

**Situational Analysis
of SMEs during
COVID-19
Survey Report
February 2021**

Small & Medium Enterprises

Development Authority

(SMEDA) and Mahbub-ul-Haq

Research Centre Firms Cluster

MHRC Team: Nazish Afraz, Maha Rehman, Nadia Mukhtar,
SMEDA: Nadia J. Seth, Farhan Zafar, Maryam Anas Ganaie

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Overview

COVID-19 has adversely impacted the global economy and social life of people across the globe. The pandemic has affected businesses of almost all sizes which has placed severe strain on income and employment generation worldwide. Small and Medium Enterprises (SMEs), which represent 90 percent of the businesses and more than 50 percent of the employment in the world economy, have also been severely affected by the pandemic.¹ In Pakistan's context, the estimated 5.2 million² SMEs form more than 90 percent of the businesses and employ 80 percent of the non-agricultural labor force and contribute 40 percent to GDP.³ Given the importance of SMEs in Pakistan's economy, it is imperative to understand and document the effects of COVID-induced lockdowns and restrictive standard operating procedures (SOPs) on these enterprises.

The [Small and Medium Enterprises Development Authority \(SMEDA\)](#) in collaboration with the [Mahbub ul Haq Research Center at Lahore University of Management Sciences \(LUMS\)](#) has launched a series of periodic online surveys to comprehend and document the effects of COVID-19 on SMEs in Pakistan amid the evolving situation. Thus far, two rounds of the survey have been completed. These surveys will help the government introduce relevant data-driven policy interventions to facilitate and support SMEs. In light of this effort, SMEDA conducted the first round of data collection focused on the effects of partial lockdown on SMEs and was completed in April 2020. The [survey](#) highlighted the effects of partial lockdown on various dimensions including profitability, employment, liquidity, supply chain distortions, business operations and production. The survey also presented SMEs concerns for public sector support to help sustain businesses and mitigate the impact of COVID-19.

The second round of online data collection spanned August till October 2020, after the lockdown had been lifted under the issuance of tailored sector-specific SOPs, One hundred and seventy-one (171), SMEs participated in the survey. This survey was launched to understand the effects of COVID-19 on SMEs post-lockdown in the following thematic areas:

- I. Business Operations
- II. Policy Response
- III. Business Continuity

This report presents both the analysis and findings of the second round of online data collection as well as recommendations for policy stakeholders to introduce relevant policy measures to support SMEs both amid the pandemic and going forward.

Limitations of the Survey

The findings presented in the report should be viewed in light of the following statistical limitations of the survey:

- I. The sample is not representative of the population of SMEs in the country.
 - a. The results might suffer from two types of selection bias: firstly, only firms that were

¹ <https://www.worldbank.org/en/topic/sme/finance>

² https://smeda.org/phocadownload/Research_Publications/SMEDA%20Survey%20Report%20-%20COVID-19%20Impact%20on%20SMEs%20reduce.pdf

³ https://smeda.org/index.php?option=com_content&view=article&id=7:state-of-smes-in-pakistan

on the SMEDA e-mail mailing list were sent the questionnaire, and secondly, out of those that were sent the questionnaire, some responded, and others did not i.e. they self-selected in the final sample. This may have resulted in over-representation of respondents that have online presence.

- b. There is over-representation of SMEs belonging to Khyber Pakhtunkhwa province.
- II. The sample size of 171 SMEs is limited and may affect the generalizability of the results.
- III. The margin of error of survey results is 7 percent with a 95 percent confidence interval.⁴

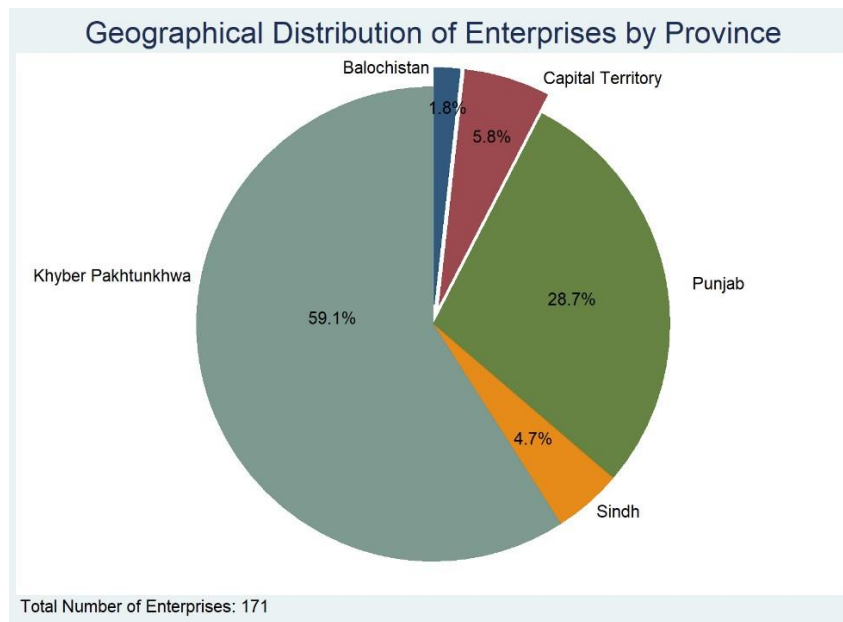
⁴ The margin of error is applicable for results considering full population rather than sub-groups.

Profiling of Enterprises and Respondents

I. Geographical Distribution of Enterprises

i. By Province

Enterprises participated from all the major geographical regions, provinces and capital territory, of Pakistan. The majority of the enterprises in the survey, 59.1 percent, belonged to Khyber Pakhtunkhwa followed by Punjab (28.7 percent), Capital Territory (5.8 percent), Sindh (4.7 percent) and Balochistan (1.8 percent).



ii. By City

Enterprises from 44 cities across Pakistan responded to the second wave of data collection. **Table 1** gives the geographical distribution of enterprises by cities.

Table 1-Geographical Distribution of Enterprises by City

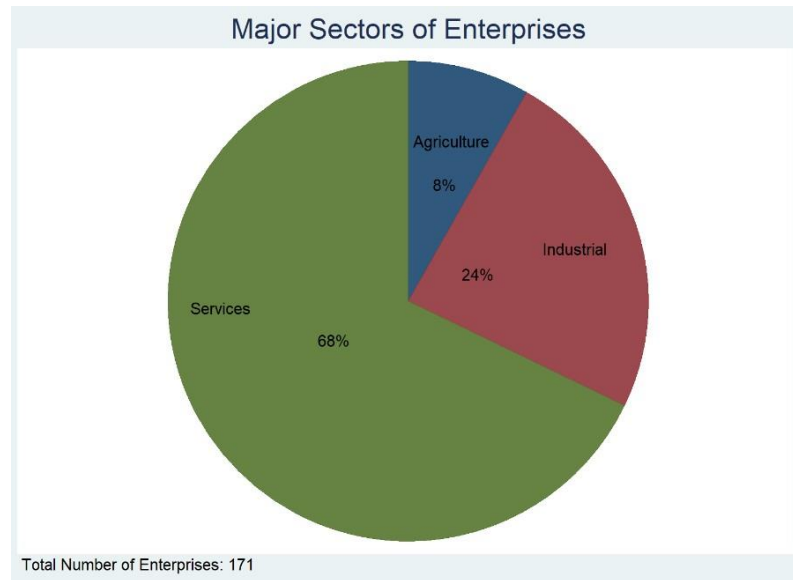
| City | Number of Enterprises | Percentage of Enterprises |
|------------------|-----------------------|---------------------------|
| Abbottabad | 1 | 0.58 |
| Bara | 3 | 1.75 |
| Bahawalpur | 3 | 1.75 |
| Batkhela | 2 | 1.17 |
| Bhakkar | 1 | 0.58 |
| Buneer | 11 | 6.43 |
| Charsadda | 4 | 2.34 |
| Chitral | 3 | 1.75 |
| Dera Ismail Khan | 1 | 0.58 |

| | | |
|--------------------|------------|------------|
| Dir | 4 | 2.34 |
| Faisalabad | 1 | 0.58 |
| Gujranwala | 2 | 1.17 |
| Gujrat | 1 | 0.58 |
| Haripur | 1 | 0.58 |
| Hassanabdal | 1 | 0.58 |
| Hyderabad | 1 | 0.58 |
| Islamabad | 10 | 5.85 |
| Jalal Pur Pir Wala | 1 | 0.58 |
| Jhang | 1 | 0.58 |
| Karachi | 6 | 3.51 |
| Khanewal | 1 | 0.58 |
| Khyber | 3 | 1.75 |
| Lahore | 12 | 7.02 |
| Landikotal | 2 | 1.17 |
| Layyah | 1 | 0.58 |
| Mansehra | 3 | 1.75 |
| Mardan | 5 | 2.92 |
| Multan | 15 | 8.77 |
| Nawabshah | 1 | 0.58 |
| Nowshera | 1 | 0.58 |
| Pashat Salarzai | 1 | 0.58 |
| Peshawar | 47 | 27.49 |
| Phalia | 1 | 0.58 |
| Quetta | 3 | 1.75 |
| Rahim Yar Khan | 1 | 0.58 |
| Rawalpindi | 2 | 1.17 |
| Sadiaqabad | 1 | 0.58 |
| Sargodha | 1 | 0.58 |
| Sialkot | 1 | 0.58 |
| Sukkur | 1 | 0.58 |
| Swabi | 1 | 0.58 |
| Swat | 7 | 7 |
| Toba Tek Singh | 1 | 1 |
| Vehari | 1 | 1 |
| Total | 171 | 100 |

II. Sectoral Distribution of Enterprises

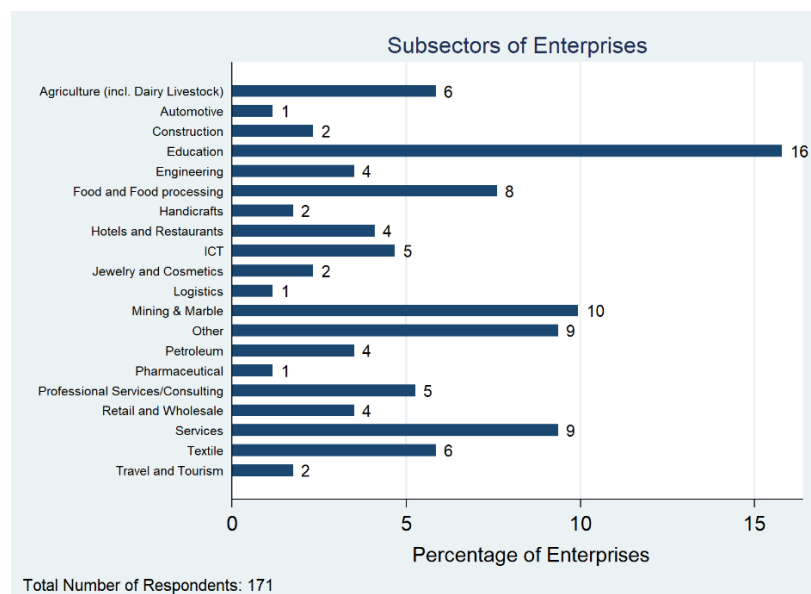
i. Major Sectors

The majority of the enterprises, 68 percent, belonged to the services sector followed by industrial (24 percent) and agriculture sector (8 percent).



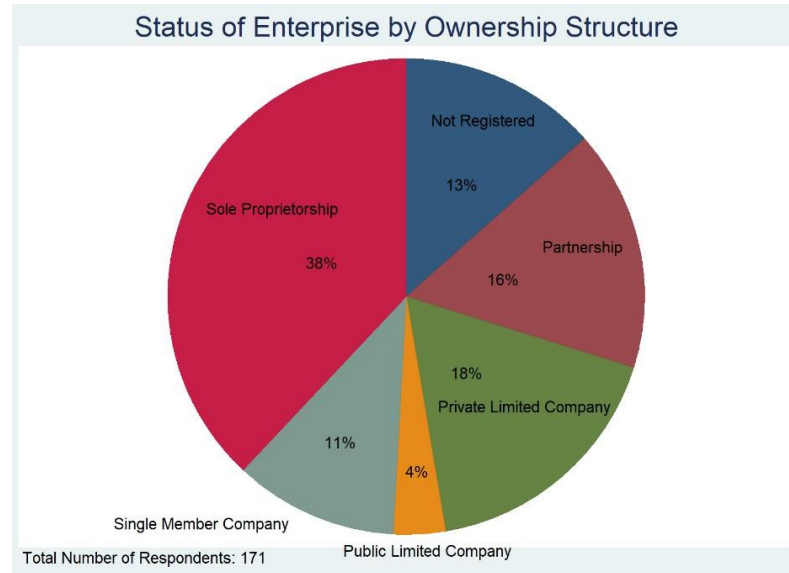
ii. Deeper Look at Subsectors

A deeper look at the sub-sector profile suggests that 16 percent of the enterprises are associated with education sector followed by 10 percent mining & marble, food and food processing (8 percent), textile (6 percent), professional services/consulting (5 percent) and ICT (5 percent).



III. Ownership Structure Status

Most of the participant enterprises (38 percent) were registered as sole proprietorship, followed by private limited company (18 percent), partnership (16 percent), single member company (11 percent), public limited companies (4 percent), while 13 percent of the enterprises were unregistered.



IV. Designation of Respondents

A very diverse designation background of respondents participated in the survey. Almost 45 percent of the respondents were C-suite executives followed by business owners (16.4 percent), chairman of the board (9.4 percent), head of marketing (4.7 percent), directors (4.7 percent) and other designations.

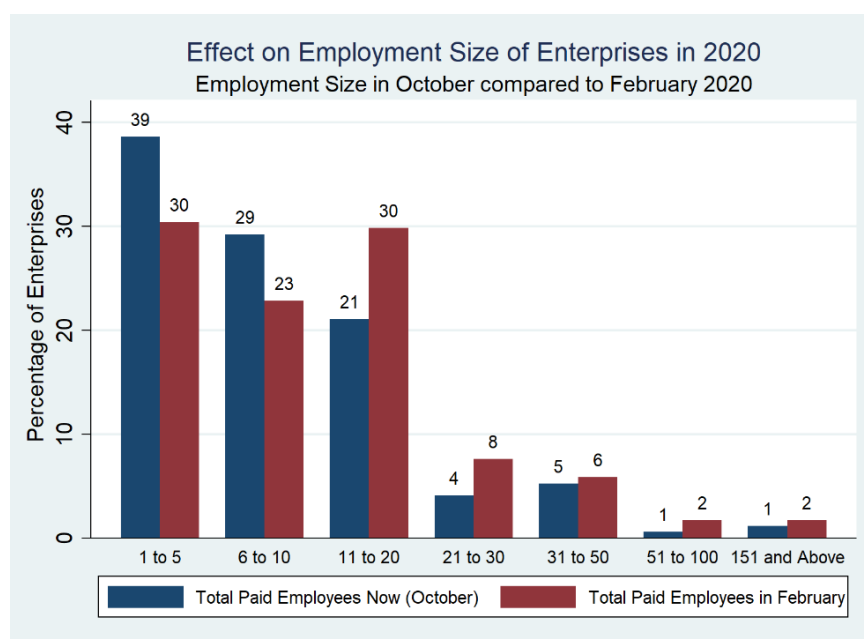
Table 2-Designation of Respondents

| Designation | Number of Enterprises | Percentage of Enterprises |
|----------------------------|-----------------------|---------------------------|
| Chief Executive Officer | 76 | 44.44 |
| Chief Operating Office | 1 | 0.58 |
| Chairman of the Board | 16 | 9.36 |
| Director | 8 | 4.68 |
| Distributor | 1 | 0.58 |
| Head of Finance/Accounting | 5 | 2.92 |
| Head of Human Resource | 1 | 0.58 |
| Head of Marketing | 8 | 4.68 |
| Head of Operations | 10 | 5.85 |
| Manager | 4 | 2.34 |
| Managing Director | 4 | 2.34 |
| Managing Partner | 1 | 0.58 |

| | | |
|------------------|------------|------------|
| Owner | 28 | 16.37 |
| School Principal | 7 | 4.09 |
| Total | 171 | 100 |

V. Comparison of Employment Size in October 2020 Compared to February 2020

The average employment size (total paid employees) reported by the October 2020 sample is smaller than the one reported by the February 2020 sample: the percentage of enterprises in 1 to 5 and 6 to 10 employees' category has increased from 30 percent to 39 percent and 23 to 29 percent respectively. All the other enterprise size categories have experienced a decrease in terms of percentage of enterprises belonging to that category.

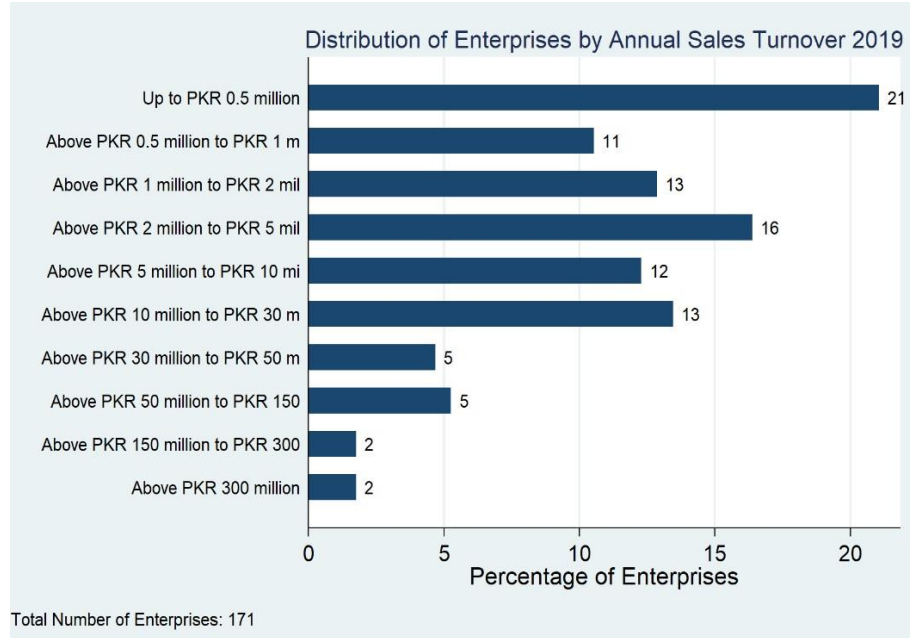


VI. Profiling of Enterprises by Annual Sales Turnover in 2019

In terms of annual sales turnover in 2019, almost 95 percent of the enterprises in the sample are small enterprises, having revenue up to PKR 150 million, and 5 percent enterprises are medium enterprises.⁵

Within the small enterprises' category, 61 percent of the enterprises have annual sales turnover of PKR 5 million or less followed by enterprises with annual sales turnover above PKR 5 million to PKR 10 million (12 percent), above PKR 10 to PKR 30 million (13 percent), above PKR 30 million to PKR 50 million (5 percent) and above PKR 50 million to PKR 150 million (5 percent).

⁵ The categorization of small and medium enterprises is based on State Bank of Pakistan's definition stated in Prudential Regulations for Small & Medium Enterprises Financing (December, 2017). <https://www.sbp.org.pk/sme/2017/SME-PRs-Updtd-Dec-2017.pdf>



VII. Online Business/Presence

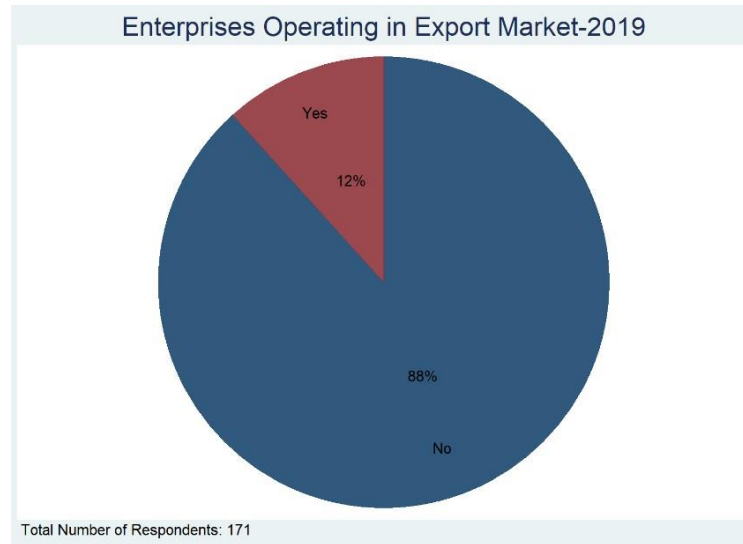
Only one-third, 32.16 percent, of the respondent enterprises have online business presence with 10.5 percent additional enterprises that have started selling their products or offering services online after March 2020.

Table 3-Presence of Online Products/Services

| Designation | Number of Enterprises | Percentage of Enterprises |
|-----------------------------|-----------------------|---------------------------|
| Yes (Before March 2020) | 37 | 21.64 |
| Yes (From/after March 2020) | 18 | 10.53 |
| No | 116 | 67.84 |
| Total | 171 | 100 |

VIII. Presence in Export Market-Based on Data from 2019

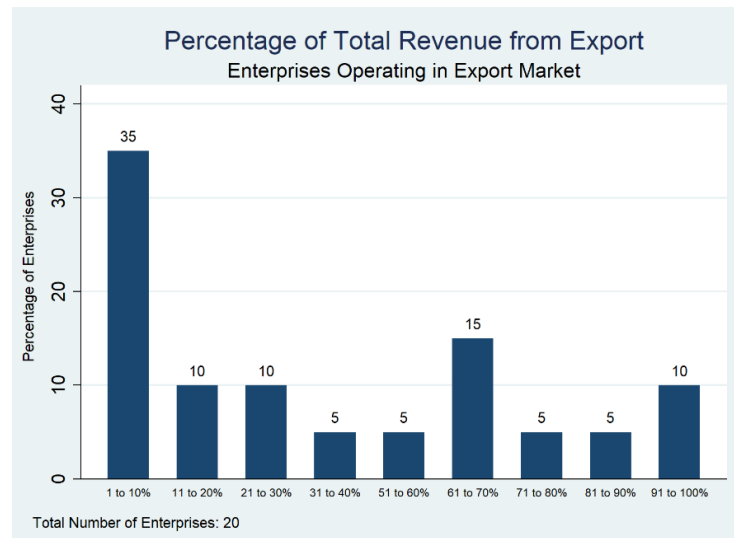
Based on the export history in 2019, only 12 percent of the enterprises in the sample operated in export market.



IX. Percentage of Total Revenue from Export

The percentage of total revenue from export activities for enterprises operating in export market is mostly less than 50 percent of the total revenue. Only 40 percent of the enterprises have reported percentage of total revenue from export to be greater than 50 percent. The main source of revenue for most of the enterprises is from operating in local market.

35 percent of the enterprises earn 1 to 10 percent of total revenue from exports, followed by 15 percent enterprises that earn 61 to 70 percent of total revenue from exports and only 10 percent of the enterprises earn more than 90 percent of the total revenue form exports.

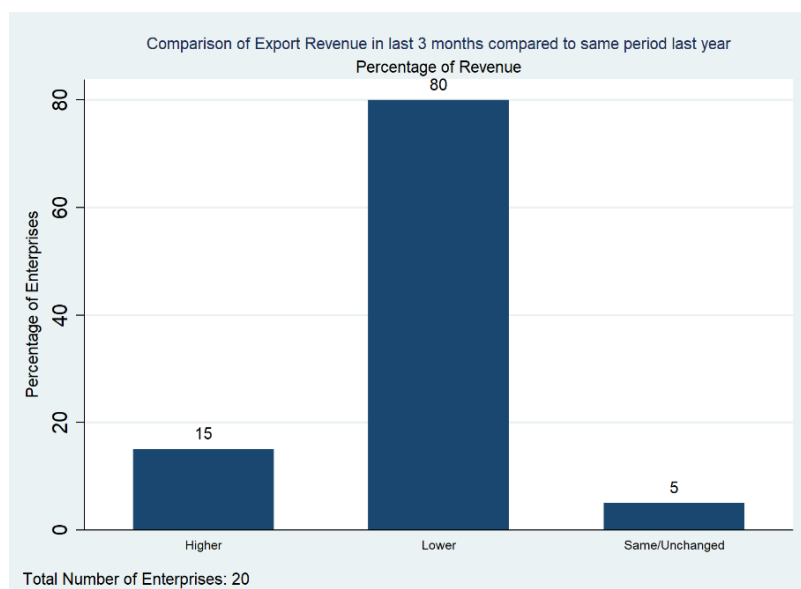


Effects on Export and Future Outlook

I. Effect on Export in Last 3 Months

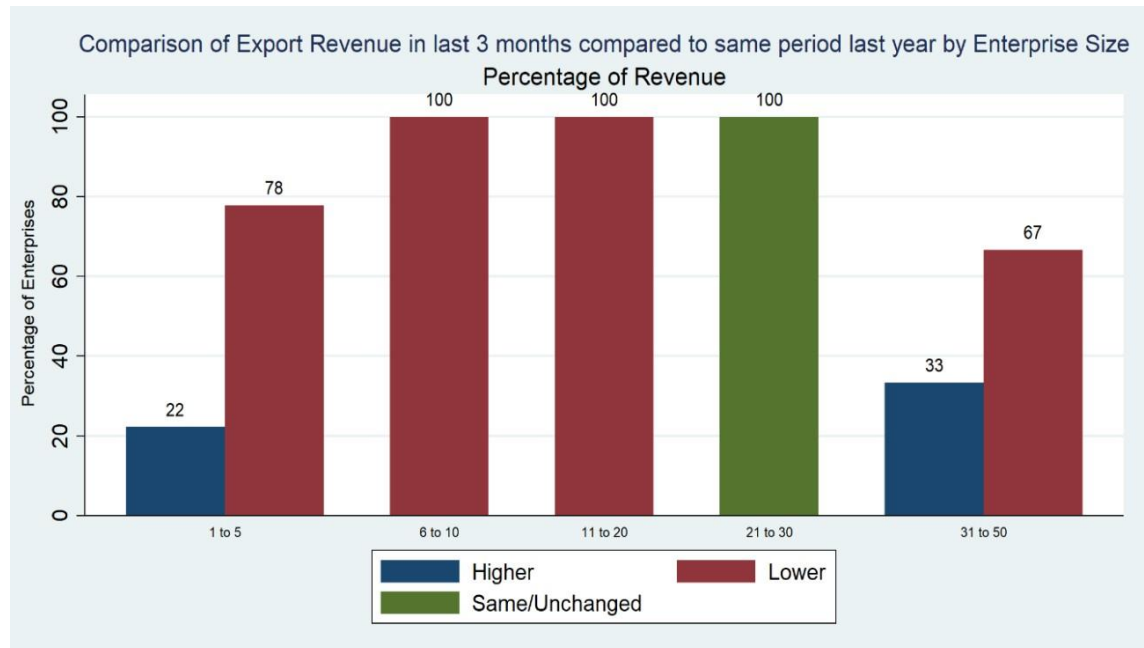
i. Consolidated

The export revenue in the last three months compared to the same period last year (period of the survey/data collection) has lowered for 80 percent of the enterprises while it has increased for only 15 percent enterprises and remained the unchanged for 5 percent enterprises.



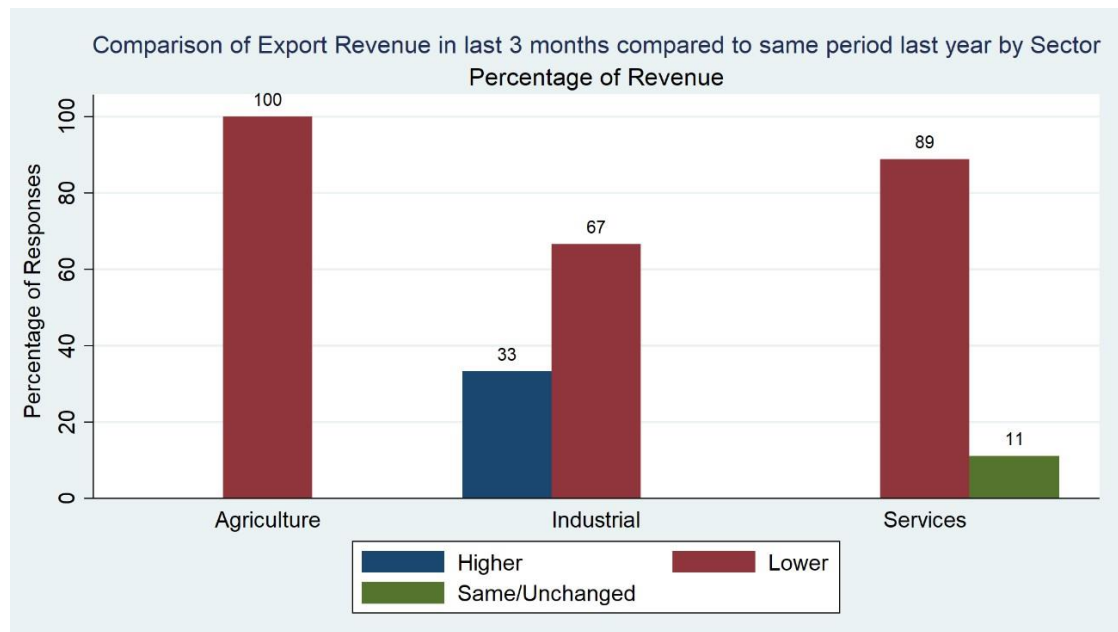
ii. By Enterprise Size

The analysis of export revenue in last three months compared to the same period last year by enterprise size highlights that the export revenue has decreased for more than 60 percent of the enterprises of any size except the enterprises in the 21 to 30 employees category that have not seen any changes in the export revenue.



iii. By Sector

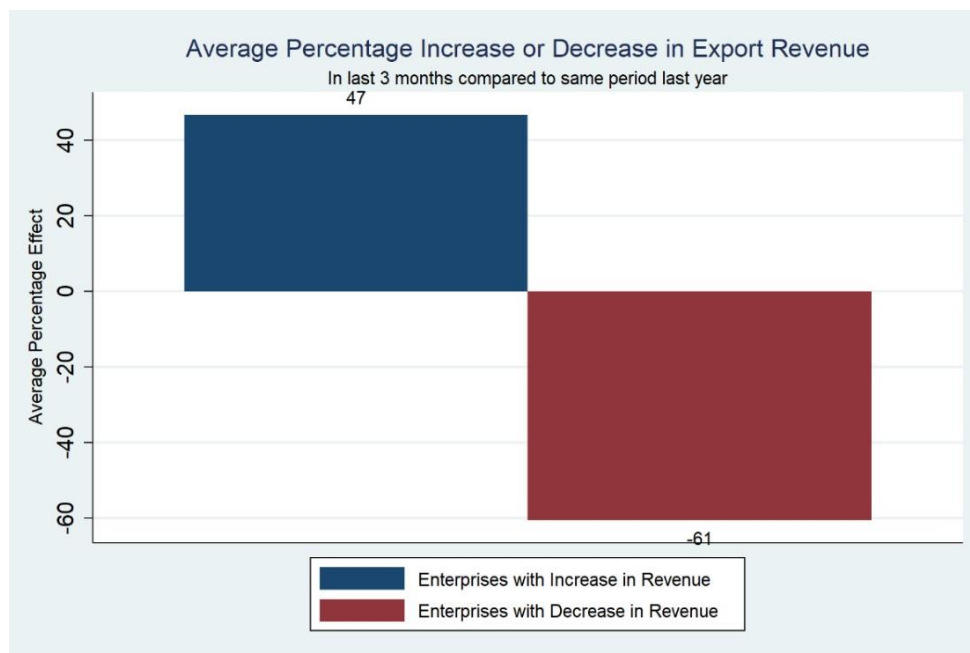
Self-reported export revenue by enterprises in the last three months compared to the same period last year was adversely affected for firms operating in all major sectors however, enterprises operating in agriculture and service sector reported much lower export revenues than the industrial sector. It is important to note that these are self-reported, and not round-wise matched, findings. Export revenue of 100 percent enterprises operating in agriculture and 89 percent operating in services were negatively affected compared to 67 percent enterprises in industrial sector.



II. Average Percentage Effect Size on Export in Last 3 Months

i. Consolidated

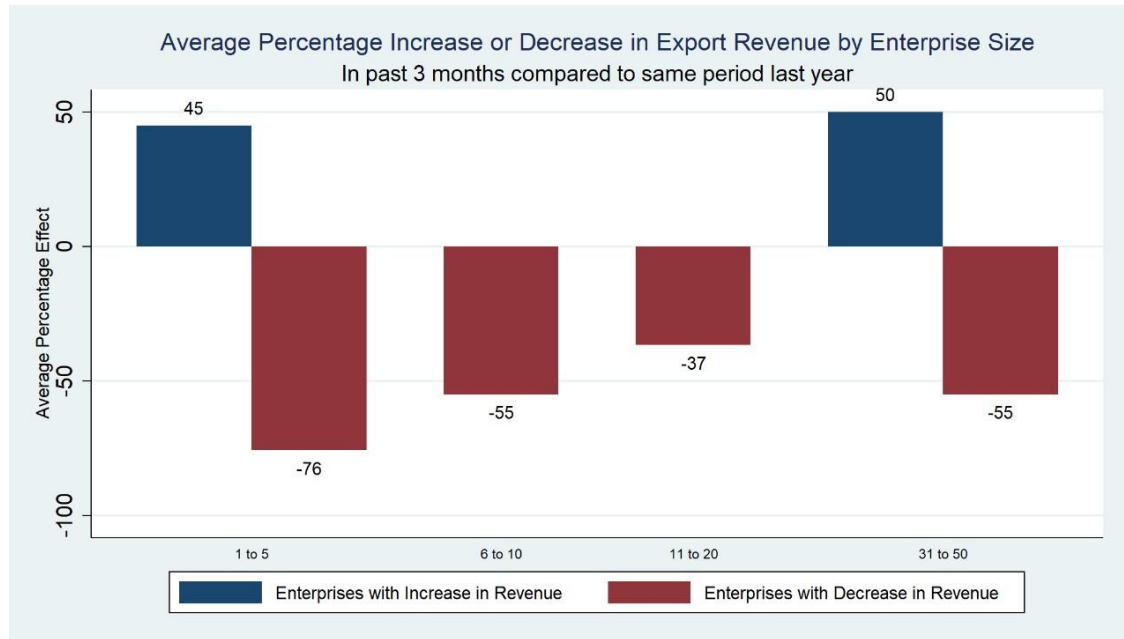
The export revenue increased on an average by 47 percent for the enterprises that have experienced an increase in export revenue in last three months compared to same period last year. In case of the enterprises that have experienced a decrease in export revenue in last 3 months, the export revenue has decreased on average by 61 percent.



ii. By Enterprise Size

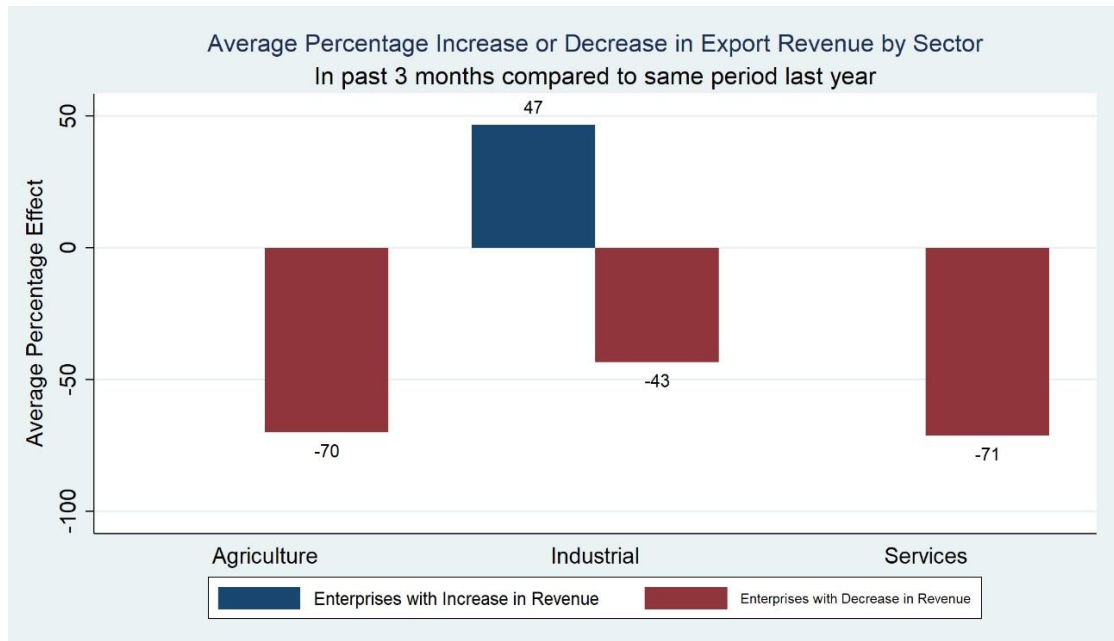
Of those enterprises that have experienced an increase in export revenue in the past three months (compared to the same period last year), average gains amount to 45 and 50 percent for the 1-5 and 30-50 employees categories, respectively.

The analysis, by enterprise size, of average percentage decrease in export revenue in past three months compared to same period last year reveals that enterprises across all categories have experienced an average decrease of 55 percent or more in export revenue, except those with 11-20 employees, which have experienced a 37 percent decrease in export revenue compared to last year. The vulnerable enterprises in 1-5 employees category have been affected the most, with firms reporting an average decrease of 76 percent in export revenue.



iii. By Sector

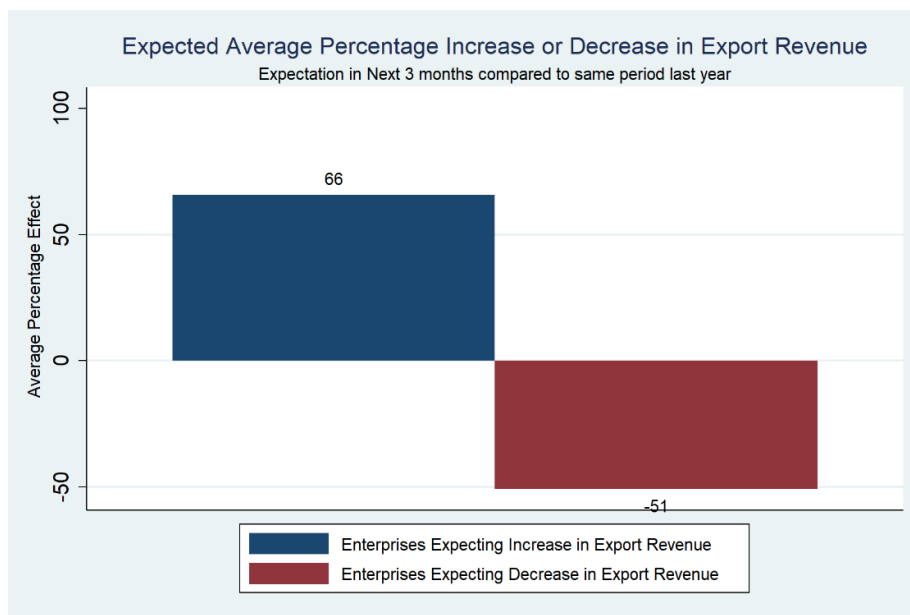
Comparing the average percentage decrease in self-reported export revenues across agriculture and services sectors with the industrial sector, the decline of 70 percent in the former was 27 percent greater than in industrial sector. On the other hand, while none of the firms in agriculture and services sector experienced an increase in export revenue, the average percentage increase in the export revenue of enterprises in industrial sector was 47 percent.



III. Average Expected Percentage Effect Size on Export in Next 3 Months

i. Consolidated

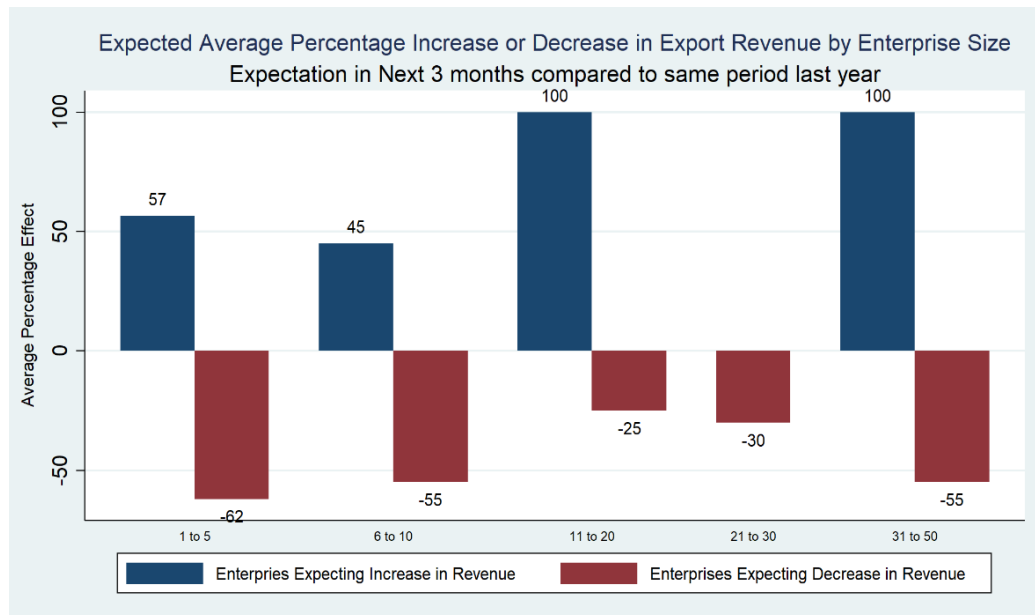
Enterprises that expect an increase in export revenue in the next 3 months compared to same period last year stated that they could face an average increase of 66 percent, whereas struggling enterprises expected an average decrease in export revenue of 51 percent in export revenue.



ii. By Enterprise Size

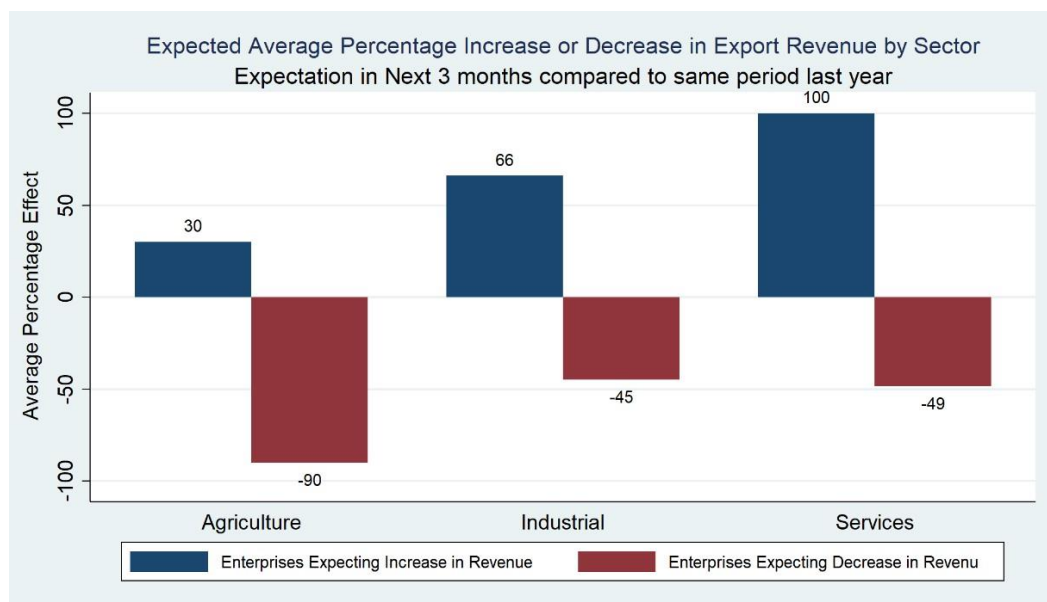
Enterprises of all sizes expected a high average percentage increase of around 50 percent or more in the export revenue in the next three months compared to the same period last year. Enterprises with 1 to 5 employees expected an average increase of 57 percent, while enterprises with employee sizes of 6-10, 11 20 and 31-50 anticipated an average increase of 45, 100 and 100 percent respectively.

Enterprises of all sizes predict a steep average percentage decline of more than 50 percent in export revenue over the next three months compared to the same period last year, with the exception of enterprises in the 11 to 30 employees category. The enterprises in this category expect an average decrease of 30 percent or less in their self-reported export revenue.



iii. By Sector

Services and industrial sector enterprises have positive expectations regarding the export revenue, in the next three months compared to the same period last year, compared to agriculture sector. The services and industrial sector enterprises expect an increase of 100 and 66 percent respectively, while the agriculture sector enterprises only expect an increase of 30 percent. Similarly, for enterprises that anticipate a decline in their export revenues, almost double the number of firms in agricultural sector (90 percent) forecast a decrease vis-à-vis enterprises in the services (49 percent) and industrial sectors (45 percent).

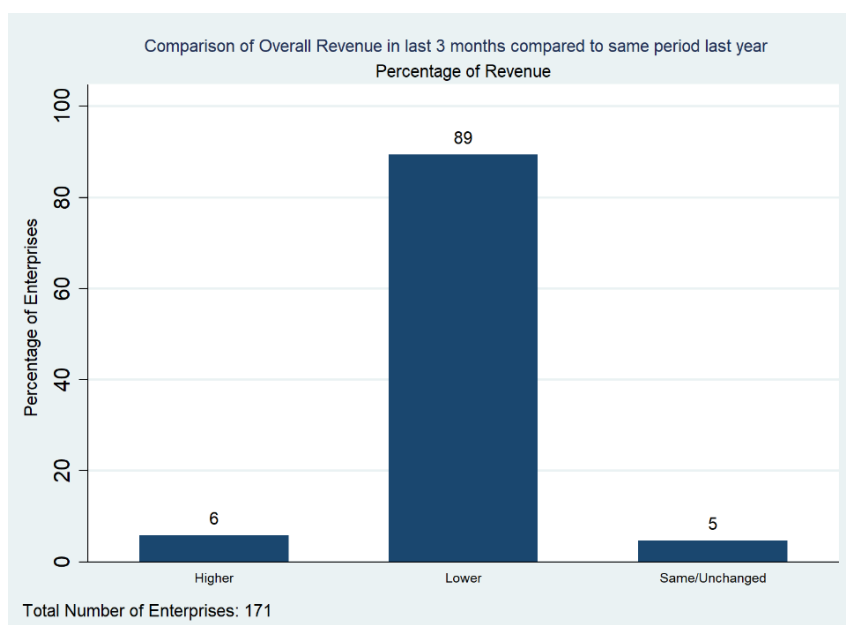


Effects on Total Sales Revenue

I. Effect on Total Sales in Last 3 Months

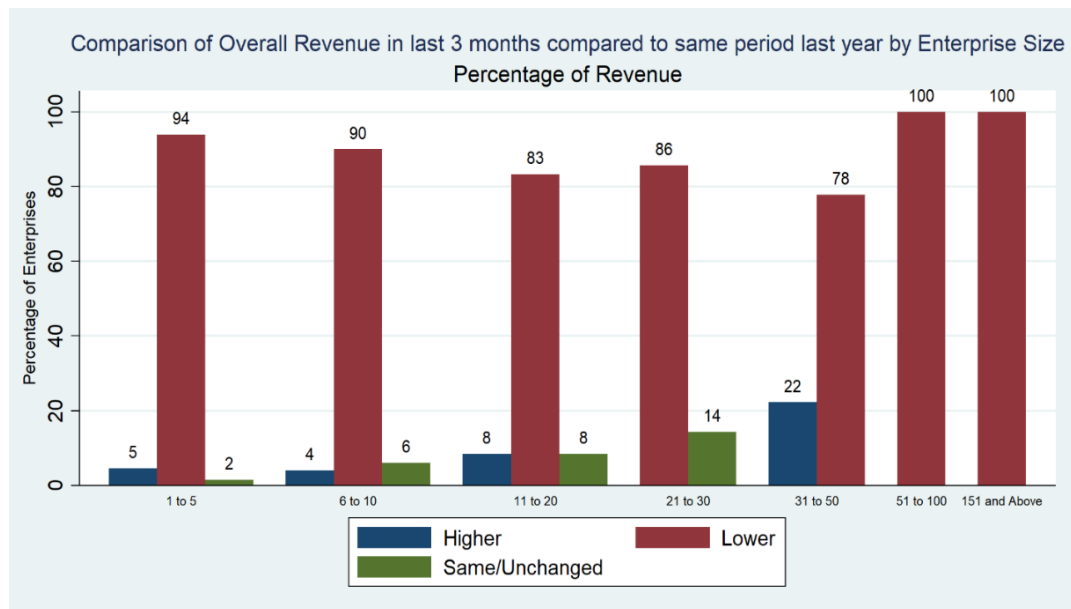
i. Consolidated

The overall self-reported sales revenue in the last three months compared to the same period last year has fallen for 89 percent of the enterprises, increasing for only 6 percent enterprises, while remaining unchanged for 5 percent of responding SMEs.



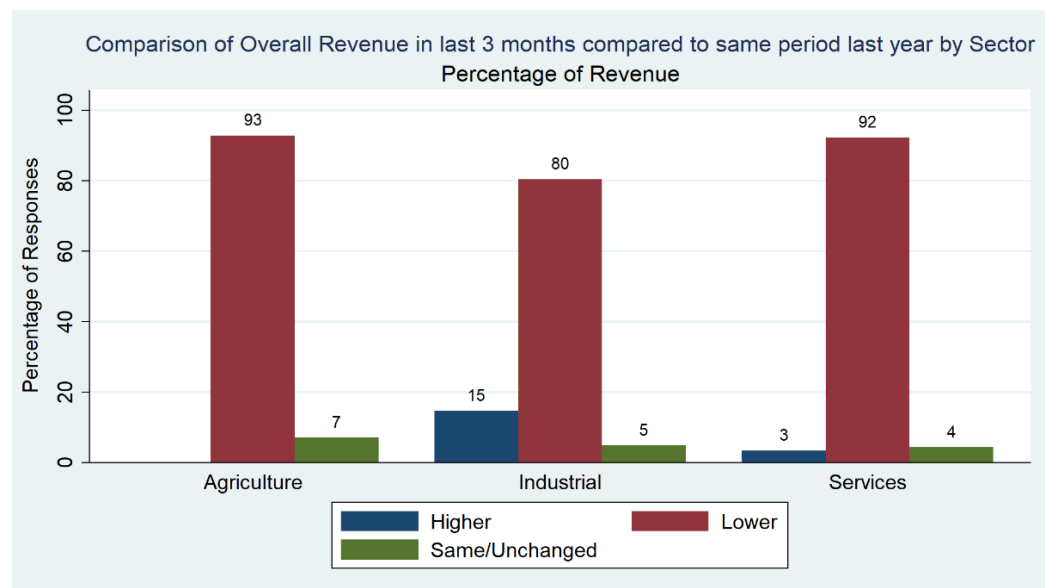
ii. Enterprise Size

The overall sales revenue in last three months compared to the same period last year by enterprise size highlights that the sales revenue has lowered for more than 75 percent of the enterprises of any size. The larger enterprises of size '50 and Above' have been affected the most because all the organizations in the sample have reported to have experienced a decrease in revenue.



iii. By Sector

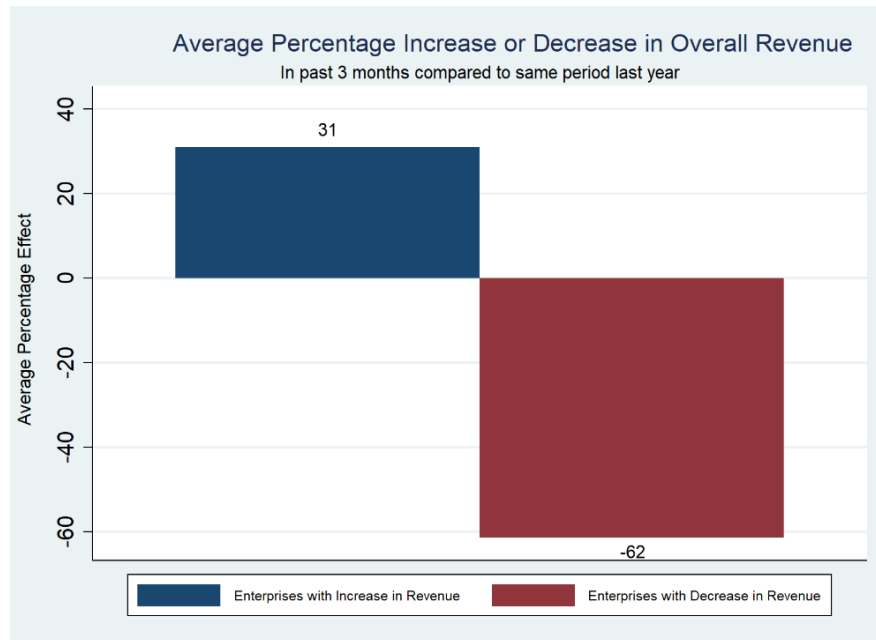
The enterprises operating in all three major sectors have been severely affected in terms of overall revenue as 80 percent or more enterprises in each sector reported to have experienced a decrease in overall revenue in last three months compared to the same period last year.



II. Average Percentage Effect Size on Total Sales in Last 3 Months

i. Consolidated

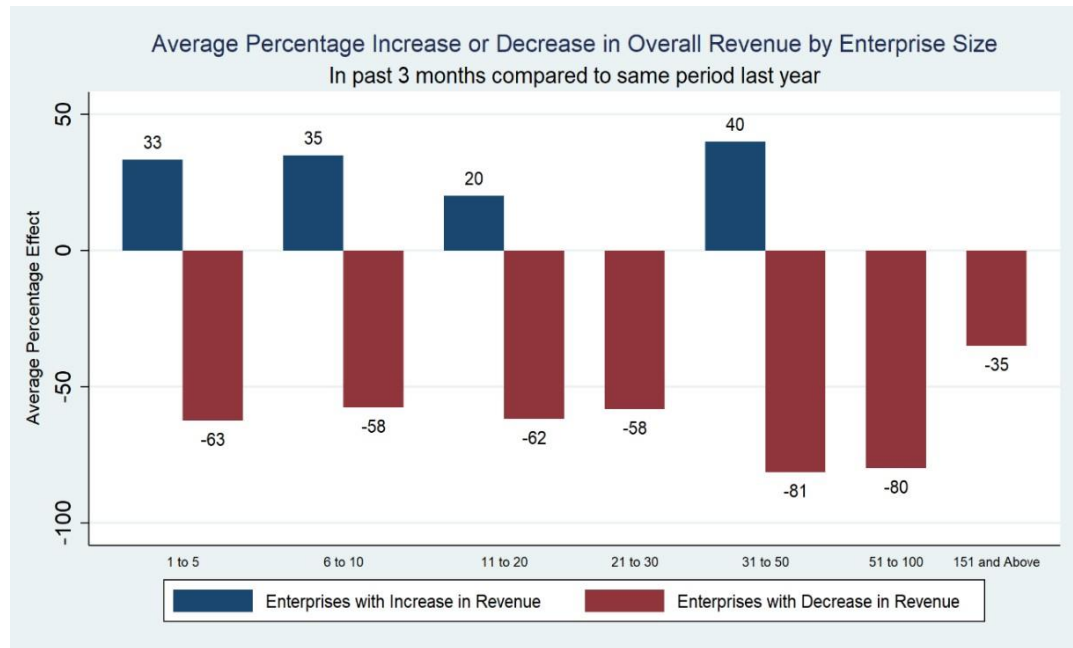
The overall sales revenue increased on average by 31 percent for the enterprises that have experienced an increase in sales revenue in last three months compared to same period last year. In case of the enterprises that have experienced a decrease in sales revenue in last 3 months, the revenue has decreased on average by 62 percent.



ii. By Enterprise Size

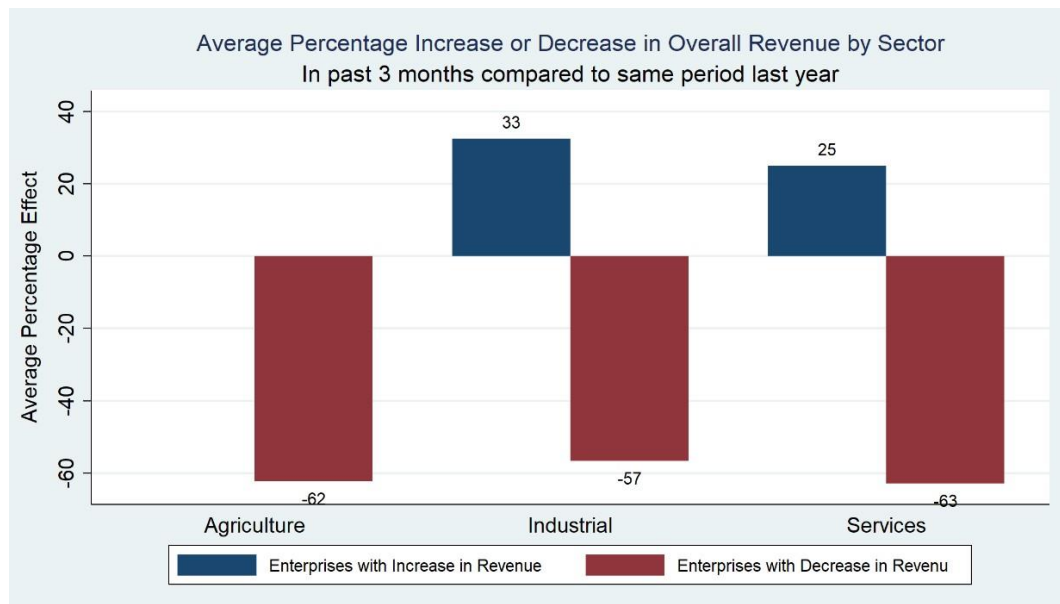
The average percentage increase in overall revenue in past three months compared to same period last year by enterprise size reveals that there is no specific effect of enterprise size on the overall sales revenue. The enterprises of size 1 to 5, 6 to 10, 11 to 20 and 31 to 50 experienced an increase of 33 percent, 35 percent, 20 percent and 40 percent respectively in overall revenue while enterprises of size 21 to 30 and 51 and above did not experience any increase in overall sales revenue.

The average percentage decrease in overall revenue in past three months compared to same period last year by enterprise size reveals that enterprises across all categories of size experienced a decrease of around 60 percent or more except the enterprise of size 151 and above that experienced an average decrease of 35 percent in overall revenue. However, there is no specific increasing or decreasing trend in the average percentage decrease in overall revenue by enterprise size.



iii. By Sector

Enterprises in agriculture sector did not experience an increase in overall revenue in past three months compared to same period last year, while the enterprises in industrial and service sector experienced an average increase of 33 percent and 25 percent respectively. In case of decrease in revenue, enterprises across all sectors reported an average decrease of around 60 percent in overall revenue.

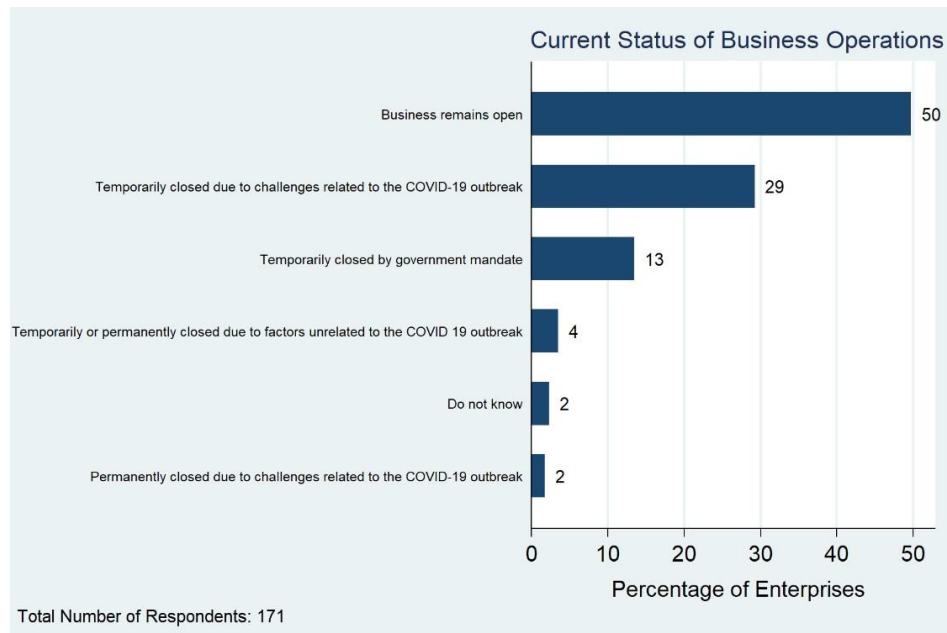


Operations

I. Current Status of Operations

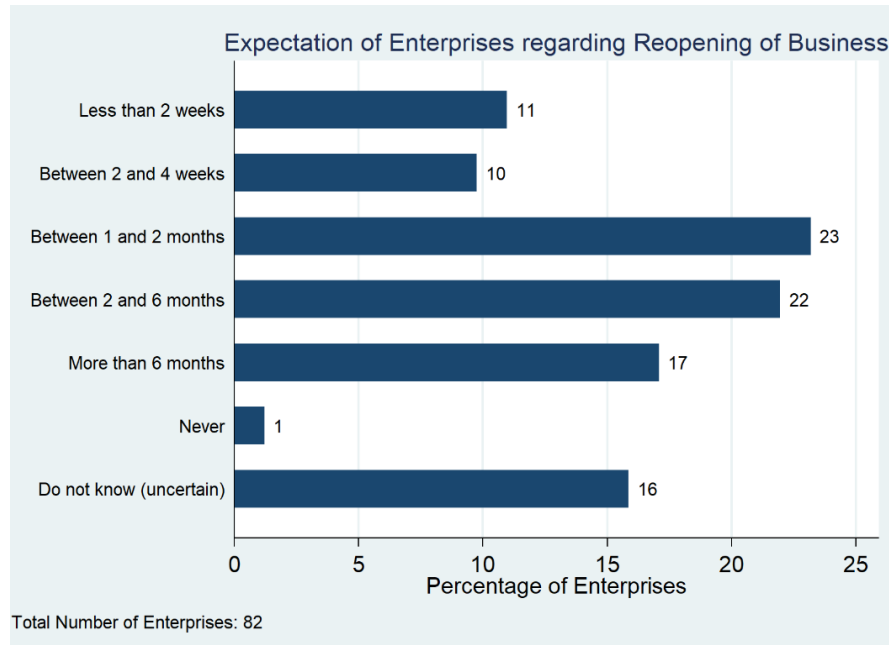
The situation of enterprises has significantly improved with regards to the continuation of business operations since the first round of [survey](#) in April, 2020 as 50 percent of enterprises in the current survey have reported to remain open for operations as compared to 73 percent of the enterprises that reported a complete shut down of operations in the first round of survey. 29 percent of the enterprises have been temporarily closed down due to challenges related to the COVID 19 outbreak while 13 percent have been temporarily closed by some government mandate and 4 percent have been temporarily or permanently closed due to factors unrelated to the COVID 19 outbreak.

In terms of permanent closure, only 2 percent enterprises have been closed due to challenges related to the COVID 19 outbreak.



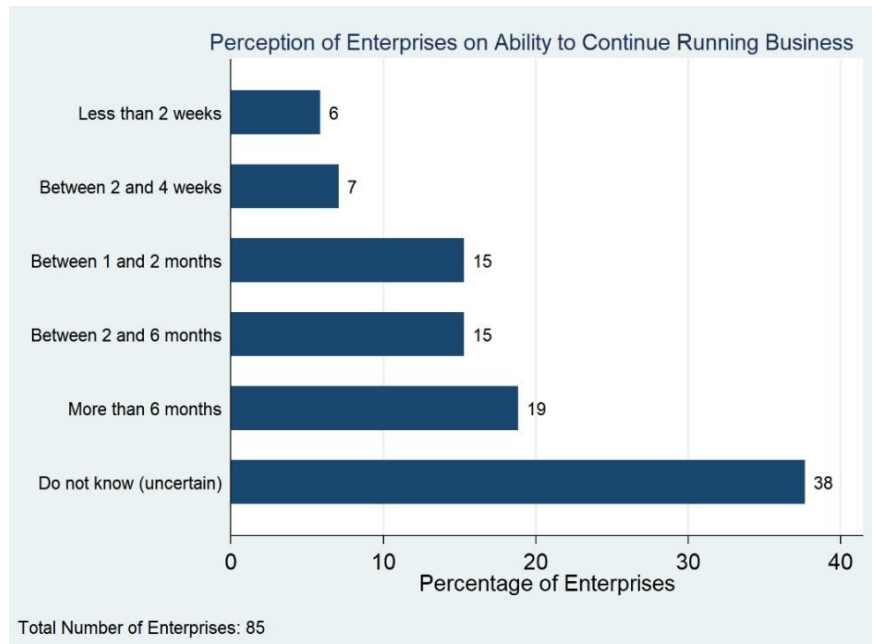
II. Expectations regarding Time Frame of Re-opening

Enterprises that were closed down are observed to have positive expectations regarding reopening of businesses as around 45 percent of the enterprises expressed that they expect the reopening of business within 2 months while 22 percent expect the reopening between 2 to 6 months. Only 17 percent expect the reopening time frame for businesses to be longer, i.e. more than 6 months, and 1 percent never expect businesses to reopen. However, the elements of uncertainty still remain because 16 percent of the enterprises were uncertain regarding the reopening of businesses.



III. Ability to Continue Business under Current Conditions

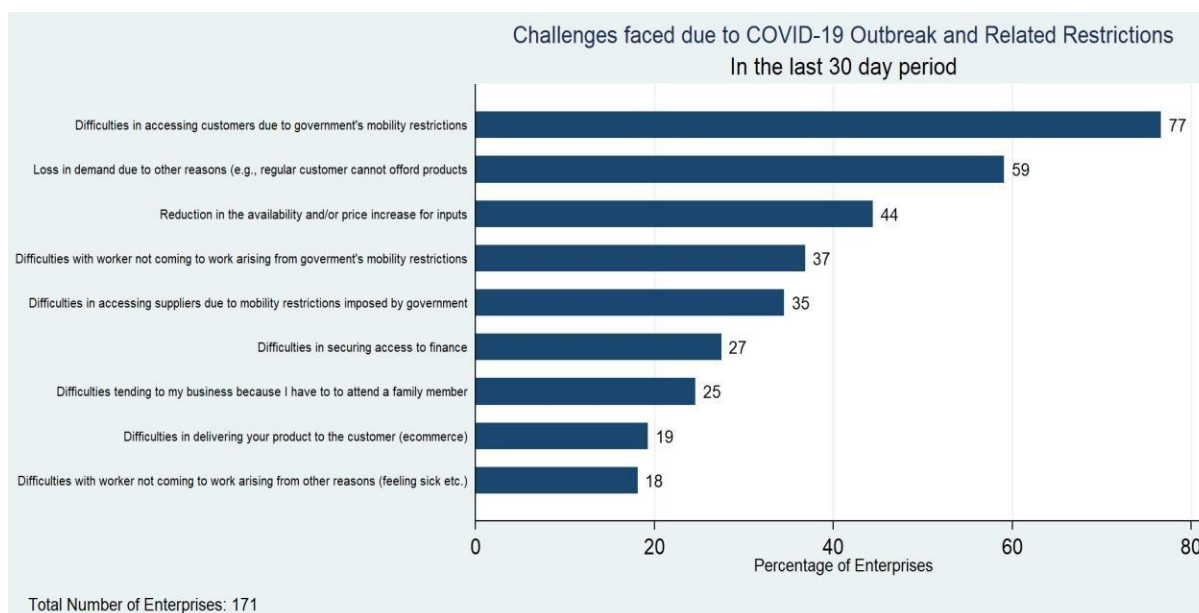
There is significant uncertainty with regards to the perception of enterprises on ability to continue running business under current conditions with 38 percent enterprises expressing that they are uncertain about the future of their business. As per perception of enterprises, 28 percent of the businesses might not be able to continue after 2-months, with 6 percent that expect to continue for less than 2 weeks, 7 percent expect to continue for 2 to 4 weeks and 15 percent expect to continue for 1 to 2 months, followed by 15 percent that expect to continue their business for 2 to 6 months and only 19 percent expect to continue business after 6 months.



IV. Challenges Faced by Enterprises due to COVID-19 and Related Restrictions

Even after the relaxation of lockdown the enterprises have faced a number of challenges due to COVID 19 and related restrictions such as mobility restrictions by government, SOPs affecting the effective workforce at disposal among others. The major challenges include the difficulties in accessing customers due to government's mobility restrictions, faced by 77 percent of the enterprises, followed by loss in demand due to reasons such as customer's ability to afford products (59 percent), reduction in availability and/or price increase for inputs (44 percent), difficulties with workers not coming to work due to government's mobility restrictions (37 percent) and difficulties in accessing suppliers due to government's mobility restrictions (35 percent).

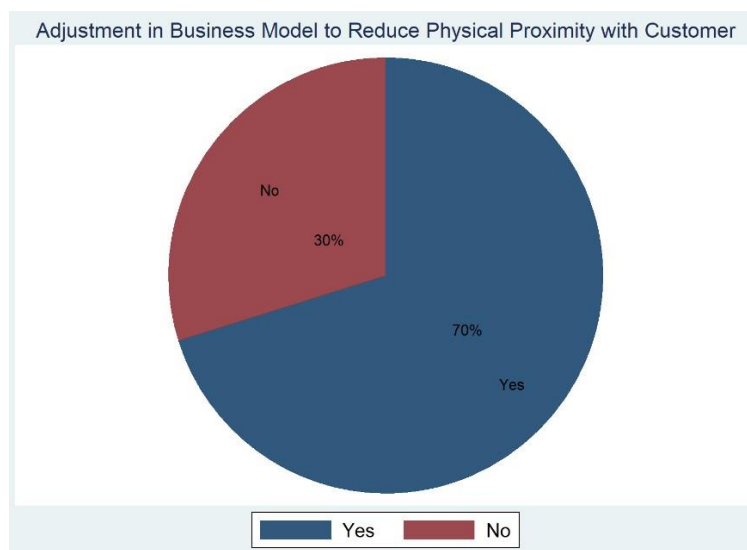
The challenges are not only confined to the operational and supply chain related aspects of the business, as 27 percent enterprises reported to have difficulties in securing access to finance.



V. Adjustment in Business Model to Reduce Physical Proximity with Customers

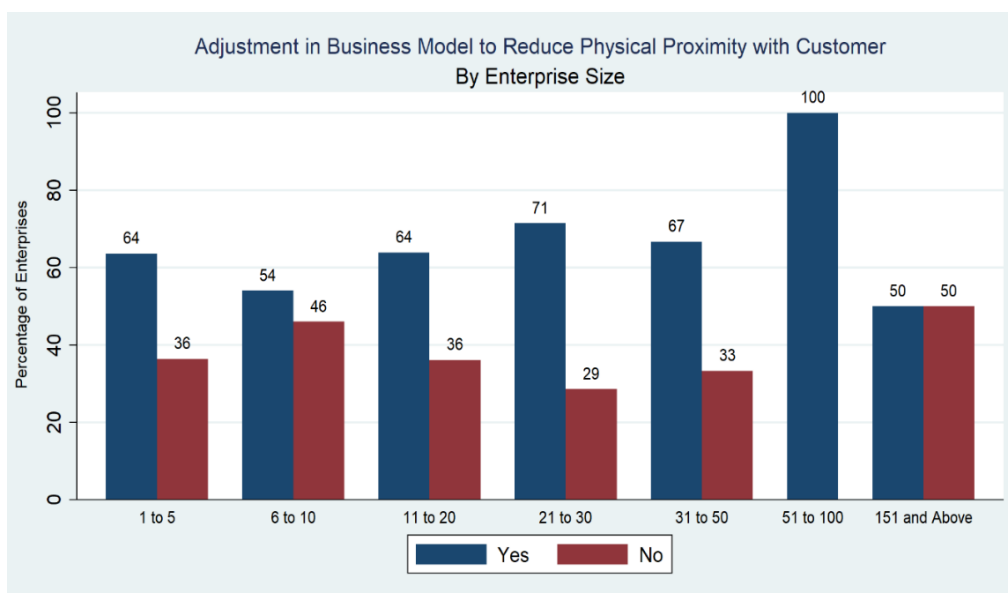
i. Distribution of Enterprises with Adjustments to Business Model (Consolidated)

The enterprises have been proactive in their approach to make necessary adjustments in their business model to reduce physical proximity with customers, 70 percent of the enterprises have reported to have made these adjustments, to continue business operations amid constraints brought by COVID 19 and ensure customer and employee safety.



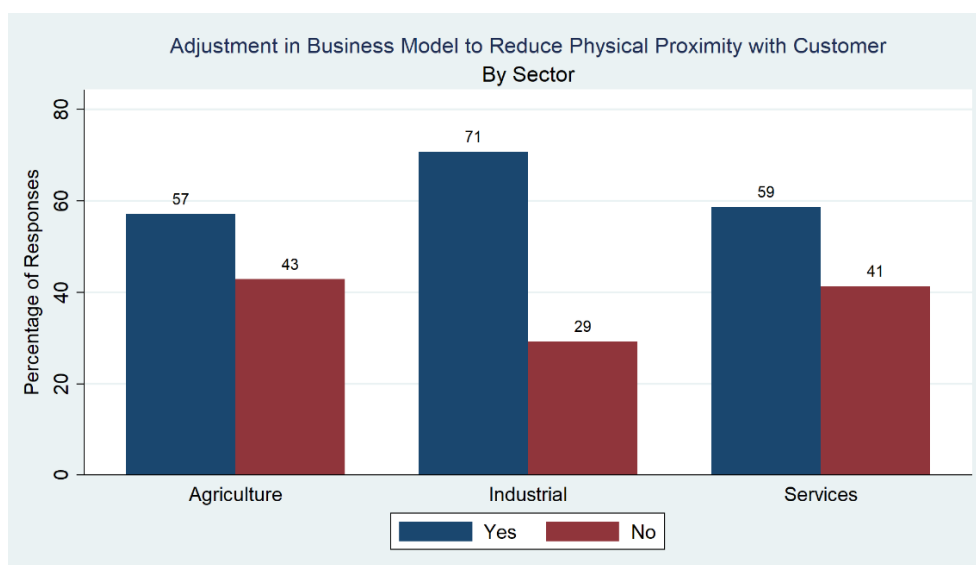
ii. Distribution of Enterprises with Adjustments to Business Model (By Enterprise Size)

Enterprises of all sizes have made adjustments in their business model to reduce physical contact with customers. More than 60 percent of the enterprises of sizes 1 to 5, 11 to 20, 21 to 30, 31 to 50 and 51 to 100 have made adjustment in their business model however, there is almost an even split in case of enterprises that fall in category of enterprise sizes 6 to 10 and 151 and above.



iii. Distribution of Enterprises with Adjustments to Business Model (By Sector)

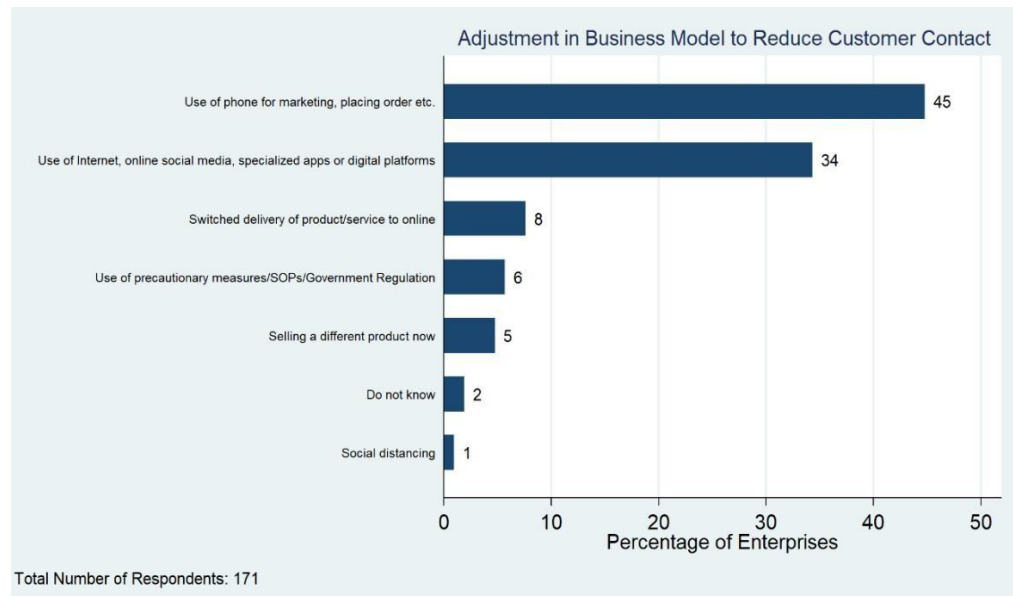
Enterprises in the industrial sector have been more proactive in adjusting their business to reduce direct contact with customers compared to agriculture and service sector. In industrial sector, 71 percent enterprises made changes to business model as opposed to 57 percent and 59 percent enterprises in agriculture and services sector respectively.



iv. Adjustments Introduced to Business Model

More than 80 percent of the enterprises have incorporated usage of technology, usage of phones, internet, social media, mobile applications and digital platforms, in their marketing, business operations and delivery mechanisms. However, out of the 80 percent (or more) of the enterprises that have incorporated technology only 34 percent used internet, social media and specialized applications while most of them relied on marketing and placing orders by phone.

Only 6 percent of the enterprises have used precautionary measures/SOPs and social distancing as a means to reduce direct contact with customers while 5 percent have taken the drastic step of selling a different product altogether.



Effect on Lay Offs and Earnings by Enterprise Size and Sector

I. Percentage of Total Employees Laid Off & Reduction in Earnings/Delayed Wages in Last One Month

i. By Enterprise Size

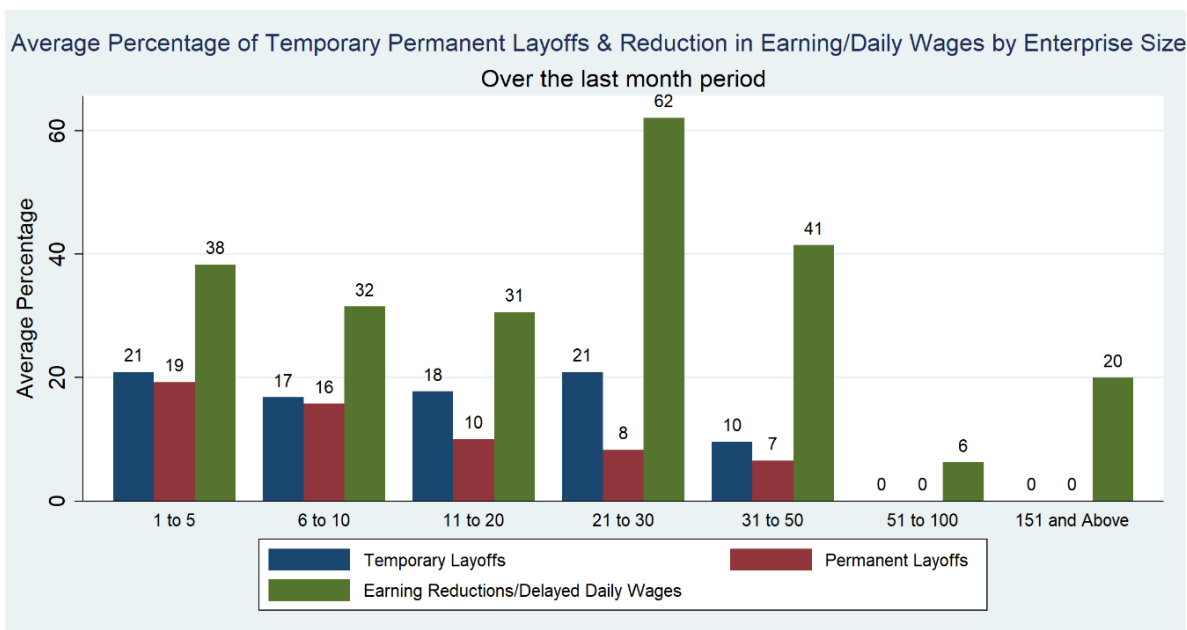
The consolidated analysis of temporary and permanent layoffs reveals that on an average 18 percent of the total employees have been laid off temporarily in the last one month compared to 15 percent employees that have been laid off permanently. Further, almost 36 percent of the employees have suffered from reduction in earnings or delayed wages in the last one month.

The enterprises with smaller workforce size had higher average percentage of temporary layoffs compared to the larger enterprises. The average percentage of temporary layoffs in the enterprises of size 1 to 5 is 21 percent compared to zero percent temporary layoffs in the enterprises of size 51 and above. The decreasing trend is almost consistent across the enterprises of all sizes except the enterprises of size 21 to 30 that had a slightly higher average percentage of temporary layoffs (21 percent) compared to average percentage of temporary layoffs (18 percent) in the enterprises of size 11 to 20.

In case of permanent layoffs, there is a similar trend to temporary layoffs that the enterprises with smaller enterprise size have suffered more in terms of the permanent layoffs over the last one-month period compared to the enterprises with large enterprise size. The average percentage of permanent layoffs in enterprises of size 1 to 5 is 19 percent compared to zero percent permanent layoffs in the enterprises of size 51 and above. The decreasing trend is consistent across the enterprises of all sizes as evident from the graph in the figure below.

The trends in the temporary and permanent layoffs suggest that smaller enterprises and their employees are more vulnerable to restrictions introduced on business operations due to COVID-19.

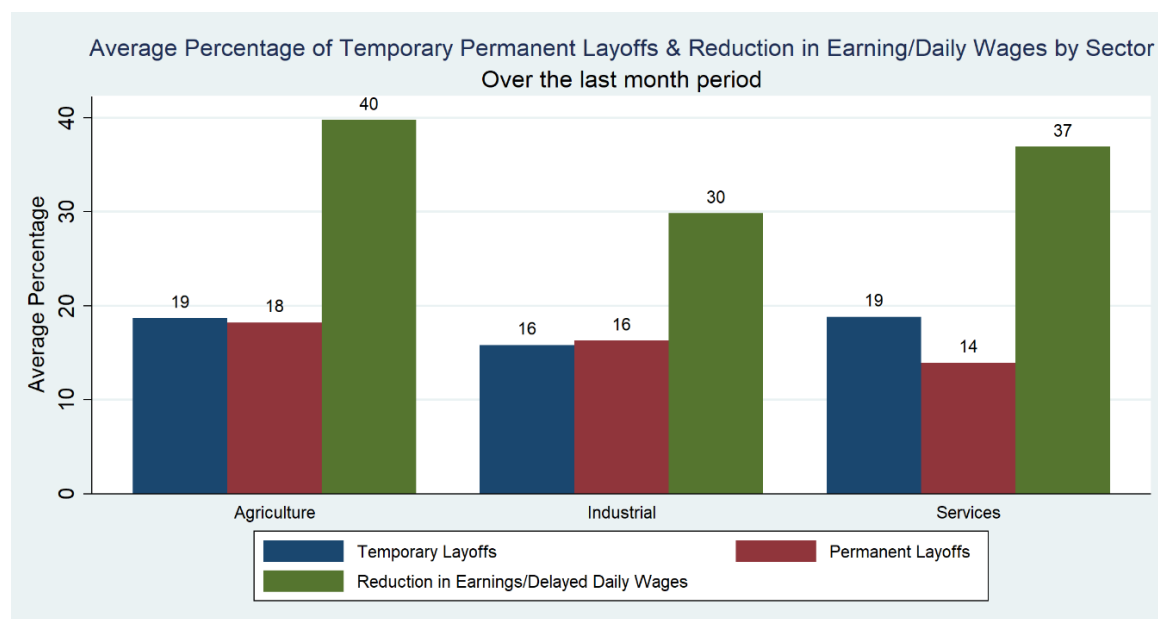
Interestingly, there is no specific trend in the reduction in earnings or delayed daily wages by enterprise size. The average percentage of employees with reduction in earnings or delayed daily wages decrease for enterprises of size 11 to 20 (31 percent) compared to enterprises of size 1 to 5 (38 percent) however, the average percentage increases for enterprises of size 21 to 30 (62 percent) and again starts to decrease for the enterprises of larger size.



ii. By Sector

Across all three sectors the average percentage of temporarily and permanent laid off employees in last one month was close to the consolidated average of 18 percent and 15 percent of temporary and permanent layoffs respectively.

The case of reduction in earnings or delayed daily wages was not much different from layoffs across all three sectors.



II. Percentage of Total Employees Expected to be Laid Off & Reduction in Earnings/Delayed Wages

i. By Enterprise Size

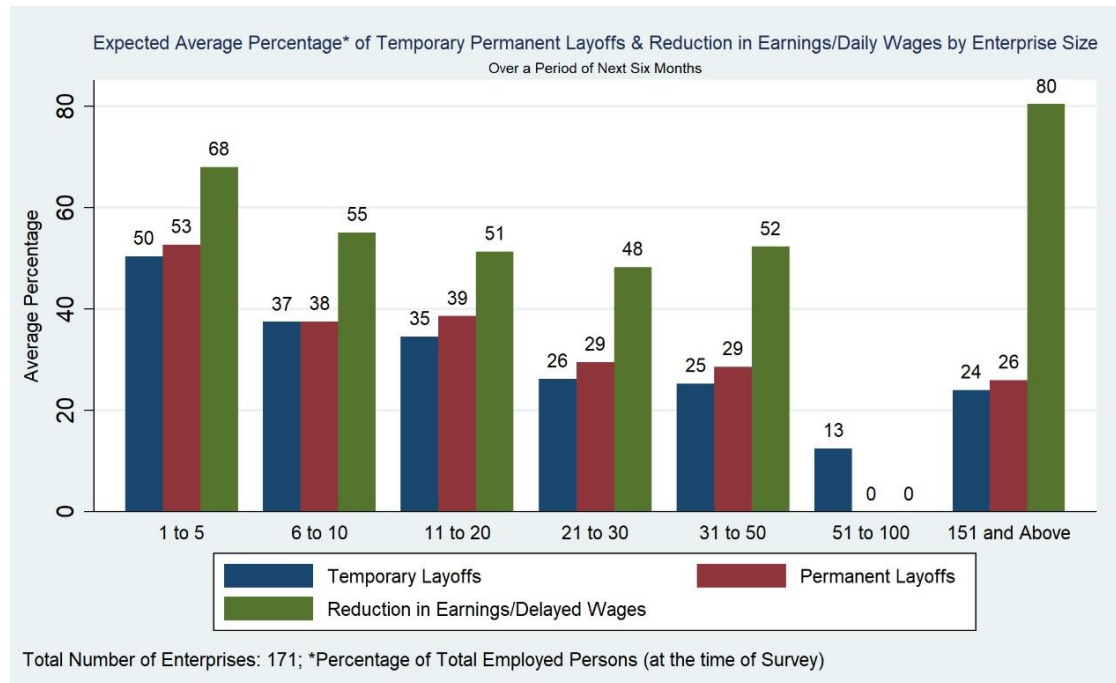
The consolidated analysis of expectations regarding temporary and permanent layoffs reveals that on an average 40 percent of the total employees are expected to be laid off temporarily over the next six months compared to 42 percent employees that are expected to be laid off permanently. Around 60 percent of the employees are expected to receive reduction in earnings or delayed wages. This highlights that the temporary and permanent layoffs and reduction in earnings are expected to increase significantly compared to layoffs and reduction in earnings in the last month as shown in the previous section. This could be because of multiple aspects including the carryover effects of earlier lockdown, effect of mobility and other restrictions imposed by government and the effects of expected lockdown or tighter restrictions in coming months due to second wave of COVID 19. This also suggests that enterprises fear the effects of these restrictions and possible second lockdown to be greater than the effects of earlier lockdown.

The smaller enterprises, in terms of workforce size, are expected to layoff greater percentage of employees temporarily over the period of next six months compared to larger enterprises. The average percentage of employees expected to be laid off temporarily by enterprises of size 1 to 5 is 50 percent which is less than the expected percentage of employees to be laid off by enterprises of size 151 and above which is 24 percent. The enterprises of size 51 to 100 come out as an exception as they expect only 13 percent of employees to be laid off temporarily over the next six months.

Similar trend is observed for expected permanent layoffs as the smaller enterprises are expected to layoff greater percentage of employees permanently over the period of next six months compared to larger enterprises. The average percentage of employees expected to be laid off temporarily by enterprises of size 1 to 5 is 53 percent which is less than the expected percentage of employees to be laid off by enterprises of size 151 and above, 26 percent. The enterprises of size 51 to 100 come out as an exception as they expect no layoffs over the next six months.

These trends in expected temporary and permanent layoffs highlight the vulnerability of smaller enterprises, and their employees, to the effects of restrictions imposed due to COVID 19.

With regards to expected reduction in earnings and daily wages by enterprise size, there is no clear trend. However, the expected average percentage of employees to suffer from earnings reduction or delayed daily wages is around 50 percent or more for enterprises of every size, except enterprises of size 51 to 100 that expect no employee to suffer from earning reductions or delayed daily wages. It is interesting that there is somewhat of a decreasing trend in average percentage of employees expected to suffer from earning reduction for enterprises of size 1 to 5 to enterprises of size 31 to 50 but the larger enterprises of size 151 and above expect this percentage to be 80 percent.



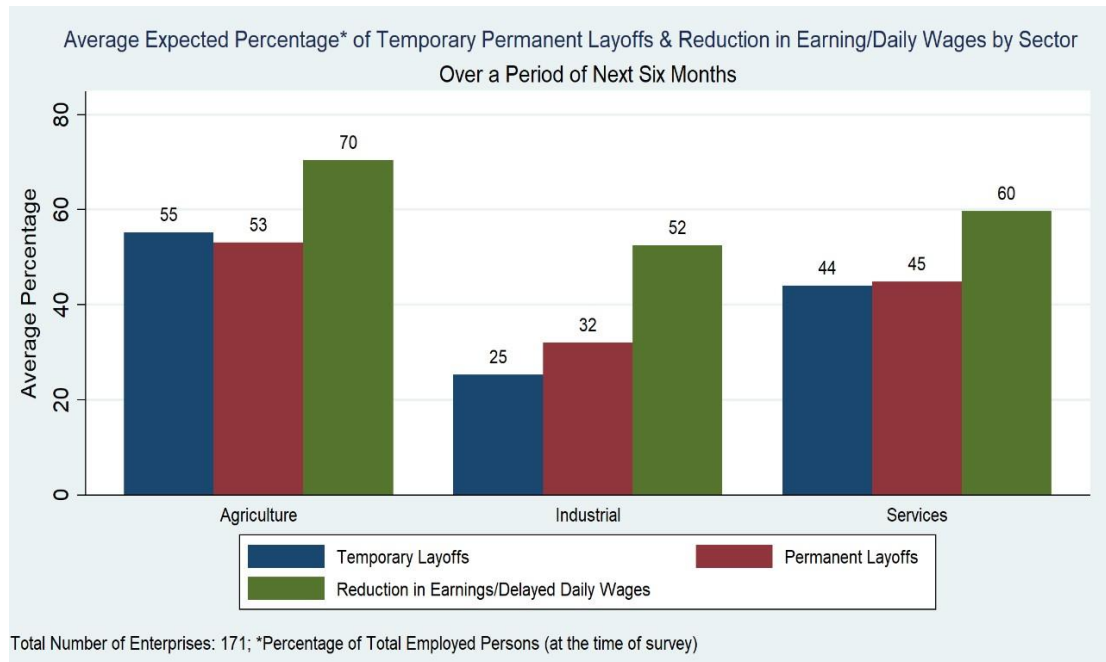
ii. By Sector

Employment in agriculture sector and associated employees are expected to be affected the most over the next six-month period followed by services and industrial sectors, in order, on all three dimensions; temporary layoffs, permanent layoffs and reduction in earning or delayed daily wages.

In agriculture sector, the enterprises expect to temporarily layoff 55 percent employees on average, compared to 44 percent temporary layoffs in services sector and only 25 percent layoffs in industrial sector.

Similarly, enterprises expect to permanently layoff 53 percent employees compared to 45 percent and 32 percent permanent layoffs in industrial and services sectors respectively.

As evident from the results of consolidated distribution, the proportion of employees suffering from reduction in earnings or delayed daily wages is expected to be higher than temporary and permanent layoffs across all three sectors however, in agriculture sector enterprises 70 percent employees on average are expected to face this economic hardship compared to 60 percent employees in services and 52 percent employees in industrial sector.



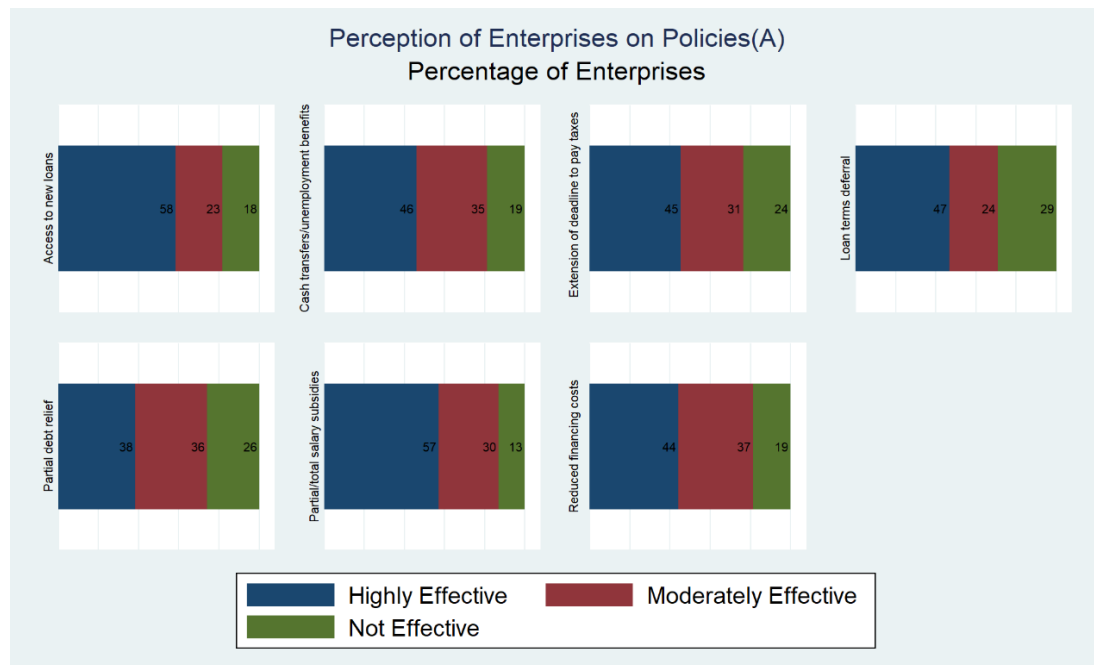
Policy Response

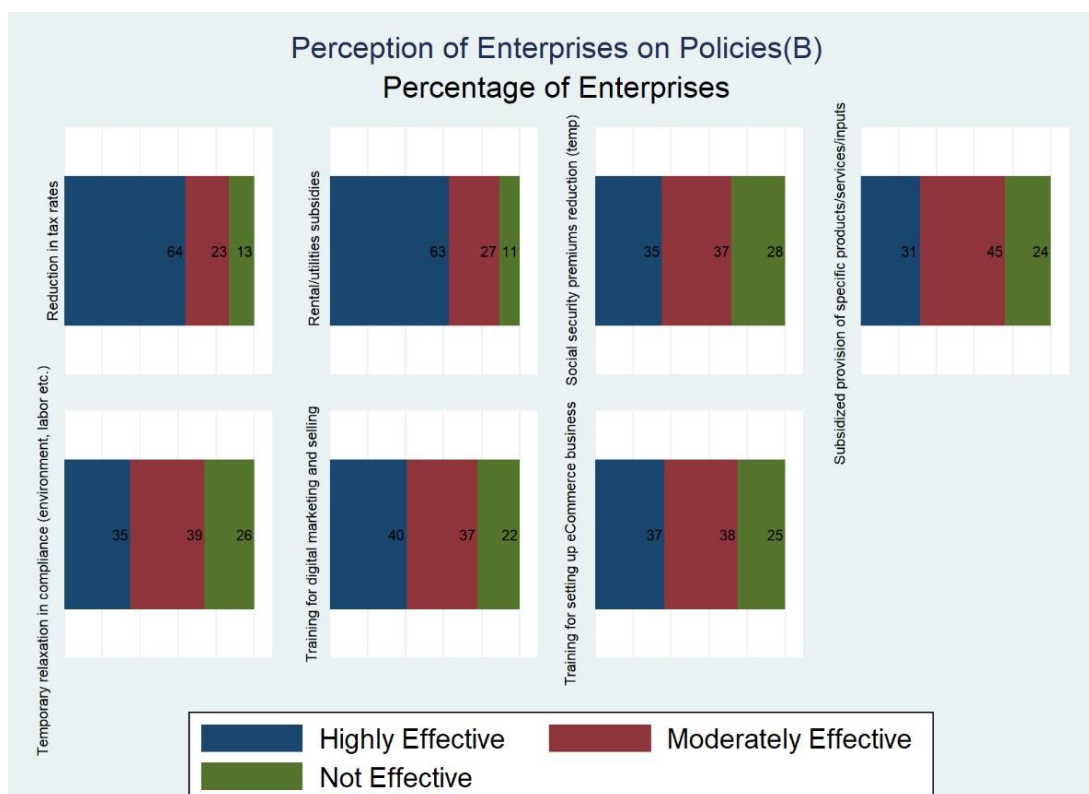
I. Perception of Enterprises on Different Policies

The four major policies that enterprises, around 60 percent enterprises, perceive to be highly effective include reduction in tax rates, rental or utility subsidies, access to new loans and salary subsidies.

Other policies reported highly effective by 40 percent to 55 percent enterprises include; loan terms deferral, cash transfers/unemployment benefits, reducing financing costs and training for digital marketing and selling.

The policies that are reported as highly effective by 30 percent-40 percent enterprises include; subsidized provision of products/services/inputs, temporary reduction in social security premiums, temporary relaxation in compliances (environment, labour etc.), training for setting up ecommerce business and partial debt relief.

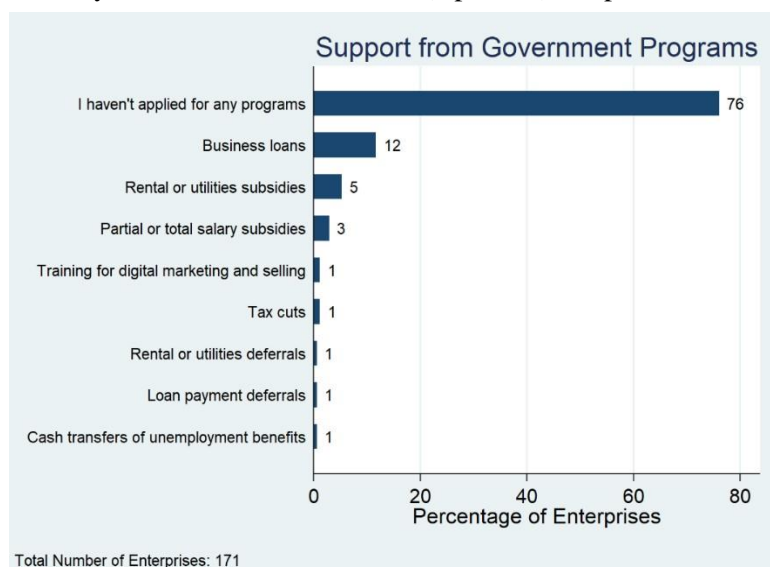




II. Support from Government Programs

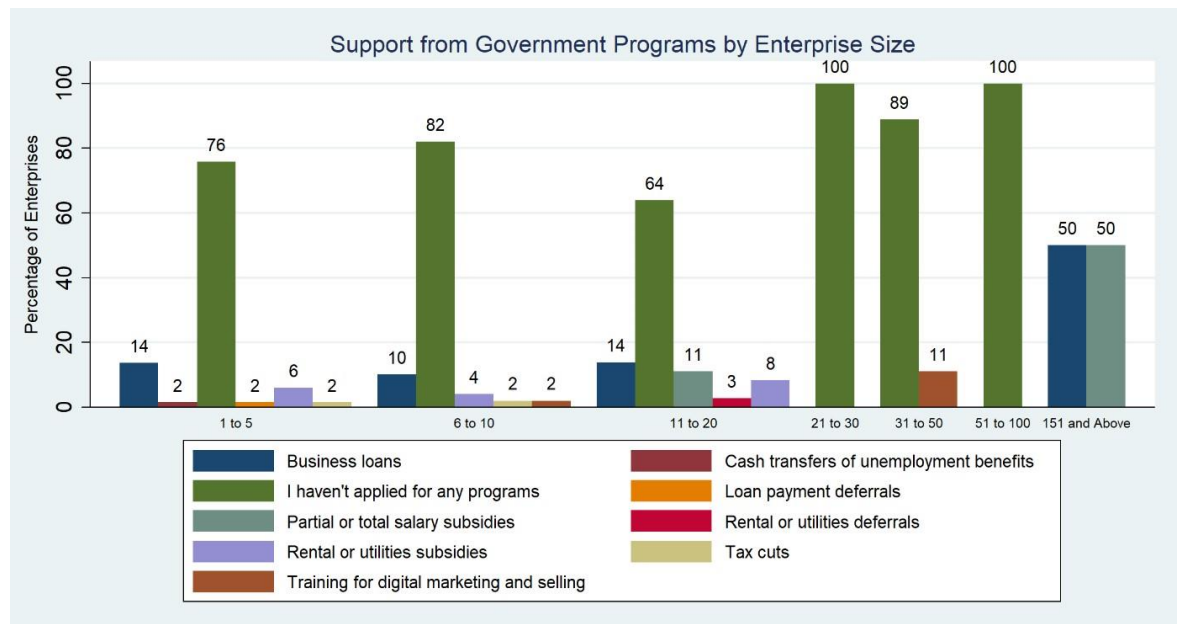
i. Consolidated

A large proportion of enterprises, 76 percent, have not applied for any government support program, package or initiative. The major programs for which enterprises have applied include business loans, 12 percent of enterprises, followed by rental or utilities subsidies (5 percent) and partial or total salary subsidies (3 percent).



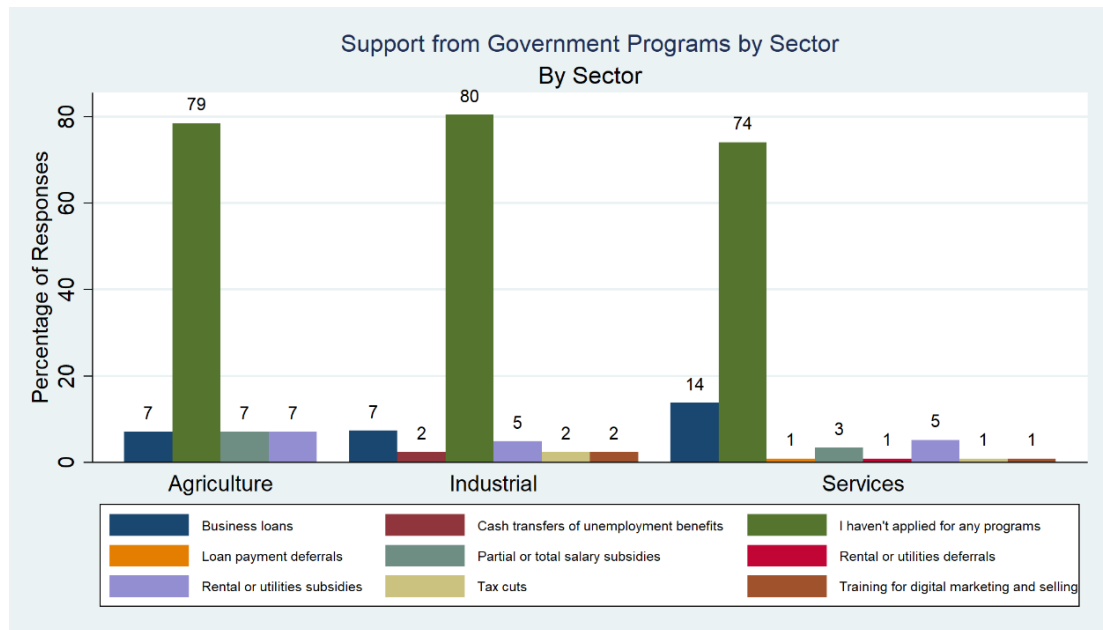
ii. By Enterprise Size

As in the case of consolidated results, majority of the enterprises have not applied for any government support program almost across enterprises of all sizes followed by enterprises that have applied for business loans and rental, utilities and salary subsidies.



iii. By Sector

The trends in the consolidated distribution of seeking out support from government programs can be observed in the distribution by sector. Almost three-fourth of the enterprises have not applied for loan in each sector. Business loans and rental, utilities and salary subsidies are the most applied for support programs by enterprises across all sectors.

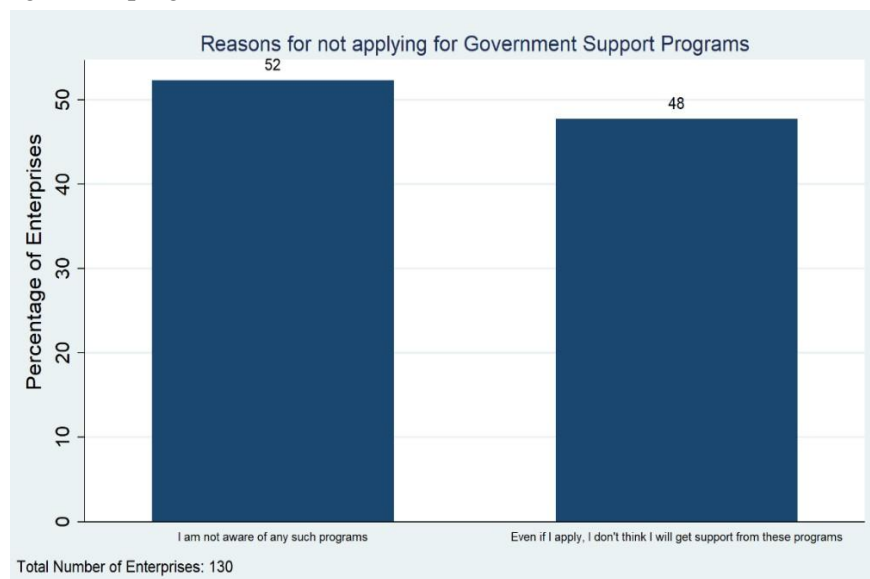


III. Reasons for not Applying for Government Programs

i. Consolidated

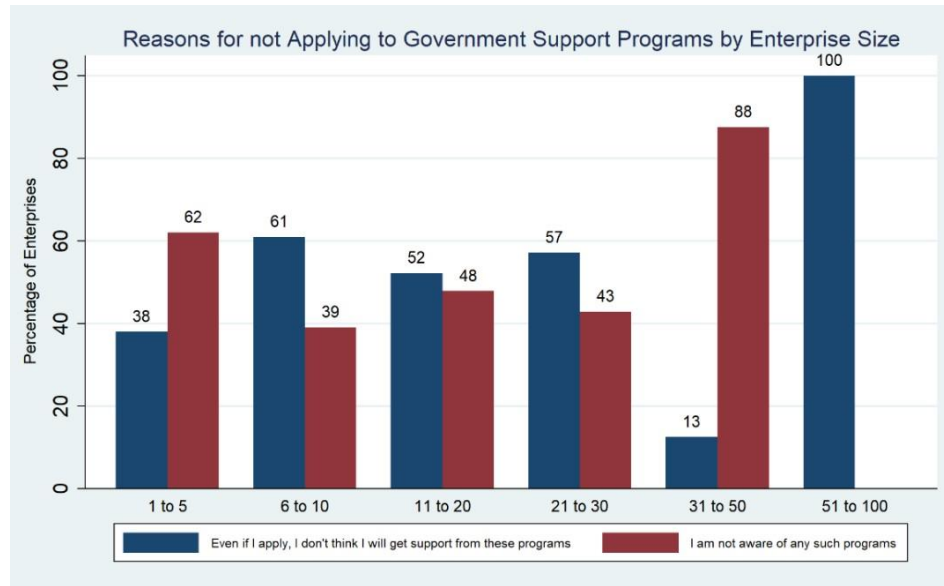
The major reason of enterprises not applying to government support programs is unawareness about such programs. 52 percent of the enterprises reported that they are not aware of such programs, followed by the perception of not getting support even in case of applying for these programs (48 percent).

In light of this, the concerned government authorities should devise better communication strategies to spread awareness of such support programs and ensure the enterprises that they will get the required and deserved support through these programs.



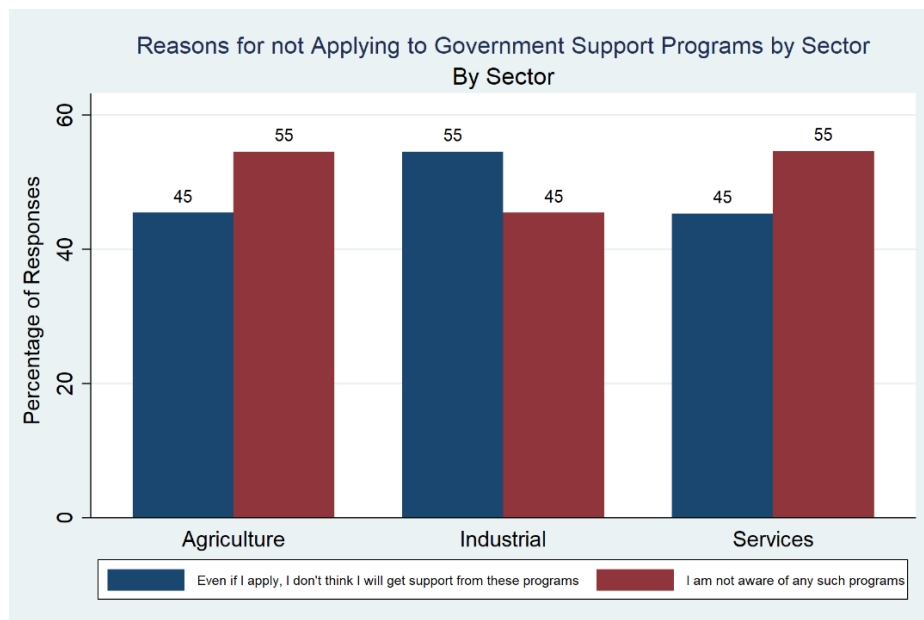
ii. By Enterprise Size

There is no specific trend in terms of the reasons of not applying for government support programs across enterprises of all sizes. This signifies the need to target enterprises of all sizes in the communication strategy to make them aware of the government support programs and also ensure that they will get the required and deserved support.



iii. By Sector

There is almost an even split in terms of reasons for not applying to government support programs across sectors and as suggested before government needs to work on both fronts of effective communication and ensuring enterprises that they will get the required support if they apply to these programs.

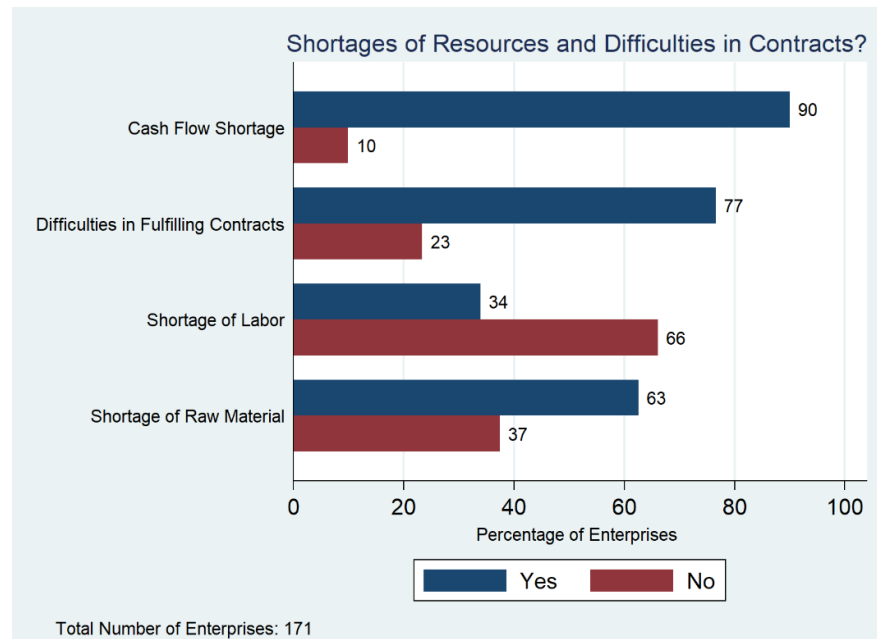


Business Continuity

I. Shortage of Key Resources and Fulfilling Contracts by Enterprise Size

i. Consolidated

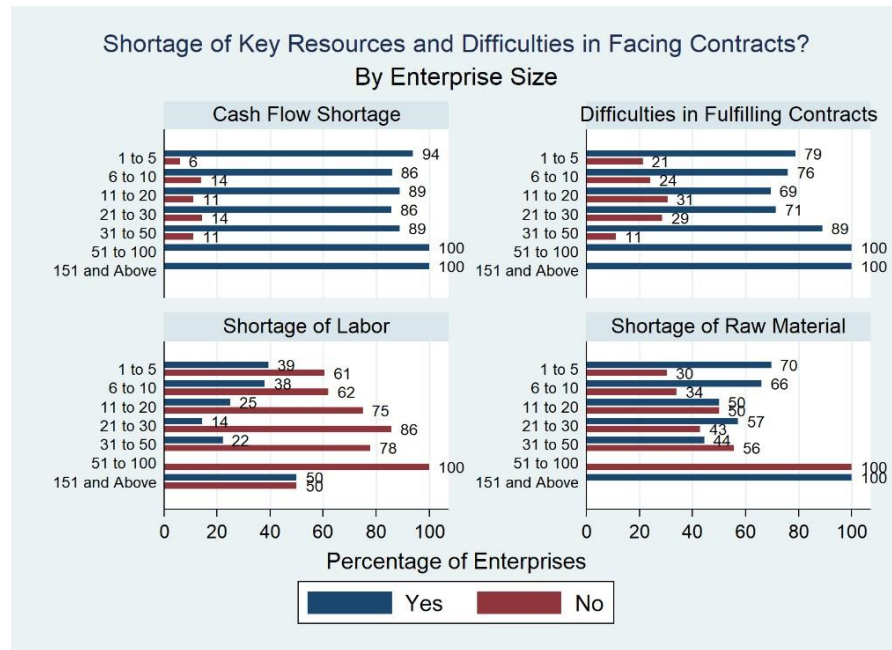
Majority of enterprises were facing cash flow shortage (90 percent) and raw material shortage (63 percent) while 77 percent of the enterprises were also facing difficulties in fulfilling contracts. However, comparatively labor shortage is a less severe issue because only one-third of the enterprises faced this issue.



ii. By Enterprise Size

The smaller enterprises with 1 to 5 employees were generally more constrained by the key resources (cash flow, raw material and labor) compared to larger enterprises of size 31 to 50 showing their vulnerability to effects of COVID 19 related restrictions. However, there was no trend in shortage of key resources for enterprises of size 51 and above.

In case of difficulties in fulfilling contract terms, the vulnerable firms (size 1 to 5) were slightly more susceptible to larger enterprises of size up to 30 employees. The enterprises of size 31 and above do not follow any specific trend in terms of difficulties faced in fulfilling contracts.

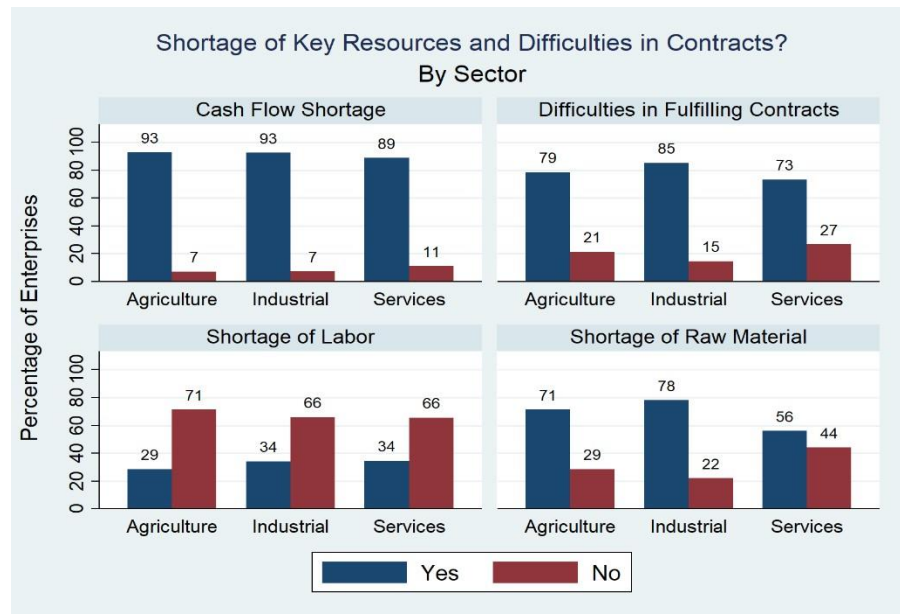


iii. By Sector

All three sectors struggled with similar levels of cash flow constraints as 90 percent or more enterprises faced shortage of cash flow. Similarly, majority of enterprises encountered raw material shortage across all three sectors, however, services sector struggled slightly less with 56 percent enterprises encountering this challenge compared to 71 percent and 78 percent such enterprises in agriculture and industrial sector respectively.

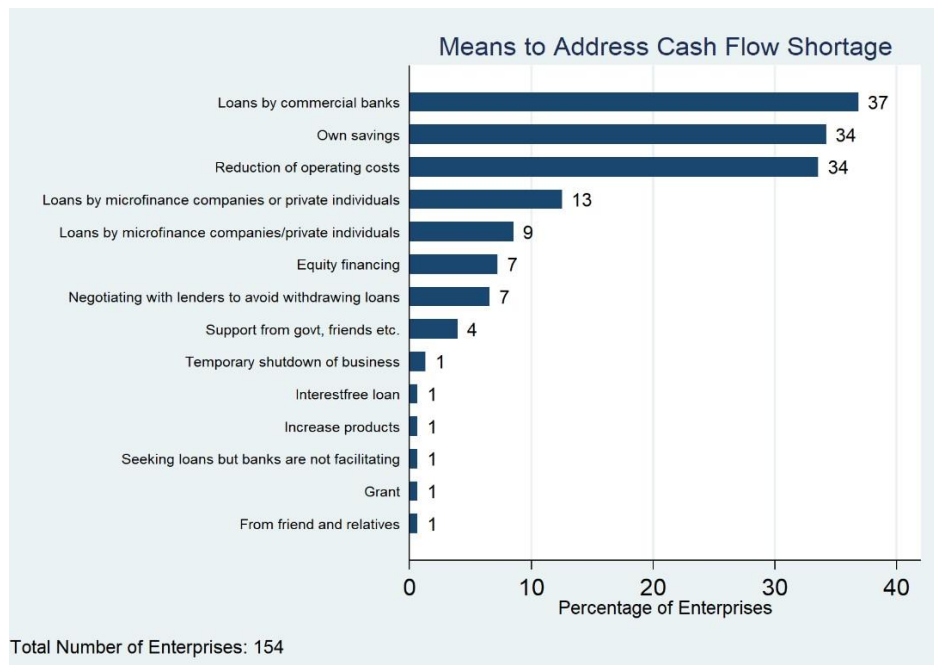
Availability of labor was comparatively a less restrictive resource constraint as majority of enterprises, almost two-thirds, did not face any labor shortage across all three sectors.

Moreover, large proportion of enterprises, 75 percent or more, in all sectors faced difficulties in fulfilling contract terms.



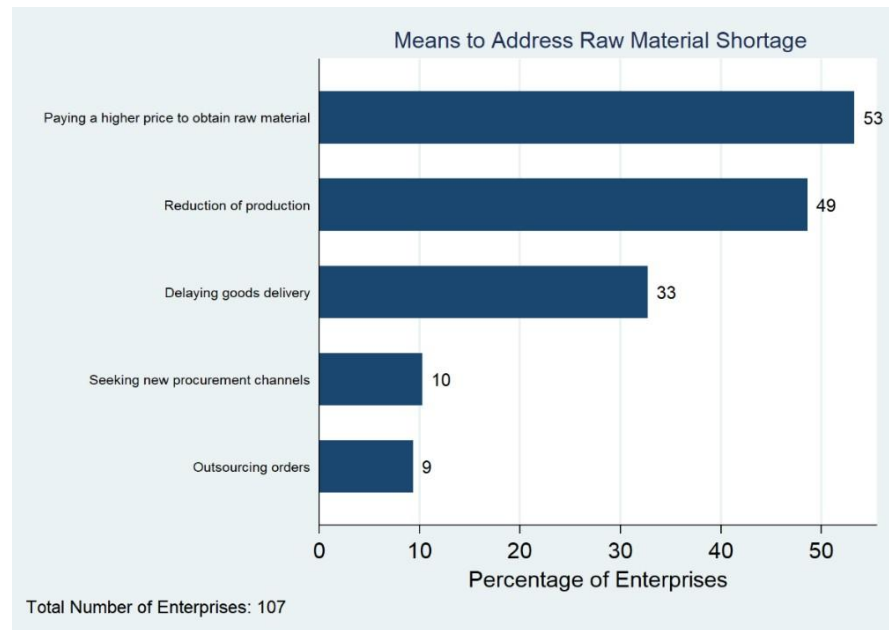
II. Measures taken to Address Cash Flow Shortage

The enterprises have taken multiple measures to address cash flow shortage. The most common mean to address the cash flow shortage was loans by commercial banks (37 percent) followed by using own savings (34 percent), reduction of operating costs (34 percent), loans by microfinance companies/private individuals (13 percent) and equity financing (7 percent).



III. Measures taken to Address Raw Material Shortage

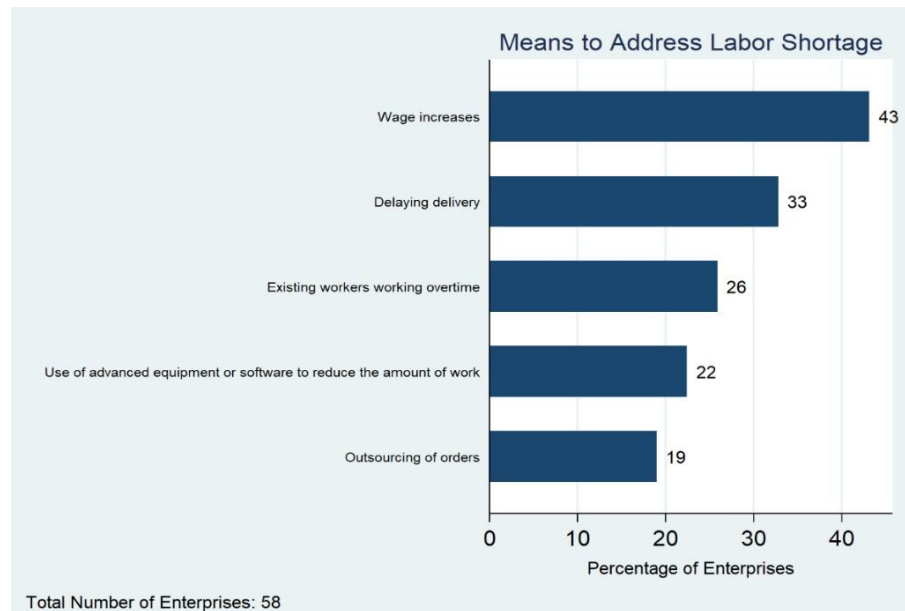
Raw material shortage has negatively affected the costs and production ability as more than 50 percent of the enterprises have resorted to buying raw material at a higher price and 49 percent enterprises have reduced their production. It has also affected the service levels and customer satisfaction because one-third of the enterprises have reported to delay the delivery of goods/services. Around 10 percent of the enterprises have taken proactive measures such as seeking new procurement channels and outsourcing the orders to ensure the availability of raw materials at reasonable price and ensure better service levels while focusing on core operations.



IV. Measures taken to Address Labor Shortage

The labor shortage has also led to an increase in costs and reduced service levels. 43 percent of the enterprises increased wages of labor and 33 percent delayed the delivery of goods/services. One-fourth of the enterprises used overtime of their existing labor and 19 percent outsourced the orders.

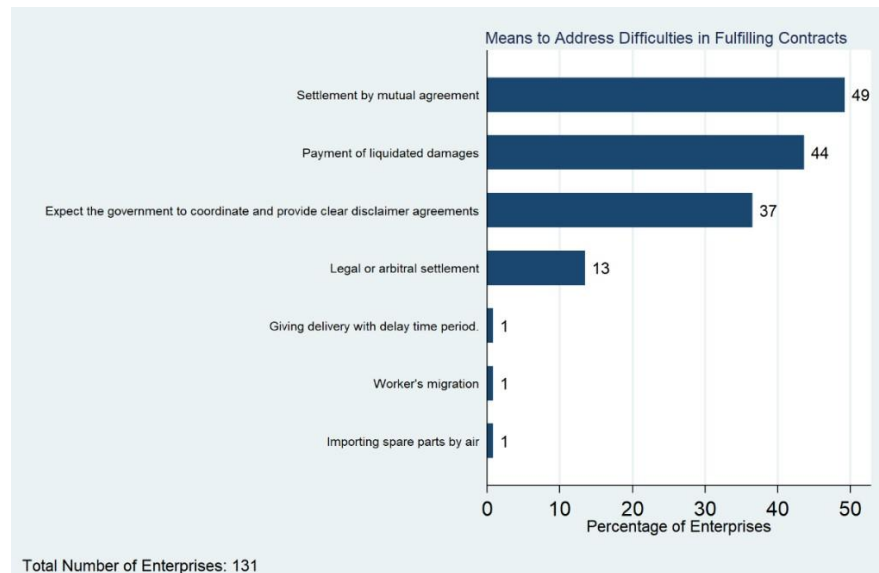
The enterprises have not only taken obvious passive measures but also incorporated technology in their operations, advance equipment or software to reduce, as an active measure to reduce work load and consequent labor requirements. 22 percent of the enterprises reported to have employed these measures.



V. Measures taken to Address Difficulties in Fulfilling Contracts

In order to address the difficulties in fulfilling contracts, most of the firms are settling the contracts by mutual agreement (44 percent) followed by payment of liquidated damages (44 percent) and legal or arbitral settlement (13 percent).

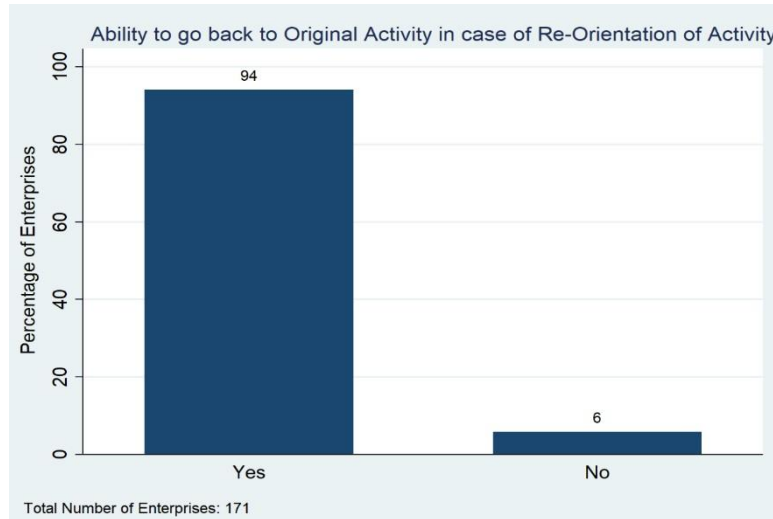
Enterprises (37 percent) also expect government intervention to streamline the contracts by coordination and providing clear disclaimer agreements.



VI. Ability to go back to Original Activity in case of Re-Orientation of Activity

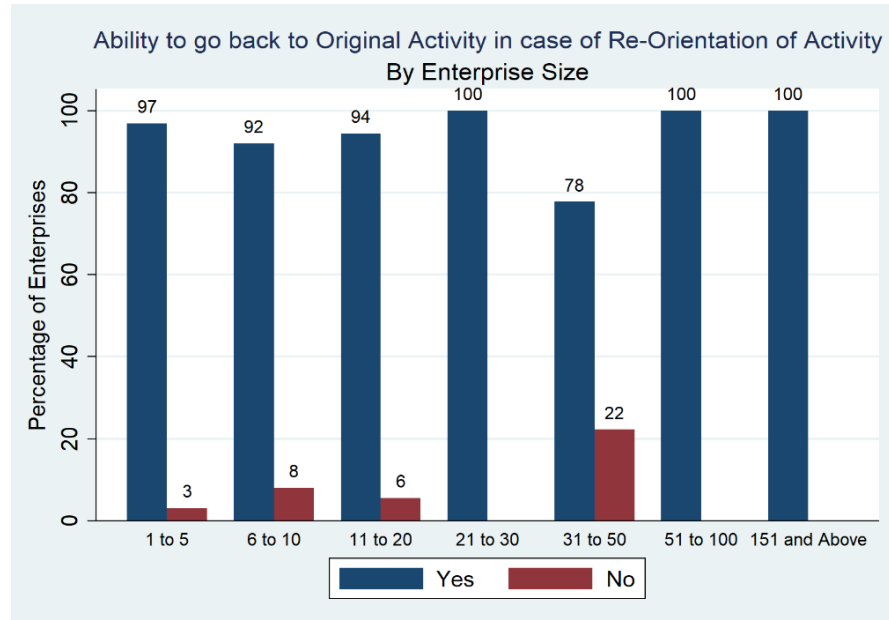
i. Consolidated

Overwhelming majority of enterprises, 94 percent, have the capability and flexibility to go back and restart their original business activity in case they have changed their primary business activity due to COVID 19.



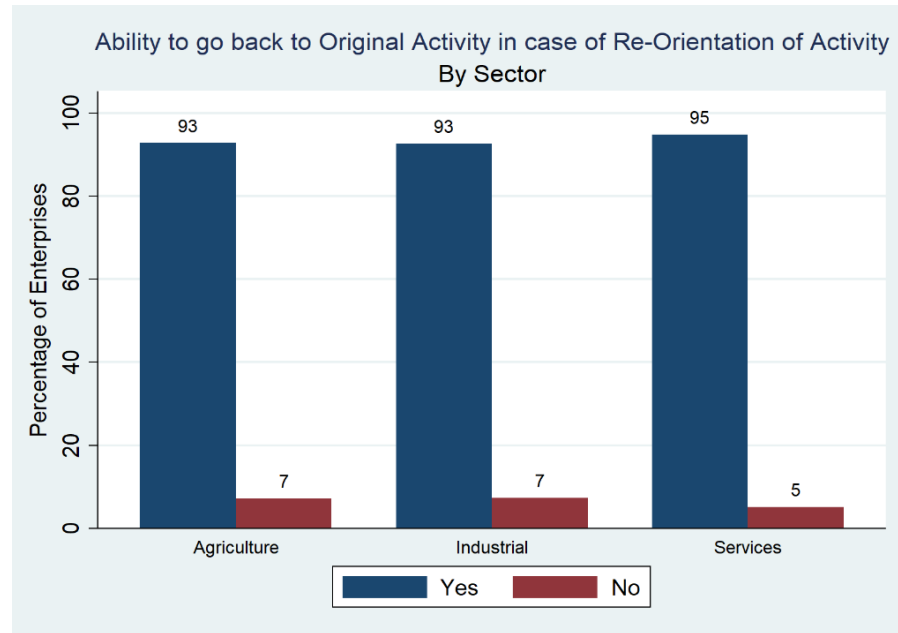
ii. By Enterprise Size

Enterprises of all sizes have the ability to restart their original business activity in case they have changed their primary business activity due to COVID 19.



iii. By Sector

Enterprises across all sectors, more than 90 percent enterprises, have the ability to go back and start their original business activity in case they have re-oriented or changed their primary business activity.

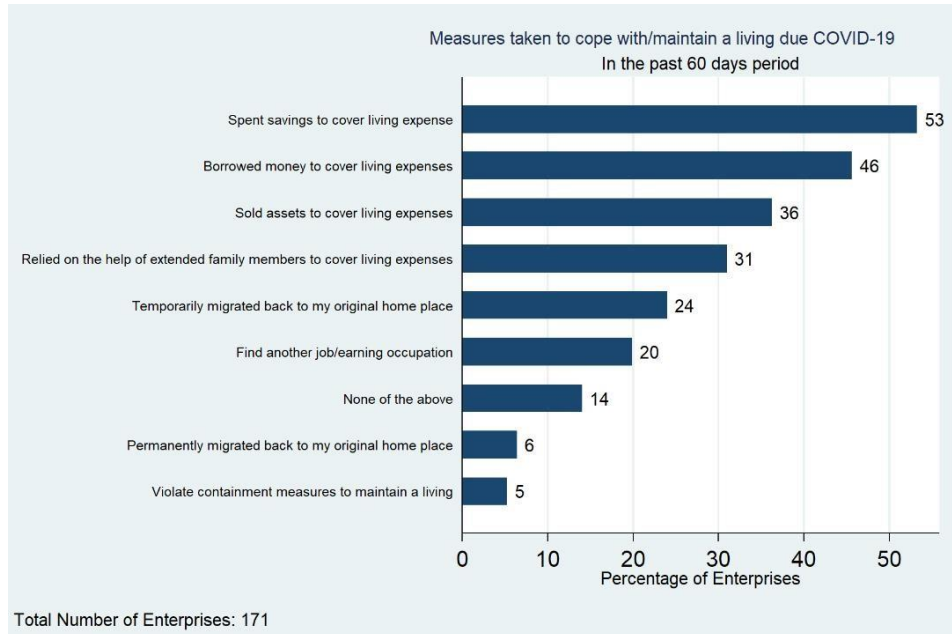


VII. Measures taken to cope with COVID-19 Outbreak (Past 60 days)

COVID 19 has adversely affected the financial wellbeing, reduced savings, adding to debt burden and selling assets, of the entrepreneurs, business owners and other personnel associated with SMEs in order to support their living.

In response to the question on measures taken to cope with or maintain a living during COVID 19 outbreak in the past two months, 36 percent sold their assets to cover living expenses and 31 percent relied on the help of extended family members to cover living expenses. 20 percent respondents also started to find another job or earning occupation.

COVID 19 has not only affected the financial wellbeing but also increased forced migration as 6 percent of the respondents permanently migrated back to their original home place and a further 24 percent temporarily migrated to their original home place.

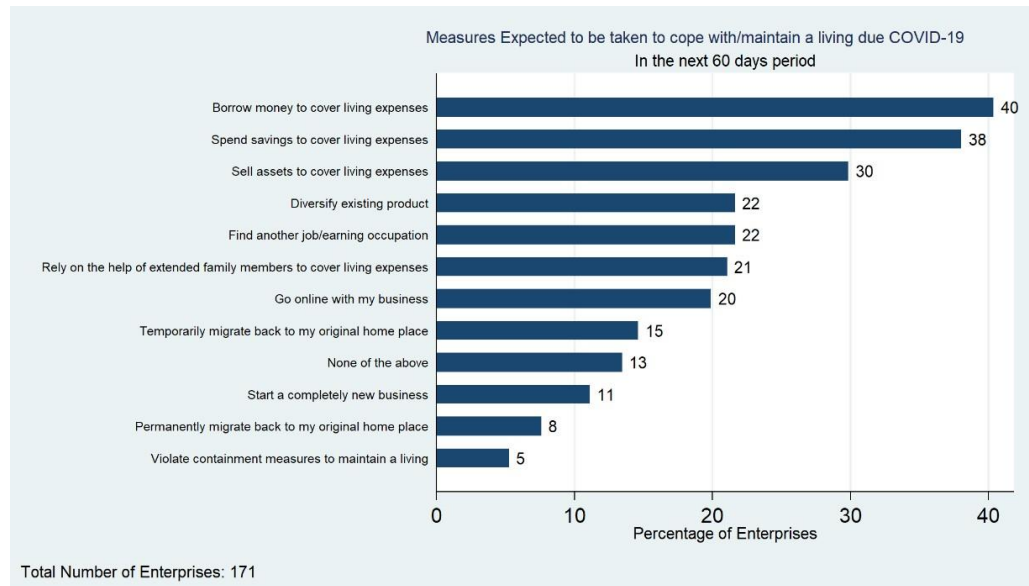


VIII. Measures Expected to be taken to cope with COVID-19 Outbreak (Next 60 days)

Even though the lockdown has been relaxed, COVID 19 restrictive containment measures are expected to continue the adverse effects on financial wellbeing of personnel associated with SMEs as observed in the effects in past two months.

Over the next two months, 40 percent respondents expect their debt burden to increase, followed by 38 percent respondents, who expect depletion of their saving, while 30 percent respondents expect that they will have to sell their assets to support their living expenses. One-fifth of the respondents expect to rely on the help of their extended family members.

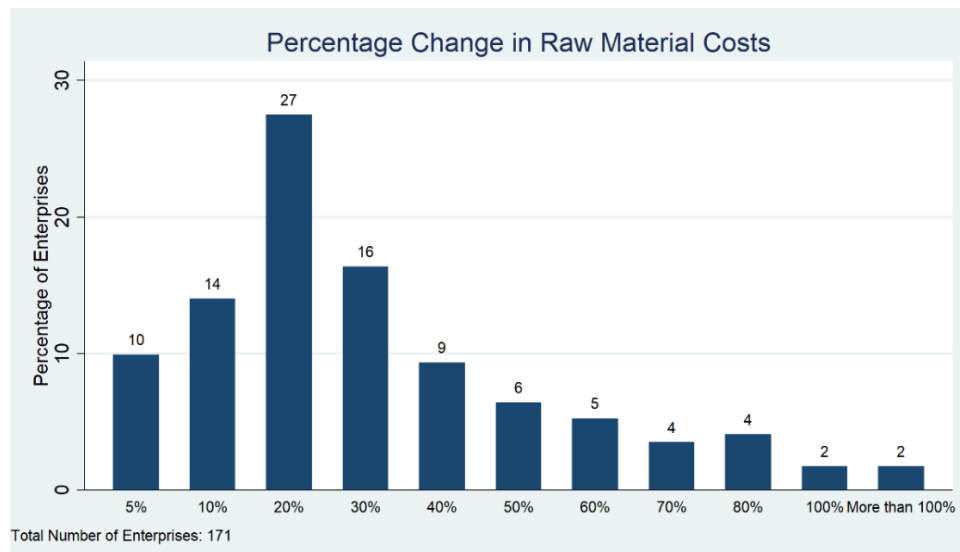
Almost one-fifth of respondents might be taking proactive steps to increase income such as diversifying product portfolio, finding another job and going online with their business. 8 percent expect to permanently migrate back to their original home and 15 percent expect to temporarily migrate back.



IX. Change in Raw Material Costs

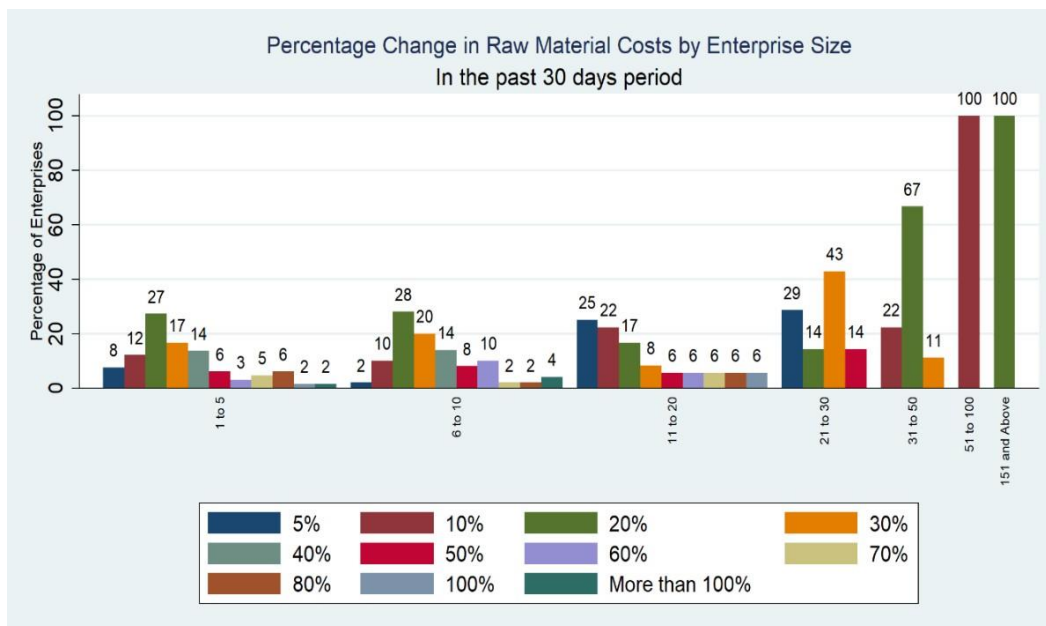
i. Consolidated

COVID 19 has also affected the costs of inputs and the results indicate that 82 percent enterprises have experienced a change of 50 percent or less in raw material costs, 16 percent had a change of more than 50 percent up to 100 percent and only 2 percent experienced a change of more than 100 percent in raw material costs in the past one month. Almost 70 percent of the firms experienced a change of 30 percent or less in raw material costs. 20 percent change in raw material costs is the most frequent amount of percentage change reported by 27 percent enterprises.



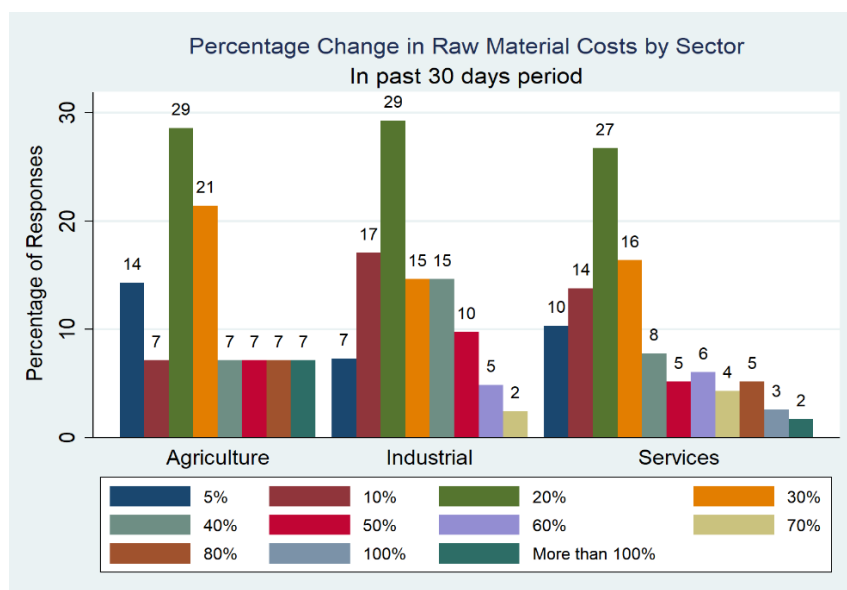
ii. By Enterprise Size

As in the case of the consolidated results, around 60 percent or more of the enterprises in each category of enterprise size experienced a percentage change of 30 percent or less in raw material costs. The percentage of enterprises experiencing a percentage change of 30 percent or less in raw material costs increases as the size of enterprise increases.



iii. By Sector

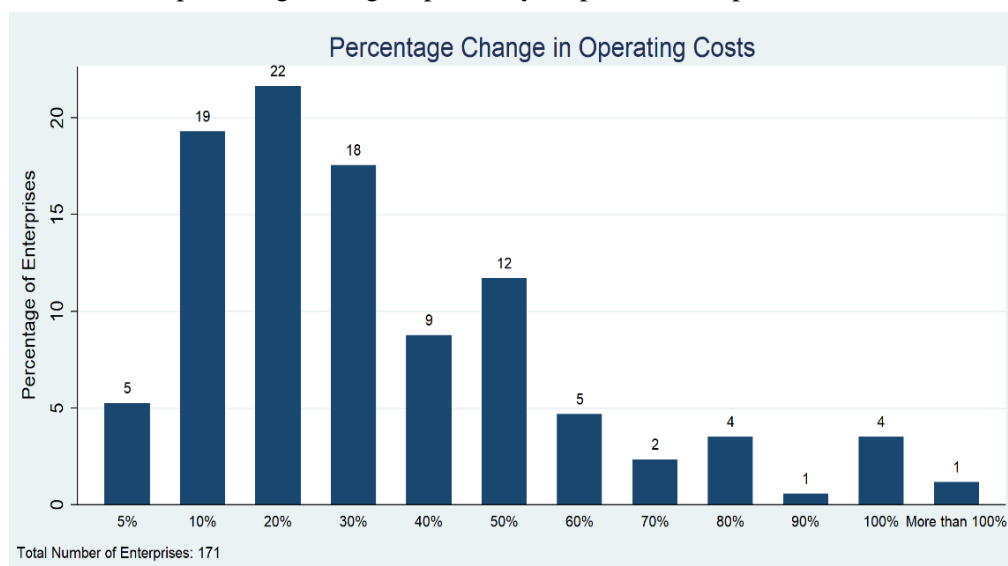
Almost 70 percent enterprises across all three sectors experienced a percentage change of 30 percent or less in raw material costs in last one month. The most frequent percentage change in raw material costs is 20 percent experienced by 25-30 percent enterprises in each sector.



X. Change in Operating Costs

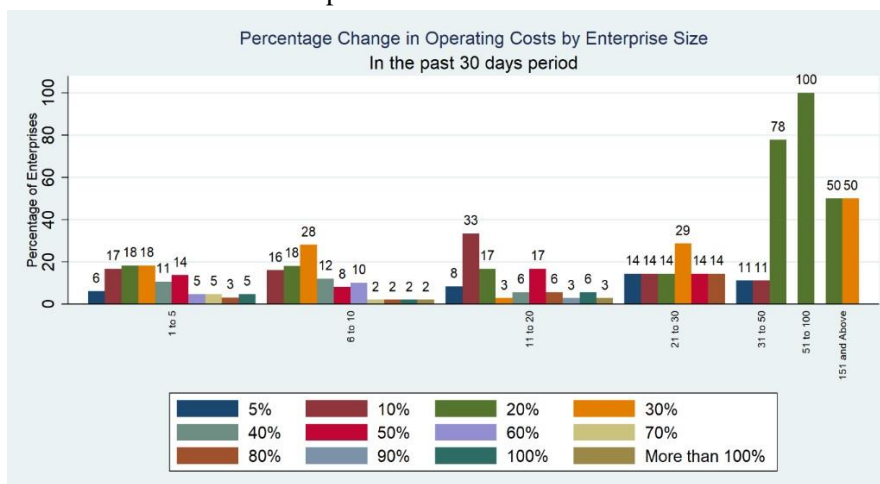
i. Consolidated

Similar trends to the change in the raw material costs have been observed in case of changes in operating costs in past one month. Almost 85 percent enterprises experienced a change of 50 percent or less in raw material costs followed by 14 percent with change of more than 50 percent up to 100 percent and only 1 percent with change of more than 100 percent in operating costs. Almost two-thirds (65 percent) of the firms experienced a change of 30 percent or less in raw material costs. 20 percent change in operating costs is the most frequent amount of percentage change reported by 22 percent enterprises.



ii. By Enterprise Size

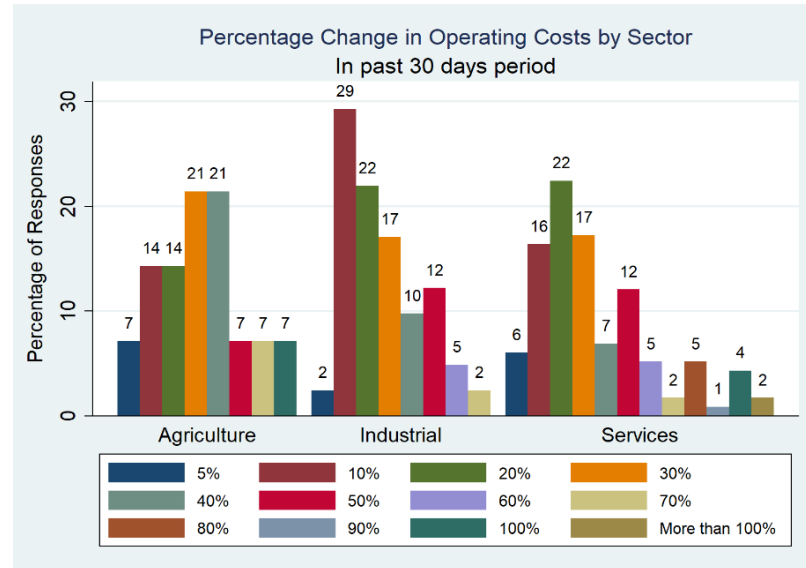
Mirroring the trends in the consolidated percentage change in operating costs, around 60 percent or more of the enterprises in each category of enterprise size experienced a percentage change of 30 percent or less in operating costs. The percentage of enterprises experiencing a percentage change of 30 percent or less in operating costs increases as the size of the enterprise increases.



iii. By Sector

The enterprises operating in agriculture and services sector were slightly more affected than the industrial sectors in terms of median percentage change in operating costs. The operating costs changed by a median of 40 percent in agriculture and services sectors while it changed by median of 30 percent in services sector.

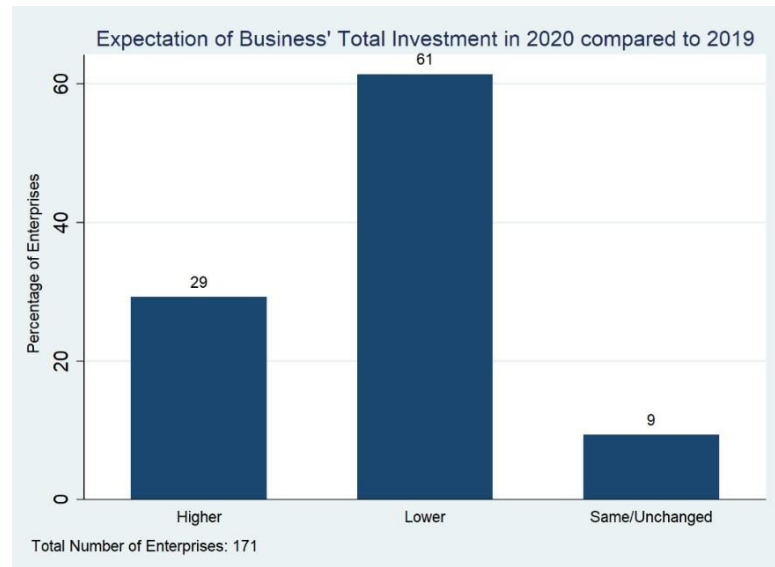
However, based on the distribution of percentage change in operating costs by sector, agriculture and industrial sectors are similar as around 80 percent of enterprises experienced a change of 40 percent or less in operating costs while the percentage of such enterprises in services sector was 68 percent.



XI. Expectation of Total Investment of Business in 2020 Compared to 2019

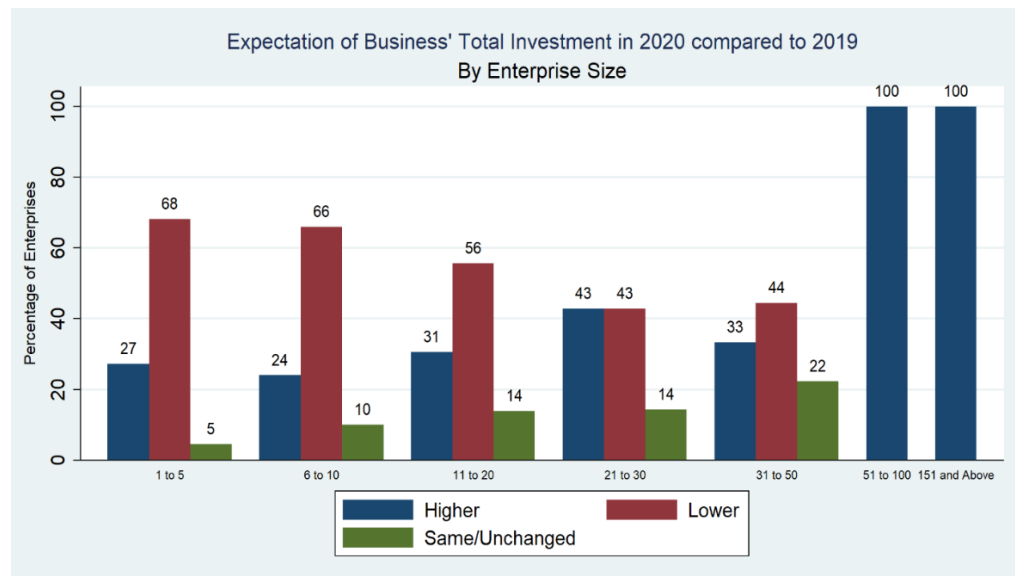
i. Expectation of Increase or Decrease (Consolidated)

Majority of the enterprises do not have positive expectation regarding the business' total investment in 2020 compared to 2019. 61 percent enterprises expect the total business investment to be lower in 2020 compared to 2019 while only 29 percent enterprises expect the total business investment to increase in 2020 compared to 2019.



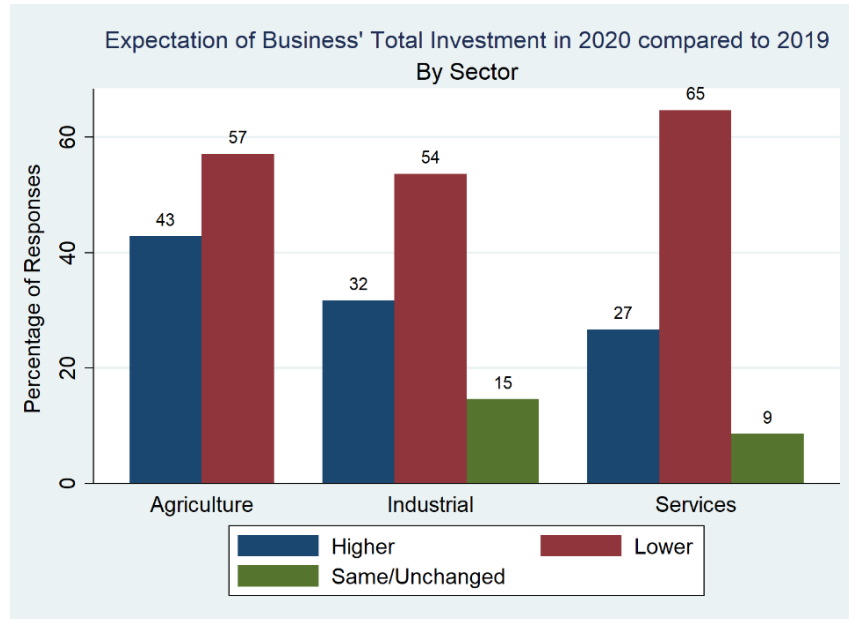
ii. Expectation of Increase or Decrease (By Enterprise Size)

The larger enterprises expect the total business investment to increase in 2020 compared to 2019 as opposed to the smaller and more vulnerable enterprises of sizes 1 to 5 and 6 to 10; two-thirds of which expect a decrease.



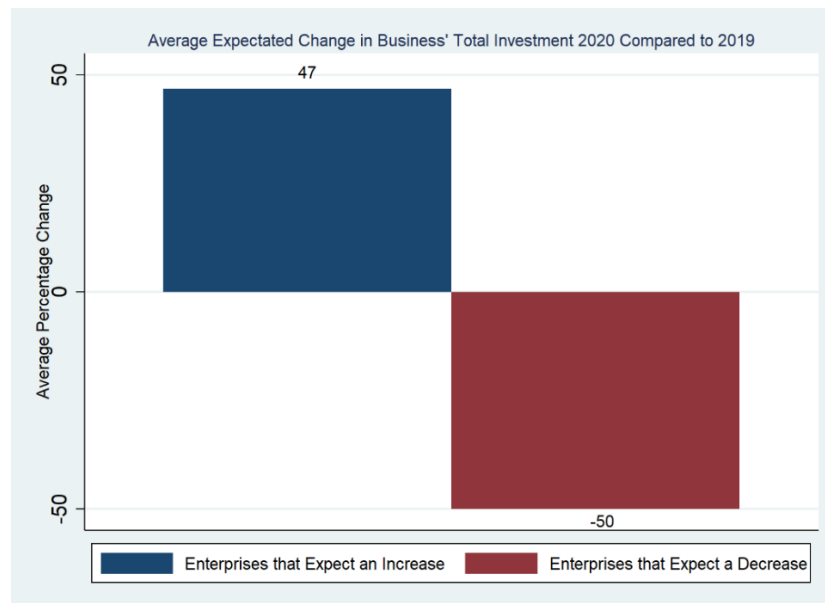
iii. Expectation of Increase or Decrease (By Sector)

More than 50 percent enterprises across all sectors expect the total business investment to be lower in 2020 compared to 2019. Services sector is the most affected sector as two-third enterprises expect total business investment to decrease.



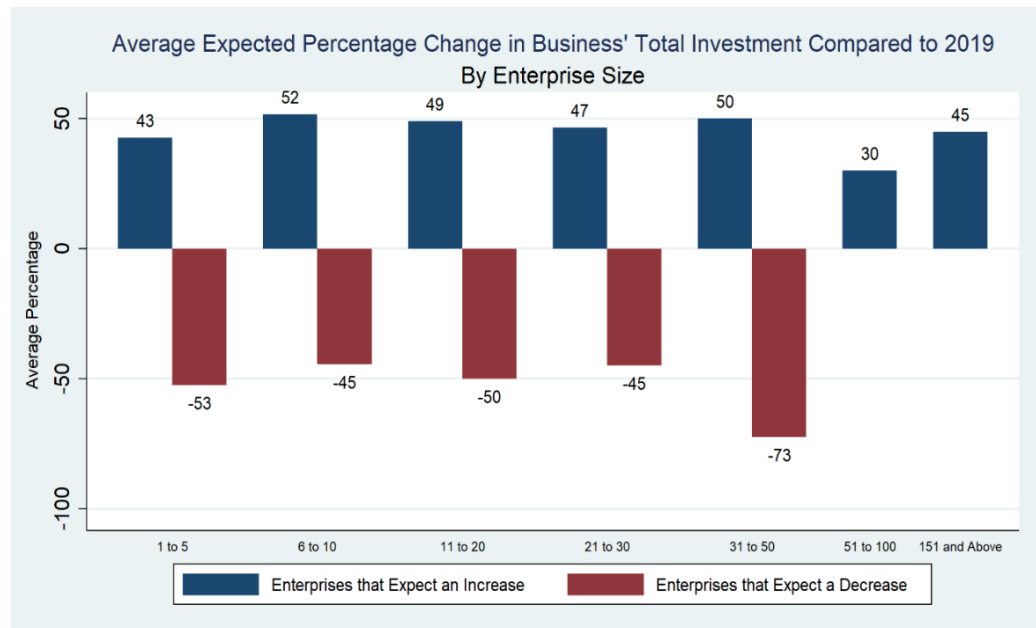
iv. Average Percentage Effect Size of Investment Increase or Decrease (Consolidated)

The average expected increase in total business investment in 2020 compared to 2019 is 47 percent and it is almost comparative to the average expected decrease in total business investment of 50 percent.



v. Average Percentage Effect Size of Investment Increase or Decrease (By Enterprise Size)

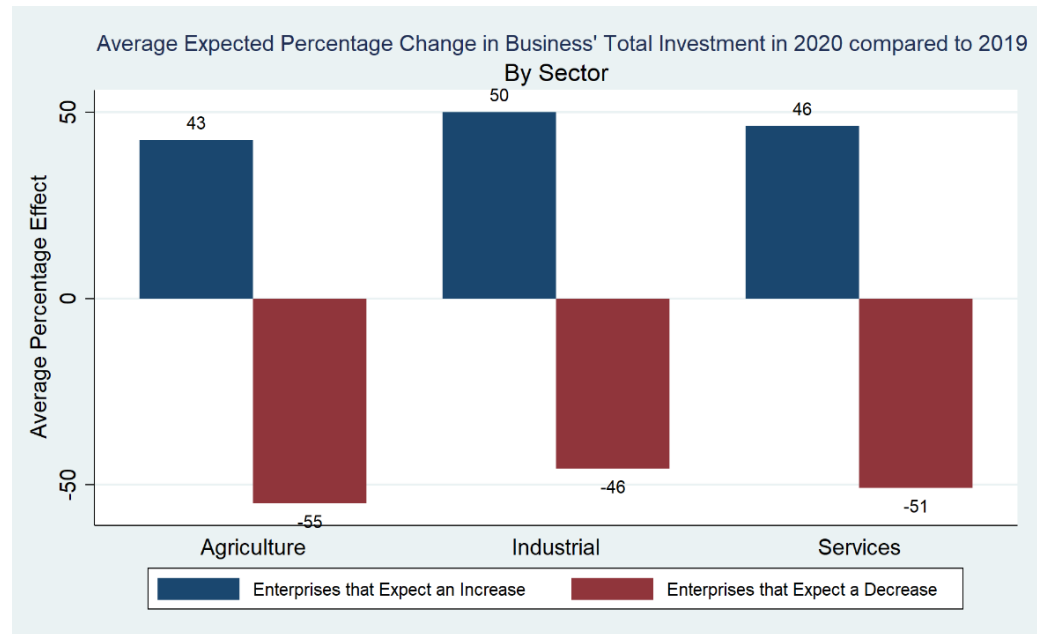
There is no specific trend in average percentage increase or decrease in total business investment in 2020 compared to 2019 by enterprise size. The expected average increase in total business investment for each category of enterprise size is around the consolidated average of 47 percent in range of 40 percent to 50 percent except for the enterprise of size 51 to 100 that expect an average increase of 30 percent. Similarly, the expected decrease in total business investment for each category is around a consolidated average of 50 percent except for the enterprise of size 31 to 50 that expect an anomalous decrease of 73 percent.



vi. Average Percentage Effect Size of Investment Increase or Decrease (By Sector)

There is no significant difference in average expected percentage increase or decrease in total business investment in 2020 compared to 2019 across all sectors. Industrial sector is slightly better positioned with regards to expected total business investment in 2020 compared to 2019 which is evident from the results explained below.

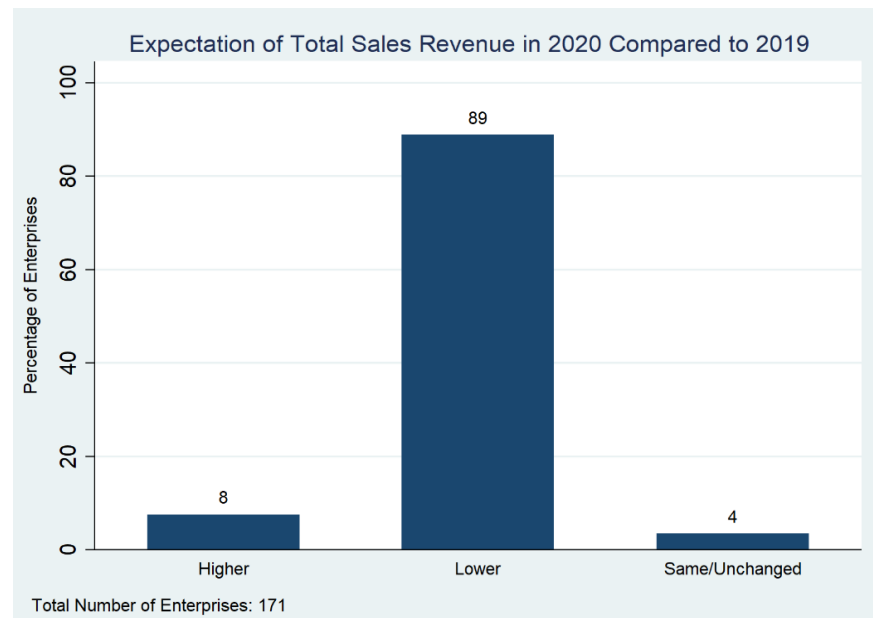
The average expected percentage increase in agriculture and services sector is around 45 percent and is slightly lower than the average expected percentage increase of 50 percent in industrial sector. In case of expected average decrease in total business investment, the agriculture and industrial sectors expect an average percentage decrease in range of 51-55 percent which is slightly more than the expected decrease of 46 percent in industrial sector.



XII. Expectation of Total Sales Revenue in 2020 Compared to 2019

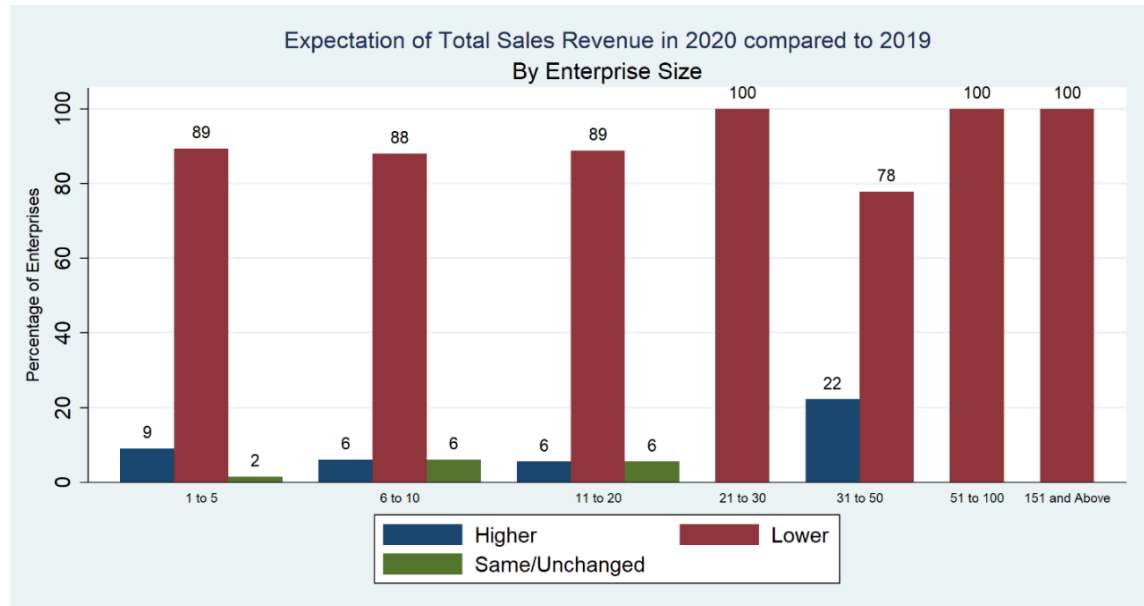
i. Expectation of Increase or Decrease (Consolidated)

The expectation of total sales revenue in 2020 compared to 2019 is not positive as 89 percent enterprises expect the total sales revenue to be lower in 2020 compared to 2019. Only 8 percent enterprises expect total sales revenue to increase in 2020 compared to 2019 and 4 percent expect no change in revenue.



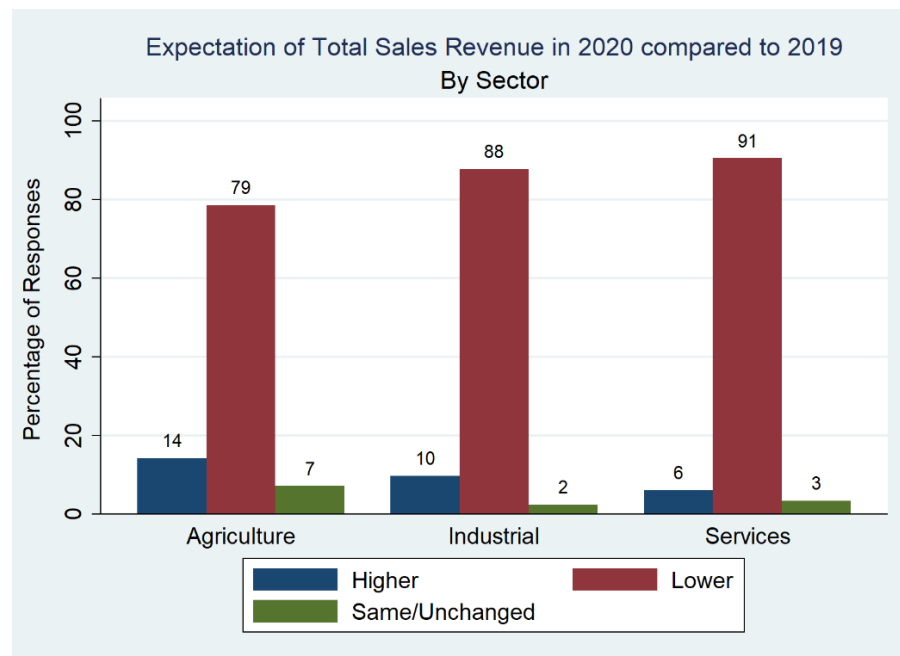
ii. Expectation of Increase or Decrease (By Enterprise Size)

Around 80 percent or more of the enterprises of all sizes expect the total sales revenue to decrease in 2020 compared to 2019.



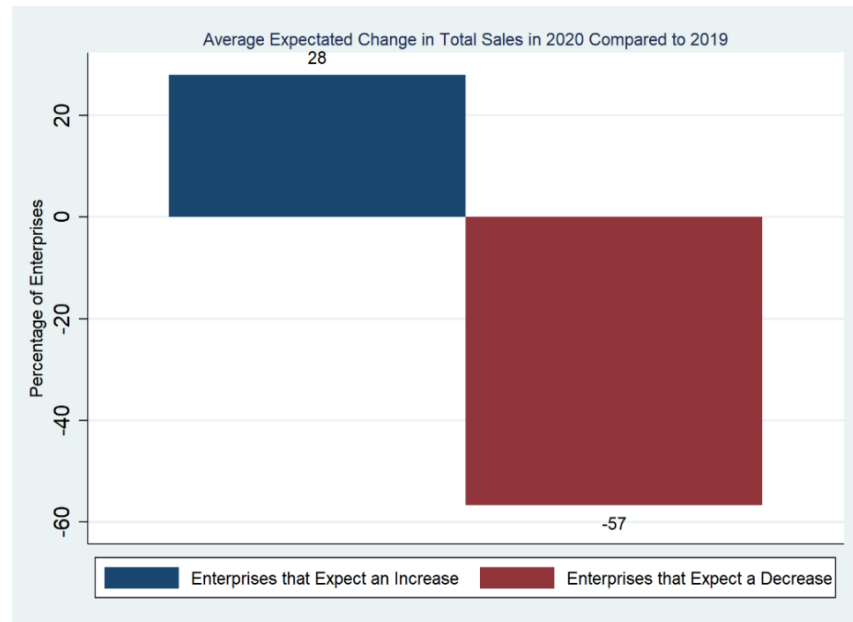
iii. By Sector

Total sales revenue of enterprises across all three sectors is expected to be severely affected in 2020 compared to 2019 as more than three-fourth of enterprises expect reduction in total revenue. Agriculture sector is expected to be slightly less affected as 79 percent enterprises expect the total revenue to decrease compared to 88 percent and 91 percent enterprises expecting decrease in industrial and services sectors respectively.



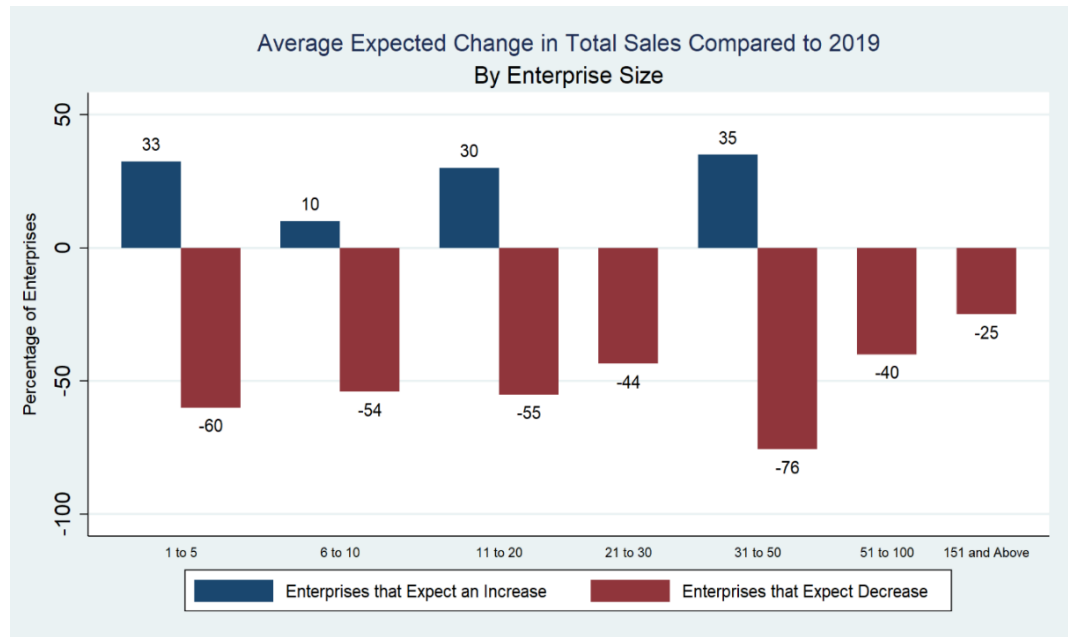
iv. Average Percentage Effect Size of Total Sales Revenue Increase or Decrease (Consolidated)

The average expected percentage increase in total sales revenue in 2020 compared to 2019, i.e. 28 percent, is much lower than the average expected decrease of 57 percent in total sales revenue in 2020 compared to 2019.



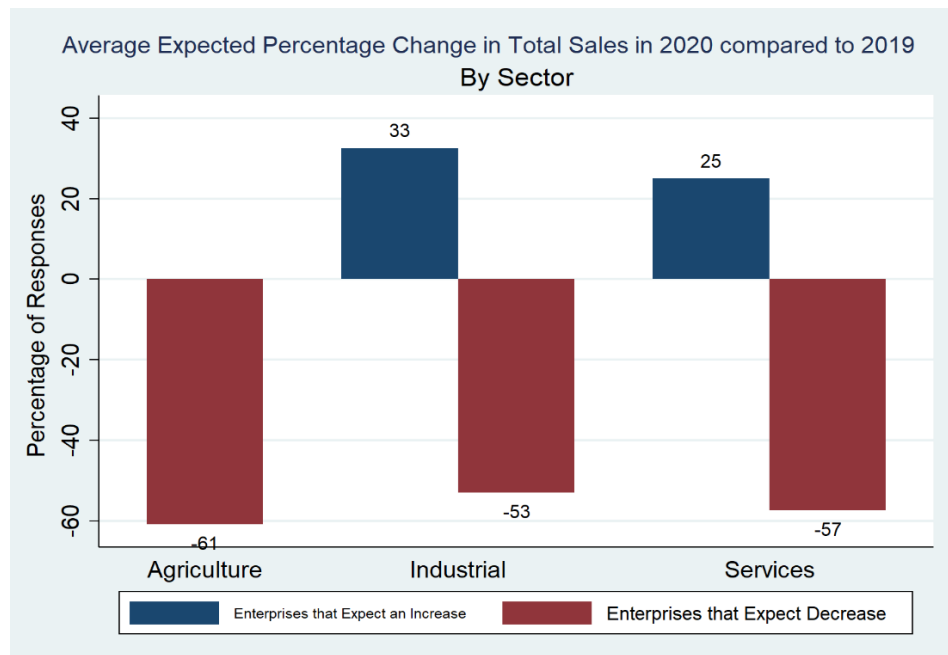
v. Average Percentage Effect Size of Total Sales Revenue Increase or Decrease (By Enterprise Size)

The average expected increase in total sales revenue in 2020 compared to 2019 is around the consolidated average of 27 percent for all categories of enterprise size except for the enterprises of size 6 to 10 that expect an average increase of only 10 percent. On the other hand, there is no trend in the expected decrease in total sales revenue in 2020 compared to 2019 by enterprise size. However, the enterprises of size 31 to 50 and 151 and above expect a deviant average expected decrease of 76 percent and 25 percent compared to the consolidated average decrease of 57 percent.



vi. **Average Percentage Effect Size of Total Sales Revenue Increase or Decrease (Sector)**

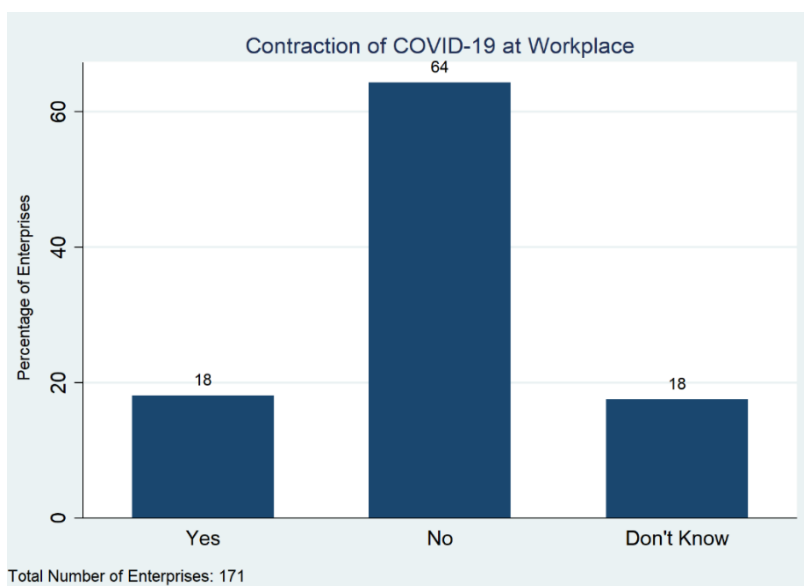
Enterprises in agriculture sector do not expect total sales to increase in 2020 compared to 2019 while the expected average percentage increase in total sales in industrial and services sectors is 33 percent and 25 percent respectively. The average expected decrease in total sales is comparative across all three sectors with all three sectors expecting more than 50 percent decrease in total sales. Agriculture sector, with an expected average decrease of 61 percent in total sales, expects to slightly suffer more compared to industrial, 53 percent decrease in revenue, and services sector, 57 percent.



COVID-19 at Workplace

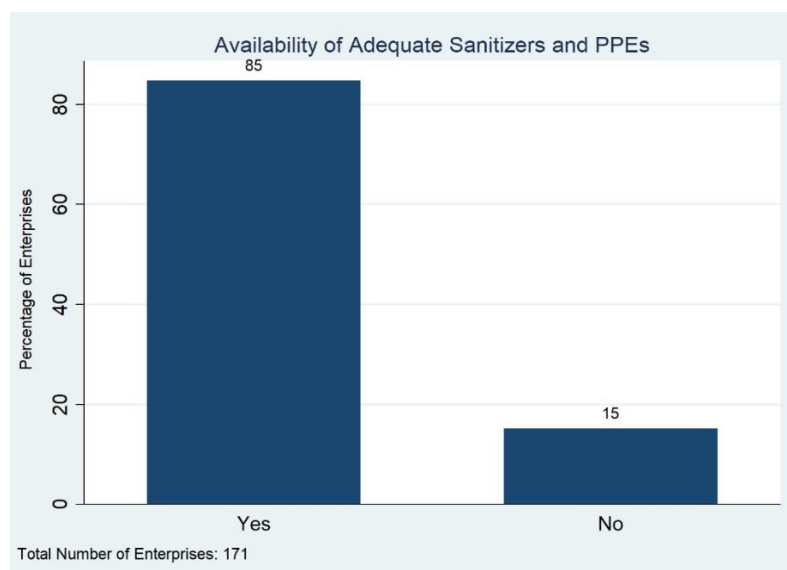
I. Contraction of COVID-19 at Workplace

The enterprises seem to be following the SOPs because almost two third (64 percent) of the enterprises have not reported any contraction of COVID 19 at workplace.



II. Availability of Sanitizers and PPEs at Workplace for Employees

Majority of enterprises (84 percent) are complying with the SOPs and ensuring employee safety by providing sanitizers and personal protective equipment to employees.



III. Measures taken to Curtail COVID-19 at Workplace

Enterprises are implementing a number of measures and operational arrangements, like staggered shift work and teleworking, to prevent the spread of COVID 19 at workplace while maintaining efficient productivity levels.

More than 70 percent enterprises were already implementing measures including spreading awareness about COVID-19 spread and preventive measures, encourage employees to stay at home while they feel sick, maintain physical distancing while working and providing personal protective equipment to employees. Around 20-25 percent enterprises reported that they will be able to implement these measures if asked to do so and only 5 percent or less enterprises were not in a position to implement these measures.

Further, 60 percent enterprises were also granting expanded sick leaves and monitoring temperature levels of employees and around 30 percent have the ability to implement these measures.

Flexible working options/schedules, Teleworking and staggered shift work, were less common as these were implemented by less than 50 percent of the enterprises but 35-40 percent have the ability to implement these measures.

