

COVID-19 IMPACT ON MSEs

The European Fund for Southeast Europe (EFSE) conducted an impact study to learn more about and respond to the current challenges and needs of micro and small enterprises (MSEs) dealing with the impact of the COVID-19 crisis and the first lockdown.

Focus Effect of COVID-19 containment measures on MSEs in selected countries. Survey conducted from 15 to 31 May 2020

Participants Representative sample of 2,822 entrepreneurs in rural and urban areas

Countries Serbia, Turkey, Georgia, Bosnia and Herzegovina

EFFECTS OF THE FIRST COVID-19 LOCKDOWN ON MSEs



Negative impact

4 out of 5 companies confirm a negative or extremely negative impact. Hospitality and retail sectors are the most affected in all countries.



Decrease in revenues

More than half of respondents across all countries have seen their sales decrease by at least 50% due to lack of demand for their products.



Liquidity problems

Threats to the survival of MSEs due to complete shutdowns and fall in demand, which lead to a vicious cycle of delivery delays, payment delays, and limited or no sales. Because of this, MSEs struggle to meet creditor obligations and are facing insolvency.



Employment

Businesses in Turkey (44%), Georgia (25%), and Bosnia and Herzegovina (12%) have temporarily laid off employees. In Serbia, the temporary government subsidy to cover for salaries of businesses with reduced turnovers has prevented temporary layoffs. Businesses expect that some temporary layoffs will become permanent and overall unemployment will increase.



Survival

At least 75% of respondents believe the negative impact will last up to a year. However, only a small minority think they will have to close business.

RESPONSE BY MSEs: BUSINESS CONTINUITY PLANS



Adjustments to the business model:

Particularly in Georgia (80%), Turkey (53%), and Serbia (50%), adapting the business model is the single most cited strategy out of the crisis. In Bosnia and Herzegovina, the proportion is lower but still significant with 42% of respondents.



Other plans

75% of Georgian businesses, followed by 49% and 41% in Turkey and Serbia respectively, plan to reduce their operational costs. In Georgia, the most active country in business recovery plans, 60% say they will ask for a loan reschedule and 41% will ask for new loans.

EXTERNAL SUPPORT REQUIRED BY MSEs



Business support

Only 1 out of 5 businesses believe they can overcome the crisis without any support. The majority think they will need a business-centred and integrated support package to kick-start recovery.

FINANCIAL AND ADVISORY SERVICES

Across countries, **financial services are seen as critical or very important for MSEs by at least 60% of respondents** and even by 79% and 77% in Turkey and Georgia, respectively.

FINANCIAL SUPPORT DURING THE CRISIS IS NECESSARY AS A RESULT OF



- The urgency for liquidity as sales plummet
- The necessity of investment to adapt the business model and implement safety measures
- The demand for digitalization, rebuilding of value chains and capacity improvements

MSES NEED FINANCIAL SUPPORT THROUGH



Grants

- One-time, non-repayable financial support in the form of a grant is needed by an overwhelming majority of respondents to overcome the effects of the crisis
- The amount required varies within country, but on average businesses need EUR 5,000 to 25,000



Financial institutions

- Access to more favourable/affordable loans (over 60% of respondents)
- Additional loans (over 30% of respondents)
- Changes to the repayment plan on outstanding loans to provide more repayment flexibility beyond loan moratoria, particularly in Turkey (50% of respondents)



Governments

- Temporary freezes on taxes and levies (over 50% of respondents)
- Tax and salary subsidies (at least 50% of respondents)

ADVISORY SERVICES ARE REQUIRED TO HELP IN



- Adapting business models
- Considering ways of moving businesses online
- Financial advice and support for business planning

Contact: info@efse.lu

To read more on EFSE's impact please see www.efse.lu

1 NO POVERTY



2 ZERO HUNGER



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



17 PARTNERSHIPS FOR THE GOALS

