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The impact of the Corona pandemic on the financial performance of private higher education institutions

A case study of the Elobeid College of Sciences and Technology in Sudan

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Abstract

The aim of the research is to know the impact of covid-19 pandemic on financial performance of higher education institutions in Sudan and the strategies through which this impact can be mitigated to ensure their continuity in the event of recurring crises. The problem represented in the following questions: What is the impact of the Corona pandemic on the actual performance of revenues at Elobied College of Science and Technology? What is the impact of the Corona pandemic on operating and capital expenses at Elobied College of Sciences and Technology during the year 2020. The research found that the Corona pandemic negatively affected revenues, operating and capital expenditures, and the research recommended that multiple strategies be taken to reduce the effects of the pandemic.

Key words: Covid -19 , Financial performance ,Elobied College .

Introduction:

The economic shock associated with the covid-19 pandemic is likely to be significantly larger than anything seen since the financial crisis of 2008/09 according to World Bank Group Education (W.B.G 2020). The covid-19 crisis presents a unique and significant external shock to the higher education system in Scotland and it is unlikely that the scale of losses in Academic year (AY) 2020-21 can be bridged by universities at their own hand. We expect covid-19 will have cumulative, multi-year impacts(SFC2020). About 112 private higher education institutions in Sudan depend on student tuition fees as a primary source of fund. The spread of covid-19 pandemic has led to the closure of institutions as a result of the quarantine imposed by the government I march 2020, and this in turn is reflected in the revenues of these institutions due to the suspension of studies and the non-registration of students, which reflected in the financial performance of private higher education institutions. El Obeid College of Science and Technology is one of these institutions as the first private college in western Sudan in the city of El Obeid in North Kordofan state. This study dealt with the impact of the pandemic on the financial performance of the college by focusing on revenues and operating and capital expenses for academic year 2020.

Research problem:

The problem represented in the following questions: What is the impact of covid-19 pandemic on the actual financial performance namely(revenues-operating and capital expenses) at Elobeid College of Science and Technology during the year 2020.

Research objective:

The common objective of the research is to know the impact of covid-19 pandemic on financial performance of higher education institutions in Sudan and the strategies through which this impact can be mitigated to ensure their continuity in the event of recurring crises. In details it aims to know the impact of covid-19 on actual performance of revenue and operating and capital expenses at Elobeid College of Science and Technology during the year 2020.

Research hypotheses:

In order to achieve research objective three hypotheses were tested as following:

1-Covid-19 pandemic had significant impact on actual performance of revenue at Elobeid College of Science and Technology during the year 2020.

2-Covid-19 pandemic had significant impact on actual performance of operating expenses at Elobeid College of Science and Technology during the year 2020.

3-Covid-19 pandemic had significant impact on actual performance of capital expenses at Elobeid College of Science and Technology during the year 2020.

Literature review:

The study of actual financial performance is to understand the ideal criteria provided with input data from the empirical reality of the firm. Financial performance is the financial achievement of the company. Financial performance is a measure of how much a company's ability to create profit or revenue.(Didin, Jusni and Mochamad 2018) . Financial performance is the company's financial condition over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio ,liquidity, leverage, solvency, and profitability. Financial performance is the company's ability to manage and control its resources (IAI, 2016).

Various studies concern covid-19 impact in business and global economy conducted all over the world after appearance of this pandemic, however in Sudan there are lack of such studies .For example Algabily (2020) tackled the impact of the covid-19 on accounting practices for preparing and auditing financial statements. Guenaya &Bouhafis(2020)aimed to identify the financial performance of companies in light of the emerging Corona virus pandemic by highlighting the pandemic and its impact on the economies of the world a case of Almarai company. Ardiny(2020) research highlights the challenges facing accountants and professional regulators when dealing with the impact of the covid-19 pandemic on elements of the financial statements of economic units, and on the results of operations and their financial position in the year ending 12/31/2019 and beyond. More over the research of Abdelazeez (2021) aims to identify the internal and external accounting disclosure impediments to imposing continuity in light of the coronavirus (COVID-19) pandemic event from the point of view of the users of financial statements .

Also (Hemici&Ahmed 2020) in their research aimed to know the monetary and financial position of the Saudi banking sector during Corona virus out breaking , which caused an unexpected violent shock to the global economy as a whole, through analysis of the monetary and financial position of banks operating in the Saudi banking sector (11 Saudi banks) in the first quarter From 2020 and the previous and similar quarter of 2019. Noor, Khairu Pazim, (2020) study aims to explore from the perspectives of micro-entrepreneurs, the crisis management strategy during and after movement control with order (MCO) due to Covid-19 outbreak. This previous study involves phone interviews with two micro-entrepreneurs, which takes place during the second and third phase of MCO in Malaysia.

The paper of (Fhrizz S. De Jesus and Blisa P. Buenaventura2020) assesses the impact of the covid-19 Pandemic in the supply chain management of the milk tea stores in Bongabon, NuevaEcija ,Philippines. the study shows that the majority of the respondents strongly agreed that the staff is afraid of the spread of the virus (Human Resource), experienced Limited business time of operation Enforcement of Local Rules), Limited entrants of delivery vehicle Transportation, Instability in the supply of raw materials (Raw Materials& Sales) decrease due to pandemic Cash flow .

Research methodology:

The research was based on data analysis and hypotheses testing on the audited financial statements data of Elobeid College of Sciences and Technology for years during the period from 2016 to 2020 the year in which the corona virus pandemic appeared, and the researcher calculated the percentage of actual financial performance from the budget for each year for the following elements: The actual performance of revenues and the percentage of actual performance of operating and capital expenses .The research depend on time series graphics and T-test to analyze the data and tested the hypotheses as following:

Table1: The actual performance of revenues and operating and capital expenses2016-2020 of the case study area :

Years	2016	2017	2018	2019	2020
Revenue performance%	68.31%	82%	83.17%	71.36%	47.45%
Operating expenses%	83.79%	100.22%	105.86%	82.42%	74.45%
Capital expenses%	42.50%	67.67%	35.64%	7.40%	3.13%

Source: prepared by researcher from annual reports 2016-2020

Reliability and consistency :

To measure the reliability and constancy of data collected for testing the hypotheses of research Cronbach's Alpha of 0.715 used for reliability statistics as in table 2.

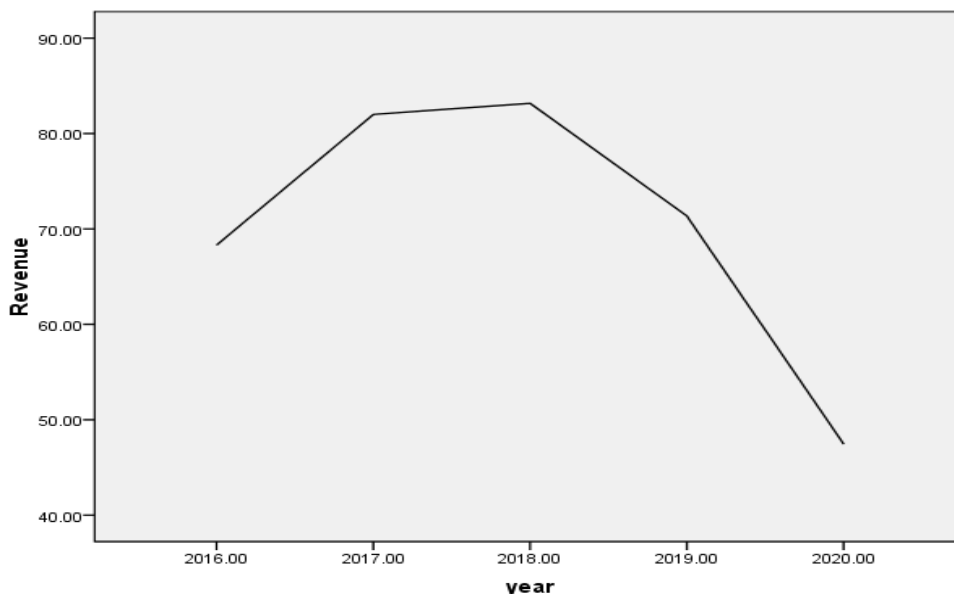
Table 2: Reliability Statistics

Constancy	Cronbach's Alpha	N of Items
	.715	4

Source: prepared by researcher from annual reports 2016-2020

Data analysis and hypotheses testing:

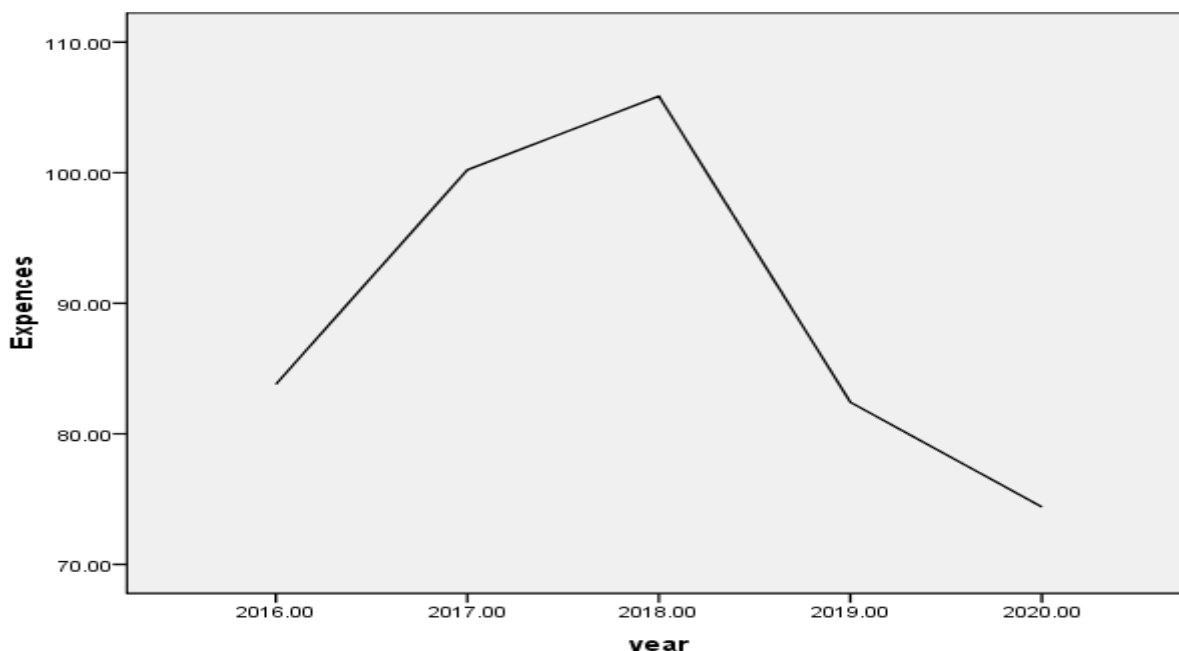
Graphic1: Time series analysis of revenue 2016-2020



Source: prepared by researcher from annual reports 2016-2020

It is evident from Table 1 and the graph1 that the actual performance percentage of revenues decreased dramatically from 71.36% year2019 to 47.45% in 2020, which indicates the negative impact of the Corona pandemic on the college's revenues

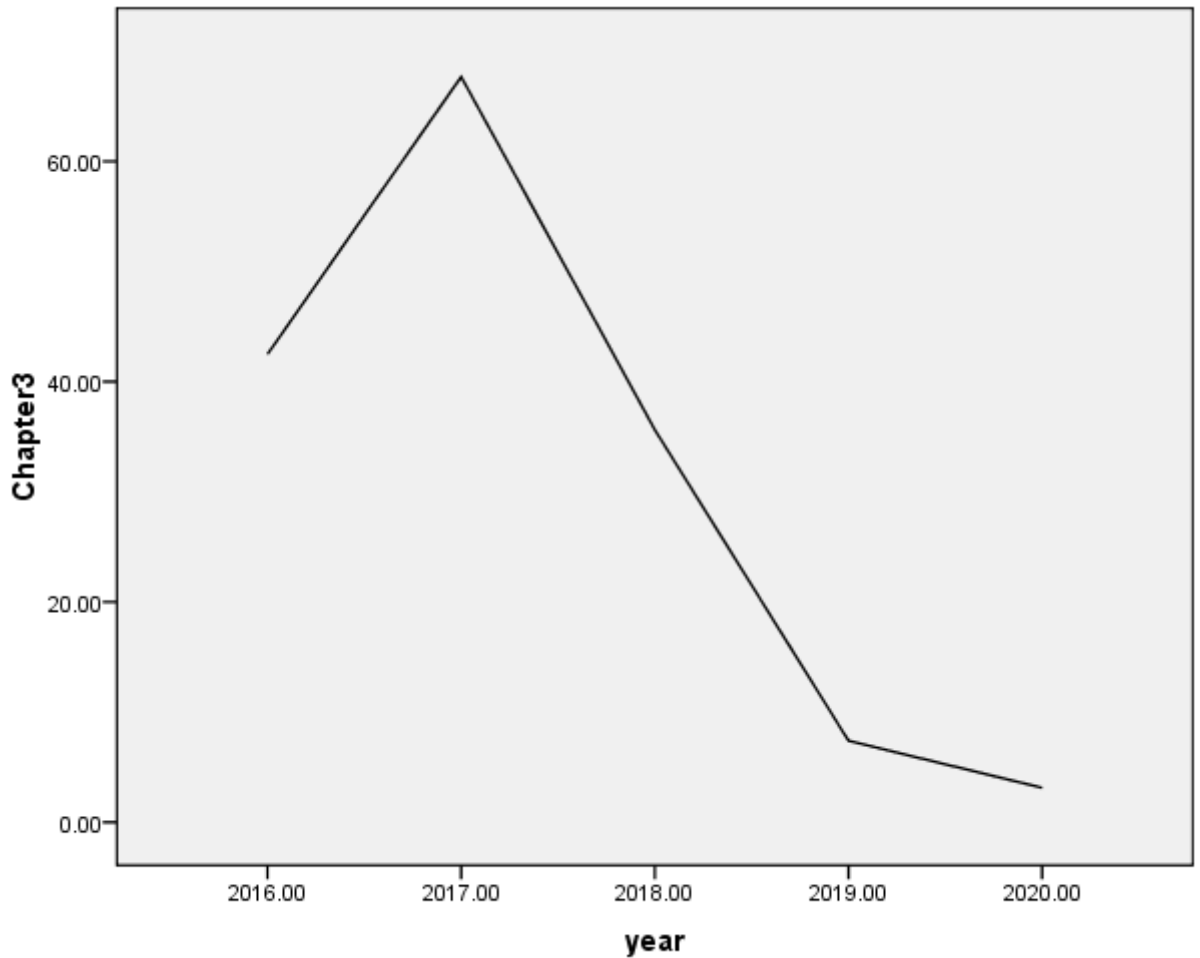
Graphic2: Time series analysis of operating expenses 2016-2020



Source: prepared by researcher from annual reports 2016-2020

It is evident from table 1 and grafic 2 that the largest decrease in the actual performance ratio of operating expenses from 82.42% in 2019 to 74.4% in 2020, which indicates the negative impact of the corona pandemic on the college's operating expenses for the 2020..

Graphic2: Time series analysis of capital expenses 2016-2020



Source: prepared by researcher from annual reports 2016-2020

It is clear from table 1 and Chart 3 that there is a significant decrease in the actual performance of capital expenses over all the period from 7.40% in 2019 to 3.13% in 2020, which indicates the impact of the corona pandemic on the college's capital expenses

Hypotheses testing:

Table 3: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Revenue	5	70.4580	14.40146	6.44053
Operating expenses	5	89.3480	13.14996	5.88084
Capital expenses	5	31.2680	26.60736	11.89917

Source: prepared by researcher from annual reports 2016-2020

Table 4 One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Revenue	10.940	4	.000	70.45800	52.5762	88.3398

Expenses	15.193	4	.000	89.34800	73.0202	105.6758
Caexpenses	2.628	4	.058	31.26800	-1.7694-	64.3054

Source: prepared by researcher from annual reports 2016-2020

It is clear from table 3 and table 4 that the value of T test was 10.940 at a level of significance less than .05, which indicates the existence of statistically significant differences between the college’s revenues during the study period, which indicates the validity of the first hypothesis.

It is clear from table 3 and table 4 that the value of T test was 15.193 at a level of significance less than .05, which indicates the existence of statistically significant differences between the college’s operating expenses during the study period, which indicates the validity of the second hypothesis.

It is clear from table 3 and table 4 that the value of T test was 2.628 at a level of significance.058, which indicates the existence of statistically significant differences between the college’s capital expenses during the study period, which indicates the validity of the third hypothesis

Results and recommendation :

- 1-Covid-19 pandemic had negative significant impact on actual performance of revenue at Elobeid College of Science and Technology during the year 2020.
- 2-Covid-19 pandemic had significant impact on actual performance of operating expenses at Elobeid College of Science and Technology during the year 2020.
- 3-Covid-19 pandemic had negative significant impact on actual performance of capital expenses at Elobeid College of Science and Technology during the year 2020.
- 4- Private higher education institutions in Sudan depend on student tuition fees as a primary source of fund

The research recommended private higher education institutions in Sudan to find other sources for fund beside student tuition fees.

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