



IMPACT OF COVID-19 ON SMEs SURVEY REPORT

SMEDA – ADBI – APO Joint Survey
(Pakistan and Regional Countries)



Overview



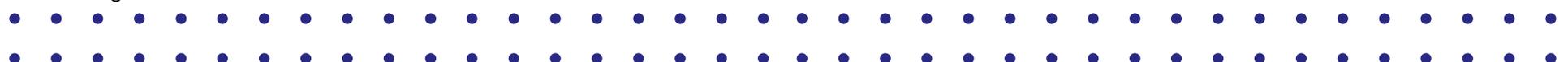
COVID-19 has impacted all countries around the world. The economies worldwide experienced contraction in GDP growth, and decline in exports and unemployment. Pakistan's economy contracted by 0.4% in 2019-20. Majority of an estimated 5.2 million small and medium enterprises (SMEs) in Pakistan have been struggling since the start of COVID-19., especially when a lockdown was enforced, during the first wave.

Small and Medium Enterprises Development Authority (SMEDA) conducted an online survey in April 2020 to assess the impact of COVID-19 on SMEs and found that a large number of daily wagers were laid off during the first wave of COVID-19, thus increasing unemployment in the country. Moreover, SMEs experienced supply chain disruptions which led to irregularities in production, eventually leading to loss of revenue for businesses. Results of SMEDA's survey showed that SMEs operating in Pakistan were not prepared to deal with such a pandemic/ lockdown.

In order to assess the adaptability and evolution of SMEs in the current situation, SMEDA collaborated with the Asian Development Bank Institute (ADBI) and Asian Productivity Organization (APO) to conduct an online survey in Pakistan*, in which, 236 SMEs participated. ADBI-APO also conducted a similar survey in other countries including; Bangladesh, India, Indonesia, Malaysia, Lao PDR, Mongolia, and Vietnam. The regional survey was conducted in Vietnam and Malaysia from May to June 2020 and in other regional countries, including Pakistan from August to September 2020. In total, 2,344 SMEs participated in the regional survey. Results of the survey highlight the issues being faced by SMEs in the region and the support they require to recuperate during COVID-19.

Key findings of the Survey are being shared in this Report. Detailed analysis report will be published, subsequent to Round 2 of the survey. The on-line survey has its limitations, and thus results may be interpreted bearing the same in mind.

*Margin of error is 6% at 95% confidence level



COVID-19 Situation & Survey Respondents

| Country | COVID-19 Confirmed Cases* | |
|------------|----------------------------|---------------------------|
| | 30 th June 2020 | 15 th Sep 2020 |
| Bangladesh | 145,483 | 341,056 |
| India | 585,792 | 5,018,034 |
| Indonesia | 56,385 | 225,030 |
| Lao PDR | 19 | 23 |
| Malaysia | 8,639 | 9,969 |
| Mongolia | 220 | 311 |
| Pakistan | 209,337 | 302,424 |
| Vietnam | 355 | 1,063 |

| Country | No. of Survey Respondents |
|------------|---------------------------|
| Bangladesh | 247 |
| India | 196 |
| Indonesia | 214 |
| Lao PDR | 246 |
| Malaysia | 463 |
| Mongolia | 385 |
| Pakistan | 236 |
| Vietnam | 355 |

*Source: <https://www.worldometers.info/coronavirus/>

Key Findings (Pakistan and Regional Countries*)

SMEs with lower sales revenue in first half of 2020 vis-à-vis first half of 2019



| | |
|--------------------|-------------------|
| Pakistan | 81.78% |
| Region** | 77.62% |
| Best in the Region | Mongolia (68.31%) |

SMEs reporting decrease in permanent employees from end of 2019 to 2020



| | |
|--------------------|---------------------|
| Pakistan | 66.10% |
| Region | 42.54% |
| Best in the Region | Bangladesh (22.08%) |

Reduction in Production - % of SMEs (One of the measures to maintain business during Covid-19)



| | |
|--------------------|-------------------|
| Pakistan | 33.47% |
| Region** | 36.25% |
| Best in the Region | Mongolia (12.96%) |

Cash Flow Shortage reported by SMEs



| | |
|--------------------|-------------------|
| Pakistan | 82.2% |
| Region | 79.98% |
| Best in the Region | Mongolia (68.52%) |

SMEs expecting their total sales revenue to decrease in 2020 vis-à-vis 2019



| | |
|--------------------|-------------------|
| Pakistan | 76.27% |
| Region | 53.78% |
| Best in the Region | Indonesia (12.5%) |

Significant drop in domestic demand (Feb-Apr 2020)



| | |
|--------------------|-------------------|
| Pakistan | 36.44% |
| Region | 52.07% |
| Best in the region | Pakistan (36.44%) |

*Regional countries include; Bangladesh, India, Indonesia, Malaysia, Lao PDR, Mongolia and Vietnam. All respondents are SMEs

** Excluding Malaysia and Vietnam

Note: Results pertain to respondents of survey (%age)

Key Findings (Pakistan)

Pakistan *(Reported by SMEs)*

Major Change in Business Environment

Increased price of materials

Major Action Taken to Maintain Business

Temporarily closed-down business

Top Way of Dealing with Cash Flow Shortage

Collecting debts from customers/ Stopped selling on credit

Top Way of Dealing with Raw Material Shortage

Delaying the delivery of products

Dealing with difficulties in Fulfilling Contracts

Settlement by mutual agreement

Top Way of Dealing with Labour Shortage

Hire more temporary workers

Major Support Required by SMEs

Payment of utilities

Major Government Support Received

Payment of utilities



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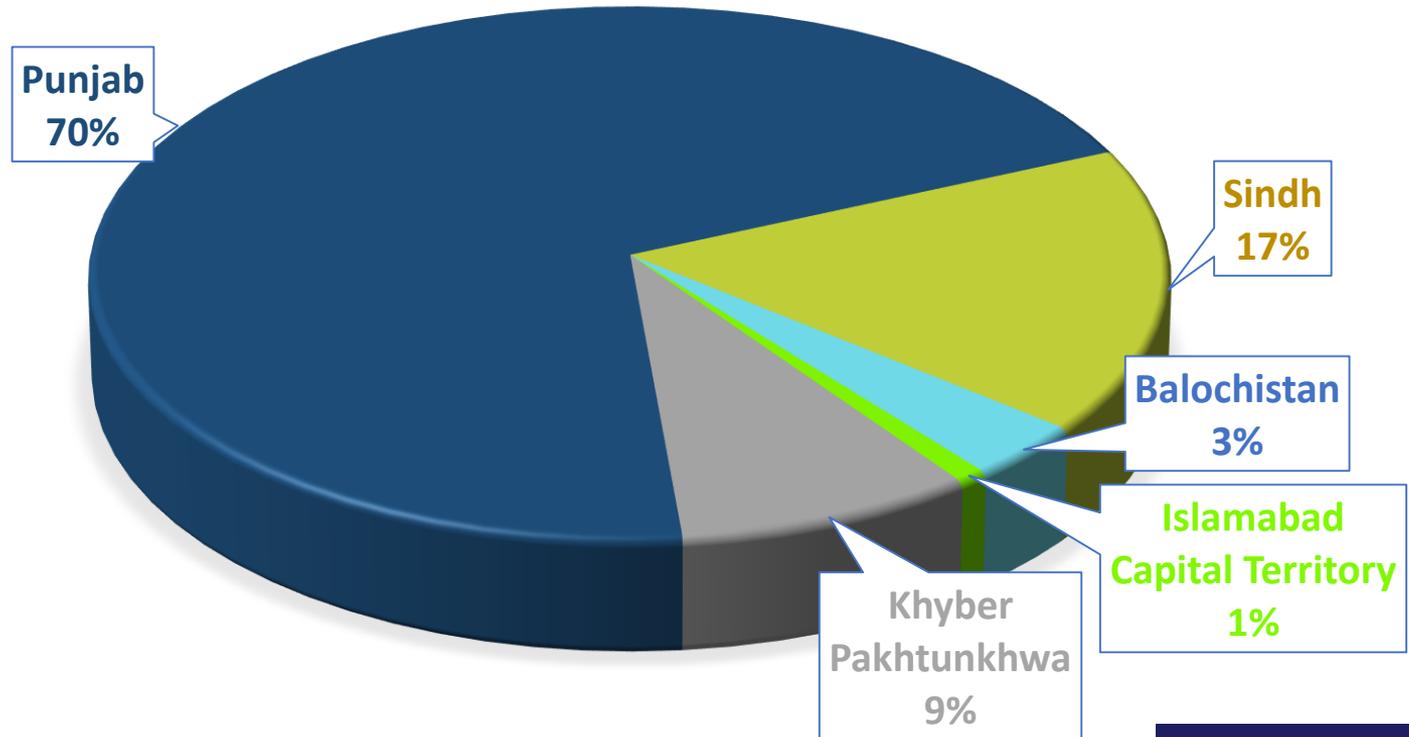


01 PROFILE OF ENTERPRISES

Distribution of SMEs by Sector and
Employment



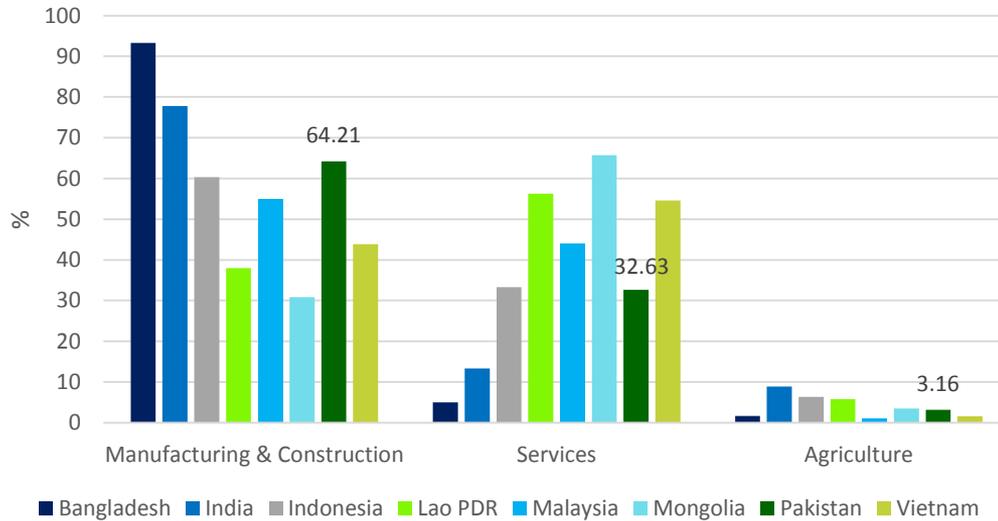
Geographical Distribution of Survey Enterprises in Pakistan



Sample of the survey has been drawn broadly in line with the geographical distribution of enterprises provided in the Census of Economic Establishments 2005

Regional Distribution by Sector

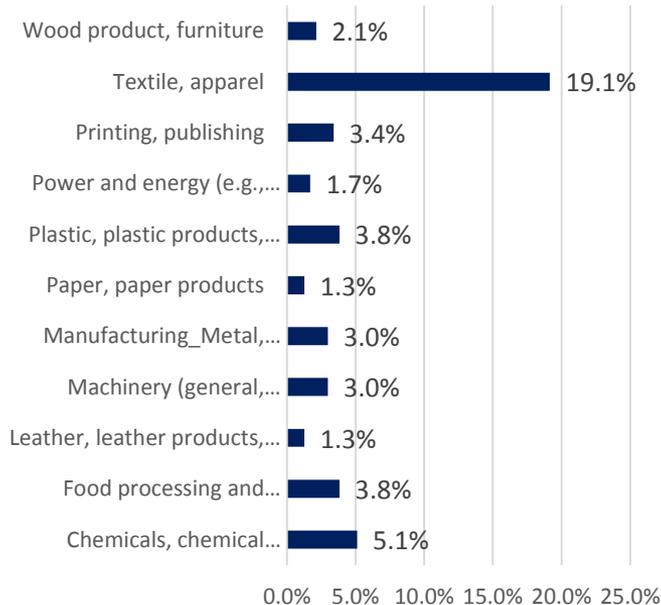
Distribution by Sector (% of Enterprises Surveyed)



- In case of Pakistan, 64.21% enterprises surveyed belong to Manufacturing & Construction sector, 32.63% to Services and 3.16% Agriculture.
- Majority of enterprises surveyed regionally operate in the Manufacturing & Construction sector, followed by Services and Agriculture sectors.

Pakistan; Sub-Sector Respondents (Percentage)

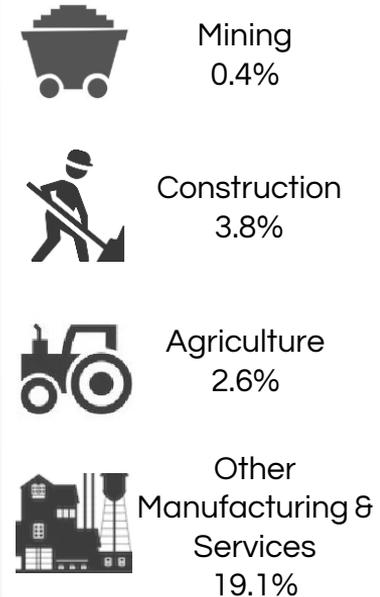
Manufacturing Sector Respondents (%)



Services Sector Respondents (%)

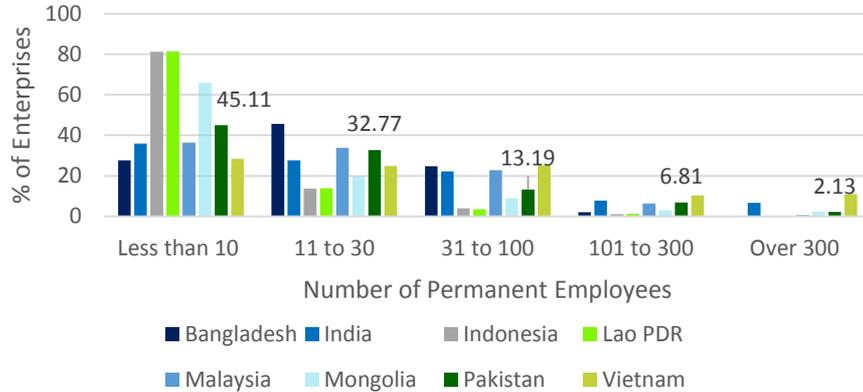


Other Sectors (% Respondents)

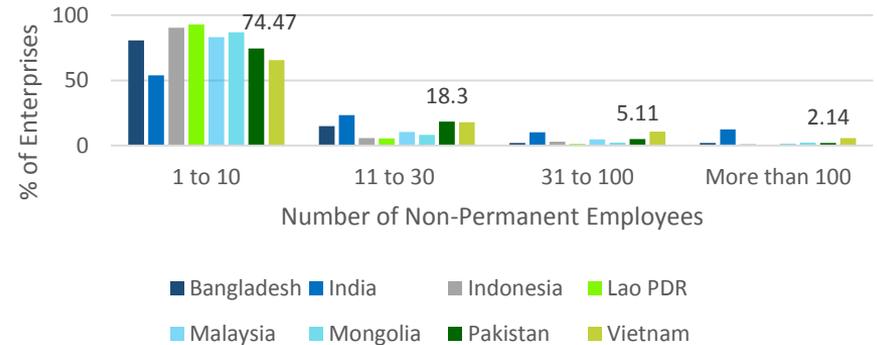


Classification of Enterprises (by Employment Size)

Permanent Employees at the end of 2019 (%)



Non-Permanent Employees at the end of 2019 (%)

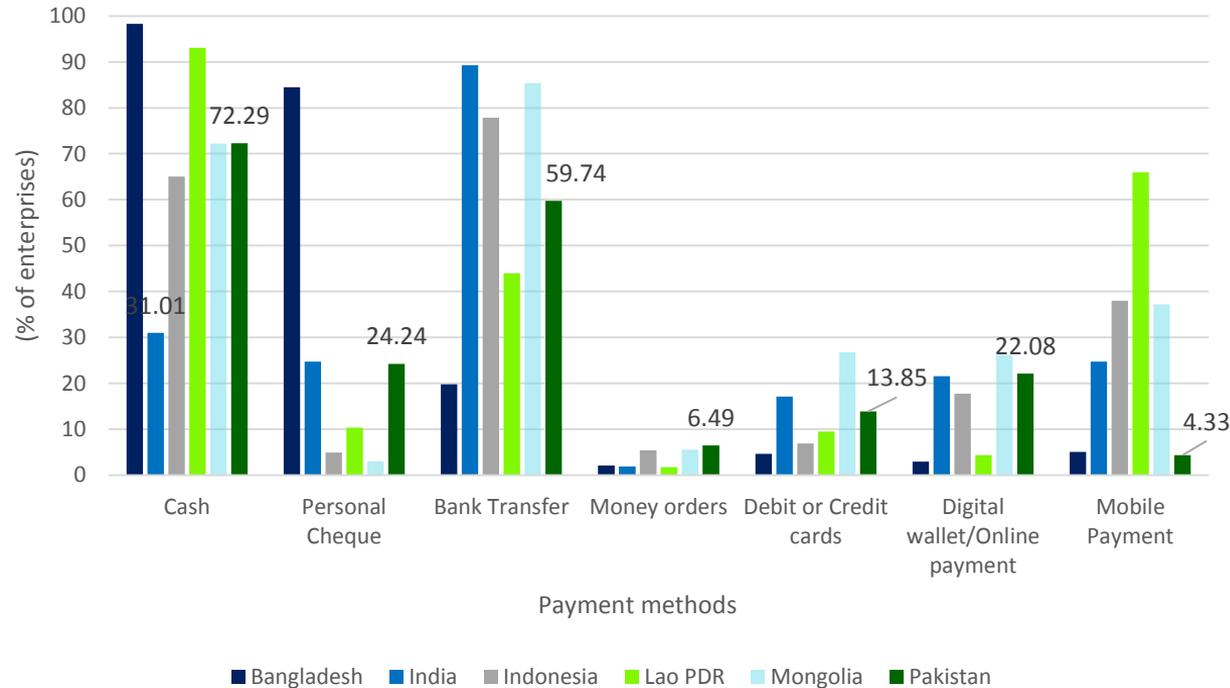


- Most of the enterprises surveyed in the region have an employment size of less than 10 persons.
- 45.11% of enterprises surveyed in Pakistan have an employment size of less than 10, 32.77% have an employment size of 11 to 30 persons, and 22.13% have an employment size of more than 30.

- In case of non-permanent employees, a vast majority of enterprises surveyed employ between 1 to 10 persons on a temporary basis in the whole region.
- In Pakistan, 74.47% of surveyed enterprises have 1 to 10 non-permanent employees. Only 18.3% have 11 to 30 employees, and 7.25% have more than 30 employees non-permanent employees.

Payment Methods

Payment methods being used by enterprises



- 72.29% enterprises in Pakistan reported cash as the major payment method. This figure is 98.32% in Bangladesh, 65.02% for Indonesia and 31.01% in India.
- 59.74% SMEs in Pakistan reported bank transfer method, 24.24% used personal cheque to make payments, 22.08% online payment method, 13.85% debit or credit cards, 6.49% money orders, and 4.33% used mobile payment methods.



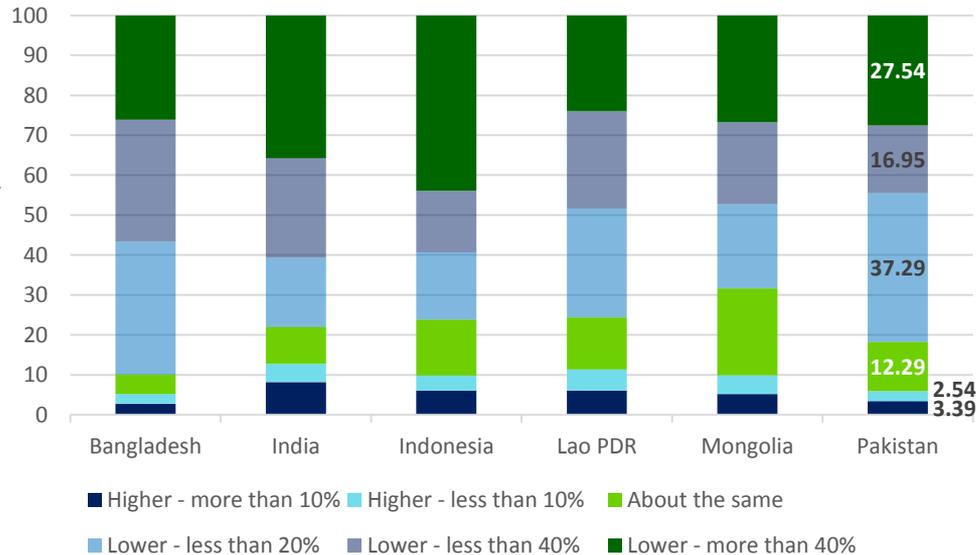
02 DIRECT IMPACT

Change in Revenue, Employees,
Operations



Change in Total Sales Revenue

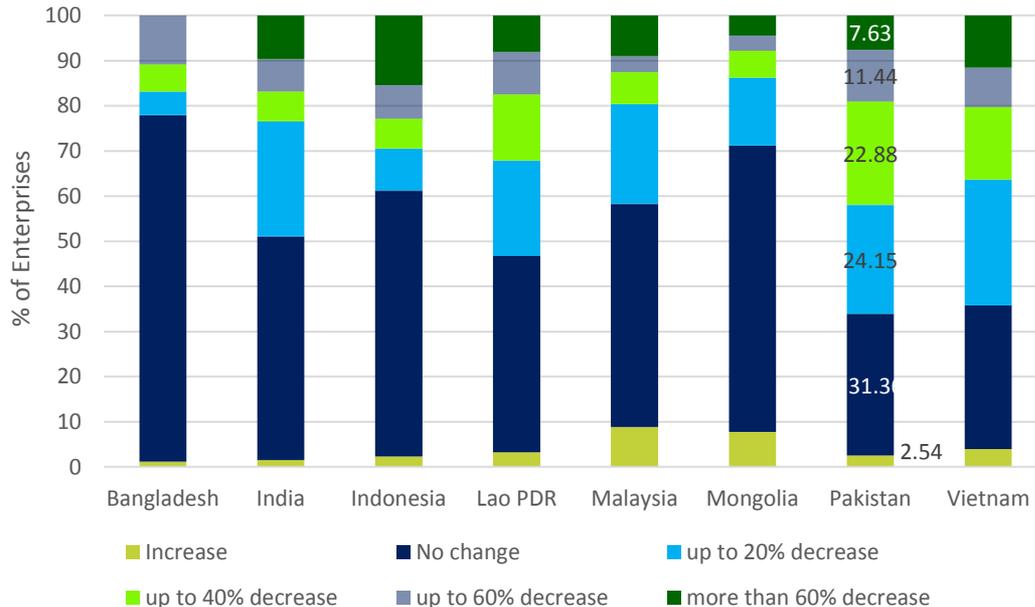
Comparison of Total Sales Revenue in 1st half of 2020 & 1st half of 2019 (%)



- 81.78% respondents reported to have lower sales revenue in the first half of 2020 as compared to the first half of 2019 in Pakistan. Furthermore, regarding the quantum of reduced revenue, 37.29% enterprise stated to have less than 20% lower sales revenue.
- Looking at regional countries, 43.93% enterprises in Indonesia report more that 40% lower sales revenue in first half of 2020 vis-à-vis 2019.
- Only 8.16% respondents in India state to have more than 10% higher sales revenue during the period under consideration. In Pakistan, only 3.39% respondents share the same sentiment.

Change in Permanent Employees

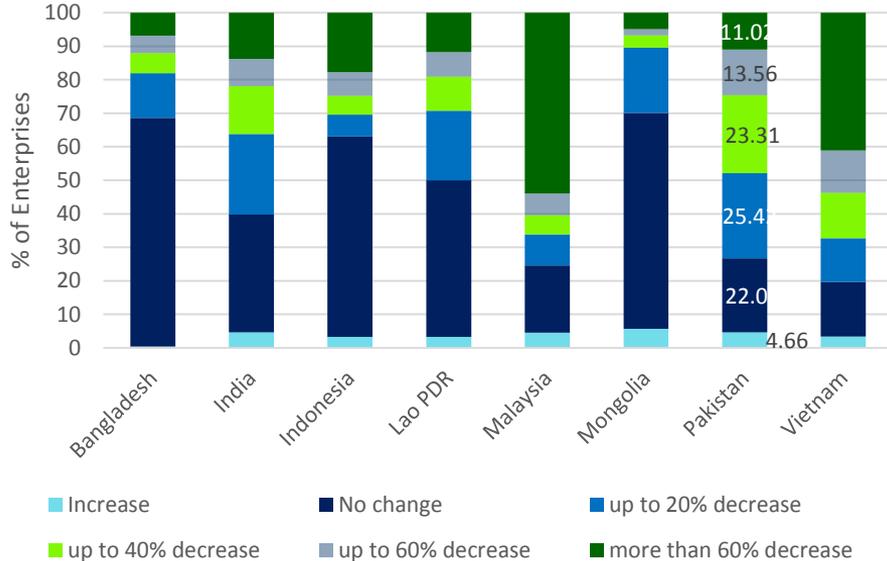
Change in permanent employees in comparison to end of 2019 (%)



- 31.36% SMEs in Pakistan experienced no change in their permanent employees from 2019 to 2020, in the wake of Covid-19. For Bangladesh this figure was 76.71%, for India it was 49.49%, for Indonesia it was 58.88% while for Malaysia it was 49.46%.
- 47.03% enterprises in Pakistan experienced up to 40% decrease in permanent employees
- 19.07% SMEs in Pakistan experienced a decrease of more than 40% in their permanent employees

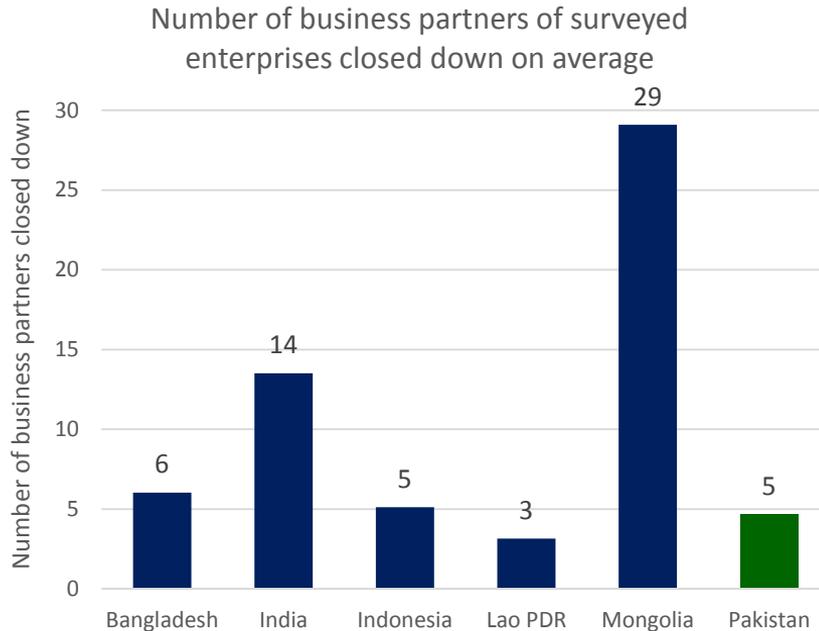
Change in Non-Permanent Employees

Comparison of change in non-permanent employees in 2020 and 2019 (%)



- 48.73% SMEs in Pakistan had a decrease of up to 40% in non-permanent employees in 2020 as compared to 2019
- 24.58% enterprises in Pakistan had a decrease of more than 40% in non-permanent employees.
- 22.03% enterprises in Pakistan reported to have had no change in their pool of non-permanent employees, while Bangladesh (68.27%), India (35.2%), Indonesia (59.81%) and Malaysia (20.09%) reported no change in non-permanent employees.
- 4.66% SMEs in Pakistan experienced an increase in the employment of non-permanent employees in 2020 as compared to the end of 2019.

Number of Business Partners Closed Down



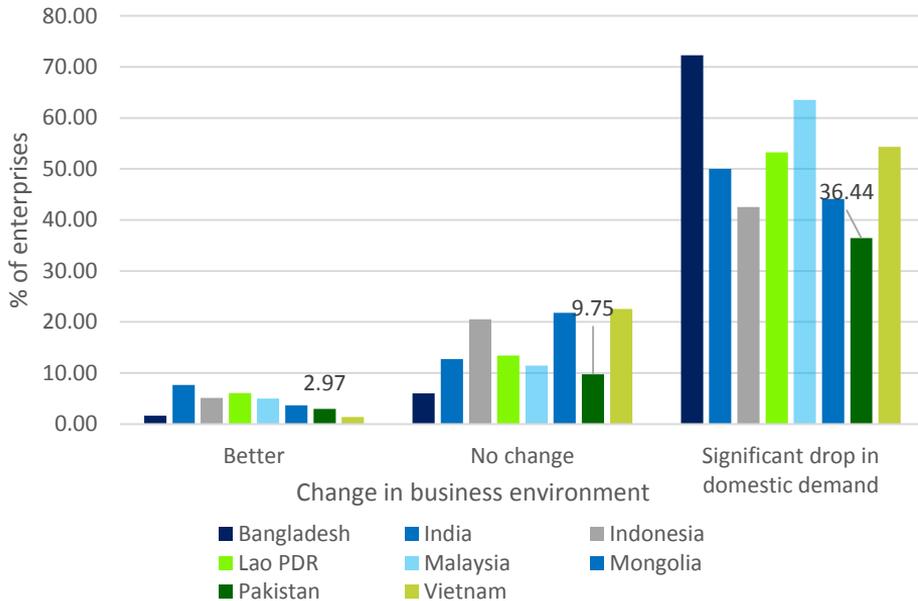
- SMEs in Pakistan reported that on an average, 5 of their business partner enterprises (suppliers and customers) had closed down business. According to respondents from Mongolia, on average 29 of their business partners closed down business. India on the other hand reported 14 while Bangladesh reported 6 businesses on average in their network to have closed down.
- Lao PDR ranked the best in this category followed by both Pakistan and Indonesia; as all other countries reported on average, a higher number of business partners that had closed down.

Top 3 Changes in Business Environment between Feb & Apr 2020, in comparison to pre-COVID-19

| | 1st | 2nd | 3rd |
|------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Bangladesh | Significant drop in domestic demand | Cash flow shortage | Temporary closed-down |
| India | Cash flow shortage | Significant drop in domestic demand | Increased price of materials |
| Indonesia | Cash flow shortage | Significant drop in domestic demand | Increased price of materials |
| Lao PDR | Significant drop in domestic demand | Increased price of materials | Temporary closed-down |
| Malaysia | Cash flow shortage | Significant drop in domestic demand | Disruption of materials |
| Mongolia | Significant drop in domestic demand | Cash flow shortage | Increased price of materials |
| Pakistan | Increased price of materials | Cash flow shortage | Significant drop in domestic demand |
| Vietnam | Significant drop in domestic demand | Cash flow shortage | Employees unable to come to work |

Change in Business Environment between Feb & Apr 2020, in comparison to pre-COVID-19

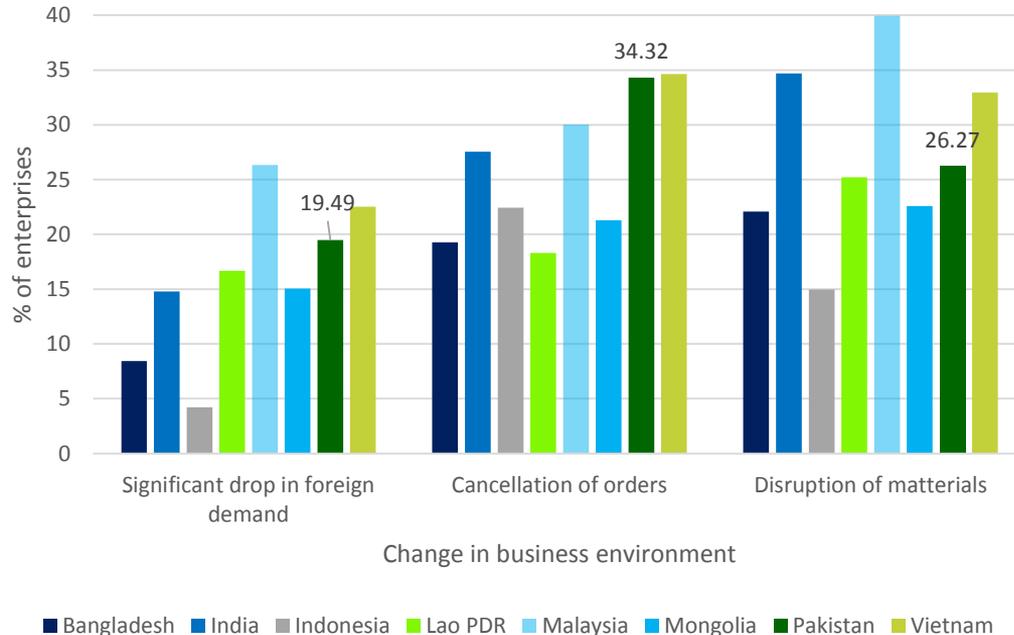
Change in business environment due to Covid-19



- Respondents were asked to identify up to 5 options regarding changes in their business environment in the specified time period (Feb-April 2020).
- 36.44% SMEs in Pakistan reported a significant decline in domestic demand, whereas 9.75% reported no change in the business environment. Bangladesh (72.29% enterprises), India (50%), Indonesia (42.52%) and Malaysia (63.5%) reported a significant drop in domestic demand.
- Pakistan had the least percentage of enterprises (36.44%) that reported a significant decrease in domestic demand within the region. By implication, most SMEs in Pakistan were able to sustain their domestic demand despite Covid-19.

Change in Business Environment between Feb & Apr 2020, in comparison to pre-COVID-19 (Cont'd)

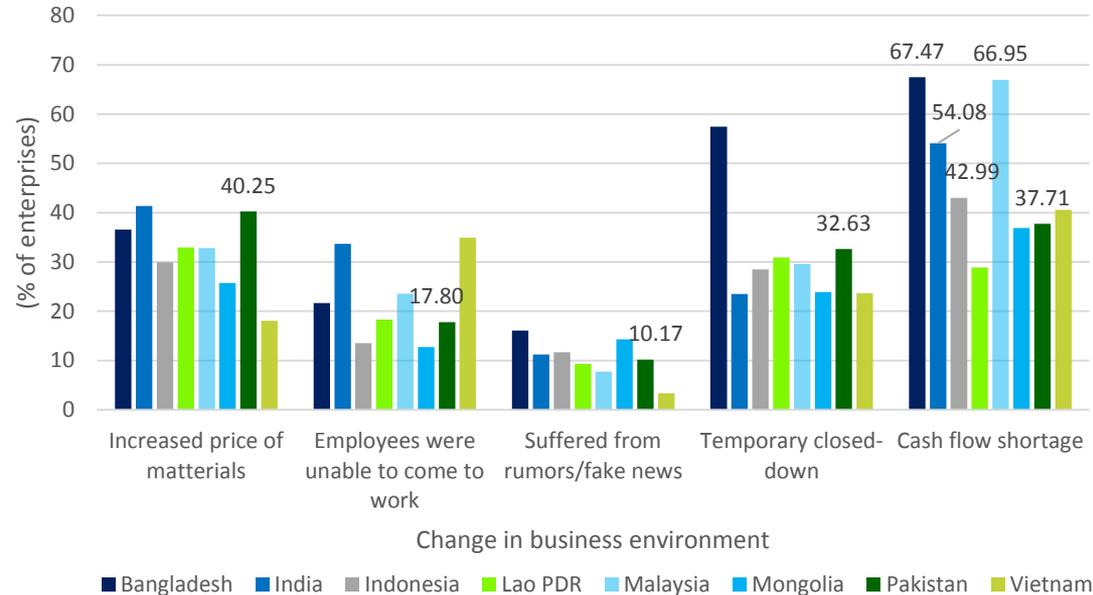
Change in business environment due to Covid-19



- 19.49% respondents in Pakistan reported a significant drop in foreign demand, 34.32% reported cancellation of orders and 26.27% reported disruption of material.
- Regional comparison shows that similar percentage of enterprises experienced a drop in foreign demand, except Indonesia and Bangladesh. However, 18% to 34% respondents across the region reported cancellation of orders.

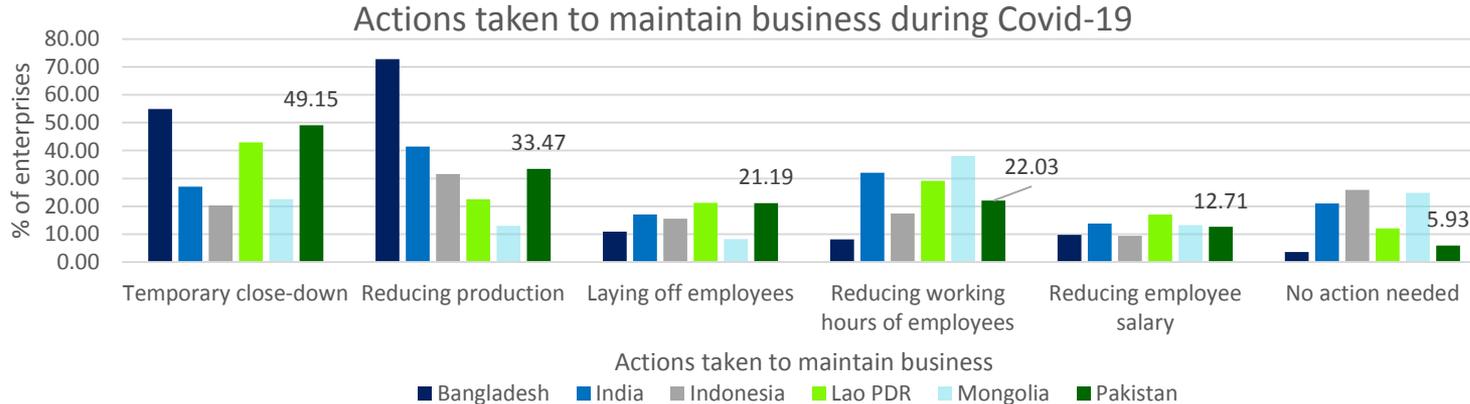
Change in Business Environment between Feb & Apr 2020, in comparison to pre-COVID-19 (Cont'd)

Change in business environment due to Covid-19



- In Pakistan, 40.25% of enterprises reported increase in price of materials, 17.8% reported that their employees were unable to come to work, 10.17% suffered from fake news and rumours while 32.63% of enterprises were temporarily shut down.
- 37.71% of enterprises in Pakistan experienced a cash flow shortage, whereas Bangladesh (67.47%), India (54.08%), Indonesia (42.99%) and Malaysia (66.95%) reported to have faced cash flow shortage.

Actions taken by Enterprises to Maintain their Business during Covid-19



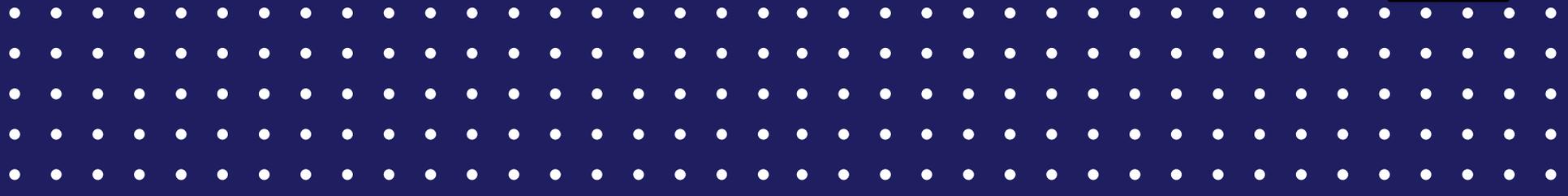
- 49.15% SMEs in Pakistan had to temporarily close down, while 54.88% respondents in Bangladesh, 27.07% in India and 20.28% in Indonesia reported the same.
- 33.47% of SMEs in Pakistan reduced production because of Covid-19, while 72.76% respondents in Bangladesh, 41.44% in India and 31.60% in Indonesia took the same measure.
- Regarding other measures taken by enterprises to maintain

- business during Covid-19, 22.03% enterprises had to reduce the working hours of their employees, 21.19% SMEs in Pakistan had to lay off employees and 12.71% had to reduce salaries of their employees. Meanwhile, 5.93% enterprises reported that no action had to be taken despite the Covid-19 situation.
- Indonesia has the best ranking in terms of no action needed to maintain business during COVID-19 followed by Mongolia and India.



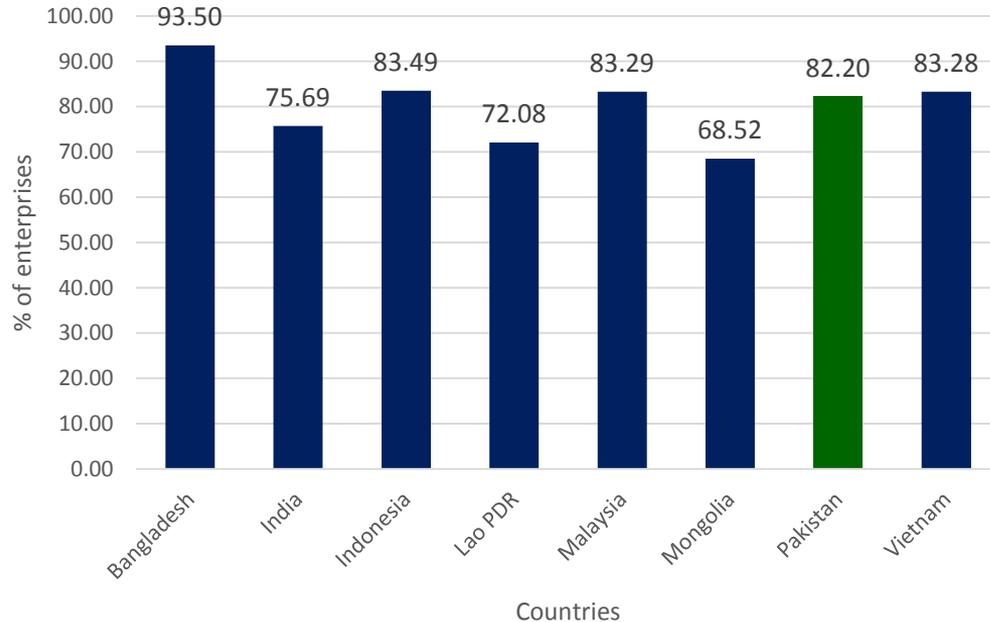
03 ISSUES OF SMEs

Shortage of Cash, Raw Material, Labour



Cash Flow Shortage

SMEs experiencing Cash flow shortage



- 82.20% enterprises in Pakistan were facing a cash flow shortage during the period of the survey (Aug-Sept 2020). 93.50% respondents in Bangladesh, 75.69% in India, 83.49% in Indonesia and 83.29% in Malaysia reported the same.
- Mongolia ranked the best in this category followed by Lao PDR and India.

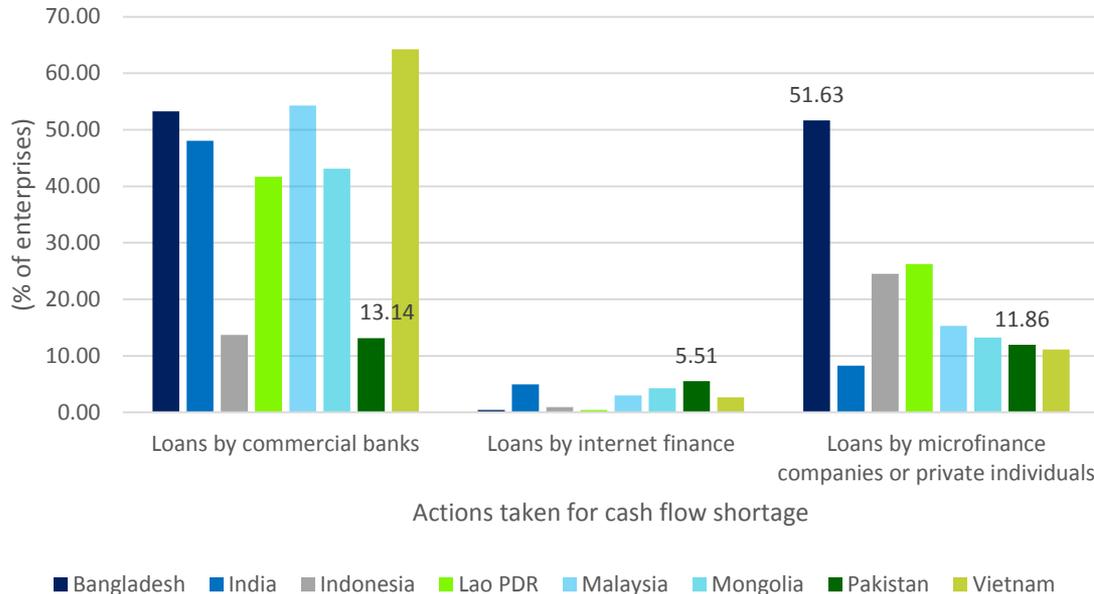
Top 3 Ways of Dealing with Cash Flow Shortage – Reported by SMEs



| | 1st | 2nd | 3rd |
|------------|--|---|---|
| Bangladesh | Loans by commercial banks | Loans by microfinance companies | Delaying bill payments/Re-arrange payments with suppliers |
| India | Loans by commercial banks | Delaying bill payments/Re-arrange payments with suppliers | Collecting debts from customers / Stop selling on credit / Ask for advance payments |
| Indonesia | Loans by microfinance companies or private individuals | Cutting non-permanent employment | Collecting debts from customers / Stop selling on credit / Ask for advance payments |
| Lao PDR | Loans by commercial banks | Cutting non-permanent employment | Loans by microfinance companies or private individuals |
| Malaysia | Delaying bill payments | Loans by commercial banks | Collecting debts from customers |
| Mongolia | Loans by commercial banks | Delaying bill payments/Re-arrange payments with suppliers | Cutting non-permanent employment |
| Pakistan | Collecting debts from customers/ Stop selling on credit / Ask for advance payments | Delaying bill payments/Re-arrange payments with suppliers | Cutting non-permanent employment |
| Vietnam | Loans by commercial banks | Collecting debts from customers / Stop selling on credit / Ask for advance payments | Cutting non-permanent employment |

Dealing with Cash Flow Shortage

Dealing with cash flow shortage

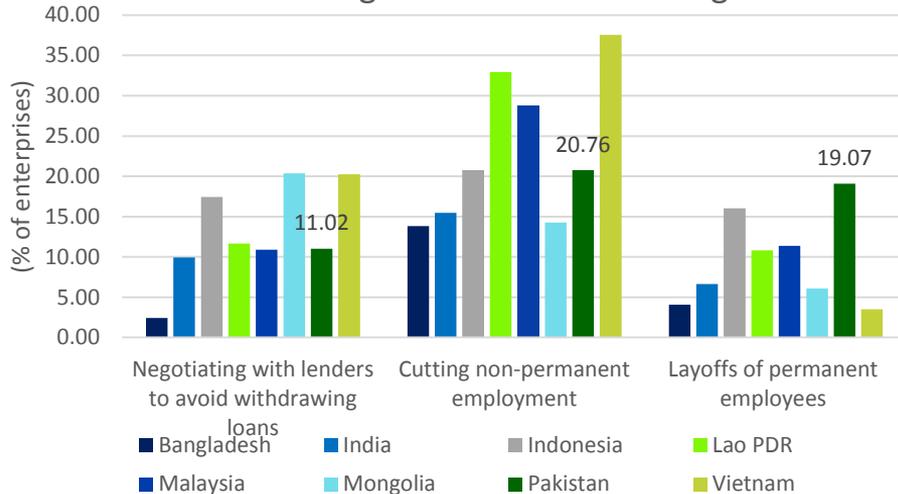


Respondents were asked to select up to 4 options regarding dealing with cash flow shortage at the time of the survey. Results are as follows:

- Only 13.14% enterprises in Pakistan reported that they dealt with cash flow shortage through loans from commercial banks. 11.86% SMEs dealt with their cash flow issues through loans by microfinance companies or private individuals.
- 51.63% of enterprises in Bangladesh reported that they received loans by microfinance companies or private individuals, which is the highest in comparison to other countries in the region.

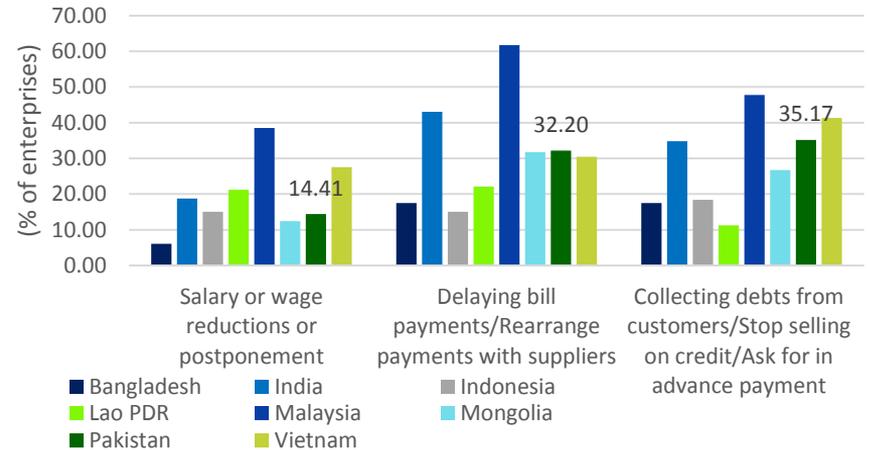
Dealing with Cash Flow Shortage (Cont'd)

Dealing with cash flow shortage



In Pakistan, 11.02% enterprises negotiated with lenders to avoid withdrawing loans, 20.76% cut down on non-permanent employment and 19.07% laid off their permanent employees. In terms of laying off permanent employees to address cash flow shortage, Pakistan had the highest percentage in the region.

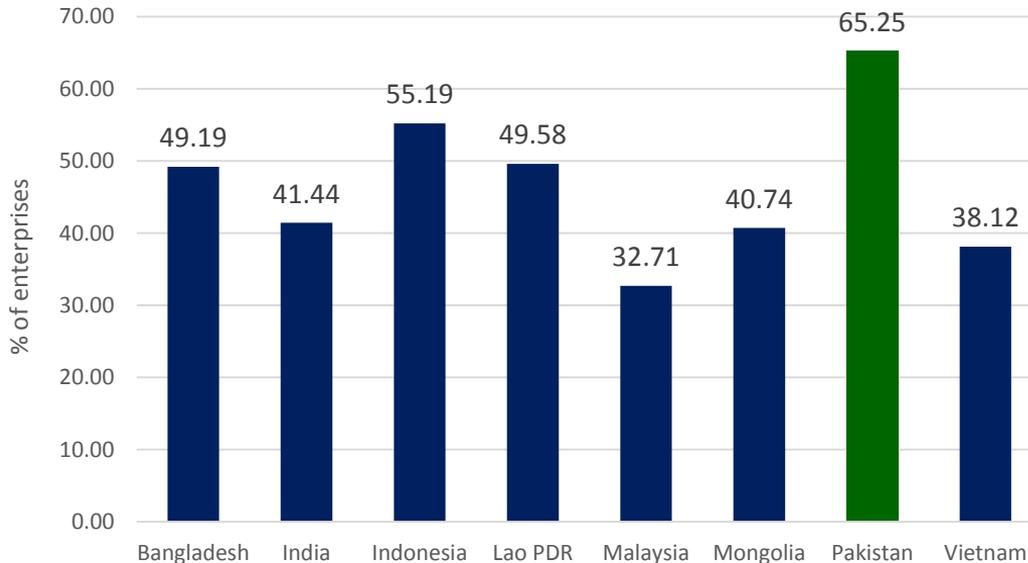
Dealing with cash flow shortage



32.20% of enterprises in Pakistan delayed bill payments to deal with cash flow shortages, while in Bangladesh 17.48%, in India 43.09%, Indonesia 15.09% and Malaysia 61.72% took the same measure.

Raw Material Shortage

Raw material shortage



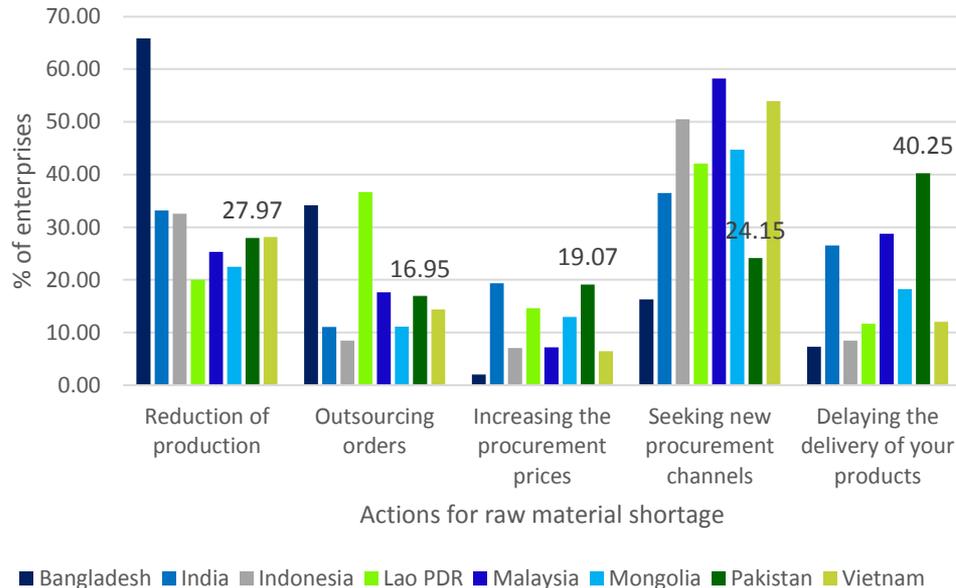
- At the time of the survey, SMEs were asked to state whether they faced any raw material shortage
- 65.25% of enterprises in Pakistan faced a raw material shortage, while percentage response from other countries is as follows: Bangladesh (49.19%), India (41.44%), Indonesia (55.19%) and Malaysia (32.71%).
- Malaysia had the best ranking in the this category, followed by Vietnam and then Mongolia.

Top 3 Ways of Dealing with Raw Material Shortage – As Reported by SMEs

| | 1 | 2 | 3 |
|-------------------|--|--|--|
| Bangladesh | Reduction of production | Outsourcing orders | Seeking new procurement channels |
| India | Seeking new procurement channels | Reduction of production | Delaying the delivery of your products |
| Indonesia | Seeking new procurement channels | Reduction of production | Delaying the delivery of your products/ Outsourcing orders |
| Lao PDR | Seeking new procurement channels | Outsourcing orders | Reduction of production |
| Malaysia | Seeking new procurement channels | Delaying the delivery of your products | Reduction of production |
| Mongolia | Seeking new procurement channels | Reduction of production | Delaying the delivery of your products |
| Pakistan | Delaying the delivery of your products | Reduction of production | Seeking new procurement channels |
| Vietnam | Seeking new procurement channels | Reduction of production | Outsourcing orders |

Dealing with Raw Material Shortage

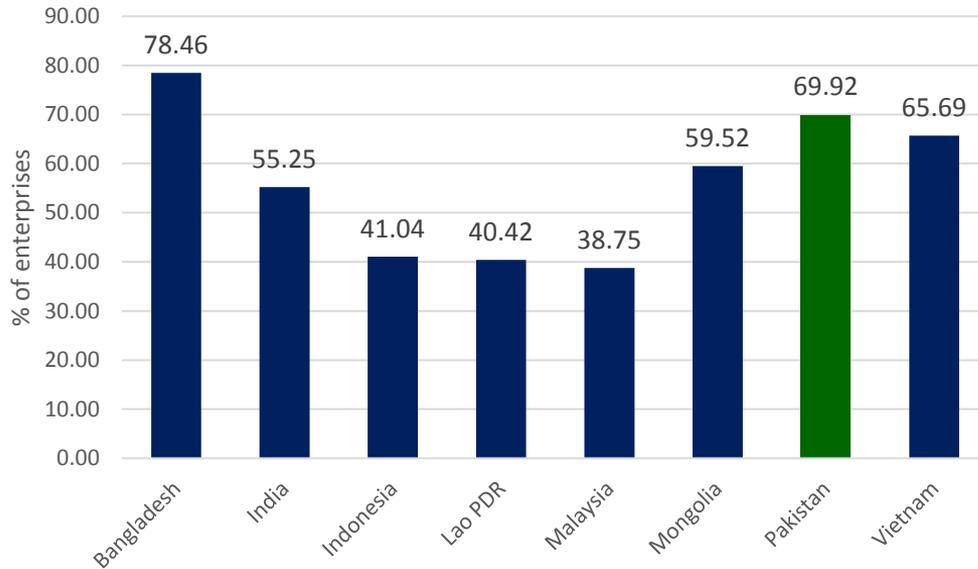
Dealing with raw material shortage



- 40.25% enterprises in Pakistan, 7.32% in Bangladesh, 26.52% in India, 8.49% in Indonesia and 28.77% in Malaysia delayed delivery of their products to deal with raw material shortage.
- 27.97% enterprises in Pakistan reduced production while 65.85% did so in Bangladesh, 33.15% enterprises in India, 32.55% in Indonesia and 25.29% in Malaysia.
- 16.95% SMEs in Pakistan outsourced their orders due to raw material shortage, 19.07% increased procurement prices (payed higher price for raw material) and 24.15% enterprises sought new procurement channels.
- Lao PDR had the least percentage of SMEs which reduced their production out of all the countries that were surveyed.

Difficulties in Fulfilling Contracts

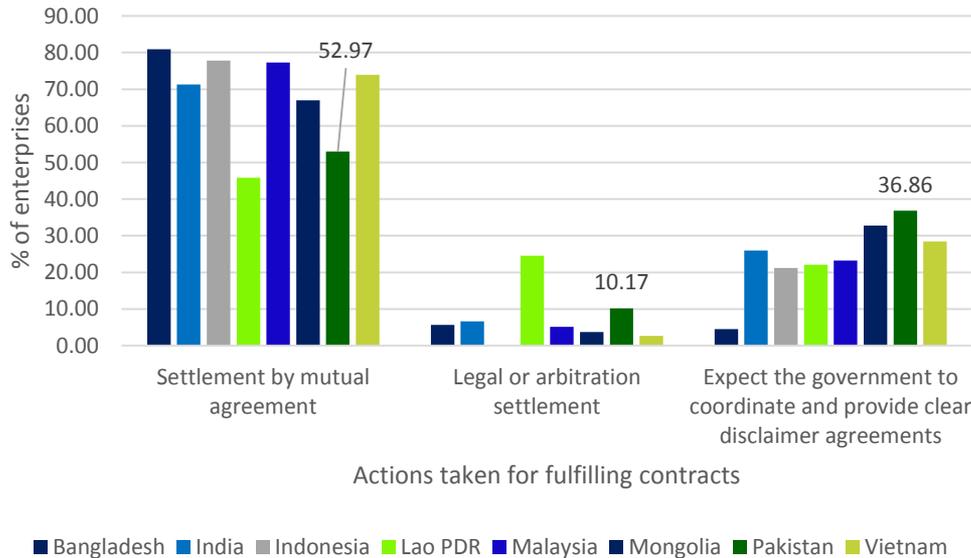
Difficulties in fulfilling contracts



- 69.92% respondent enterprises in Pakistan, 78.46% in Bangladesh, 65.69% in Vietnam and 55.25% in India, reported to have had difficulty in fulfilling their contracts.
- Malaysia had the least bit of difficulty in fulfilling contracts, followed by Lao PDR and Indonesia.

Dealing with Difficulties in Fulfilling Contracts

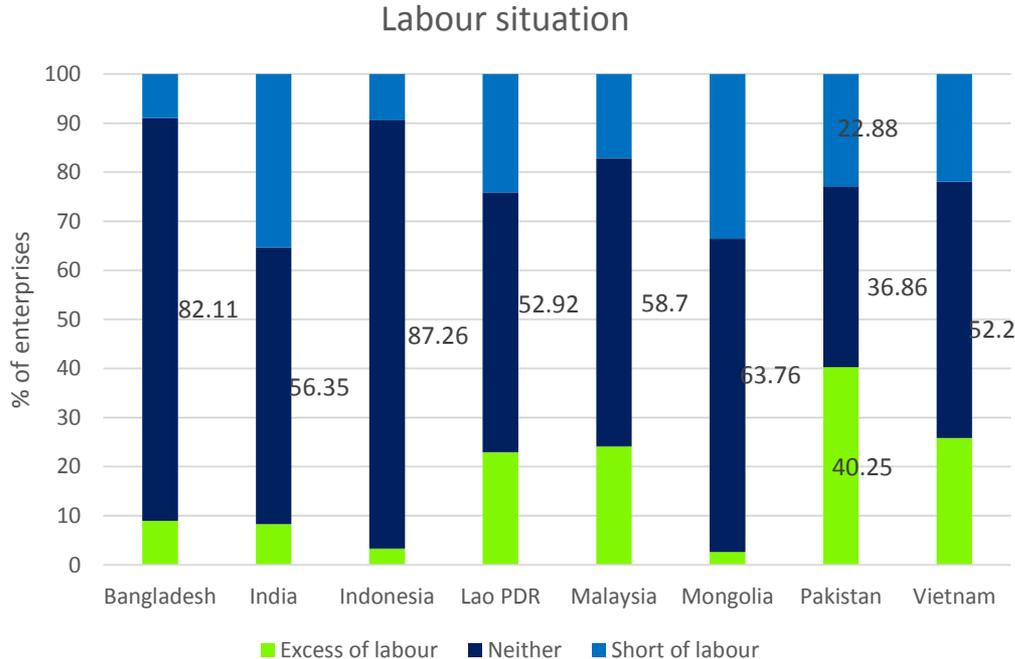
Dealing with difficulty in fulfilling contracts



Actions taken by surveyed enterprises to deal with difficulties in fulfilling contracts include the following:

- 52.97% enterprises in Pakistan reported to have made a settlement by mutual agreement, 80.89% in Bangladesh, 71.27% SMEs in India, 77.83% in Indonesia and 77.26% in Malaysia.
- 10.17% enterprises in Pakistan reported that they resorted to a legal or arbitration settlement to deal with fulfilling contracts.

Labour Situation of Enterprises



- Enterprises were asked if they were short of labour or in excess of labour.
- 40.25% enterprises in Pakistan had an excess of labour. In Bangladesh 8.94%, in India 8.29%, in Indonesia 3.3% and in Malaysia 24.13% enterprises reported to have excess labour.
- Meanwhile, 87.26% respondent enterprises in Indonesia reported to be at the optimal i.e. neither in excess nor in shortage of labour, followed by Bangladesh (82.11%).
- 22.88% enterprises in Pakistan were short of labour.
- Indonesia had the best ranking in this category followed by Bangladesh and Mongolia.

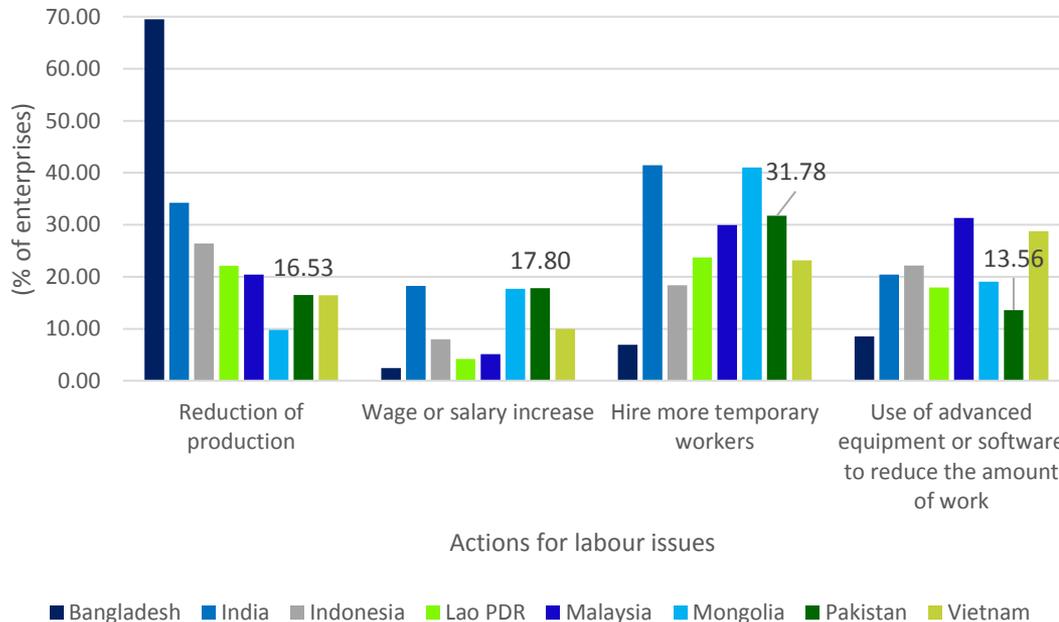
Top 3 Ways of Dealing with Labour Situation – As Reported by SMEs

| | 1 | 2 | 3 |
|------------|--|--|--|
| Bangladesh | Reduction of production | Cutting non-permanent employees | Outsourcing of orders |
| India | Hire more temporary workers | Reduction of production | Use of advanced equipment or software to reduce amount of work |
| Indonesia | Reduction of production | Use of advanced equipment or software to reduce the amount of work | Cutting non-permanent employees |
| Lao PDR | Hire more temporary workers | Reduction of production | Cutting non-permanent employees |
| Malaysia | Use of advanced equipment or software to reduce amount of work | Hire more temporary workers | Cutting non-permanent employees |
| Mongolia | Hire more temporary workers | Use of advanced equipment or software to reduce the amount of work | Wage increase |
| Pakistan | Hire more temporary workers | Outsourcing orders | Delaying the delivery of products |
| Vietnam | Cutting non-permanent employees | Use of advanced equipment or software to reduce the amount of work | Hire more temporary workers |

Note: The analysis includes responses of enterprises that were dealing with the issue or expecting to deal with in future.
Small and Medium Enterprises Development Authority (SMEDA)

Dealing with Labour Situation

Dealing with labour issues

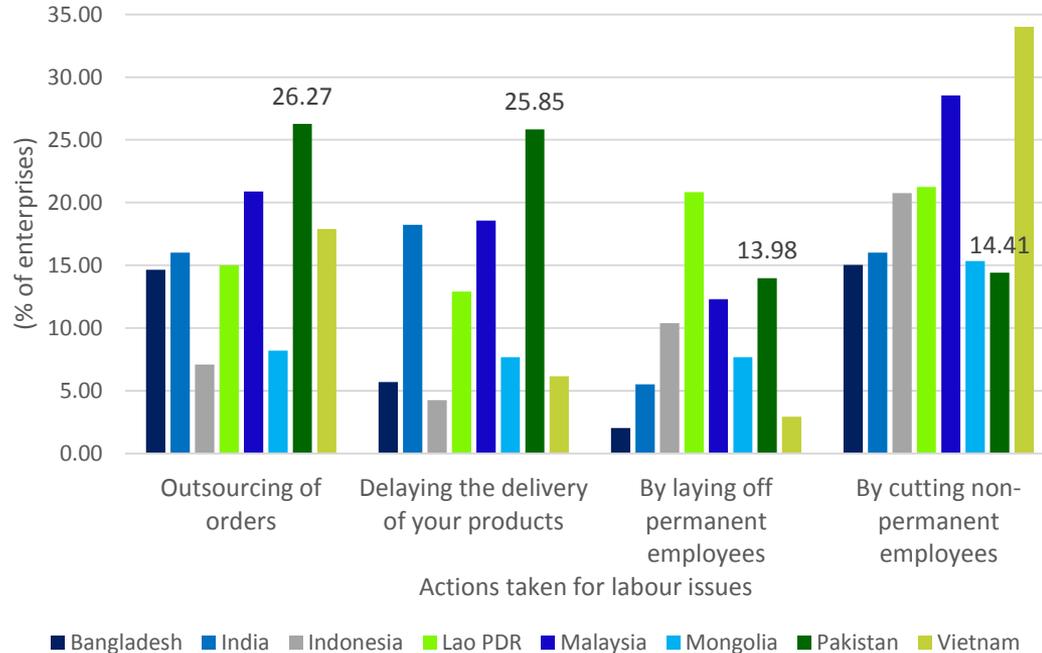


Enterprises were provided 8 options to choose actions to improve their existing labour situation or, in case they faced a labour situation what actions would they take. Responses are as under:

- 31.78% SMEs in Pakistan stated that they hired / would hire more temporary workers to deal with labour issues, while 41.44% in India and 41.01% in Mongolia reported the same.
- Interestingly 69.15% respondent enterprises in Bangladesh stated that they reduced production/would reduce production to deal with labour issues.

Dealing with Labour Situation (Cont'd)

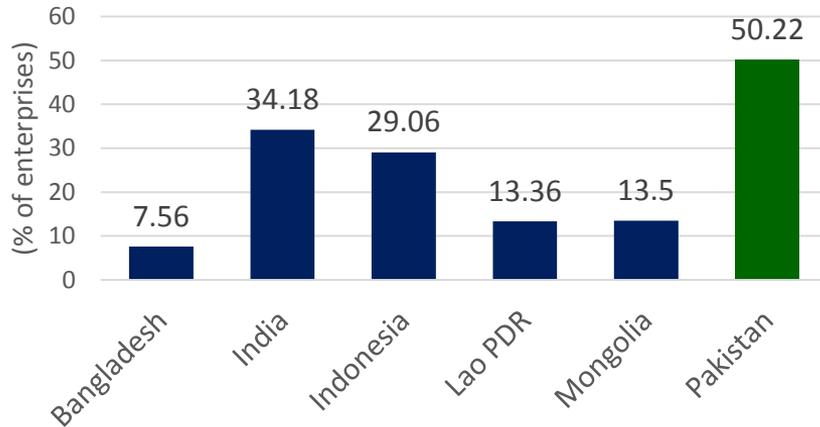
Dealing with labour issues



- 26.27% SMEs in Pakistan outsourced / would outsource their orders to deal with labour issues.
- 25.85% enterprises in Pakistan delayed /would delay delivery of products to deal with labour issues, 13.98% SMEs laid off/would lay off their permanent employees and 14.41% of them cut down/ would cut down on non-permanent employees to address labour issues.

Payment Delays due to Dominant Position of Buyer

Payment Delays due to Dominant Position of Buyer



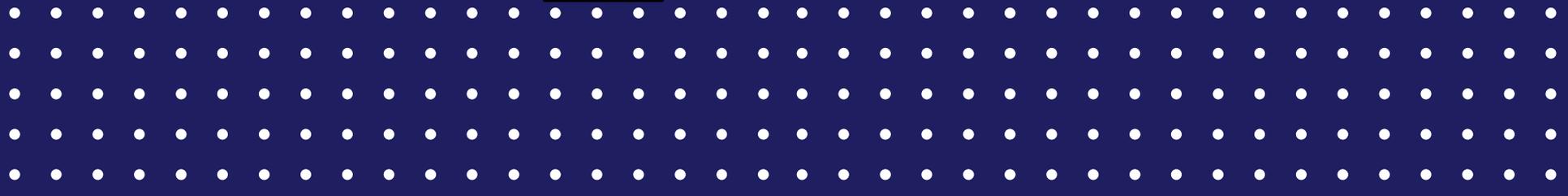
- Respondents were asked whether, in the past three years, any of their buyer has used its dominant position to delay payment for a prolonged period
- 50.22% of SMEs in Pakistan reported that they have faced payment delays due to dominant position of buyer, followed by India (34.18%), Indonesia (29.06%), Mongolia (13.5%), Lao PDR (13.36%) and Bangladesh (7.56%).



04

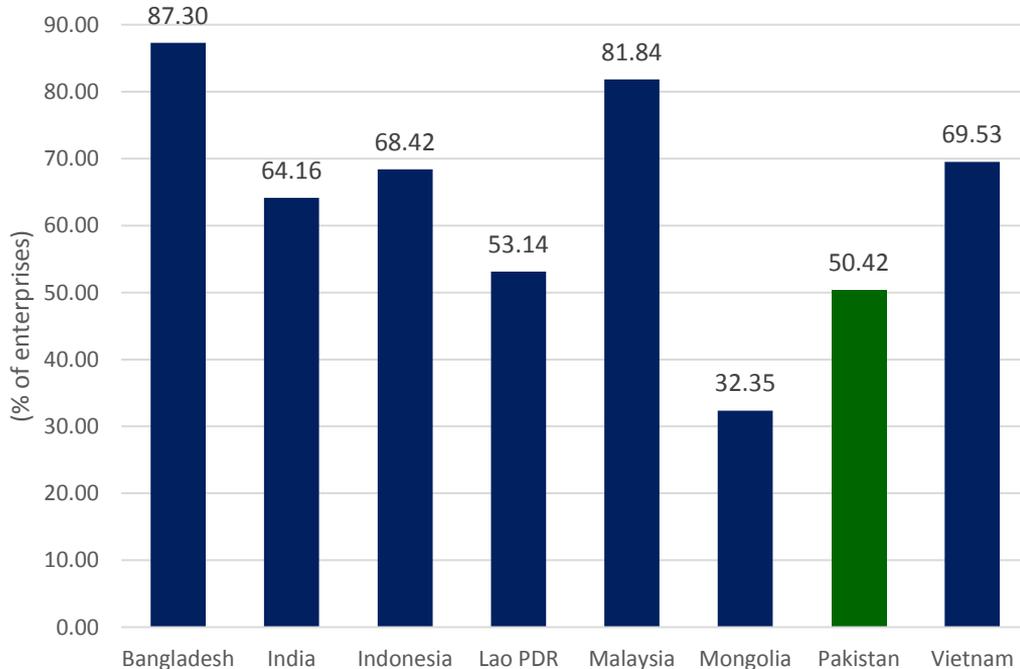
SUPPORT

Support Required by SMEs and
Government Support Provided



Awareness Regarding Government Support Available to SMEs

Awareness Regarding Government Support Available

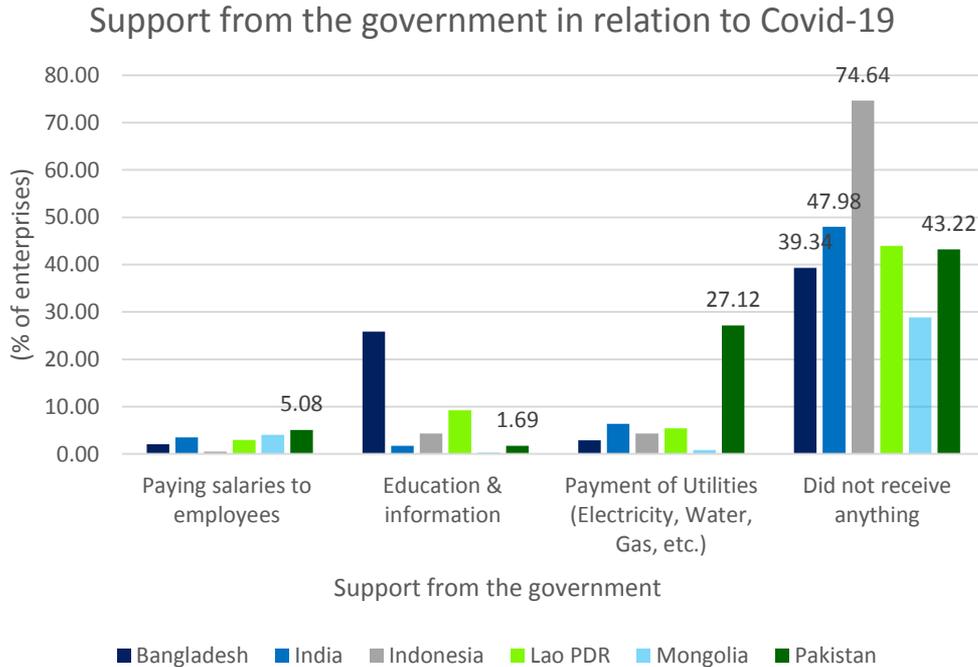


- 50.42% SMEs in Pakistan reported that they were aware of the government’s aid packages for SMEs made available during COVID-19 pandemic.
- Government support programs awareness was highest in Bangladesh at 87.30%, followed by Malaysia 81.84%, Vietnam 69.53%, Indonesia 68.42%, India 64.16% and Laos 53.14. Lowest level of awareness was in Mongolia.

Government Support Received by Enterprises till June 2020 in Relation to COVID-19

| | 1 | 2 | 3 |
|------------|--|--|---|
| Bangladesh | Deferred payments of bank loans (or loans restructuring) | Education & Information | Tax payment deferrals |
| India | Receiving new bank loans | Deferred payments of bank loans (or loans restructuring) | Tax payment deferrals |
| Indonesia | Deferred payments of bank loans (or loans restructuring) | Tax exemptions or lower tax rates | Payment of utilities (electricity, water, gas etc.)/ Edu. & Information |
| Lao PDR | Tax payment deferrals | Tax exemptions or lower tax rates | Deferred payments of bank loans (or loans restructuring) |
| Mongolia | Tax exemptions or lower tax rate | Tax payment deferrals | Lump sum support / Deferred payments of bank loans |
| Pakistan | Payment of utilities (electricity, water, gas etc.) | Internet connection | Deferred payments of bank loans |

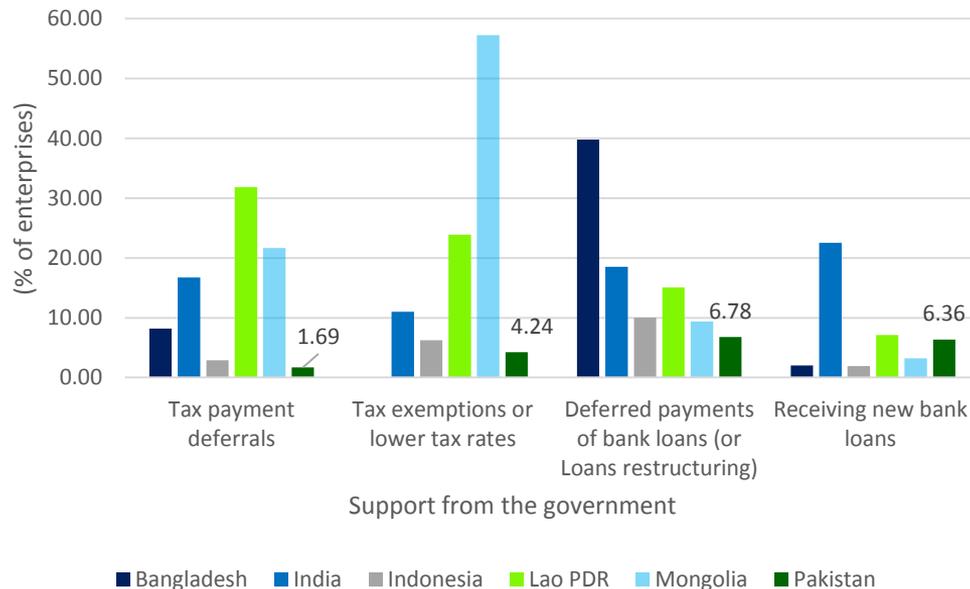
Government Support Received by Enterprises till June 2020 in Relation to COVID-19



- Enterprises were provided options to choose actions that apply in terms of support provided by government. Results are as follows:
- 27.12% respondent enterprises in Pakistan reported to have received support in payment of utilities such as electricity, water and gas etc. 5.08% SMEs received support from the government in paying salaries to their employees, 1.69% enterprises received education and information.
- 43.22% SMEs in Pakistan reported that they did not receive any support from government. This figure for Bangladesh was 39.34%, 47.98% for India and 74.64% for Indonesia.
- Mongolia and Bangladesh had the least percentage of SMEs that did not receive any support from the government.

Government Support Received by Enterprises till June 2020 in Relation to COVID-19 (Cont'd)

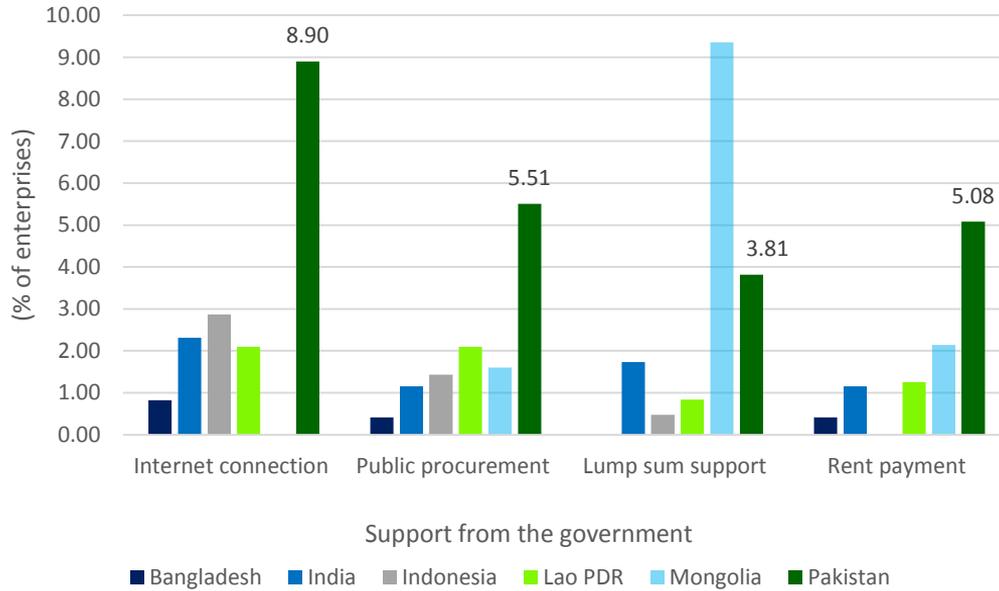
Support from the government in relation to Covid-19



- Survey results show that only 6.78% respondent SMEs in Pakistan received support to restructure loans or defer payments of bank loans. Meanwhile 39.75% in Bangladesh, 18.50% in India and 10.05% in Indonesia received the same support.
- 1.69% SMEs in Pakistan reported that they received tax payment deferrals from the government by the end of June 2020, 4.24% enterprises received tax exemptions or lower tax rates. While 6.36% enterprises received new bank loans.

Government Support Received by Enterprises till June 2020 in Relation to COVID-19 (Cont'd)

Support from the government in relation to Covid-19



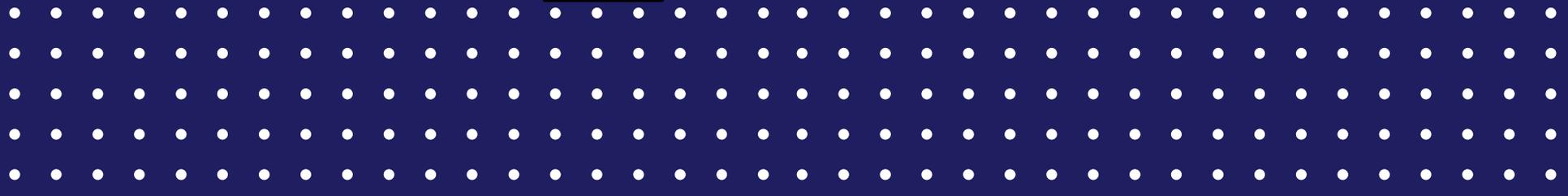
Interestingly, 8.90% SMEs in Pakistan stated to have received internet connection support, 3.81% received lump sum support and 5.08% received rent payment support.

5.51% enterprises in Pakistan received support through public procurement, while this figure for Bangladesh was 0.41%, 1.16% for India and 1.44% for Indonesia.

05

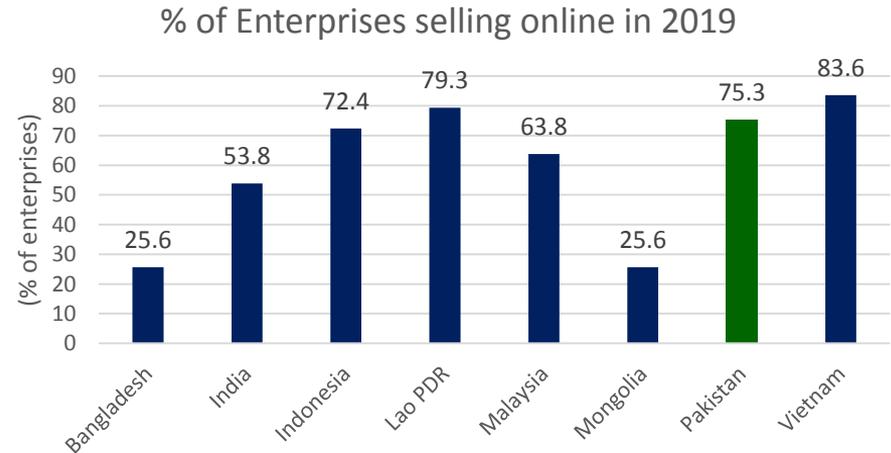
E-COMMERCE

Online Presence of SMEs and Plan to
Increase presence post-COVID-19



Year of Start of Online Business and Sales

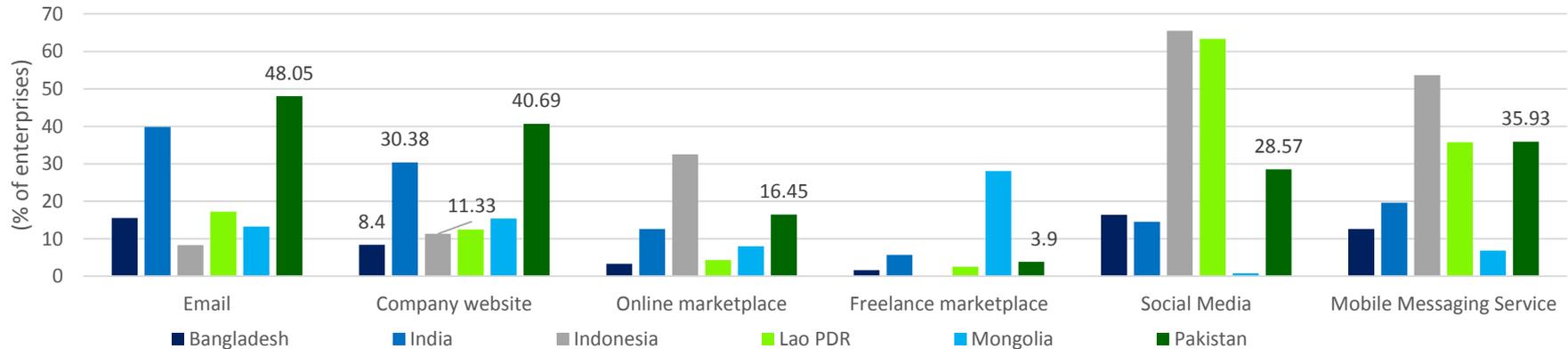
| Country | Year of Start of On-line Business (Average of Responses) |
|------------|--|
| Bangladesh | 2014 |
| India | 2012 |
| Indonesia | 2015 |
| Lao PDR | 2015 |
| Malaysia | 2014 |
| Mongolia | 2014 |
| Pakistan | 2009 |
| Vietnam | 2012 |



- 75.3% respondents of the survey in Pakistan reported to have sold their goods or services online in 2019. On the other hand 83.6% enterprises in Vietnam reported to be selling their goods & services on-line in 2019. Interestingly, 53.8% respondents in India and 25.6% respondents in Bangladesh, reported to be selling goods & services on-line.

E-commerce Platforms

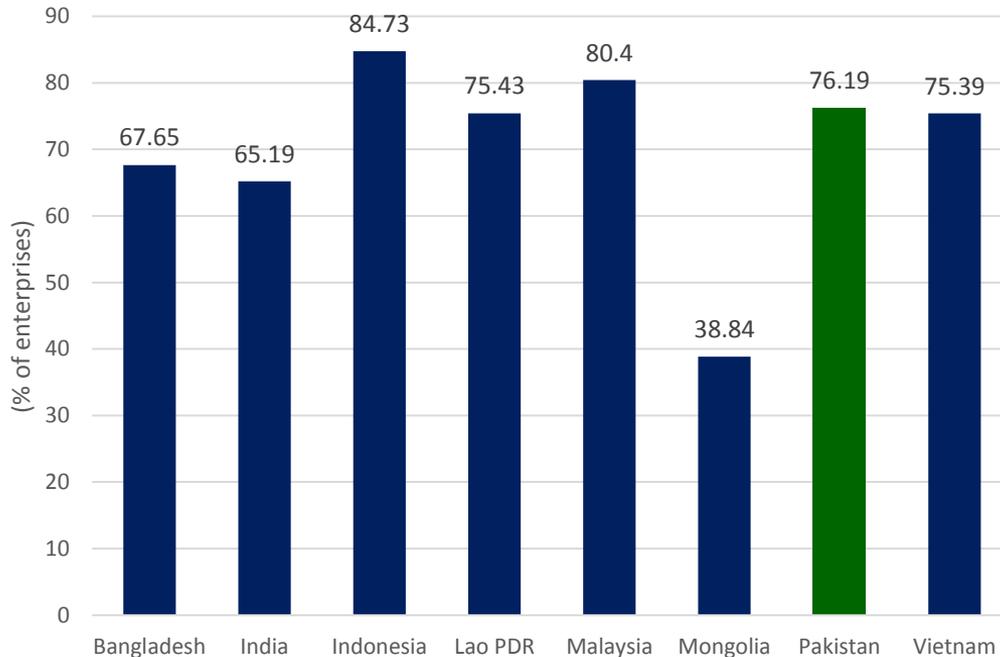
E-commerce Platforms being used by Enterprises



- Respondents were asked to identify all media platforms that they use for e-commerce. Results are as under;
- SMEs in Pakistan used multiple methods for conducting e-commerce – 48.05% used emails followed by 40.69% using company websites
- According to respondents, Indonesia (65.52% enterprises) and Lao PDR (63.36% enterprises) used social media for e-commerce. In Pakistan 28.57% respondents reported to use social media platforms.

Plan to Increase Online Sales

Plan to increase online sales



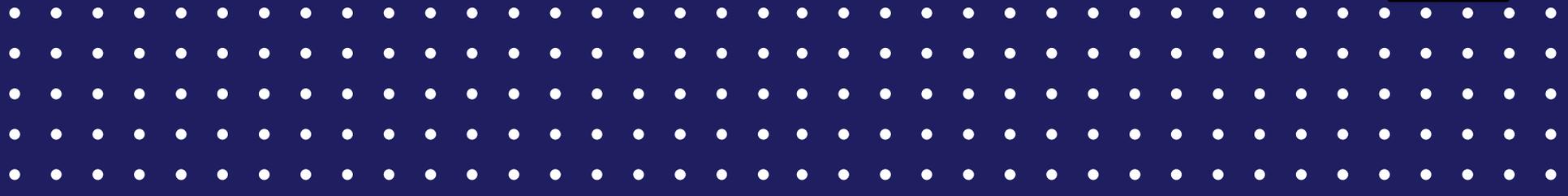
76.19% of SMEs in Pakistan reported that they plan to increase the percentage of their online sales. 84.73% respondents in Indonesia, 80.4% in Malaysia, 65.19% in India and 67.65% in Bangladesh planned to increase on-line sales.



06

EXPECTATION

Future Sales & Revenue

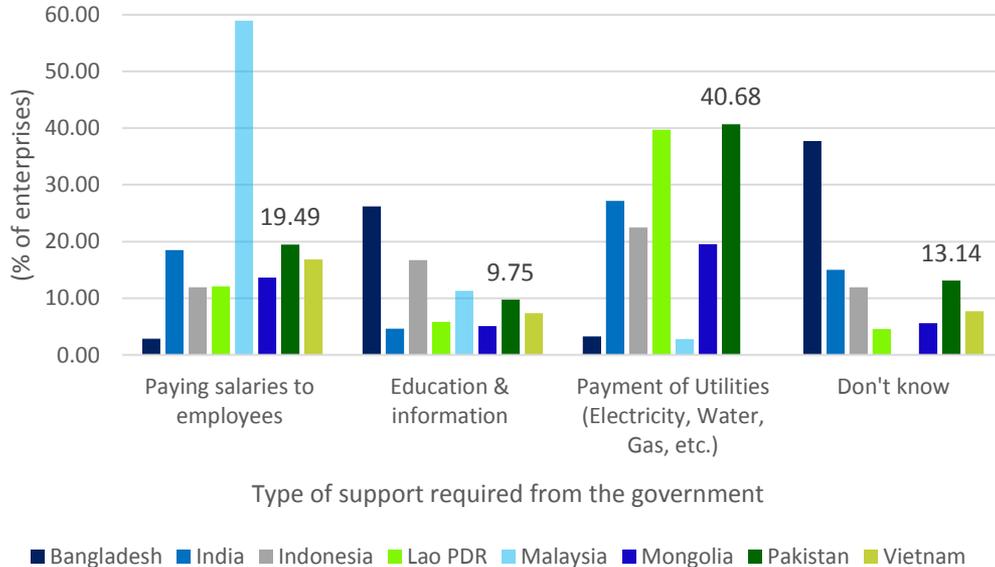


Support required by Enterprises to Mitigate COVID-19 Impact

| | 1 | 2 | 3 |
|------------|---|---|---|
| Bangladesh | Deferred payments of bank loans (or loans restructured) | Education & Information | Tax payment deferrals |
| India | Tax exemptions or lower tax rates | Receiving new bank loans | Payment of utilities (Electricity, water, gas, etc.) |
| Indonesia | Payment of utilities (Electricity, water, gas, etc.) | Education & Information / Receiving new bank loans | Tax exemptions or lower tax rates |
| Lao PDR | Tax exemptions or lower tax rates | Payment of utilities (Electricity, water, gas, etc.) | Lump sum support |
| Malaysia | Paying salaries to employees | Tax exemptions or lower tax rates | Deferred payments of bank loans (or loans restructured) |
| Mongolia | Tax exemptions or lower tax rates | Tax payment deferrals | Deferred payments of bank loans (or loans restructured) |
| Pakistan | Payment of utilities (Electricity, water, gas, etc.) | Tax exemptions or lower tax rates | Rent payment |
| Vietnam | Tax exemptions or lower tax rates | Deferred payments of bank loans (or loans restructured) / Tax payment deferrals | Receiving new bank loans |

Support required by Enterprises to Mitigate COVID-19 Impact

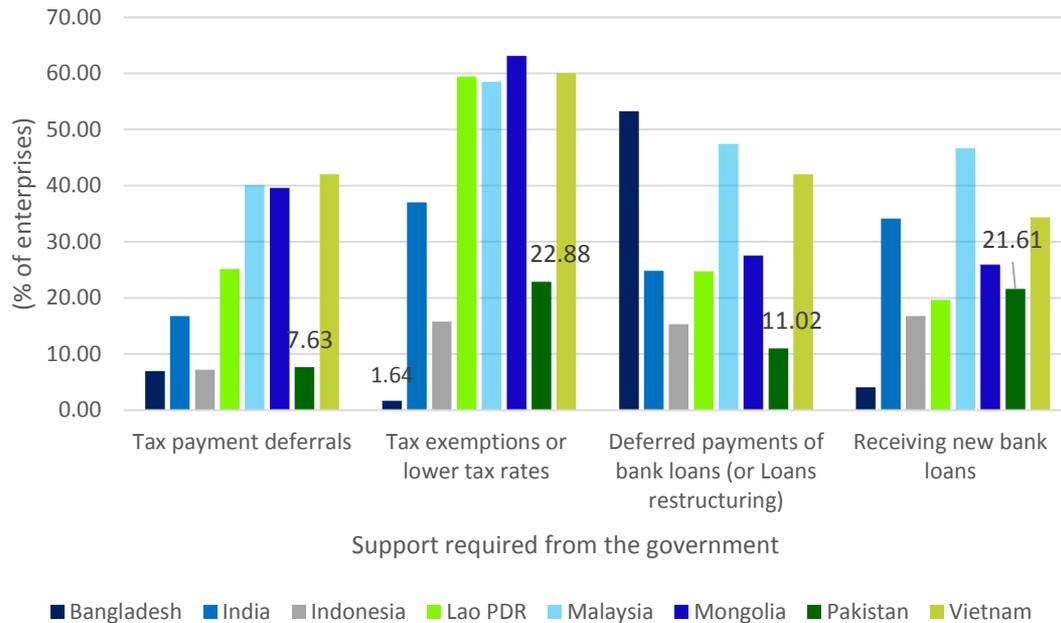
Type of support required from the government in relation to Covid-19



- 40.68% SMEs in Pakistan required support in payment of utilities like electricity, water and gas etc., which is one of the highest in the region. Lao PDR (39.75%), Bangladesh (3.28%), India (27.17%) and Indonesia (22.49%) stated that they required the same support from government. Malaysia has the least percentage of enterprises (2.83%) that require support from the government in payment of utilities.
- 19.49% enterprises in Pakistan indicated their requirement of support for paying salaries to their employees. In this category of support required, Malaysia (58.96%) stands out from other regional countries.

Support required by Enterprises to Mitigate COVID-19 Impact (Cont'd)

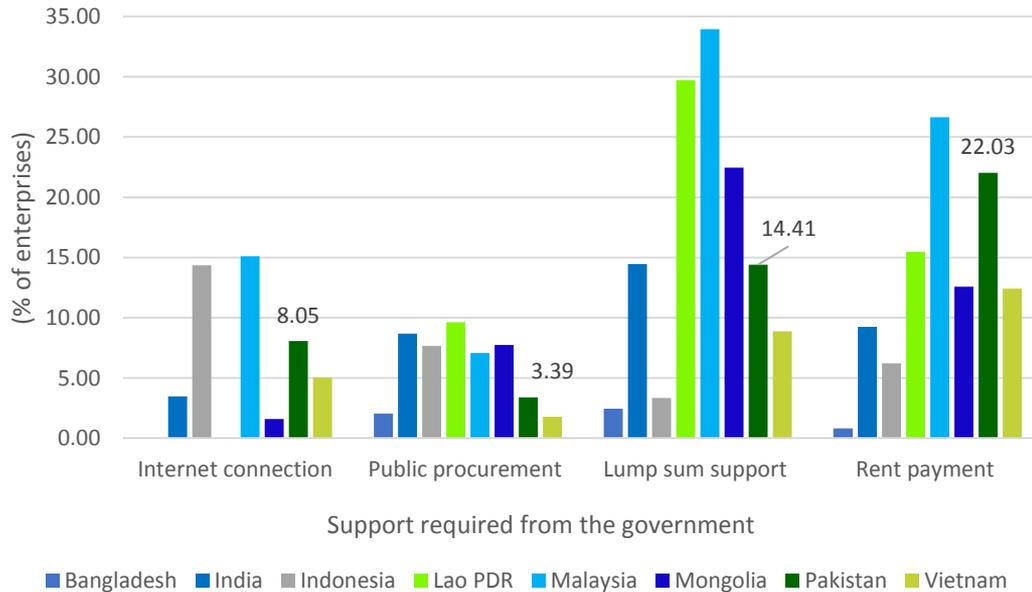
Type of support required from the government in relation to Covid-19



- 22.88% enterprises in Pakistan have identified tax exemptions or lower tax rates as required support from government. Bangladesh - 1.64%, India - 36.99%, Malaysia - 58.49%, Laos - 59.41% and Vietnam - 60.06% respondents require support through tax exemptions or lower tax rate.
- 7.63% enterprises in Pakistan reported that they require tax payment deferrals from the government, 11.02% require loan restructuring / deferred payments of bank loans and 21.61% enterprises require new bank loans.

Support required by Enterprises to Mitigate COVID-19 Impact (Cont'd)

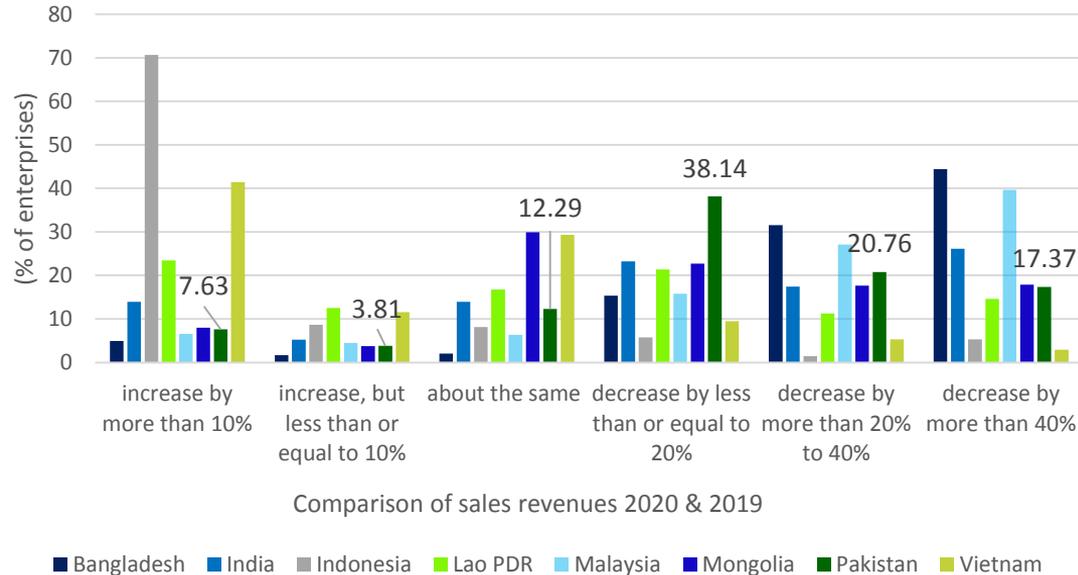
Type of support required from the government in relation to Covid-19



- 14.41% enterprises in Pakistan require a lump sum payment support from the government. Bangladesh (2.46%), India (14.45%), Indonesia (3.35%) and Malaysia (33.96%) shared the same requirement.
- 8.05% SMEs in Pakistan reported that they require internet connection support from the government, 3.39% enterprises require public procurement support and 22.03% of them require rent payment support.

Sales Revenue Expectation

Sales revenues expectation in 2020 (as compared to revenue in 2019)



Comparison of sales revenues 2020 & 2019

■ Bangladesh ■ India ■ Indonesia ■ Lao PDR ■ Malaysia ■ Mongolia ■ Pakistan ■ Vietnam

- Enterprises were asked to state their expectations regarding total sales revenue in 2020 vis-à-vis 2019. Furthermore, they were asked to state their expectation regarding quantum of increase or decrease in total sales revenue.
- 76.27% enterprises in Pakistan expect their sales revenue in 2020 to decrease as compared to 2019. 91.29% respondents in Bangladesh, 66.9% in India, 12.5% in Indonesia. 82.54% respondents in Malaysia expect a decrease in their total sales revenue vis-à-vis 2019.
- 11.44% SMEs in Pakistan expect their sales revenue to increase in 2020 as compared to 2019, while 12.29% respondent enterprises expect their sales revenue to remain the same in 2020.

SME Issues and Actions taken by Governments at Regional Level



MAJOR ISSUES OF SMEs

- Cash flow shortage
- Raw material shortage
- Labor issues
- Difficulty fulfilling contracts

Actions Taken by Governments

- Tax exemptions
- Payment of utilities
- Deferred payments of bank loans.

Successful Government Interventions to Improve SMEs Performance During Covid-19*



1. Mongolia**

- I. Tax exemptions or lower tax rate
- II. Tax payment deferrals
- III. Lump sum support/ Deferred payments of bank loans



2. Bangladesh

- I. Deferred payments of bank loans (or loans restructuring)
- II. Education and Information
- III. Tax payment deferrals

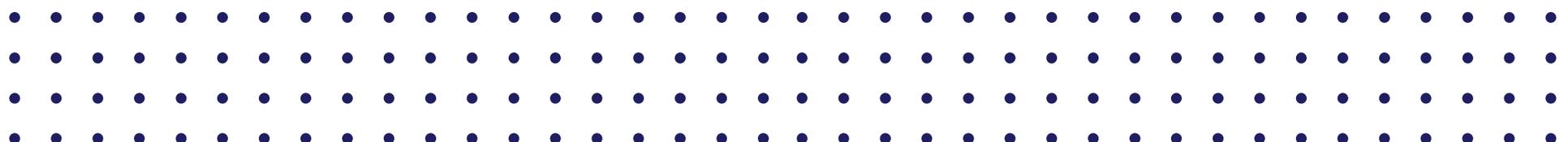


3. Pakistan

- I. Payment of utilities
- II. Internet Connection
- III. Public Procurement

*Ranking based on responses of countries – Top performers in terms of Government interventions and their top 3 initiatives reported by SMEs

** Results of Mongolia are reflective of relatively less number of COVID-19 cases and deaths



Best in Different Categories



Sales Revenue Expectation 2020

SMEs in Indonesia had the highest expectation in terms of total sales revenue to increase



Share of Online Sales

SMEs in Vietnam have the highest percentage of online sales



Awareness of Government Support Offered

SMEs in Bangladesh had the highest level of Awareness regarding Government Support Programmes



Raw Material Shortage

SMEs in Malaysia reported the least shortage of raw material

SMEs Expectation Regarding Increase in Sales Revenue in 2020 (Ranked by Countries)

1. Indonesia

2. Vietnam

3. Lao PDR

4. India

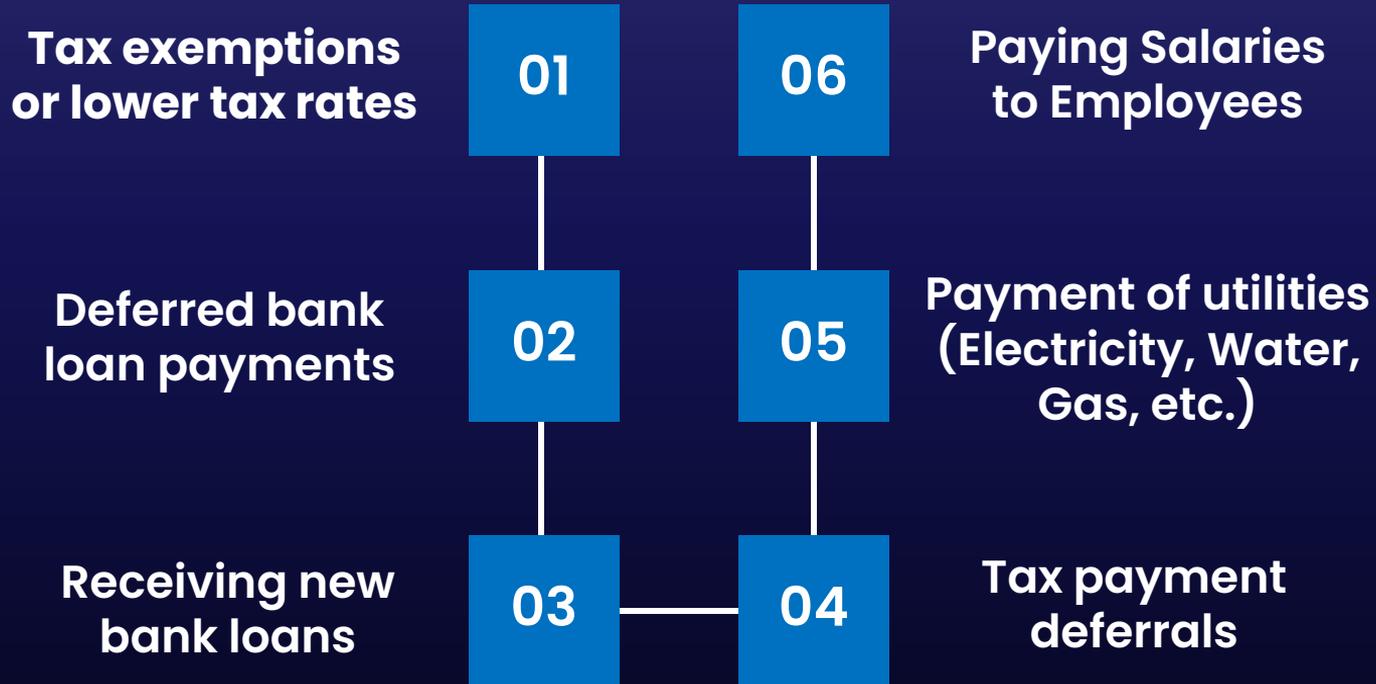
5. Mongolia

6. Pakistan

7. Malaysia

8. Bangladesh

Overall Support Required (Ranked)*



*Ranking of support required by SMEs in Pakistan, India, Bangladesh, Indonesia, Malaysia, Lao PDR, Mongolia and Vietnam during Covid-19

Key Findings Pakistan vis-à-vis Regional Countries

Change in Business Environment



Survey respondents in Pakistan reported **'increase in price of material'** as the major change in business environment during COVID-19. This may be due to lockdown and disrupted supply of imported material. However, other countries in the region reported cash flow shortage and significant drop in domestic demand as the major changes in their business environment.

Raw material Shortage and ways of dealing with it



In order to deal with raw material shortage, majority of respondents in Pakistan **delayed the delivery of their products**. However, most of the other regional countries reported that they sought new procurement channels to deal with raw material shortage. Thus, Pakistan's response was different in comparison to the regional response.

Cash Flow Shortage and ways of dealing with it



Majority of respondents in Pakistan reported that they were facing cash flow shortage and dealing with it by **'Collecting debts from customers/ not selling on credit / asking for advance payments,'** while most of the other countries reported that they were dealing with cash flow shortage by obtaining loans from commercial banks.



Actions Taken by Enterprises to Maintain Business

Among options for maintaining business, half of the respondents in Pakistan reported that they had to **temporarily close-down their business**. However, respondents in Bangladesh, India and Indonesia reported 'reduction in production' as a major step to maintain their business.

Government Support Provided



Surveyed enterprises in Pakistan reported that the major support they received during COVID-19 was in the form of **Payment of Utilities (electricity, water, gas, etc.)**. Bangladesh & Indonesia reported deferred payments of bank loans (or loans restructuring) as the major support, while India reported that they received new bank loans.

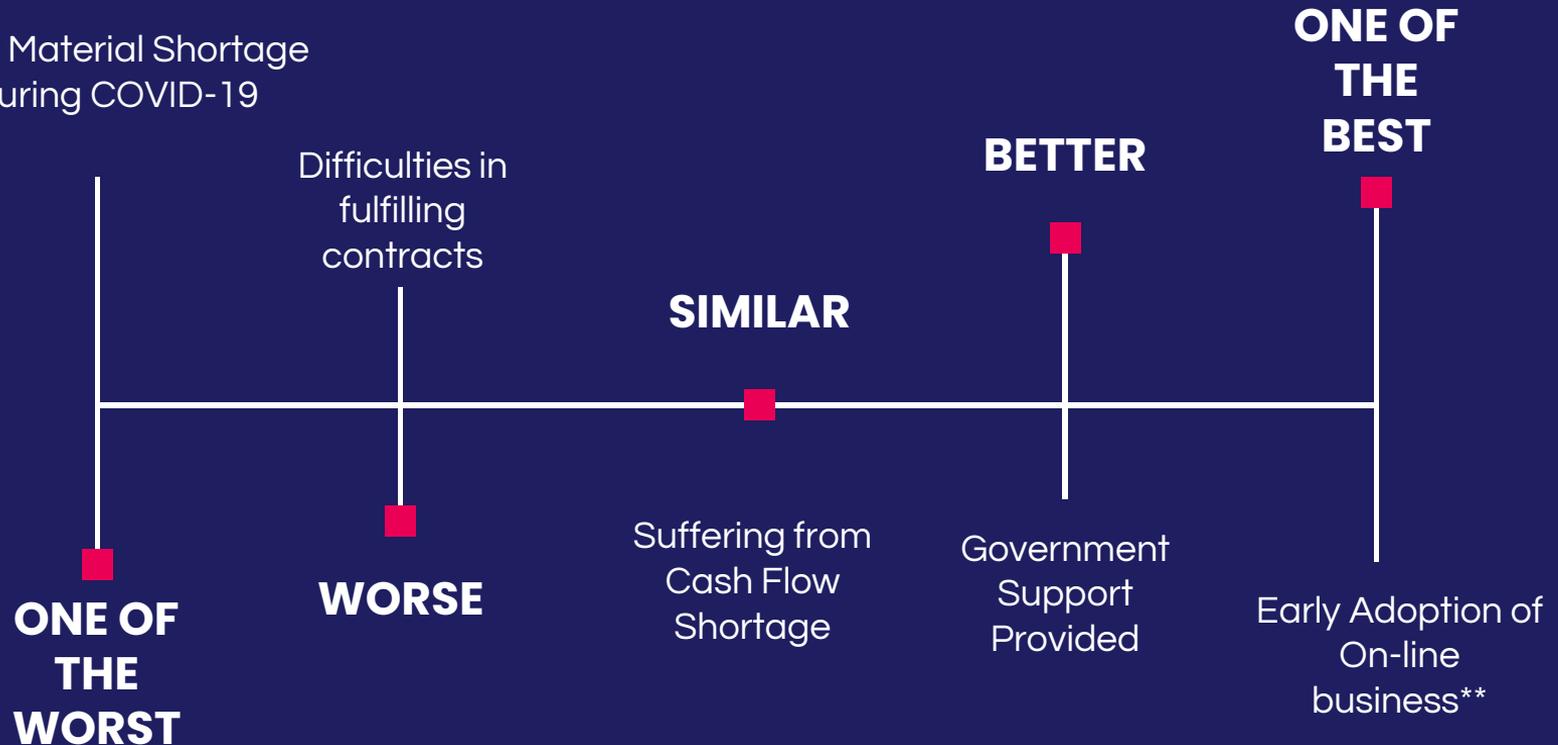


Awareness Regarding Government Support Available

Slightly over half of Pakistan's survey respondents reported that they are **aware of government support available during COVID-19**. Government support programs awareness was highest in Bangladesh and it ranked receiving government support at the highest, save Mongolia.

Pakistan's Overall Comparison with Regional Countries*

Raw Material Shortage during COVID-19



*Relative to regional countries' performance (including Bangladesh, India, Indonesia, Laos, Malaysia, Mongolia & Vietnam)

** Year of start of on-line business

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