

Economic Impact of Repetitive strike days – “Dead City” on Small and Medium Enterprises in Beni Town during the Covid Pandemic 19

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Abstract.

This study has been conducted in Beni town. It aims to analyse the impact of repetitive strikes days “dead city” on the performance of small and medium enterprises in this period of the Covid 19 pandemic in Beni city and Specifically (1)to compare the turnover, the expenses of small and medium-sized businesses' during months with and without strikes days “dead city” in Beni town and (2)To assess the degree to which the "dead city" strike days affected small and medium-sized businesses' profits, costs, and turnover in Beni town.

The result of the research shows that all small and medium sized business in the different sectors of the city's economy are impacted in the same way by the dead city days. their turnover during the period with the "dead city" strike days is statistically different from period without the "dead city" strike days and "dead city" strike days have led SMEs to lost 25,6% of their turnover but the expenses are statistically the same in the two period with a reduction of 6.9% in their expenses and finally the dead city days make the companies lose on average 15. 16% of their profit.

Key words: *Economic Impact, strikes “dead city”, SMEs, performance, DRC, ...*

INTRODUCTION

The Congolese economy has been characterized by poverty, with an estimated 73% of the Congolese population, or 60 million people, living on less than \$1.90 per day in 2018 (the

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level set as the international poverty line). (Kuma, 2020) Also, nearly one in six people in extreme poverty in sub-Saharan Africa live in the DRC. Since the 1990s, efforts have been made by the government under the impetus of the BrettonWood institutions through structural adjustment programs; by anti-poverty organizations and researchers, but despite these efforts, poverty is increasing with imminence and evolving more than proportionally to the increase in income in the Democratic Republic of Congo (DRC).

Faced with this situation, the Congolese have adopted a new strategy of survival which is the refuge in the sector of small and medium enterprises both formal and informal. But the informal sector is the one that dominates the Congolese economy. Apart from public enterprises and a few large enterprises owned by foreign groups, the Congolese economy is made up of small and medium-sized enterprises.

Thus the promotion of entrepreneurship seems to be the solution likely to break the vicious circle. Indeed, according to the theory of economic growth, advocated in particular by Schumpeter (1942), (Aghion & Armendáriz de Aghion, 2004) and (Aghion, Akcigit, & Howitt., 2014), the entrepreneur is the main agent in the economic dynamic. Indeed, he remains the basis of innovations, sources of economic growth and employment opportunities for many young people (Sumata, 2020).

However, sustainability issues are a common problem for these small and medium-sized businesses. They typically don't last longer than five years. The economy of the Democratic Republic of Congo in general, and that of the city of Beni in particular, is as affected as other economies in the world by the Covid 19 pandemic. In the advanced economies, the economic slowdown is accompanied by a drop in the prices of the main raw materials and inflation. On the economic side, the containment has led to two types of shocks: the supply shock (linked to the fall in the return on labour, leading to a fall in production) and the demand shock (linked to the fall in consumer spending and investment). Many companies are at a total or partial standstill, leading to fears of shortages of essential goods (Jacques & Ngewampadio, 2021).

Beyond this reality, the city of Beni has been a victim of insecurity since 2014 in the form of massacres of civilian populations. As a result of this situation, pressure groups and civil society organize " *day of strikes – dead city*" to demonstrate their discontent with the prevailing insecurity in the region.

These strikes often take the form where young people light fires in several street corners and fill them with large stones to prevent any activity in the city and to demonstrate their discontent to the city authorities. Often the police wanted to disperse the demonstrators, and clashes ensued, resulting in the loss of human life, both on the side of the police and on the side of the youth.

But unfortunately, no improvement is noticed after these activities and for some time we note a boycott with the contractors who are left by this step.

These situations lead us to make an analysis of the impact of the dead city's days within Covid 19 on the performance of small and medium enterprises in Beni.

The objective is to analyse the impact of repetitive strikes days “dead city” on the performance of small and medium enterprises in this period of the Covid 19 pandemic in Beni city. Specifically, this study aims to :

- To compare the turnover, the expenses of small and medium-sized businesses' during months with and without strikes days “dead city” in Beni town.
- To assess the degree to which the "dead city" strike days affected small and medium-sized businesses' profits, costs, and turnover in Beni town.

METHODOLOGY

Between the months of January, February, and March 2022, 75 small and medium-sized businesses in the city of Beni were surveyed for the purpose of this study. A survey questionnaire was developed for this purpose and housed in the mobile application Kobo Collect with which the data collection was done. Once collected, the data was processed and analysed with Ms Excel and SPSS.

Subsequently, a test of the difference in mean of STUDENT was carried out and allowed to make the analysis of the impact of the strike days on the performance of the small and medium enterprises. With this test, a comparison of the turnover, expenses and results of the SMEs during the months with a dead city day and those without a dead city day was made.

REVIEW OF THE LITERATURE

Theoretical framework

Our analysis is based on two main theories, namely the Resources Based approach and the Agency theory.

In the Resources Based approach, strategic thinking is oriented towards new ways of highlighting the origins of performance gaps for companies belonging to the same environment. The problem lies in the fact that companies in the same sector differ from each other and that these differences persist over time. In the context of the Resources Based approach, this means that the resources used are not the same.

The term resources should be understood in a broad sense: they can be both tangible and intangible. Barney (1991) defines them as "the assets, capabilities, organizational processes, information, knowledge, etc., controlled by the firm and which enable it to design and implement strategies.

Furthermore, Jensen positions Agency Theory as an "integrated" theory of organizations, aiming to bring together two distinct streams of research: research from the economic tradition focused on the functioning of markets and that associated with the fields of psychology, sociology, organizational behavior, anthropology, and biology, aiming to explain human behavior, both on an individual and social level (Charreaux, 2018).

Literature on environmental context and business performance.

In the field of management, performance has always been an ambiguous notion, rarely defined explicitly. It is only used in management control by transposing its meaning in English. Since the 1980s, many researchers have attempted to define it (Bouquin, 1986; Bescos et al., 1993; Bourguignon, 1995; Lebas, 1995; Bessire, 1999...) and more recently this notion has been used in the managerial literature to evaluate the implementation by companies of announced sustainable development strategies (Michele & Françoise, 2006).

Lebas and Euske (2007, p. 125) note that the word "performance" is widely used in all areas of management. Within the field of management control, terms such as performance management, performance measures, performance evaluation, and performance assessment are found (Issor, 2017).

In the field of business, the slogan today is very clear and well chiseled: one must perform in order to guarantee the survival and sustainability of one's organization, and furthermore increase one's competitive advantage, in this era particularly characterized by the intensification of competition, globalization and internationalization of markets.

The environment is turbulent, complex and covers a wide range of influences. The PESTEL model as well as the PoTER analysis identifies the constituent elements of the macro-environment and divides the environmental influences into six major categories: Political, Economic, Sociological, Technological, Ecological and Legal, hence the name PESTEL. (TAIBI-BENZIANE & Messaoud, 2017)

According to Dié and Asséko (2021), the environmental context is one of the elements that promote the development of businesses. Indeed, they stress that for the development of enterprises, a socio-institutional and economic context conducive to business is needed. Thus, a stable social climate, a perfect collaboration between businesses and national institutions, and an absence of social evils such as corruption and tribalism are important to stimulate entrepreneurial success.

(BAKENGELA, 2017) notes that Africa is characterized by a context of uncertainty that actors should be able to manage. These uncertainties are categorized according to their nature and origin. In fact, from the point of view of nature, we note relational uncertainties and structural uncertainties. The former is that an agent A controls in his relationship with another agent B. The latter are those linked to the structural characteristics of the environment, independently of the exchange relations between the actors (this is a cultural or institutional approach). For uncertainties from the point of view of origin, we have two types: internal and external. The first are those linked to the characteristics of the organization; the second are linked to the characteristics of the environment. In the DRC, for example, we note the high level of unemployment, the absence of formal social security mechanisms, and the primacy of the political sphere in social life. These external uncertainties have an effect on the practice of HRM: unemployment leads to poor management of recruitment practices; poor social conditions lead to poor management of remuneration practices; the primacy of the political sphere leads to interference in organizations.

Furthermore, MPERE (2021) emphasizes: "from a macroeconomic point of view, companies make the economic situation as much as they suffer from it. Thus, the business cycle is both a

determining variable of the aggregate behavior of firms and a variable determined by the behavior of these firms. According to him, there are two components of the environment that impact the life of companies: an external component and an internal component. From the external point of view, we have for example the effects of unforeseen situations. The case that best illustrates this is the current COVID19 health crisis. The latter has had a far-reaching impact on all areas of the economy since the beginning of 2020. As a result, companies are obliged to counteract these types of situations by looking for optimal solutions. They are not only called upon to adapt to the different variations that may occur, but also to find opportunities in order to exploit them. The internal component of the company's environment refers to the governance and operation of the company. It is therefore important that the working conditions within companies are conducive to their performance and, by extension, their success.

RESULTS OF THE RESEARCH

Analysis of the influence of the strike's days on the turnover

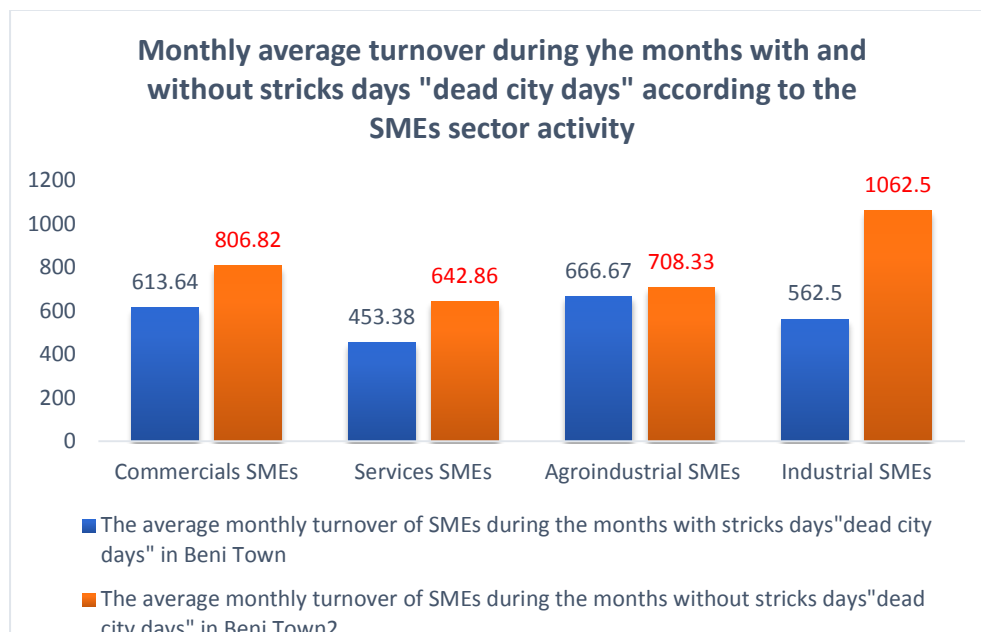
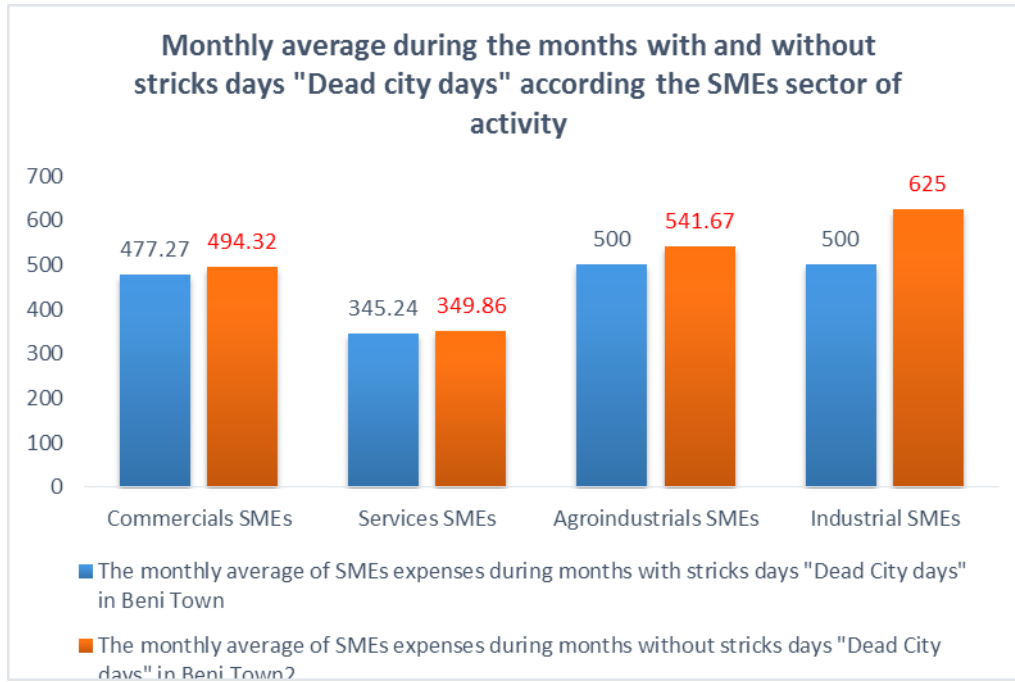


Chart 1: *Turnover by sector of activity.*

Comment: This graph shows a drop in turnover due to the presence of several "dead city" days. We can see that the industrial sector is the most affected.



Analysis of the influence of the city breaks days on the expenses

Chart 2. Operating expenses by sector of activity

Comment: from the chart above, expenses did not decrease as a result of the city breaks, given that results are the difference between sales and expenses; all other things equal, the city breaks have a negative influence on results.

Analysis of the influence of the dead city days on the turnover

Table 1: Descriptive characteristics of the turnover and expenses of SMEs during the months with and without the dead town days.

		Average	N	Standard-deviation	Average standard Error
Paire 1	Average monthly turnover of SMEs during the months with dead town days in Beni	570	75	430.19	49.67
	The average monthly turnover of SMEs during the months without dead town days in Beni	766.67	75	431.71	49.85
Paire	The average expenses of SMEs during the months with dead town	443.33	75	325.11	37.54

2	day					
The average expenses of SMEs during the months without a dead town day		476.67	75	385.93	44.56	

Comment: From the above table, the average of monthly turnover of SMEs during the months with strikes days “dead city days” is 570 USD with a standard deviation of 430.19 USD. And an average of 766.67USD with a standard deviation of 431.71 USD during the months without strikes days “dead city days” in Beni. However, the average of a monthly expenses of SMEs during the months with strikes days “dead city days” is 443.33USD with a standard deviation of 325.11 USD. And an average of 476.67USD with a standard deviation of 385.93 USD during the months without strikes days “dead city days” in Beni.

Comparison of the turnover and expenses average during the months with and without the dead city days.

Statistical hypotheses to test:

- **Turnover.**

$H_0: \mu_1 = \mu_2$: The average turnover of firms during the months with a dead city day is not different from the turnover of firms during the months without a dead city day.

$H_1: \mu_1 \neq \mu_2$: The average turnover of firms in months with a dead city day is different from the turnover of firms in months without a dead city day.

- **Monthly expenses of firms**

$H_0: \mu_1 = \mu_2$: The average expenses of firms during the months with a dead city day are not different from the expenses of firms during the months without a dead city day.

$H_0: \mu_1 \neq \mu_2$: The average burden of firms in months with a city-wide dead day is different from the burden of firms in months without a city-wide dead day.

Table 2: Test of the difference of the means of SMEs turnover and expenses during the months with and without the strike days “dead city days” in Beni town.

that	Paired differences								
		Average	Standard- Deviation	Average standard Error	Intervalle de confiance 95% de la différence		T	ddl	sig. (bilateral)
					Inferior	Superior			
Pair 1	The average monthly turnover of companies during the months with dead town days in Beni - The average monthly turnover of companies during the months without dead town days in Beni	-196.67	358.99	41.45	-279.26	-114.07	-4.74	74.00	0.00
Pair 2	The average expenses during the months with dead town day - The average expenses during the months without dead town day	-33.33	285.73	32.99	-99.07	32.41	-1.01	74.00	0.32

Interpretation: The above table shows that:

For the first test of the difference in the average of the monthly turnover of firms during the months with dead town days in Beni - The monthly average of the turnover of firms during the months without dead town days in Beni; the associated probability is 0.00 less than 0.05; Therefore, we reject the null hypothesis the average turnover of firms during the months with a dead town day is not different from the turnover of firms during the months without a dead town day and confirm the alternative hypothesis, thus concluding that the dead town days negatively affect the turnover of firms at 95% confidence.

For the second test of difference of means relating to the average expenses during the months with a dead city day - the average expenses during the months without a dead city day; the associated probability is 0.32 higher than the alpha threshold of 0.05; therefore, we do not have enough evidence to reject the null hypothesis that the average expenses of companies during the months with a dead city day is not different from the expenses of companies during the months without a dead city day and maintain the null hypothesis, so we conclude that dead city days doesn't affect the expenses of companies at 95% of confidence.

Table III: ANOVA with 1 factor to test whether SMEs in different sector are affected the same way.

ANOVA with 1 factor						
		Sum of squares	Ddl	Average square	F	Sign
<i>Average monthly turnover of companies during the months with dead town days in Beni</i>	Inter-groups	430592.532	3	143530.844	0.768	0.516
	Intra-groups	13264407.5	71	186822.64		
	Total	13695000	74			
<i>The average monthly turnover of companies during the months without dead town days in Beni</i>	Inter-groups	763325.216	3	254441.739	1.387	0.254
	Intra-groups	13028341.5	71	183497.767		
	Total	13791666.7	74			
<i>The average expenses during the months with dead town day</i>	Inter-groups	284870.13	3	94956.71	0.895	0.448
	Intra-groups	7536796.54	71	106152.064		
	Total	7821666.67	74			
<i>The average expenses during the months without a dead town day</i>	Inter-groups	274575.216	3	91525.072	0.605	0.614
	Intra-groups	10747091.5	71	151367.485		
	Total	11021666.7	74			

Interpretation: From this table it appears that the difference in impact between the different sectors is not significant, in fact the coefficient of significance is greater than 0.05, which leads us to conclude that the different sectors of the city's economy are impacted in the same way by the dead city days

Analysis of the dead city days on the result

- For the turnover: the average of the turnover is 766.67\$ with a standard deviation of 431.71\$ during the months without dead town days and the average is 570\$ with a standard deviation of 430.19\$ during the months with dead town days thus a lost turnover of $(1 - (570)/(766.67)) = 0.256$ that is to say 25.6%
- For the expenses: the average of the expenses is 476.67\$ with a standard deviation of 385.93\$ during the months without dead town days and the average of 443.33\$ with a standard deviation of 325.11\$ during the months with dead town days thus a lost turnover of $(1 - (443.33)/(476.67)) = 0.069$ that is to say 6.9%.
- The profitability: Result = Monthly turnover - Total monthly costs

Result during the months with a Dead Town Day: $570 - 443.33 = \$126.67$

Result during the months without a Dead Town Day: $766.67 - 476.67 = \$290$

Rate of return during the months with a Day Off: $126.67/570 \times 100 = 22.22\%$.

Rate of return during the months without a dead town day: $290/766.67 \times 100 = 37.82\%$.

Comment: the presence of dead cities has reduced the rate of profitability of small and medium-sized enterprises from 37.82% to 22.22%, i.e. a decrease of 15.6%, which is a huge loss;

DISCUSSION OF THE RESULTS

After the analysis of the data we have arrived at the following results:

The dead city days have a negative impact on the turnover of small and medium enterprises in the city of Beni, in fact the associated probability is 0.00 less than 0.05; therefore, confirm the alternative hypothesis so we conclude that the dead city days negatively affect the turnover of businesses to 95% of confidence. This means that the average turnover is \$766.67 with a standard deviation of \$431.71 during the months without dead city days and the average is \$570 with a standard deviation of \$430.19 during the months with dead city days, i.e. a decrease of 25.6%.

The dead city days have a negative impact on the expenses of small and medium-sized enterprises in Beni city. The associated probability is 0.32, which is higher than the alpha threshold of 0.05. Consequently, the average expenses of enterprises during the months with a dead city day do not differ from the expenses of enterprises during the months without a dead city day, even though the objective of enterprises is to reduce expenses, so the dead city days have a negative impact on the performance of SMEs.

The dead city days have a negative impact on the profitability of SMEs, in fact the latter has gone from 37.82% to 22.22%, a decrease of 15.6%;

These results are in line with those of (Bakengela, 2017), (Taibi-Benziane & Messaoud, 2017) and MPERE (2021) who have shown that the environmental context is one of the elements that promote the development of enterprises provided that the socio-institutional and economic context is conducive to business. Thus, through these results we were able to measure the extent of the negative impact of an unstable environmental context.

CONCLUSION

The objective of this article was to analyse the impact of the dead city days on the performance of the small and medium-sized enterprises; this last one was evaluated thanks to the turnover; to the expenses as well as to the profitability.

This study found that the losses in economic terms are enormous, an average decrease of 25.6% in turnover and 15.6% in profitability, which is a loss of earnings for SMEs that are already facing several challenges to ensure their sustainability;

Thus, we recommend:

To the political authorities: to ensure his role of the safety of the people and their goods;

To the authorities of the civil society and the pressure groups: to develop other strategies of claim which does not put in danger the economy of the city;

To entrepreneurs to develop marketing strategies that will allow the maximization of sales despite the dead cities (home delivery, online sales).

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