Covid-19 and Construction Companies in Kabul, Afghanistan

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Abstract

This study aims to investigate the current issue and challenges faced by the construction companies of Kabul, Afghanistan due to Covid-19 pandemic. At the same time, study also explore the possible initiatives that should be taken by the government to overcome the challenges faced by the construction companies. For this purpose, qualitative methodology was employed based on interpretivist philosophy and inductive approach. Phenomenological methodology is capitalized to achieve the study objectives. Semi structured in-depth interviews were conducted with twelve respondents from the construction companies of Kabul, Afghanistan. This study concluded that construction business operations, supply chain, revenue and funding (financing) were badly affected by the pandemic which led to unemployment and instability of construction sector. Furthermore, the study found that government can play a vital role in helping the construction business by reducing the interest rates, providing tax subsidies, reduction in the utility charges and creation of crisis fund for the construction sector. Finally, this study recommends that government should take the initiatives mention above as soon as possible before the construction sector witness a collapse.

Keywords: Covid-19, Pandemic, Construction Companies, Afghanistan.

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Introduction

Initially, it was perceived that the Covid-19 pandemic will be localized in China only. But later on it spread across the globe as the people went in and out of china (Horowit, 2020). According to WHO Situation Report, Feb 13, 2020 China had 77,042 cases which was the highest number around the globe, following China, the Republic of Korea, Japan, Italy, Singapore, the United States of America and Iran were among the worst affected nations (WHO, 2020).

Businesses experienced contraction and it became severe as people were asked to stay at home. The severity was felt in various sectors of the economy with travel bans affecting the aviation industry, sporting event cancellations affecting the sports industry, the prohibition of mass gatherings affecting the events and entertainment industries (Horowit, 2020).

According to Gul (2020) Afghanistan reported its first case on Feb 22, 2020 an imported case from its neighboring country Iran. In a matter of month, Iran reported the highest number of death in the world due to the virus and for Afghanistan the risk was increased as thousands of Afghan refugees were reported to cross the border from Iran into Afghanistan on daily basis. As per the US embassy in Afghanistan the latest statistics as of Aug 7, 2020 there were 36,937 confirmed cases with 1,298 deaths in Afghanistan (Lucero et. al. 2020). A country with only 8.2% of its GDP spent on health and with a low health per capita of \$167 indeed facing challenges in the public health sector. According to biannual report of the World Bank on Afghanistan Development, it is expected that country reach a 72% poverty level due to this pandemic (World Bank, 2020)

The construction industry is considered to be among the important industry for the economic development of underdeveloped or developing countries. It generates wealth for formal and informal businesses related to it and accommodates unskilled, semi-skilled, and skilled human resources (Khan, 2008). The role of the construction sector is crucial in the sustainable development of a country's economy. Furthermore, besides the satisfaction of employment opportunities, sources of wealth creation, and its distribution, it also fulfills our basic needs of the shelter (Durdyev & Ismail 2012).

Afghanistan with a GDP of estimated 19.6 billion dollars in 2018 had a consumption distribution of agriculture: 20.5%, industry: 22.1%, and services: 52.7% to GDP as per 2018 statistics. Moreover, inside the industry category, the construction sector acts as a backbone to the industry (Karimi and

Gidado, 2012). The construction sector of Afghanistan had a 30% contribution to the country's GDP in the year 2006 and due to change in country risk environment, the contribution decreased 30% to 8-10% of GDP. Furthermore, currently, the industry contribution is 4-6% of the country's GDP (Construction Sector overview, 2017).

Afghanistan's construction industry with a market value of 15.2 billion dollars and a market gap of 35,000 houses, is making this industry one of the most attractive investment opportunities (Construction Sector overview, 2017). It is unfortunate, that the industry is unable to cash the opportunity due to the country's risk profile that halts local and international investors from investment (Coface, 2020)

The Covid-19 has a sudden negative impact on all the businesses including the construction industry of Kabul. The existing body of knowledge is weak in the context of Afghanistan, there is no specific empirical research study done and especially relating to Covid-19. However, this study will contribute to get an in-depth analysis of different factors during the time of Covid-19 that are causing hurdles in the better performance of the construction industry of Kabul. Furthermore, study results will help the decision-makers in identifying the most critical factors and prepare themselves for the future worse situation until the pandemic finishes.

1.1. Research Questions

This study will address two research questions that are as follows:

- 1. What are the issues and challenges faced by the construction companies due to Covid-19 pandemic in Kabul, Afghanistan?
- 2. What are the possible solutions for the construction companies to overcome the problems faced due to Covid-19?

2. Literature Review

None of the Literature was found in the context of Covid-19 and how it has effected the construction businesses around the world. However, that literature is considered that shows how different businesses operations, supply chain and finances were effected due to lock down.

The coronavirus outbreak led the governments of many countries to impose restrictions on nonessential travel to countries affected by Covid-19, indefinitely suspending tourism travel, work visas, and immigrant visas. The travel restrictions imposed by US governments alone led to the reduction in the demand for all forms of travel which forced some airlines to temporarily suspend operations. Such travel restrictions cost the airline industry alone a loss of over \$200 billion globally (IATA, 2020).

Hotels across the world witnessed booking cancellations worth billions of dollars of loss, and the hotel industry sought a \$150bn bailout. Moreover, many import-dependent countries were severely affected during the coronavirus pandemic as countries import commodities from major exporting countries. Therefore, decrease in the goods flows across the borders due to lockdown caused shortages of supplies to import-dependent countries causing inflationary pressure (Horowit, 2020).

The banking sector had the highest exposure to credit risk during the outbreak. Nonperforming loans rose from loans issued to small and medium scale enterprises, airlines, hotels, tour operators, restaurants, retail, construction, and real estate businesses. During the pandemic, there was a general decline in the volume of bank transactions, a decline in card payments, and a fall in the use of ATM cash machines worldwide (Ozili & Arun, 2020).

The coronavirus disrupted the \$600 billion higher education industry. Moody's, downgraded the U.S. higher education outlook from 'stable' to 'negative', because 30% of the colleges and universities in the US already had a weak operating performance, and it was difficult for these colleges and universities to adapt with the financial and academic changes required to cope with the coronavirus outbreak (Moody's, 2020). It is reported that the COVID-19 outbreak disrupted the education of at least 290.5 million students worldwide (UNESCO, 2020).

Bartik et al. (2020) conducted a survey from 5,800 SMEs at the start of 2020 indicating many problems emerged at the start of the Covid-19 lockdown. The study concluded four major themes which describes the problems faced by the SMEs. First, mass layoffs and closures have already occurred. In our sample, 43 percent of businesses are temporarily closed, and businesses have on average reduced their employee counts by 40 percent. Second, majority of the SMEs were volatile due to their weaker cash position, which in some cases was having cash backup for the next two weeks. Third, businesses have widely varying beliefs about the likely duration of COVID related disruptions. Fourth, the majority of businesses planned to seek funding through the CARES act.

Lesser studies are found in the area of verifying the economic impact of pandemics, however, Schoenbaum (1987) was the earliest in analyzing economic pressure development due to Brazilian influenza. Taken forward the theme of economy and influenza, Meltzer et al. (1999) found an estimated 73.1-166.5 billion USD impact on the US economy, where 15%-35% of the population contracted the disease and estimated 89-207 thousand valuable lives were lost.

Fernandes (2020), after studying supply chain networks, found significant proof of Covid-19 affecting the supply chain networks in different regions. Such a global supply chain crisis created a spillover effect at different stages of the chain. As a result, unavailability and hike in imported commodities were experienced. Automobile and other technology-intensive industries were forced to temporarily halt operations due to a lack of availability of spare parts, especially in less advanced nations. Apart from the negative impact of the pandemic itself, such disruptions in the supply chain caused the cost of manufacturing to increase which indeed has piled up the economic pressure on governments.

In light of weaker transit connectivity, the American Institute for Supply Management through its survey found that 75% of the business reported having shortages of raw material or merchandise due to supply chain disruptions. Furthermore, developing strategies based on differentiating lead time among companies were seen to be contemporary, as managers around the US have realized the significance and trade-off between efficiency and resilience which led companies to broaden their span of countries for its supplies.

The World Trade Organization expects an estimated 32% overall slowdown in the value of international trade. Leading to an intense global economic challenges, as export-led nations will face the issues with the exports of their products, while importing countries facing availability issues.

3. Research Methodology

The research design for this study is qualitative methodology under the interpretivist philosophy and inductive approach. Interpretivism promotes the idea "that it is necessary for the researcher to understand differences between humans in our role as social actors (Eisner, 2017). This is followed by semi structured in-depth interviews from the respondents of the construction industry. To explore the key issues and challenges faced the construction industry during lockdown due to Covid-19 in Kabul, Afghanistan.

3.1. Population and Sample

The Population of the study was considered as construction companies of Kabul province of Afghanistan. Non-probability purposive sampling technique was used to select the respondents for the study, which involves identifying and choosing respondents who have expertise and experience with the phenomenon of the research study.

For this study, Creswell (2007) selection criteria was considered which suggest that number of respondents for the interview must be in the range of minimum 5 to maximum 25. According to Creswell (2007) if the interviews were to be conducted face to face, then the rule of thumb is to have at least 12 respondents. Although the sample population could be wider, but due to lockdown, possibility of getting infected and lack of budget minimum of twelve responds were selected.

3.2. Respondents Profile

The top management/board members of different construction companies in Kabul were selected as respondent for the interview. The respondent's profile is given in table 1.

Code No	Organization	Position	Experiences	Qualification	No. of Interview
MRR	Ministry of rural rehabilitation and development	Board member	16	Master	2
MCI	Ministry of commerce and industry	Director and Deputy Director	9	Master	2
MOF	Ministry of finance	General manager	10	Bachelor	1
MOE	Ministry of economy	Senior Management	18	Master	2
NDC	National Development corporation	Senior management	15	Bachelor	2
GCC	Gulzar construction company	Projects Manager	4	Bachelor	1
КСС	Karimi Construction Company	Director	17	Bachelor	1
APC	ΑΡርΟ	General Manager	19	Master	1

Table 1: Respondent Profile

Source: Author's Work

3.3. Data Analysis Method

Qualitative methods have enjoyed a growing popularity in the past decade throughout the social sciences (Bryman and Burgess, 1994; Denzin & Lincoln, 1994; Jensen, 1991; Marshall and Rossman, 2011). For analyzing

and assessing the interviews, the study uses 'thematic analyses'. Thematic analyses seek to unearth the thematic salient in a text at different levels, and thematic networks aim to facilitate the structuring and depiction of these themes (Denzin & Lincoln, 1994).

The data for this study is analyzed based on qualitative data analysis, specifically content analysis where the specific method was themes analysis method. As there is a need to find the phenomena that how construction companies were affected by the Covid-19 in Kabul, Afghanistan.

For assessing the interviews, thematic analysis methodology, Swanson and Holton (2009) coding technique is used, which is a process of generating predetermine themes and further generate subthemes from the interviews textual answers and later subthemes are assign codes that represents both themes and subthemes. Textual data and these inductive subthemes are being assigned codes which represents themes and inductive subthemes and based on these inductive subthemes thematic network are generated, and the thematic networks graphs are being used for interpretation of patterns.

3.4. Research Limitation

Although the research study has reached to its goals, but there were some constraints and challenges for the study, some of the main limitations of this study were:

- 1. The survey is limited geographically due to security purposes.
- 2. Unwillingness of some of the respondents to provide information properly

4. Data Analysis

4.1. Finding from Research Question (RQ1)

This first of part of the analysis offer the results of the first research question, which explores the issues and challenges faced by the construction companies due to Covid-19 pandemic in Kabul, Afghanistan. The results of first research question are presented in form of basic, organizing and global theme as shown in below Table 2.

Basic ThemeOrganizing ThemeGlobal Theme1. Delays in current and new projects.2.2. Abonnement of work due to lockdown.3.3. Lack of Logistic Service in market4.4. Shortage of building materials in the market.5.5. Delay in the documentation due to lockdown.Operational &6. Retention and shortage of key equipment & machinery.Supply chain Issues7. Non availability of specialized equipment & machinery.Problems, issues and challenges of Construction8. Employees and workers got infected with Covid-19Problems, issues and challenges of Construction1. Reduction in revenues as projects were delayed or halted.Decline in revenue and short term credit due to Covid-19 pandemic.3. Difficulty in finding new funding resources.Financial problems5. Difficulty in finding new funding resources.Fremium Interest Charges on Loans. 7. Overrun of cost due to delay in the payments from the shareholders.	Table 2: Responses for RQ1						
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Source: Author's compilation

Above Table 2 shows total three columns themes including basic, organizing and global themes. Where basic theme column shows a total of eighteen (15) basic themes extracted from the text. Column two shows three (02) organizing themes extracted from basic themes. From the organizing theme, then global theme is constructed which is, what are the problems, issues and challenges faced by the construction companies due to the covid-19 pandemic?

To reach to the results of the first research question, four interview questions were discussed during interview with respondents. The four interview questions were:

- 1. What are the issues and challenges construction companies face due to Covid-19?
- 2. Does the covid-19 impact construction business operations?
- 3. What problems your construction companies faced in supply chain due to lockdown of covid-19?

4. How about your cash flows and finances, are they effected by the lockdown?

The answer and comments of the respondents led to the extraction of basic themes and organizing themes which is discussed in detail in sections 4.1.1 and 4.1.2.

4.1.1 What are the issues and challenges construction companies face due to Covid-19?

During interviews, first basic themes were extracted and then the organizing theme were derived to explore over all understanding of the pandemic. The one organizing themes as a global pandemic explored as:

1. Operational issues and challenges for Construction projects

The following figure 1 shows two basic themes leading to organizing theme "Impact economy negatively and impact construction sector badly".





Source: Author's compilation

During interview process, it was found that nine respondents reported major challenges such as delay in the current and new projects, lack of logistics service, shortage of building material, retention and shortage of key employee's and most of the employees and worker were infected by Covid-19. Which has affected the business operations and supply chain badly. While other three respondents mention as stoppage work due to lockdown, delay in the documentation due to lockdown and non-availability of specialized equipment and machinery.

The nine respondents: GCC, KCC, APC, NDC1, MCI, MOF1, MOE1, MOE2 and MRR shared similar thoughts and explained by GLS as:

"The main challenges and issue for construction companies are delay in the current and new projects, lack of logistics service, shortage of building material, retention and shortage of key employee's and most of the employees and worker were infected by Covid-19. Apart from that we have a lockdown it impacts our overall operations as we were not allowed to work in certain areas of the country and our running projects works were stopped, and new projects were delayed and we were short of materials and transportation." [GLS].

Further, three more respondents: NDC-2, MOE-2 and MCI shared their views about the operational challenges explained by MCI with the following statement.

"As Afghanistan is a land lock country and depend more on imported products for construction proposes. Due to the blockage of borders and restriction on travel and transport, we faced with the shortage of raw materials, building materials, retention and shortage of key employees, delay in the documentation and non-availability of specialized equipment and machinery resulted in decreased demand for flats and investments." [MCI].

Overall, the respondents' views show that due to lockdown over all operations were impacted and as a land locked country they face the problem of shortage of building material, employees and delays in projects.

4.1.2 Basic and organizing themes of financial problems faced by the Construction Companies

The following figure 2 shows four basic themes leading to organizing theme "Financial problems due to Covid-19".





Source: Author's compilation

During interview and analysis process, it was found that seven respondents shared similar thoughts and emphasize on "Diminishing working capital, premium interest charges on loans, reduction in the revenues as projects are delayed or halted and unwillingness of banks to provide short term credit due to Covid-19 pandemic" while other five respondent's stresses on "Difficulty in finding new funding resources, overrun of cost due to delay in the payments from the shareholders and financial market uncertainty". The seven (07) respondents: GLS, KCC, APC, NDC1, MCI, MOF1, MOE1 and Shared similar thoughts and explained by KCC and APC as:

"As you know that construction industry requires more funds for their projects, employees' wages, material costs and so on and they get their money based on installment from government as well as other entities. The cash flow management for the constructions companies during COVID 19 was really challenging as the clients were not able to pay their due money on time due to lock down and stoppage of work but the companies are obliged to pay their bills to meet their expenses". [KCC]. "At the same time construction companies took loans from banks for a certain period of time but the COVID 19 delayed their projects and that led to legal dispute of payment and due to that we are obliged to fire or shut down our works. Our revenues are reduced and working capital is reducing very fast and difficult to find new financiers". [APC]

Five respondents: NDC-2, MOE-2, MCI, MOE2 and MRR Shared similar view and explained by NDC-2 as:

"As the covid-19 pandemic recognized the safety issues also arises which required more money for the companies to take healthy steps to provide safety facilities to the employees and company that lead to high costs and the installment money of projects takes time due to lockdown". [NDC-2]

4.2. Finding from Research Question (RQ2)

This part of the paper offers the results of the second research questions which explores the possible solutions for the construction companies to overcome the problems due to Covid-19 pandemic in Afghanistan. The results of second research question are presented in form of basic theme, organizing theme and global theme as shown in below Table 4.2.

Basic Theme	Organizing Theme	Global Theme
 Companies should start planning for more alternative building materials and adjust their project schedule 		
 Reschedule projects until supplies may be more rapidly available at the best prices 	Alternative sources for Supply chain	
3. Constructions company shall have merged together to complete the remaining projects which required huge amount of money		Possible solutions for the construction companies to
1. Government monetary policy should reduce interest rates		overcome the challenges
 Government should exempt taxes and provide subsidies 	Government	
 Government should pay all the pending and due installments to the contractors 	Support and Initiatives	

Table.3: Responses for RQ2

4.	Reduce electricity charges						
5.	Governm	nent	should	not	work		
	parallel	to	private	construction			
	companies						
6.	Anti-coronavirus crisis fund						

Source: Author's compilation

Above Table 3 shows total three columns of basic theme, organizing theme and global (overall) theme. In the basic theme column, there are total nine (9) basic themes extracted from the text. Column two shows two (2) organizing themes extracted from basic themes. From the organizing theme, global theme is constructed which is "Possible solutions for the construction companies to overcome the challenges".

For concluding the answer of second research question (RQ2), one interview question was discussed with informants of sample organizations. The respondents' comments led to the extraction of basic theme and organizing theme.

4.2.1. What do you think what are the solutions to overcome the issues and challenges faced by the construction companies in Kabul?

Based on this, the following figure 3 shows three themes which leads to organizing theme "Alternative sources for supply chain".



Figure.3: Basic themes of Alternative sources for Supply Chain

Source: Author's compilation

During the data analysis process, it was found that ten respondents shared same views and focus more on "alternative building material sources and reschedule projects" while other two respondents viewed merge companies for huge projects completion. The ten (10) respondents: NDC-2, MOE-2, MCI, MOE2, MRR APC, NDC1, MCI, MOF1 and MOE1 shared similar thoughts and explained by MCI and GCC as below: "As you know that construction industry required more fund for their projects and required a strong and on time supply chain and material but currently the situation is still volatile and shortage of building materials are felt due to that Companies should start planning for more alternatives building materials schedule accordingly". [MCI]

Another responded explained by GLS as

"As the pandemic hit the economy and construction sector badly for completing the big projects they should merge with one another to share risk and share their existence resources." [GLS].

During the data analysis process, it was found that all respondents shared same views that government should initiate programs to solve and overcome construction problems where eight respondents shared same view

"Government shall exempt taxes, provide subsidies and reduce electricity charges to help construction companies". [MRR]

while other four respondents viewed

"Government shall apt better monetary policy to reduces interest rates, Government should pay all the pending and dues installments money to the contractors and should not work parallel to private construction". [NDC-2]





source: Author's compilation

The six (06) respondents: NDC-2, MOE-2, MCI MOE2, MRR, MCI, MOF1, MOE1 shared similar thoughts and explained by NDC-2 and MCI as below:

"As you know that construction industry is suffering losses and struggling for survival it is the duty of government to act smart and help this sector by exempting taxes, provide subsidies like other countries and reduce electricity charges." [NDC-2]

Whereas, four respondents shared similar thoughts and quoted by MCI:

"In this tough situation government shall focus on monetary policy to reduce the interest rates, and shall pay all the installment of government projects and shall not work parallel with private sectors". [MCI]

5. Conclusion

This study aims to investigate the current issues and challenges faced by the construction companies of Kabul, Afghanistan due to Covid-19 pandemic. The qualitative study was divided into two major research questions.

- RQ1: What are the issues and challenges faced by the construction companies due to Covid-19 pandemic in Kabul, Afghanistan?
- RQ2: What are the possible solutions for the construction companies to overcome the problems faced due to Covid-19?

To address the first research question of the study, four interview questions were asked form the respondents, based on the respondents' views, themes extraction process have answered first research question. Concluding the first research question, it was found that construction companies in Kabul faces major challenges in their operations, supply chain, cash management and finances such as lack of logistics service, shortage of building material, retention and shortage of key employee's, stoppage of work due to lockdown, delay in the documentation, diminishing working capital, premium interest charges on loans, reduction in the revenues as projects are delayed or halted and unwillingness of banks to provide short term credit. Which leads to unemployment, reduction in tax revenues, achievement of sustainable development goal (SDG), delay in the infrastructure development and increase poverty.

To establish the reliable conclusion of the second research question, one interview question was asked from the respondents of construction companies to suggest the possible solutions to overcome the problems faced by the construction companies due to covid-19 pandemic. It was concluded from the response of the respondent that government should revise monetary policy and should reduce interest rates, government should exempt taxes and provide subsidies, reduction in the utilities charges and create an anti-coronavirus fund for construction sector.

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