



Impact Of Covid-19 On Malawi's Economy

¹SHABAZ KHANDIA,²DR.RAVISANKAR

¹STUDENT,²SUPERVISOR

¹SCHOOL OF COMMERCE,

¹DMI ST EUGENE, CHIBOMBO,ZAMBIA

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ABSTRACT

The Covid-19 pandemic has caused a global health and economic crisis that has severely affected many countries in the world. Malawi reported its first COVID-19 cases

on 2ND April 2020 and since then, cases have continued to increase, surpassing 1200 with 14 deaths as of end June 2020. In an effort to contain the virus, the government instituted several measures designed to promote hygiene and social distancing which necessitated limiting certain social-economic activities thus affecting the livelihoods of many people in the country. In view of this, the Employers Consultative Association of Malawi (ECAM) in collaboration with the International Labour Organization (ILO) conducted a study aimed at assessing the effects of Covid-19 on the livelihoods

of people in Malawi. Specifically, the study looked at the effect of Covid-19 on the overall economy with a focus on the labour market.

The study utilized a scenario-based analytical method where different assumptions regarding the future trajectory of the pandemic were analyzed in order to draw a more complete picture of the potential impact of the pandemic on labour market outcomes and the economy as a whole. To that effect, the study came up with the following scenarios: (i) Baseline scenario (projections before the onset of the pandemic), (ii) Scenario 1 (projections assuming pandemic would be contained by September 2020), Scenario 2 (Covid-19 would fade away by December 2020) and, Scenario 3 (the pandemic would be contained by March 2021). The analysis used primary and secondary data collected from desk reviews of archival documentation, members of ECAM and other relevant stakeholders. In order to respond to the pandemic, the government had instituted the National COVID-19 Preparedness and Response Plan and COVID-

19 Workplace Guidelines that covers health measures (protecting workers in the workplace), social protection measures (supporting employment and incomes), and macro-financial measures (stimulating the economy and labour demand). These measures are found to be well aligned to international best practices as they conform to the four key pillars of the ILO's global policy response framework.

I. INTRODUCTION

This chapter presents the statement of the problem, research gap, objectives of the study, scope of the study and research questions.

1.1 BACKGROUND AND CONTEXT

On 11th March 2020, the World Health Organization (WHO) declared Covid-19 a pandemic following alarming levels of its spread and fatalities. By mid-June, there were over 9.2 million confirmed cases worldwide with over 470 thousand deaths and 4.6 million Recoveries recorded. In Sub Saharan Africa (SSA), the South Africa had been the most affected country with over 106 thousand confirmed cases and 2,101 deaths as of end-June 2020. In the case of Malawi, although the country had only confirmed its first cases on 2ND April 2020, by end-June the confirmed cases had increased to 1224, with 26 Recoveries and 14 deaths.

Although Malawi did not have a full lockdown and was unlikely to have one in the near future, the social distancing measures adopted, and the measures instated by trading partners such as South Africa have already caused major disruptions to the local economy and labor market. Workers, especially those in the informal economy, which employs more than 80 percent of the labor force, have lost significant amounts of their labor income. The aim is to identify reforms that government could undertake to stimulate the economy and protect workers' livelihoods, and also



recommend complementary actions for the private sector.

1.2 STATEMENT OF THE PROBLEM

With the background of Malawi expressed above it is well known that covid-19 did not spare Malawi as a nation. As such I would like to carry out the research on the assessment of covid-19 on the economy of Malawi.

1.3 OBJECTIVE OF THE STUDY

1.3.1 MAIN OBJECTIVE

The main objective of the assignment is to assess the effects of Covid-19 on the economy of Malawi.

1.3.2 SPECIFIC OBJECTIVE

Specifically, the study aims to:

- 1) Assess the effects of Covid-19 on the overall economy.
- 2) identify sectors hardest hit by the pandemic and those with growth potential, and propose measures for those sectors to achieve good growth;
- 3) recommend short-term support aimed at stimulating investment in the growth sectors by among other things reviewing legislation that may hinder recovery;
- 4) Assess how the crisis impacts on social economic aspects of life.

1.4 RESEARCH QUESTION

- How covid-19 has affected the agriculture sector a tool for economic development?
- How covid-19 has affected the education sector a tool for economic development?
- How covid-19 has affected the business sector a tool for economic development?
- How covid-19 has affected the health sector a tool for economic development?

II. INTRODUCTION

The literature review is a written overview of major writings and other sources on a selected topic as such in this chapter I will be talking more about theoretical review different theories.

2.1 THEORETICAL REVIEW

In this review I will be talking about the three main theories which are as follows:

- **Classical theory:** Adam Smith was among the first philosophers of his time to declare that wealth is created through productive labour, and that self-interest motivates people to put their resources to the best use. He argued that profits flowed from capital investments, and that capital gets directed to where the most profit can be made. as the study implies on business where by if there is no business which can be a result of covid 19 effects this theory cannot apply.

- **Neo-classical theory:** Robert Solow and Trevor Swan first introduced the neoclassical growth theory in 1956. The theory states that economic growth is the result of three factors—labour, capital, and technology. While an economy has limited resources in terms of capital and labour, the contribution from technology to growth is boundless. as Malawi mainly depends on imports there was limitations when the pandemic hit the nation hence there was limitation on imports of raw materials which reduced the production as this theory depends on labour capital and technology it means that if there is limitation of production of raw materials it means this theory won't apply.

- **Modern theory:** Modern growth theory views the discovery of new knowledge (new ideas) as the key driving force underlying economic growth. As there were limitations in travelling and lack of movement from one country to another this limits the thinking of new ideas to develop hence it slows down the growth of economy of a country.

III. INTRODUCTION

This chapter will explain research design and methods, location of the study, target population, sampling methods, sample size, research instruments, construction of research instruments, data collection procedure, pilot study, validity and reliability of research instruments, data presentation and analysis, limitation of the study.

3.2 RESEARCH DESIGN

Research design is the framework of research methods and techniques chosen by a researcher to conduct a study. The design allows researchers to sharpen the research methods suitable for the subject matter and set up their studies for success.

The main types of research design are:

QUALITATIVE RESEARCH:

It determines relationships between collected data and observations based on mathematical calculations. Statistical methods can prove or disprove theories related to a naturally existing phenomenon. Researchers rely on qualitative research methods that conclude “why” a particular theory exists and “what” respondents have to say about it.

QUANTATIVE RESEARCH:

It is for cases where statistical conclusions to collect actionable insights are essential. Numbers provide a better perspective for making critical business decisions. Quantitative research methods are necessary for the growth of any organization. Insights drawn from complex numerical data and analysis prove to be highly effective when making



decisions about the business's future.

3.3 POPULATION OF THE STUDY

In my study I am mainly targeting a part of 4 main sectors which are:

- Business sector
- Agriculture sector
- Health sector
- Education sector

3.4 SAMPLING PROCEDURE

Sampling is a process or technique of choosing a sub-group from a population to participate in the study; it is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Ogula, 2005). This study will use simple random sampling whereby the respondents will be selected randomly without bias.

3.5 SAMPLE SIZE

The sample size of 100 will be used to collect data.

3.6 SAMPLING AREA

The main focus area is going to be random and different parts of the city as explained under 3.2

3.7 SOURCES OF DATA COLLECTION

I myself will be going around different sectors to collect the data and I will also use the help of the internet which will make it much easier to get data.

3.8 METHODS OF DATA COLLECTION

The following data collection methods were employed:

Desk review: in my study I mainly relied on data from the internet as to I can get better idea about the study.

Questionnaires: In order to understand the impacts of the crisis from the perspective of businesses, schools, health centers and agricultural sectors. I went around in some sectors with my questionnaire to get the available data.

3.9 TOOLS OF DATA COLLECTION

I conducted a small survey in form of a questionnaire which will not take a lot of the time of the respected Person and the other way of collecting data was by using the internet as many other well-known authors also conducted a similar kind of research.

3.10 TOOLS OF DATA ANALYSIS

The main tools used to analyze the data are:

Microsoft excel- Excel is an incredibly powerful tool for getting meaning out of vast amounts of data. But it also works really well for simple calculations and tracking almost any kind of information. The key for unlocking all that potential is the grid of cells. Cells can contain numbers, text, or formulas.

Microsoft word- Microsoft Word is a word processing program that allows for the creation of both simple and complex documents.

3.11 LIMITATIONS OF THE STUDY

The main limitation in conducting my survey was that many sectors or organizations did not want to cooperate as they wanted to keep the information private. The other limitation was moving from one place to another so a lot of ground was not covered in conducting the research. The least limitation was the availability of internet as sometimes the internet was not working.

IV. INTRODUCTION

In this chapter I will mainly talk about the results found and collected from different sectors.

4.1 RESPONSE RATE

The researcher distributed 100 questionnaires and received a total of 100 questionnaires back for analysis representing 100% response rate. There was high response rate was due to the personal involvement in the collection of data and the location of the respondents was a small area as the researcher personally visited all Private and government sectors.

4.2 RESULTS GATHERED

A. EDUCATION SECTOR						
		SA	A	U	D	SD
1	Covid-19 affected the educational sector	2	1	0	0	0
2	Covid-19 has lowered the standard of education	1	2	0	0	0
3	Covid-19 has affected the performance of the students	3	0	0	0	0
4	Covid-19 has increased the financial part in the sector	2	1	0	0	0
B. HEALTH SECTOR						
1	Covid-19 has increased the death tolls in the country	5	0	0	0	0



2	Covid-19 has affected in the depreciation of resources	4	1	0	0	0
3	Covid-19 has increased the working time in the sector	5	0	0	0	0
C. BUSINESS SECTOR						
1	Covid-19 has affected the daily sales and the turnover in the business	49	20	9	2	0
2	Covid-19 has affected the employees and their salary	61	10	4	5	0
3	Covid-19 has affected in interacting with different people and to expand the business	54	4	3	39	0
D. AGRICULTURE SECTOR						
1	Covid-19 has affected in the delivery of affordable farm inputs	5	3	4	0	0
2	Covid-19 has affected the marketing of agriculture produce	5	4	3	0	0
3	Covid-19 has affected in the production	3	8	1	0	0

TABLE 6 RESPONDENTS SECTOR REVIEWS

The Above table is showing different respondents from different sector who are sharing their views on how covid -19 has affected their sector in different ways. [Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD) they shared their views on this manner.

EDUCATION CENTRE

As the table above shows that covid 19 really affected the education center as the number of respondents have strongly agreed on the points given and mild respondents still agree which shows that covid really affected them in various ways.

HEALTH SECTOR

In the figure above you will see how the respondents from the health sector responded to different scenarios given to them and it shows that most of the respondents have strongly agreed to the scenario asked to them which shows that covid 19 has really affected the health sector in different scenarios.

BUSINESS SECTOR

as shown in the figure above majority of the respondents strongly agree on different scenarios that covid-19 has affected their sector there were some who were undecided or some disagree on how covid affected interacting different people which shows that the government did not have strict restrictions which shows people were interacting in a freely manner.

AGRICULTURE SECTOR

As shown in the figure above the respondents were given different scenarios and it shows most of them agree to the scenarios and the least of the respondents are still undecided. This shows that covid-19 also hit the agriculture sector in different ways that's affected their ways of working and living.

V. INTRODUCTION

This chapter will talk about summary and discussions of the results from the data presented in chapter four leading to varying conclusions and a number of recommendations. The study attempted to find on how covid-19 affected the Malawi economy. The investigations was done in the four main sectors which were education sector, agriculture sector, health sector and business sector.

5.1 SUMMARY OF FINDINGS

The Covid-19 pandemic has affected businesses, health, agriculture and education in the country in ways never seen before. Restrictions on social and economic activities coupled with the travel bans imposed in South Africa and other countries has led to a decline in both demand and supply of products and services. The survey results also show that almost all the companies have lost some of their revenues due to the crisis. As expected, the survey also revealed that most affected companies are in the Business sector where all respondents reported revenue losses. In order to minimize costs during the crisis, some enterprises have opted to cut labour cost by retrenching some of their workforce and/or implementing wage cuts. Some sectors had the laborers working



overtime with same pay or less pay this affected their livelihood drastically and also affected the performance of the labourers. In education sector most of the students had to attend online classes which affected their performance drastically as some students were not attending classes or not paying enough attention as physical classes.

5.2 CONCLUSIONS

Growth prospects that had been very positive before the crisis have been severely dampened hence negatively affecting business and different sectors in Malawi. Prior to the pandemic, the Malawian economy was on a high-growth trajectory and most economic sectors were expected to register good performance in 2020 and 2021. This outturn was expected to be supported by a favorable macro-economic environment in both 2020 and 2021. However, with the Covid-19 crisis, the Malawian economy was set for a significant slowdown in both 2020 and 2021.

The researcher also found out that most respondents from different sectors strongly agreed on the scenarios that were put in front of them which shows the crisis really had a big impact on the sectors in some sectors such as the business sector forced the people to shut down their businesses due to the lack of business.

The researcher also found out that if the government applied strict rules when the crisis hit the country the country would have minimized the number of death tolls and also would have prevented the crisis from spreading more as shown in the above chapter under health sector.

5.3 RECOMMENDATIONS

This are some of the proposed actions to be taken by government:

Direct support for Businesses:

Immediate support is needed for enterprises whose financial health has been severely compromised by the crisis. Special attention should be on businesses in the most affected sectors including accommodation and food services, wholesale and retail, transport services, and manufacturing. The following measures should be undertaken.

- Provision of financial bailouts and/or tax relief to struggling enterprises that are crucial to their respective sectors and employ many people.
- Settle arrears owed to the private sector as those funds will help businesses better navigate the crisis. This is an opportunity for the government to clear some of its debts while simultaneously providing support to businesses during the crisis.

Support for workers and businesses in the informal economy:

Governments should provide cash bailouts and cheap loans to workers and businesses that are operating in the informal sector. Informal sector means people who work in the informal sector do not declare their income and pay no taxes on them.

Some of the proposed actions for the private sectors are:

- **Protect the health of workers:** Private enterprises should complement government efforts by ensuring that all necessary measures are undertaken to prevent workers contracting the virus.
- **Develop and execute business continuity plans:** These plans should include strategies for minimizing employee layoffs. To that effect businesses should engage the government and other relevant stakeholders for help.
- **Produce and supply essential products required in the fight against Covid-19:** Businesses should take advantage of the crisis and share responsibilities in fighting it by locally producing and supplying essential products such as facemasks, hand sanitizers, and other health products.
- **Provide financial support in the fight against Covid-19:** Businesses should consider making financial contributions to the national Covid-19 response not only as part of social corporate responsibility, but also as beneficiaries of containing the virus.

5.4 AREAS OF FURTHER RESEARCH

The study had its ups and downs some of the main limitations of this research are:

- Not being able to cover a large area as it can be very time consuming and a lot of movement
- Respondents not responding openly as they want to keep things private especially the sectors under the government like health, agriculture and education sector.
- A lot of documentation is needed if you want some of the non-private organization to respond to you
Future researcher or research should consider the following:
 - Have all documents ready so if you go to a respondent you are prepared and ready.
 - Circulate in a wide geographical area so that the data can carry enough weight.
 - Have multiple people delivering your questionnaire to different parts of the city to cover more ground in less time.



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