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The Impact of COVID-19 Pandemic on the Financial Performance of Firms Listed on the Pakistan Stock Exchange (PSX)

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ABSTRACT

The COVID-19 Pandemic currently is a prominent risk factor for the global economy. The Spread of COVID-19 indicates that pandemics or catastrophes which were happened in the ancient times and will continue to be happen in the future. The present COVID-19 outbreak shows no single country was unaffected from its consequences and it had harsh socio-economic consequences across the world. Its Sevier effects on society brought dramatic changes in businesses operations and consumers behaviors. This study tries to quantify economic consequences by analyzing the Impact of COVID-19 Pandemic on the Financial Performance of Firms listed on the Pakistan stock exchange. A sample of 267 listed companies was included in the study to test the difference of financial performance before covid-19 in 2019 and during covid-19 in 2020; the Wilcoxon Signed Rank Test was performed. Our results indicate decrease in profitability, decrease in return on assets (ROA). The negative ROA shows the negative effects of COVID-19 on the financial performance of the Pakistani listed companies. The results also indicate increase in overall debt level, increase in debt to equity ratio (DER) of the listed firms in Pakistan Stock Exchange (PSX) during Covid-19 pandemic. The results also revealed no significant difference in current ratio (CR) and receivable turnover ratio (RTO) between before and during the COVID 19 pandemic. Even though we cannot prevent dangerous viruses and crises from spreading but we should be prepared well to reduce their possible effects on humanity. The policy implication of this study includes, the recovery policies from pandemic/crises should give more importance to boosting or stabilizing the sales and discouragement of excessive trade credit, and maintaining stable logistics should be the key intervention policies.

***Keywords*:** COVID-19, Pandemic, Firm Performance, Current Ratio, Receivable Turnover ratio, Return on Assets, Debt to Equity Ratio.

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INTRODUCTION

The COVID-19 Pandemic currently is a prominent risk factor for the global economy; in addition to its impact on public health it has also severely affected the global economy and financial markets, its consequence include significant reduction in income, a rise in unemployment, and disruptions in the service, transportation, and manufacturing industries (Bartik et al., 2020; Pak et al., 2020). The impact of Covid-19 pandemic is still a black box, and is attracting the consideration of policymakers and scholars to guide the policy design in the repercussion of Covid-19 pandemics (Zhang & Zheng, 2022).

The situation formed by the COVID-19 pandemic can be called a crisis because it meets crisis definition. As described by (Vardarlıer, 2016) crisis is a total disruptive event to a partial disruption where people, property, equipment or the environment that may end up effecting company value inversely.

An epidemic that occurs worldwide, involving many countries and affecting a large population is called as a pandemic (Last, 1993). The last two decades has brought several pandemics caused by infectious diseases such as severe acute respiratory syndrome (SARS), Ebola, Zika fever, swine flu and Middle East respiratory syndrome (MERS) (Chowdhury & Chakraborty, 2017), but the COVID-19 pandemic is more deadly due to extensive global spread, the pandemic Covid-19 has not only affected global healthcare infrastructure, but has also impacted world economy and socio-political framework.

The outbreak of corona virus (COVID-19) has harshly affected national and global economies. Enterprises are facing diverse problems such as a reduction in demand, raw material shortage, supply chain disruptions, transportation disruptions and, cancelation of export orders, among others. It is quite clear that enterprises around the globe are experiencing the significant impact of COVID-19 outbreak on their businesses (Shafi et al., 2020).

Financial performance is the foremost measure used by investors globally. The performance of any company gets affected on several predicted and unpredicted factors. unexpected factors are those which are out of organizational control such as Covid-19 pandemic which brought a major alteration in firms' operations (Alsamhi et al., 2022). Proficient management in a crisis not only ensures the possibility of effective competition but especially ensures exceptional performance in an unstable environment (Dyduch et al., 2021).

Projections of the potential impact of the Covid-19 pandemic on economies around the globe vary widely. However, there is broad consensus that the global economy will face contraction due to sudden stop to large streams of activities and the resultant income loss in the manufacturing and services sectors across most advanced countries, combined with the adverse effects on financial markets, consumption, commodity prices and international trade. Developing countries, however, face different constraints and pressures which make it significantly harder for them to enact effectively in the presence of foreign exchange constraints. The economic downfall from the Covid-19 crisis is continuing and difficult to predict but there are clear signs that things will get much adverse for developing economies prior to they get better (UNCTAD, 2020).

Impact assessment of covid-19 on Pakistan's manufacturing firms conducted by UNIDO, (2020) explored the negative impact of COVID-19 on SMEs. However; the density of the impact is different across firm size sectors, sub-sectors, and business types. The agriculture sector was the less impacted with losses in revenue between (10% to 15%), manufacturing sector lost revenue anywhere between (30% to 50%), and services sector revenue lost was assessed between (50% to 70%) as compared to preceding years. the survey shows that 90% the firms reported a negative impact on revenue due to COVID-19 Pandemic, while only 2 % firms reported an increase in revenue.

Pakistan being developing country would be hardest-hit by the pandemic COVID-19. Therefore, this justifies the need to study the impact of COVID-19 pandemic on the financial performance of firms listed on the Pakistan stock exchange (PSX). In the contemporary literature the information related to the impact of COVID-19 on the firm performance was limited and based on data collected qualitatively Therefore, this study is necessary to explore the impact of covid1-19 using quantitative approach. This study was conducted by examining changes in performance of public companies' during the COVID-19 pandemic using a quantitative approach to find out which sub-sectors of the public industry that are negatively or positively affected by the COVID-19 pandemic.

This paper contributes to the contemporary literature in the following ways. Firstly, to the best of researchers' knowledge, this might be the first study that explores the impact of COVID-19 on firms' performance in Pakistani Context. Secondly, this paper enriches the literature measuring the impact of major public health emergencies on Pakistani economy. Finally, the results presented in the paper have important policy implications as the federal governments try to fight the pandemic and to support the economy recover from the recession.

Literature Review

This segment provides a brief review of literature in the areas of impact of covid-19 pandemic on firm's financial performance. Previous studies show that contagious disease outbreaks apply a considerable impact on the economy and the stock markets worldwide. In their study, Chen et al. (2007) examined the impact of SARS-2003 on Taiwanese stock price movements, their finding revealed that stock prices of hotels were negatively affected by the SARS outbreak. The severe acute respiratory syndrome (SARS) epidemic damaged the Taiwanese economy.

A study conducted by (Devi et al., 2020) in Indonesia to explore the impact of the COVID-19 pandemic on firms' financial performance on 214 listed firms on the Indonesia Stock Exchange. The researchers used Wilcoxon Signed Rank Test for data analysis. The results showed increase in the short-term activity ratio and leverage ratio but a decrease in the public companies' profitability ratio and liquidity ratio during the COVID-19 pandemic. They found no significant difference in the liquidity ratio and leverage ratio (Basheer et al.,2019). However, they found the public companies' short-term activity ratio and profitability ratio differed considerably between before and during the COVID-19 pandemic.

Shen et al. (2020) explored the impact of COVID-19 on corporate performance of listed Chinese companies. The researcher found negative impact of COVID-19 pandemic on firm performance. They also found negative impact of COVID-19 on firm performance is more prominent when a firm has smaller sales revenue or investment scale; moreover negative Impact of COVID-19 pandemic on firm performance is more prominent in serious-impact areas and industries.

Examining the impact of COVID-19 on changes in firm's value, and the moderating role of firm-level sustainability performance on this relationship, the study explored that firms operating in countries where the COVID-19 pandemic's impact is more destructive firms experienced greater decline in firm value (Basheer et al.,2019). The negative impact of COVID-19 on firm value is less prominent for firms with better sustainability performance. Firms domiciled in countries with high levels of environmental and stakeholder-value-oriented culture, observed less decline in firm value from the impact of COVID-19 pandemic (Bose et al., 2022).

The results of study conducted by (Zhang et al., 2020) revealed that global financial market risks have enlarged substantially in response to the epidemic. Individual stock market reactions are clearly linked to the harshness of the outbreak in each country. The great uncertainty of the pandemic and its associated economic losses has caused markets to become highly volatile and unpredictable.

In their study conducted by (Nguyen, 2022) to found the impact of Covid-19 on firms' financial performance of 114 listed logistic firm on Vietnam Stock Exchange. The researchers reported increase in leverage ratio, decreased in efficiency and profitability ratios and no impact of covid-19 on liquidity ratio which were used as measure of firm's financial performance.

A study, Business Pulse Surveys in several countries, including 6 countries of South Asian region was conducted by the World Bank and the International Finance Corporation conducted to assess the impact of COVID-19 on firms. In their analysis for South Asian region including Pakistan they observed that firms in the South Asia region have suffered divergently more from the economic brunt of the pandemic, even within the region, COVID-19 did not affect all firms equally, while digital technologies have taken the center stage post-pandemic, the South Asia region lags behind in the adoption of these technologies.

Theoretical Analysis and Research Hypotheses

The overarching theory for the present study is the resource-based theory of the firm which was propounded by (Wernerfelt, 1984). The theory explains the usefulness of analysing firms from the resource side rather than from the product side this theory describes the company's performance will be optimal if the company has a competitive advantage that is difficult to imitate and is firmly attached to its characteristics.

As described by (Sun et al., 2020) the mining companies with diverse types of resources have different sensitivities to environmental change risks. For the best financial performance of mining companies' of china in the presence of diverse risky economic situations the companies should create new competitive advantages for long-term development. The firms can obtain the competitive advantage by managing, utilizing, and controlling resources, in dealing with various conditions such as when facing an economic crisis. Resources that also need to be properly managed include knowledge of technology, assets, and human resources' ability to manage the company's affairs in various situations and conditions.

Company's Financial Performance

The company's financial performance is a quantitative measure of how well a company uses its business assets and generates revenues. It refers to the company's overall financial health over a given period. Financial performance is the financial achievement of the company, it is important for the managers of the company to understand the financial ratios. The ratios of liquidity, profitability solvency, leverage, efficiency, which can be used as a yardstick for measurement of financial performance (Fatihudin et al., 2018).

According to Carolyne (2015), firm performance is a subjective assessment of how successfully a company can utilize its assets from its core method of operation to generate more income. Financial performance measures are used by all firms as part of their performance management

The primary measure used by investors globally for investment is firm's financial performance, (Al-Matari et al., 2014; Yahya et al., 2017). Financial ratios has been traditionally a powerful tool for measuring firm performance used by financial decision-makers, including business analysts, financial managers investors, and creditors. Ratio analysis can help stakeholders in the analysis of financial health of a firm. These financial ratios, helps to made comparisons across companies within an industry, between industries, or within a firm itself. Such a tool can also be used to compare the relative performance of different size companies. (Delen et al., 2013).

Profitability ratios

Profitability ratios are a group of ratios which show the combined effects of liquidity, asset management, and debt (Brigham & Houston, 2016). Profitability ratios measure the company's ability to generate profits from its resources. These ratios reveal not only the competitive situation of the company but also the quality of management. These ratios reflect the success or failure of the company (Robinson et al., 2015).

Profitability ratios measure how effectively the company is turning sales or assets into income. Profit margin, return on assets and return on equity ratios help us to analyze the overall performance of the firm (Brooks, 2016).

H1: The COVID-19 pandemic has a negative effect on profitability.

Liquidity ratios

The liquidity ratio describes the company's ability to meet short-term obligations (debt), current ratio is the one of the ratios commonly used to measure liquidity. The current ratio is used to compare current assets to current debt which measure's the current assets' ability to meet firms' current liabilities (Devi et al., 2020). A strong current ratio can be taken as an indicator for a healthy financial position, meaning that the company has enough liquid assets to run its operational business (Schonbohm, 2013).

A liquidity management means the business plan for meeting its short-term and instant cash commitments without facing significant losses, which shows company is organizing its assets, including cash to cover all expenses, be able to pay all liabilities, and maintain financial stability (Dahiyat et al., 2021).

Two of the most commonly used liquidity ratios are current ratio and quick ratio. The current ratio is calculated by dividing current assets by current liabilities. It shows the extent to which current liabilities are covered by those assets expected to be converted to cash in the near future. The quick ratio this ratio is calculated by deducting inventories from current assets and then dividing the remainder by current liabilities, the quick ratio, which measures the firm's ability to pay off immediate obligations without relying on the sale of inventories (Brigham & Houston, 2016). H2: The COVID-19 pandemic has a negative effect on the liquidity.

Activity ratios

Activity ratios measure how efficiently a company performs day-to-day tasks, such as the collection of receivables and management of inventory (Robinson et al., 2015). According to Brooks (2016) the asset management ratios assess how efficiently a company uses its assets to generate revenue or how much cash is tied up in other assets like receivables or inventory.

Brigham & Houston (2016) in their book described four types of asset management/activity ratios which includes inventory turnover ratio, days sales outstanding, fixed asset turnover ratio and, total asset turnover ratio.

H3: The COVID-19 pandemic has a negative effect on the activity ratio.

Leverage ratios

leverage ratio (Solvency) that is used to measure the extent, to which the company's assets are financed with debt (Robinson et al., 2015) . The famous pecking order theory related to solvency management suggests a negative relationship between solvency and firm performance was developed by (Myers & Majluf, 1984).

The pecking order model postulates that due to asymmetric information the cost of financing increases. There are three sources of financing, internal funds, debt, and new equity. Companies assign order to their sources of financing, first preference internal financing, and second debt, finally raising equity as a last option. According to this theory businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required. Therefore, the option of debt the firm chooses can act as an indication of its need for external finances (Ahmeti & Prenaj, 2015; bin Hidthiir et al.,2019; Myers, 1984).

The financial leverage ratios tell us whether a company can handle interest expenses from debt with normal operations or will need to look for additional capital. Failing to meet these obligations may mean bankruptcy or at least a major change in operations (Brooks, 2016).

H4: The COVID-19 pandemic has a negative effect on the leverage.

Research Methodology

The present study is intended to get empirical assessment of the impact of COVID-19 pandemic on the financial performance of firms listed on the Pakistan stock exchange (PSX). For this quantitative research Wilcoxon Signed Rank Test was used for data analysis using SPSS on the pattern of (Alsamhi et al., 2022; Hafeez et al.,2018 Devi et al., 2020)

The Wilcoxon signed rank test is a non-parametric statistical hypothesis used to evaluate two related samples, matched samples, or repetitive measurements on a single sample to assess whether their population mean ranks diverge. Assumption of this tests includes (a) data are paired and come from the similar/Single population, (b) each pair is chosen randomly and independently, and (c) the data are measured on at least an interval scale when, as is usual, within- pair differences are calculated to perform the test (Refugio, 2018). On the bases of literature review this study adopted the measurement of variables as elaborated in table 1 bellow.

***Table 1:** measurement of variables*

Performance Measure	Measurement	Symbol	Reference
Profitability ratios	Return on assets = Net income / total assets	ROA	(Devi et al., 2020; Fatihudin et al., 2018; Nguyen, 2022:Zhang & Zheng, 2022;Bose et al., 2022; Shen et al., 2020)
Liquidity ratios	Current Ratio= Current Assets/Current liability	CR	(Devi et al., 2020; Fatihudin et al., 2018; Nguyen, 2022)
Activity ratios	Receivable Turnover Ratio=Sales/Average receivables	RTO	(Devi et al., 2020; Fatihudin et al., 2018; Nguyen, 2022)
Leverage ratio	Debt to Equity Ratio= Total Debt/Total Equity	DER	(Devi et al., 2020; Fatihudin et al., 2018; Nguyen, 2022:Zhang & Zheng, 2022;Bose et al., 2022; Shen et al., 2020)

Sample and Data Collection

The secondary data on study variables including, of 267 non-financial listed firms in Pakistan Stock Exchange were compiled from State Bank's financial statement analysis for 2019 & 2020. The research population was 498 non-financial listed companies as on June 30, 2020. The companies were selected randomly on a non-probability basis for the sample. A total of 534 observations were made for 2 years.

Results and Discussion.

This section describes the results of the study. It includes descriptive statistics and analyses of different types of tests on performance of nonfinancial listed companies on PSX, between before and during covid-19 economic crises.

Table 2: *Descriptive Statistics of the variables*

	N	Minimum	Maximum	Mean	Std. Deviation
ROA Before Covid-19	267	-45.03	91.99	3.9687	11.30860
ROA During Covid-19	267	-52.26	82.93	1.6928	11.02809
CR Before Covid-19	267	-.15	26.79	1.5050	1.94544
CR During Covid-19	267	-.03	30.59	1.5277	2.09430
RTO Before Covid-19	267	.52	470.05	98.6475	99.79050
RTO During Covid-19	267	.32	902.58	104.8922	139.37385
DER Before Covid-19	267	-47.85	64.26	1.4139	6.20432
DER During Covid-19	267	-20.29	112.99	2.6224	9.57449

Note: ROA is return on assets, CR is current ratio, RTO is receivable turnover and DER is debt to equity ratio,

The results of the descriptive analysis in Table show there was a decrease in the average ROA value, which means that the COVID-19 pandemic situation has harmed the company's financial performance when viewed from changes in the ROA value. The average value of ROA before the COVID-19 pandemic was 3.96, while the average ROA value during the COVID-19 pandemic was 1.69. The decline in the average value of ROA from before to during the COVID-19 pandemic was 2.27.

When viewed from other financial performance aspect on the bases of current ratio in Pakistani listed nonfinancial firms during the COVID-19 pandemic compared to before the COVID-19 pandemic there was no big difference in current ratio the current ratios showed almost same average. The average value of the current ratio before the COVID 19 pandemic was 1.50, while the average value of the current ratio during the COVID-19 pandemic was 1.52. The increase in the current ratio from the COVID 19 pandemic to during the COVID-19 pandemic was 0.02.

Performance appraisal was different when viewed from changes in the value of receivable turnover. The increase in the average value of receivable turnover shows that the COVID-19 pandemic situation has positively impacted the company's financial performance. The average value of receivable turnover before the COVID 19 pandemic was 98.64, while the average value of receivable turnover during the COVID 19 pandemic was 104.89. The increase in the average value of receivable turnover before the COVID 19 pandemic was 6.25.

Relatively high change in the average value of DER during the COVID-19 pandemic compared to before the COVID-19 pandemic was recorded. The average value of DER before the COVID-19 pandemic was 1.41, while the average value of DER during the COVID-19 pandemic was 2.62 which show DER average value was increased by 1.21.

Table 3: Normality test results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
ROA Before Covid-19	.128	267	.000	.825	267	.000
ROA During Covid-19	.148	267	.000	.823	267	.000
CR Before Covid-19	.251	267	.000	.413	267	.000
CR During Covid-19	.246	267	.000	.370	267	.000
RTO Before Covid-19	.168	267	.000	.829	267	.000
RTO During Covid-19	.227	267	.000	.677	267	.000
DER Before Covid-19	.366	267	.000	.358	267	.000
DER During Covid-19	.378	267	.000	.270	267	.000

The Table 3, presents the results of the Shapiro-Wilk normality test, which shows that the data on each observation were not normally distributed with the significance value of <0.05. Data being not normally distributed so the data could not be tested by applying a parametric statistical test therefore, a non-parametric statistical test was done using the Wilcoxon signed-rank.

Table 4: *Wilcoxon Signed-Rank test results*

		N	Mean Rank	Sum of Ranks
ROA During Covid-19	Negative Ranks	182a	139.98	25477.00
ROA Before Covid-19	Positive Ranks	84b	119.45	10034.00
	Ties	1c		
	Total	267		
CR During Covid-19	Negative Ranks	119d	129.13	15367.00
CR Before Covid-19	Positive Ranks	145e	135.26	19613.00
	Ties	3f		
	Total	267		
RTO During Covid-19	Negative Ranks	153g	129.76	19854.00
RTO Before Covid-19	Positive Ranks	112h	137.42	15391.00
	Ties	2i		
	Total	267		
DER During Covid-19	Negative Ranks	109j	131.63	14348.00
DER Before Covid-19	Positive Ranks	155k	133.11	20632.00
	Ties	3l		
	Total	267		

Table 4 also shows that 182 companies experienced a decrease in ROA value and 84 companies experienced an increase in ROA while the result of the one company was same which means that one company has the same ROA values before and during the COVID-19. The value of ROA during the COVID-19 pandemic as indicated by the negative ranks at the N value of 182 and positive ranks of 85.

Based on CR value, 119 companies experienced a decrease in CR value and 145 companies experienced an increase in CR value during the COVID-19 pandemic as indicated by the negative ranks value at the N value of 119 and positive ranks at the N value of 145 while 3 companies showed same results.

Based on the receivable turnover value (RTO), 153 companies experienced a decrease in the receivable turnover value and 112 companies experienced an increase in the receivable turnover value during the COVID-19 pandemic as indicated by the negative ranks at the N value of 153, and positive ranks at the N value of 112. The ties value of the RTO is 2, which means that there are two companies that have the same receivable turnover values before and during the COVID-19.

Based on the DER value, 109 companies experienced a decrease in debt to equity ratio value and 155 companies experienced an increase in the DER value during the COVID-19 pandemic as indicated by the negative ranks at the N value of 109, and positive ranks at the N value of 155. The ties value of the DER is 3, which means that there three companies that has the same DER values before and during the COVID-19.

***Table 5**: Wilcoxon Signed-Rank test results*

	ROA During Covid-19 - ROA Before Covid-19	CR During Covid-19 - CR Before Covid-19	RTO During Covid-19 - RTO Before Covid-19	DER During Covid-19 - DER Before Covid-19
Z	-6.148b	-1.710c	-1.787b	-2.530c
Asymp. Sig. (2-tailed)	.000	.087	.074	.011

The results of the Wilcoxon signed-rank test in Table 6 show that there is a significant difference in the values of ROA and debt to equity ratio (DER) between before and during the COVID 19 pandemic, which can be seen from the Asymp. Sig. (2-tailed) values of 0.000 and 0.011 are less than 0.05. There is no significant difference for the current ratio and RTO between before and during the COVID 19 pandemic, which can be seen from the Asymp. Sig. (2-tailed) values of 0.087 and 0.74 which are greater than 0.05. It can be concluded that H2 and H3 are rejected, while H1 and H4 are accepted.

To test the Impact of COVID-19 Pandemic on the Financial Performance of Firms listed on the Pakistan stock exchange. A sample of 267 listed companies was included in the study. Wilcoxon Signed Rank Test was performed to test the difference of financial performance before covid-19 in 2019 and during covid-19 in 2020.

The results of the Shapiro-Wilk normality test showed that the data on each observation were not normally distributed. Data being not normally distributed so the data could not be tested by applying a parametric statistical test therefore, a non-parametric statistical test was done using the Wilcoxon signed-rank test.

The result of Wilcoxon Signed Rank Test indicates decrease in overall revenue, profitability, (decrease in ROA) and which show the severe negative effects of COVID-19 on the financial performance of the Pakistani listed companies. The negative rate of return on assets (ROA) indicates reduction in production, profitable business operation, and sales which ultimately leads to reduction in profitability.

Our results are in line with Shen et al. (2020) they explored that the pandemic covid-19 has a negatively affected the rate of return (ROA) as the covid-19 has reduced the productions sales, and operations, of the industries. Our result is consistent with Imran et al. (2021) in their study they found that sharp increase in pandemic COVID-19 has significantly and negatively affected the return on asset (ROA) of the listed firms in Pakistan Stock Exchange (PSX) during Covid-19 pandemic. Our result is also supported by Devi et al. (2020) in their study they explored that COVID-19 pandemic backed economic crisis has a significant negative impact on firms' profitability (ROA), due to economic crises sales decreases which results in decreases in the company's profit. Our results are also supported by (Nguyen, 2022; Zhang & Zheng, 2022).

The result of Wilcoxon Signed Rank Test also indicates about increase in overall debt level indicated by increase in debt to equity ratio (DER) of the of the listed firms in Pakistan

Stock Exchange (PSX) during Covid-19 pandemic. This increase in debt level may be due to decrease in production and sales. When any firm failed to generate necessary funds from its operation to finance its activities then gets loan to fund their operations which increase (DER). Our results supported by Devi et al. (2020) in their study they found increase in leverage (DER) during covid-19 pandemic. Our results are also supported by Nguyen (2022) in their study found increase in leverage ratio (DER) during the COVID-19 pandemic. The results also revealed no significant difference for the current ratio (CR) and receivable turnover ratio (RTO) between before and during the COVID 19 pandemic.

Conclusion

The COVID-19 Pandemic currently is a prominent risk factor for the global economy. The Spread of COVID-19 indicates that pandemics or catastrophes which were happened in the ancient times and will continue to be happen in the future. Even though we cannot prevent dangerous viruses and crises from spreading but we should be prepared well to reduce their possible effects on humanity.

The present COVID-19 outbreak shows no single country was unaffected from its consequences and it had harsh socio-economic consequences across the world. Its Sevier effects on society brought dramatic changes in businesses operations and consumers behaviors.

For this study a sample of 267 listed companies was included to quantify economic consequences by analyzing the Impact of COVID-19 Pandemic on the Financial Performance of firms listed on the Pakistan stock exchange. For this purpose to test the difference of financial performance before covid-19 in 2019 and during covid-19 in 2020, the Wilcoxon Signed Rank Test was performed.

Our results indicate decrease in profitability, (decrease in ROA). The negative rate of return on assets (ROA) is indication of reduction in production, profitable business operation, and sales which ultimately leads to reduction in profitability. The negative ROA shows the negative effects of COVID-19 on the financial performance of the Pakistani listed companies.

The results also indicates about increase in overall debt level measured by increase in debt to equity ratio (DER) of the listed firms in Pakistan Stock Exchange (PSX) during Covid-19 pandemic. This increase in debt level may be due to decrease in production and sales. When any firm failed to generate necessary funds from its operation to finance its activities then gets loan to fund their operations which increase (DER).

Even though we cannot prevent dangerous viruses and crises from spreading but we should be prepared well to reduce their possible effects on humanity. The policy implication of this study includes, the recovery policies from pandemic/crises should give more importance to boosting or stabilizing the sales and discouragement of excessive trade credit, and maintaining stable logistics should be the key intervention policies.

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