

Effects of Covid-19 Pandemic on International Financial Management

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ABSTRACT

The COVID-19 pandemic and the oil crisis have caused the constant depreciation of the currency in emerging countries to accelerate cause instability in the global financial market. Prices of risk assets have dropped harshly ever since the pandemic's eruption. However, COVID-19 measures have brought about some positive effects on stakeholders of international financial management.

Central banks will remain crucial to safeguarding the stability of global financial markets and maintaining the flow of credit to the economy. Financial, monetary, and fiscal policies should aim to reduce the impact of the coronavirus (COVID-19) and ensure a stable, sustainable recovery once the epidemic is controlled. Ongoing international coordination will be essential to support vulnerable countries, restore market confidence, and reduce financial stability risks.

KEYWORDS: *pandemic, coronavirus, economic stability risks, public health systems*

INTRODUCTION

The COVID-19 pandemic is now accepted as an emerging health problem and remains the most serious infectious disease problem for public health systems. The disease (coronavirus) continues to spread at an alarming rate, killing exponentially and threatening to thwart the process of economic development in many countries and regions (Desai, 2020). The economic downturn due to the spread of coronavirus infection (COVID-19) over the past few months has affected various parts of the global economy. However, is the impact on the world economy more than the impact on international financial management? The field of finance has also been greatly affected by the pandemic. As of February 2020, the global market has since then entered a risk aversion phase significantly increasing the volatility of the market (Peng & Hu, 2020). The stock market began to fall quickly, predictably 30% general trade loss occurred from the beginning of this year to date. Academics have indicated that the trade mess that COVID-19 might cause will exceed that of the global financial crisis 2008-2009 (Gans, 2020). Since the beginning of March, the global stock markets have started to show some strain, and in the coming weeks, there have been signs of a lack of liquidity in the US stock market, the largest private equity market the world.

The International Monetary Fund has warned the coronavirus pandemic is further amplifying existing financial vulnerabilities (Aengus et al., 2020). The pandemic-triggered economic crisis is exposing and worsening financial vulnerabilities that have built up during a decade of extremely low rates and volatility. For financial systems, we

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have two main: domestic and overseas/international (Ndikumana, 2005). For classification purposes, financial systems are classified as either closed or open. The financial system inside a country is referred to us a domestic financial system. However, the financial system in China is an international financial system from Ghana's perspective. The four broad headings of international financial management include foreign currency, market imperfections, enhanced opportunity sets (Foreign Direct Investment), and political risks (Eun & Resnick, 2010). International finance is not only about the maximization of shareholders but also stakeholders. Companies are no longer limited to producing and selling their goods and services on the domestic market (Calvet, 1983). Companies are encouraged to open up global markets to remain competitive, making it possible to conduct business anywhere in the world. International Management is the management of business operations in an organization that has its presence in more than a single country (Kogut, 2002). This definition emphasizes the need for more advanced skills than management within national borders. It requires a broad understanding of local conditions and adaptability. International finance is the branch of financial economics broadly concerned with monetary and macroeconomic interrelations between two or more countries (Megginson, 2005). To some extent, all financial deals, which occur in businesses across national borders, are regarded as an international finance transaction. Merging international management with international finance, international financial management, is explained as the management of finance in an international

business environment; that is, trading and making money through the exchange of foreign currency (Bekaert & Hodrick, 2017). Formed in 1946, it aims to promote international monetary cooperation and exchange stability; foster economic growth and high employment levels; and provide temporary financial assistance to help mitigate payment imbalances (Alfaro et al., 2010).

Discussion

Per literature reviews, economic shocks, or financial instability stands in the way of international financial management making it difficult for stakeholders to fully participate (Bekaert & Hodrick, 2017). COVID-19 pandemic has been classified as a pandemic that poses a crucial threat to international finance (Holmes et al., 2020). Although it has to uncover many deliberate and unthoughtful, financial challenges that already existed. The ruinous economic impact of the coronavirus pandemic is projected to sow the seeds of present and or future financial troubles (Chopra, 2020). These challenges/troubles could cut across various sectors in the global financial market and for these reasons the effects that COVID-19 has on international financial management are copious. The pandemic could wreak havoc in fragile states, trigger large-scale disruption, and severely test crisis management systems (Zizek, 2020).

Covid-19 has rekindled geopolitical tensions - the United States accuses China of being behind the pandemic while Beijing tries to make friends by supporting affected countries - further straining relations between the great powers and makes the cooperation necessary for the management of this crisis more difficult (Frenkel et al.). It is not yet known when and where the virus will hit the hardest or how the economic, social, or political aspects will combine to trigger or worsen by the crises. It is not also certain that the consequences of the pandemic will be entirely or uniformly negative for peace and security (Aris et al., 2020). Natural disasters have at times calmed conflicts, when conflicting parties have been required to cooperate, or at least sustain calm, to focus their attention on the protection and reconstruction of their societies. Some governments have shown their willingness to release political tensions in the context of Covid-19, as, for instance, the United Arab Emirates and Kuwait who offered to Iran - the center of one of the Covid-19's primary outbreaks outside of China - their humanitarian support (Djalante, Shaw, & DeWit, 2020). The pandemic may deteriorate some international crises, but it could also be a prospect to discontinue others. With the case of Libya, the UN has pledged to spend about \$ 350 million to fight the pandemic. Libya's health care system collapsed after the departure of many foreign doctors during the war (Weiss, 2016).

A global recession of an unparalleled scale is looming on the horizon; transport restrictions linked to the pandemic has interrupted trade and food supply, countless businesses will be forced to close, and the number of unemployed may skyrocket. Sound management of international financial affairs can help the organization achieve the same efficiency and effectiveness in all markets, and thus without international financial management navigating in the global market especially in crucial times like this (COVID-19 pandemic) can be difficult. (Schmidheiny & Zorraquin, 1998).

Encouragements are offered to Companies to make investment capital in the international world for the following reasons

- Efficiently produce products in foreign markets.
- Get access to vital raw materials needed for production.
- Broaden markets and diversify
- Earn higher returns
- foreign investment

Even a small business owner needs to be conversant with International finance, especially if you do business internationally. Most marketing and investment strategies depend on understanding the economies of the different regions that interest you.

Diverse Economic Environment Versus COVID-19 Pandemic

With the assistant of modern technology, we now live and trade in a globalized world meaning we are being answerable different political environments, cultural norms, trade procedures, and tax conditions. International financial reporting procedures amongst countries are similar but never the same (Baylis, 2020). For instance, the credit conditions may be very different from a foreign country from what they are domestic. Businesses and managers of international corporations must anticipate day-to-day financial management challenges when operating internationally and devise ways to maintain healthy equilibrium within this economic framework to ensure your business's continued growth and survival.

Risk Management Challenges Versus COVID-19 Pandemic

International finance faces crucial risk management challenges. The COVID-19 prevention procedures ignite the possibility of worldwide inflation of consumable products. During this period, purchasing supplies or selling products in foreign markets may face the risk of high prices caused by inflation in heavily affected economies. Experiences from the 2009 financial crises helped many emerging markets to reduce vulnerability due to volatility significantly, as they have learned to build stronger balance sheets, better fiscal policies, and a more flexible exchange rate. Restrictions on all forms of transportation pose potential threats to energy supplies, the prices of crudes have fallen consistently from December 2019 from 67.31\$ per barrel to 38.99\$ per barrel (Gössling, Scott, & Hall, 2020). This will affect institutions that have an investment or have invested in crude related business. The net effect could be imbalances in the world economy and other fiscal sustainability issues. To address there is the need to result in prudent financial planning and management.

Foreign Exchange Rates Versus COVID-19 Pandemic

The gem, which holds International financial management together, is foreign exchange rates. In the end, the cash, which comes in and out of various countries that triggers exchange rate fluctuations. COVID-19 has created indirect trade of restrictions birthing uncertainty for financial managers when it comes to the value of the home currency concerning foreign currencies. Typically, stronger economies have stronger currencies so interestingly; the major currencies such as the US dollar, Yen, Pounds, euro, and the Swiss franc remain strong against other currencies for emerging markets (Hale, Jones, & Spiegel, 2020). The Covid-19 crises have not pressed major currencies to appreciate, but it appears that the currencies of vulnerable countries have declined against other currencies. Continuous fluctuations in the foreign exchange market could mean slow business for global organizations. Emerging market (EM) foreign exchange rates have been

hit hard by the global market sell-off on the back of the coronavirus pandemic. The Won, the Real, the Rand, the Peso, and the Llah of South Korea, Brazil, South Africa, Mexico, and Turkey respectively have been some of the major economies that have had its currency suffered in the core of this pandemic. Fluctuating exchange rates can subject you to higher interest rates therefore; financier/investor/traders have to monitor the foreign exchange market closely for suitable rates.

Banking Regulations Versus COVID-19 Pandemic

International financial management is quite dissimilar from financial management in a single country. International finance deals with many other banking institutions that have to transact of their own in foreign lands aside from their business operations in their home country. Market analysts have established the fact that COVID-19 would bring uncalled-for/unexpected financial crises (Gagnon & Gimet, 2020). Owing to this, countries to save their bottom-line made new or adjusted their internal business regulations. Some multilateral development banks such as the International Monetary Fund and the World Bank have been created to regulate international economic affairs in emerging economies and give conditions usually to different countries and their banks. (Schneider & Tobin, 2020). This can be a challenge when doing business in a country where these institutions influence since they advise banks in such countries to avoid testing waters in the riskier markets in its structural adjustment programs.

Conclusion

Considering research from experts, the COVID-19 pandemic is here to stay and it will continue to wreak havoc in global markets until a vaccine is found. Factually, there is prodigious vagueness about the severity and length of the pandemic. We will continue to see the economic effects of national closures, travel restrictions that have been imposed because of fear of the spread COVID-19 causing, unemployment due to a decline in consumer demand, and a sharp drop in business activity. International finance stands to lose as companies involved would have shouted their business down and to an extend layoff some of their workers. Good examples the aviation and the tourism industries. Institutions with international presence will lose contracts to local companies due to travel restrictions; preventing movement of personals and materials. The COVID-19 pandemic and the oil crisis have caused the constant depreciation of the currency in emerging countries to accelerate cause instability in the global financial market. Prices of risk assets have dropped harshly ever since the pandemic's eruption. However, COVID-19 measures have brought about some positive effects on stakeholders of international financial management.

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