

Exploring The Impacts Of A Covid-19 Pandemic And Stock Market Psychology On The Financial Performance Of Chinese Listed companies

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Article Info	Abstract
Article History Received: May ,2026 Accepted: August ,2026	<i>The purpose of this research is to explore the impact of the COVID-19 epidemic and stock market psychology on the financial performance of Chinese public listed traded companies. To investigate the effects of the COVID pandemic and stock market psychology on the financial performance of Chinese listed companies we used pooled ordinary least square (OLS) regression as a baseline methodology. We discovered that the pandemic and stock market psychology has the greatest impact on small and medium-sized businesses and that our analysis suggested that serious-impact locations and industries that were hardest struck by the COVID-19 and experienced a piercing decline in financial performance than those industries that are located in lesser impacts areas. The conclusions of this study have far-reaching policy implications as it is clear that governments, banks, regulatory organizations, and central banks must work together to address the financial and economic consequences of the COVID-19 crises. They should develop comprehensive measures to address the negative consequences of future crises. Starting points include approving loans and rescheduling existing loans to the worst-affected industries, such as tourism and the airline industry. Officials disclosing facts and figures about the state of health care and the number of infections can help to avoid panic situations in the future.</i>
Keywords : Covid-19, Chinese Listed Companies, Financial Performance, Government Rules And Regulation And Investment Decision.	
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Introduction

The current COVID-19 pandemic originated in Wuhan China with the first confirmed case occurring on December 31, 2019, according to WHO data the virus's quick spread can be traced mostly to the fact that a huge number of individuals went from Wuhan to other parts of China in mid-January 2020 to celebrate the Chinese New Year. This exacerbated the issue as the virus spread rapidly and the Chinese government responded by establishing a complete travel ban in the Wuhan region by January 23, 2020, but it was too late as the virus spread rapidly due to its contagious nature. This was followed by a WHO declaration of an international health emergency on January 30, 2020, indicating that the virus had spread to other regions of the world and had now become pandemic. Keep in mind that this is the sixth time that such action has been taken. These include the Democratic Republic of Congo's Ebola and Zika virus epidemics. Chinese scientists concluded that COVID-19 belonged to a family of viruses known as CORONA viruses; viruses from this family were previously responsible for the SARS and MERS pandemics. According to the CDC, symptoms of COVID-19 can appear between two and fourteen days following virus infection by the physical encounter. A person can get this virus by personal contact with an infected person or through contact with any object used by an infected person. This complicates the task of restricting the virus's initial transmission as those who have already contracted the virus may be unaware of their infection until symptoms manifest. The severity and contagious effect of the virus resulted in its spread

Outside China and after reviewing the situation the WHO proclaimed it a global pandemic on March 11, 2020. Simultaneously, the virus is spreading at a breakneck pace; as of March 23, 2020, the number of COVID-19 cases in the United States was 31,573, in Italy, 59,138, and in China, 19, 81,601 according to the international health agency (WHO). According to the Centers for Disease Control and Prevention (CDC), there is currently no recognized vaccination for the disease, and researchers are working around the clock to develop one (Anderson, Heesterbeek, Klinkenberg, & Hollingsworth, 2020; He, Deng, & Li, 2020; Wu, Chen, & Chan, 2020). As we are in the midst of this catastrophe estimating the pandemic's long-term impact is extremely difficult. The research on the social, economic and cultural consequences of such pandemics is quite limited even though the globe has experienced numerous such events in the past. The review of available literature on the impact of such catastrophes throughout history indicates that returns on assets generally decline during and following such pandemics (Jordà, Singh, & Taylor, 2020). Following such catastrophes, consumers tend to avoid investment and try to cut their losses through withdrawals lowering economic activity and so slowing overall growth. Given that returns on investments are generally negative in the current environment and

economic activity has nearly ceased, one cannot predict whether or not people will exhibit comparable conservatism. Funk, Gilad, Watkins, and Jansen (2009) argue that changes in investor behaviour are primarily motivated by the protection of personal wealth, as investors are more concerned with their safety than with the welfare of the entire society. One such example from contemporary times is the wearing of face masks. It is more about personal convenience than a societal shift in behaviour. The current COVID-19 epidemic has forced the closure of numerous firms, causing significant disruption to global commerce and resulting in losses for virtually all industrial sectors worldwide. While some businesses, such as retailers are bound to face difficulties in the short term, others such as supply chain-based manufacturing and health care are confronted with issues such as decreased demand, reduced cash flows, decreased sales revenues, workforce availability and marketing challenges. Their future is largely dependent on their capacity to overcome such obstacles and even after overcoming these obstacles their financial future may remain uncertain. As the globe may never be the same again following the pandemic, sectors such as travel and tours, hotel and hospitality may perhaps vanish for an extended period. The majority of enterprises are using cost-cutting measures delaying expansion, conserving their funds, and pursuing cost-cutting measures to protect their hard-earned assets. These challenges are exacerbated for recently founded or small-scale business operations, which have halted employment and are even considering shrinking. On the contrary, the situation has offered numerous industries, including online commerce, web-based entertainment and online communication, with enormous potential, which these businesses have taken advantage of opportunities.

The impacts of covid-19 and Stock market psychology on human

The present SARS-CoV-2 epidemic has a significant impact on human and market psychology resulting in the obvious mental state of "uneasiness." The phrase "anxiety" refers to the public's reaction to the epidemic in all media regardless of whether the information is accurate or not such as irresponsible behaviour about animal abandonment and panic buying of other foods. Panic attacks are not fully characterized in the medical sense unless they are linked to anxiety disorder. Anxiety is a collection of internal and external psychiatric diseases (phobias, panic attacks, and panic disorder) (worry, stress, fear, painful experiences, or events). COVID-19's psychological effects have resulted in mass hysteria PTSD, panic attacks, obsessive-compulsive disorder (OCD), and generalized anxiety disorder (GAD) (GAD). According to the behavioural immune system (BIS), theory negative feelings (anxiety, aversion) and negative cognitive assessment of humans are created for self-protection. Because of the pandemic's severe impacts and the danger of sickness, people tend to adopt avoidant behaviour and tightly adhere to societal rules (Cao et al., 2020; Lai et al., 2020; Sarfraz et al., 2020b). COVID-19-related anxiety, tension, and panic attacks have resulted in two etiologies. The first is the frequent occurrence of acute respiratory distress syndrome (ARDS) symptoms such as cough and dyspnea Javelot and Weiner, (2020) the second is a psychopathological relationship to the catastrophic interpretation of physiological sensations known as "false alarms" (Klein, 1993). The recurrence of panic attacks has increased the rate of respiration and has become the source of excessive avoidance and blind conformity (Li et al., 2020; Mohsin et al., 2020a). Because psychopathology has such a strong impact on investor behaviour in stock market investment. The majority of stock market investors and business people's time is spent at work. They are primarily housebound at the moment due to the current state of the stock markets, investment decision pressure and the psychological health of family members.

The impacts of covid-19 market psychology on investor

The COVID-19 outbreak has posed a threat to public health in every aspect of life. The global stock markets and financial markets' long-term viability has far-reaching implications (Ali et al., 2020; Huang and Zheng, 2020). Investor psychology (sentiments) and their optimism or pessimism about future stock values might vary as a result of being a part of the societal system. According to Lee et al. (2002) and Brown and Cliffs (2004), Historical market returns are crucial sentiment predictors while investor sentiment shifts are highly connected with current market returns. Investor sentiment is a contrarian predictor of subsequent market returns as evidenced by the positive association between stock markets and sentiment. Meanwhile if easy (hard) to value stocks are negatively (positively) influenced by emotions the sentiment impact is higher (Xiang et al., 2020). Lan et al. (2020) found strong evidence that the pre-announcement abnormal return is caused by investor sentiment using the component of market index return that is unaffected by basic macroeconomic factors. Lan et al. (2020) found strong evidence that the abnormal return before an announcement is caused by investor emotion. During the post-announcement period, the sentiment-based overvaluation corrects itself within a month. Market timers take advantage of the current mood condition by issuing season shares. During a period of high sentiment stock price sensitivity to excellent earnings, the news is higher.

This research is divided into two sections: The first section forecasts financial performance while the second section analyses the impact of COVID-19 and stock market psychology on the financial performance of Chinese companies. In the first stage, we used publicly available financial data from Chinese enterprises spanning the years 2013 to 2019 to forecast their possible financial results for the first quarter of 2020. Then these outcomes will be compared to the companies' real financial results. This comparison enables us to demonstrate the impact

of the COVID pandemic stock market psychology on the financial performance of businesses across industries. The impact will be quantified using data from the first quarter of 2014 to 2020. Our findings suggest that Chinese companies overall financial performance has deteriorated across industries since the COVID-19 outbreak reached China. This financial impact can be mitigated through additional investment. We employed a different way to confirm the robustness test for other dependent variables and the consistency of the results confirmed our previous findings.

Our research makes the following contributions. The first contribution is an analysis of the COVID-19's stock market psychology influence on the financial performance of Chinese publicly traded companies across industries. The majority of previous studies past research has concentrated on the macroeconomic impacts of the COVID outbreak. Gil-Alana and Monge (2020) for example, examined the effect of a COVID pandemic on crude oil prices. Njindan Iyke (2020) examined the exchange rate impacts of a COVID pandemic, while Apergis and Apergis (2020) examined the effect of COVID-19 on the US political conflict index. Rather than focusing on the macroeconomic impact, we investigate the effects of the COVID pandemic on the financial performance of Chinese listed companies we used pooled ordinary least square (OLS) regression as a baseline methodology. Second, we examined the underlying mechanisms through which COVID-19 and stock market psychology has impacted Chinese enterprises' financial performance. Our findings indicate that the proliferation of COVID-19 and stock market psychology imposed geographical, social, and psychological constraints on businesses resulting in a decline in sales and financial performance. The impact can only be mitigated by allocating new capital into industries that will likely enhance revenues, hence negating the financial consequences of the COVID pandemic and stock market behaviour. The final contribution examines the economic consequences of significant pandemics and health-related events. The markets' reaction to COVID-19 has already been extensively analyzed (Liu, Wang, & Lee, 2020; Narayan, 2020). Meanwhile, we centred our efforts on evaluating the consequences of the COVID pandemic and stock market psychology on the financial performance of Chinese firms as China is one of the countries hardest afflicted by the present pandemic.

variables are inflation rate, interest rate, GDP growth rate, foreign direct investment and financial sector development.

In a developing economy, the high inflation rate considered to be highly undesirable because it reduces the purchasing power of customers which ultimately harms the investment due to limited business opportunities (Onwe &

Olarenwaju, 2014). Furthermore, it degrades the future investment. Similarly, wherever a high-interest rate affects the other macroeconomic condition, also predicts the investment decision of firms. The increase in interest rate

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A brief literature review to investigate the impact of covid-19 and stock market psychology on the financial performance of Chinese listed companies was presented in the next section which is followed by the development of the research hypothesis. Next, we designate the method we used in the current study. We then describe both the analysis and results followed by a detailed explanation of the research findings including their practical implications and practices. The final section of the research highlights the limitations of the study along with recommendations for further study for various researchers and scholars.

Literature review and Hypothesis development

The concept of EMH and stock market psychology

The efficient market hypothesis represents that security prices represent all available information rapidly accurately. This specific information includes commercial, administrative, societal and trade activities. The efficient market hypothesis reflects how information influences security prices and how the market reacts to them. According to Fama (1970), an efficient market responds rapidly to influence a new stock price that completely represents all available information. Based on this information there are three levels of efficient market hypothesis (1) weak form of efficient market hypothesis states that stock price fully and fairly reflects all past information. (2) Semi strong form of efficient market hypothesis states that current stock prices adjust rapidly to the release of all new public information. (3) strong form of efficient market hypothesis states that current stock prices reflect all new public and private information.

Hypothesis development

The effects of the COVID-19 pandemic and stock market behaviour around the world is so severe both in terms of human lives and financial impact that many of the famous brands around the world might go bankrupt altogether, since people around the world, especially in developed countries are confined to their residence, leading to uncertainty in economic activities (Tucker, 2020). One such example is the financial pressure faced by top US brands such as Donthu and Gustafsson (2020). Bagnera, Steinberg and Edition (2020) point out that almost 90% of the airline their normal capacity the tourism and travel industry is bound to suffer financial losses in 2020. All the social events such as sporting, cultural, music concerts, etc., which hosted large gatherings have been closed off indefinitely. The lockdown imposed by governments around the world to cure the spread of COVID-19 has resulted in economic activities at all levels as people are unable to avail services like taxis, hairdressing, etc. The manufacturing industries such as electronics, automobiles were unexpectedly closed at first, which caused major disruption production process, even though they reopened approximately 60 days after the closure. The debate regarding the unexpected closure is endless. But the main questions related to the welfare of the employees, level of contingency planning, and preparedness of the companies to cope up with such situations. The role of companies and even countries in exploiting the situation to their benefit, as is the case of Chinese companies and government since they are acquiring European centred infrastructure and technology (Rapoza, 2020; Salman & Munir, 2012; Salman & Qamar, 2011). The pandemic of COVID-19 has imposed major health emergencies around the world. Since January 2020 over seven million people have contracted the virus, almost no country or region is safe from this pandemic. Due to the highly contagious nature of the virus, almost all of the countries are forced to adopt social distancing measures along with quarantine. Which has led to a decrease in aggregate demand for most of the goods and services around the world, leading to a lowering of exports, imports, and general economic activities? Many countries around the world have restricted the movement of people via lockdowns and by shutting public places, at the same time many countries stopped the import of goods due to fear of the spread of the virus especially from China, which is one of the largest exporters of goods. This resulted in a fall in the GDP of China by 6.8% in the first quarter of 2020. As at present (Narayan, 2020) studied the effects of the COVID pandemic on the oil process, while the impact of COVID 19 on the performance of the enterprises is even more scarce. According to McKinsey (2020), the spread of the Coronavirus is expected to cause a substantial recession in the world economy. This disease has reached a new inflexion point as seen by the global spike. Four 'major transmission complexes' (China, East Asia, the Middle East, and Europe) are currently operational with the United States approaching a critical interval. According to the study, continuous spread within existing complexes combined with community transmission in new complexes reduces global GDP growth by 0.3 per cent to 0.7 per cent in 2020. The impact on demand causes the global economy to grow at a slower rate of 1.8 per cent to 2.2 per cent rather than the 2.5 per cent predicted at the start of the year. Different sectors are affected in different ways. Certain industries (e.g., aviation, tourism, and hospitality) experience lower demand over prolonged periods. Demand for others (such as consumer items) is initially weak but it is projected to bounce back rapidly in near future. The article also claims that the 24th of February 2020 marked a watershed moment with cases from outside China surpassing those from within China for the first time. The top five nations outside of China that have reported the most instances are South Korea, Italy, Iran, Japan, and Singapore, with Iran reporting the highest number of cases. Based on the above discussion we propose the following hypothesis

Hypothesis (1) *with other conditions remaining the same the COVID-19 pandemic and stock market psychology negatively affects the financial performance of Chinese listed companies.*

Methodology

We used published financial reports of Chinese companies listed on the stock exchange from 2014 to 2019 to anticipate financial performance in the $t + 1$ period, that is, 2015–2020. After then we used financial data from first-quarter reports from companies from 2015 to 2020 as a sample to observe the impact of the COVID-19 pandemic on the financial performance of Chinese public listed companies. The data was retrieved from the CSMAR database one of China's most prestigious datasets to reduce the availability of extreme values and

continuous variables were once again winsorized at levels of 1 and 99% per cent to reduce the impact of outliers on the results.

$$ROA_{it} + 1 = \beta_0 + \beta_1 SIZE_{it} + \beta_2 LEV_{it} + \beta_3 GROWTH_{it} + \beta_4 WCR_{it} + \beta_5 INDUSTRY + \beta_6 YEAR + \varepsilon_{it}$$

ROA which stands for returns on assets is used as a dependent variable in the above-mentioned model. The company's financial performance is represented by ROA whereas the time is represented by dummy variables of "pandemic impact degree." The size denotes the natural log of a company's assets LEV means the company's leverage ratio of debt to equity ratio growth denotes the company's overall income growth rate and WCR denotes the company's working capital requirement and calculated by taking the natural log of total revenues of companies for the current period is used to compute current assets - current liabilities/Total assets. In the model, the variables INDUSTRY and YEAR govern the fixed effects of industry and period.

Results and Analysis

Descriptive statistics

Table 1 shows the descriptive statistics concerning important variables based on the reported financial data from 2015 to 2020. The mean and median values of ROA are 0.009 and 0.013 respectively indicating a decline in the companies' overall returns or profitability. Firm size has a mean and median of 15.343 and 2.554 respectively indicating an increase in overall firm size. The mean and median values for Leverage are 1.332 and 1.112 respectively indicating an increase in the overall leverage ratio of the company. The mean and median values of GROWTH are 1.213 and 0.248 respectively indicating a decrease in overall asset investments by the companies. The mean and median working capital requirements are 15.636 and 4.634 respectively indicating that the company's working capital requirements are increases.

Table1 Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
ROA	7225	0.006	0.010	1.2422	3.745
Size	7225	15.343	2.554	15.634	19.635
LEV	7225	1.332	1.112	1.534	2.536
Growth	7225	-1.213	0.248	-1.763	1.535
WCR	7225	15.636	4.634	10.355	15.633

Regression Analysis

We started by observing the impact of COVID-19 and stock market psychology on the financial performance of Chinese publicly traded enterprises. We used ROA as the dependent variable for this study and the findings are shown in **Table 2**. Model 2 reports the effects of the COVID pandemic and stock market psychology on the financial performance of Chinese companies at a significance level of 1%. The coefficient for the above-mentioned period is -0.0028 which is statistically significant indicating that the effect of COVID-19 resulted in a decrease in profit margins hence confirming our first hypothesis. In Table 2 Model 2, the results for high-impact businesses are presented. At a 95 per cent confidence range, the regression value of the period treated was -0.0132 which is statistically significant. This supports our H1 hypothesis which states that the COVID pandemic and stock market psychology has negative affect the financial performance of Chinese public listed companies (**Table 3**).

Table 2 The impact of covid-19 on financial performance

Variable	Model 1		Model 1(ROA)	
	Co efficient	P-value	Co efficient	P-value
Period			-0.0049**	0.015
Size	0.0012**	0.035	0.0014**	0.038
LEV	-0.0028**	0.002	-0.0132**	0.033
Growth	0.0045**	0.001	0.0055**	0.010
Working Capital	0.0030***	0.002	0.0044***	0.002
Constant	-0.0582**	0.022	-0.0654**	0.030
Industry	Yes		Yes	
Year	Yes		Yes	
Adjusted R ²	20.15		22.28	

Note: ROA which stands for returns on assets is used as a dependent variable. The size denotes the natural log of a company's assets LEV means the company's leverage ratio of debt to equity ratio growth denotes the

company's overall income growth rate and WCR denotes the company's working capital requirement and calculated by taking the natural log of total revenues of companies for the current period is used to compute current assets - current liabilities/Total assets. In the model the variables INDUSTRY and YEAR govern the fixed effects of industry and period ***, **, and * represent $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively.

Table 3 The impact of covid-19 on financial performance

Variable	Model 1		Model 1(ROA)	
	Coefficient	P-value	Coefficient	P-value
Period	-----		-0.0018**	0.018
Treated	-----		-0.1008**	0.030
Treated* Period	-----		-0.0012**	0.010
Size	0.0012**	0.0352	0.0014**	0.045
LEV	-0.0028**	0.0025	-0.0132**	0.038
Growth	0.0045**	0.0112	0.0055**	0.013
Working Capital	0.0030***	0.0011	0.0044***	0.005
Constant	-0.0582**	0.0298	-0.0654**	0.042
Industry	Yes		Yes	
Year	Yes		Yes	
Adjusted R ²	20.15		23.24	

Note: ROA which stands for returns on assets is used as a dependent variable. The size denotes the natural log of a company's assets LEV means the company's leverage ratio of debt to equity ratio growth denotes the company's overall income growth rate and WCR denotes the company's working capital requirement and calculated by taking the natural log of total revenues of companies for the current period is used to compute current assets - current liabilities/Total assets. In the model the variables INDUSTRY and YEAR govern the fixed effects of industry and period ***, **, and * represent $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively.

Robustness Tests

We used the alternative dependent variable of ROE to measure the corporate performance of the Chinese companies by establishing the following model. Our results are similar to the main findings.

$$ROE_{it+1} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 LEV_{it} + \beta_3 GROWTH_{it} + \beta_5 WCR_{it} + \beta_6 INDUSTRY + \beta_7 YEAR + \varepsilon_{it}$$

ROE which stands for returns on equity is used as a dependent variable in the above-mentioned model. The company's financial performance is represented by ROE whereas the time is represented by dummy Variables of "pandemic impact degree." The size denotes the natural log of a company's assets LEV means the company's leverage ratio of debt to equity ratio growth denotes the company's overall income growth rate and WCR denotes the company's working capital requirement and calculated by taking the natural log of total revenues of companies for the current period is used to compute current assets - current liabilities/Total assets. In the model, the variables INDUSTRY and YEAR govern the fixed effects of industry and period (Table 4).

Table 4 Robust Test: The impact of covid-19 on financial performance

Variable	Model 1		Model 1(ROA)	
	Co efficient	P-value	Co efficient	P-value
Period			-0.0043**	0.012
Size	0.0012**	0.0332	0.0017**	0.040
LEV	-0.00028**	0.0252	-0.0132**	0.042
Growth	0.0054**	0.0114	0.0055**	0.010
Working Capital	0.0030***	0.0116	0.0053***	0.010
Constant	-0.0582**	0.0315	-0.0654**	0.048
Industry	Yes		Yes	
Year	Yes		Yes	
Adjusted R ²	20.15		21.30	

Note: ROE which stands for returns on equity ROE, net income over share equity is used as a dependent variable. The size denotes the natural log of a company's assets LEV means the company's leverage ratio of debt to equity ratio growth denotes the company's overall income growth rate and WCR denotes the company's working capital requirement and calculated by taking the natural log of total revenues of companies for the current period is used to compute current assets - current liabilities/Total assets. In the model the variables

*INDUSTRY and YEAR govern the fixed effects of industry and period***, **, and * represent $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively.*

Discussions

The impact of the COVID-19 epidemic and stock market psychology on the financial performance of Chinese public listed traded companies is the subject of our research paper. Our findings of the study shown COVID-19 epidemic stock market psychology has an insignificant negative impact on the financial Performance of Chinese public listed traded companies. Overall the results had shown a gradual decrease in revenue, profitability, and investment in companies across industries. The travel tourism transportation and other businesses that rely on those industries to result of pandemic there was a significant decrease in the amount of revenue of those companies in the first quarter of 2020. The negative rate of return denotes a reduction in the above industries' business operations, sales, and output levels. Such results also considered negative signals from investors and other stakeholders resulting in future financial restraints. When comparing the transmission of COVID-19 to the SARS epidemic in 2003 the key reason for the rapid spread was the creation and quick growth of transportation infrastructure, which enhanced public mobility. Economic activity has been reduced as a result of preventative measures such as quarantine and movement restrictions in the form of lockdowns. This resulted in a drop in demand which in turn resulted in a drop in production. This combined with the abrupt shutdown of most labour-intensive businesses resulted in a sharp downturn in economic activity. In the case of China, the consequences are more severe because most nations across the world have Ban the import of commodities to prevent the spread of the virus. This has had a significant impact on Chinese businesses as China is one of the world's top exporters. Even if the epidemics confined the global economic prognosis implies that most companies including those in the industrial sector would be unable to turn around their negative financial performance in the first quarter of 2020 by the end of 2020. The current pandemic is having and will continue to have a significant influence on the global economy and there should be no expectation of financial or economic stability soon. Because there is no obvious end in sight to the pandemic Chinese companies third-quarter earnings are projected to be similar.

Policy guidelines

The worst-affected industries and businesses require government assistance in the form of financial assistance such as rescheduling or waiving debts, subsidies, and possible tax rebates to get back on their feet. Companies should also enhance their financial planning aspects and focus on the policies to be followed in the post-pandemic situation in addition to these measures. Simultaneously investors should avoid speculative investments and make sophisticated investment decisions as speculation often leads to a panic in the markets resulting in a further decrease in the value of financial securities. Because people have more free time due to the closure of offices and workplaces services industries such as entertainment (such as theatres) and tourism-based industries such as hotels, tourism destinations, and resorts should have performed well. However, because these closures were accompanied by travel restrictions in the form of lockdowns and bans on social gatherings that resulted in lowering their overall market performance. As a result organization in these service industries also had COVID-19 bear brut. The COVID-19 began as an epidemic in China but has since spread around the world forcing governments and business decision-makers to reassess their strategy for planning and mitigating the negative effects of such events in the future. The COVID-19 contagion and dissemination rate is phonomic as the number of illnesses doubled in less than three days causing widespread panic among the global population. The high rate of infection combined with widespread panic caused a supply shock in labour-intensive industries as governments pushed these businesses to stop their operations to protect workers and prevent the spread of the COVID-19 virus. Companies responded by mass layoffs cutting back on investment and other capital spending or even shutting down entire industrial units as a result of such steps hurting their financial performance. This created a panic scenario in financial markets resulting in a dramatic drop in stock and other asset values further limiting economic activity. The chain reaction also cast doubt on many firms' and industries' future financial performance. Investors reacted by selling stocks and other financial securities even before the pandemic's true impact became ostensible. The conclusions of this study have far-reaching policy implications as it is clear that governments, banks, regulatory organizations, and central banks must work together to address the financial and economic consequences of the COVID-19 crises. They must also develop comprehensive plans to address the negative consequences of future crises. Starting points include approving loans and rescheduling existing loans to the worst-affected industries such as tourism and the airline industry. Officials disclosing facts and figures about the state of health care and the number of infections can help to avoid panic situations in the future.

Conclusion

Epidemics and pandemics have been an unusual manifestation in history but the emergence of COVID-19 has reminded the entire globe that such manifestations is but are likely to happen. The only way to avoid such pandemics is to be prepared and develop procedures to deal with their consequences. The financial

consequences of such disasters as in the past are severe and global. Our study is one of the innovative in terms of studying the consequences of the COVID pandemic on the financial performance of Chinese companies.

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