

Is Covid-19 an Entry Barrier to Potential firms? Evidence from Turkey's Pandemic Experience.

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Abstract

Curfew measures against the Covid-19 pandemic in Turkey have reduced most of the economic activities. This study analyzes the effect of nationwide curfew policies on firm entry and exit in Turkey using sector-level panel data for the years 2019–2020. We use the difference-in-difference methodology by using official administrative monthly data. We focus on two periods related to the pandemic. The first period begins with the first case of the Covid-19 pandemic in March 2020. Second period covers the curfew policies that begin with the first announced curfew in April 2020. Both periods end with the shift to normalization announced in June 2020. We find that firm entries decreased by 58 log points in the period that starts with the first case. On the other hand, the pandemic reduces the entries by 84 log points in the period from the first announced curfew to June of 2020. The analysis shows that the pandemic and the isolation measures have harmed firm creation.

Keywords: Firm Entry, Curfew Policies, Covid-19, Difference in Difference

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