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The Impact Of The Pandemic On The Development Of Small And Medium-Sized Businesses

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ABSTRACT: *The problem of business development in the context of the growing coronavirus pandemic in the Republic of Uzbekistan is more urgent than ever. The author proposes to test a number of hypotheses, in particular, that a large backbone business will not significantly suffer from the imposed restrictions and the current situation, and representatives of small and medium-sized businesses will take the whole blow.*

Key words: GDP, SME, USRLE, CEIR, UNDP, consumption activity, business activity, loan payments.

1. INTRODUCTION

Today every economist and non-economist expresses their opinion on the consequences of the coronavirus pandemic in 2020. Of course, everyone predicts a recession in the economy, the need for state support for enterprises and citizens of Uzbekistan, as well as a crisis that will certainly come as a result of the prolonged self-isolation regime introduced, non-working days, the closure of some sectors of the economy, etc. It is also worth noting the unsystematic nature of this crisis and its special nature of development: firstly, the economy is falling not from the disease and the virus, but from the measures taken by the state to stop it; secondly, a key feature of the current crisis is a controlled decrease in activity due to government actions; thirdly, the distribution of costs is extremely uneven due to the complete shutdown of some industries, transfer to a remote format and work in compliance with strict sanitary and epidemiological measures.

2. MAIN PART

“Micro, small and medium-sized businesses have traditionally been the backbone of any successful economy, but it is this sector that has been hit by the global coronavirus pandemic. According to the results of the study, 82% of entrepreneurs noted the negative impact of COVID-19 on business: 69% of enterprises had a decrease in profitability, and 23% said that their business had completely stopped the authors of the study indicate”.

According to the UN, about 90% of all enterprises in the world are classified as micro, small and medium-sized enterprises. They employ approximately 70% of the working-age population and account for 50% of world GDP. In the new digest, we tell you how the work of SMEs has changed due to the coronavirus pandemic.

The hardest hit was the small and medium-sized enterprise (SME) sector: restaurants, hotels, beauty and hairdressing salons, entertainment, sports, tourism, retail non-food stores. In fact, the demand for the services of these industries has dropped significantly under quarantine conditions. Accordingly, revenue fell, while mandatory costs remained unchanged: loan payments, rent payments, salaries, taxes and social contributions. The resulting cash gap is likely to lead to massive bankruptcies. The damage from the current crisis can already be tentatively estimated, including its impact on revenues, employment, lending and the number of SMEs.

The pandemic also affected the format of labor relations with employees: over 50% of enterprises were forced to send some or all of their employees on unpaid leave or to resort to a reduction in wages. Most of the respondents who felt the negative impact of the coronavirus faced a decrease in order / sales volumes due to a decrease in consumption and business activity of their customers, untimely or interrupted supplies, closing of outlets and restrictions on the movement of employees.

Such changes required national micro, small and medium-sized businesses to rapidly adapt to new requirements in order not to lose customers and - along with them - business. Someone had to quickly solve the issue of transferring businesses online and digitizing standard operations, while others needed to expand existing digital opportunities and introduce new tools in response to changes in consumer behavior. Those who remained exclusively in the offline environment are in the minority - only 37% of those surveyed reported that their business is still not present on the Internet. While 63% of entrepreneurs actively use online opportunities and have their own website or account on social networks or advertise services and goods on the Internet.

As for the channels for selling goods, there is also an active development of digital tools - today 42% of enterprises have both online and offline points of sale, and 18% sell products only online.

It is worth emphasizing the high penetration of solutions for accepting non-cash payments - 67% of entrepreneurs provide customers with the opportunity to make payments in non-cash form along with cash, and 8% accept payments only in non-cash format. At the same time, about a third of respondents who accept payments only in cash agree that their business would be less risky if they accepted digital payments.

And, despite government support, active digitalization and rapid adaptation to new conditions, Kazakhstani micro, small and medium-sized businesses need additional support, including through financial assistance mechanisms (opportunities for obtaining loans with a low rate), deferred mandatory payments and information support.

The pandemic also did not lead to a massive closure of small and medium-sized enterprises (SMEs), analysts continue. Moreover, the number of liquidated SMEs during the pandemic even decreased compared to the same period last year. "In April-May 2020, liquidations are 40% less than in March 2020, and 40% less than in the same period last year. In June, this figure increased slightly, but liquidations are still 35% less than in March, "- follows from the review of the bank. According to experts, this is due to the desire of entrepreneurs to continue their activities when the economic situation changes for the better.

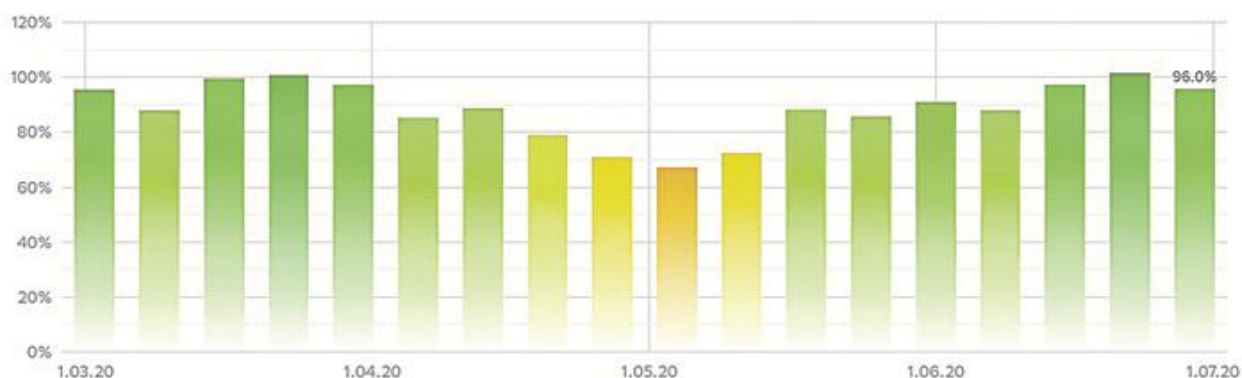
The number of new SME registrations in June reached the level of January 2020. In particular, some revival is observed in the seasonal business segment, which includes the activities of hotels and catering establishments, stalls, parks, beaches, as well as summer trade in all kinds of goods. As a result, according to Bank, registrations of seasonal businesses in June rose sharply. According to the Unified State Register of Legal Entities (USRLE), 2.4 times more seasonal companies were registered in June than in May. However, this does not yet allow us to speak about the segment's complete recovery from the crisis. For comparison: in April-May, four times fewer enterprises were registered than in the same period last year.

In the week from June 29, the turnover on the accounts of SMEs was only 4% behind the turnover of a year ago, according to experts of the Sberbank analytical portal Sberindex. Note that a week earlier,

from June 22 to June 28, the turnover of Russian SMEs even showed an increase of 1.5% in annual terms. As noted, for the first time since the beginning of the pandemic, the level of activity of small and medium-sized businesses was higher than last year. According to analysts, this "indicates a recovery in the level of activity of small and medium-sized enterprises."

Some sectors of the economy, apparently, were even able to make money during the crisis. For example, as follows from Sberindex data, in July, the insurance market's revenue increased by 31.1% y. (y), in clothing - by 29% y., in the paper industry - by 27% y. g.

However, if the turnover of SMEs indicates a gradual recovery, then the data on the number of active online cash registers indicate the opposite. In the week from June 29, the number of active online checkouts was 20.5% lower than the beginning of March this year. At the same time, the situation is worst in the segment of parking lots and garages: here the number of active ticket offices is 80.6% lower than in March, in sports - almost 55% lower, and in real estate services - 53.7% lower than in March. It seems that car dealers are doing better - the number of active online cash registers is only 3.6% behind the March figures, in the sale of auto parts - 9.5% lower.



Change in turnover on accounts of small and medium-sized businesses relative to similar periods in 2019. SberIndex source

The Center for Economic Research and Reforms (CEIR), with the support of the United Nations Development Program in Uzbekistan (UNDP), conducted a survey of enterprises in June 2020 on the impact of the pandemic and the preventive measures introduced by the government on the activities of small and medium-sized enterprises.

The quarantine measures taken by the Government of the Republic of Uzbekistan had an impact on both the economy of the country as a whole and on individual enterprises. Despite the imposed package of measures to support the business community, companies continue to be significantly impacted by the pandemic. Small and medium-sized businesses (SMEs) are in a particularly vulnerable position.

The study, initiated by CERD with the support of UNDP, conducted interviews with entrepreneurs about the impact of the spread of COVID-19 and the preventive measures introduced by the Government on small and medium-sized businesses.

The purpose of the study was to study the impact of the spread of COVID-19 and related preventive measures on enterprises, as well as to assess the needs of enterprises for external support in this period, to assist in the further implementation of activities.

The survey involved 887 heads of enterprises from 14 regions of the republic aged 18 to 79 years, among whom the overwhelming majority (79%) were men. Women-leaders of small and medium-sized businesses made up one fifth of the total number of respondents (21%).

Research results

The impact of the pandemic on businesses

The survey showed that the overwhelming majority of respondents (78%) indicated that their organization continues to conduct business in the context of the introduced preventive measures related to the pandemic.

the highest share of organizations that stopped entrepreneurial activity during quarantine was in Tashkent (31%) and in the Republic of Karakalpakstan (31%).

In all industries, the share of entrepreneurs who reported continuing their activities amid the pandemic is at least 65%, with the exception of accommodation and catering services (30%).

The most popular answer among enterprises to the question about changes in the level of demand for goods and services over the past 30 days is to maintain demand at the same level (35%), while only 24% of respondents reported declines in demand.

the highest indicators regarding a significant decrease in demand were noted in the Namangan region (38%), the Republic of Karakalpakstan (35%), the city of Tashkent (41%).

The largest significant drop in demand was observed in the sector of accommodation and food services (47%).

The group of fairly effective measures includes a significant reduction (by 20-50%) in interest rates on short-term loans (up to 1 year), lease payments for state assets for the required period, social contributions and taxes on labor income for the required period, VAT and excise taxes for required period. Also, the list is supplemented by subsidies and grants for business support and one-time payments of social assistance (5 million sums) to employees of companies.

The package of relatively effective measures consists of credit and tax holidays, extension of state guarantees (all for a period of 1 year), protection from imports through a significant increase in customs tariffs and tax holidays for employees.

According to the perception of some representatives in the transportation and storage sector, credit and tax holidays are ineffective for them. When asked about the support that organizations need most at the moment, entrepreneurs most often noted tax deductions (42%) and a decrease in interest rates on loans (38%). Next are the options for deferring taxes and fees (24%), loan payments (19%). Only 6.5% of entrepreneurs said that their company does not need support.

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