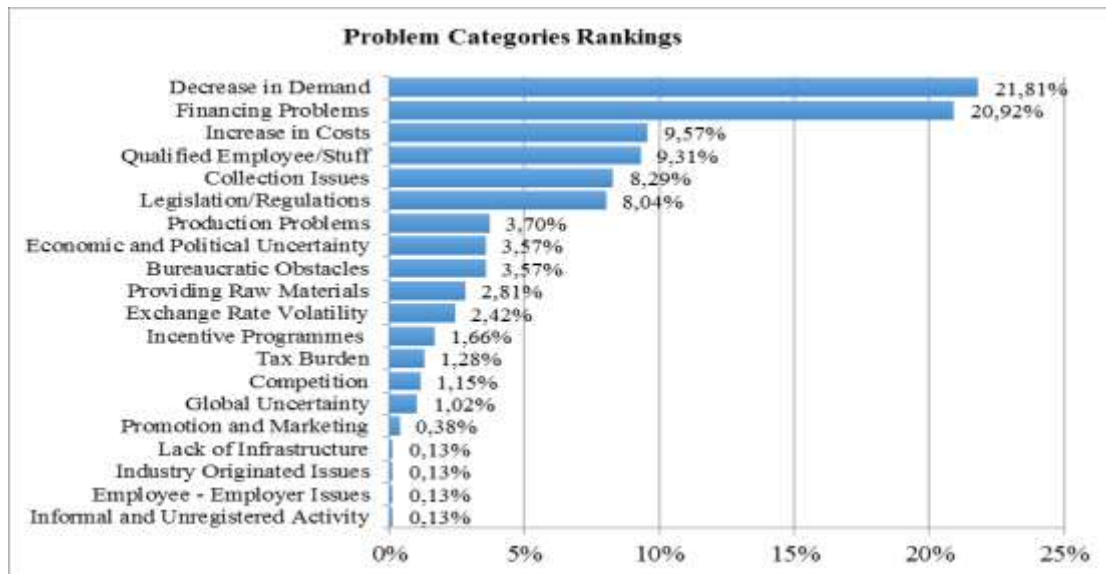


Figure 1 Problem Categories Ranking During The COVID-19 Period

In this period, the problem of qualified employee has become different for companies and has appeared as the fourth most important problem with a rate of 9.31%. Firms are taking various precautions to protect employee

health. Some firms have adjusted their working hours, while others have modified to working from home. It has been observed that productivity is affected by these conditions. It is predicted that firms generally have difficulties in maintaining employment and if precautions are not taken to reduce their complaints, there will be a serious unemployment problem in Turkey with the effect of the virus.

The solution suggestions for the main problems obtained in the study are shown in Table 1. According to the results, the following solution suggestions are presented for the first three most important results for Decrease in demand, Financing Problems and Increase in costs, respectively:

- Supporting promotional and marketing activities, new markets studies were requested to be found.
- Providing more affordable loans from banks.
- Improvement in price and tax policy

Table 1 Main Problems and the Solution Suggestions

Decrease in demand	Supporting promotional and marketing activities, new markets studies were requested to be found.
Financing Problems	Providing more affordable loans from banks.
Increase in costs	Improvement in price and tax policy
Lack of Qualified employee/stuff	It has been suggested to reduce labor costs and increase education options in order to reduce the shortage of qualified stuff.
Collection Problems	Making improvements to eliminate non-payment problems in laws
Legislation/regulations	Making it easy to follow the legislation.
Economic and political uncertainty	Shortening of uncertainty before and after elections or economic fluctuations.
Production problems	Problems encountered due to legislation and bureaucratic obstacles in the production process should be eliminated.
Exchange rate volatility	Eliminating excessive fluctuations and uncertainties in the exchange rate
Global Uncertainty	Problems arising from recession and instability in neighboring countries
Bureaucratic obstacles	Simplifying legislation and making it fast applicable
Providing raw materials	Problems encountered due to legislation and bureaucratic obstacles in the production process should be eliminated.
Tax Burden	Compliance with EU norms, eliminating the difference between tax rates
Competition	Regulating the competition conditions in the market.
Incentive Programmes	Informing studies about existing opportunities should be increased.
Promotion and marketing	Enhancing product and country image through marketing and advertising campaigns.
Informal and unregistered activity	Increasing supervision, imposing sanctions, regulating tax burdens.

Among the problems of the pandemic period, firms have had problems with collection in the domestic and foreign markets. Therefore, the necessity of commercial receivable insurance has become a current issue. In addition, there was a decrease in the production capacity of firms during this period. As it should be, there are problems in production input supply due to pandemic. With the effect of the fluctuations in foreign exchange rates, raw material supply from domestic and abroad has still less become difficult. Another problem that appears as a result of the negativities experienced is the difficulty in result a sufficient amount of products for sale. The reason is that some firms caused unreasonable increases in prices by doing stocking. It causes the companies to have future anxiety that the uncertainties of economic problems and scales the pandemic will reach both in Turkey and in the world in the future. On the other hand, it is observed that there are disruptions in the implementation of the precautions taken during the period. For instance; it is underlined by the respondents that the scope of force majeure is not comprehensive enough and should be expanded. The solutions offered to get out of the difficult days; by providing the support required by the social state perceptive to both the employer and the employee, it is to create payment

facilities in the taxes and SSI obligations. The pandemic attitude of Turkey's should be described in detail. In this way, the clarity of the country's attitudes is also expected to provide a positive impact on the image of the country.

3.2.1.1.Firms Scaled by Turnover Level

3.2.1.1.1.Small-Scaled Firms

Small-scaled companies with a financial turnover of "0-10" million TL" came up against with three problems in the COVID-19 period: financing problems, demand shrinking and collection problems. A serious loss of financial turnover was experienced with the contraction in demand. Then, problems occurred in collections, firms offered to need net working capital and cash. Facilitating the bureaucracy of accessing funding sources and defer loan payments without interest is an important solution proposal for small-scaled companies.

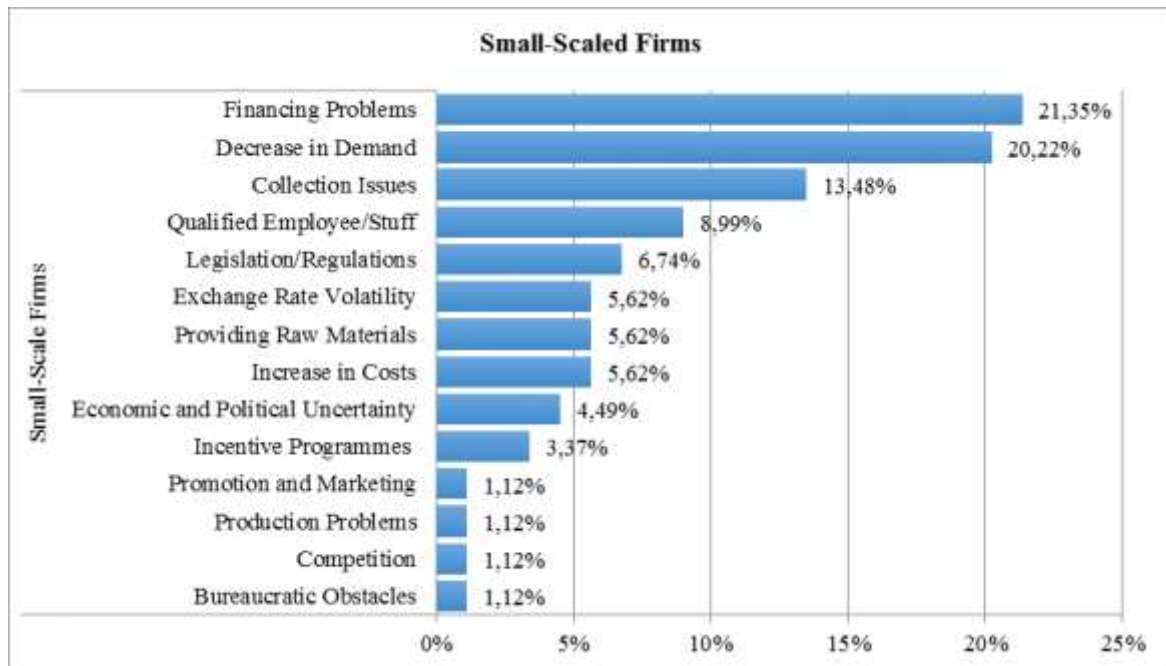


Figure 2. Problems Encountered in Small-Scaled Firms by Financial Turnover Level in the Covid-19 Period

On days when staff are worried about coming to work due to the high risk of infection, it is observed that sterilization and labour supply is difficult and support applications such as short work allowance is not sufficient. The conditions under which the production should continue must determine in this period in which there are difficulties in raw material supply and production. Also, providing the necessary working conditions for the health of the employees is necessary. In this period, the firms that make stock negatively affected the market and increased competition.

In addition, the fact that workplaces and customs are closed also creates a negative effect on small-scaled firms. A gradual return to normal should be achieved by allowing customs entry and exit at certain times.

3.2.1.1.2.Medium-Scaled Firms

During the Covid-19 pandemic, the highest rate two problems in medium-scaled firms which have a financial turnover of "10-50 Million TL" are financing problems and decrease in demand, just like small-scaled firms. The market has come to a standstill due to the contraction in demand and that firms have problems in repaying loans. Both delays in salary and premium support and difficulties in accessing financing cause problems for firms.

The desired effect could not be achieved within the scope of force majeure. By expanding the scope of force majeure, it is necessary to provide stimulus until firms reach a sufficient financial turnover level. Workplaces that had

to stop operation and the borders that were closed also had a negative effect during this period. In addition, firms with anxiety about the future have uncertainty about continuing to employ workers. The increase in employment costs has an important role in this uncertainty.

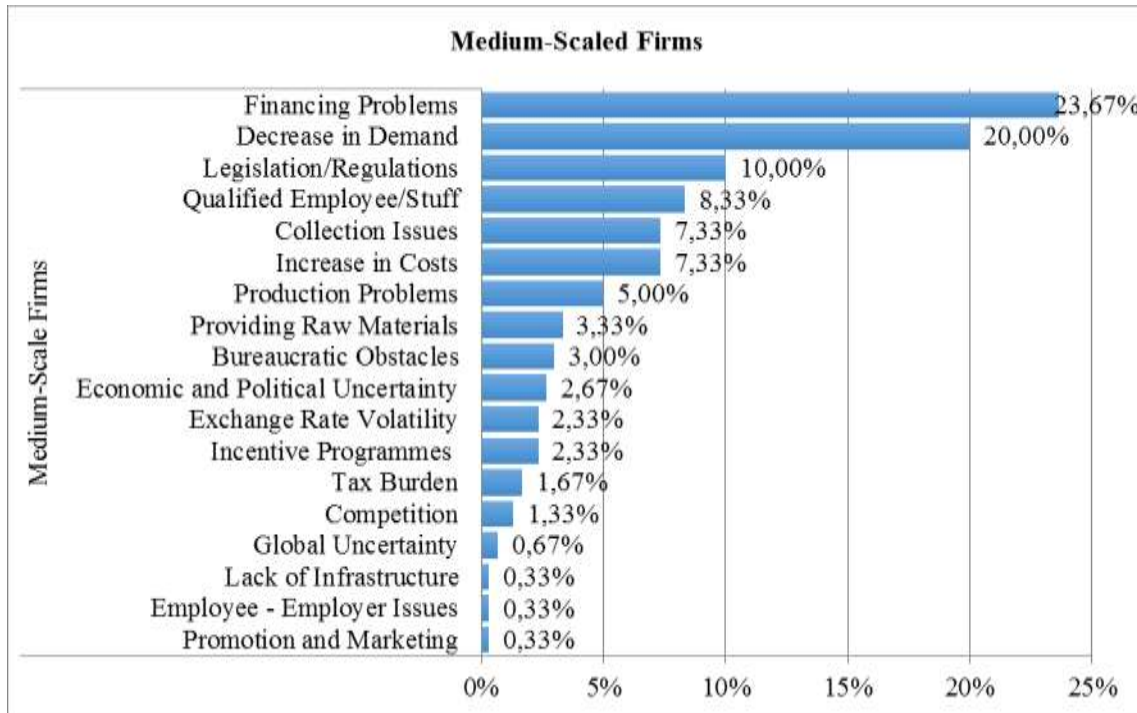


Figure 3 Problems Encountered in the Covid-19 Period in Medium-Scaled Firms by Financial Turnover Level

In addition to labour costs, input costs such as rent and energy have also increased. Considering that the firms cannot collect their receivables, they are stuck in a difficult situation due to increasing costs. A few solutions that can have a positive impact on the economic recession process firms are in can be listed as follows; facilitation of the necessary procedure for credit, long-term and low-interest loan stimulus, tax and payment delays.

The pandemic has also hurt production and raw material supply. The depreciation of the Turkish Lira during the process caused an increase in costs, which made foreign trade and raw material supply difficult. In addition, in line with the precautions taken by the firms, the production efficiency cannot be achieved at full capacity. As a solution of this proposal, it can be offered to turn to domestic production and to provide a full-time working by increasing the precautions.

3.2.1.1.3. Large-Scaled Firms

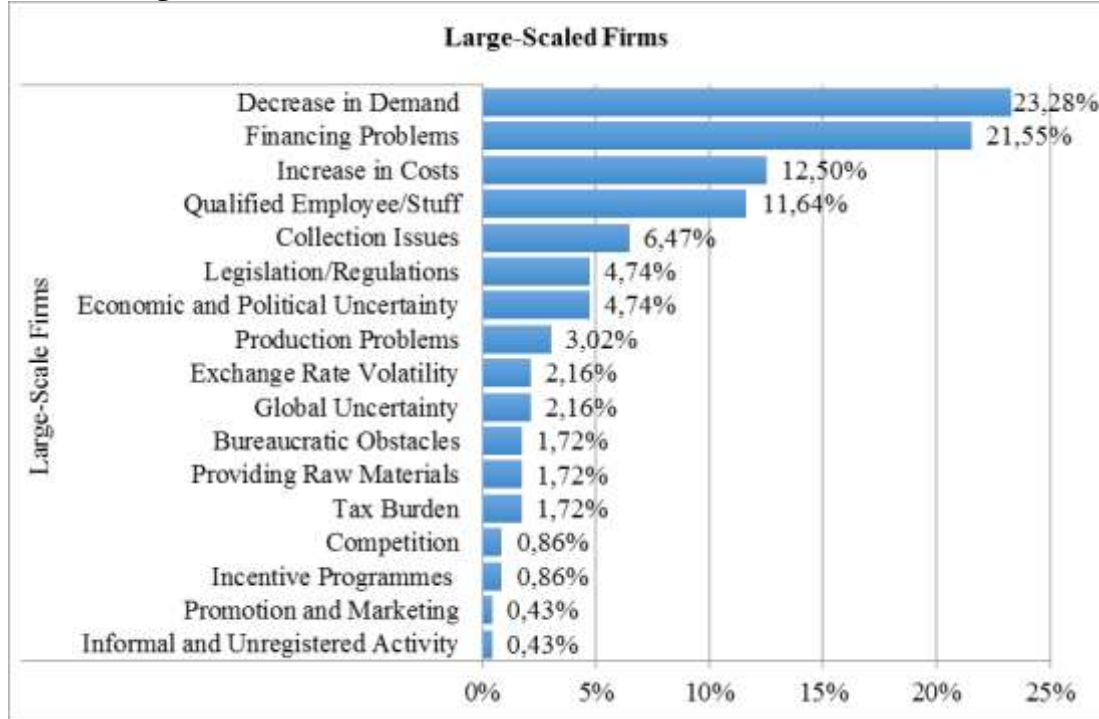


Figure 4 The problems Encountered in the Covid-19 Period in Large-Scaled Firms by Financial Turnover Level

Considering the problems of large-scaled companies according to the financial turnover level, the first three problems are decrease in demand, financing problems and increase in costs. Covid-19 pandemic period, it is both in Turkey and the global experienced a severe decreasing demand. With the decrease in the activity in the economy, the financing problems of the firms have appeared. While the sales rates decreased, the increase in fixed expenses continued to have a negative impact on firms. During the period, three important solution suggestions for companies can be expressed as follows: facilitating firms' accessing to financing resources, supporting firms by banks and applying monetary policies to prevent fluctuations in exchange rates.

It is possible that the negativities in the financial markets, when combined with the pre-pandemic economic problems, may cause deeper problems. This environment of uncertainty is also expected to have a negative impact on investments.

In addition, one of the main problems of firms is that they cannot collect payments for the products which they deliver. The disrupting collection-payment balance is a serious problem for firms. It is specified by firms that public progress payments were not paid or were paid delay in this period.

During the pandemic, firms that continued their production by protecting the health of their employees had great difficulty in providing employment. Firms that had to be closed within the scope of the precautions taken faced greater problems. It is thought that the negativities will cause serious unemployment in the future. Providing government support and reducing labour costs can be considered as a solution suggestion. In addition, it is necessary to transition to domestic production and to produce technological production.

One of the problems of large-scaled firms is the tax burden. The solutions suggested as a result of the study are as follows: the deciding on tax delays in the epidemic period by looking at the previous periods of the taxpayers, the instalment of tax payments in 2021, the giving the number of gross personnel expenses paid by taxpayers during the year as a human capital investment discount as a discount in the annual income and corporate tax return.

3.2.1.2. Firms Scaled by Number Employees

3.2.1.2.1. Small-Scaled Firms

The two main problems of firms which is “less than 50” employees during the pandemic process are demand shrinking and financing problems. With the effect of the pandemic, trade has sometimes come to a stopping point. There has been a serious decrease in economic activities. There has been a shrinking business volume in domestic and foreign sales. In addition to the decrease in income from sales, fixed costs such as personnel, rent and energy increased due to the effect of floating exchange rates. The due payments could not be paid on time because of the lack of financing resources, decreases in collections and costs increased. The making arrangements for facilitating access to the financing source and result new markets with government relief can be proposed as a solution.

With some firms closed within the scope of the precautions taken in Turkey, these firms' owners and employees have been in a difficult situation. It has become very difficult to maintain employment during the pandemic. In addition, sectors which are not included in the scope of force majeure were more affected by the negativities of the period.

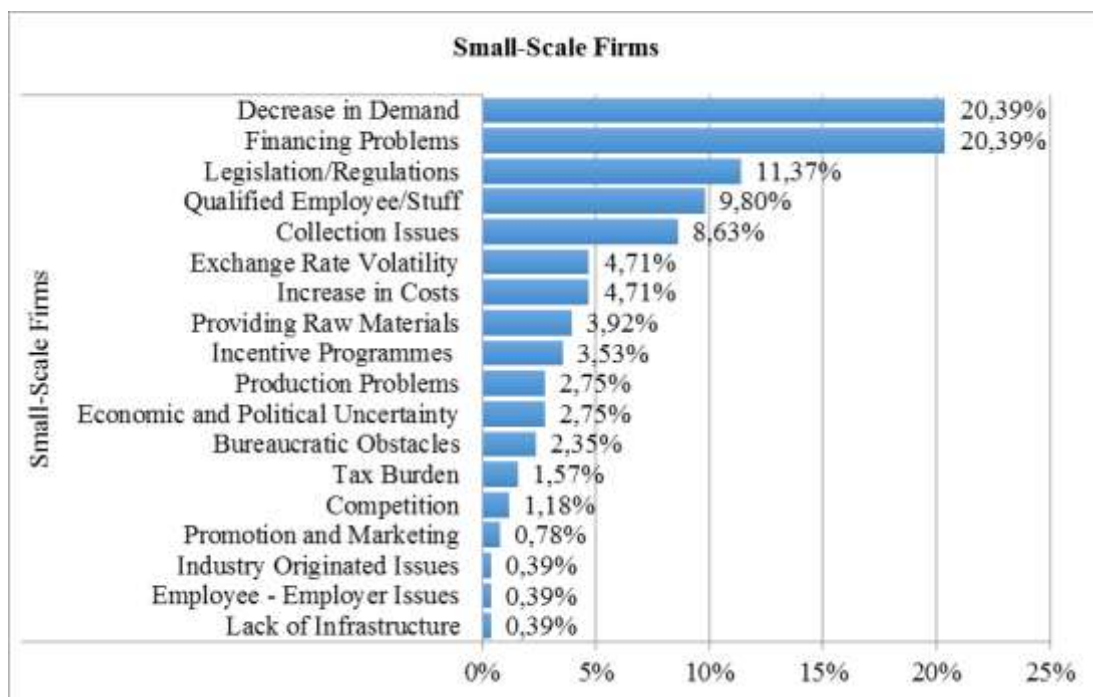


Figure 5. Problems Encouraged in Small-Scaled Firms According to Number of Employees During Covid-19 Period

Another precaution taken during this period is closing the borders. However, closed borders caused problems in raw material supply so the dependency on abroad in production has been a problem. There were rapid increases in production costs. By increasing support for domestic production, the contribution can be made to both localization and employment.

Stockist firms disrupt the order in the market and cause an increase in competition. The role of these firms in the increase of raw material and product prices can't be ignored. In order to prevent this situation, the government should play a regulatory role and take disincentive precautions.

3.2.1.2.2. Medium-Scaled Firms

When medium- scaled firms are analyzed according to the number of employees, decrease in demand specifies as the most fundamental problem. There are serious reductions in cancellation of orders and new period orders. The

problem of decrease in demand triggers many problems such as, with the decreasing demand, there has been an increase in financing problems. Consequently, the firms can't make loan payments and payments of overdue debts. Firms can be relieved with government grant and restructuring in bank debts.

Due to the epidemic, collections can't be made from previous product orders. It is known that the terms are getting longer and the previous period receivables can't be collected. Therefore, the collection problems cause serious decreases in revenues. In this period, the increases in input costs, production costs and personnel costs are challenging firms. For this reason, costs can be reduced to more reasonable levels for firms by increasing work and wage stimulus, deferring personnel taxes and social security premiums. Making public progress payments in a timely and sufficient amount will also have a positive effect on firms. Solving the accumulated VAT refund receivables and the problems in export transactions can be offered as a solution.

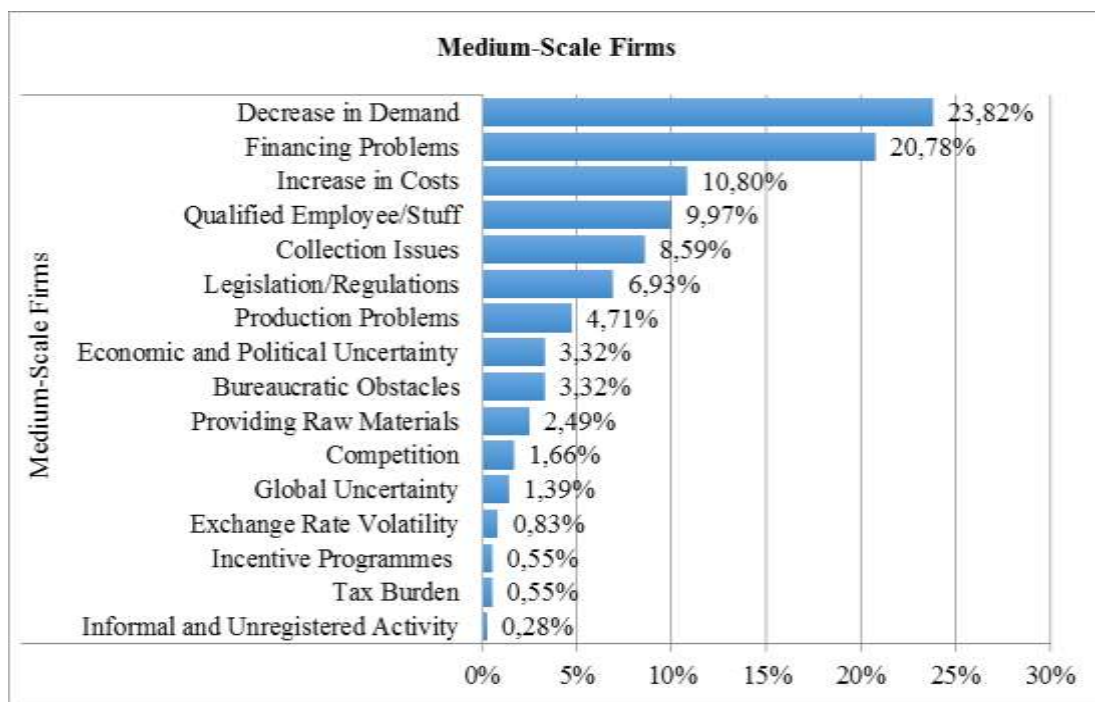


Figure 6 Problems Encouraged in Medium-Scaled Firms During Covid-19 Period According to Number of Employees

Also, there is a serious decrease in working hours and number of employees. Employers are worried about protecting employee health. Alternative scenarios should be prepared and actions should be taken without delay for future anxiety. Employers and employees who are in a disadvantaged situation can be supported by the precautions taken by expanding the scope of force majeure.

Medium- scaled companies also experience difficulties in obtaining production inputs during the pandemic. It appears that firms are indecisive to supply raw materials. Firms can be supported by changing the tariff rates on inputs and preparing a medium-term flexible crisis budget.

3.2.1.2.3. Large –Scale Firms

The biggest problem seen in the Covid-19 period in large-scaled companies is financing problems. Especially in this period, there is a disruption in the general economic conditions of companies. Taking loan has become a problem for firms so low interest rates and flexible payment model can provide facilities for their loan payments.

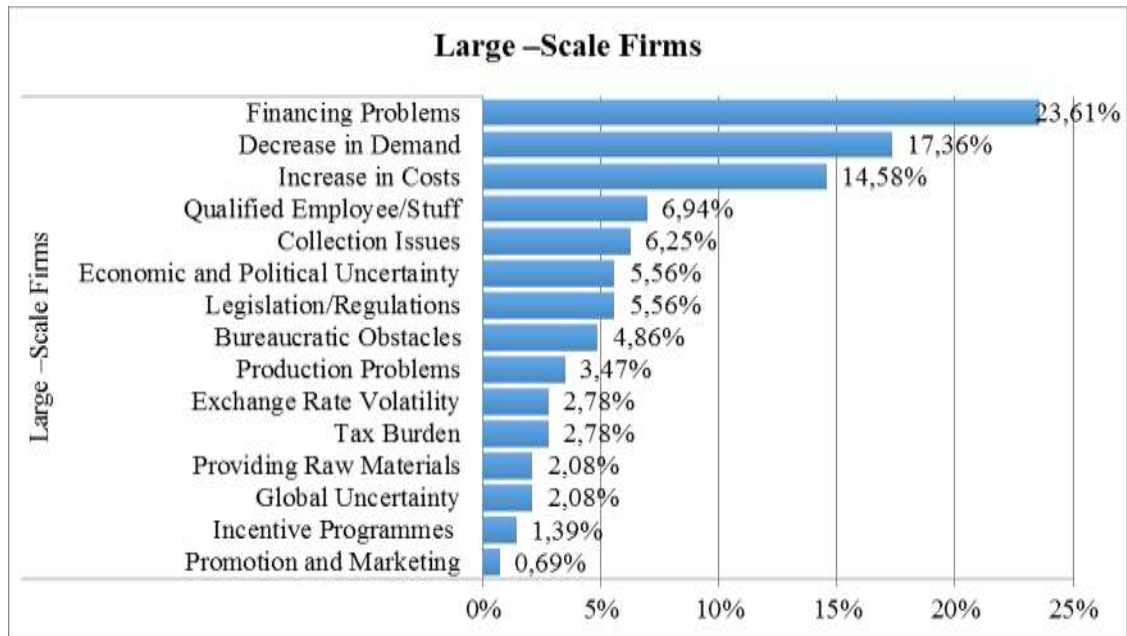


Figure 7 Problems Encouraged in Large-Scaled Firms During Covid-19 Period According to Number of Employees

Due to the pandemic, there is a decrease in domestic and international demand. Firms are worried about delivering the products with the anxiety of collection. Trade receivable insurance application is offered as a suggestion to avoid collection problems. In order to increase the trade volume, discount in customs taxes, VAT and SCT rates and taxes on income can be listed as solution suggestions.

The decline in sales has increased the problems in stock and personnel costs. Fluctuations in exchange rates also affect firms negatively. In such an atmosphere, a short-time working allowance alone is not sufficient. Government support should be provided for fixed costs. Besides, efficiency from working personnel also decreased with the negative effect of the period. If the economic atmosphere in the pre-pandemic period can't be rebuilt, an increase in the unemployment rate will be unavoidable. In the current situation, employers can't cancel the labour contract of workers due to the restriction imposed by the law. However, firms' owners want to direct workers for the repair of factories and workplace, they dislike that employees are unemployed due to the disruption of production.

4. Conclusion

In many developed and emerging market economies, especially the USA, EU and Japan, the economic and financial stimulus packages that have been implemented since the global financial crisis and have increased until today (before the coronavirus) have reached huge volume. The different approaches are underlined and discussion is done on this subject in international literature. It is specified that there are fragilities of effectiveness, efficiency, alternative costs in the decisions and practices, preferences and priorities of the public authority. The demands and expectations of the corporate sector and, the preferences and priorities of the public authority are different from each other. Therefore, it points out that the stimulus packages by the public authority do not match the expectations of the firms. It is dwelled on that the structural problems and failures of the market economy have become unsustainable. One of the most important points that the coronavirus brings to mind once again is the systemic vulnerabilities and the necessity of a new perspective in sustainability. Sustainable fragilities that can't be unsolved in a reasonable time become unsustainable. In such cases, very costly solutions and/or management can be encountered. At this stage, decision-making and implementation processes that are not based on accurate and necessary data or information caused new alternative costs. This progress of the cycle changes to trust and reputation evaluations and perceptions.

The direction and form of the economic problems produced by the coronavirus on the basis of companies and the interventions against them varies depending on the opportunities and resources in the economic structure and relations system of the countries. However, there are many widespread views between the processes faced by firms and the approaches of the public authority. Considering the international models regarding these issues, the features of the standard table regarding the processes faced by firms and the intervention contents of public authorities can be expressed as follows.

The public authority is systematically planning and implementing its policy response to COVID-19. Public authority give priority to reducing the damage that can be caused by the crisis effected demand and supply shocks. In addition, the setting up the appropriate order after the crisis is also considered. Within the framework of these purposes, the public authority interfered in the processes with necessary and appropriate monetary and fiscal policy tools. Reducing and controlling the damage of the crisis depends on economic problems and the forms of intervention prepared for them. Demand contraction is interfered in by demand incentives and financial supports. Public authority uses interest rate lowering, liquidity increase and other financial supports in case of insufficient liquidity. In case of insufficient production, capitalization, resource transfer and other financial support are put into practice.

Problems and Solution Suggestions Surveys and Economic Expectation Indices produced by Chamber of Sworn-in Certified Public Accountants of Istanbul and Istanbul Commerce University is a project that contributes to the correct perception of the current process and the determination of correct preferences and priorities. Surveys are about detecting the problems in the coronavirus process and determining the solutions for them. The fact that there are thirteen sectors and six sector scales in two different categories enables the surveys to have a wide range of problems in terms of identified problems and suggested solutions. Thus, it is possible to analyze different categories and breakdown.

Two factors affect the activities and thus the performance of firms. The first is macroeconomic indicators, including macroeconomic indicators and macroeconomic policies and regulations. The other is firms' specific issues observed in financial and non-financial performance indicators. Therefore, both the problems of the firms' sector and the solution suggestions have been formed depending on these factors. The main result is also summarized in the Figure 8. This figure also helps to follow up the main results of this study.

The real sector supreme board which will be established can be used as an institutional mechanism in guidance sectors and firms, therefore the board will establish basic rules and principles related to monitoring process. Thus, it will be possible to monitor efficiency, productivity and alternative costs and reduce waste in decisions and practices aimed at reducing the output gap, inflation gap and employment gap. In addition, this institutional mechanism can be made to include the competitive economy approach to the structure of the Competition Board.

The developing and strengthening the strategic response capabilities of companies in every atmosphere will reduce the chance of damage to welfare-generating mechanisms. It is important that how to formulate actions that reduce costs and increase revenues in improving companies' performance is important. In this regard, the preparation of strategies to focus on the main business, to determine the growth path with new products and services, to create a business style that will provide differentiation, and to establish methods of providing financial resources have a critical role and function. The ability of firms to design and implement these actions is closely related to their capacities. The business society should give priority to these issues, and create platforms that provide the necessary data and successful implementation examples with the sharing of knowledge and experience.

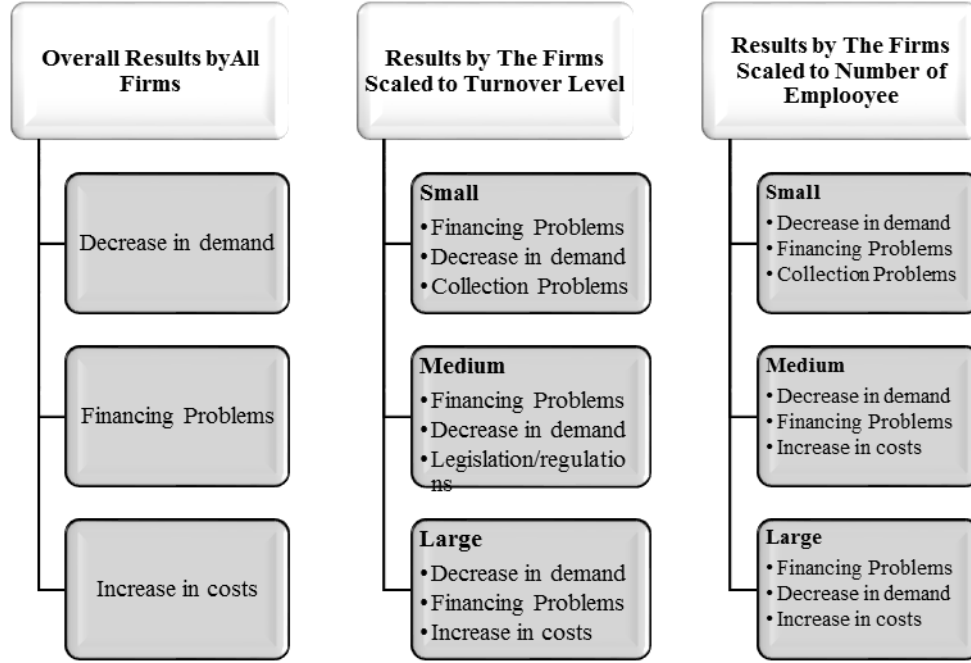


Figure 8 Main Results

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