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COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises in Developing Asia

Implications for post-crisis actions

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Asian economies acted quickly to contain the COVID-19 spread and curb the economic contraction through large scale stimulus packages.

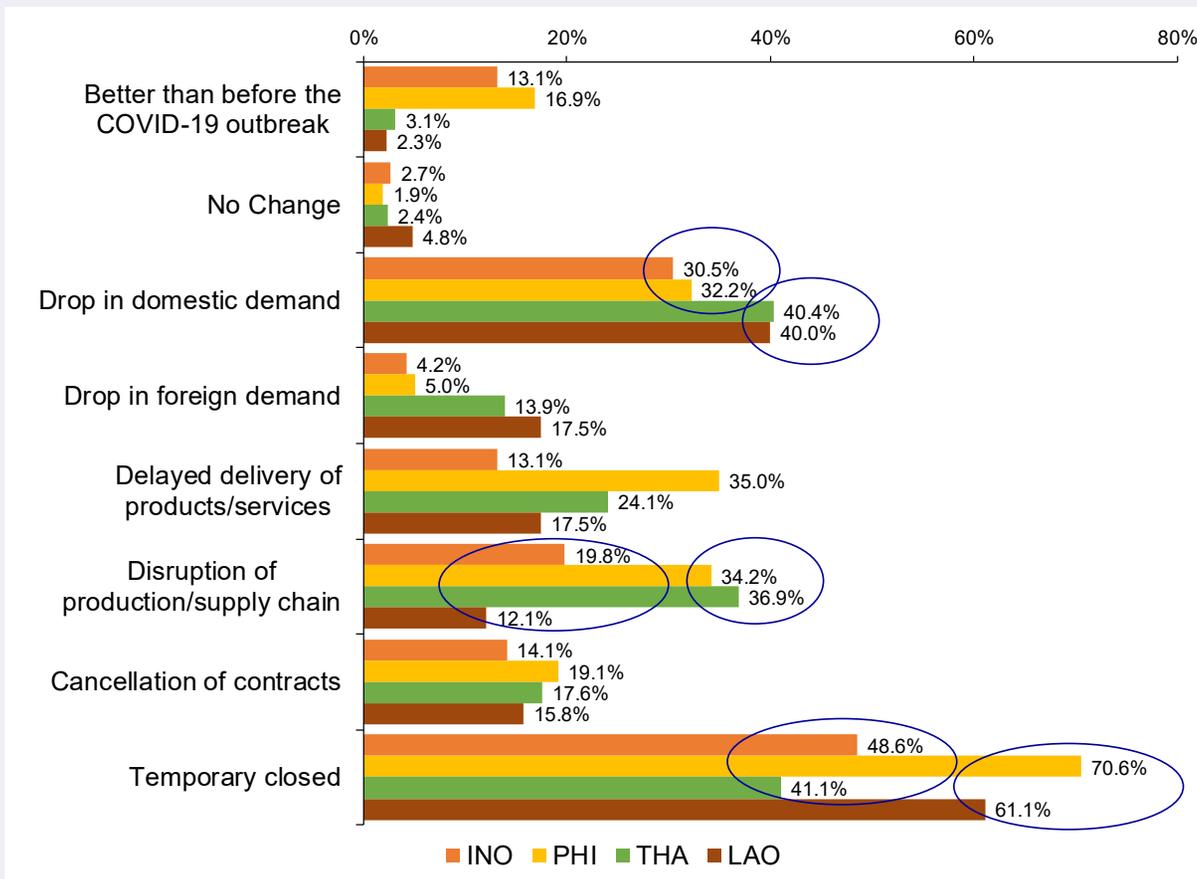
Emergency MSME Assistance in Response to COVID-19 in ASEAN Countries

Item	Debt Finance							Tax Relief				Employment Support				Business Support						
	Liquidity support for financial institutions/capital injection	Debt restructuring/deferral of debt payments	Relaxed lending conditions /interest rate reduction	New lending to MSMEs/emergency refinancing facility	Special credit guarantees	Regulatory forbearance	Corporate tax reduction	Expedited tax refunds	Incentives for investors	Payroll/social security/VAT/land taxes	Wage subsidies	Support for informal/self-employed workers	Unemployment benefits	New working arrangements	Labor training subsidies	Reduced utility payments	Reduced rent/leasing	Reduction/waiver of government fees	Reduced import restrictions	Focus group expenditure programs	Vouchers for remote business services	
Lower-middle-income economies	CAM	√	√	√	√	√			√	√								√	√			
	LAO	√	√	√	√	√									√							
	MYA	√		√	√	√	√													√		
	PHI	√	√	√	√	√	√				√	√	√							√		
	VIE	√	√	√	√		√	√		√	√		√			√			√			
Upper-middle-income economies	INO	√	√	√	√	√	√		√										√	√		
	MAL	√	√	√	√	√	√			√	√		√		√	√				√	√	
	THA	√	√	√	√	√	√		√		√	√			√					√		
High-income economies	BRU	√	√																			
	SIN	√	√		√		√		√	√	√			√		√	√			√	√	

Sources: Recomposed from World Bank Map of SME-Support Measures in Response to COVID-19. 14 April 2020. <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>; International Monetary Fund. COVID-19 Policy Tracker. Accessed on 24 June 2020. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

First 2-Month after the Outbreak in Asia

MSME's Business Environment after COVID-19 Outbreak



- MSMEs cut back production and service delivery due to compressed demand and supply disruptions.

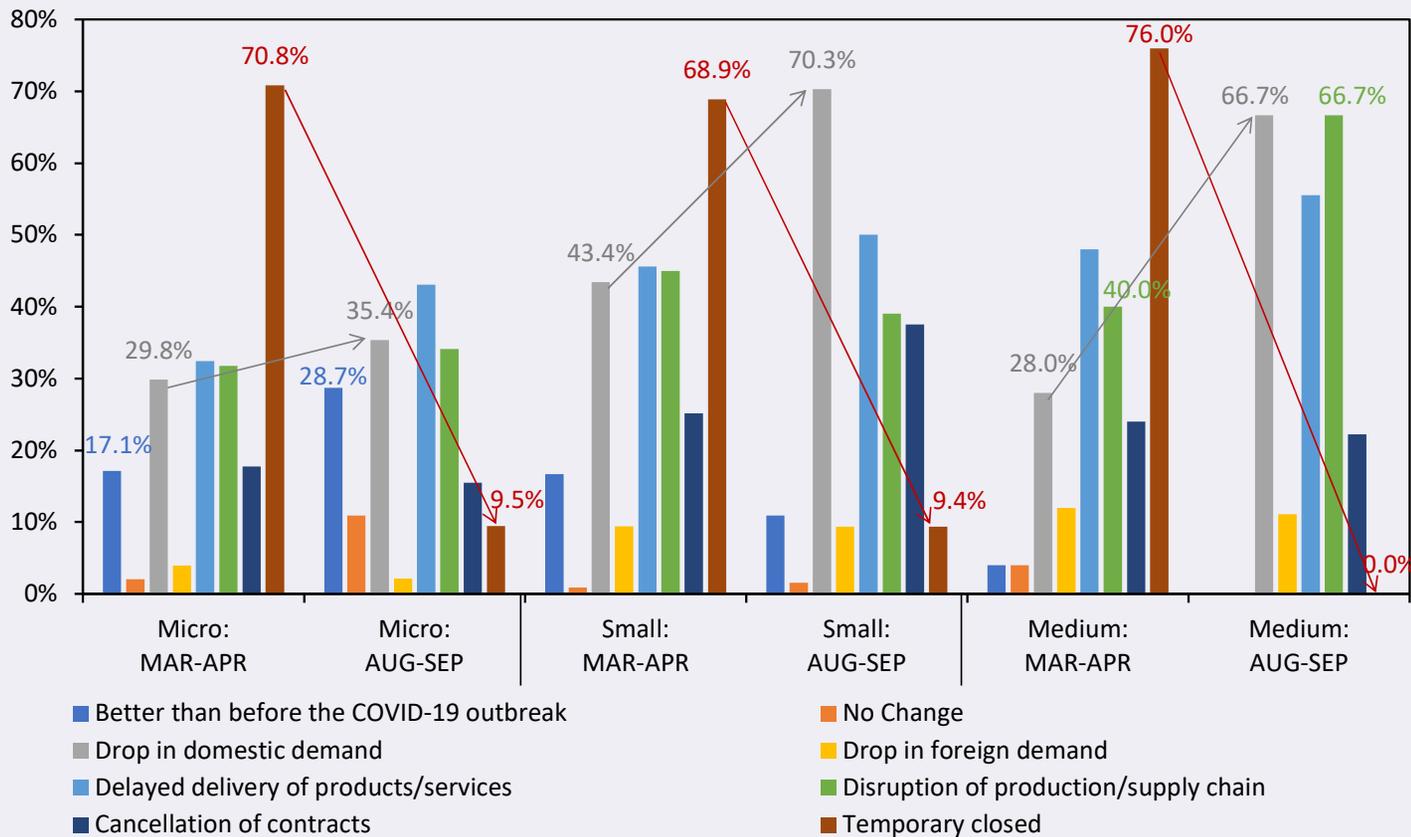
INO = Indonesia, PHI = Philippines, THA = Thailand, LAO = Lao People's Democratic Republic.
 Note: 525 valid samples in INO, 1,804 in PHI, 1,147 in THA, and 355 in LAO.
 Source: Calculated based on data from the rapid MSME surveys in Indonesia, the Philippines, Thailand, and Lao PDR, April–May 2020.



6-Month after the Outbreak (Philippines)

- Economy has moved to the recovery stage. Business reopening but continued drop in domestic demand.

MSME's Business Environment in the Philippines

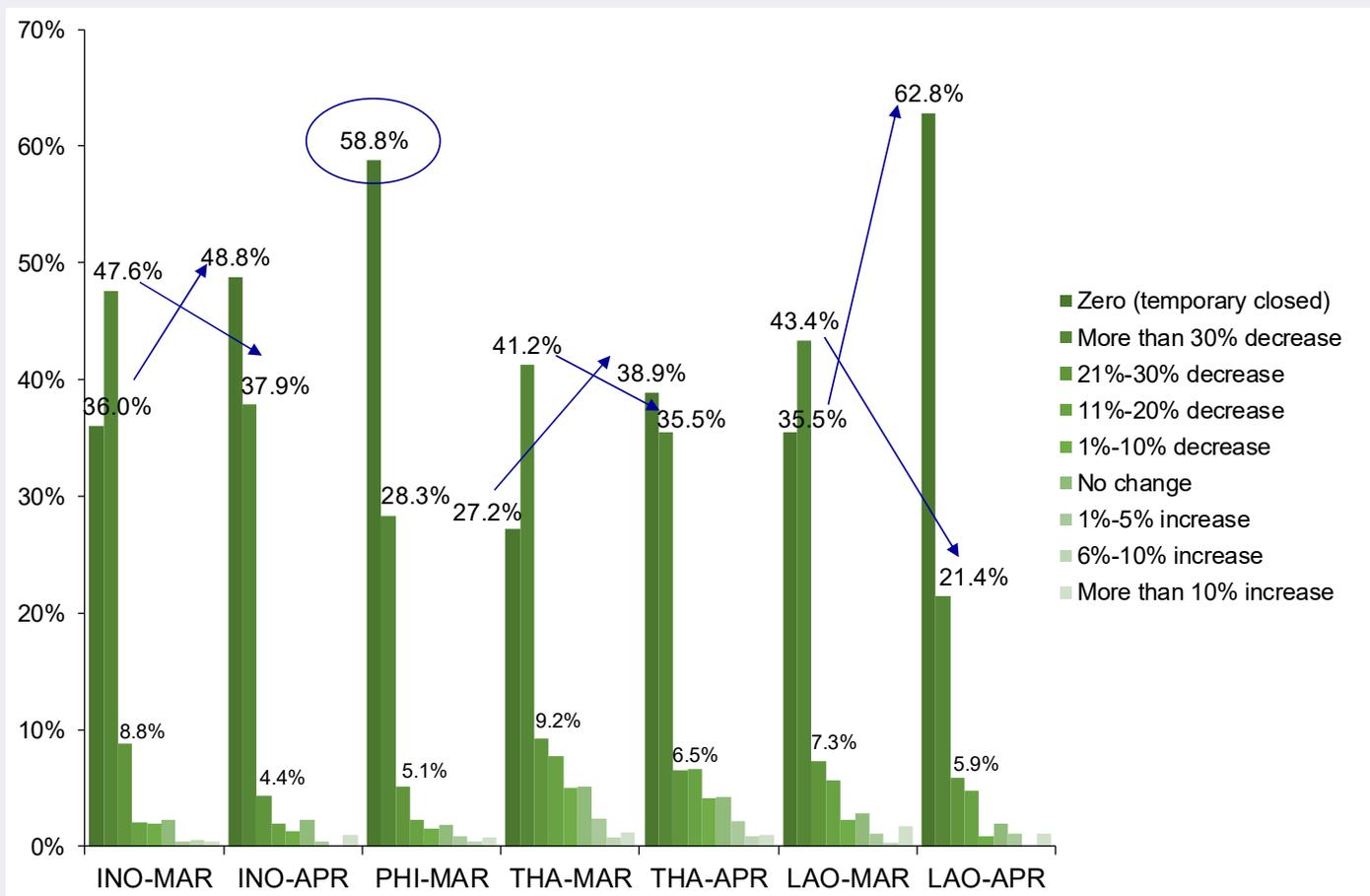


Note: 1,804 valid samples from the Rapid MSME Survey in the Philippines (March-April 2020); 2,295 from the Philippine Enterprise Survey (April-May); 686 from the Follow-up MSME Survey in the Philippines (August-September). Source: Calculated based on data from series of business surveys in the Philippines.



First 2-Month after the Outbreak in Asia

MSMEs' Monthly Income, March and April 2020



- MSME revenue dropped sharply in March and deteriorated further in April.

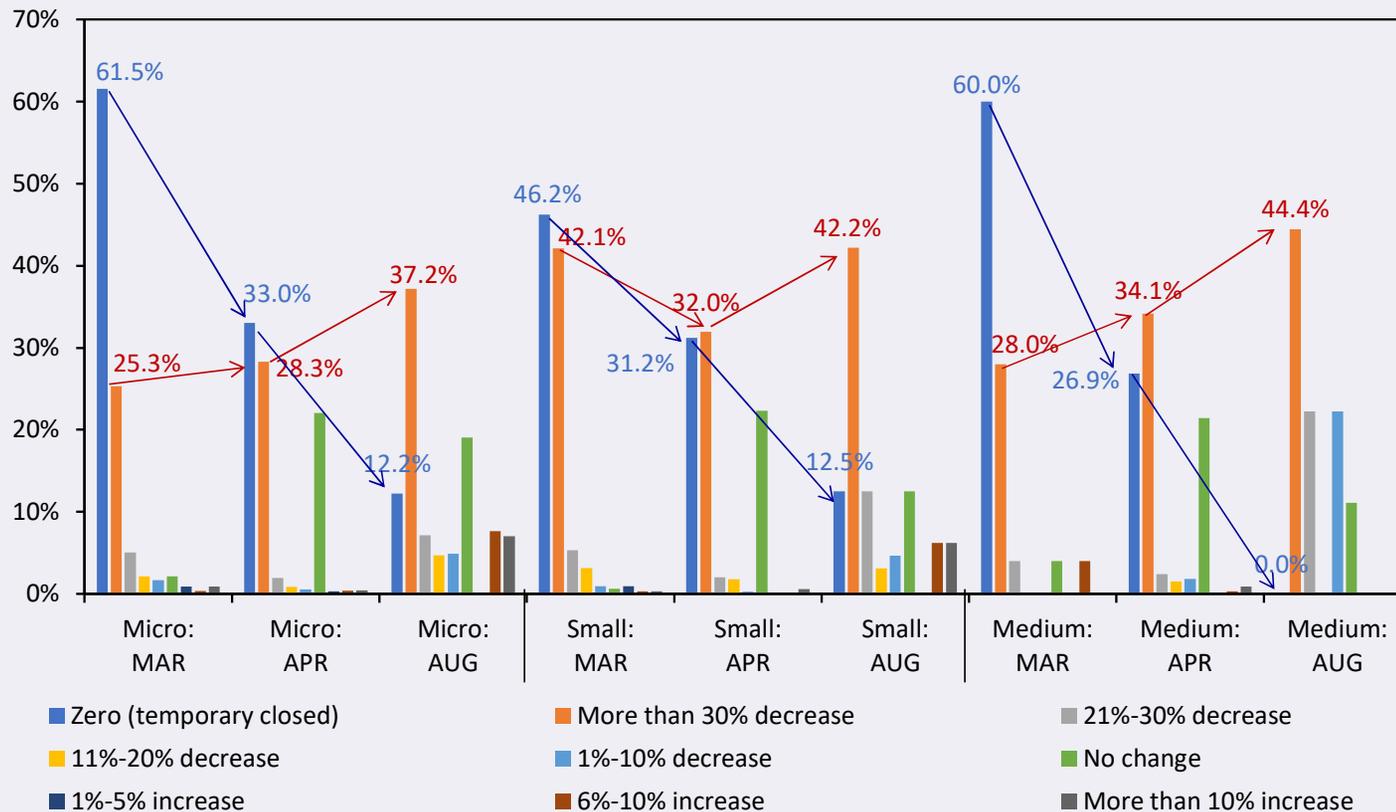
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 Source: Calculated based on data from the rapid MSME surveys in Indonesia, the Philippines, Thailand, and Lao PDR, April-May 2020.



6-Month after the Outbreak (Philippines)

- MSMEs with no revenue decreased sharply but continued drop in income.

MSME's Monthly Income in the Philippines



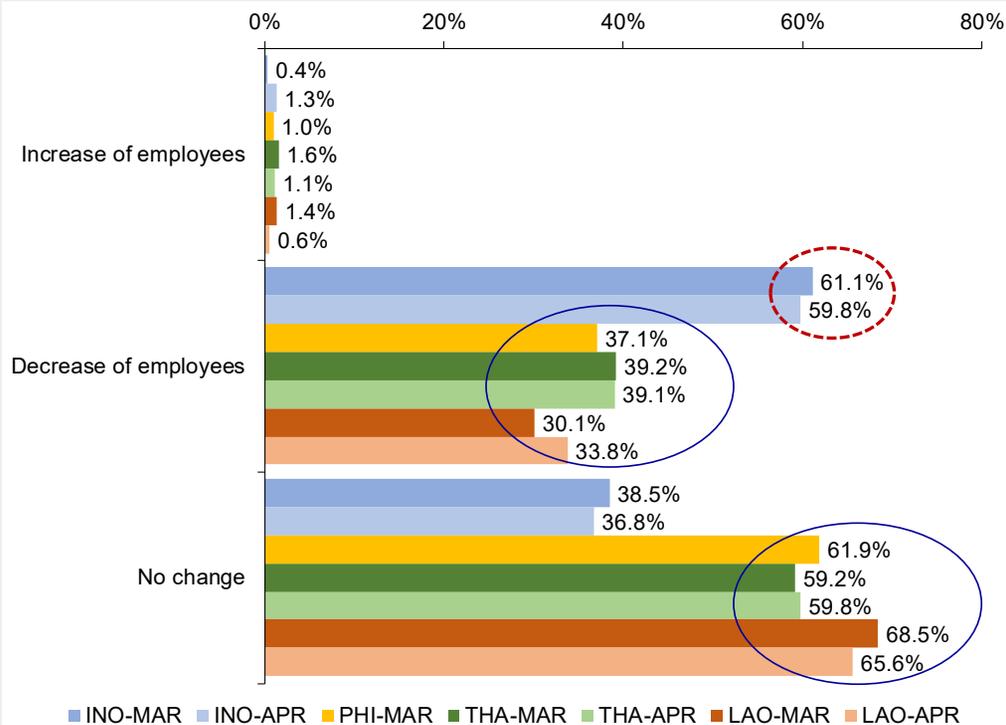
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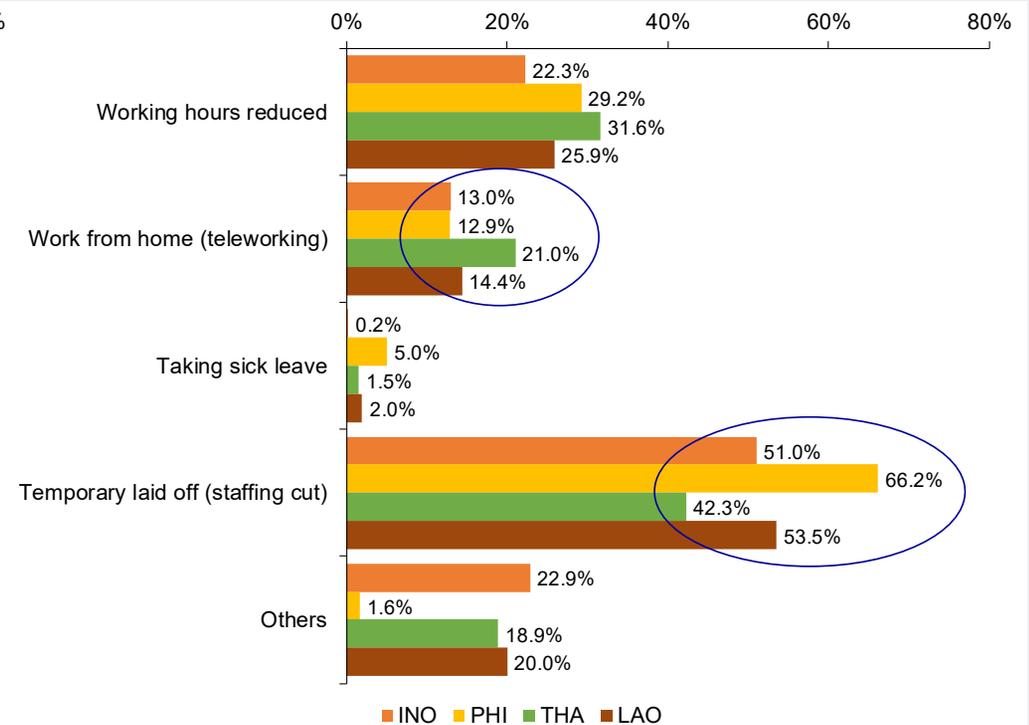
First 2-Month after the Outbreak in Asia

- Temporary staffing cut was widespread among MSMEs. Work-from home was not a serious option for MSMEs.

Employment of MSMEs after COVID-19 Outbreak



Changes in MSME Employment after COVID-19 Outbreak



INO = Indonesia, PHI = Philippines, THA = Thailand, LAO = Lao People's Democratic Republic.

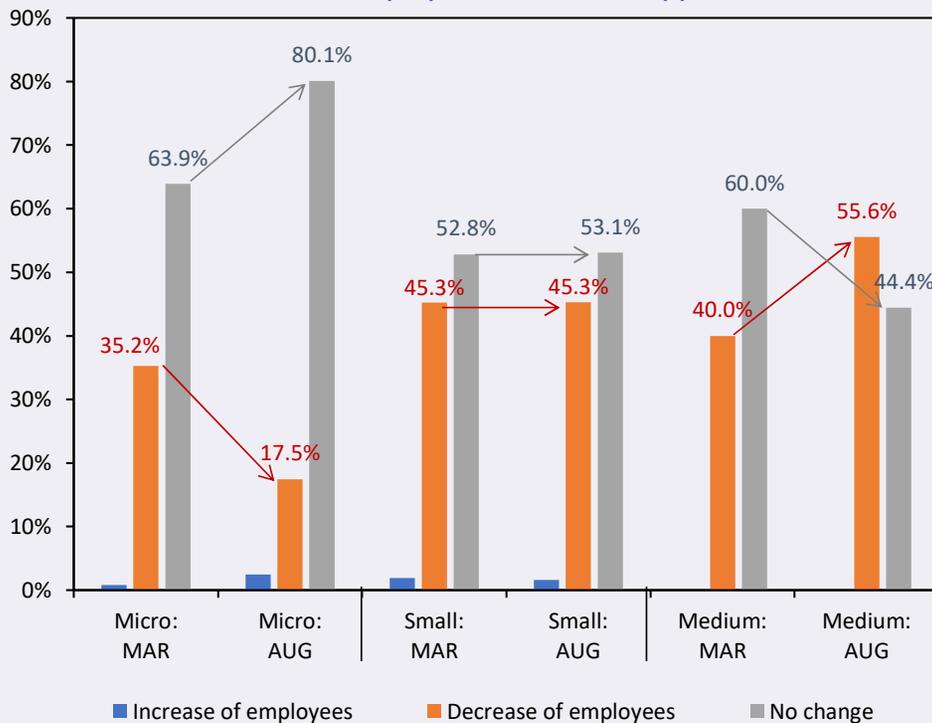
Note: 525 valid samples in INO, 1,804 in PHI, 1,147 in THA, and 355 in LAO.

Source: Calculated based on data from the rapid MSME surveys in Indonesia, the Philippines, Thailand, and Lao PDR, April–May 2020.

6-Month after the Outbreak (Philippines)

- Employment is returning to normal for micro firms. WFH arrangement has spread.

MSME Employment in the Philippines

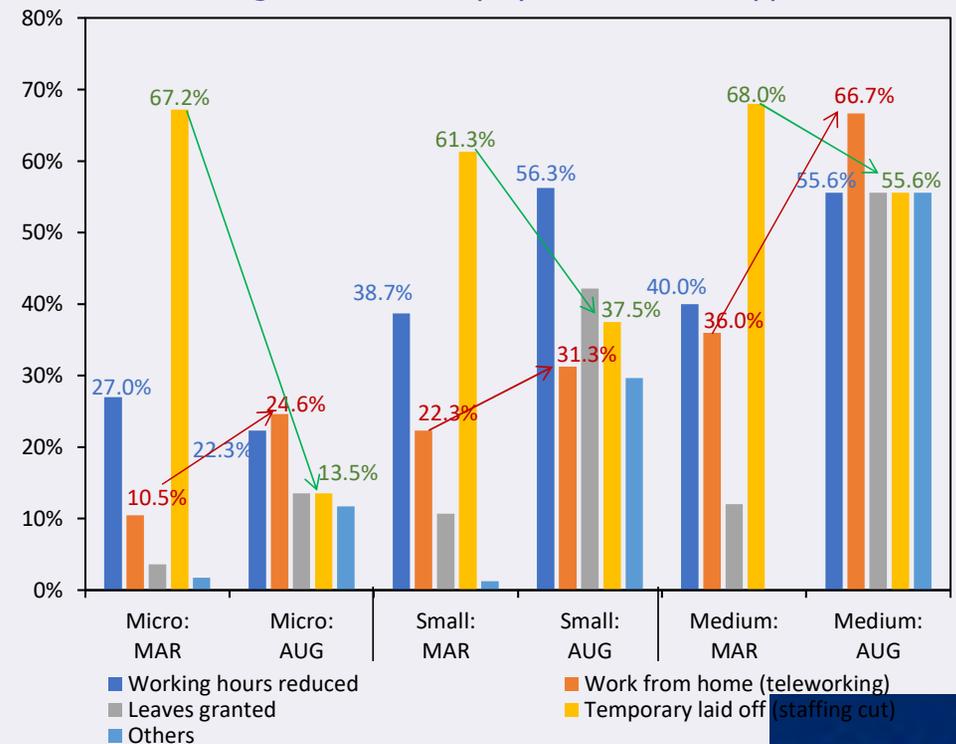


WFH = work-from-home.

Note: 1,804 valid samples from the Rapid MSME Survey in the Philippines (March-April 2020); 2,295 from the Philippine Enterprise Survey (April-May); 686 from the Follow-up MSME Survey in the Philippines (August-September).

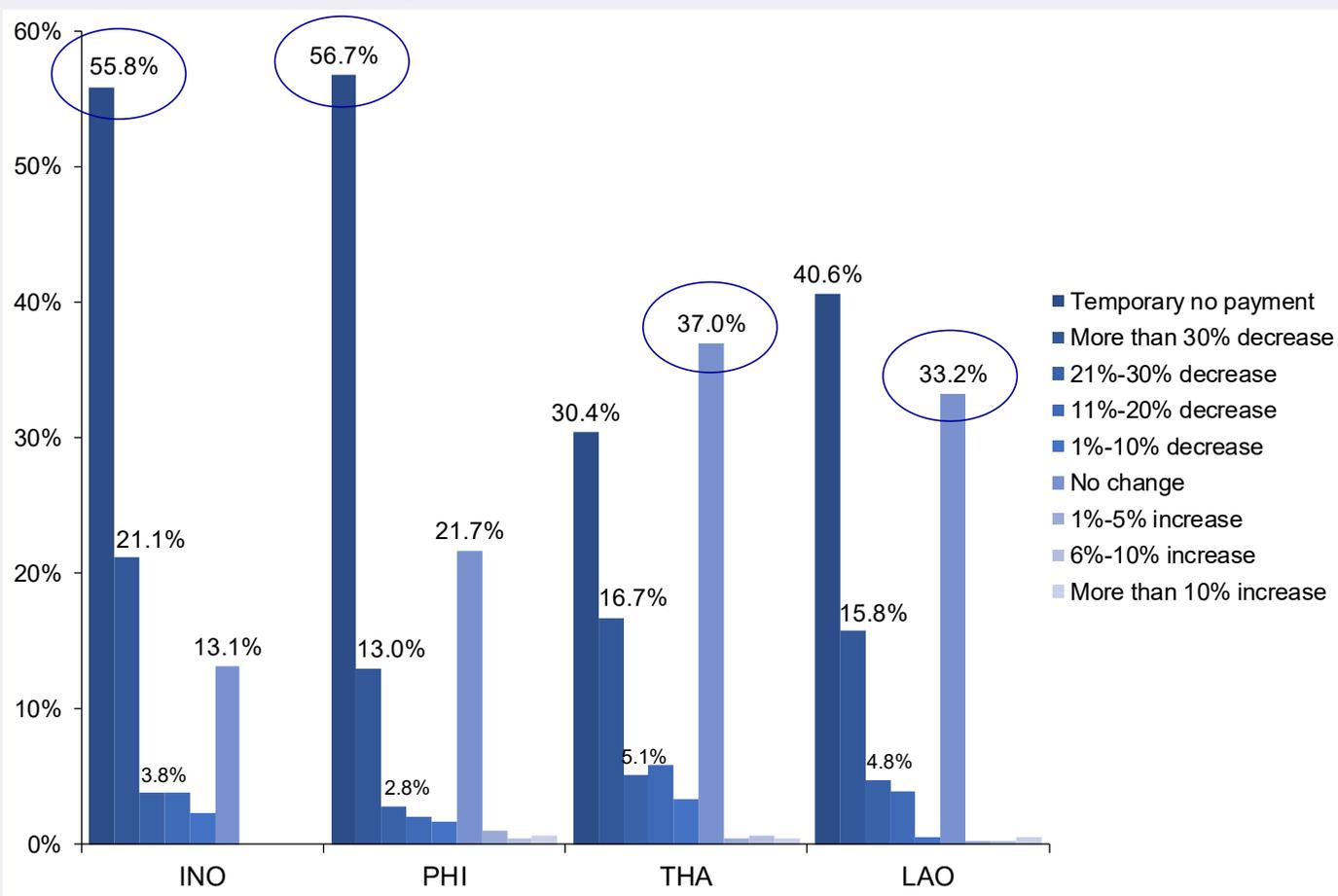
Source: Calculated based on data from series of business surveys in the Philippines.

Changes in MSME Employment in the Philippines



First 2-Month after the Outbreak in Asia

Wage Payments by MSMEs after COVID-19 Outbreak



- MSMEs started suspending or reducing wage payments.

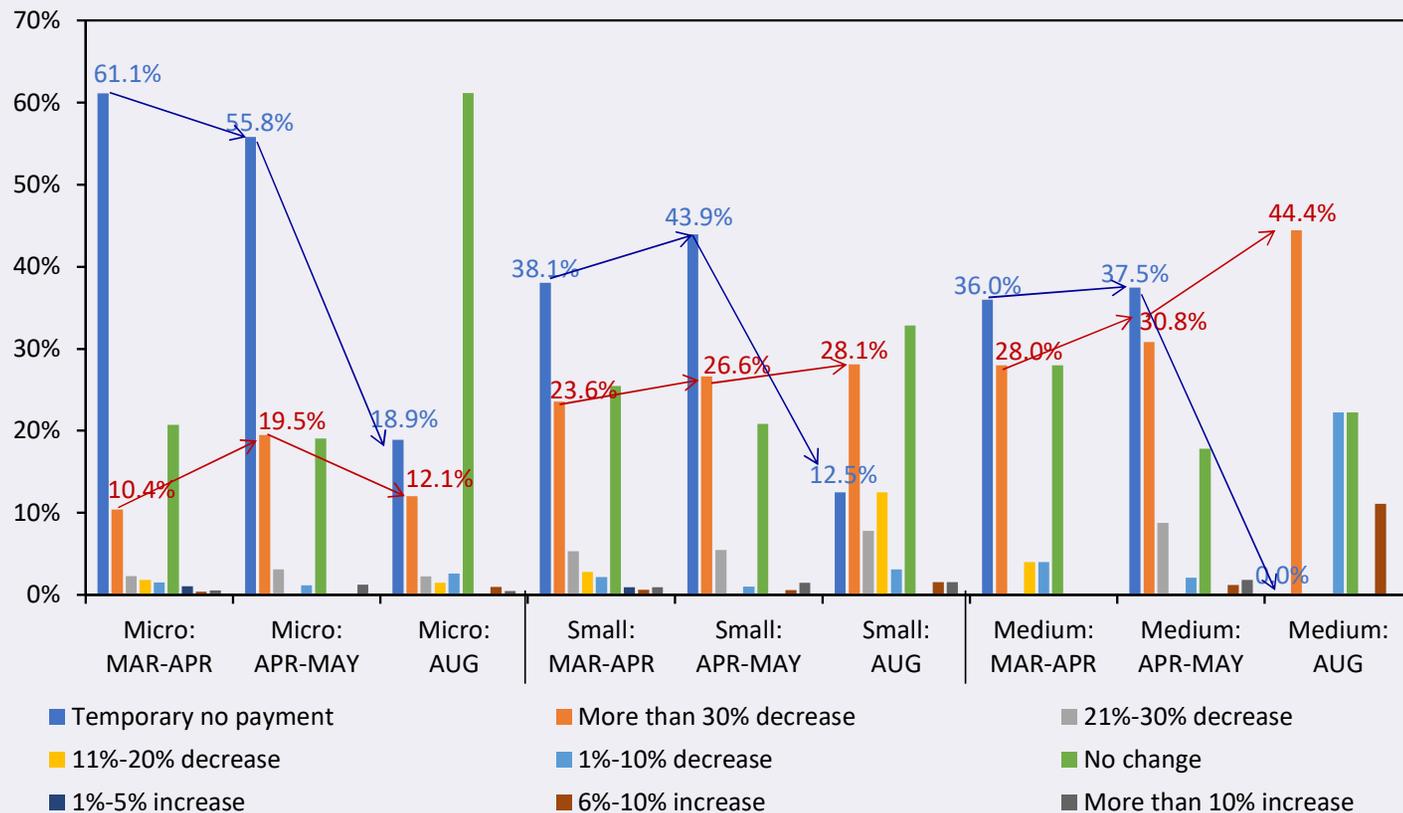
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6-Month after the Outbreak (Philippines)

- MSMEs with no wage payments decreased sharply but continued wage cut.

MSME's Total Wage Payments in the Philippines

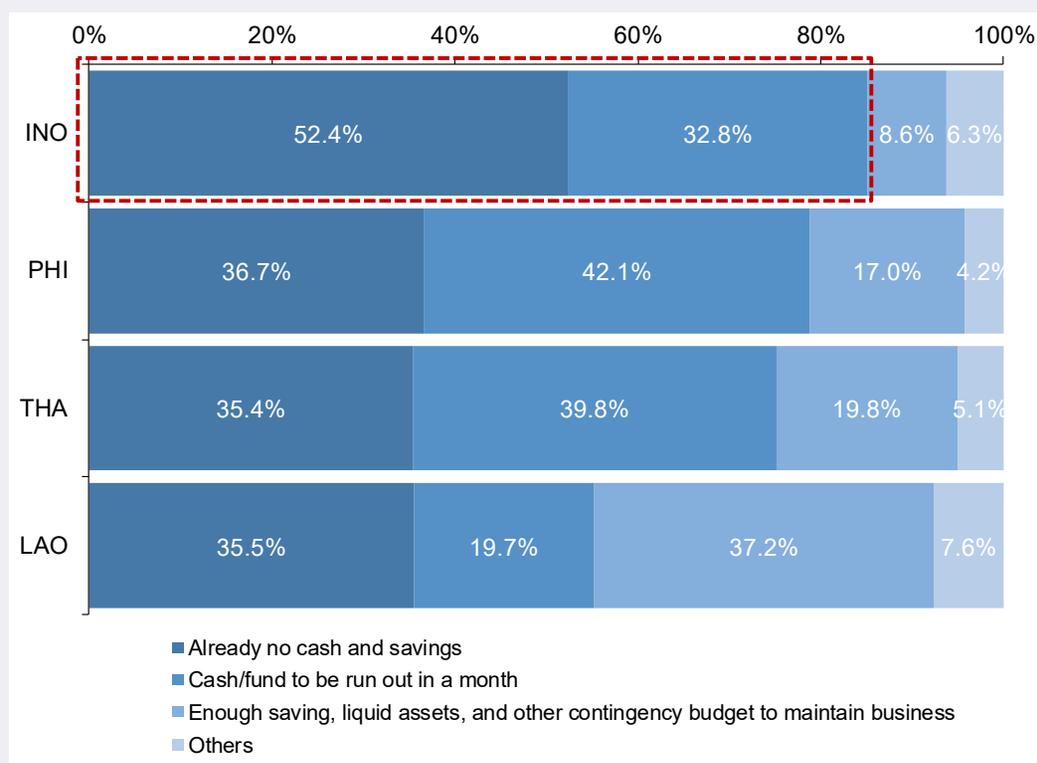


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First 2-Month after the Outbreak in Asia

MSMEs' Financial Condition after COVID-19 Outbreak in Select Asian Countries



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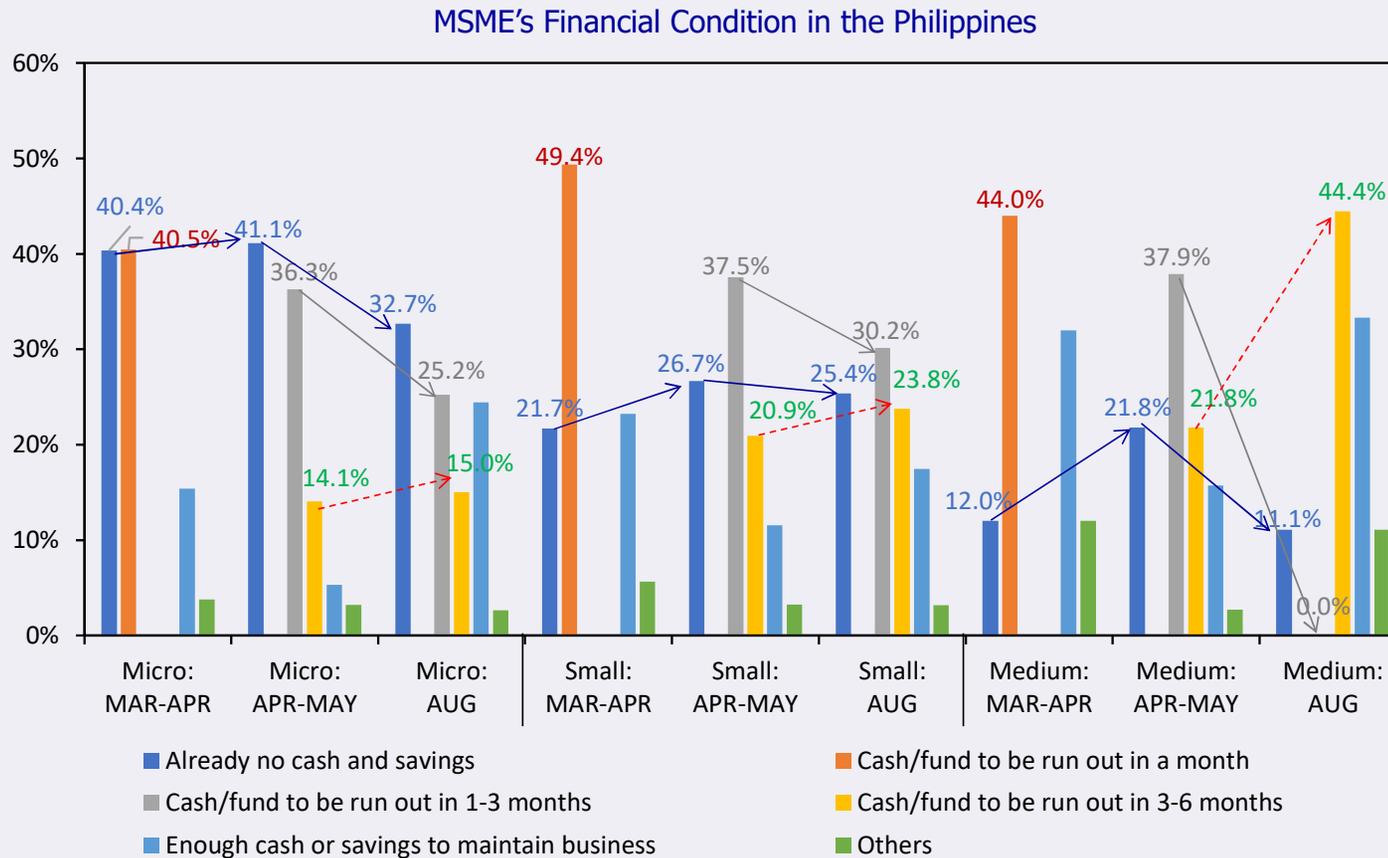
Note: 525 valid samples in INO, 1,804 in PHI, 1,147 in THA, and 355 in LAO.

Source: Calculated based on data from the rapid MSME surveys in Indonesia, the Philippines, Thailand, and Lao PDR, April–May 2020.

- MSMEs faced a serious lack of funds to retain business.

6-Month after the Outbreak (Philippines)

- MSMEs with no cash/savings decreased sharply but raising working capital shortage in 3-6 months.

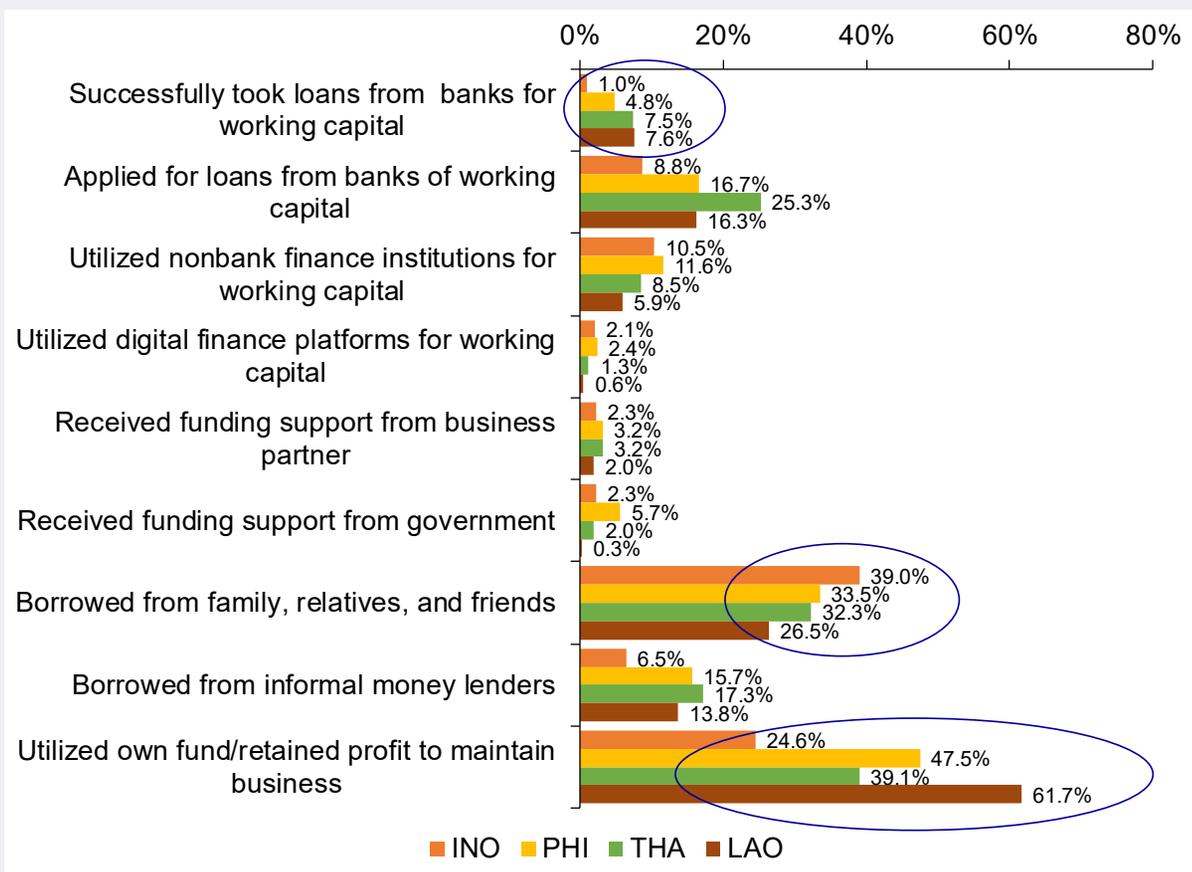


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First 2-Month after the Outbreak in Asia

MSMEs' Funding after COVID-19 Outbreak in Select Asian Countries



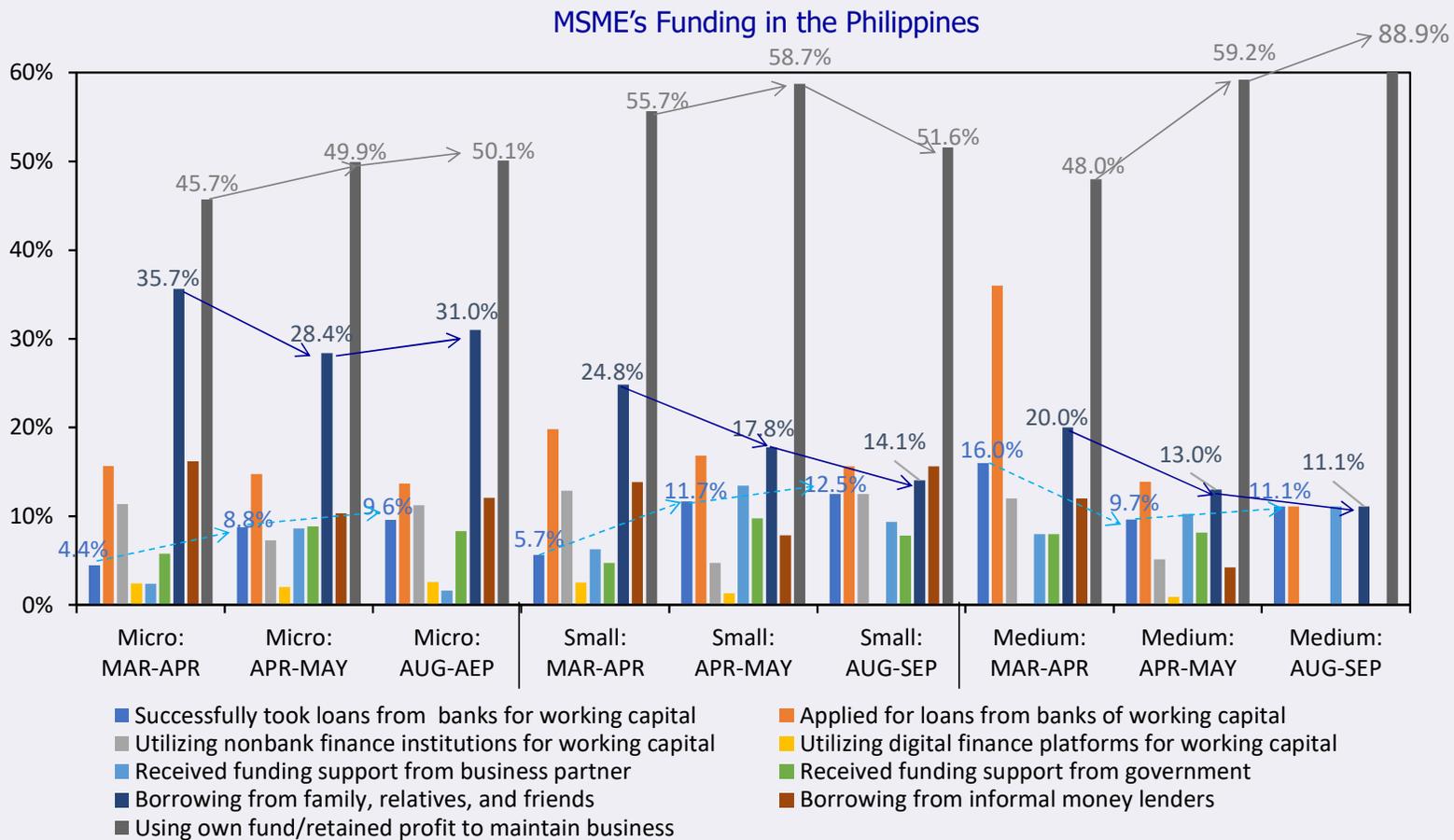
- MSMEs had huge difficulty in raising enough working capital to survive.

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6-Month after the Outbreak (Philippines)

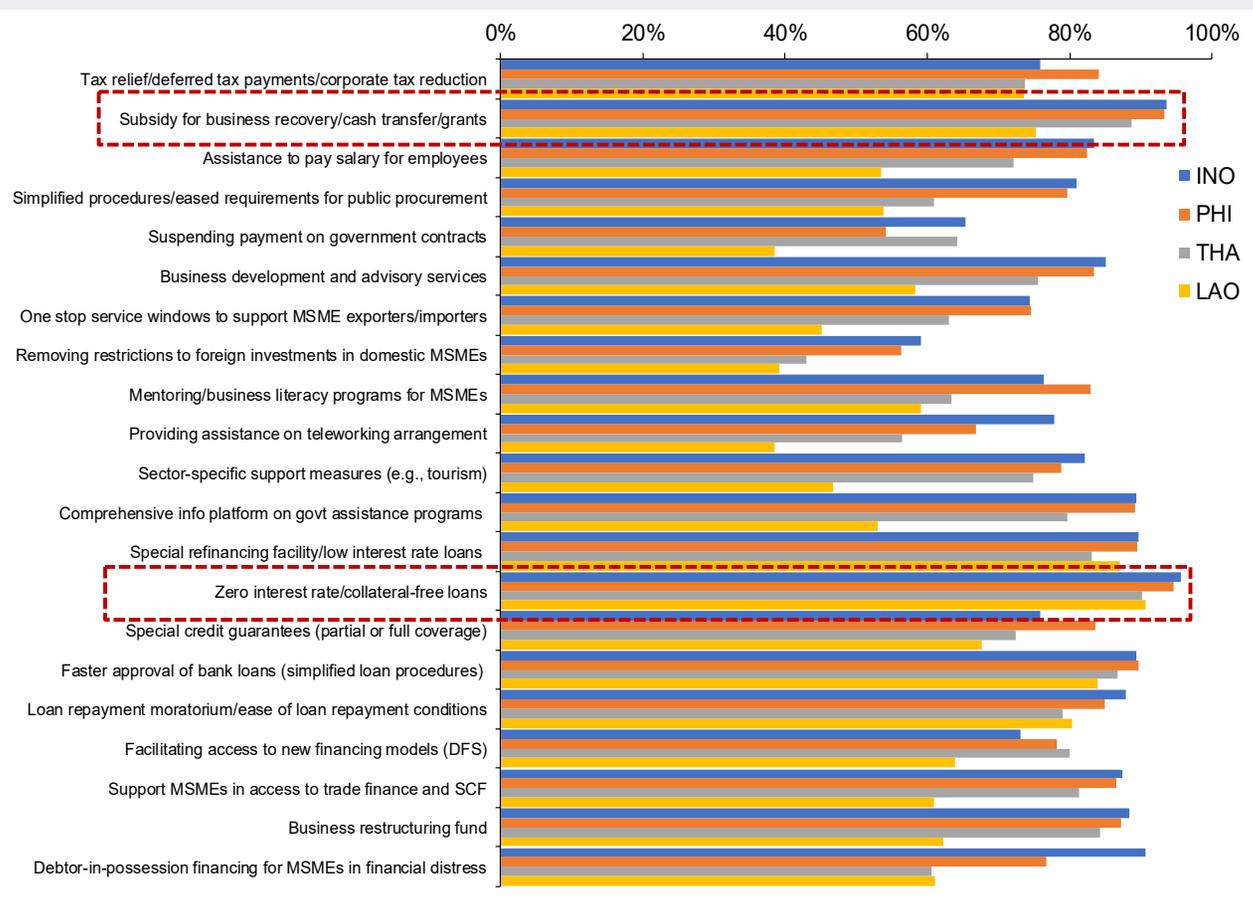
- MSMEs relied on own funds and informal financing sources, but access to bank credit increased gradually.



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First 2-Month after the Outbreak in Asia

Policy Measures Desired by MSMEs in Select Asian Countries



- Most MSMEs strongly wanted financial support from governments.

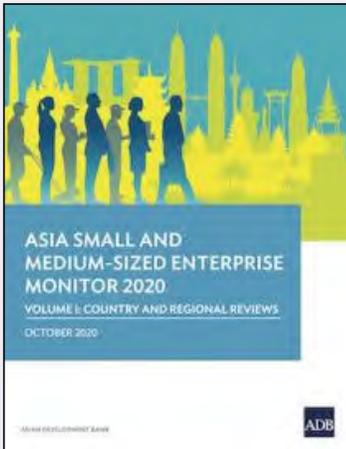
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Key Findings and Policy Implications

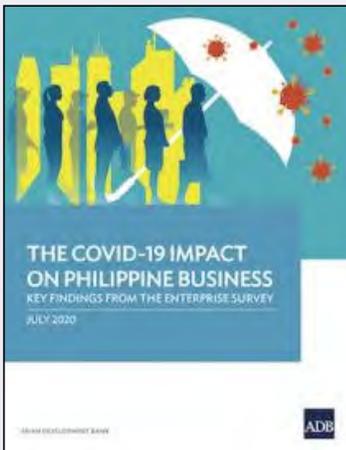
1. Asian economies have moved to the recovery stage, but MSMEs continue to face sharp drop in demand and revenue.
2. Employment returns to normal, but wage cut remains. WFH has gradually spread.
3. MSMEs overcame serious no cash condition, but working capital shortage in 3-6 months has risen.
4. Loan repayments and tax payments remain top concerns for MSMEs.
5. Governments need to elaborate **phased approach** and **differentiated policy measures** by firm size and sector.
6. A prolonged pandemic requires governments to consider optimal approach neither impeding national revenues nor increasing budgetary burden in the post-COVID-19.

References



Asia Small and Medium-Sized Enterprise Monitor 2020 – Volume 1: Country and Regional Reviews

<https://www.adb.org/publications/asia-sme-monitor-2020-country-regional-reviews>

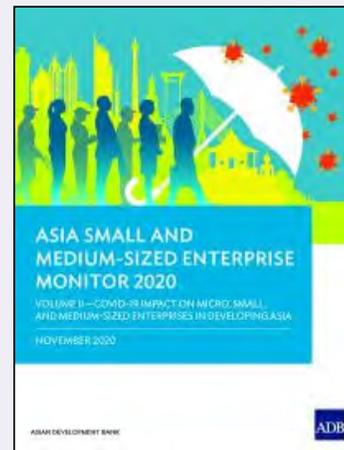


The COVID-19 Impact on Philippine Business: Key Findings from the Enterprise Survey

<https://www.adb.org/publications/covid-19-impact-philippine-business>

Asia Small and Medium-Sized Enterprise Monitor 2020 – Volume 2: COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises in Developing Asia

<https://www.adb.org/publications/asia-sme-monitor-2020-covid-19-impact-msmes>



Thank you for your attention.

For further questions:

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