



Covid-19 Impacts on MSMEs in the CAREC region.

Ghulam Samad, PhD

**Senior Research Specialist, Research
Division**

CAREC Institute

Nov 30, 2021

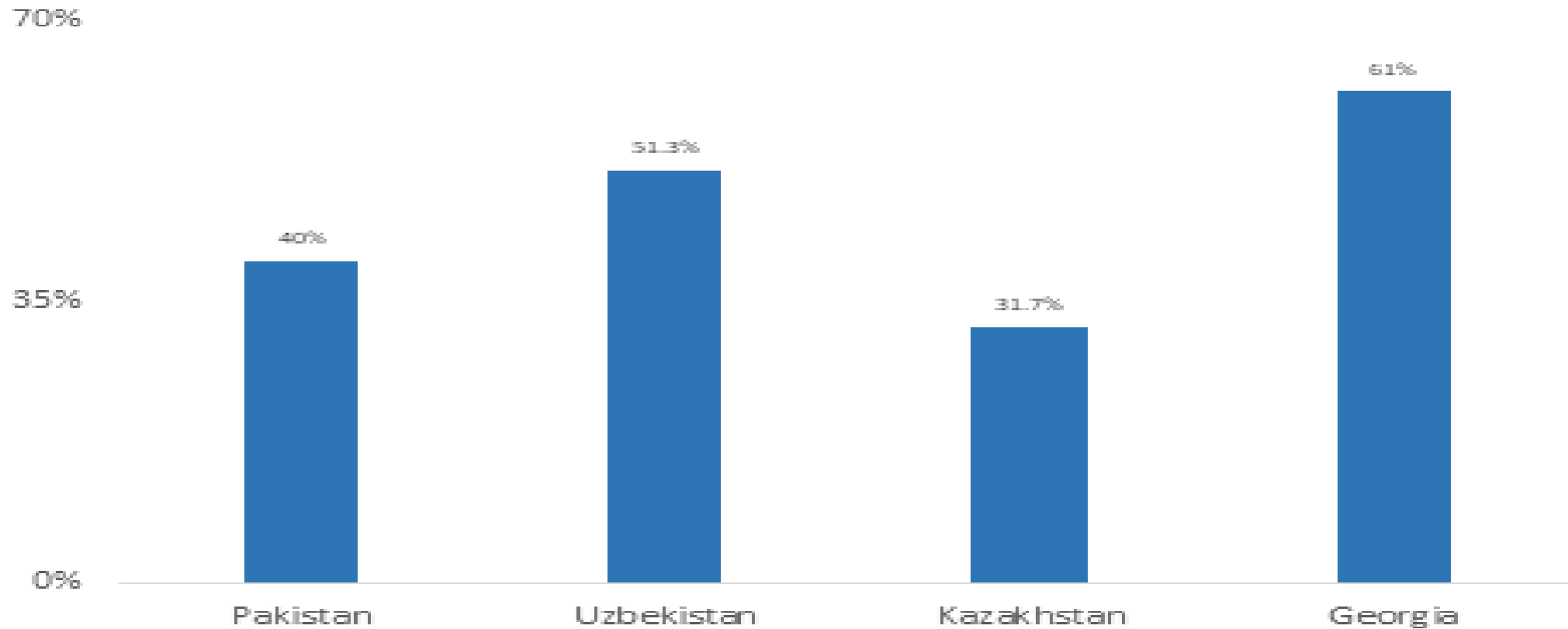
Sequence of the presentation

- Introduction
- State of MSMEs
- Operational Impacts
- Revenue Impacts
- Employment Impacts, and
- Coping Strategies

Introduction

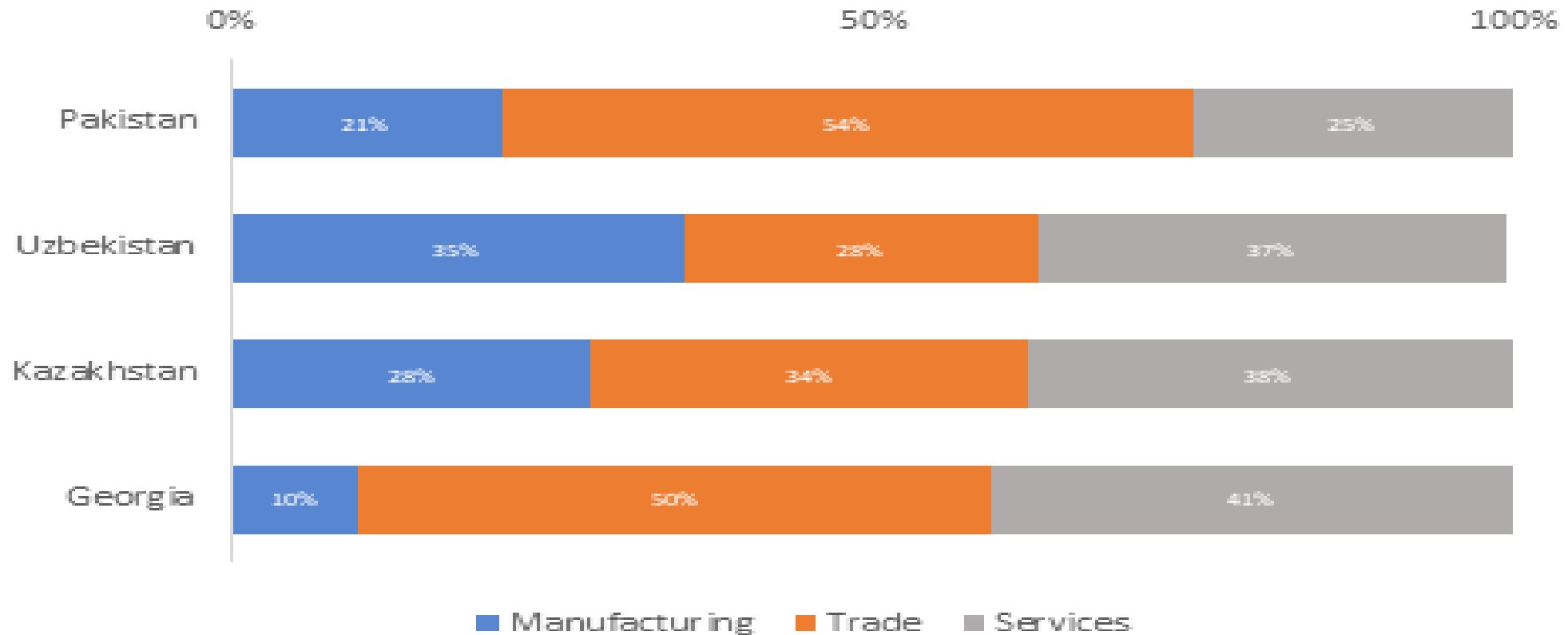
- COVID-19 impacted economic activities by disrupting consumer spending and halting production activities at large and small firms level.
- Micro, Small and Medium Enterprises (MSMEs) impacts are amplified due to the nature of the businesses and structure it contains globally and in the CAREC region.
- The intensity of the disruption was largely contingent on the MSMEs regional integration and disrupted economies' origin.
- The impact of the pandemic augmented if MSMEs are integrated into the shocked economies.

State of MSMEs



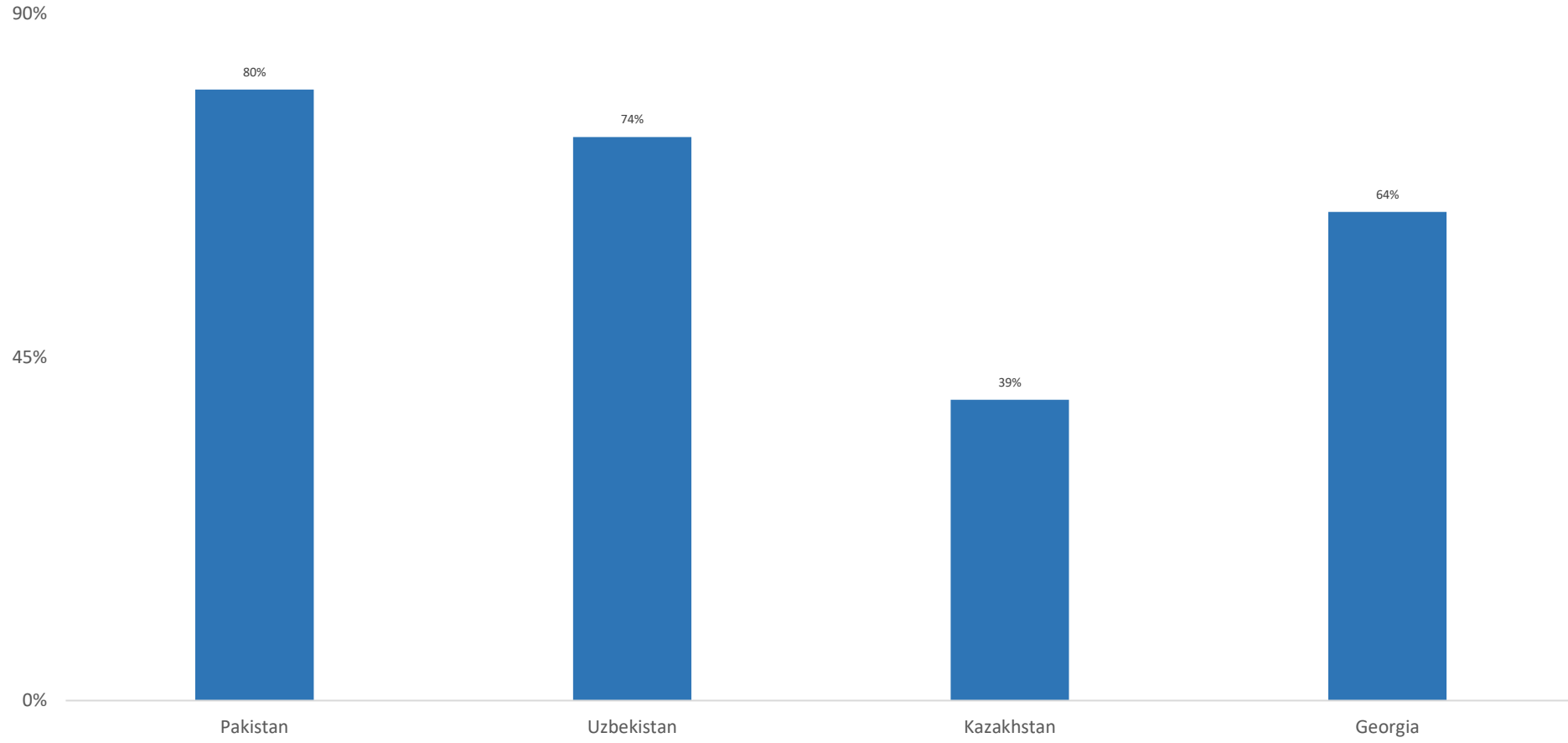
MSMEs share of GDP

State of MSMEs



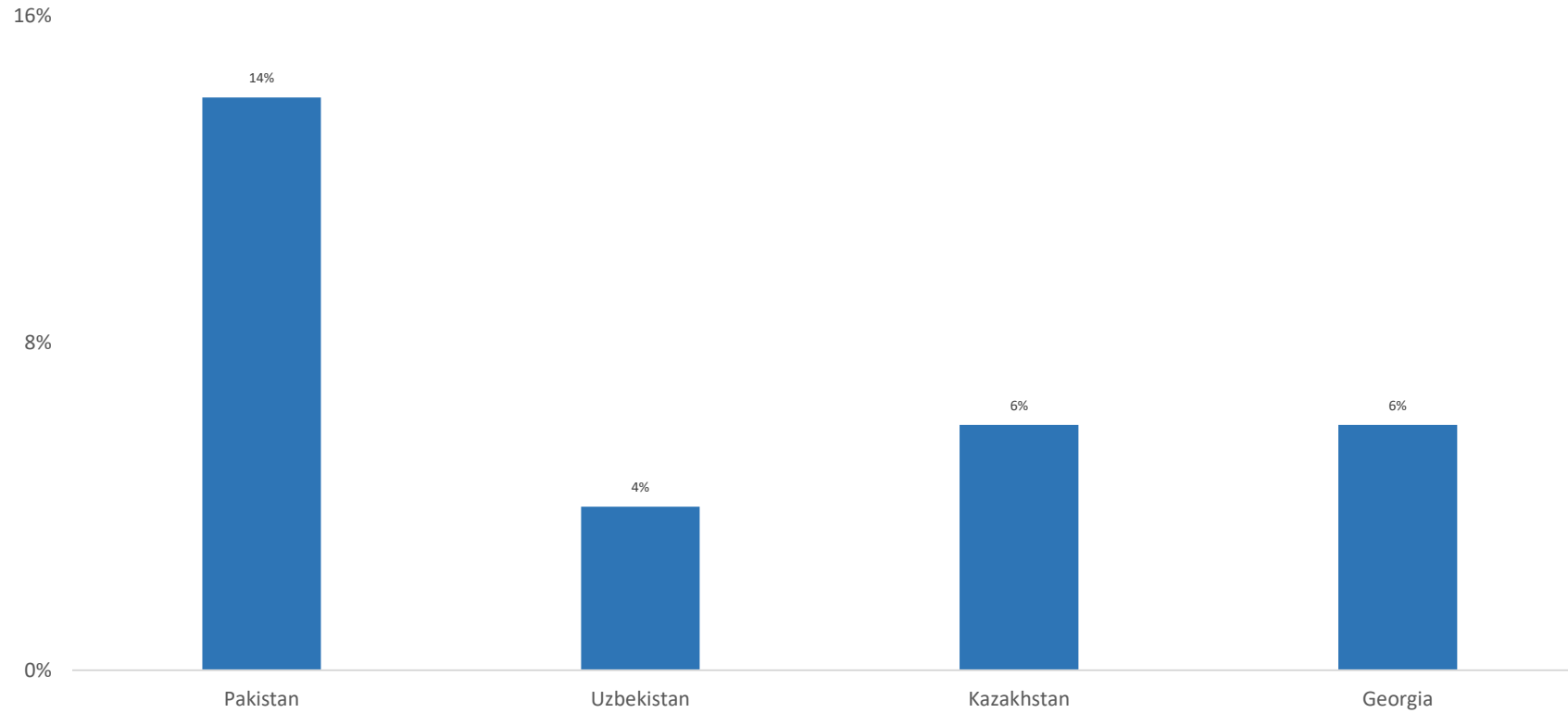
MSME sectoral breakdown

State of MSMEs



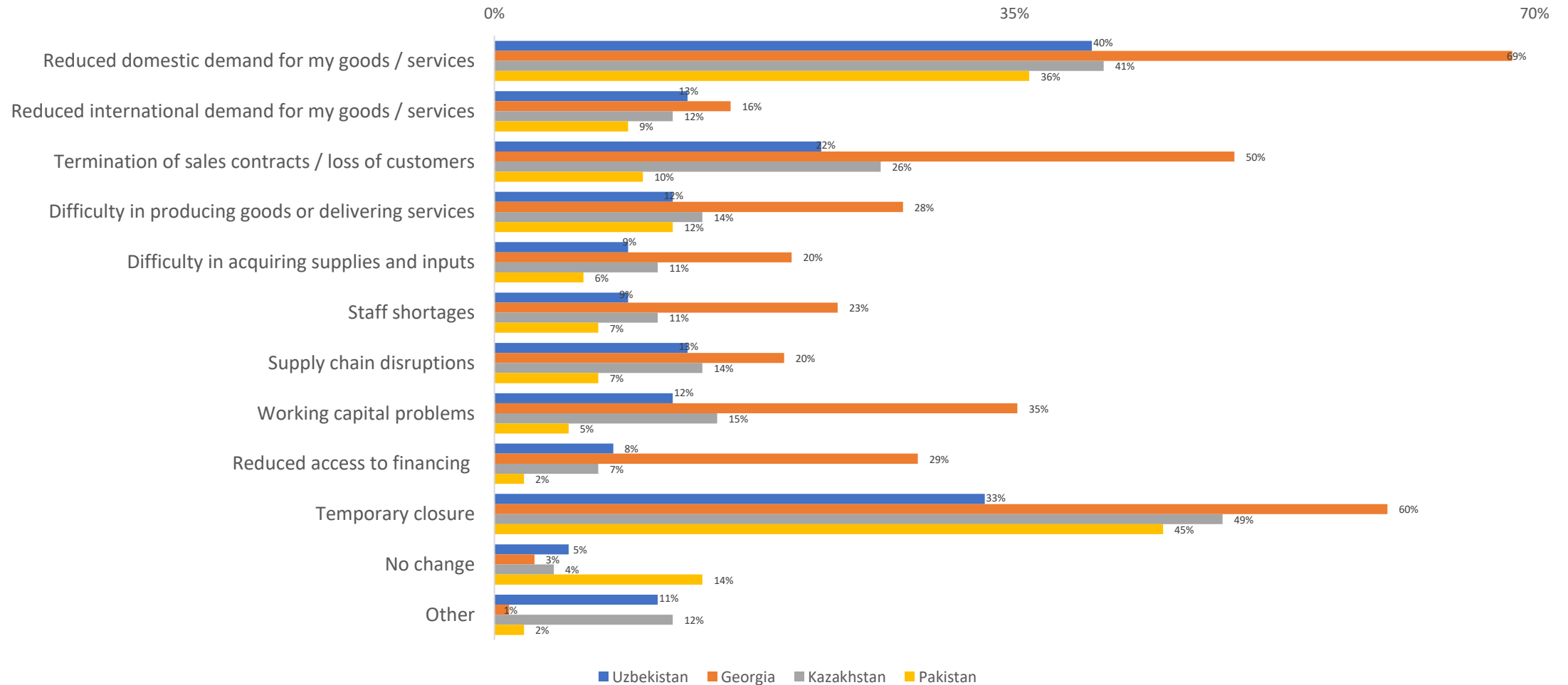
MSMEs share of total employment

State of MSMEs

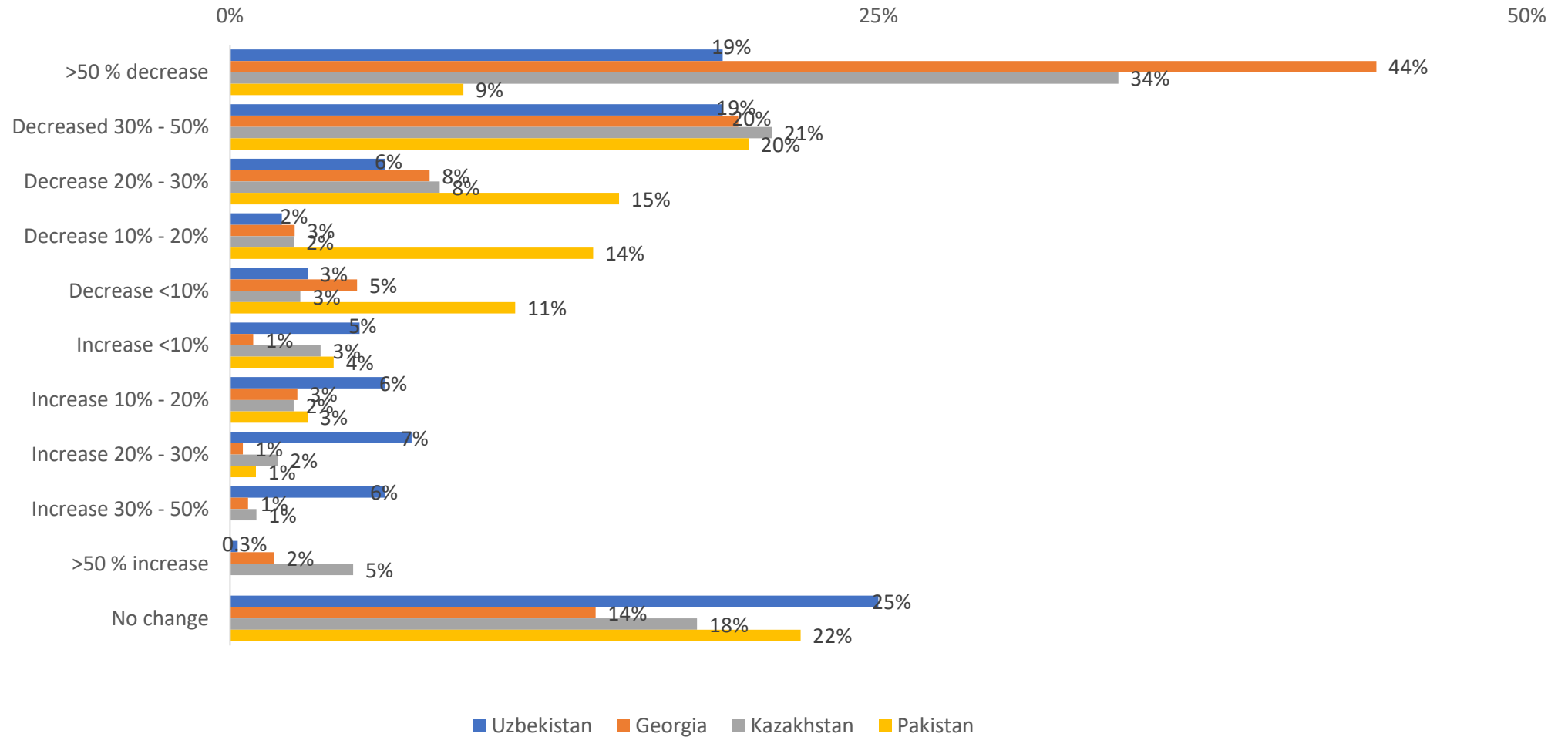


Share of MSMEs who engaged in any export/ import activity

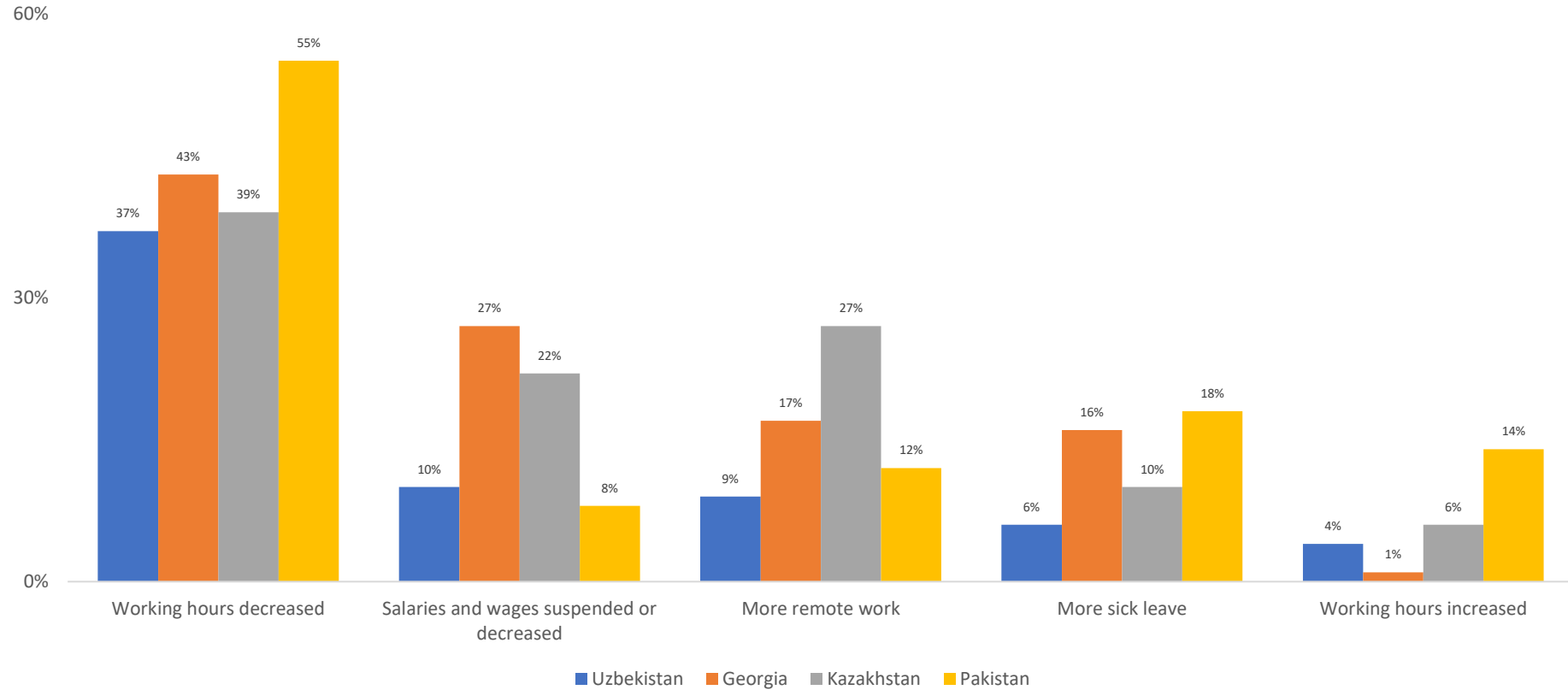
Consequences of the COVID-19 pandemic



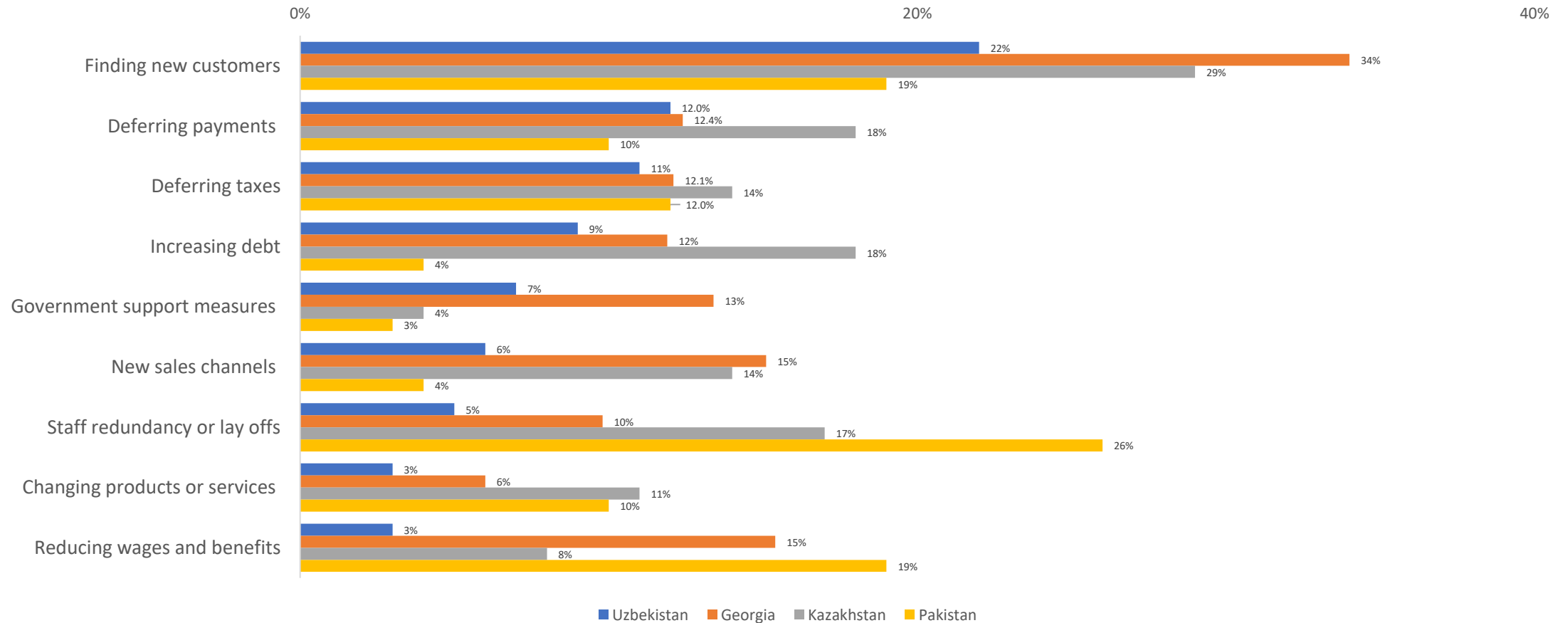
Revenue Impact



Impact of COVID-19 on Employment Conditions



Coping with the impact of COVID-19 disruptions



Coping Strategies

Domestic demand for goods and services was crippled and international orders were also cancelled and/or postponed. Therefore, most of the MSMEs were interested in boosting demand both at the domestic and international markets.

To overcome the Covid-19 negative consequences, the government and businesses strategies were to explore new potential customers, sales channels, and shift to online trade, among others.

A sizeable fiscal stimulus was proposed to generate economic activities at the domestic market, however, the actual disbursed fiscal support was limited and untargeted. A targeted support was suggested based on the size and structure of the MSMEs to regain market access.

Several fiscal stimulus measures (deferring in payments, taxes and debts relief, reducing wages and benefits), and other initiatives (staff layoffs and changing products or services) were adopted, however, these were not considered significant measures across the four countries to revise MSMEs sales and boost domestic demand.

targeted fiscal support to the general public was suggested to increase the purchasing power of the general public to generate domestic demand.

Coping Strategies

Further support from government (tax relief, zero interest rate/collateral free loan, subsidies and grants), financial institutions and insurance companies, suppliers and customers, and family and friends were solicited to overcome Covid-19 impacts.

The volatility in the international markets didn't largely impact CAREC MSMEs, because CAREC MSMEs were not highly integrated. Integrating MSMEs with the regional economies can provide a coping mechanism, for example, diversifying supply chains to overcome Covid-19 shocks.

Digital transformation is the key coping mechanism that was mainly adopted by the MSMEs so that transition to online trade and sales can be possible.

However, digital infrastructure platform and regulatory environment are at the development stage in the CAREC region except for China; therefore, the government should on a priority basis, consider supporting digital transformation so that MSMEs can get easy transition towards online trade and sale in the CAREC region to overcome the negative consequences of the Covid 19.

Thank you !