

Impact of COVID 19 Pandemic on Small and Medium Sized Businesses (SMEs) in the GCC

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Abstract

In all over the world, COVID 19 has created uncertainty and panic situation in almost all areas of life. Not only financial position of all countries has been badly affected but also internal and external social lives have also disturbed badly. If we talk about Bahrain and its economy, all large scale businesses in general and small and medium sized businesses have dropped up to their alarming position. Major victims of the COVID-19 outbreak are micro, small, and medium-sized businesses (SMEs). This article aims to assess the impact of COVID-19 outbreak on these businesses and provide policy recommendations to help SMEs in reducing business losses and survive through the crisis. The study adopted an exploratory methodology with comprehensively reviewing the available literature in the relevant field. Further, to add empirical evidence, we collected data from some Bahraini SMEs by administering an online questionnaire. The data were analyzed through descriptive statistics. The results indicate that most of the participating enterprises have been severely affected and they are facing several issues such as financial, supply chain disruption, decrease in demand, reduction in sales and profit, among others. Besides, over 75% of enterprises were neither prepared nor have any plan to handle such a situation. The findings of our study are consistent with previous studies. Based on the results of the research, different policy recommendations were proposed to ease the adverse effects of the outbreak on SMEs.

Keywords: Small and Medium Sized Businesses (SMSs, GCC, COVID-19)

1. Introduction

In all over the world, COVID 19 has created uncertainty and panic situation in almost all areas of life. Not only financial position of all countries has been badly affected but also internal and external social lives have also disturbed badly. If we talk about Bahrain and its economy, all large scale businesses in general and small and medium sized businesses have dropped up to their alarming position.

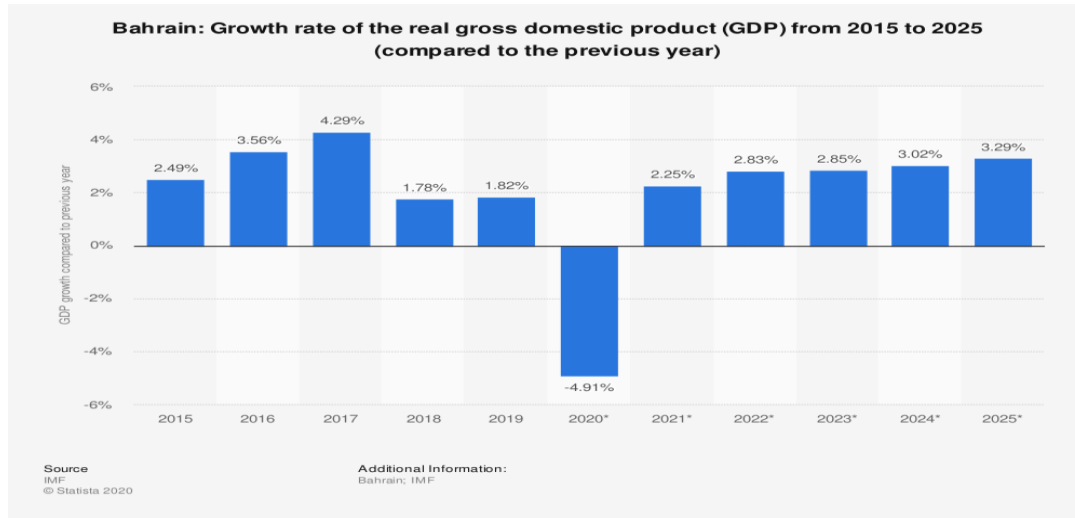


Figure1: Bahrain GDP for 2020

From the chart above it is clear that Bahrain GDP for 2020 is -4.91% which is perhaps on the worst stage of Bahrain history. Only one year before in 2019, when COVID 19 did not affect most countries including Bahrain, the GDP of Bahrain was + 1.82% which was greater than GDP of 2018 (statista.com/statistics/525429). The GDP was increasing at normal rate, but within months everything dropped down. All these crises directly and badly affected the whole business class; especially middle level and lower level business classes (Abdeldayem & Aldulaimi, 2021).

The purpose of this study is analyse level of COVID 19 affects and to find out possible solutions how Bahrain economy can be boosted up which is only possible if Bahrain business class is prosperous. As per statista.com, if we look at the expected GDP rate for the coming years of Bahrain, figures are very encouraging. For example, according to staista.com, the GDP for 2021 is expected to be 2.25% which is a very much attractive figure. Our research purpose is to find out actual business conditions during COVID Pandemic period, its aftershock effects on Bahrain economy at micro and macro level and how Bahrain business community can be survived during and after COVID Pandemic crises. This research paper will also find out the ways which can bring prosperity in the whole Bahrain business class in general and middle and small class businesses in particular (Abdeldayem & Aldulaimi, 2020).

This research paper will cover how badly affected COVID 19 Bahrain economy and its business environment in its near past. For this purpose, relevant past years data will be collected and

analysed keeping in view Bahrain current economic position. In its next phase based on results derived, Bahrain future expected economic and business growth will be discussed along with possible threats and opportunities. This study will also discuss how Bahrain faced the challenge of COVID 19 Pandemic successfully and its contribution for the rest of the world. (*Bahrain - Gross Domestic Product (GDP) Growth Rate 2016-2026 | Statista, n.d.*)

2. Significance of Study

This study paper will help us to find how much COVID 19 has damaged the Bahrain business community, what economic issues it has faced at macro and micro level. This study is also important in the sense that it will open doors to study in depth about how to react in such types of crises safely and how well the Bahrain Government has played its role as a responsible a business friendly country at macro and micro level (Aldulaimi, 2016).

3. Literature Review

There is no way to estimate exactly global economic damages of COVID 19 however it is widely agreed among economists that this crisis has brought many severe impacts to all over the world and still its aftershocks are damaging (Szmigiera M, 2020). Most major and strong economies have lost their GDP at least up to 2.4% in 2019 and even for 2020, global economic growth was down from 3% to 4.5%. The “National Bureau of Statistics” of China announced 6% GDP growth rate in Q4 of year 2019 where expected rate was 6.1% because of COVID Pandemics. On the other hand, the USA GDP rate was only 2.3% in 2019 as a whole. COVID 19 has disrupted the global economy significantly and challenged predictions of market and policy makers. They tried to counter this Pandemic by renewing stimulus measures even then they were not clear (M. Abdeldayem & Aldulaimi, 2021).

According to DUBAI Reuters, the economy of Bahrain has been contracted by 8.9% in the second quarter of year 2020. As per government data, since March 2019 this small gulf state has been suffering from restrictions measures in order to contain this pandemic problem. Its hotel and restaurant industry has declined by 61.3% as compared to the same period of earlier year. As per Government notification, this is because of widespread restrictions imposed on hotel and tourists industries as well as medium and small sized restaurants. These were also imposed on other economic and social activities like, education, construction, and retail industries (Aldulaimi & Abdeldayem, 2018).

Amazingly, the oil sector economy increased by 3.2% at the constant prices, however the non-oil sector economy badly decreased by 11.5%. In September 2020, “S&P Global Rating” expected that the real Bahrain GDP could be contracted by 5% in the year 2020 due to this pandemic disease; but its oil sector was not affected because Bahrain is a small producer and not subject to OPEC production cuts. In 2018 Bahrain was also bailed out with \$10 billion from its wealthy Gulf neighbouring countries in order to avoid credit crunch. The International Monetary Funds (IMF) expects Bahrain’s fiscal deficit may increase from 10.6% to 15.7% of the year 2019 to 2020 of gross domestic products. The goal of this literature is to compare and analyse Bahrain economy and business saturation with respect to pre COVID Pandemic and current economic and business environment. This study will also discuss expected opportunities and threats which the Kingdom may avail or face (Aldulaimi & Abdeldayem, 2018).

Bahrain Overall Economic Position 2019

In its 4th quarter 2019, Bahrain information and eGovernment Authority has published its economic report which showed its quarterly and yearly real GDP growth in 2019 with the comparison of 2018 GDP rate. As per this report, the real GDP in 2019 and 2018 was the same 1.8% but nominal GDP in 2019 was 2.4% as compared to 6.1% respectively (Authority, n.d.).(Bahrain Economic Quarterly, Q3 2020, 2020) If we go in detail about Bahrain 2019 economic growth with reference to vision 2030 and COVID crises, we find the following results:

Table1: Bahrain economic results

Bahrain 2019 Preliminary Results			
	Total	Oil Sector	Non-oil Sector
Real GDP (constant prices)	1.8%	2.2%	1.7%
Nominal GDP (current prices)	2.4%	-3.9%	3.6%

- The real GDP comprises two sectors; oil and non-oil. The oil sector was not affected noticeably and grew at an annual rate of 2.2% which was only 1.3% in 2018 because of planned maintenance in the first quarter of 2018. The non-oil sector grew positively but slowly with 1.7% real GDP and 3.6% with its nominal rate. This positive growth was because of the guidance principles of 2030 Economic Vision.
- Major growth contribution in the non-oil sector was from Manufacturing and Hotels & Restaurants industries. It recorded growth at 4.7% up to the third quarter of 2019. Only the manufacturing sector grew by 5.2%. The hotel and restaurant industries were at highest annual growth of 6.8% in 2019.
- Now the COVID 19 pandemic risk was knocking at the Bahrain door at the end of 2019 and a big threat was near to emerge. In Spite of optimistic expectations of economic growth in 2020, an international recession was almost certain. The policy makers round the globe led by the U.S Federal Reserve were busy in aggressive stimulus measures. For Bahrain there was a stimulus package of BH 4.3 bn. with a lower interest rate to fight against this crisis. Furthermore the oil prices had plunged significantly since their high at end December 2019; ready to add more pressure on the global economy.

Quarterly and Yearly Economic Review from 2017 to 2019:

Quarterly and yearly data is more explanatory. As per preliminary national account data, in 4th quarter of year 2019, the real GDP declined at 0.4% in its real terms and 0.3% in its nominal terms. This was because of a decline in the Non-Oil sector by 0.9% as compared to 4th quarter of year 2018; in spite of positive growth in the oil sector by 1.7% in real terms and in private sector, the non-oil industry got rate at 2.7% growth in real terms and 3.4% in nominal terms in same quarter (Ahmad & French, 2011); (Aldulaimi & Obeidat, 2016).



Figure 2: Economic Growth

In the year 2017, in the first two quarters, overall economic performance was very excellent but in the second and third quarter, it went to the negative side. 2018 was also mixed with positive and negative figures in different quarters. The same happened in the year 2019 with slump in the last quarter because of COVID 19 threat.

Non-Oil Sector and Oil Sector Economic Progress:

Non-Oil Sector:

This sector got solid growth at 1.7% in the year of 2019 and the major contribution was from the restaurant and hotel industry which grew at 6.8% annually. 3.8% increase in arrivals were from the causeway and 5.5% through the airport. Average staying of tourists in 2019 was 16.8% greater than previous year. 4 and 5 stars hotels occupancy rate also increased from 41% and 49% respectively in 2018 to 45% and 52% respectively in 2019. The Personal and Social sector also grew by 2.9% with GDP from private health services and private education services sub sectors increased by 2.6% and 6.5% respectively. The construction sector also got the recorded growth by 2.6% in 2019 because building permits issued increased by 5.6% as compared to 2018 and with support of continued infrastructure projects. Financial Corporations and Non-Oil sectors remained stable year on year basis with minor declaration of 0.3%. As per Central Bank of Bahrain, the overall balance sheet of the banking sector grew by 6.4%, money supply by 8.3%, non-banking deposits by 0.6% and loans to private sectors by 2.3%. (Abou El-Seoud et al., 2017), (Bishara, 2006).

Table 3: Real state sector results (*Bahrain Economic Quarterly, Q2 2020, 2020*)

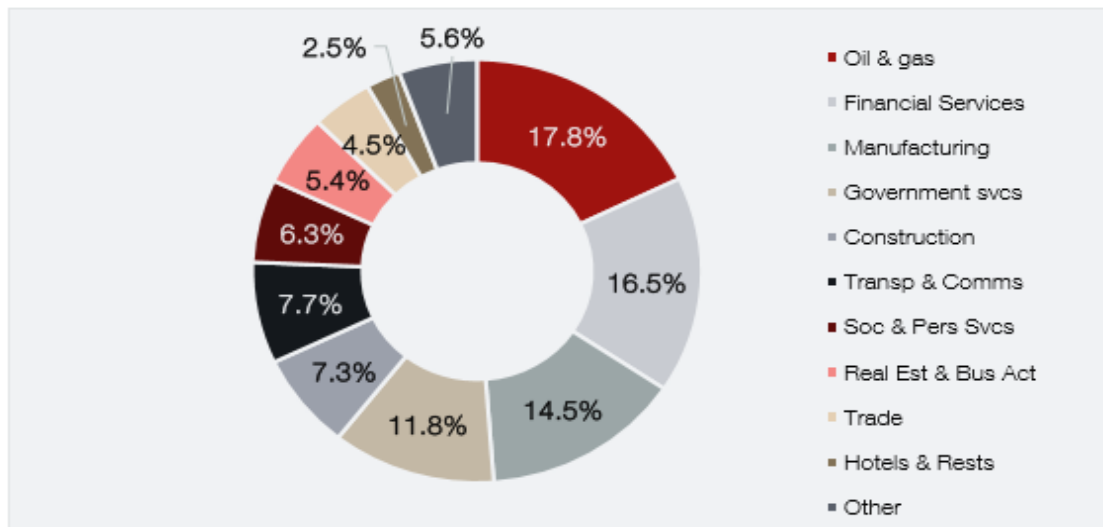
Sector Real Growth Rates, YoY

	2018					2019				
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4
Crude Pet. & Nat. Gas	-1.3%	-14.7%	0.8%	-1.5%	11.3%	2.2%	9.2%	-0.8%	-0.1%	1.7%
Manufacturing	1.9%	2.7%	2.8%	1.3%	0.8%	1.6%	-3.2%	-0.4%	4.7%	5.2%
Construction	5.6%	6.7%	6.6%	5.4%	3.9%	2.6%	2.9%	4.0%	1.5%	2.3%
Trade	0.1%	-0.6%	-0.8%	-0.5%	2.1%	1.1%	1.3%	1.1%	1.8%	0.0%
Hotels & Restaurants	-1.1%	-2.7%	-6.1%	-1.4%	6.1%	6.8%	10.7%	8.7%	8.3%	-0.1%
Transp. & Comm's	8.3%	13.4%	7.5%	6.6%	6.1%	-5.7%	-9.8%	-8.0%	0.4%	-5.4%
Social & Pers. Serv.	2.7%	3.7%	2.8%	3.1%	1.3%	2.9%	1.3%	1.7%	4.3%	4.3%
Real Est. & Bus. Act.	-0.6%	0.2%	-0.4%	-0.5%	-1.9%	-2.4%	-1.7%	-1.4%	-3.4%	-2.9%
Finance	3.4%	2.5%	2.7%	3.5%	4.9%	-0.3%	0.9%	0.0%	-0.8%	-1.1%
Government	1.6%	1.4%	2.0%	-1.8%	4.5%	-5.8%	0.6%	-2.1%	-0.5%	-20.3%
Other	-4.9%	-12.3%	-7.0%	-7.8%	10%	54.0%	65.6%	65.3%	46.1%	39.7%
GDP	1.8%	-0.6%	2.0%	1.0%	4.8%	1.8%	3.3%	1.8%	2.7%	-0.4%
<i>Non-oil GDP</i>	2.5%	2.6%	2.2%	1.5%	3.5%	1.7%	2.2%	2.4%	3.3%	-0.9%
<i>Private Non-oil GDP</i>	2.6%	2.8%	2.3%	2.1%	3.3%	3.1%	2.5%	3.3%	3.9%	2.7%

Source: Information & eGovernment Authority

The Communication and Transportation sector declined by 5.7% in its GDP; however its sub sectors showed positive development like Gulf Air. Government showed significant progress in implementation of the Fiscal Balance Program and reduced its expenditures by 128 mn in 2019. Activities of the Real Estate sector reduced by 2.4% in 2019 because of declining rentals.(Bahrain Economic Quarterly, Q3 2020, 2020) This was the result of divergence between real estate supply and demand growths (Acemoglu, 2012).

Sector Contribution to GDP – 2019



Source: Information & eGovernment Authority

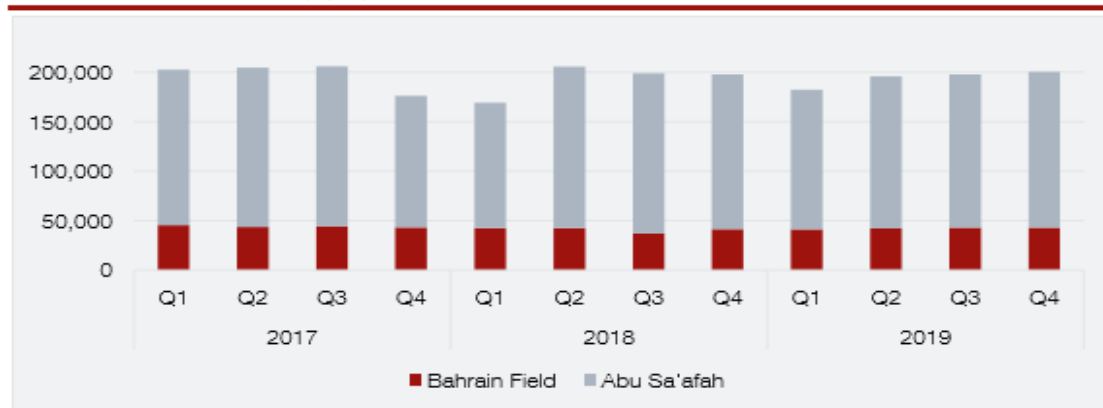
Figure 4: Economic sector contribution

The Financial Corporation sector was the largest Non-oil sector which contributed 16.5% in GDP and Manufacturing sector was on second number with 14.5% contribution and Government Services sector was on third number with 11.8% contribution in GDP. (“The Economic Impact Of,” 2020)

Oil Sector:

As compared to 2018 oil sector GDP increased by 2.2% in 2019 but contracted by 3.9% in its nominal terms. The production level was almost constant both in 2018 and in 2019 with the production of average 42,379 bpd in 2019 which was higher by 0.61% as compared to 2018. The production from Abu Sa’afah offshore field was average 151,830 bpd which slightly decreased by 0.15% as compared to 2018. The following quarter wise data are important to analyse (Gylfason & Zoega, 2006).

Crude Oil Production (bpd)



Source: National Oil and Gas Authority

Figure 5: Oil production

1. In the 4th quarter of 2019, the productions from both Bahrain and Abu Sa’afah fields were increased by 0.7% and 3.2% respectively as compared to 4th quarter of 2018.
2. Under the Bapco Modernization Program (BMP), which is expected to be completed in 2020, the refining capacity would increase from 267,000 bpd to 380,000 bpd.
3. Khallij Al- Bahrain has been completed up to 40% that is expected to attract international investors to invest in the unconventional oil sector.
4. In Umm Al Naasn, the exploration project is completed up 42% which will attract investors rapidly.
5. Tatweer Petroleum project is 45% complete which will enhance Pre Unayzah gas reservoirs.

Infrastructure:

GCC Development Fund Activity (USD million, cumulative totals)



Source: Ministry of Finance and National Economy

Figure 6: Fund activity

For the 2019 GCC Development Fund increased its activities as compared to 2018. The total value of the projects was 765 mn which was 19.4% higher than the year of 2018. These awarded projects were about “Al Fateh Highway”, “Al Ramil and Madinat Salman Housing Project including projects in Qalali, Wadi and Al Sail” and King Abdullah Medical City infrastructure. The completed projects for the year 2019 were 1560 houses construction in Madinat Khalifa, construction

4. Preliminary Economic Progress and Forecast:

In the first quarter of 2020, the Finance Ministry announced preliminary financial results for the 2019 year which showed an estimated 24% reduction in budget deficiency. According to this report, GDP level was 6.3% in 2018 which was reduced up to 4.7% in 2019. Revenue from the non-oil sector increased by 63% and government spending decreased up to BHD 128 mn. Excluding payments on interest, the primary deficit budget decreased by 85% YoY. As a part of the comprehensive Fiscal Balance Program (FBP) introduced in October 2018, the Government has made different fiscal improvements by implementing a number of reforms with 6 major initiatives aimed to achieve required fiscal balance by 2020.(Bahrain News - Trading Economics, n.d.)

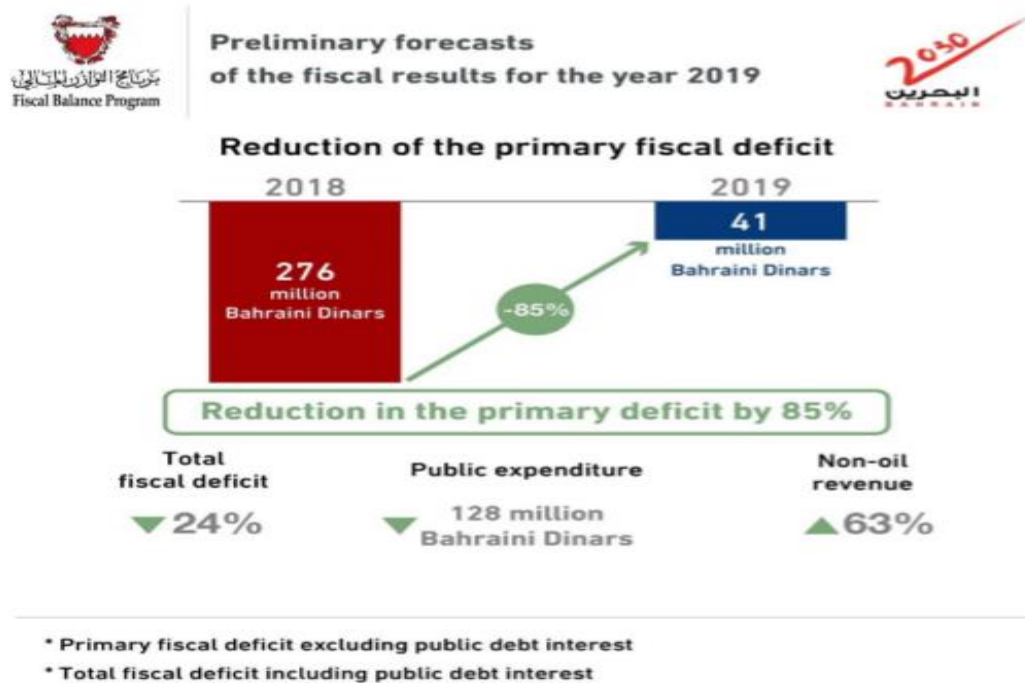


Figure 6: Economic of Bahrain forecasting

5. Research Methods:

Quantitative research method deals with percentages and numbers through statistical, computational and mathematical techniques. The first step to use this technique is usually to collect data which may be primary and secondary depending upon circumstances and requirements. Business and economics research requires to gather detailed but reliable and relevant information of business areas. This is the part of the research intelligence process to determine and understand the economic position of a specific business, sector or even a country as a whole.

Since our research topic is to find out business and economic position of the Kingdom of Bahrain, so data are gathered from different reliable and official and non-official local and international websites. In this research paper quantitative methods are used and data are secondary data which are collected through reliable Bahrain official and international economic and business websites. *The population of our research* is the whole business community of the Kingdom of Bahrain and data collection instruments are official and non-official but reliable and known websites.

This study is based on the impact of Global COVID Pandemic on business behavior of the kingdom. The problem is find out the effects of this crisis on business community with the following questions:

1. To what extent does the Bahraini business community is aware of this globally and locally affected crisis?

2. What are the current financial and social impacts of the crises on Bahrain business community?
3. If this crisis prolongs, how well the business community is ready to face this crisis in the present and future as well?

The Hypotheses:

H1:- The sudden crisis of COVID 19 has created a panic and disturbing situation in Bahrain business community, routine business activities and growth has been badly affected.

H2:- Although COVID 19 exists in Bahrain, however it has *not* created a panic and disturbing situation Bahrain business community, routine business activities and growth *not* significantly affected.

Population and Sample Sizes

The population of our research project is the whole business community of Bahrain which includes all types of business from different sectors. Out of this population as a sample 1180 businesses were selected in such a way that they can represent the whole population. Since our research is based on secondary data, that is why we have taken this sample and sample size from the data bank of Bahrain Chamber of Commerce (BCC). This sample size is accurate with 95% confidence level and a 5% margin of error. Bahrain Chamber of Commerce. (n.d.). Economic Impacts of Coronavirus..

Division of Sample Sizes:

Based on Chamber Members, out of 1180 participants, 979 which are almost 83%, were chamber members and 201 were the non-Chamber members. Bahraini Companies were 850 which represent 72% of the whole sample size and non-Bahrainis were 330. Based on age of businesses, 531 were nine years and older and 649 were less than nine years old which are 55% of the whole sample size.

Total Participants	Division by Chamber Members		Division By Bahraini and Non Bahraini Companies		Division By Age of Companies	
	Chamber Members	Non Chamber Members	Bahrain Companies	Non Bahrain Companies	Older Than 9 Years of Age	Less Than 9 years of Age
1180	979	201	850	330	531	649

In order to ensure that sample businesses and size should be true representative, all types of business were included. Out of 1180 participants, 525 businesses which are 53% of the whole sample, were from micro level businesses. 413 businesses were from small businesses and 59 businesses which were 5% of the whole sample size. 7% which were 83 were taken from a large scale of businesses.

Total Participants	Micro Level Businesses	Small Businesses	Medium Sized Businesses	Large Companies
1180	625	413	59	83

Based on Bahraini and non-Bahraini employees, 531 companies were without any Bahraini employees and 507 businesses had Bahraini employees. 142 businesses had more than 50% Bahraini employees. 389 businesses which were 33% of the whole sample size, had limited liability companies. 67% businesses were based on unlimited liability.

Total Participants	Division by Bahraini Employees			Division by Limited and Unlimited Liability	
	Don't have any Bahraini Employee	Have Bahraini Employees	More Than 50% Bahraini	Limited Liability Companies	Unlimited Liability Companies
1180	531	507	142	389	791

In order to participate in all types of businesses, different businesses were included like commercial markets which were 36% of the whole sample size, real estate businesses were 189. From industrial and energy sector, total representatives were 9%, tourism and hospitality sector was 8%, restaurants and cafes were 6%, technology sector and finance sectors were also 6% each. From the health sector, there were 5% representatives and from transportation and education sectors were 4% each.

Based on Nature of Business (Total Participants 1180)		
1	Commercial Markets	425
2	Real Estate and Construction	189
3	Industry and Energy	106
4	Tourism and Hospitality	94
5	Restaurants and Cafes	71
6	Technology	71
7	Finance Insurance and Taxes	71
8	Health	59
9	Transportation and Logistics	47
10	Education and Training	47
	Total	1180

6. Survey Results:

Commercial Markets Sectors

According to this survey which was conducted in Jun 2020, 64% of the business owners were pessimistic. They were expecting a reasonable decrease in business which could ultimately affect flow of revenue resulting in significant disturbance in economic and social lives. 57% were in view that if COVID Pandemic keeps continue, they would be bound to close their businesses or contract their business activities up to almost zero level within the coming 6 months.

93% of business owners were not happy with the decision to close business activities. However they tried their best to survive by finding alternative ways. 47% started their activities through digital means, 58% used the option to serve customers by take away/ delivery services. 33% found the products and services in these crisis days. 32% were considering layoff their employees at least up to 20%.

Tourism and Hospitality Sectors

From the tourism sector, 56% were expecting significant fall in revenue in the near future. 71% businesses were considering closing their business activities within 6 months and 55% were expecting that their current cash flow is sufficient only for one month. 95% businesses from this sector were also not happy with the decision to close business activities. However 31% used digital means in order to survive in this crisis, 41% used delivery or takeaway means of services. 27% adopted new products and services, and 52% of business owners laid off more than 20% of their employees. So far government support is concerned, 78% enjoyed support from government institutions like stimulus or Tamkeen or Liquidity Support Funds. 51% of businesses delayed their debt payments and 63% reduced their operating expenses like salaries, training, marketing and inventory etc. 44% shut down their business completely, 32% provided additional hygiene advice and supplies, and 29% offered unpaid leave to all or some staff.

Restaurants and Cafes Business Sectors:

75% of businesses from this sector faced significant fall in business activities and they were expecting worse conditions in near future. 32% out of them were almost close to bankruptcy and only 2% had no fall in revenue and profits. Within six months, 46% were expecting to close their activities up to almost zero level. 49% businesses were expecting that their cash flows may help them to continue their operations maximum up to six months. From this sector, 67% businesses owners impacted by this businesses' closer decisions, 36% used digital means to conduct business, 55% used delivery and takeaway services, 39% found new products and services in such crises time and 50% business owners were expecting to lay-off more than 20% employees. 79% got financial assistance from different government institutions and 63% delayed their payments and debts while 61% reduced their operating expenses like salaries, training, marketing and inventory. 67% provided additional hygiene advice and supplies, 63% applied additional preventive measures by reducing working hours and 38% implemented a shift system to ensure social distance.

Education and Training Sectors

Perhaps this is the most affected area of COVID 19 Pandemic. The 98% educational sector was in worst condition and impacted by the closing businesses decisions. 51% conducted their educational activities through digital and online means, 5% used delivery and takeaway services, 27% found new products and services in this field and 45% educational institutions laid off more than 20% of their employees. In order to manage cash flow issues, 71% got government support through Stimulus, Tamkeen or Liquidity Support Fund, 39% delayed their debt and financial

payments and 66% reduced their operating expenses by reduction in salaries, training, and marketing. To reduce Corona impacts, 54% shut down their businesses completely, 37% used the option to provide teaching services remotely, and 24% adopted additional preventive measures during working hours. (*Business and Economy*, n.d.)

Industrial and Energy Sectors

The survey results from this sector were also not very different. 80% businesses were facing and expecting significant decrease in revenue in the upcoming period, 48% were in opinion that within 6 months they would have no option but to close their businesses and 56% were expecting to maintain their cash flow maximum up to 6 months. 64% businesses were impacted by the decision to close industrial and commercial business, 43% adopted digital means, and 23% used delivery and takeaway services, 43% found new products and channels of businesses. To manage their cash flow, 71% got government assistance by Stimulus or Tamkeen or Liquidity Support Funding, 53% delayed their debts or financial payments and 26% businesses layoff more than 20% of their employees. For minimizing the impacts of Corona, 56% took additional preventive measures by reducing their working hours, 59% provided additional hygienic measures during working hours and 43% flexible working hours (Aganbegyan, 2017).

Real Estate Constructions Sectors

72% from this sector were expecting significant decrease in revenue during the upcoming period, within 6 months, 55% were in opinion to close their business and 57% thought that their cash flow would be held full maximum up to 6 months to maintain their operating activities. 76% of business owners were impacted by this decision for closing business activities, 50% continued their operating activities through digital means, 15% used takeaway and delivery services and 36% found new services and products in this crisis time. In order to continue operating and financial activities, 41% laid off more than 20% employees, 66% got government support by Stimulus or Tamkeen or Liquidity Support Funds, 47% delayed their debt payments and 52% reduced their operating expenses by reducing salaries, training and marketing.

Technology Sectors:

84% business owners were impacted by the decision to close commercial and industrial business, 75% conducted businesses by digital means, 30% adopted delivery and takeaway services, and 48% found new products, channels and services for customer satisfaction. 73% out of this sector got government support by Stimulus or Tamkeen or Liquidity Support Funds, 51% delayed or cancelled their planned investments, 56% reduced their operating expenses by reduction in salaries, training, marketing and inventory. 31% businesses of this sector reduced their staff minimum up 20%.

Technology Sectors:

From this sector, 75% were expecting significant decrease in revenue in the coming period, 47% were expecting to close business activities within 6 months and 53% were expecting that their cash flow will last longer maximum up to 1 month. 80% businesses were impacted by this decision to close business activities, 40% continued their businesses through digital means, 21% used delivery and takeaway services and 30% adopted new products and services for customers. 77% got financial assistance from government institutions, 73% reduced their operating expenses, 48% delayed or cancelled their planned investments, and 37% reduced their staff minimum up to 20%.

Health Sectors:

75% businesses were expecting significant decrease in revenue in the near future, 47% businesses were closing down their operating activities within 6 months, and 53% businesses had cash flow

only up to 1 month. 80% businesses were impacted by the decision to close businesses, 40% used digital means, 21% used takeaway services and 30% adopted new and innovative things. 77% got government assistance, 37% laid off employees more than 20%, 48% delayed or cancelled investment plans and 73% reduced their operating expenses. 65% adopted additional preventive measures during working hours and 41% adopted flexible working methods.

Transportation and Logistic Sectors:

69% businesses expected significant decrease in revenue in near future, 53% business were in planning to close their operating activities within 6 months and 65% business had cash flow maximum up to 6 months. 76% businesses were impacted by the decision to close businesses activities, 38% used digital means, 30% adopted takeaway services, and 33% adopted innovative ideas and services. 80% took government support, 41% postponed or cancelled investment projects, and 61% reduced their operating expenses. And 52% reduced their employees more than 20%. 57% provided additional hygienic facilities during working hours, 51% took preventive measures while reducing working hours and 45% adopted flexible working hours.

Finance, Insurance and Tax Sectors:

91% businesses were seriously expecting a reduction in revenue in the upcoming period, 36% businesses do not foresee to close their businesses and 55% businesses expect their cash flow would be able to continue their operating activities maximum up to 6 months. 50% businesses have been impacted by the decision to close commercial activities, 74% continued their work through digital means, 11% adopted delivery and takeaway services, and 47% adopted new and innovative products and services for customers. 55% gained government support, 55% reduced their operating expenses, 36% cancelled or delayed their investment projects and 33% reduced their staff minimum up to 20%.

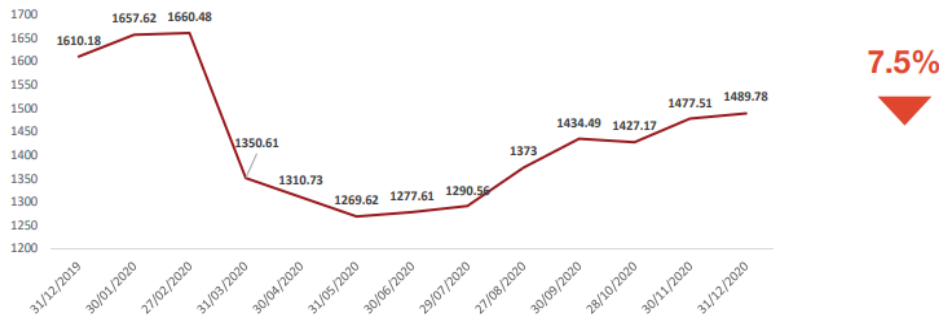
7. Overall Analysis of Results Investigated:

No doubt, COVID Pandemic has thrown long lasting effects on Bahrain business and economy. The year 2020 was full of Pandemic crises but year 2021 is considered a recovery year. Over all analysis of Bahrain businesses and economic situation in Pandemic year can be discussed as(Ministry of Finance and National Economy, 2020), (“The Economic Impact Of Coronavirus,” 2020):

Bahrain Index down by 7.5% in 2020 Compared to 2019

Bahrain All Share Index Performance 2020 (Points)

Annual Changes as of December 31, 2020



Source: Bahrain Stock Exchange (Bahrain Bourse)

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Figure 7: Economic challenges

If we look at overall share index performance in 2020, it is clear that the index has been dropped by 7.5% as compared to 1991. By studying closely it shows that mid of 2020 was the worst time of Bahrain indexes. However at the end of year 2020, the economy is recovering although still it is lesser than the previous year.

Coronavirus Pandemic Adversely Affects the Contribution of Key Economic Sectors to GDP in 2020 Compared to 2019*

The coronavirus pandemic significantly affected the contribution of various economic sectors to the GDP during 2020 compared to 2019. The largest decline in Q1 and Q2 was in the restaurants and hotels sector, while the largest decline in Q3 occurred in the transport and communication sector.

Sector	Q1 2020	Q1 2019	Percentage Change	Sector	Q2 2020	Q2 2019	Percentage Change	Sector	Q3 2020	Q3 2019	Percentage Change
Crude Oil and Natural Gas	17.16%	16.68%	+1.76%	Crude Oil and Natural Gas	20.27%	17.90%	+3.2%	Crude Oil and Natural Gas	20.32%	18.31%	+3.36%
Finance and Insurance	16.66%	16.75%	-1.63%	Finance and Insurance	16.80%	16.25%	+5.77%	Finance and Insurance	17.06%	16.05%	+1.01%
Manufacturing	14.85%	14.01%	+4.84%	Manufacturing	14.37%	13.95%	+6.14%	Manufacturing	14.76%	14.76%	0
Government Services	12.47%	12.71%	-2.93%	Government Services	14.29%	13.02%	+0.09%	Government Services	12.34%	11.54%	+0.41%
Construction	7.52%	7.41%	+0.33%	Construction	7.82%	7.28%	-2.08%	Construction	7.74%	7.19%	+0.24%
Transport and Communication	7.22%	7.62%	-6.33%	Transport and Communication	4.29%	7.44%	-47.44%	Transport and Communication	5.18%	8.23%	-41.43%
Trade	4.52%	4.48%	+0.89%	Trade	4.34%	4.34%	0	Trade	4.28%	4.43%	-10.12%
Hotels and Restaurants	1.66%	2.57%	-35.99%	Hotels and Restaurants	1.01%	2.38%	-61.33%	Hotels and Restaurants	1.71%	2.51%	-36.61%
Electricity and Water	1.37%	1.12%	+21.13%	Electricity and Water	1.62%	1.09%	+34.86%	Electricity and Water	1.57%	1.13%	+29.44%

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Source: Information & eGovernment Authority

*At Constant Prices

Figure 8: Economic development 2020-2019

The CORONA Pandemic has affected adversely almost all spheres of life; especially businesses have seen adverse times in Bahrain business history. Quarters 1 and 2 of 2020 were the worst for hotels and restaurant industries and quarter 3 of 2020 was the worst for transportation and

communication sectors. It should be noted that the majority of small businesses and labour forces are within these sectors. (Bahrain Economic Development Board: Invest in Bahrain’s Economy, n.d.)

3.6% Decline in CPI in November 2020 Compared to 2019



- The prices of goods and services related to recreation and culture decreased by **43.1%**, followed by clothes and shoes by **11.9%**, and restaurants/hotels by **8.9%**.
- The prices of food and non-alcoholic beverages increased by **2.2%**.

Source: Information & eGovernment Authority

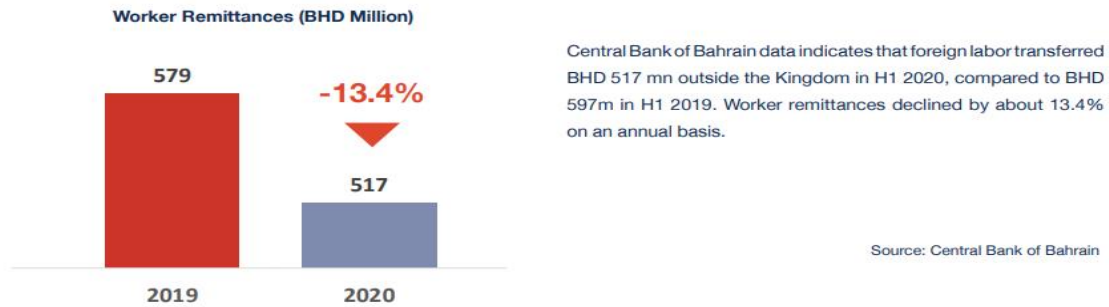
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Figure 9: Economic decline in 2020

“Consumer Price Index” (CPI) is a valuable yardstick that helps in examining consumer mindset and his/her financial conditions. This is an indirect way to find business conditions in a country or society. This is a composition of basket which reflects the structure of household consumption and spending. The above mentioned describes Bahraini consumers in the peak days of CORONA. It is clear that CPI was negative in whole year of 2020. There was a big slump by dressing in prices of recreation and culture by 43.1%, clothing and shoes by 11.9% and restaurants / hotels by 8.9%. Overall decline by 3.6% was observed in Nov 2020 as compared to Nov 2019 (M. Abdeldayem & Abdulaimi, 2021).

The economy of Bahrain was plunged by 8.9% year on year in the second quarter of 2020 with 1.1% contraction in last three months amid the pandemic crises. The most affected sector was non-oil sector which was 11.5% vs. -1.7% in Q1 of 2020. Due to travel restrictions imposed to contain COVID Pandemic, restaurants and hotels were -61.3% as compared to -36%.

Decline in Worker Remittances in H1 of 2020 Compared to H1 of 2019



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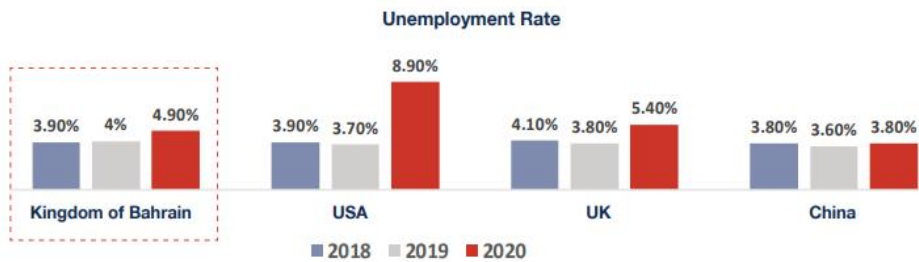
Figure 10: Worker remittance in 2019-2020

The earning capacity of a worker also describes a business position in a country. In 2019, 579 m BHD were remitted but in COVID 19 days foreign labour transferred only 517m BHD which shows 13.4% overall decline in workers’ earnings (“The Economic Impact Of Coronavirus,” 2020).

Unemployment Rate in the Kingdom of Bahrain Reaches 4.9% in 2020

The outbreak of coronavirus led to a significant increase in unemployment rates all over the world. In the Kingdom of Bahrain, the unemployment rate was 4.9% in 2020 compared to 4% in the previous year.

The USA witnessed a significant increase in unemployment rates from 3.7% in 2019 to 8.9% in 2020.



Source: IMF

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Figure 11: Unemployment rate in 2019-2020

COVID Pandemic has created a panic condition in almost all countries. If we compare Bahrain unemployment rate against the 3 major countries, only China looks stable with almost the same rate as compared to previous years from 2018 to onward. On the other hand, the USA's condition is worst with an 8.90% unemployment rate in 2020. Bahrain is also suffering from the COVID

pandemic with 4.90% unemployment rate which is reasonably higher than the previous years of 2018 and 2019 with a rate of 3.9% and 4% respectively.

36% Decrease in Foreign Reserves Since Early 2020



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Figure 12: Foreigner reserves in 2020

Year 2020 was also unfavourable for Bahrain foreign reserves. In October 2020, 36% decrease in foreign reserves was observed with the amount of only BHD 794.6mn as compared to BHD 1243.5 mn in Jan 2020. Currently these Foreign Exchange reserves are bonds and deposits in foreign currency which are held in Central banks and monetary authorities. These foreign reserves are helpful for countries to maintain their competitive export prices, current price values and keep their liquidity especially in crises days to provide confidence to investors and payment for foreign debts (El-Saharty et al., 2020).

8. Discussion:

In the year 2019, because of COVID 19, several Bahrain based businesses had no option but to shut down resulting in unbearable abnormal loss to the business community (Plecher,, Nov 26, 2020). Currently economic freedom score of Bahrain is 66.3 that makes its economy 63rd freest as per 2020 index. Unfortunately because of COVID Pandemic, its overall score has decreased by 0.1 point. It is still ranked in 4th position out of 14 countries in the Middle East and North Africa regio (Salman & Ali, 2021)

We conclude that although business and economic position looks very strong but over the past 5 years, has been declining and in last year COVID 19 has played a major role to decline its economy

more rapidly. Another reason for expanding the gap of deficit budget is Government spending. Government will have to revise its policies to address its unsustainable deficit budget and increasing poor fiscal health. *The limitations* of this literature review is that the mostly data and facts and figures are given by official websites and it needs in depth study to find results that may be different from time to time (Usman et al., 2020). Another important point is that globally business and economic conditions are changing rapidly and in the present scenario countries' economies are linked so no one can play alone. This literature review is not linked with Bahrain's business and economic conditions with the rest of the world.

9. Conclusion:

Irrespective of all challenges and issues to do business in Bahrain is still attractive and profitable if we assume that the people of Bahrain would get rid of COVID Pandemic in near future. Expatriates in Bahrain feel more comfortable to do business and even jobs as compared to other neighbouring Middle East countries. Because of its strategic location in the heart of Arabian Gulf region, it becomes the center of the Middle East market. COVID 19 crisis has created a big disruption in the near past, present and it looks to continue in the near future. If the pandemic crisis continue; there may be unavoidable economic and business damages in Bahrain like other countries.

The Bahrain government has set up a National Task Force to fight against COVID 19 crises and has taken valuable measures without any delay. Bahrain has one of the highest testing rates per capita in the world recognized by WHO for its tangible responses. It is the first Arab country that has joined the Solidarity Trial to find effective COVID treatment. Currently it is:

- Providing free medical treatment to all its residences.
- For home services, it is providing mobile medical units to examine expected affected people.
- A volunteer task force is established with around 30 thousands individuals.

To maintain business and economic conditions stable, an unemployment fund was started from April 2020 for private sector Bahraini employees. Although it was an extra burden on the Bahrain government, it was very helpful for social and economic stability of local Bahrainis. In June 2020, the Government decided to pay 50% wages to Bahrainis in most affected COVID 19 private sectors in addition to three months from July to September 2020 and in September 2020, the Cabinet further announced that it would continue to pay 50% to all Bahrainis working in private sectors from October to December 2020. For all individuals and businesses, "Electricity and Water Authority" made its utility bills free for three months from April 2020 to December 2020 up to the value of the same period of 2019. Government also restructured its administrative cost in order to offset its additional costs. In the month of Sep 2020, all banks in Bahrain deferred loan instalments owed by the Bahrainis till the end of 2020. Loan repayments were deferred, however administrative fees and interest on loan required to be paid. Government also exempted all rented fees for three months from April 2020 to Jun 2020 to the businesses related to government owned industrial lands. In July 2020, there was another announcement to suspend all types of rent collection activities from the government industrial lands taken by manufacturers who export at least 30% of their products manufactured.

The kingdom also exempted all levies to the tourism industry and other sectors until Dec 2020, which were considered to be most adversely affected by COVID Pandemic. They were exempted from monthly labour fee, renewal and issuance of work permits and 50% reduction in all other areas like commercial registration renewal and commercial activities fees for three months starting from July 2020. Following recommendations are selected:

- The surplus which is earned by delaying instalments payments for the last 6 months of 2020, should be reallocated; also delay benefits and utilize them economically.
- Review all obligations and contracts comprehensively and adjust them according to the outcomes of crises. Develop comprehensive solutions that companies do not face short term bankruptcy or any legal threats arising from noncompliance.
- Develop flexible plans and re allocate spending carefully keeping in view all possible scenarios.
- Rotate employees as per required and benefit from interns instead of laying them off.
- Radically re-transform marketing strategy of your companies and develop new adjustable plans that are required for current crises.
- Be very careful in employee layoffs because it may increase the company's indirect costs.

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