

Impact of COVID-19 on Micro and Small Enterprises in Serbia

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[Impact of COVID-19 on Micro and Small Enterprises in Serbia – Smart kolektiv](#)

Micro and small enterprises in Serbia employ approximately 629,000 people. In addition to direct employment, these companies have a much broader social impact on the quality of life for over 3 million people in the country—including the families of employees, small suppliers such as agricultural farms, whose livelihoods are endangered without these companies, and others. Further, a large number of these enterprises operate in underdeveloped municipalities where they represent an important source of support and income for the local community.

The corona virus pandemic has presented Serbia, and many other countries, with economic challenges: specifically how to maintain the liquidity of the economy and save jobs, especially in the businesses of micro and small enterprises. In order to better respond to the needs of these companies in the coming period, we wanted to explore the challenges they face and the types of support they need to mitigate the economic and social consequences of the pandemic.

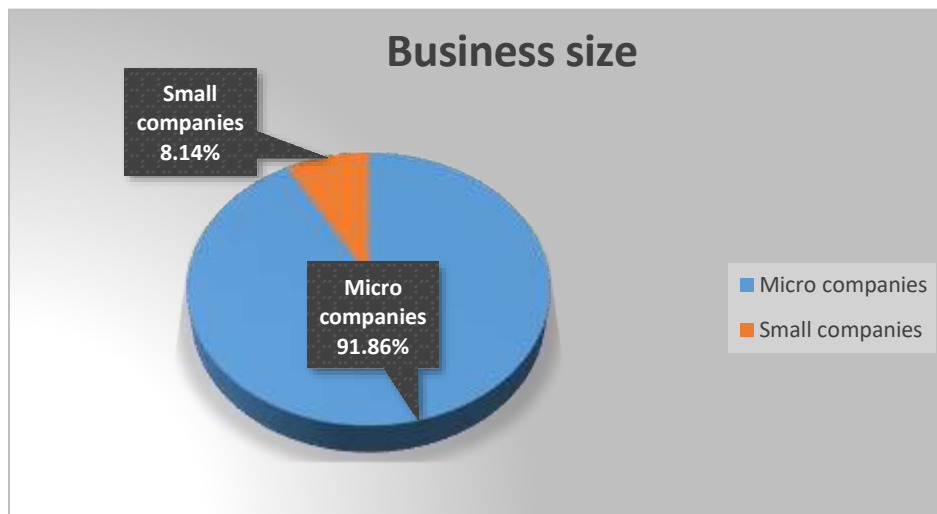
[Smart kolektiv](#) and [Responsible Business Forum](#) conducted a survey in March 2020, in which 209 Serbian micro and small businesses participated. Below we share the results of the research so that their challenges can be understood and solutions can be designed to assist them in overcoming these.

1.1. Sample structure

The research was conducted via an electronic questionnaire, with a sample size of 209 companies from the territory of the Republic of Serbia.

1.2. Business size/Companies

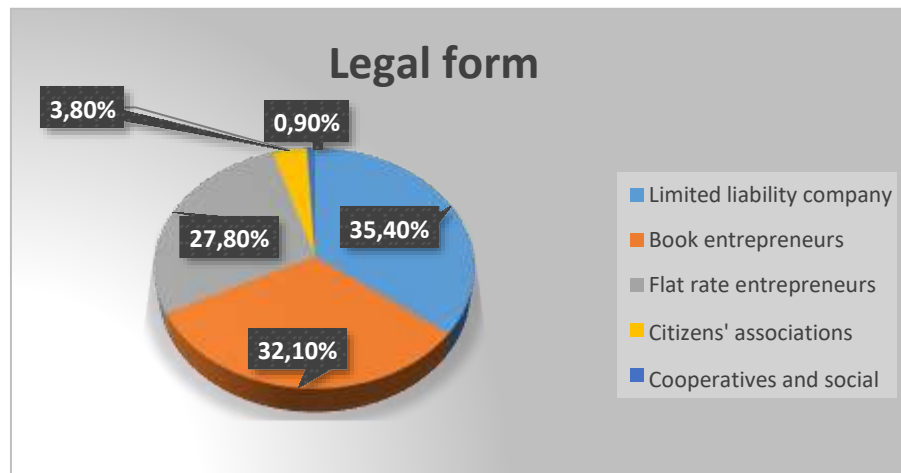
The largest number of companies that participated in the survey belonged to the category of **micro companies** (up to 10 employees and revenues of less than 700,000 EUR), which accounted for 91.86% of sample. This was followed by **small businesses** (up to 50 employees and revenues of less than EUR 8.8 million) with 8.14%.



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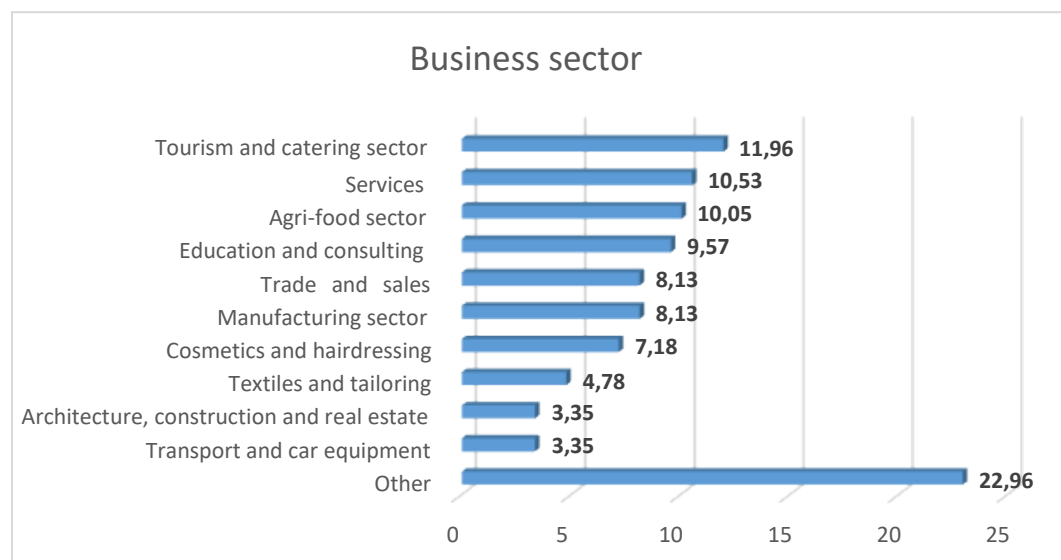
1.3. Legal form

According to the legal form, the largest number of respondents operated in the form of a **limited liability company** (35.2%), followed by **book entrepreneurs** (31.9%), **flat rate entrepreneurs** (27.6%), **citizens' associations** (4.3%), and finally **cooperatives and social cooperatives** (0.9%).



1.4. Business sector

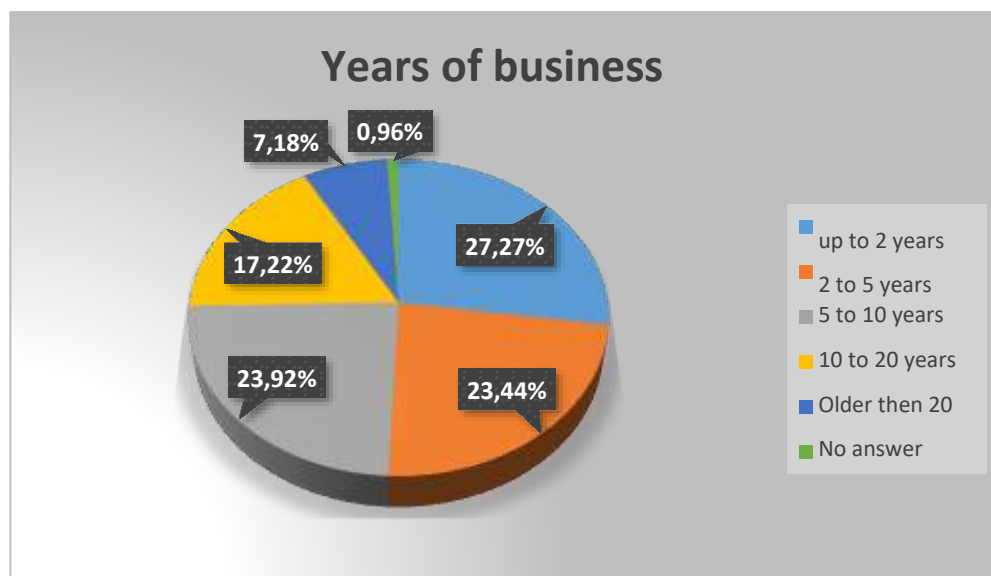
According to the sector from which they come, the largest number of surveyed companies came from the **tourism and catering sector** (11.96%), followed by **services** (10.53%) and the **agri-food sector** (10.05%), followed by **education and consulting** (9.57%), **trade and sales** (8.13%), **manufacturing sector** (8.13%), **cosmetics and hairdressing** (7.18%), **textiles and tailoring** (4.78%). In addition, of the represented sectors, there were also **architecture, construction and real estate** (3.35%), **transport and car equipment** (3.35%). Within the second category were sectors consisting of less than 3% of the enterprises which included health and social services, IT sector, book keeping and accounting, arts and publishing, etc.



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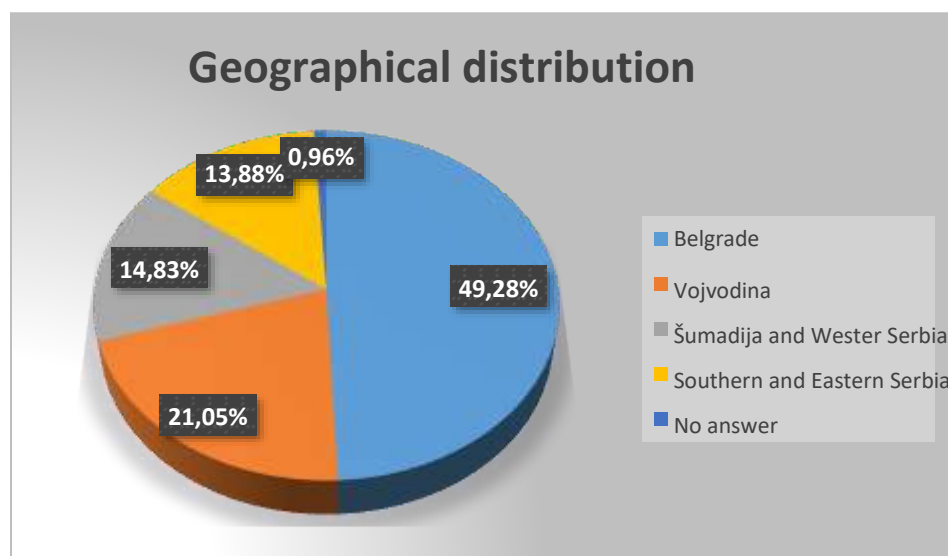
1.5. Years of business

When it came to the year of establishment, companies that had operated for **up to 2 years** made up 27.27% of the sample, companies that were in business **from 2 to 5 years** made up 23.44%, companies **from 5 to 10 years** old made up 23.92%, **from 10 to 20 years** old made up 17.22%, and finally, companies **older than 20** made up 7.8% of the sample. 0.96% of respondents did not give an answer.



1.6. Geographical distribution

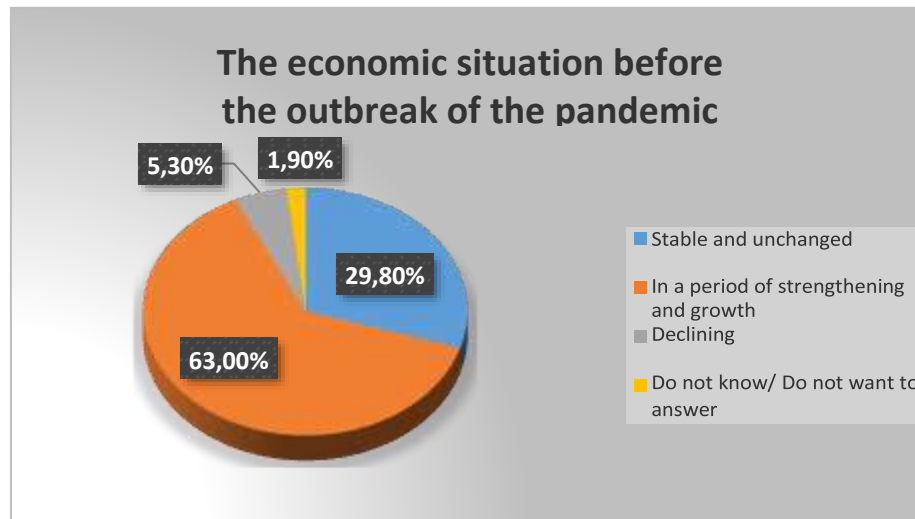
The largest number of surveyed companies came from **Belgrade** (49.28%), then from **Vojvodina** (21.05%), from **Sumadija and Western Serbia** (14.83%) and finally from **Southern and Eastern Serbia** (13.88%).



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1.7. The economic situation before the outbreak of the pandemic

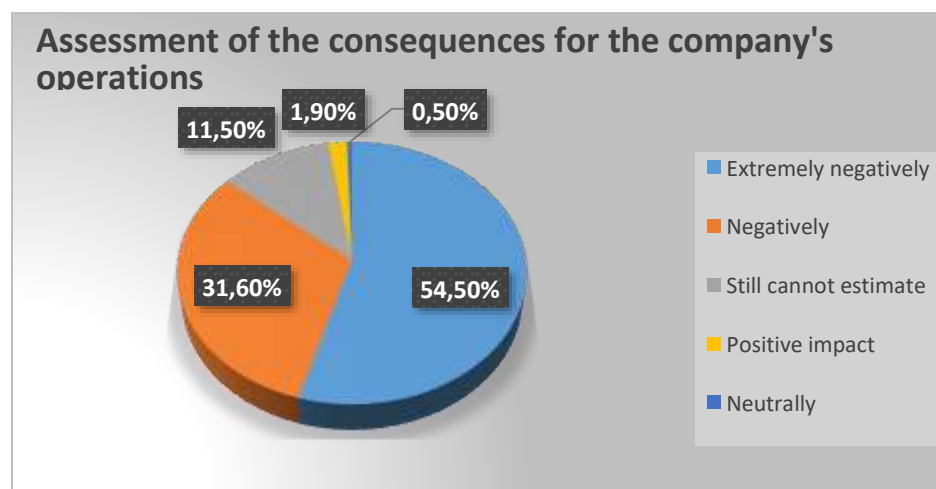
Regarding the economic situation in the company before the outbreak of the pandemic, the largest number of surveyed companies, 63%, estimated that their company was in a period of **strengthening and growth**. At 29.8% the situation was **stable and unchanged**, 5.3% of companies felt it **was declining**, while 1.9% of companies said they did not know or did not want to answer this question.



2. Assessment of the consequences for the company's operations

2.1. The impact of the pandemic on the revenues and operations of the company

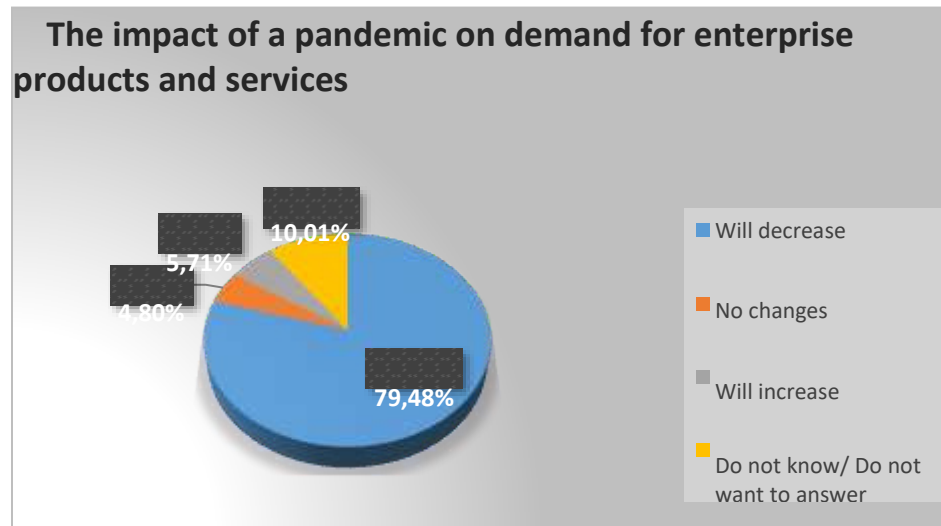
When asked how the pandemic will affect the business and income of companies, **54.5%** of entrepreneurs answered **extremely negatively**, **31.6%** **negatively**, **0.5%** **neutrally**, while **1.2%** answered that the pandemic will have a **positive impact** on their business. **11.5%** of surveyed companies **still could not estimate** the consequences of pandemics on their business.



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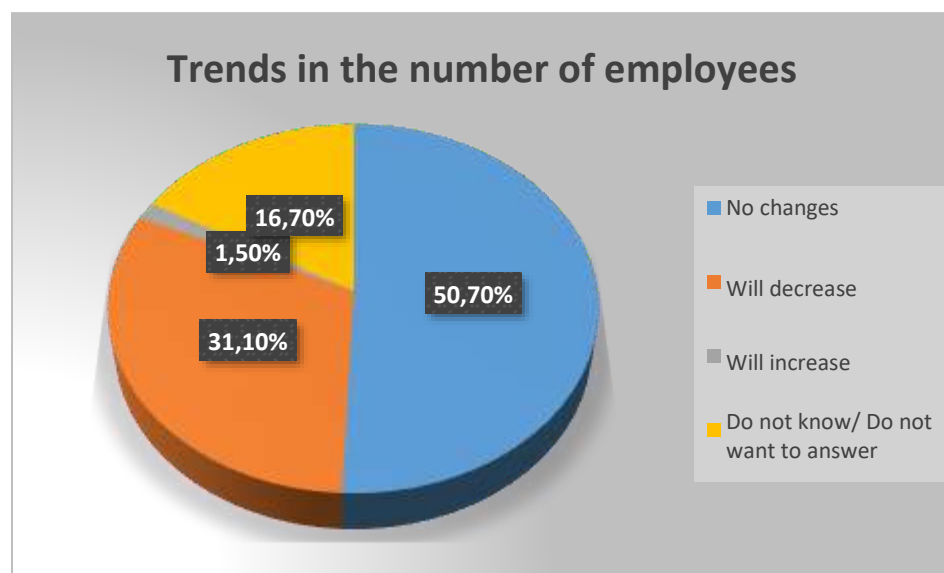
2.2. The impact of a pandemic on demand for enterprise products and services

With reference to how the pandemic would affect the demand for products and services in the next three months, **79.4%** of companies believed that demand **would decrease**, **10%** **did not know** the answer to this question, **5.7%** of companies believed that demand would **increase** while **4.8%** of companies **did not expect any changes**.



2.3. Trends in the number of employees in the coming period

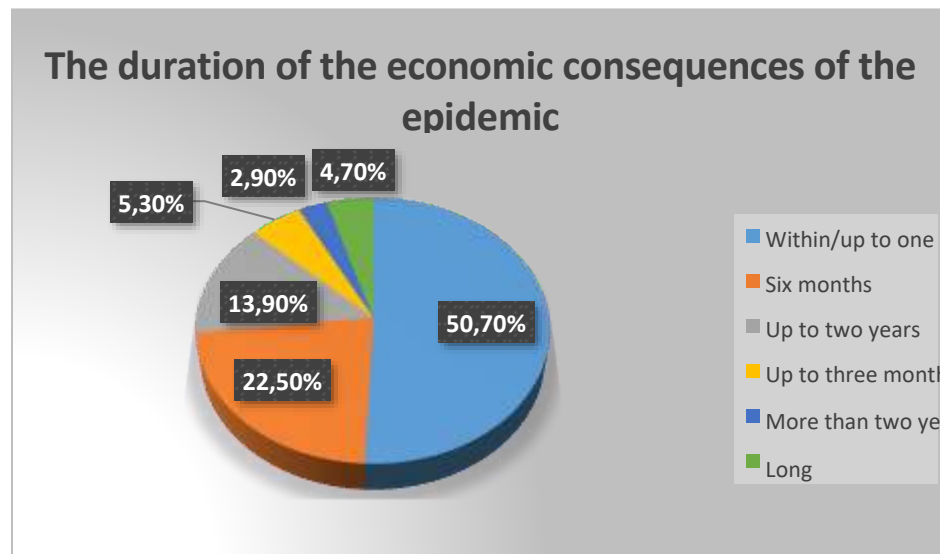
50.7% believed that the number of employees in their business would be **unchanged**, **31.1%** predicted that the number of employees would **decrease**, **16.7%** of respondents **did not know** the answer to this question and **1.5%** of companies predicted that the number of employees would **increase**.



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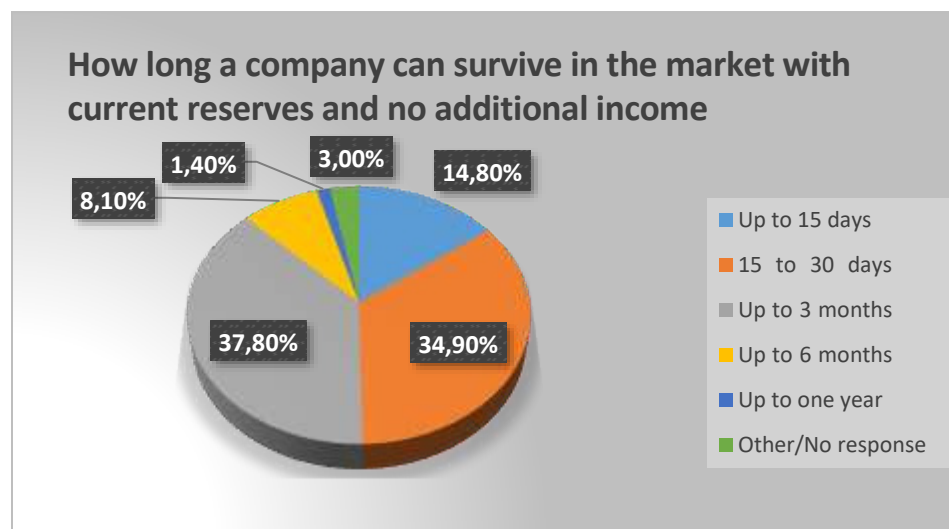
2.4. The duration of the economic consequences of the epidemic

With regards to how long businesses believed the consequences of the epidemic would affect them **50.7%** answered **a year**, **22.5%** answered **6 months**, **13.9%** **2 years**, and **5.3%** up to **three months**, while **2.9%** said they would expect the consequences to last for **more than two years**.



2.5. How long a company can survive in the market with current reserves and no additional income

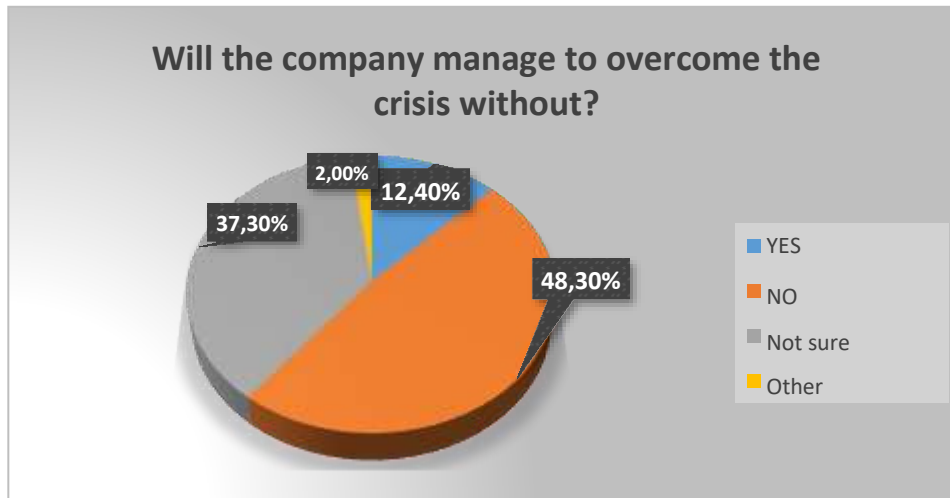
When asked how long they believed they would survive in the market with current reserves and no additional income, **37.8%** of surveyed companies answered that it could survive **up to three months**, **34.9%** **15 to 30 days**, **14.8%** for **15 days**, **8.1%** for **six months**, and only **1.4%** for **up to a year**.



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2.6. Overcoming the crisis without additional support

48.3% of surveyed companies answered **negatively**, 12.4% **positively**, and 37.3% **were not sure** when asked if they thought they could overcome the current crisis situation without additional support



2.7. Continuation of strategic plans and projects

Whether the company would be able to continue with the strategic plans and projects that began this year, 40.2% said **No**, 14.4% said **Yes**, and 42.1% said they were **unsure**.

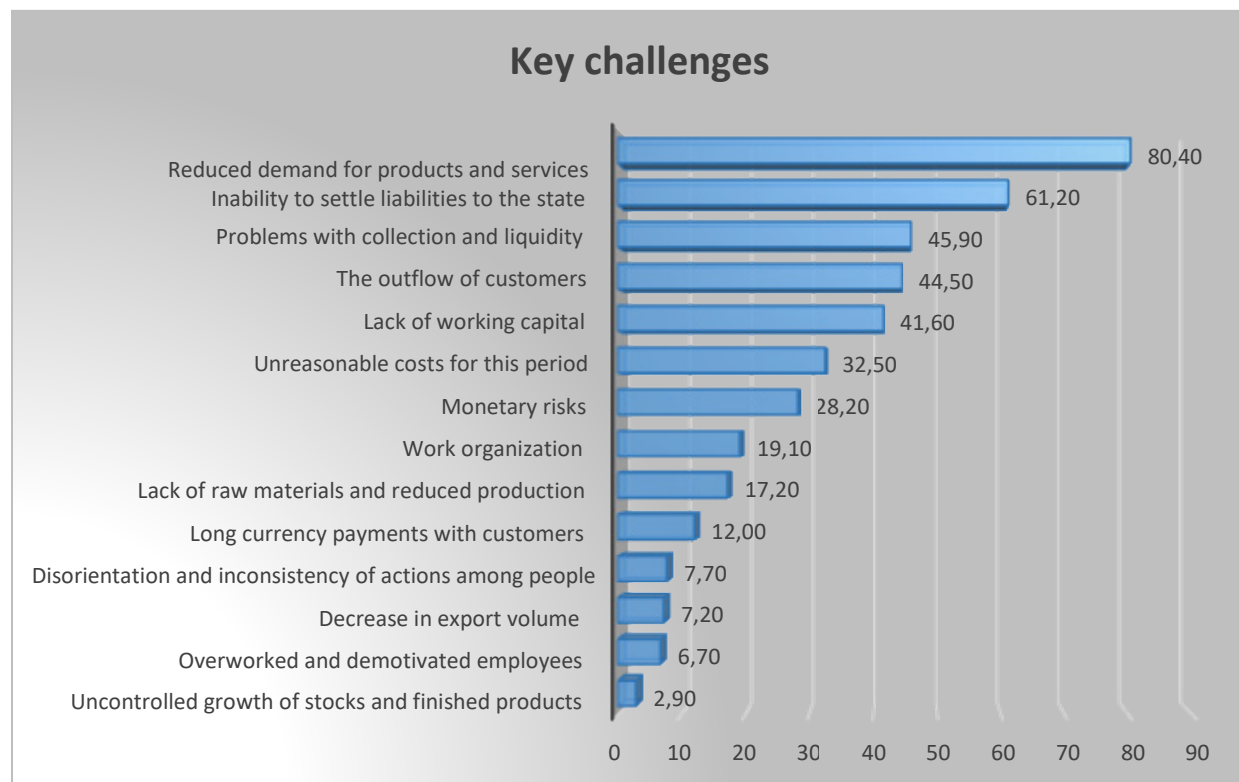


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3. THE MAIN CHALLENGES FOR THE COMPANY'S BUSINESS OPERATIONS

3.1. Key challenges for business operations

Respondents had the option to choose up to five major challenges they were currently facing due to the pandemic. According to the obtained results, the most significant challenges were; **reduced demand for products and services (80.4%)**, the **inability to settle liabilities to the state (61.2%)**, **problems with collection and liquidity (45.9%)**, the **outflow of customers (44.5%)**, **lack of working capital (41.6%)**, and **unreasonable costs for this period (32.5%)**. Additionally, there were also **monetary risks (28.2%)**, **work organization (19.1%)**, **lack of raw materials and reduced production (17.2%)**, **long currency payments with customers (12%)**, **disorientation and inconsistency of actions among people (7.7%)**, **decrease in export volume (7.2%)**, **overworked and demotivated employees (6.7%)**, and **uncontrolled growth of stocks and finished products (2.9%)**.

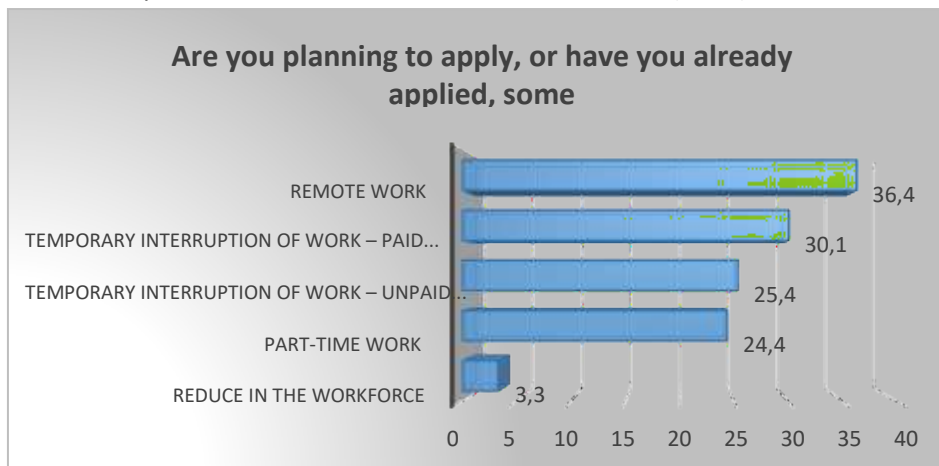


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4. STRATEGIES FOR OVERCOMING THE CRISIS

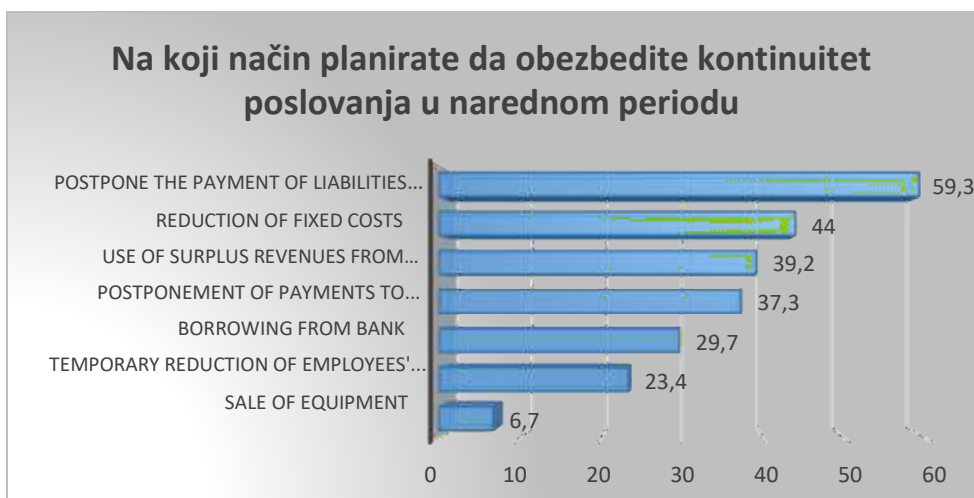
4.1. Business optimization measures

When considering implementing business optimization measures, companies also had the opportunity to choose multiple responses. According to the obtained results, the largest number of surveyed companies had implemented the following strategies; **working from home/remote work (36.4%)**, **temporary interruption of work in the form of paid leave (30.1%)**, **temporary interruption of work in the form of unpaid leave (25.4%)**, and **part-time work (24.4%)**. The smallest percentage of surveyed companies had reached or plans to reach a **reduction in the workforce (3.3%)**.



4.2. Ensuring business continuity in the coming period

As part of the research, companies shared how they would ensure business continuity in the coming period and had the opportunity to choose three to five of the provided options. According to the obtained results, the largest number of companies planned to **postpone the payment of liabilities to the state (59.3%)**, followed by **the reduction of fixed costs (44%)**, **the use of surplus revenues from previous periods (39.2%)**, **postponement of payments to suppliers (37.3%)**, **borrowing from banks (29.7%)**, **temporary reduction of employees' salaries (23.4%)**, **elimination of stocks (20.1%)** and finally the **sale of equipment (6.7%)**.



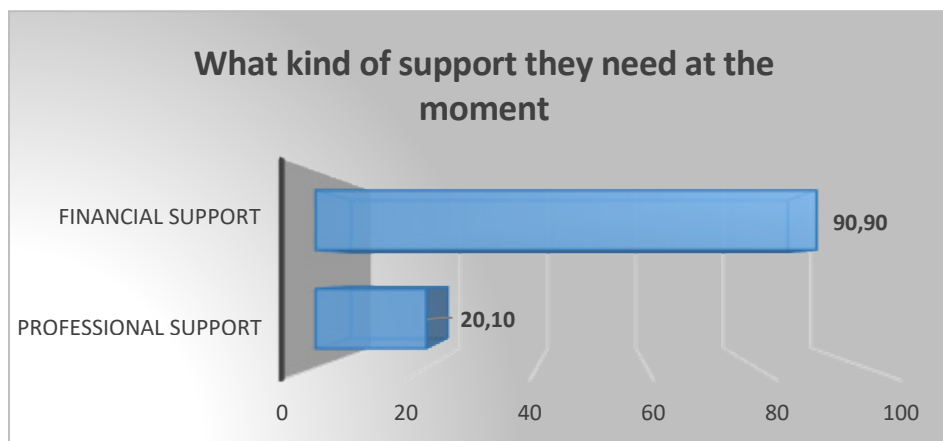
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5. SUPPORT NEEDED

Within this segment of the questionnaire, companies answered questions about what type of support they believed they needed at the time. Within each question companies had the opportunity to choose multiple answers.

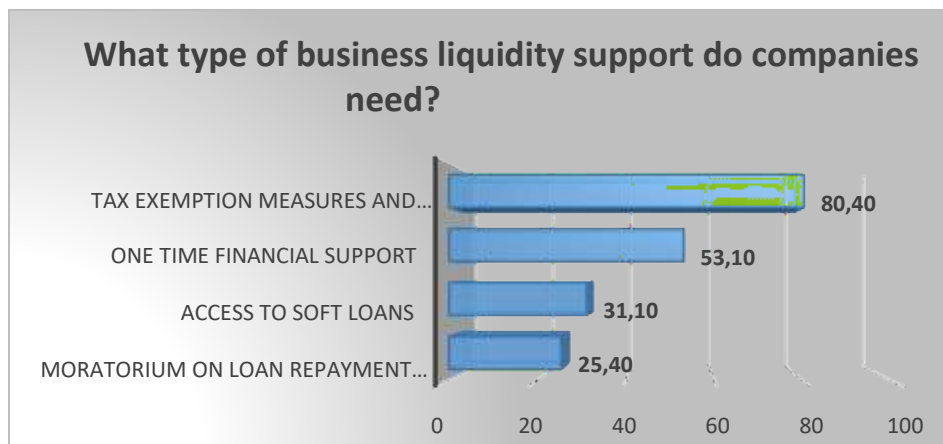
5.1. Required type of support

When asked what kind of support they needed currently, **90.9%** of companies answered that they needed **financial support**, while **20.1%** of them needed **professional support**.



5.2. Type of support to provide liquidity to the company

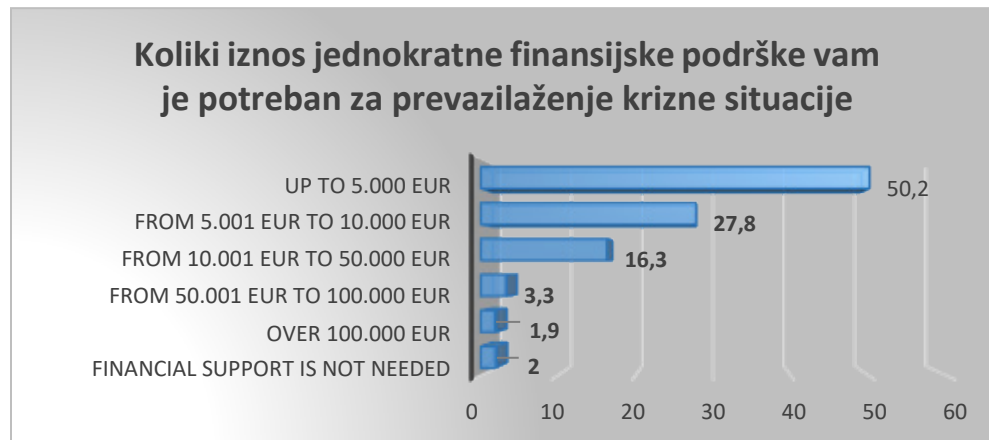
Types of support for providing liquidity to companies included being **exempted from taxes and contributions (80.4%)**, receiving **one-time financial support (53.1%)**, given **access to soft loans (31.1%)** and a **moratorium on loan repayment to banks and all state duties (25.4%)**.



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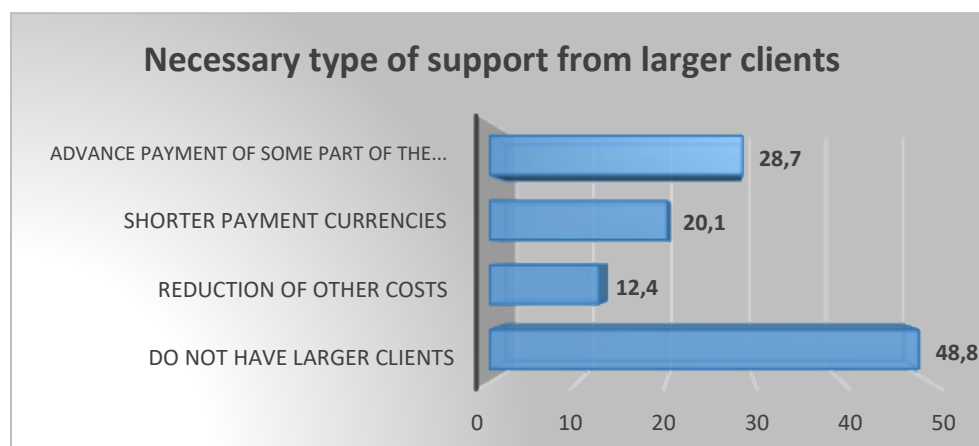
5.3. One-time financial assistance to overcome the crisis situation

Regarding one-time financial assistance, most companies acknowledged needing up to 5,000 EUR to overcome a crisis situation, which was the case with half of the respondents (50.2%). This was followed by amounts from EUR 5,001 to EUR 10,000 (27.8%), EUR 10,001 to EUR 50,000 (16.3%), EUR 50,001 to EUR 100,000 (3.3%) and finally the amount of over EUR 100,000 (1.9%).



5.4. Necessary type of support from larger clients

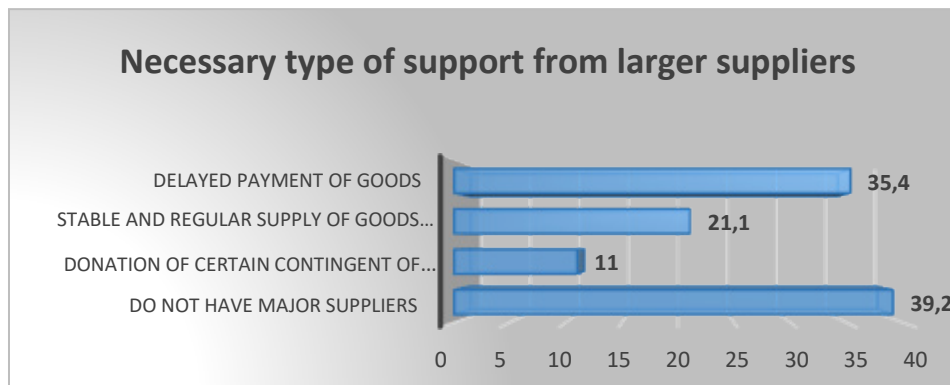
When it came to larger clients (clients with a larger share as a sales channel, large retail chains, etc.), most companies suggested support in the form of **advance payment of some part of the amount (28.7%)**, followed by **shorter payment currencies (20.1%)** and a **reduction of other costs (12.4%)**. **48.8%** of companies stated that they **do not have larger clients**.



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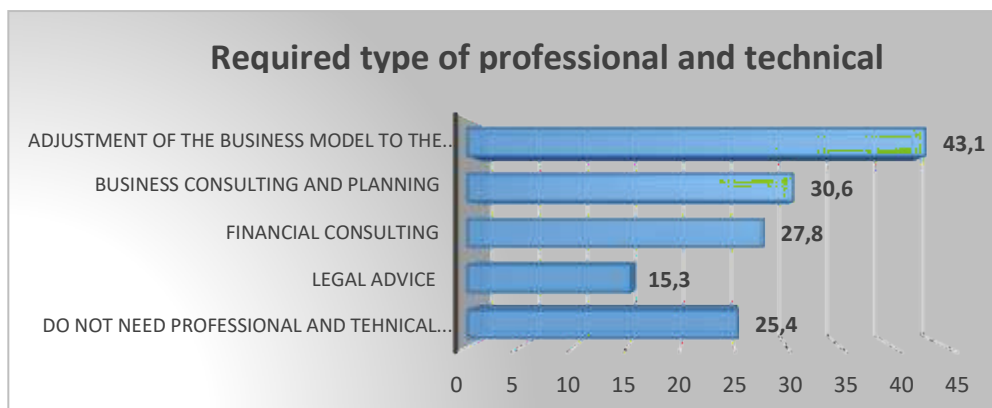
5.5. Necessary type of support from larger customers who have the role of suppliers

Most companies suggested they needed **delayed payment for goods (35.4%)**, followed by a **stable and regular supply of goods (21.1%)**, then **lower prices of goods (17.2%)** and finally **donations of certain contingent of goods (11%)**. **39.2%** of surveyed companies **did not have major suppliers**.



5.6. Required type of professional and technical support

The largest number of respondents answered that the type of professional and technical support they needed was the **adjustment of the business model to the current situation (43.1%)**, followed by **business consulting and planning (30.6%)**, then **financial consulting (27.8%)** and finally **legal advice (15.3%)**. **25.4%** of companies answered that they do **not need professional and technical support at this time**.



5.7. Other measures proposed for large companies and the private sector

When asked if they had proposals for any other measures that large companies and the private sector could take to assist small and micro enterprises, the surveyed companies gave a large number of diverse and interesting proposals. Some of the most common were:

- Favoring and emphasizing small domestic producers in comparison to cheap imported goods; increasing demand for small domestic producers' products and services;

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- Support in promotion and marketing, active involvement of large companies in the promotion of micro and small enterprises in times of crisis;
- Respect to agreed payment currencies;
- Inclusion in retail chains and free listing of micro and small enterprises from Serbia;
- Assistance in the form of business and financial advice;
- Assistance in securing new clients;
- Postponement of bill payment deadlines and the possibility of payment in installments;
- Donations in the form of goods or funds;
- Liquidity loans.

5.8. Proposal of other measures for the Government of the Republic of Serbia

With regards to suggesting proposals for other measures that the government could take to help small and micro enterprises, the overwhelming majority of surveyed companies reiterated that at this time the most needed support was **tax and contribution relief**, as well as **direct financial support**. In addition, other popular suggestions included:

- Easier and faster access to favorable loans (without collateral and long procedures, lower interest rates, longer grace period);
- Moratorium on payment of utilities and other bills;
- An arrangement between the state and the owners of the premises in order to postpone the collection of rent or reduce the rent;
- Covering part of the salary of employees during the pandemic;
- Greater consultation of small and micro-enterprises on their needs.

6. POTENTIALS FOR RESOLVING THE CRISIS SITUATION

6.1. Capacities to help overcome the consequences of a pandemic

In relation to capacity to help overcome the social and economic problems caused by the coronavirus the majority of surveyed companies stated that they have no or very **limited capacities (67.46%)**. Those who stated that they did have certain capacities, shared some of the most common ways to provide assistance:

- Donation and delivery of meals, groceries and hygiene products;
- Redirecting production to hygiene products and medical equipment with the help of finding materials;
- 3D printing of visor parts for medical staff;
- Production and distribution of reusable masks;
- Social actions according to vulnerable categories and distribution of assistance to the elderly in rural areas;
- Making volunteer teams available and organizing volunteer actions;
- Making all information channels available.

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6.2. Implemented actions and activities

When asked whether they had already carried out any special activities or actions in order to repair the consequences of the pandemic, a large number of companies said that they were carrying out actions such as **donating food and hygiene products to vulnerable groups**, that they had started **producing protective masks** for health institutions or the general population, as well as carrying out **volunteer actions**.

6.3. Additional suggestions

The majority of companies emphasized that at this moment the most important thing was the **fast reaction of the state**. Further suggestions included:

- Recognizing and exploiting the potential of each company to resolve the crisis, creating a body to coordinate companies and their roles;
- After the lifting of the state of emergency, buy everything that does not have to be imported from raw materials and finished products from domestic producers.