COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises and Post–Crisis Actions
Six-month after the outbreak in the Philippines

Asian Impact webinar: Asia’s SMEs Beyond the COVID-19 Crisis
28 October 2020

Shigehiro Shinozaki
Senior Economist
Economic Research and Regional Cooperation Department
Asian Development Bank

This presentation was prepared under the author’s responsibility. The views expressed here do not necessarily reflect the views or policies of ADB, its Board of Directors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequences of their use.
## 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

<table>
<thead>
<tr>
<th>Item</th>
<th>Debt Finance</th>
<th>Tax Relief</th>
<th>Employment Support</th>
<th>Business Support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower-middle-income economies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>LAO</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MYA</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PHI</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>VIE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Upper-middle-income economies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INO</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MAL</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>THA</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>High-income economies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRU</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIN</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

MSME’s Business Environment after COVID-19 Outbreak

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

Initial 2-Month after the Outbreak in Asia

INNO = 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 in the 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.
MSMEs with no revenue decreased sharply but continued drop in income.

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

MSME Employment in the Philippines

Changes in 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.
MSMEs with no wage payments decreased sharply but continued wage cut.

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

MSME’s Financial Condition in the Philippines

- Already no cash and savings
- Cash/fund to be run out in 1-3 months
- Enough cash or savings to maintain business

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

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.
MSMEs moderately sought deferrals of loan repayments and tax payments.

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.
Zero interest rate/collateral-free loans were most desired by MSMEs.

Policy Measures (Funding) Desired by MSMEs in the Philippines

March-April

- Special refinancing facility/low interest rate loans: 79.3%
- Zero interest rate/collateral-free loans: 85.9%
- Special credit guarantees (partial or full coverage): 67.4%
- Faster approval of bank loans (simplified loan procedures): 78.6%
- Loan repayment moratorium/ease of loan repayment conditions: 72.4%
- Facilitating access to new financing models (DFS): 57.2%
- Support MSMEs in access to trade finance and SCF: 71.0%
- Business restructuring fund: 71.8%
- Debtor-in-possession financing for MSMEs in financial distress: 54.4%

August-September

- Special refinancing facility/low interest rate loans: 59.2%
- Zero interest rate/collateral-free loans: 64.4%
- Special credit guarantees (partial or full coverage): 51.8%
- Faster approval of bank loans (simplified loan procedures): 63.6%
- Deferred debt repayments/debt repayment moratorium: 52.2%
- Debt restructuring by financial institutions: 51.3%
- Facilitating access to new financing models (DFS): 49.0%
- Support MSMEs in access to trade finance and SCF: 55.4%
- Business restructuring fund: 52.3%
- Debtor-in-possession financing for MSMEs in financial distress: 43.0%

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.
Business subsidies and tax relief were top-2 policy measures desired, besides credit access.

<table>
<thead>
<tr>
<th>Policy Measures (Non-funding) Desired by MSMEs in the Philippines</th>
<th>March-April</th>
<th>August-September</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax relief/deferred tax payments/corporate tax reduction</td>
<td>73.3%</td>
<td>61.7%</td>
</tr>
<tr>
<td>Subsidy for business recovery/cash transfer/grants</td>
<td>83.8%</td>
<td>66.6%</td>
</tr>
<tr>
<td>Assistance to pay salary for employees</td>
<td>70.2%</td>
<td>58.3%</td>
</tr>
<tr>
<td>Simplified procedures/eased requirements for public procurement</td>
<td>61.8%</td>
<td>55.7%</td>
</tr>
<tr>
<td>Suspending payment on government contracts</td>
<td>39.7%</td>
<td>45.9%</td>
</tr>
<tr>
<td>Business development and advisory services</td>
<td>68.3%</td>
<td>55.8%</td>
</tr>
<tr>
<td>One stop service windows to support MSME exporters/importers</td>
<td>60.5%</td>
<td>49.1%</td>
</tr>
<tr>
<td>Removing restrictions to foreign investments in domestic MSMEs</td>
<td>37.7%</td>
<td>57.1%</td>
</tr>
<tr>
<td>Mentoring/business literacy programs for MSMEs</td>
<td>63.6%</td>
<td>50.4%</td>
</tr>
<tr>
<td>Providing assistance on teleworking arrangement</td>
<td>45.5%</td>
<td>53.2%</td>
</tr>
<tr>
<td>Sector-specific support measures (e.g., tourism)</td>
<td>59.6%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Comprehensive info platform on govt assistance programs</td>
<td>75.3%</td>
<td>51.3%</td>
</tr>
</tbody>
</table>

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.
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.

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

forthcoming
Thank you for your attention.

For further questions:
Shigehiro Shinozaki
Senior Economist
Economic Research and Regional Cooperation Department
Asian Development Bank
Email: sshinozaki@adb.org