

Literature Review of the Impact of Covid-19 Lockdown on the Working Capital Management and Profitability of Firms

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Abstract

Purpose: This study was carried out to analyse the impact of Covid-19 Lockdown towards working capital management and profitability of companies in Zimbabwe. The main complications faced were loss of market whilst operational costs remained on the same level. Enforcement of lockdown regulations such as curfews and intercity travel bans posed a threat in profit statuses of many firms. A challenge also faced was reduction of workforce to meet World Health Organisation requirements of social distancing and health safety protocols.

Methodology: Documentary research approach, which consists of reviewing, analysing, and examining information, recorded media and texts was adopted for the study. In terms of data collection, the authors sourced and reviewed literature on the topic. Among others, these sources included journal articles, books, magazines, and newspapers.

Findings: The research found that effective working capital management techniques had to be applied to continue operations. It also emerged that sudden increase in debtors would result in cash shortages to fund other operations and pay the current liabilities.

Originality value: The research will bring light to assist financial managers on ways that they can effectively manage their working capital during lockdown periods and improve profitability by doing so. They need to understand good working capital management and its importance in reducing insolvency in the economy.