An aerial photograph of a mountainous region. A dirt road winds through a valley filled with dense green vegetation. In the background, several mountain peaks are visible under a clear sky. The text is overlaid on the image within a white rectangular frame.

VIE: COVID-19 impacts on SMEs

**ADB, VINASME, Research Group of
Institute of Interior Affairs**

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- I. Backgrounds on COVID-19 and Survey on SMEs
- II. Survey results on COVID-19 impacts on SMEs in tourism, logistics and small retail business
- III. Key variables affecting on SMEs revenue, profit and business decision
- IV. SMEs responses to recent government's initiatives
- V. Recommendations and next steps

I. VIE: COVID-19 Update and *Impacts on SMEs*

- **Mid-March-26 April 2020: 2 months long, nationwide, serious impact, strict lock down, no mortality, fast reaction and compulsory social distancing and mask wearing**
- **25July-mid Sept.2020, in Da Nang and neighboring provinces, high mortality rate in patients with base diseases, limited lock down, strict social distancing**
- **GDP: -2.8% (31Mar), -1.8% (30June); 8m workers laid off, 6m took leave and half working shift**
- **As of 3Nov20: 1202 infected and 35 deaths**

I. VIE: *COVID-19 Update and Impacts* on SMEs

- Overall: 2019 SMEs 47%GDP and 40% state budget; 9m employment
- End-July 2020: 63.5k registered to close business (*11% higher than 2019*); out of these 33k registered to temporarily close (*40% higher than 2019*), New enterprises registrar/MPI.
- Overall: COVID-19 has severe and long impacts on SMEs and big corporations in Viet Nam

I. COVID-19 Impacts on SMEs --- Survey targets, location and methodology

- *Survey **targets**: Medium, Small and MicroSmall in three sectors: tourism, logistics/transportation and small retail business*
- ***Methodology**: Quantitative data collection (direct visit and via phone); Qualitative analysis*
- ***Location**:*
 - + Tourism: 5 provinces **Hanoi, Ho Chi Minh City, Ba Ria- Vung Tau, Can Tho, and Khanh Hoa**
 - + Logistics: 6 provinces, Hanoi, Ho Chi Minh City, Hai Phong, Quang Ninh, Da Nang and Khanh Hoa
 - + Small Retail business: 5 provinces Hanoi, Ho Chi Minh City, Hai phong, Quang Ninh and Khanh Hoa

I. COVID-19 Impacts on SMEs --- Survey scope

- **Tourism**: 522 contacted, 300 fully eligible responded (incl. 124 medium, 138 small, 38 microsmall, equivalent to 41.33% medium, 46% small and 12,67% microsmall)
- **Logistics and Small Retail Business**: 1028 contacted 350 fully eligible responded (incl. 195 logistics and 155 small retail); Among 195 logistical SMEs (68 medium, 103 small, 24 micro small; equivalent to 19,43% medium; 29,43% small, 6,86% microsmall. Pls note Small Retail SMEs are microsmall SMEs, so 155 small retail SMEs equals to 44,29% of 350 qualified questionnaires.
- **Timing**: 29 July – 27 September 2020

II. Survey results: COVID-19 Impacts on SMEs

IFC definition on SMEs

	MicroSmall	Small	Medium
Labor	< 10 persons	10-49 persons	50-300 persons
USD			
Total Assets	< 100.000 USD	100.000 - 3 m USD	3 - 15 m USD
Annual Revenue	< 100.000 USD	100.000 - 3 m USD	3 - 15 m USD
VND			
Assets	< 2 bil VND	2 - 68 bil VND	68 - 340 bil VND
Annual Revenue	< 2 bil VND	2 - 68 bil VND	68 - 340 bil VND

II. Survey results: COVID-19 Impacts on SMEs Business Performance over 3 years 2017-2019

Year	2017	2018	2019
	Revenue	Revenue	Revenue
Transport			
Under 5 billion	4	3	3
From 5 to 7 billion	8	6	2
From 7 to 10 billion	13	16	20
Small Retail businesses			
Under 5 billion	19	16	7
From 5 to 7 billion	42	33	29
From 7 to 10 billion	94	106	119
Tourism			
Under 5 billion	56	28	22
From 5 to 7 billion	10	10	8
From 7 to 10 billion	22	50	58

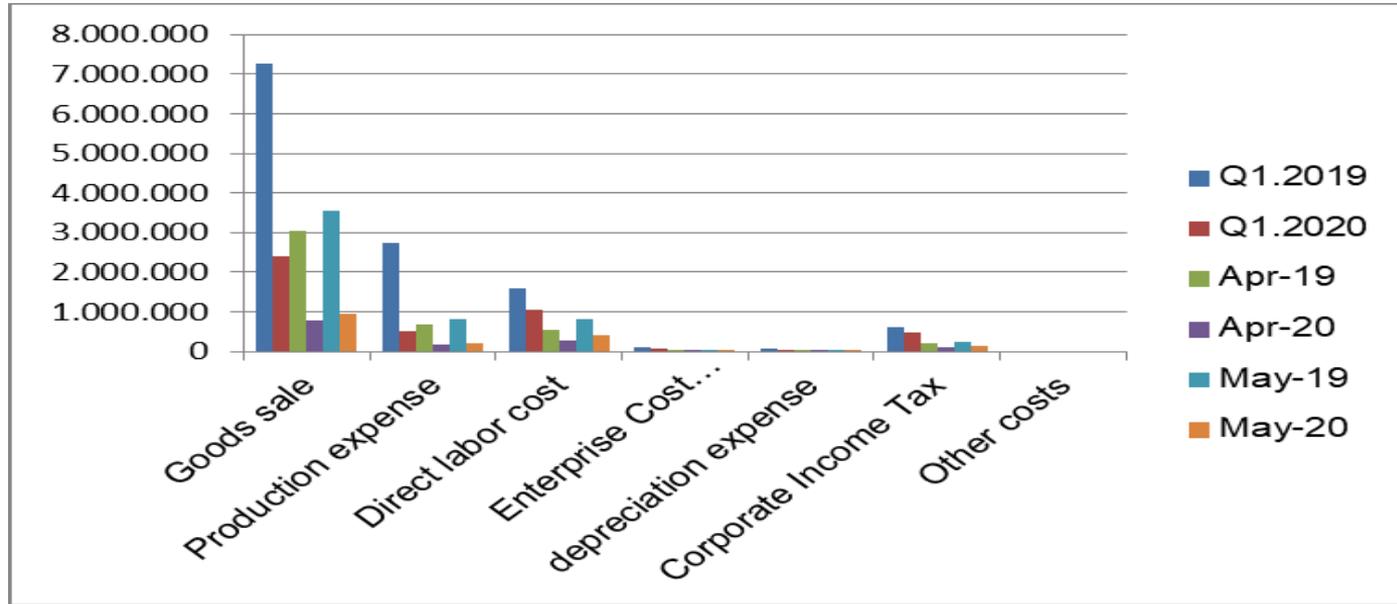
- As a result of government encouragement in cutting off red tapes for businesses, number of SMEs with the capital from 7-10 billion of revenue have been increased over 2017-2019 period. (Law on Support for Small and Medium Enterprises on June 12, 2017)

II. Survey results: COVID-19 Impacts on SMEs Business Performance of Tourism SMEs

Impact of COVID-19	First quarter 2019	First quarter 2020	April 2019	April 2020	May 2019	May 2020
Sales	7.274.800	2.406.000	3.033.100	797.450	3.564.100	936.610
Production cost (raw material)	2.756.720	511.570	681.010	168.780	817.220	203.090
Labor costs	1.604.490	1.069.620	534.350	268.200	802.370	402.111
Management and office fee	92.740	69.568	30.948	17.409,9	34.043	19.139
Depreciation fee	64.508	10.811	21.547	3.608	23.702	4.362
Corporate income tax	606.412	485.129	202.137	113.980	233.235	134.758
Other fee						

II. Survey results: COVID-19 Impacts on SMEs

Business Performance of Tourism SMEs

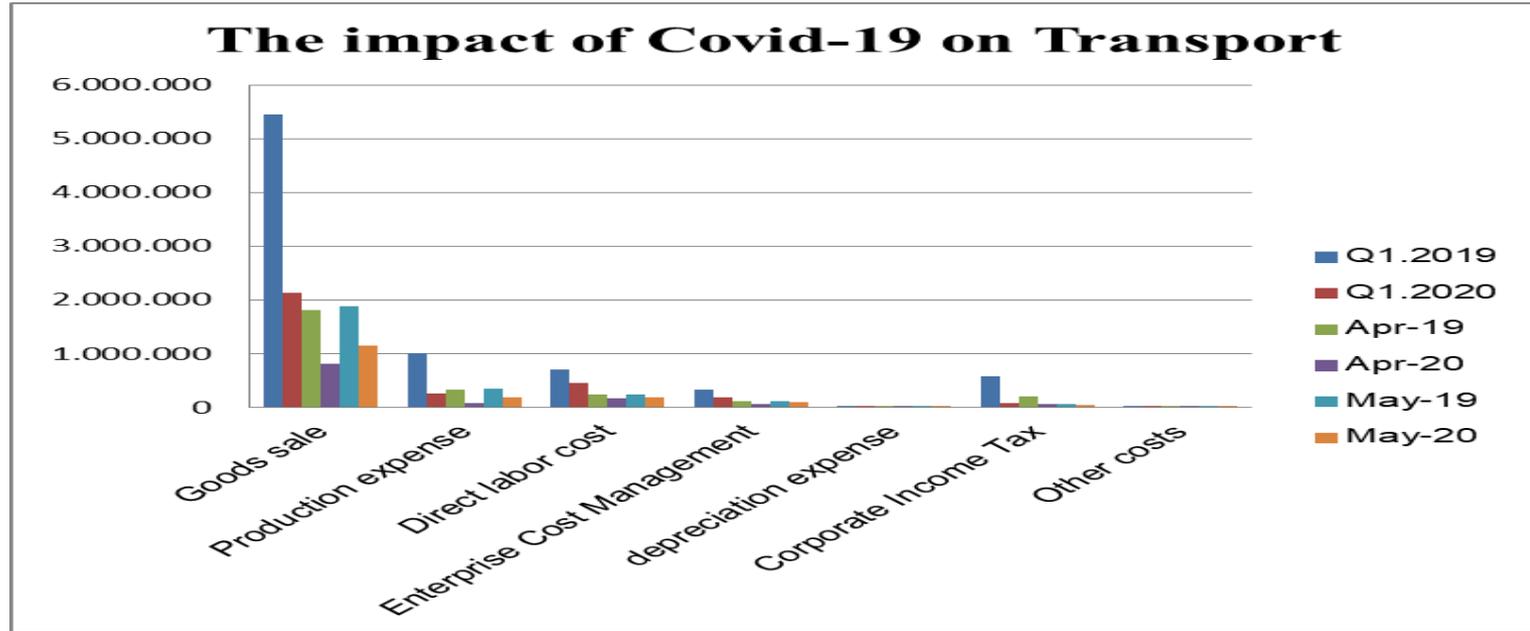


COVID-19 has big impact on tourism SMEs, revenue in I/2020 dropped 66.93% compared to that of 2019, April 2020 revenue reduced by 73,08% compared with the same period, and May 2020 revenue had slightly up but still reduced by 73,72% compared to May 2019.

II. Survey results: COVID-19 Impacts on SMEs Business Performance of Logistical SMEs

Impact of COVID-19	First quarter 2019	First quarter 2020	April 2019	April 2020	May 2019	May 2020
Sales	5.439.532	2.125.168	1.813.177	815.930	1.881.171	1.145.202
Production cost (raw material)	1.011.585	252.896	337.195	84.299	342.999	188.649
Labor costs	707.580	459.927	235.860	165.874	236.221	189.250
Management and office fee	324.912	185.829	108.304	66.730	108.427	93.402
Depreciation fee	3.150	2.835	1.050	945	1.144	1.156
Corporate income tax	572.181	81.740	204.351	63.673	63.796	44.444
Other fee	1.214	971	405	365	383	457

II. Survey results: COVID-19 Impacts on SMEs Business Performance of Logistic/Transportation SMEs



Revenue of I/2020 reduced by 60,93% compared to the same period of 2019; Revenue of April 2020 reduced by 55% compared to April 2019, and revenue of May 2020 slightly increased compared to previous month, but reduced 39,12% compared to May 2019

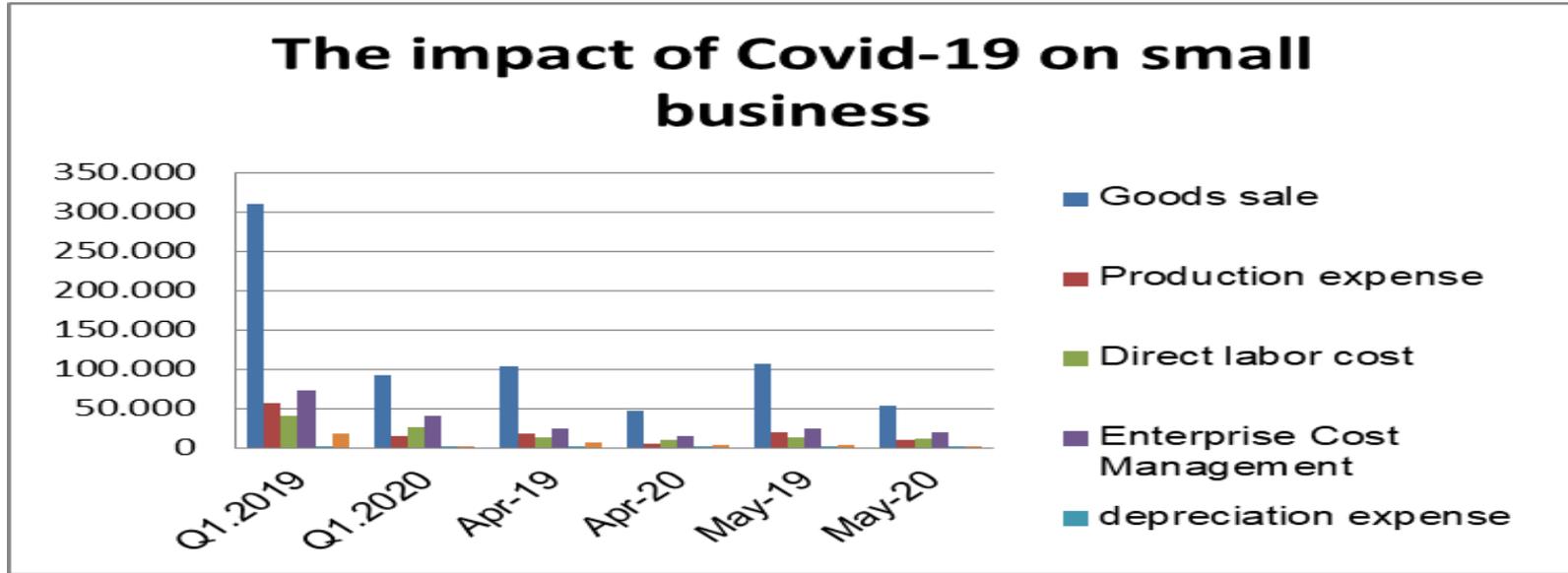
II. Survey results: COVID-19 Impacts on SMEs

Business Performance of Small Retail SMEs

Impact of COVID-19	First quarter 2019	First quarter 2020	April 2019	April 2020	May 2019	May 2020
Sales	310.707	93.212	103.569	46.606	107.035	53.323
Production cost (raw material)	56.891	14.222	18.963	4.740	19.309	10.620
Labor costs	41.026	26.667	13.675	9.370	13.703	11.304
Management and office fee	72.343	41.117	24.114	14.882	24.144	19.316
Depreciation fee	1.699	1.529	566	509	617	623
Corporate income tax	18.533	2.647	6.619	3.496	3.502	2.425
Other fee	69	55	23	21	22	26

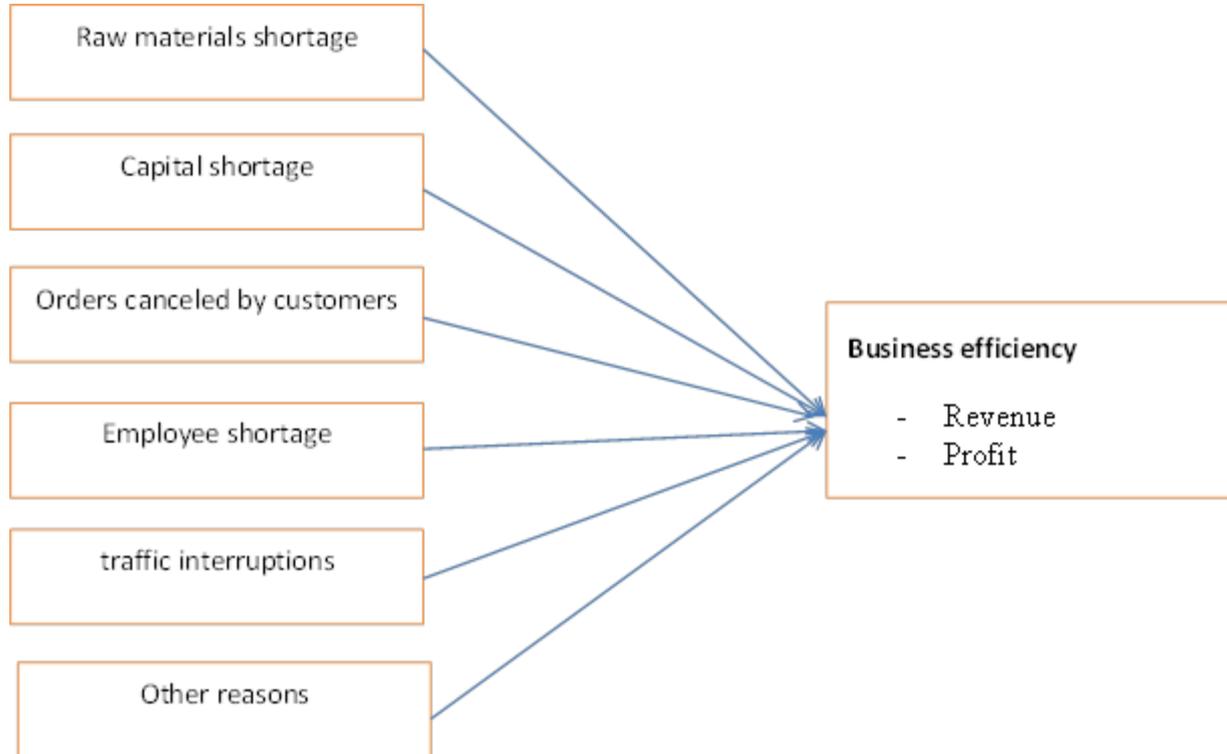
II. Survey results: COVID-19 Impacts on SMEs

Business Performance of Small Retail SMEs



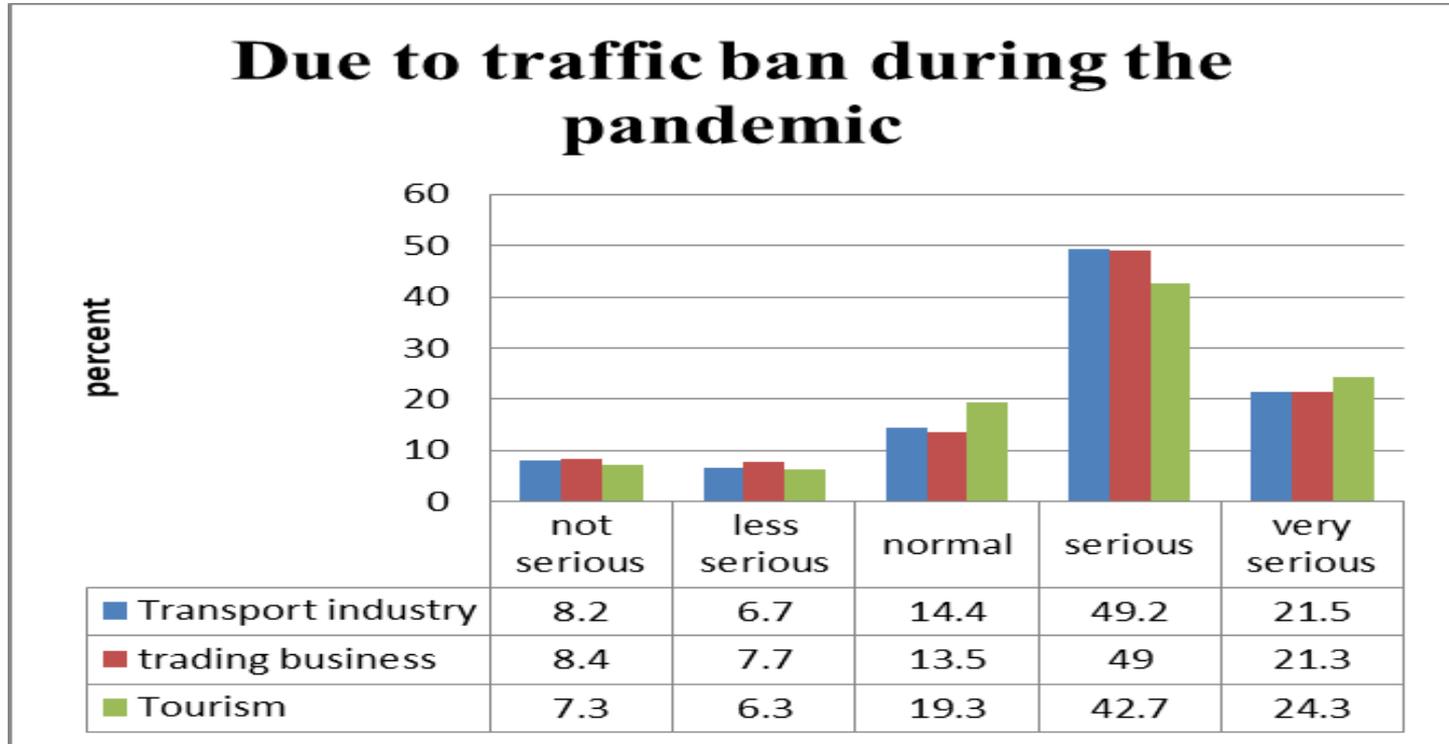
Revenue of I/2020 reduced 70% vs that of I/2019, revenue of 4/2020 shank by 55% compared to 4/2019, and that of 5/2020 still reduced by 50% compared with 5/2019.

III. COVID-19 Impacts on SMEs – Key drivers affecting business performance and efficiency

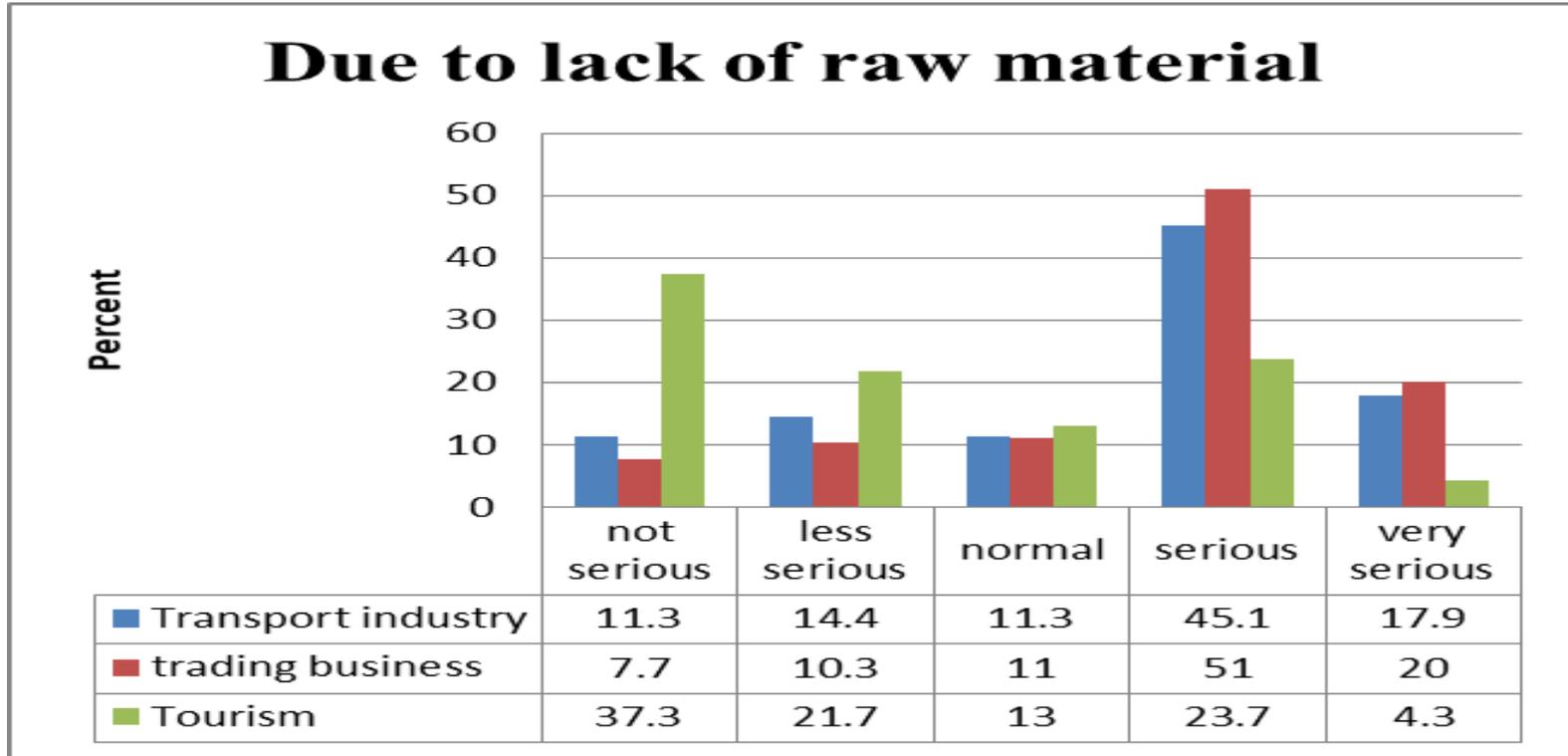


III. COVID-19 Impacts on SMEs – Transportation Disruption

Compare the effect of traffic disruption on the three groups of firms

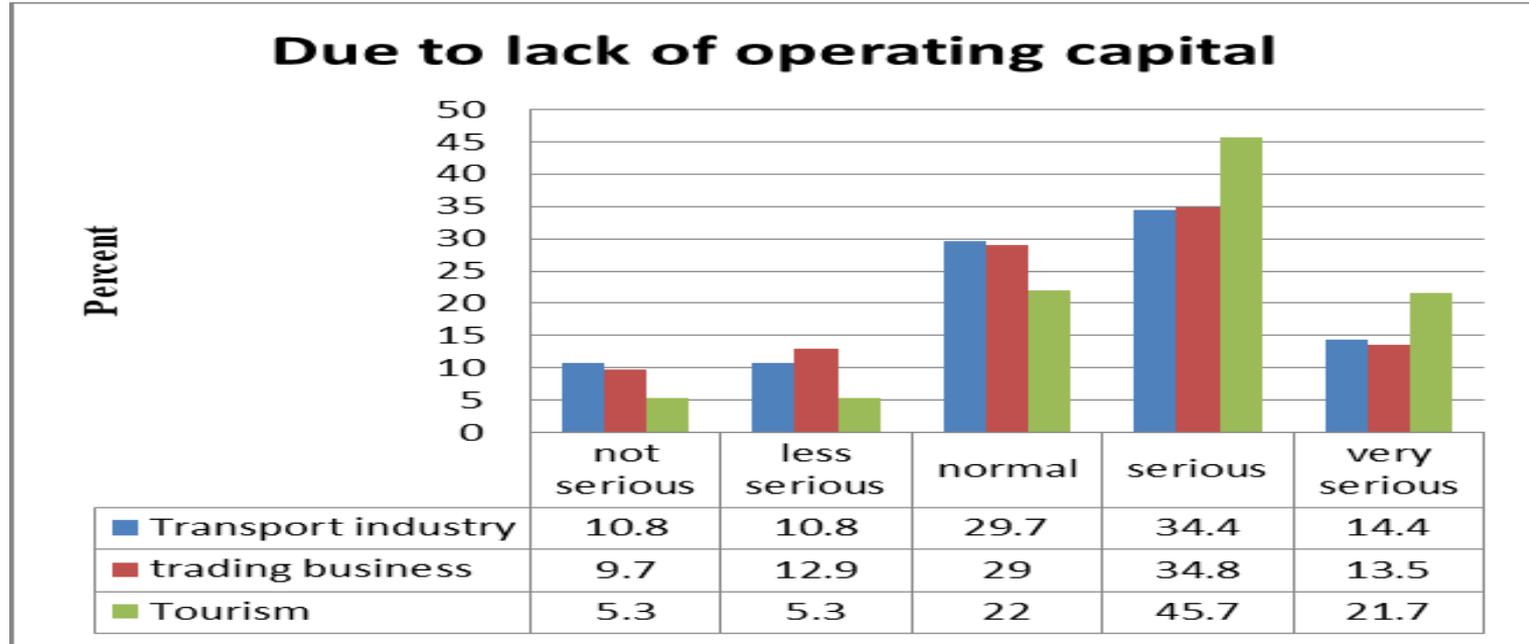


III. COVID-19 Impacts on SMEs – Lack of production



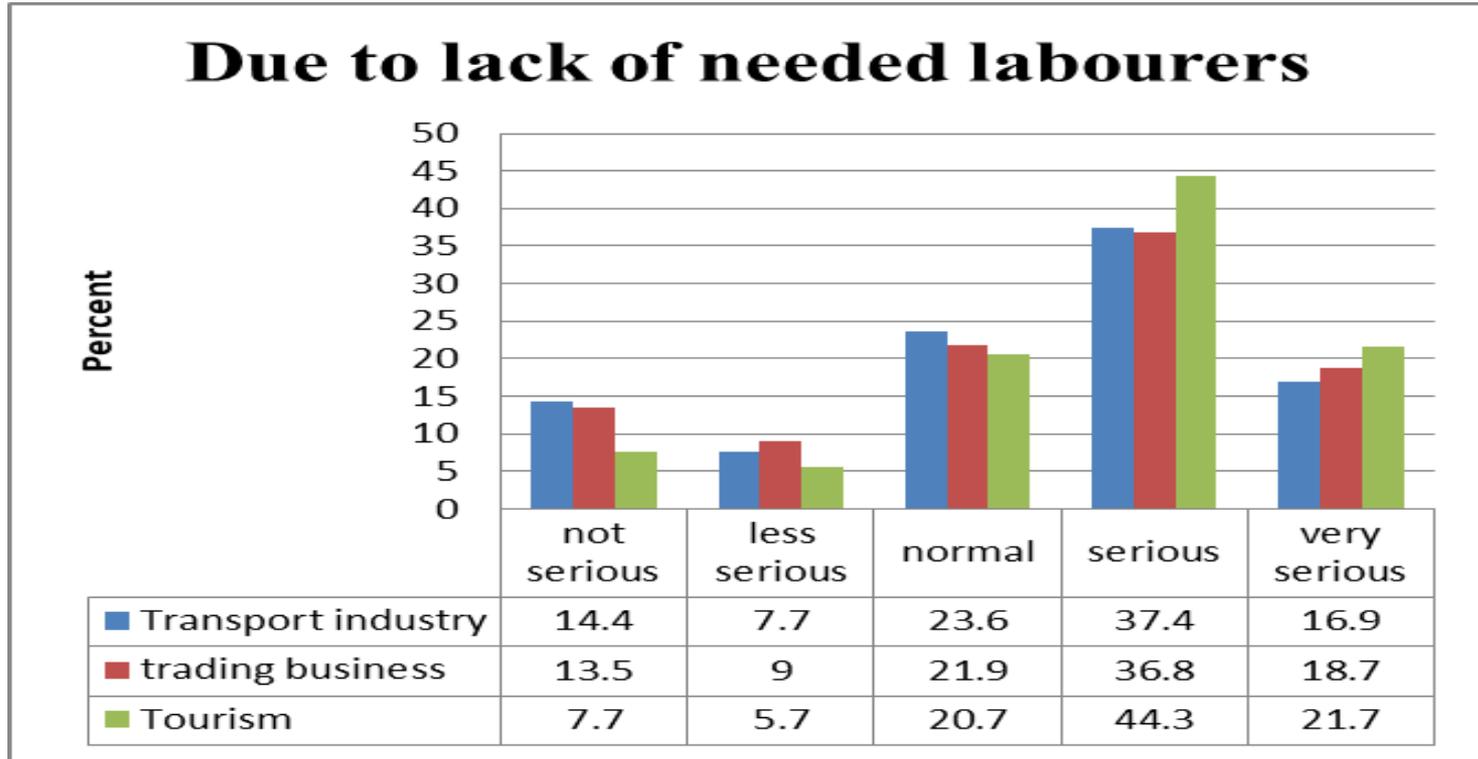
Small retail SMEs evaluated lack of materials (goods for sale) as the highest risk (20%), followed by logistic SMEs (goods to transport) at 17.9%, and lastly tourism SMEs as (good inventory mgmt. or just order for sale on demand)

III. COVID-19 Impacts on SMEs – Lack of Working Capital



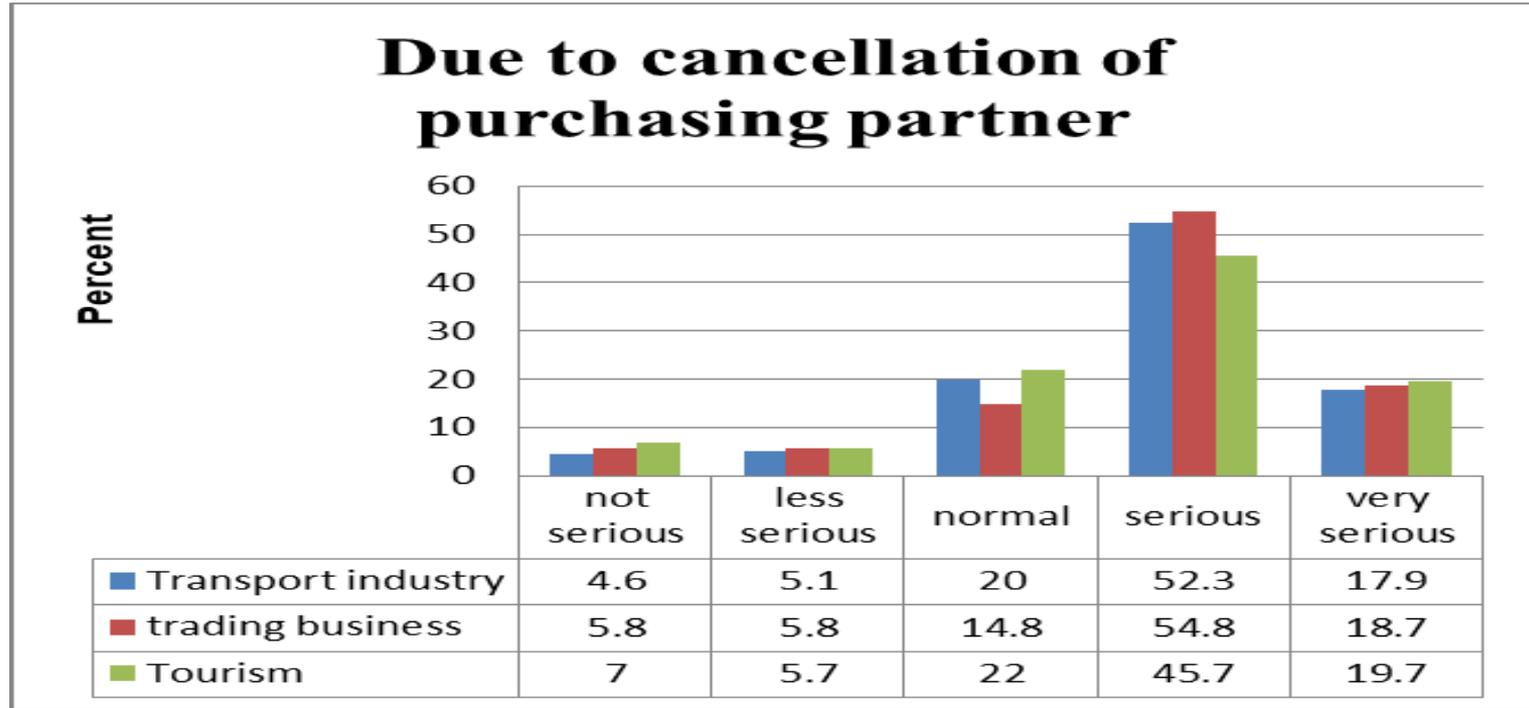
All three types of SME evaluated lack of working capital as a high-risk factor. Tourism SMEs ranked it the highest risk as they have to maintain high level of operational costs (electricity, water, tax and refund to tour-booked customers, etc. Other two also ranked high risk to maintain business as usual, while facing with yet reduced operational costs like salary and storage/station hires, etc.

III. COVID-19 Impacts on SMEs – Lack of Employees



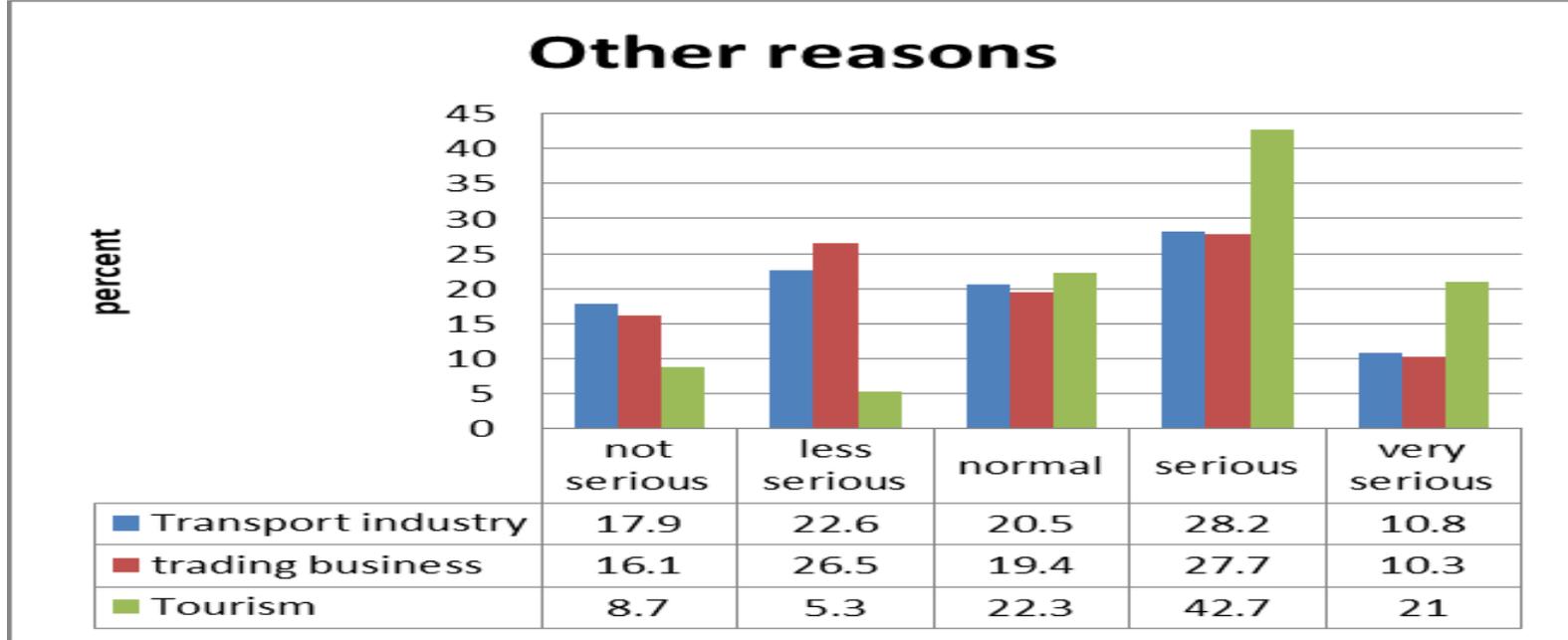
Due to COVID-19, SMEs had to lay off employees or cut their working shift. Basically, the response is indifferent as employment source in Viet Nam is available.

III. COVID-19 Impacts on SMEs – Orders cancellation



This is the most thorny factor, highest ranked as serious and very serious, and the tourism SMEs ranked very serious as the highest among the surveyed SMEs.

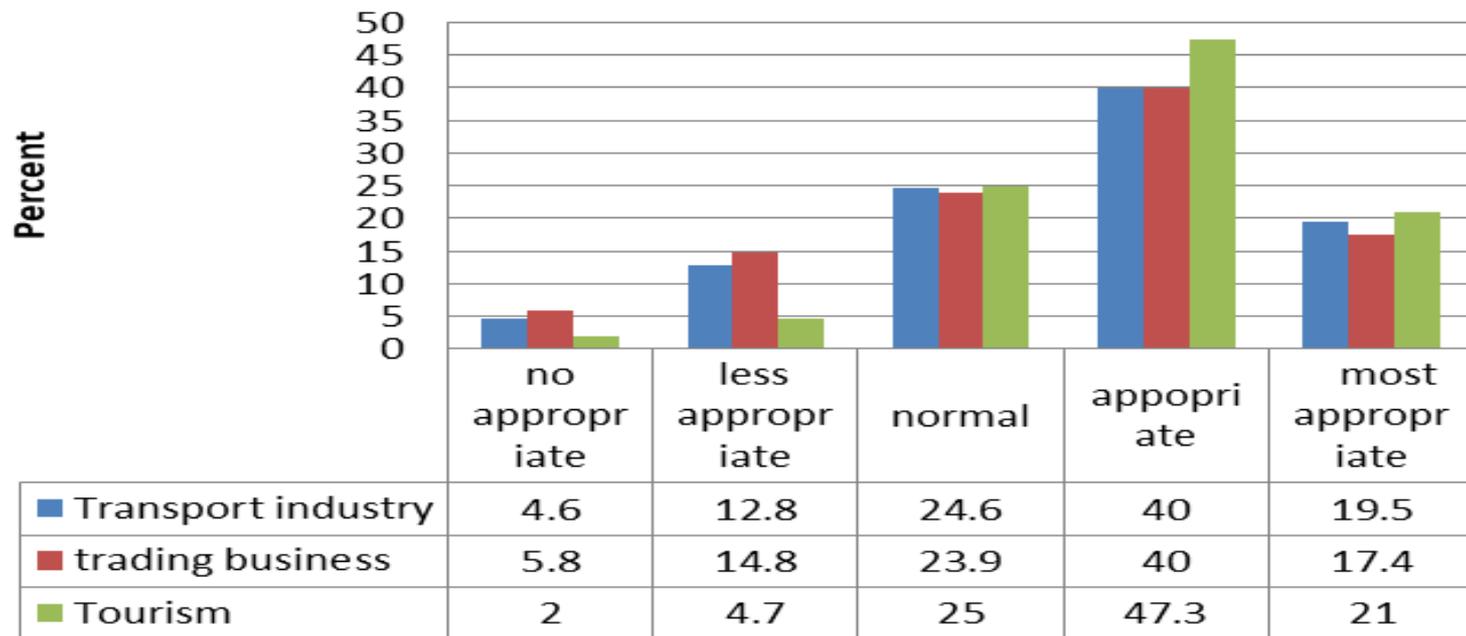
III. COVID-19 Impacts on SMEs – Other reasons



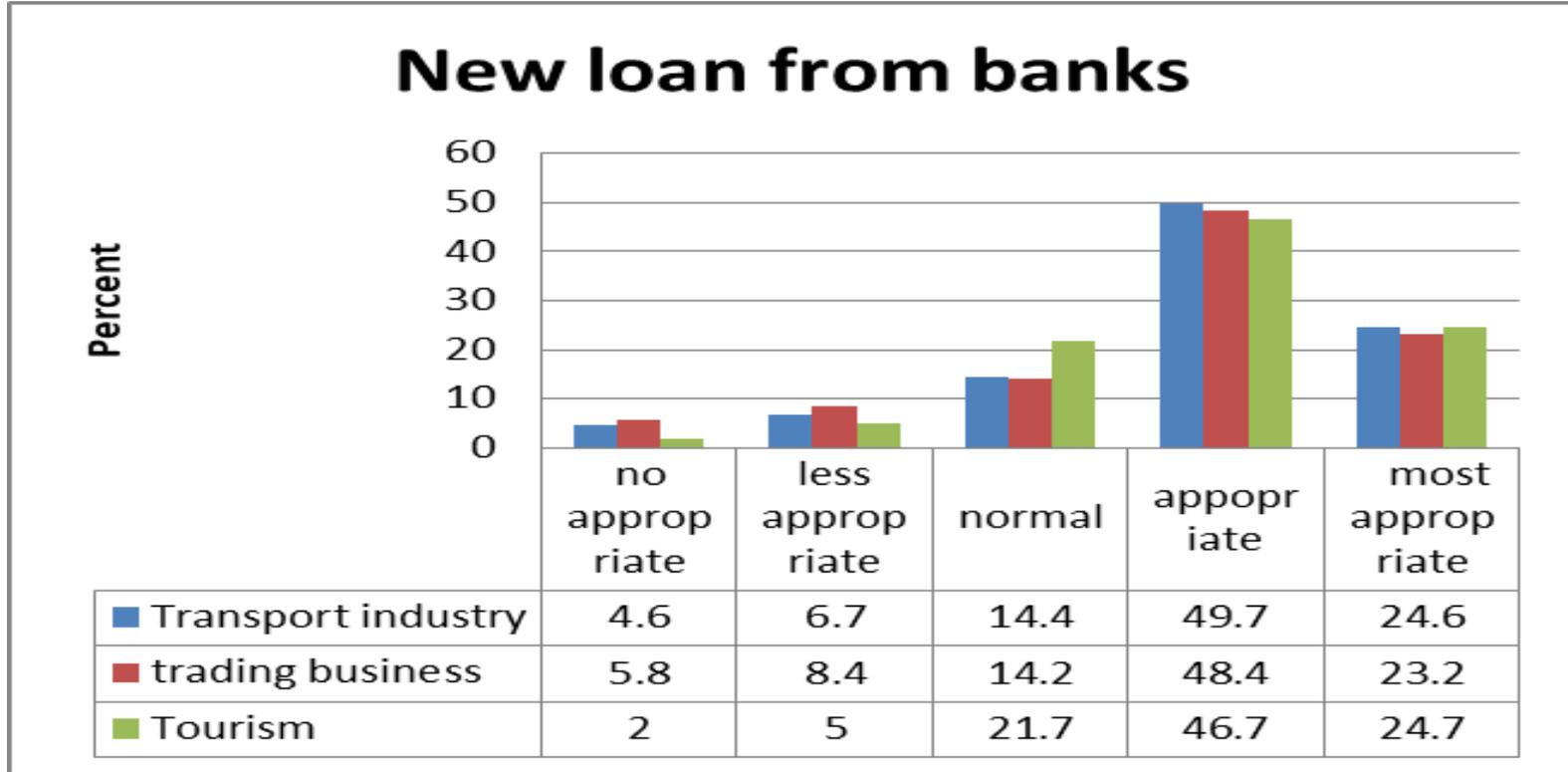
Overall business environment is enabling and supportive. However, when COVID-19 appeared, the impacts of borrowing interest rate, funding sources, tax duties, other supportive fiscal and monetary policies, actual demand for transportation and tourism services become critical factors, while economic growth rate, inflation. For logistic, status and pace of infrastructure (road and railway) was also commented on.

IV. COVID-19 Impacts on SMEs – Responses to restructuring bank loan

Deferment or restructuring of bank loan payments

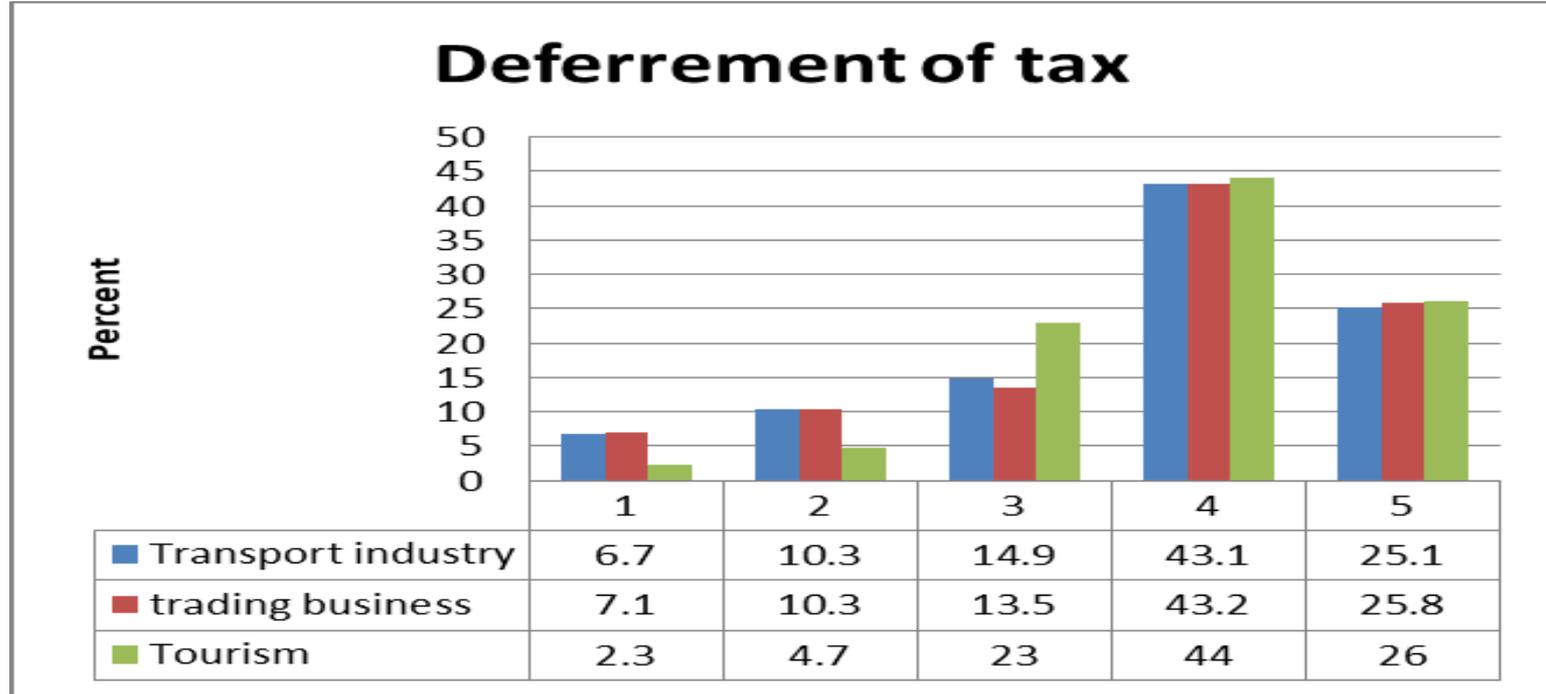


IV. COVID-19 Impacts on SMEs – New loans proposal



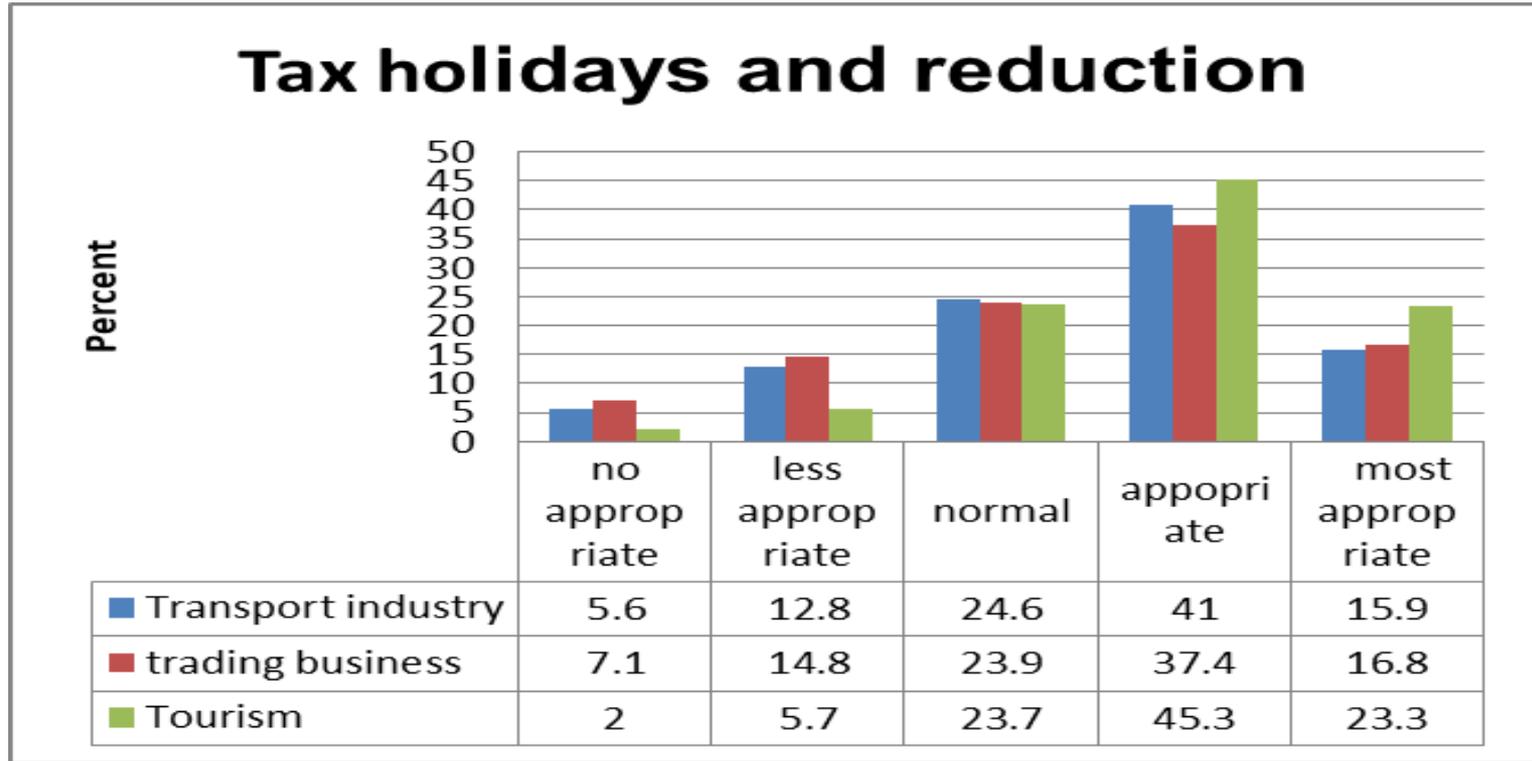
All three SMEs appreciate new loans to deal with high operational costs, government tax and duties, employees salary.

IV. COVID-19 Impacts on SMEs – Tax and Duties Delays



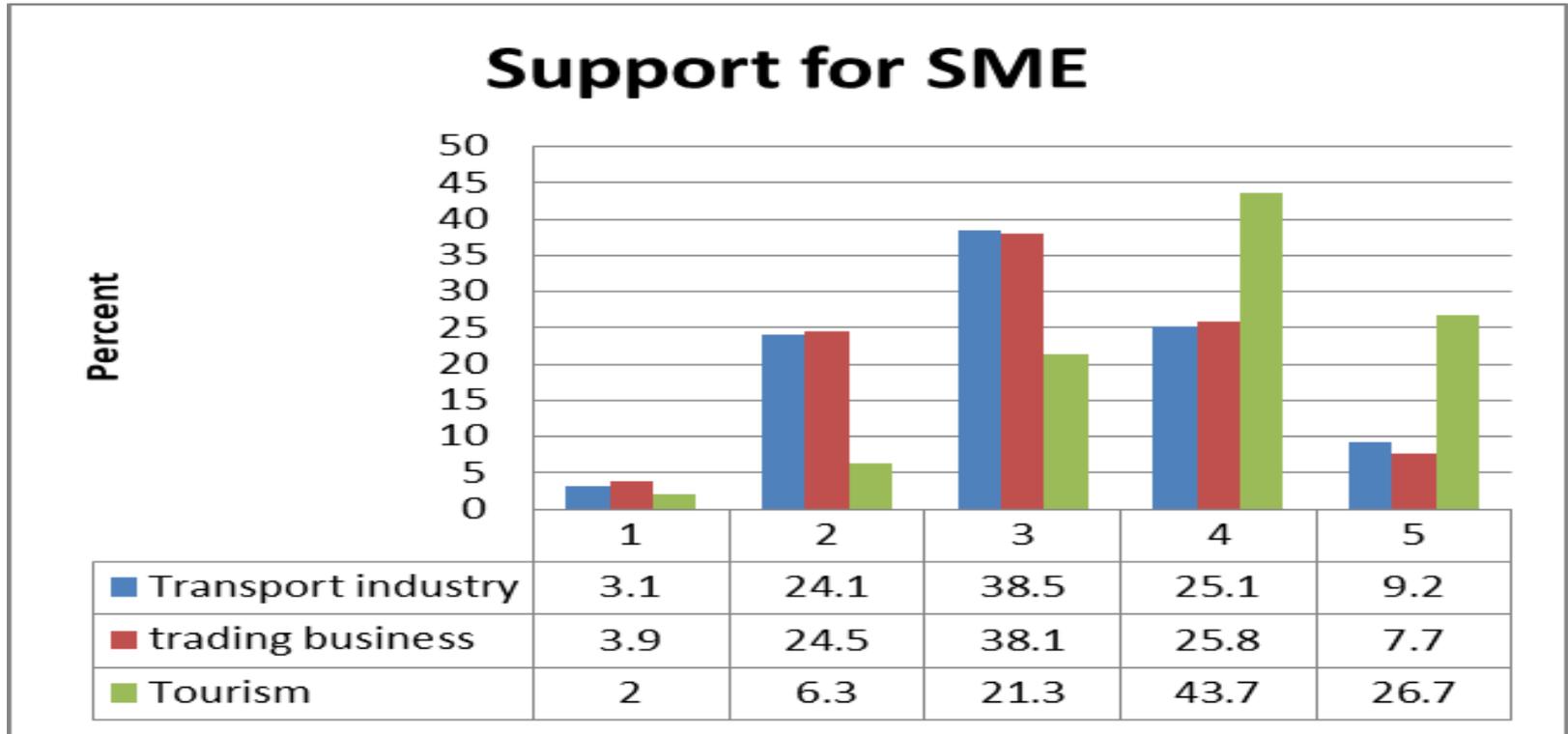
While three types of SMEs appreciated this incentive, we need more time to observe and evaluate real impacts. Most arguments favored delayed tax and duties as new funding sources to sort out temporary operational and salary difficulties.

IV. COVID-19 Impacts on SMEs – Tax holidays and reduction



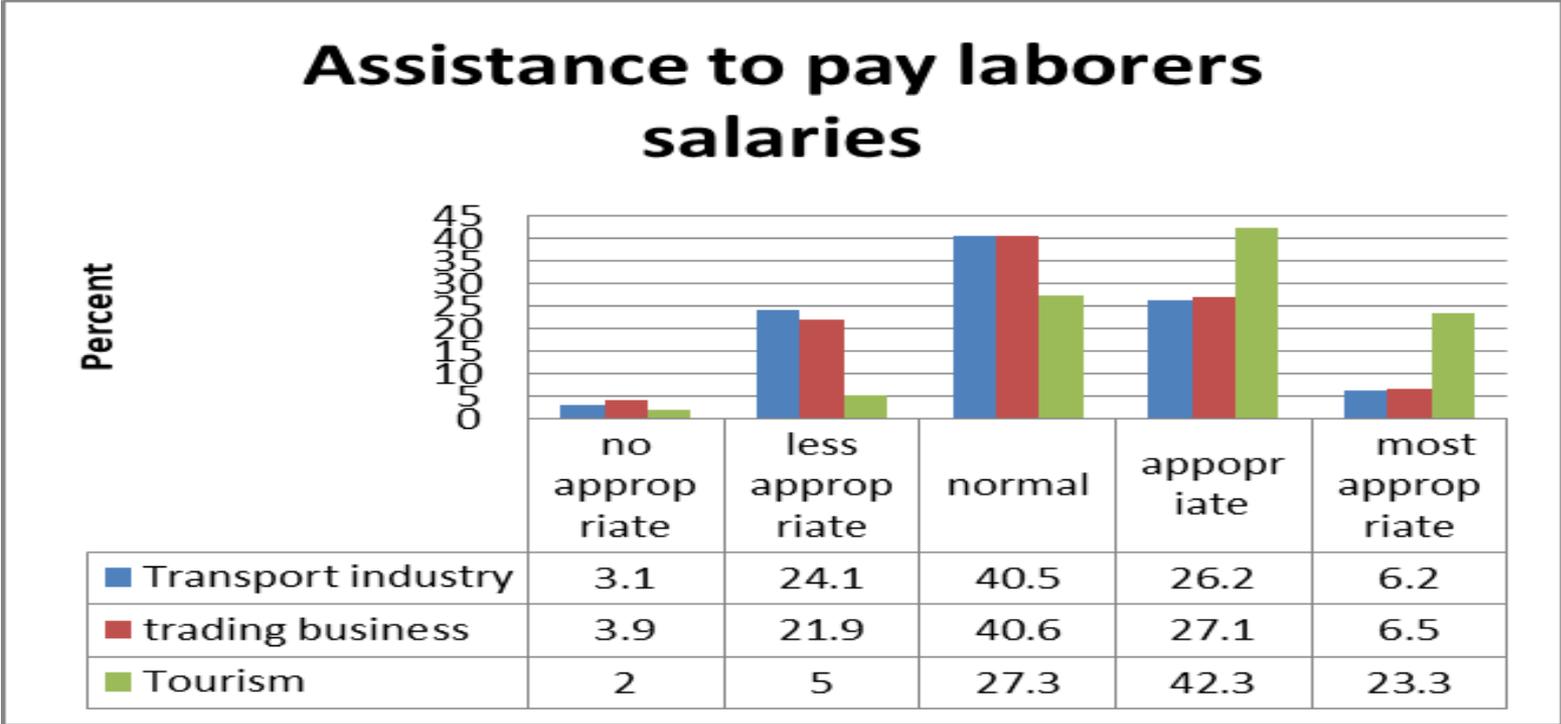
The survey results are mixed, some SMEs prefer tax delays as the good policy.

IV. COVID-19 Impacts on SMEs – Emergency Cash Injections



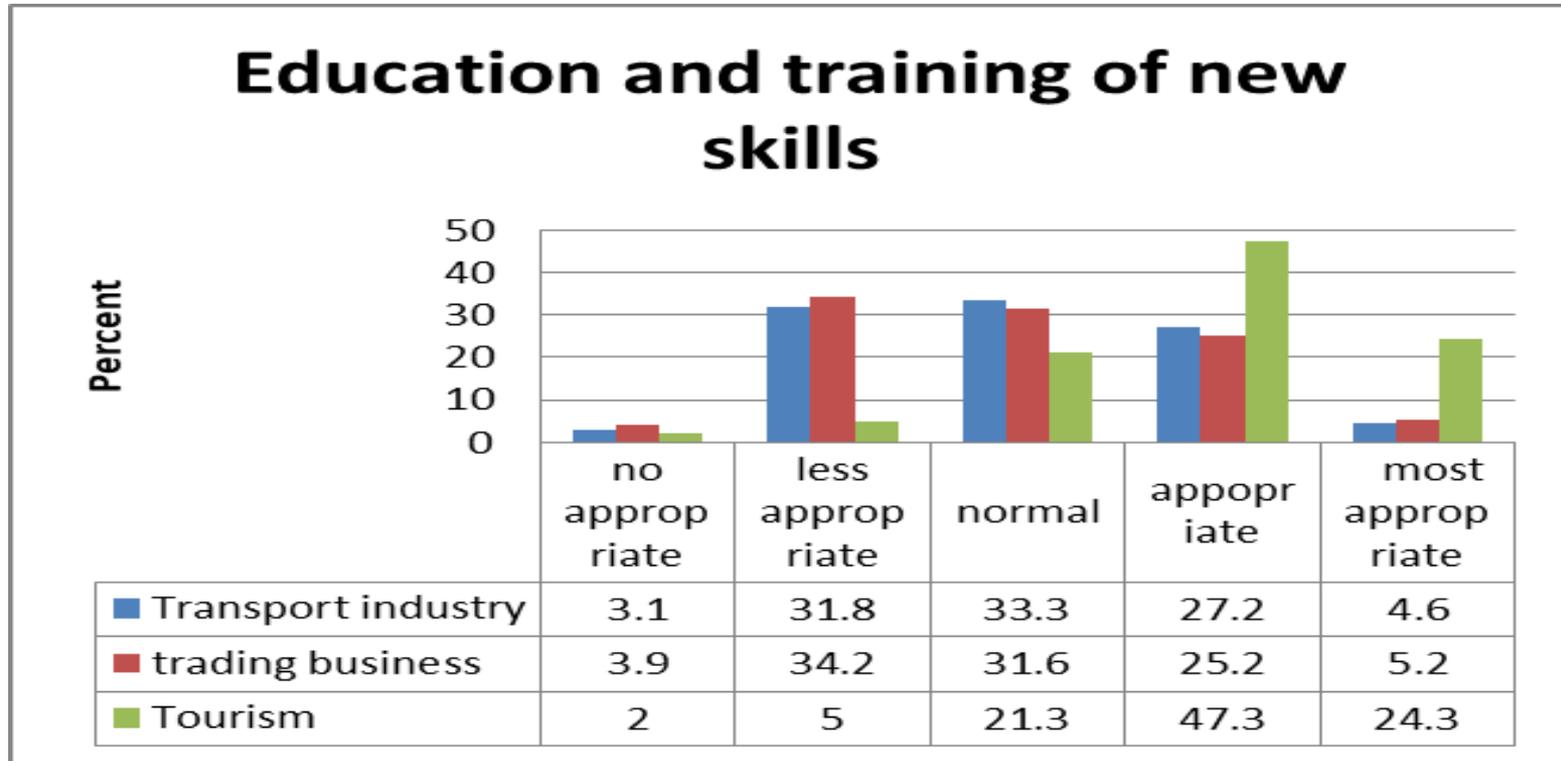
Only tourism SMEs appreciated as facing serious impacts. Perhaps unclear procedures and binding conditions scare SMEs.

IV. COVID-19 Impacts on SMEs – Direct subsidies, support to employees



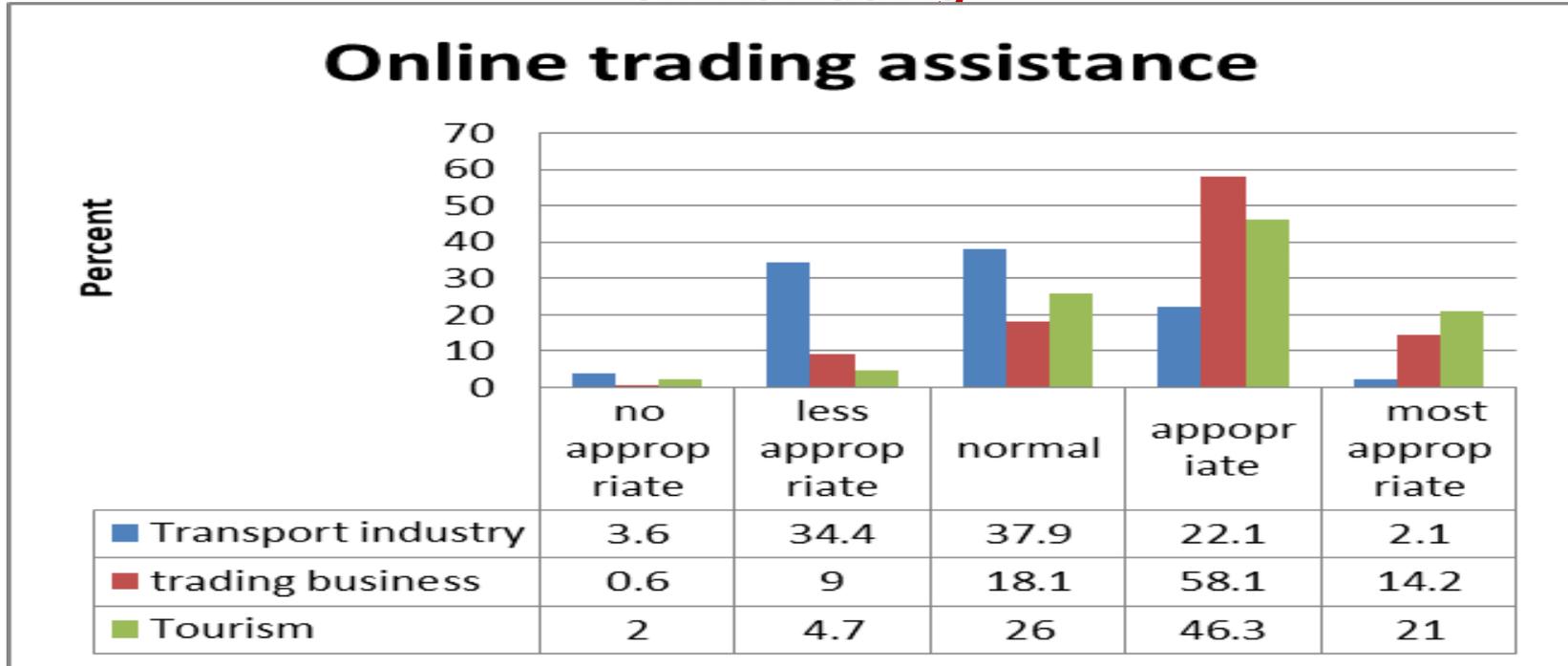
All SMEs consider this as temporary solution as they fear of their ultimate responsibilities and administrative procedures to clear off such subsidies and support with tax authorities at later stage

IV. COVID-19 Impacts on SMEs – Training of new skills



Tourism SMEs highly appreciated this policy initiatives, while logistic and small retail SMEs ranked it as normal

IV. COVID-19 Impacts on SMEs – Support on e-commerce, online trading



It is well recognized policy initiative for trading, tourism, and logistic. It fits well with new trend of online shopping.

V. Recommendations and Next Steps

- Extra economic stimulus package is needed to support affected SMEs
- Implementation measures should be improved to ensure efficient delivery of the economic support for SMEs
- Government policies/initiatives and financial support to SMEs should be sustainable, focusing on green recovery in the long-term
- Green financing for the tourism, transportation, and logistics sector is recommended to support the restructuring of the sector toward a more environmentally friendly, socially inclusive, and economically competitive tourism sector.
- Adoption of new e-commerce initiatives and new marketing tools is highly recommended

V. Recommendations and Next Steps Con't

- A proposed green credit guarantee initiative for SMEs in Viet Nam is under discussion
- SMEs in natural disasters prone areas (e.g., the central part of Viet Nam) need mixed and immediate support to strengthen their resilience with future natural disasters.

Thank you

Q & A

