



ECONOMIC SECURITY OF LITHUANIAN COMPANIES IN THE CONTEXT OF THE COVID 19 PANDEMIC

Inga Kurienė

Kaunas University of Technology (Lithuania)

Inga.kuriene@hotmail.com

INTRODUCTION

Introduction (Including the problem of the research)

The problem of the research. The unexpected COVID 19 pandemic in the world has brought major changes in various industries. This is a factor that has caused social and economic unrest. To maintain economic security, companies had to adapt quickly to the changed environment. The pandemic affected the health system, regional stability, social and economic life. It has also had political and security consequences, disrupting education, mobility, tourism, and leisure. New patterns of consumer behavior and consumption have emerged. Unprecedentedly low or staggeringly high demand, depending on the category, distorted supply chains, changed jobs, social isolation, all these changes, including bans and restrictions, have been the driving forces for companies to rethink their organizations' strategies. Small and medium-sized businesses are always more likely to experience economic change. The coronavirus pandemic is expected to have even greater economic consequences than the economic crisis of 2008-2009. According to Lithuanian small and medium-sized enterprises, the introduction of quarantine had the greatest impact, while neighboring countries consider the economic slowdown to be the main cause of problems. Scientists are already analyzing the impact of the pandemic by making recommendations on what to do or not to do during a crisis. The lessons of previous economic crises and recessions can be adapted to a pandemic situation, considering the specificities of COVID-19. Several studies with new insights have also already been conducted, focusing on changed consumer behavior.

Research object: economic security of small and medium-sized Lithuanian companies in the context of the COVID 19 pandemic.

The purpose of the research: to analyze how the pandemic affected the economic security of Lithuanian companies, which are the main driving force of the economy.

Research methods: scientific literature analysis and synthesis, statistical data analysis, comparative analysis in assessing the impact of the pandemic on the economic security of Lithuanian companies.

Theoretical background

The theory of economic security is one of the most important parts of the science of economics. The issue of economic security is important and a priority in the activities of each state. Human activities are characterized by certain threats and risks that must be assessed to achieve the goals of society, business, and the individual. Failure to assess the consequences of security and economic reforms for the individual, society and the state may lead to severe failures that may even ruin the viability of the state and society (Simanavičienė, Ž. 2018).

The COVID-19 global pandemic has created an unprecedented situation in the world's economies that has not been seen in the world since the Spanish flu. If the normal economic crisis affects one part of the socio-economic system and only after a certain time affects the rest of the whole system, then the COVID-19 pandemic affected the whole socio-economic system at once, the whole economy began to function in an epidemiological model, from the state and central banks to the enterprise and the consumer. Governments immediately faced challenges in developing not only health policies and measures to protect human lives, but also economic policies and measures to alleviate and help businesses weather the economic shock (Norvaišienė, R., and others, 2021). According to Baldwin, R., Weder di Mauro, B., (2020), the COVID-19 pandemic and its impact on economic security can be compared to other pandemics that have affected the world. Similarities can be seen with 1957 Asian Influenza (H2N2), 1968 Hong Kong Influenza (H3N2), 2002 Severe Acute Respiratory Syndrome (SARS), 2009 Avian influenza (N1H1) or even the second wave of Ebola (EVD) virus in 2014-2016. However, COVID-19 has spread rapidly around the world with a large movement of people, which has affected the economies of all countries very quickly.

Goodell, J.W. (2020) singled out several factors affecting the economic security of states:

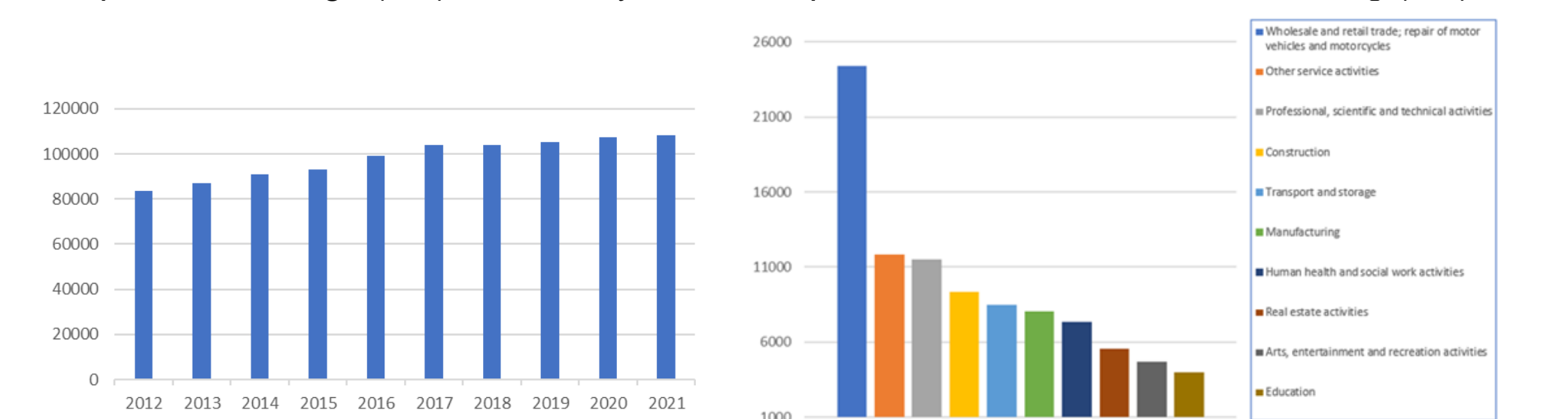
- 1) the cost of "limping" health care systems, both public and private, in terms of medical treatment and outbreak control for infected people; the strain on health systems of failing to address more common health problems during outbreaks.
- 2) decrease in labor productivity.
- 3) social isolation disrupting economic activity.
- 4) impact on tourism and foreign direct investment.
- 5) reduced domestic consumption under conditions of uncertainty.
- 6) long-term impact on corporate financing and capital costs.
- 7) decrease in turnover, liquidity, and profitability of companies.

The COVID-19 crisis was an unexpected event with enormous consequences for almost every aspect of our daily lives. Apart from the before mentioned pandemics, which occurred in very different socio-economic contexts, there are no historical parallels close to the current crisis, making it difficult to predict or predict the future.

Main findings

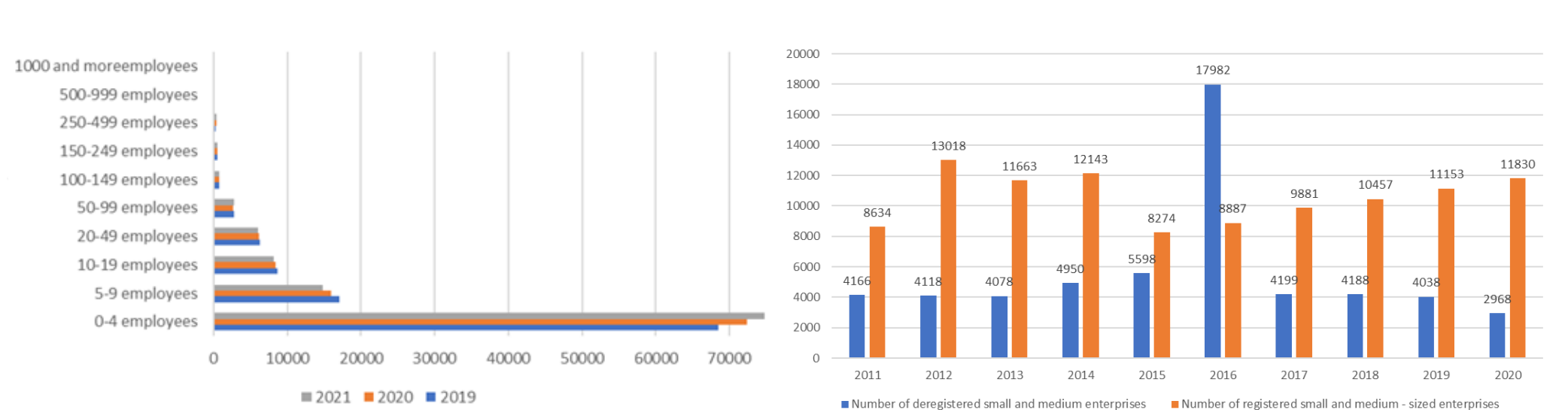
1) The COVID-19 pandemic has changed the life of the whole country and adjusted the economic picture. According to the data of the Lithuanian Department of Statistics, in 2021 1st of January, although the country was affected by a pandemic, there were 108,258 economic entities operating in Lithuania (excluding natural persons engaged in economic activities), which accounted for 45% of all economic entities registered in the Register of Legal Entities. This is 814 companies more than in the previous period.

2) In difficult economic conditions, the largest share of the services sector was accounted for by wholesale and retail trade (22%), professional, scientific, and technical activities (10%) and transport and storage (8%). In industry, most companies were active in manufacturing (7%).



3) The majority (82.6%) of the operating economic entities were small enterprises with 0-4 or 5-9 employees. From 2020 by 2021, the number of companies operating during the year increased by 0.8% (or 816 companies), while during the period 2019 - 2020, this figure was 2.18% (or 2351 newly registered companies). The growth of the smallest enterprises with 0-4 employees (increased by 1.6%) had the largest positive impact on the growth of recent years, while the number of enterprises with 5-9 employees (decreased by 1.2%) had a negative impact.

4) During 2020 the number of small and medium-sized enterprises increased by 6%. According to the data of the Lithuanian Department of Statistics, in 2020 were registered 11830 thousand new small and medium-size enterprises, it is 677 more than in 2019. During the same period, significantly fewer de-registrations took place - 1070 companies, which accounted for 27%. The largest - 82.3% were very small companies (0-9 employees). Small businesses accounted for 13.5% (10-49 employees), medium (50 and more employees) - 4.2%.



MAIN RESULTS AND CONCLUSIONS

The theory of economic security is one of the most important parts of the science of economics. The issue of economic security is important and a priority in the activities of each state. The COVID-19 global pandemic created an unprecedented situation in the economies of the countries and affected the entire socio-economic system at once. The COVID-19 crisis was an unexpected event with enormous consequences for almost every aspect of our daily lives. During the pandemic, it was particularly important for the countries to maintain economic security to further their economic development.

Based on the results of last year, it can be stated that in the context of the European Union, Lithuania would be the country least affected by the pandemic. Although in the beginning of 2021, there was a lot of uncertainty about the future course of the pandemic and its management, but the economy grew faster than expected. The volume of industrial production increased, retail and international trade grew. Despite the pandemic, growth was maintained in the manufacturing, wholesale, and retail sectors. The impact of the pandemic was felt most in the services sector - accommodation and food service activities, arts, entertainment and recreation, service, and administrative activities.

By economic sector, most entities were active in the service sector, industry, construction, and agriculture. Most of the operating entities were small enterprises with 0-4 or 5-9 employees. From 2020 by 2021, the number of enterprises operating during the year increased by 0.8%, while in 2019 - 2020, during the period, this figure was 2.18%. The growth of the smallest enterprises with 0-4 employees had the largest positive impact on the growth of the last year, while the number of enterprises with 5-9 employees had a negative impact. In the face of the COVID-19 pandemic, the establishment of legal entities continued to grow. During 2020, the number of small and medium-sized enterprises increased by 6%. During the same period, the number of deregistration's was significantly lower - 27% companies.