

# HOW COVID-19 AFFECTED ENTREPRENEURSHIP PROSPERITY PROCESS IN THE DIGITAL ECONOMY: A CASE STUDY OF MIDDLE EAST

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## ABSTRACT

*Background: The research paper focused on exploring how Covid-19 affected entrepreneurship in a digital economy using the case study of Middle East. The pandemic disrupted entrepreneurship and business activities by creating challenges and opportunities in the digital economy. In the digital economy, the majority of the businesses migrated and adopted online business and entrepreneurship activities to sustain the economic growth of Middle East. To assess ways through which the pandemic has affected entrepreneurship in the Digital Economy of Middle East. The study adopted the qualitative method for data collection and analysis. In this regard, purposeful sampling was used to select participants before interviews were administered to collect data. The collected data was analyzed through the thematic method. The pandemic led to the increase in the use of technologies for entrepreneurship purposes, thus increasing awareness and improvement of the digital economy. The digital economy in Middle East has experienced a revolution creating transformations for entrepreneurship to adopt alternative methods to undertake business. In this regard, the outbreak of the Covid-19 pandemic has forced various entrepreneurs in the digital economy in Middle East to shift from traditional marketing and working styles to online digital marketing. As a Result, the pandemic affected entrepreneurship, causing them to adopt the digital economy for survival.*

**Keywords:** Digital Economy, Entrepreneurship, Covid-19, Impacts, Online, Bitcoin.

## INTRODUCTION

Since the Covid-19 global pandemic outbreak, many entrepreneurial enterprises have been largely affected in terms of productivity and input disruptions (Hassounah et al., 2020). The majority of these businesses have been compelled to adopt new strategies such as digital operation in order to retain relevance in the prevailing markets. Technology helps to improve the efficiency, quality, and cost-effectiveness of the services provided by businesses (Khrais, 2020). As a result of increased lockdown restrictions across various economies, most recent entrepreneurial activities have been compelled to shift from normal operations to new techniques, including online business. Both small and large businesses have struggled to turn away from the usual operations in an attempt to adhere to the recommended Covid-19 health control measures (Auer et al., 2020). Remote working for business employees and online shopping for customers are some of the key reforms experienced across the entire entrepreneurial sector since the pandemic outbreak. Most business premises have adopted limited access to essential services, with most activities and collaborations being done remotely using digital platforms (Elsheikh et al., 2021). The larger percentage of working populations has shifted from premise operation to remote working using online services.

The number of customers in the Middle East who buy products and services through e-commerce platforms has significantly increased (Khrais and Alghamdi, 2021). For instance, the integration of digital economy activities within the entrepreneurial business of Saudi Arabia has been perceived to significantly improve overall market penetration and accessibility (Hassounah et al., 2020). The modern digital economy has enabled small business firms to gain equal opportunities to compete with well-established organizations. The sophisticated tools involved in new digital business facilitate both workers' and consumers' comfort. The outbreak of the Covid-19 pandemic has compelled many entrepreneurs to switch their traditional operations to digital business in order to remain relevant in modern markets during both pandemic and post-pandemic era, hence, affecting the approaches of entrepreneurial activities (Tanveer et al., 2020). Therefore, there is the need to investigate how Covid-19 has impacted the entrepreneurial activities through the digital economy. The study sought to assess how the Covid-19 pandemic has impacted entrepreneurship in the digital economy. The goal was attained through the following objectives:

1. To establish how entrepreneurial activities have shifted their patterns following the occurrence of the Covid-19 pandemic.
2. To determine the ways through which the digital economy is driving the entrepreneurial function in Middle East.

## Research Questions

1. What benefits are associated with the digital economy as a promoter and disrupter of entrepreneurship activities?
2. How has Covid-19 contributed towards the increased acceptability and adoption of digital economy tactics?

The study is important because it unveils crucial information about the entrepreneurial performance due to the digital economy amidst the Covid-19 pandemic within Middle East. As a result, the information can guide the leaderships of Middle East to adopt strategies fostering new entrepreneurial activities for the effective operation of entrepreneurs. Therefore, the paper is critical in providing the guiding information towards the decision-making processes of Middle East countries.

## LITERATURE REVIEW

### Covid-19 and Digital Economy

The study by Hassounah et al. (2020) showed that the occurrence of the Covid-19 pandemic led to reduced movements of people and goods and other related restrictions as safety measures towards its management. Similarly, Nicola et al. (2020) confirmed that entrepreneurs who deal with fast-moving online commodities such as groceries have significantly improved their outcomes through stable and expanded market penetration. Garrett (2020) identified contactless logistics, among other digital shopping provisions, as significantly embraced in modern business in order to comply with the prevailing health restrictions. In general, physical to digital integration in the modern global has become popular among many entrepreneurial activities. The Covid-19 pandemic outbreak has also accelerated digital content consumption, where more than half of the internet users have switched to online entertainment services. Hassounah et al. (2020), Nicola et al. (2020), and Garrett (2020) are in agreement that technology-led solutions to facilitate trade are vital drivers towards the growth and increasing

positive perceptions of the digital economy. However, Hassounah et al. (2020) and Nicola et al. (2020) are in disagreement with Garrett (2020), who perceived technology-led solutions as necessary for process important rather than increased marketing.

Bunker (2020) found that many film entrepreneurs have opted to push for online streaming services to retain their market relevance during such a pandemic period. Moreover, Thakur & Jain (2020) confirmed that fitness service providers, learning, and other essential training have also been forced to rely on virtual classes through streaming processes. Prerecorded and live lessons are provided to remote viewers. Most learning services across the globe have been resolved to online courses. The majority of both local and global conferences and events are also being conducted through virtual teams.

Similarly, most health systems worldwide have also resolved to possible online services to reduce the potential strain imposed by the coronavirus. According to Elsheikh et al. (2021), telemedicine and remote diagnosis have assisted many patients in seeking medical assistance while at home. As a result, most entrepreneurial investments across the entire business spectrum have shifted most of their frequent operations to digital service delivery to survive through the restrictions imposed on global markets to control coronavirus spread. Nevertheless, the studies by Bunker (2020) and Thakur & Jain (2020) were all based on secondary data methodologies because primary data could not be collected during the pandemic time. Therefore, failure to consult primary data reduced their reliability and general ability to give robust results.

### **Digital Economy and Entrepreneurship amidst the Pandemic**

According to Nicola et al. (2020), the digital economy has taken a dramatic leap at both the organizational and industry levels. The rise of the Covid-19 pandemic has seen consumers move histrionically towards online channels and companies. Many countries have seen demonetization in which solid cash has been liquefied so as to reduce the spread of the disease by note banks and have prioritized the use of online cash currency (Zalite & Zvirbule, 2020). Similarly, Tanveer et al. (2020) stated that the onset of Covid-19 saw that social, recreational facilities, especially cinemas, were closed down, and people stayed indoors, resulting in customers opting for online watching and streaming movies. Verma & Kumar (2021) confirmed that companies such as Netflix, Reddit, SnagFilms had seen a significant rise in income as well as subscribers due to people watching from home and wanting fresh content from movie producers. Many smaller online streaming companies have also emerged, leading to the progressive growth of these companies during the Covid-19 period. Unlike Nicola et al. (2020) and Tanveer et al. (2020), who are in agreement that The Covid-19 pandemic negatively affected business operations, Verma & Kumar (2021) differs with both of them stating that some companies managed to increase their business operations due to the characteristics of even, hence, increasing their profitability. Therefore Covid-19 has brought a great change in the movie production industry, and companies have made profits from direct customer transactions of online shows.

Saleem et al. (2021) asserted that Covid-19 saw the rise and popularity of bitcoin currencies because of the lockdown in various companies. Bitcoin has proved vital as it is a global currency and has more weight economically compared to gold (Auer et al., 2020). Therefore, the emergence of Covid-19 has been a boost in the emergence and popularity of bitcoin as a currency. Khelifa et al. (2021) noted that the emergence of Covid-19 led to the instantaneous and steady rise of bitcoin currencies because of the optimal use of these currencies as cross-border currencies. Chen et al. (2020) also noted that though the cryptocurrencies were

introduced as an alternative to traditional currency, they picked up during the Covid-19 era due to increased online global transactions. Auer et al. (2020) also supported that the ban of hard cash for the transaction as a measure for containing the spread of Covid-19 enabled the fast facilitation of the rise of bitcoin in international transactions. However, Khelifa et al. (2021) argued that the COVID-19 pandemic was a null factor in the rise of bitcoin currencies, and it was set to rise with or without the emergence of the disease. However, the findings of Saleem et al. (2021) and Auer et al. (2020) were based on methodologies that mainly sought to investigate the role of blockchain and cryptocurrencies as a result of Covid-19; hence, failing to focus on the position of entrepreneurship.

At the end, the literature review showed that Covid-19 led to restrictions of movement of people and goods as safety precautions among different nations, hence, slowing down the economic operations of different countries. The critical review of the literature found an information gap about the need to establish how entrepreneurial activities have shifted their patterns following the occurrence of the Covid-19 pandemic. Therefore, to bridge the gap, the study will seek to investigate how the Covid-19 pandemic has affected the entrepreneurship of the digital economy.

## RESEARCH APPROACH AND DESIGN

In this study, the interpretivism philosophy was adopted. Ryan (2018) noted that the interpretivism research philosophy allows the researcher to use the social reality by creating interactions with people based on their interaction with the research problem. Similarly, Potrac et al. (2014) indicated that through the interpretivism philosophy, the researchers could assess and interpret various elements found in the data during the process of data collection and analysis.

The researchers adopted the inductive approach during the conduct of the study. Azungah (2018) advocated for using the inductive approach in qualitative studies because it allows the researchers to read and synthesize the data before developing the findings thoroughly. Similarly, Faems (2020) indicated that the inductive approach is preferred because it creates additional abilities for the researcher to apply appropriate rules in social research to develop qualitative findings from data extracted from the human participants that have experienced or interacted with the research problem.

For Geoffrey (2019), the research design outlined essential approaches used to ensure that the findings are developed based on the quality data collected and analyzed. In this study, the researchers adopted the case study research design to explore the implications of Covid-19 on entrepreneurship process in a digital economy. In the case study research design, Tetnowski (2015) indicated that researchers have an additional benefit of exploring the research problem in detail, collecting data, and analyzing it to provide answers and solutions. In this regard, the qualitative case study design was considered appropriate for the study.

## RESEARCH METHODOLOGY

In this study, the qualitative method was adopted for data collection and analysis. For Tetnowski (2015), the qualitative method creates an opportunity to discover more about complex and new phenomena based on the responses from the participants. Similarly, Silverman (2020) posits that qualitative methods effectively collect and analyze data that is trustworthy and relevant to the research problem to develop informed findings. In this regard, the thematic method was adopted for data analysis. In qualitative research, Kiger and Varpio (2020)

emphasized that the thematic method is the most appropriate because it allows the researcher to familiarize with the data, organize and code, establish the trends and themes and give detailed explanations that create trustworthy findings. The thematic method ensures that all collected data is thoroughly examined, assessed, and analyzed to be integrated into the findings to answer the research questions. Therefore, the thematic method was selected because of its suitability to enable the researchers to provide findings that address research problem.

Sharma (2017) indicated that sampling methods are helpful in social research because they allow selecting the small population that has similar characteristics to the whole population to ensure that results can be generalized. In this regard, this study adopted the purposeful sampling method. For Etikan and Bala (2017), purposeful sampling gives researchers the mandate to determine the participants to be involved in the study by basing on the personal judgment to select and ensure that adequate information can be retrieved to represent the whole population. In this regard, a total of 10 participants were selected from the sample population from data collection. The participants were comprised of entrepreneurs from different area of the Middle East to forming real findings from different perspectives.

As interviews are considered to be effective data collection tools that build a collaborative approach to address the research problem (Barrett & Twycross, 2018). Barrett and Twycross (2018) indicated that in exploring complex and new aspects in social research, interviews allow the researcher to seek broader in-depth explanations and responses that build up quality findings. Given the current situation of the Covid-19 and following the precautionary measures; the researchers administered the interviews through different online platforms means to prevent risks associated with the pandemic. Moreover; in the context of ethical consideration; the researchers upheld the ethical provisions during the entire process of the study. This was achieved by observing the data protection requirements of concealing the identity of the respondents and ensuring that their personal information remained confidential.

## RESULTS

### **Effect of the Covid-19 pandemic on entrepreneurship in the digital economy of Middle East**

According to participant 1 (P1), the Covid-19 pandemic has increased the awareness of the digital economy among entrepreneurs. With the new business opportunities associated with the increased need for technology, entrepreneurs are venturing into the digital economy for effectiveness. As a result, there has been increased investment into solutions for supporting the digital economy.

P1: "The pandemic has led to the increase in investment in mobile applications and websites for business purposes."

The Covid-19 pandemic has led to a revolution in the digital economy, and the transformation will continue even at the end of the pandemic. The global health problem has enabled entrepreneurs understand that digital transformation sustains their businesses to remain relevant in the competitive market environment for a longer time. Similarly, P6 and P7 opine that the pandemic opened up new online markets for the entrepreneurs. P6 stated: "the pandemic accelerated growth in online platforms and business," while P7 indicated that "the digital economy led to growth of local entrepreneurs and their business in developing solutions for shortage in supply of goods." In this regard, some entrepreneurs have engaged with their

different customers remotely due to the introduction of a lockdown strategy that restricted the movement of people. The results by participant 2 (P2) indicated that entrepreneurs are now more focused on conducting online businesses. The internet has taken a central role in promoting entrepreneurial activities. Therefore, entrepreneurs are seeking profit and growth through providing online business solutions.

P2: "Everything is now online. People have invested a lot in internet staff."

The pandemic has forced laggard entrepreneurs to shift to conducting their businesses and workforce online. On the contrary, some businesses in the digital economy developed digital strategies before the Covid-19 issue. So, they gained a competitive advantage over their competitors that relied on conventional marketing strategies. According to participants 3 and 10, the Covid-19 pandemic has increased the reliance of entrepreneurs on the digital economy. Considering the safety measures followed around the world to protect people from the spread of the virus, entrepreneurs were forced to comply for effectiveness. In the process, the digital economy has emanated as the main platform for supporting remote delivery of products and services.

P3: "With the Covid-19 pandemic, entrepreneurs are forced to deliver solutions associated with minimal physical interactions of people and reduced movements."

P10: "The digital economy ensures that businesses are undertaken in accordance with Covid-19 containment measures"

The outbreak of global health has increased reliance on digital solutions by some entrepreneurs. The Middle East countries implemented social distancing, lockdown, and isolation strategies to combat the spread of the virus. Thus, some businesses that depended on business-to-customer physical contact were forced to close their brick and mortar stores due to the laws put in place to fight coronavirus. Similar to participant 3, P5 indicated that the pandemic created a geographical gap in businesses, forcing entrepreneurs to adopt online business to enhance continuity. "With the lockdowns and minimal movement, digital economy enabled entrepreneurs to undertake business". Most entrepreneurs who engage in digital marketing have mitigated the effects of some strategies adopted in their countries to prevent the spread of the virus, hence promoting remote workplace environments, online shopping, and virtual learning.

According to participant 4, the increased culture of remote working has created the need for entrepreneurs to consider the capabilities of technology in their process of offering goods and services. Most consumers are now accustomed to overreliance on the internet for product and service delivery processes. Therefore, the market expects entrepreneurs to deliver solutions that meet the current trends.

P4: "People are now used to remote working, and they use the internet in everything."

The pandemic has encouraged various digital businesses that engage in the digital economy to work on their various tasks remotely away from the physical workplaces, thus, offering a solution to the limitations related to strategies of preventing the spread of the virus. Therefore, the Covid-19 pandemic has increased the reliance on digital solutions by various entrepreneurs in the market. Participants 8 and 9 provided similar responses indicating that the

pandemic has contributed to the increase adoption of the flexible working arrangements in business organizations. P8: “Many firms have adopted remote and online working strategies”. While P9 stated “online business is the new order of the day during the pandemic”. In this regard, the pandemic has stimulated the growth of the digital economy in the Middle East.

## DISCUSSION

This study focused on exploring the implications of Covid-19 on entrepreneurship process in a digital economy. The study's findings show that after the rapid spread of the Covid-19 disease around the world, countries implemented containment measures such as lockdowns, which had a significant impact on entrepreneurship activities. Similar to these findings, Nicola et al. (2020) and Hassounah et al. (2020) indicated that the inception of the pandemic has led to the change in business models with entrepreneurs resorting to the digital economy to support their business and maintain continuity of business during the pandemic. In this regard, the findings of this study show that Covid-19 has empowered the digital economy by creating a positive shift to online business to transform and create a wide range of business opportunities. In this regard, this study is consistent with Nicola et al. (2020) and Zalite & Zvirbule (2020) in that they demonstrate that the digital economy has enjoyed a period of sustained growth due to the shifts towards the adoption of online channels for entrepreneurs to engage in business during the pandemic.

This study also explored how the digital economy supports entrepreneurship industry. The findings of the study show evidence that during the pandemic, there were reduced economic activities that occurred due to limited physical movements and contact. The results show that people resorted invests in improving their online channels to ensure that they conduct their activities through the internet and enhance effectiveness while working remotely from home. In the digital economy, entrepreneurship was in demand during the pandemic to ensure that online businesses are successful for long-term progress and competing effectively. Similar to these findings, Verma and Kumar (2021) and Khelifa et al. (2021) noted that the digital economy had influenced the growth of entrepreneurship activities by ensuring that technologies offer alternative support for creating business ideas. In this regard, the findings show that the digital technologies ensured that entrepreneurs had consistent access to the data, information, and knowledge vital in supporting the successful exploration of market opportunities through the online channels as established by Khelifa et al. (2021). Therefore, the digital economy created a platform to support entrepreneurial systems by applying modern technologies that make businesses more effective.

The findings show that in the era of innovation and increased business opportunities, the digital economy ensured that the internet was used to fill the gap in physical interaction by creating collaborative online channels for entrepreneurs to pursue positive changes for economic growth. Similar to these findings, Chen et al. (2020) and Auer et al. (2020) indicated that during the pandemic, the digital economy led to the increase in entrepreneurial personality creating competencies such as creativity, improved knowledge access, and courage to apply a variety of creative decisions that improve the competitiveness of businesses. From this perspective, this study shows that the digital economy has been beneficial in supporting entrepreneurship activities to maintain economic sustainability and growth. Similar to these findings, Garrett (2020) and Hassounah et al. (2020) noted that the digital economy streamlines entrepreneurial activities and automates the processes to improve employees' productivity.

## CONCLUSION AND RECOMMENDATIONS

In this study, the researcher conducted the processes successfully to ensure that all the research questions and objectives are fully addressed. This was made possible by ensuring that relevant results were developed to explain the effects of Covid-19 on digital economy entrepreneurship. The study's findings demonstrate that the Covid-19 pandemic disrupted entrepreneurship and businesses, leading to the shift to the digital economy to create business opportunities and enhance the survival economies. The study's findings show that the digital economy diversifies the operation of businesses and entrepreneurship, thus improving its resilience. The digital transformation increases creativity and entrepreneurial activities, thus enhancing the longevity of businesses during the pandemic by ensuring that interactions between customers and entrepreneurs continue to occur virtually. From the results, the researchers demonstrated that an alternative approach to business was explicitly adopted the shift to online engagements to enhance continuity of entrepreneurial activities. In a digital economy, continuity of entrepreneurship is essential to enhance firms' increased growth, productivity, and performance.

Covid19 has had a positive and negative impact on entrepreneurship in the digital economy in Middle East by affecting various industries differently. Digital technologies have been effective in ensuring that entrepreneurial decisions are made and implemented effectively. Therefore, entrepreneurs have the opportunity to embrace the digitization of processes to improve the resilience of businesses in the wake of pandemics and other disruptors. Future scholars should devote their resources and efforts to explore the effectiveness of the digital economy in the creation of business opportunities during the Covid-19 pandemic and after, given that this subject is under investigation and are a new phenomenon.

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