

SME Internationalization: Was there an old normal, is there a new normal?

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ADB

Outline

- **Stylized facts**
- Impact of COVID-19 on SMEs
- New normal

SMEs account for >90% of enterprises, but only a small share of good exports

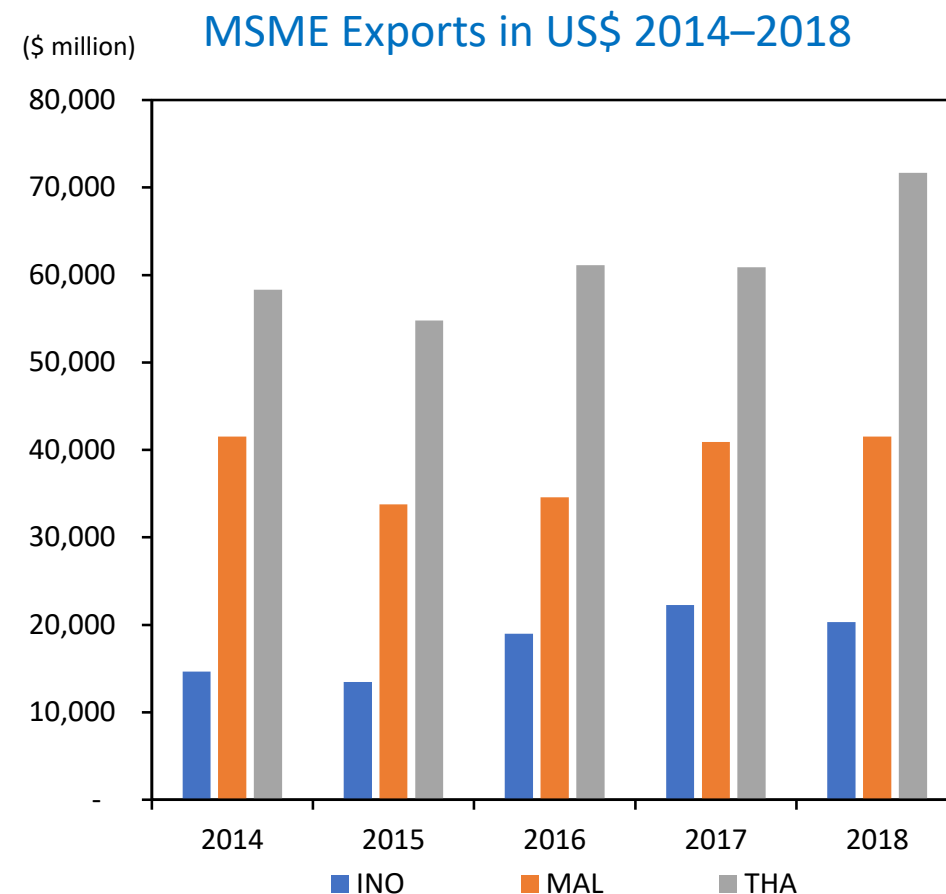
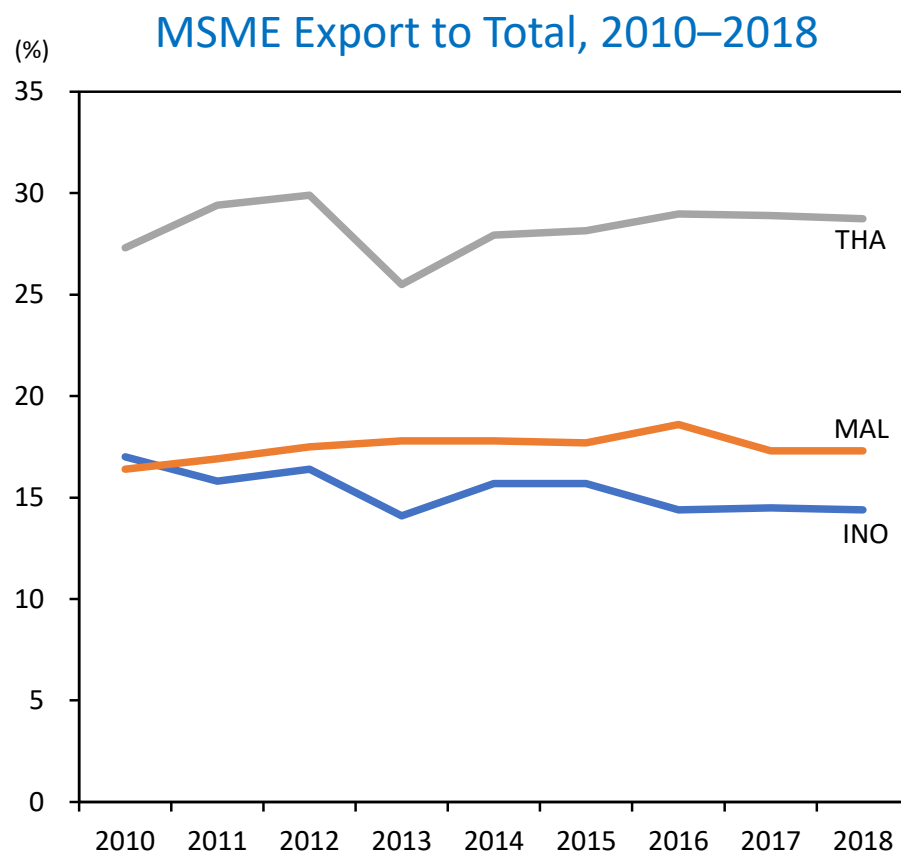
Share of SME Goods Exporters

	Year		Share of Total SMEs (%)		Share of Total Exporters (%)		Change in share of total exporters (% points)
	Earlier	Later	Earlier	Later	Earlier	Later	
Australia	2008	2018	1.9	2.0	90	87	-3
Canada	2011	2018	3.0	2.7	97	97	0
Chile	2009	2017	0.6	0.5	58	55	-3
Mexico	2014	2017	4.3	3.6	80	83	3
New Zealand	2009	2018	0.9	1.4	65	68	3
Peru	2013	2017	0.4	0.3	75	71	-4
Thailand	2010	2018	0.8	0.9	60	71	11
United States	2009	2017	1.0	0.9	98	98	0

Note:

- Data available for most economies often cover only goods exports; unfortunately, high share of total SMEs are found in the service sector in most APEC economies

MSMEs account for about 20% of export value in Indonesia, Malaysia and Thailand, 2010–2018



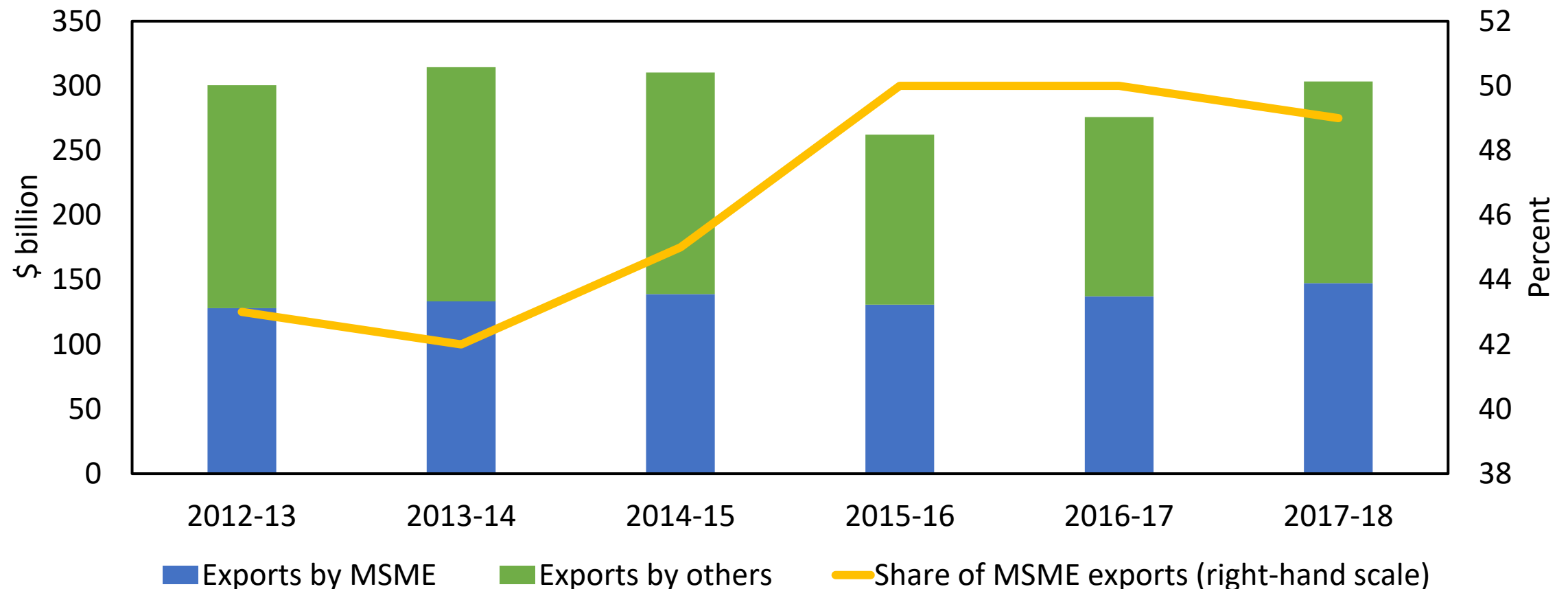
INO = Indonesia; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; THA = Thailand.

Note: Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2020 database.

India MSME exports stable in 2015-2018 (about 50%)

Share of MSME exports in total exports in India

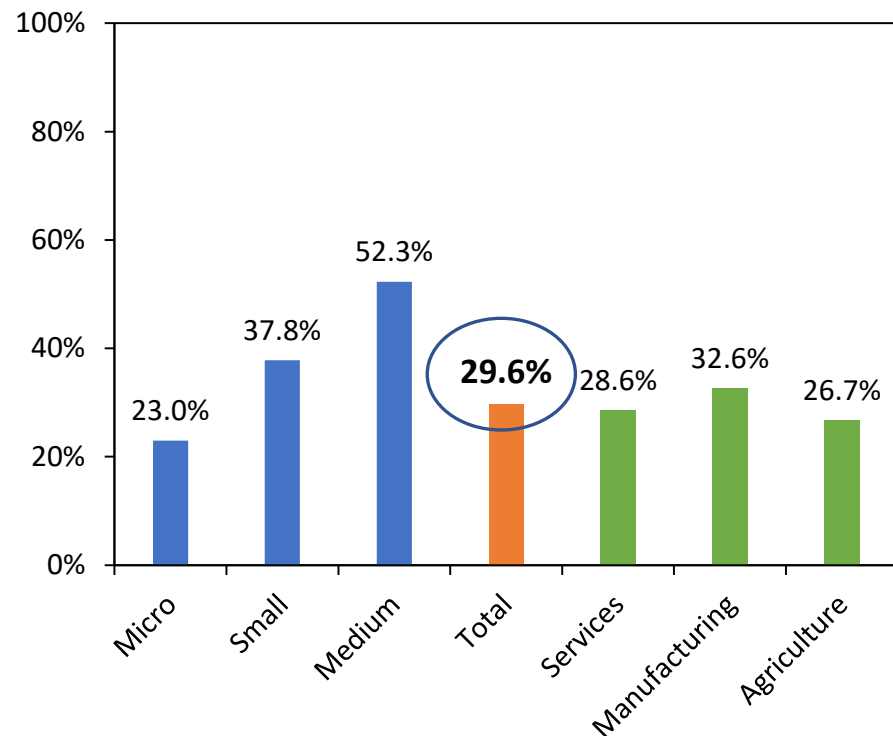


MSME = Micro, Small & Medium Enterprises.
Source: Reserve Bank of India (2019).

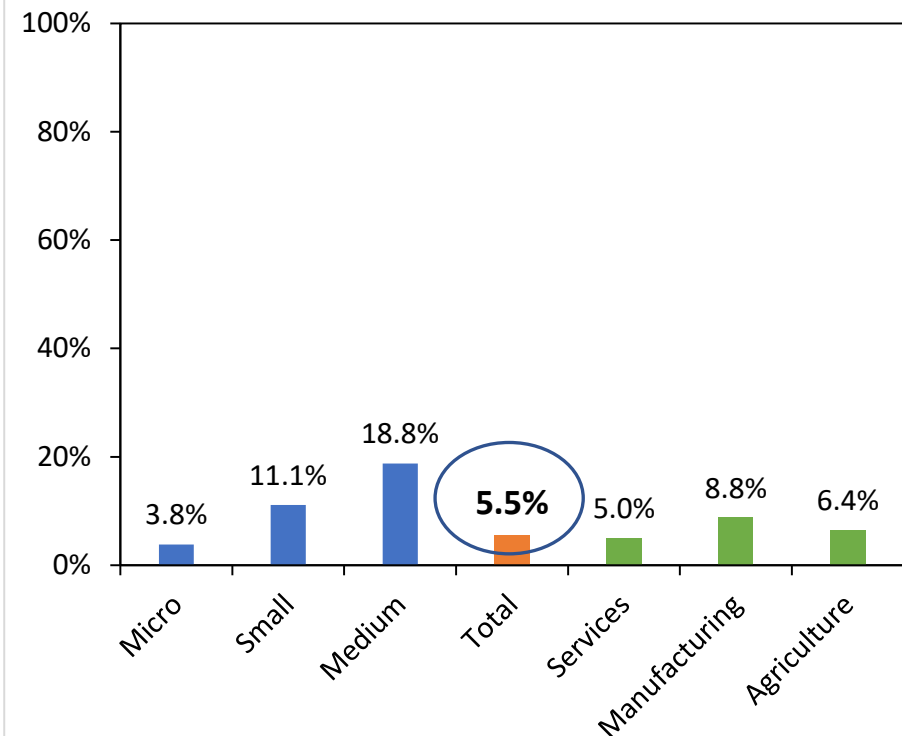
Profile of MSMEs in global supply chains

- MSMEs operate within small domestic markets in relatively stable businesses. Only a small portion of MSMEs are exposed to global markets.

Thailand



Indonesia

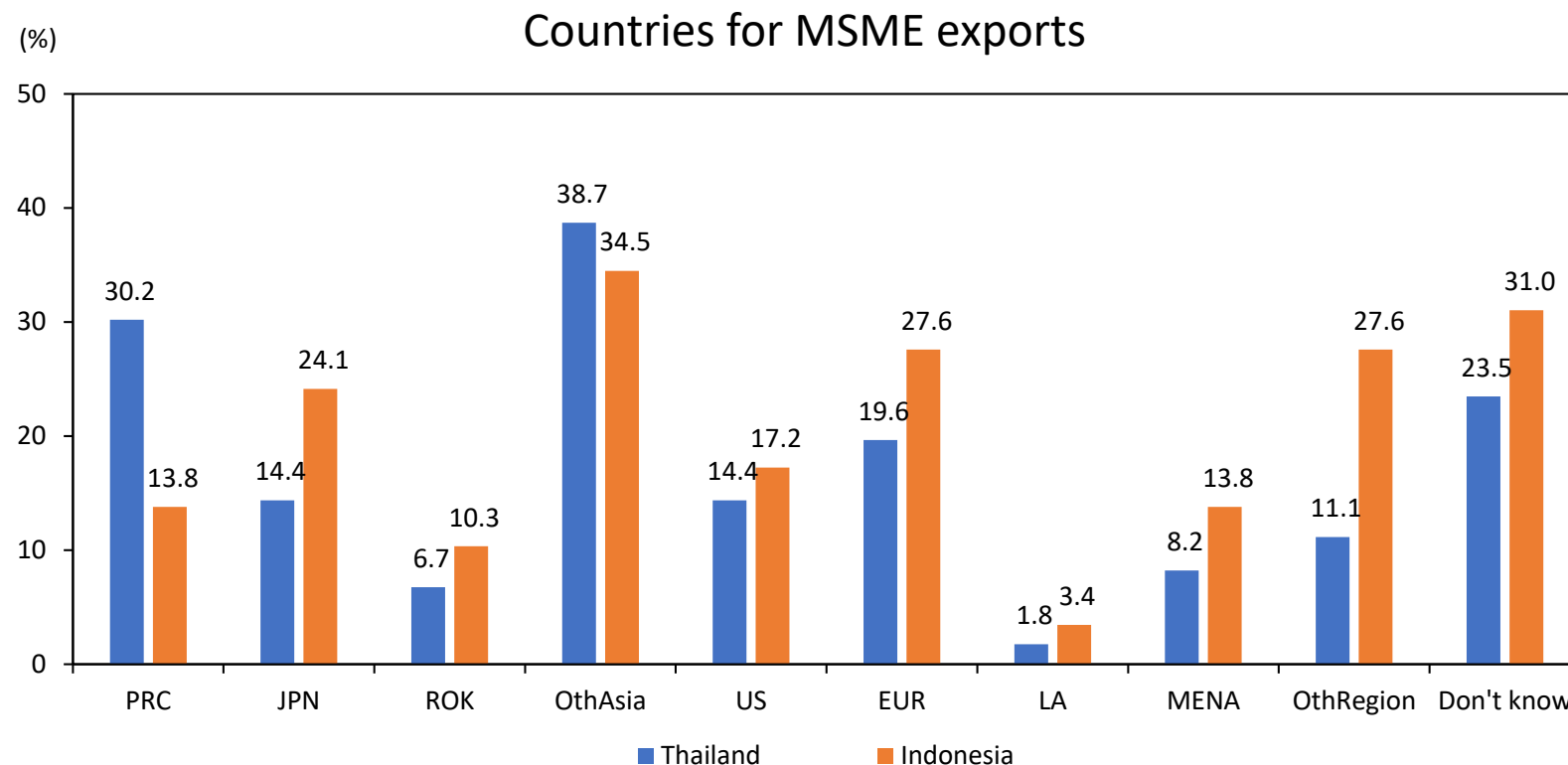


Note: 1,147 valid samples in Thailand and 525 in Indonesia.

Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Profile of MSMEs in global supply chains

- MSMEs surveyed mainly export their goods within Asia.



Note: 1,147 valid samples in Thailand and 525 in Indonesia.

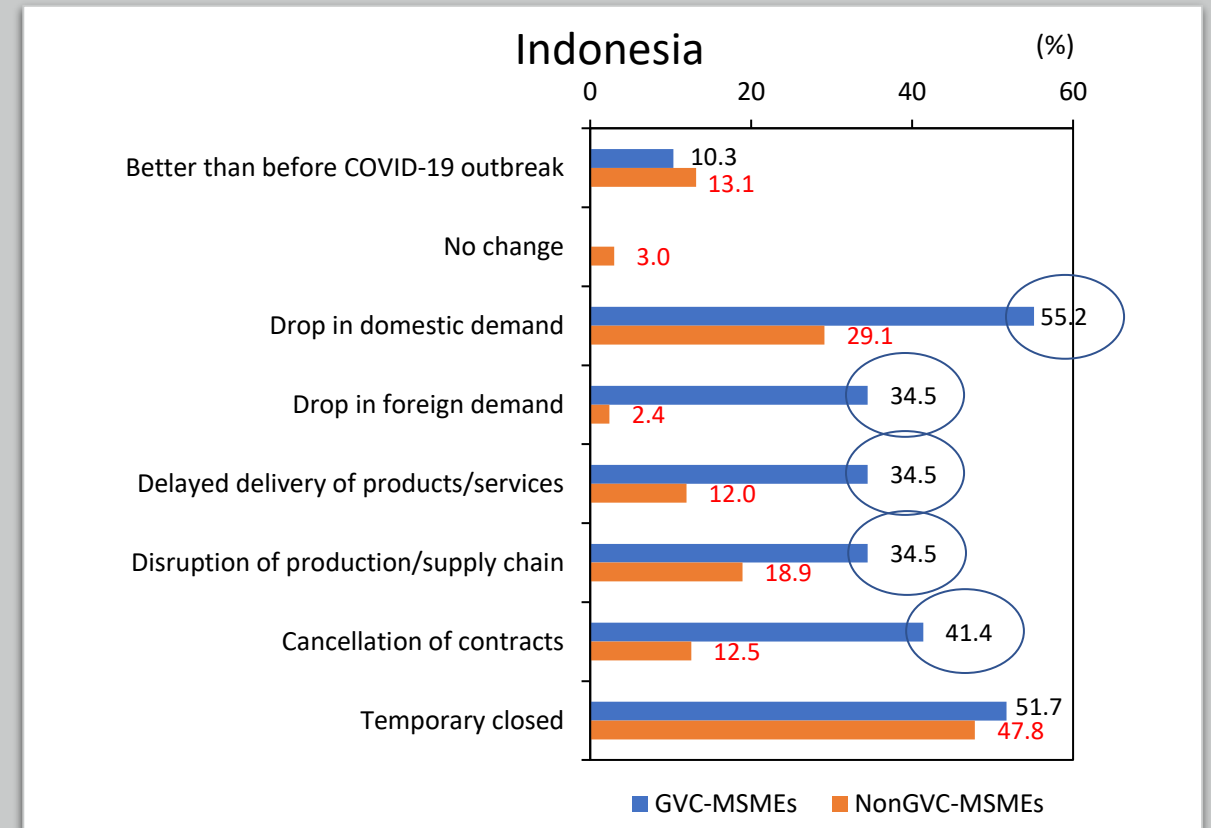
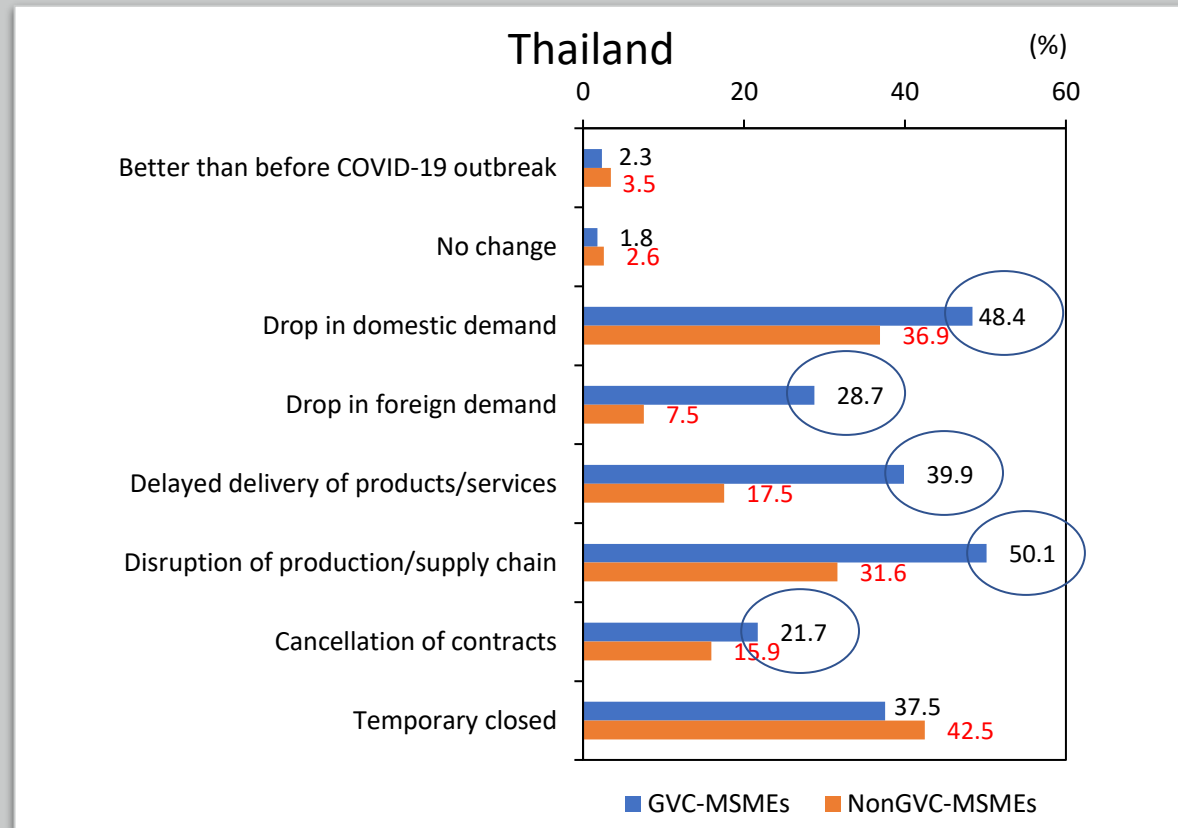
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Business environment during COVID-19 pandemic

- MSMEs involved in GVCs faced sharp drop in demand, supply chain disruptions, and contract cancellations more seriously than non-GVC MSMEs.

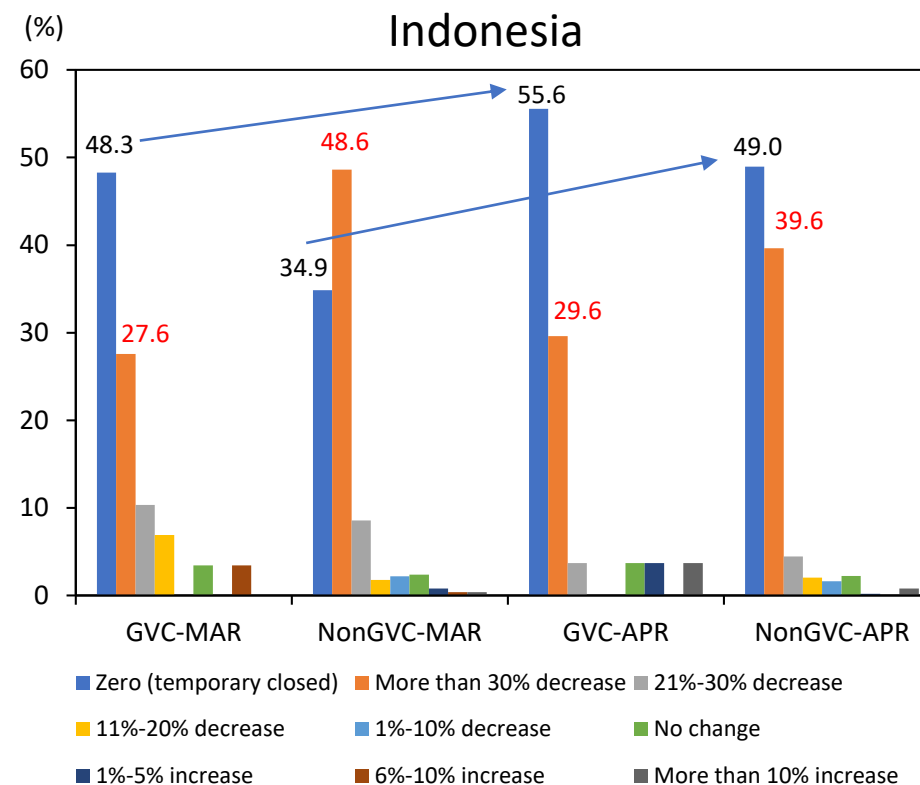
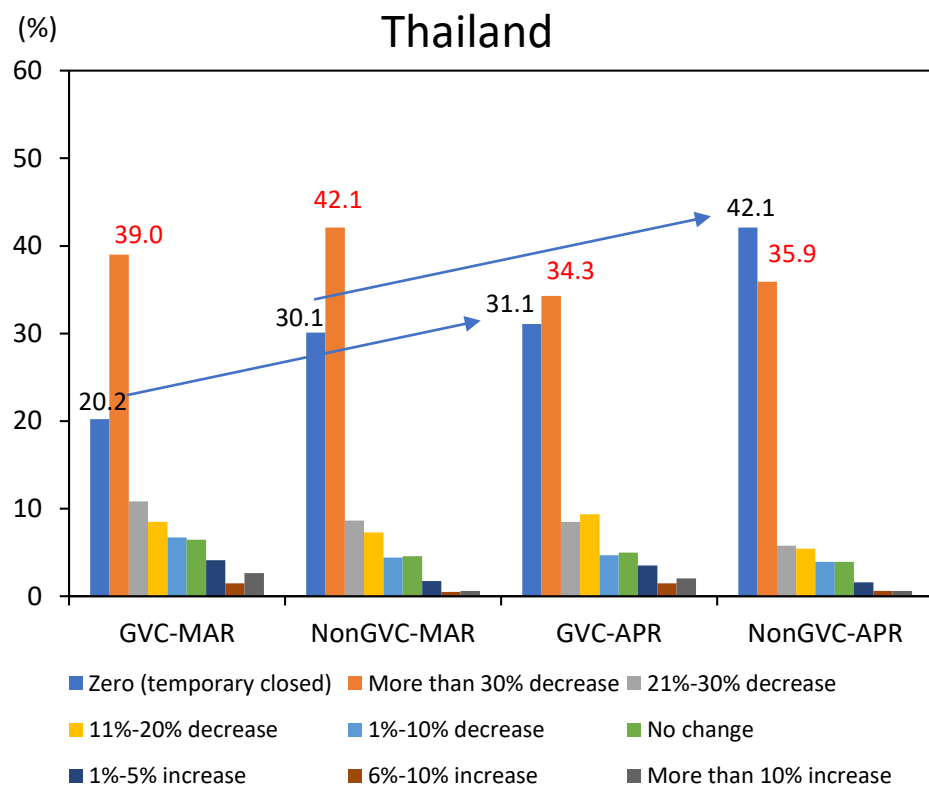


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Revenue during COVID-19 pandemic

- MSMEs with no revenue increased in the 2nd month after the outbreak caused by temporary business closure, more pronounced in GVC MSMEs in Indonesia.

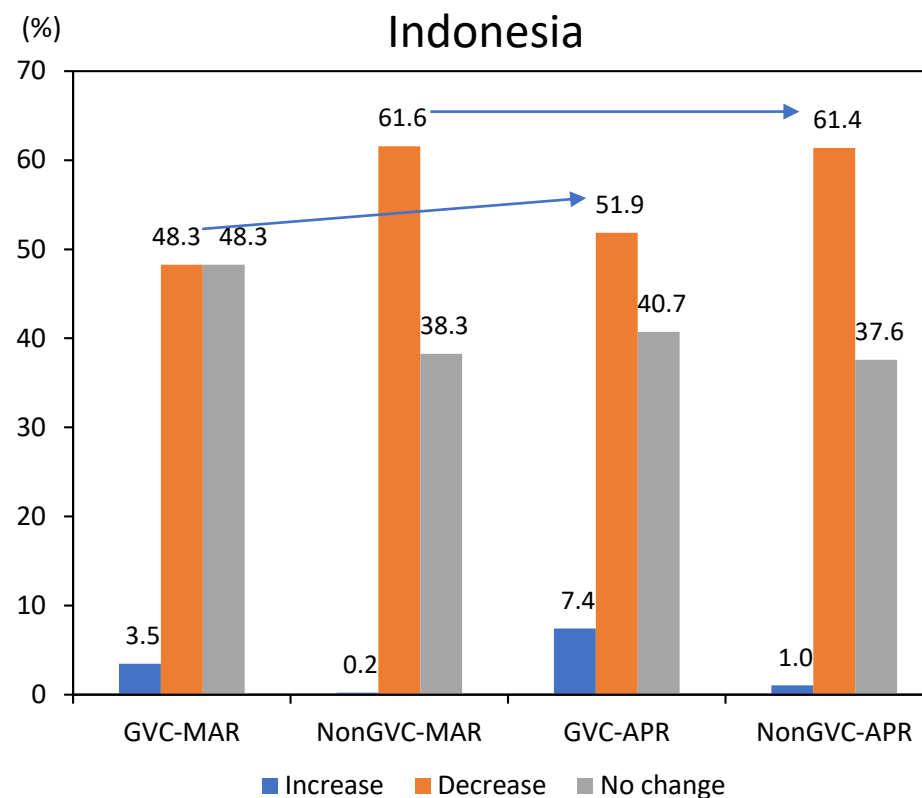
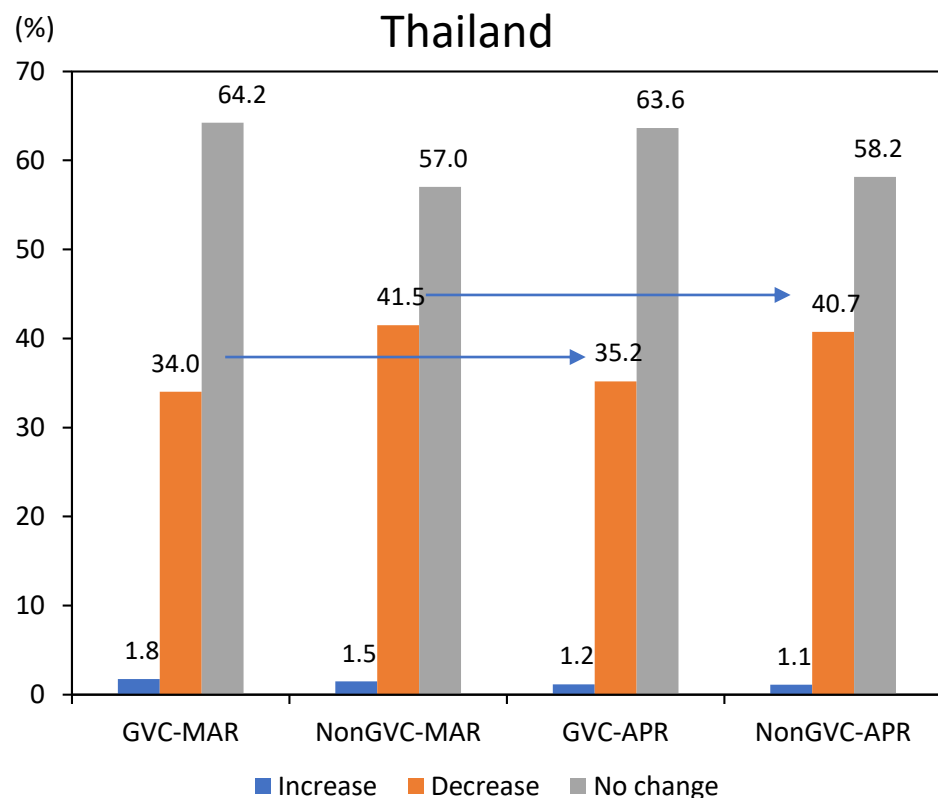


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Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Employment during COVID-19 pandemic

- Around half or more GVC MSMEs had no change of employment after the outbreak. The level of reduced workers in GVC firms was lower than non-GVC firms.

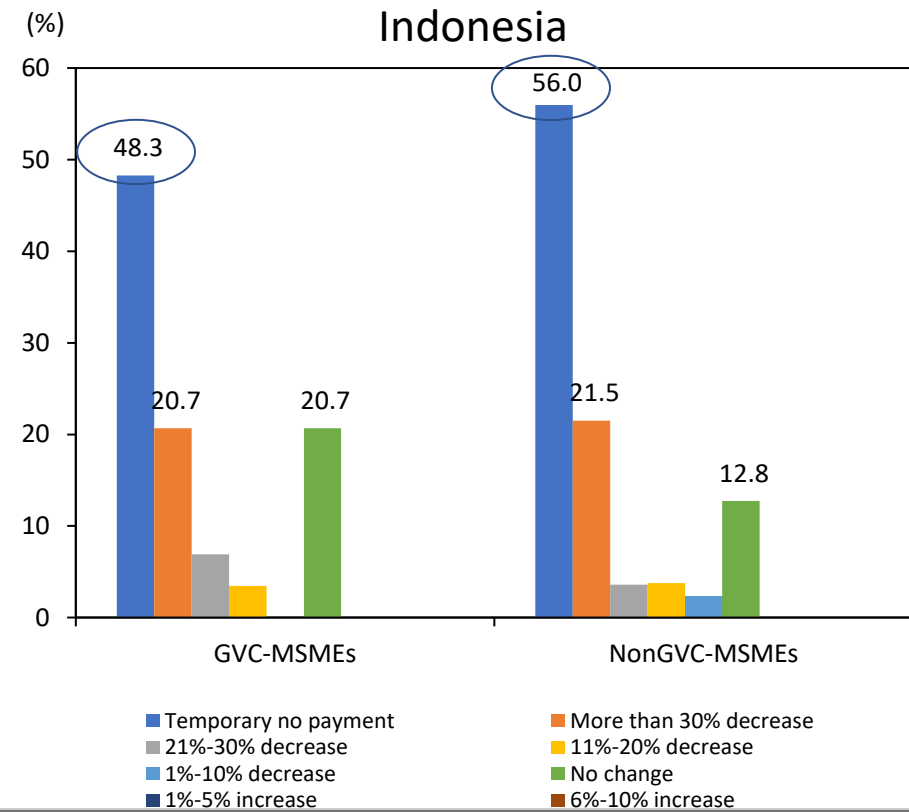
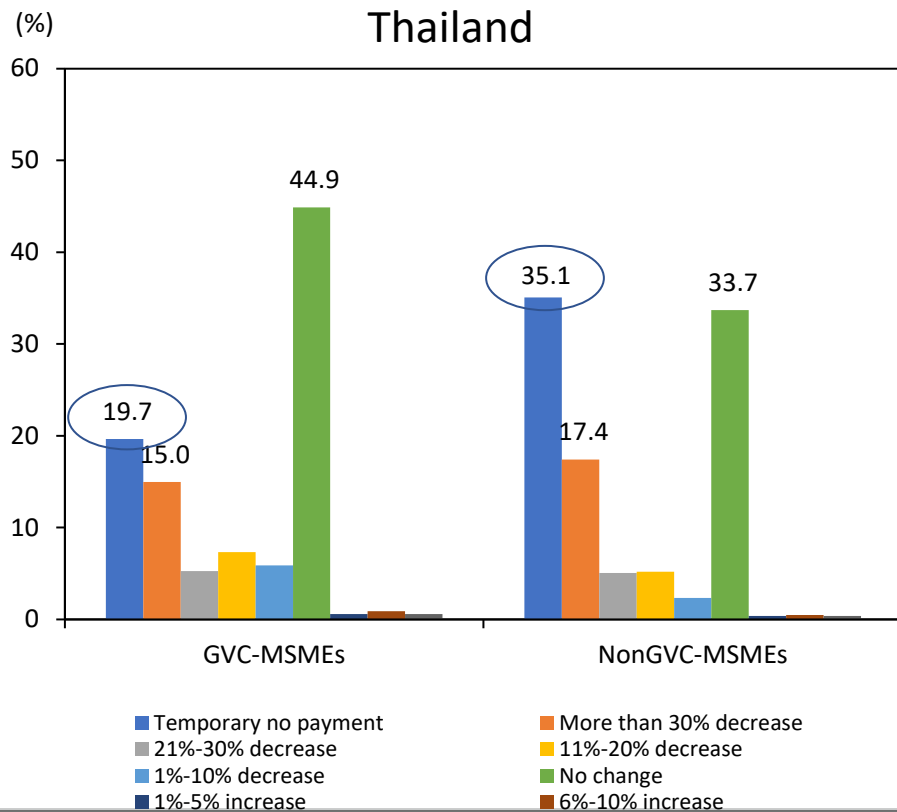


Note: 1,147 valid samples in Thailand and 525 in Indonesia.

Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Wage payments during COVID-19 pandemic

- For GVC MSMEs, the level of suspended wage payments to employees after the outbreak was lower than non-GVC MSMEs.

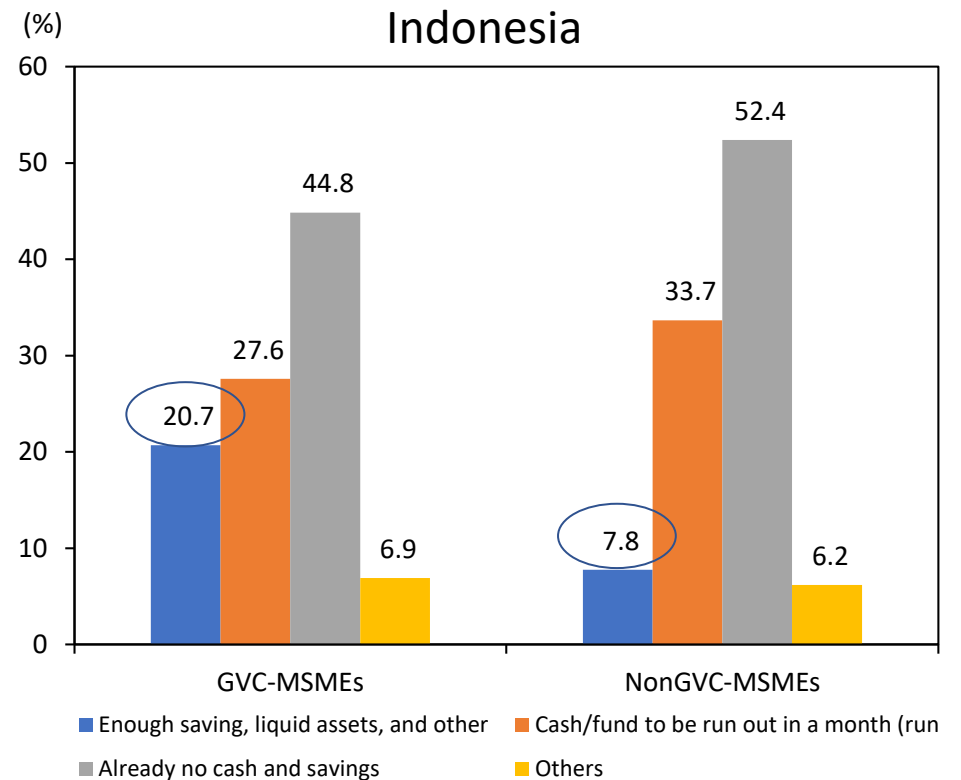
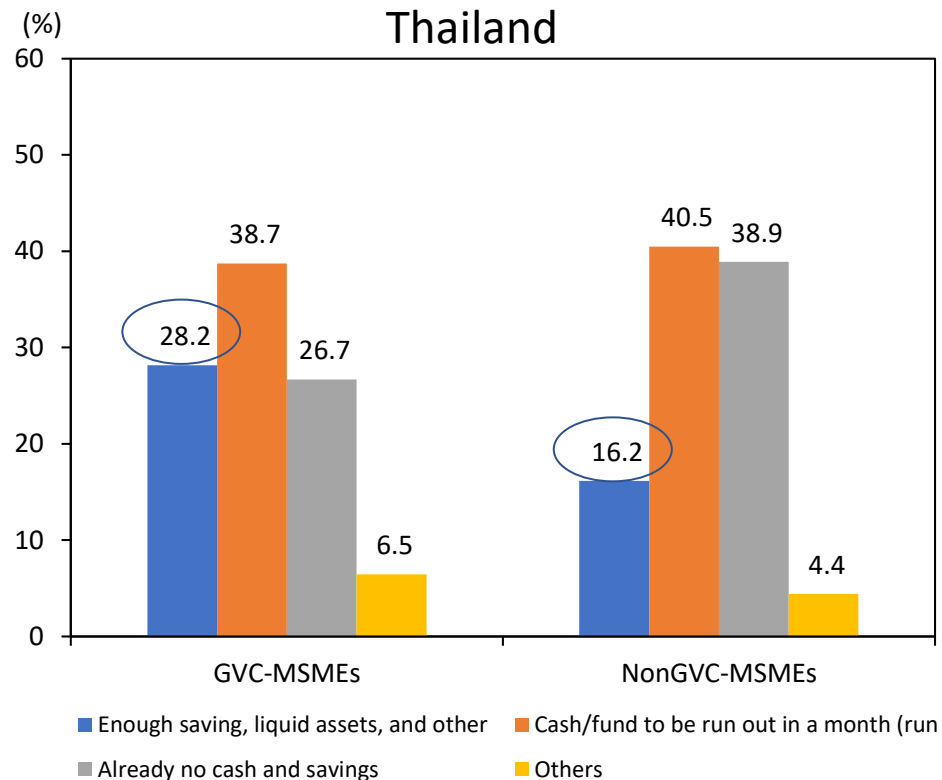


Note: 1,147 valid samples in Thailand and 525 in Indonesia.

Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Financial conditions during COVID-19 pandemic

- GVC MSMEs had relatively sufficient cash and savings to survive during the pandemic as compared with non-GVC MSMEs.



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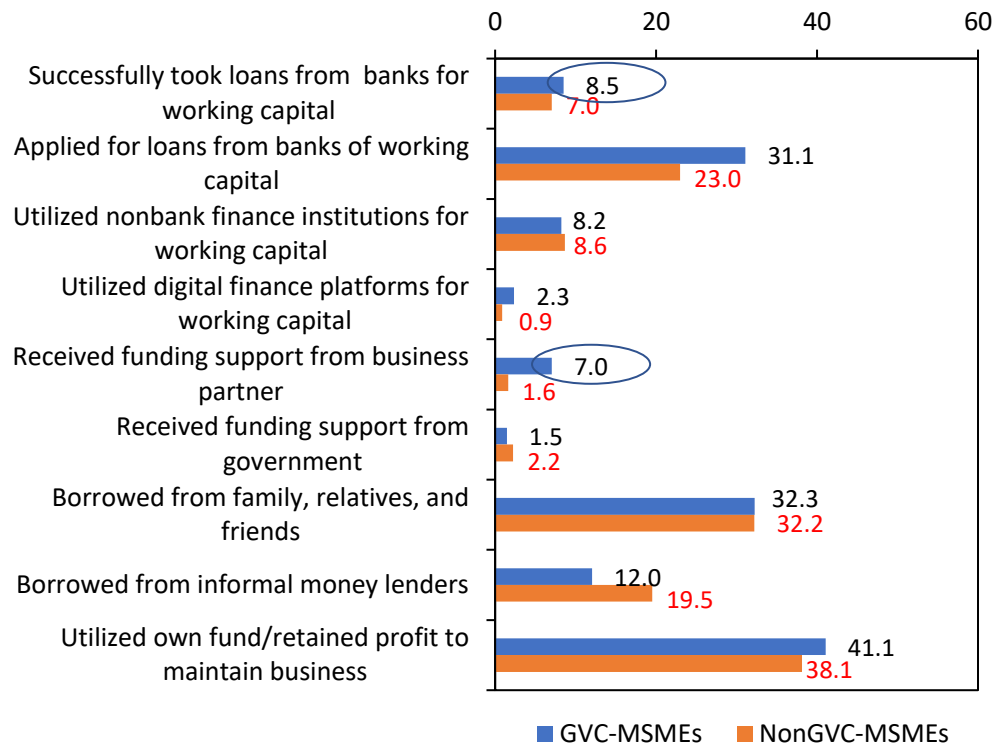
Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Funding during COVID-19 pandemic

- GVC MSMEs had relatively good access to bank credit and had funding support from business partners during the pandemic.

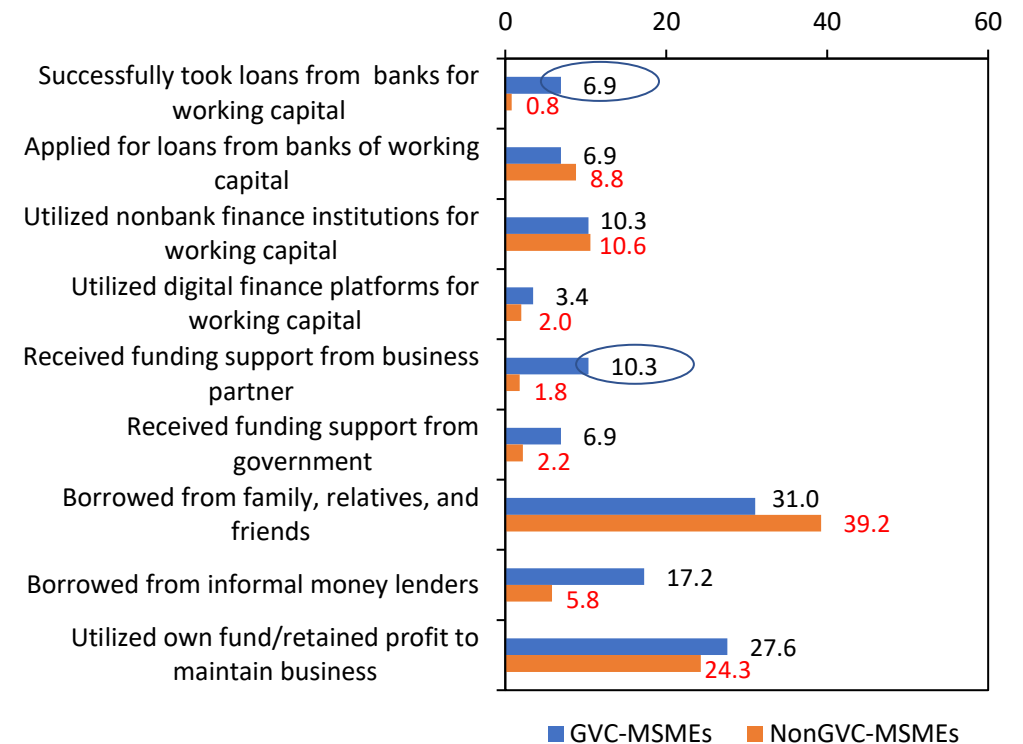
Thailand

(%)



Indonesia

(%)

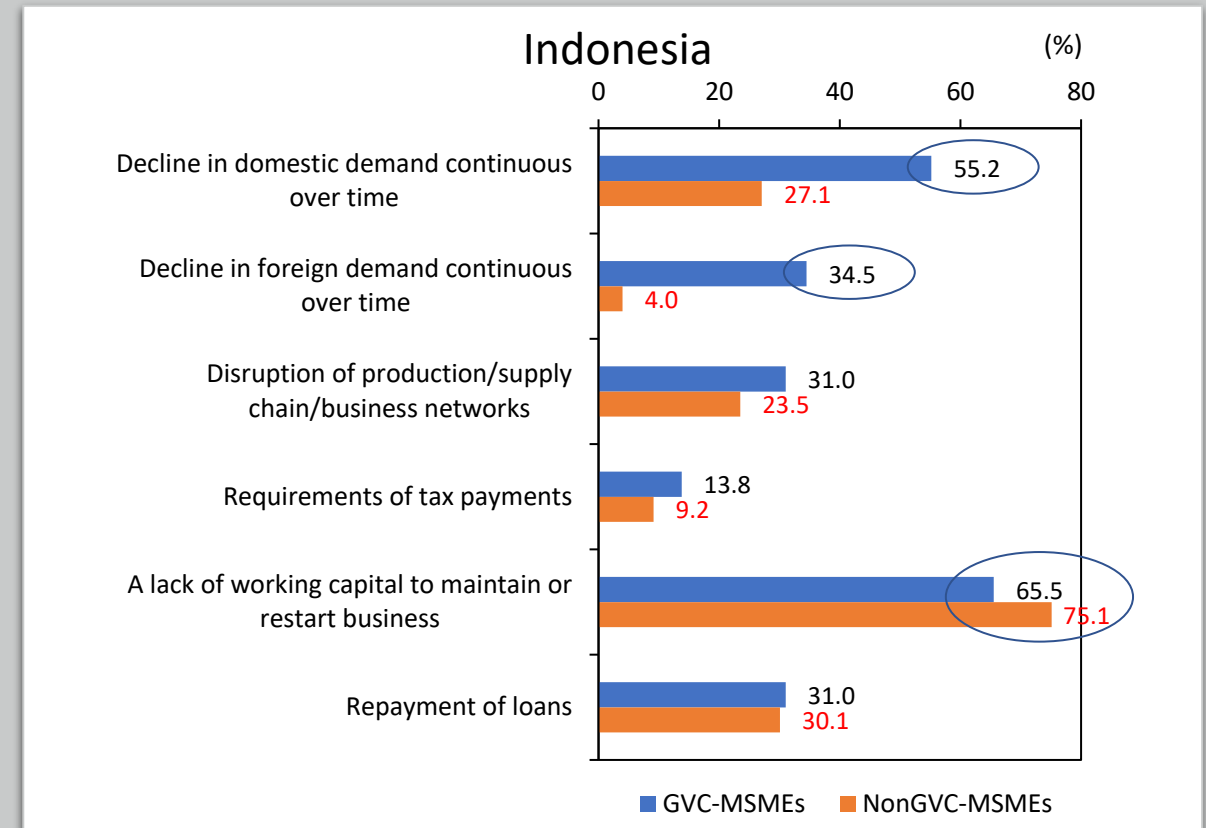
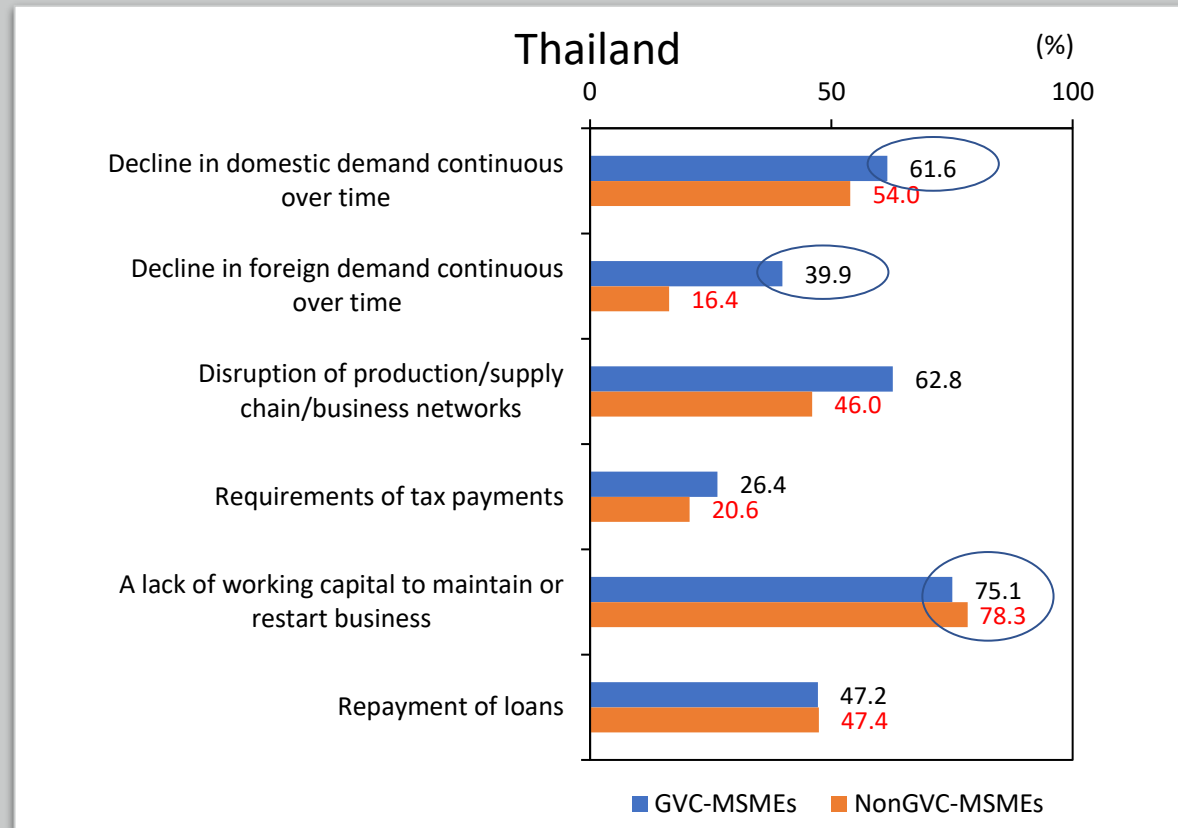


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Concerns & obstacles for MSMEs involved in GVCs

- MSMEs reported a lack of working capital as the top ranked concern to retain business. Decline in demand as the 2nd ranked but more serious in GVC MSMEs.

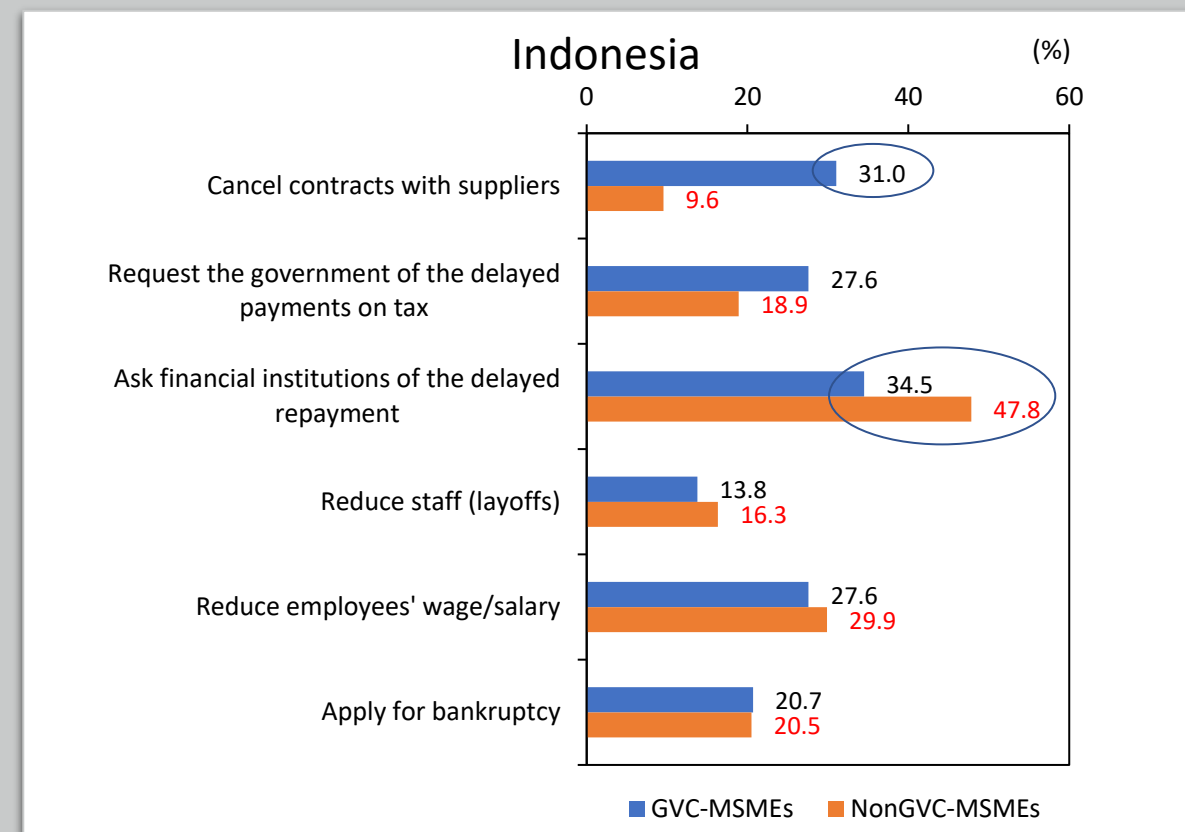
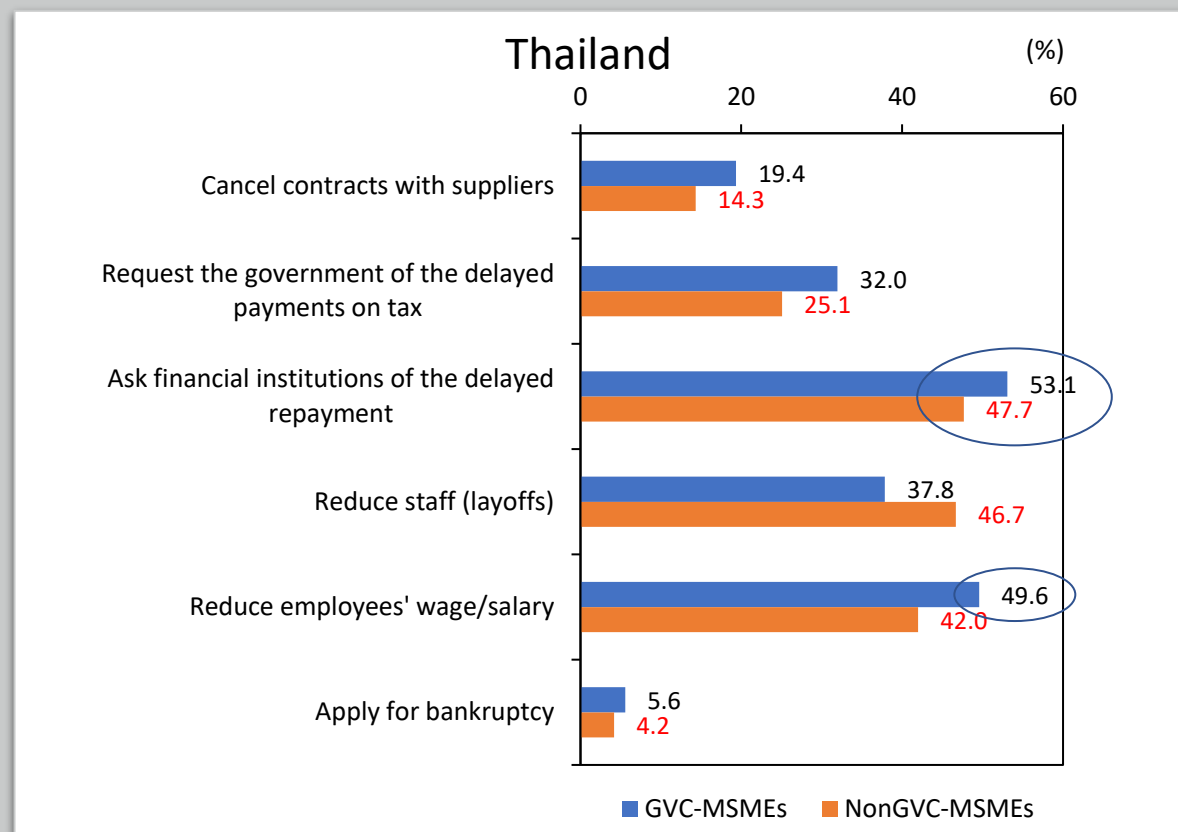


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Actions considered by MSMEs involved in GVC

- Most MSMEs desired the deferred loan repayments. Indonesia GVC MSMEs considered contract cancellation more seriously. Near half of Thai GVC MSMEs considered wage cuts of employees.



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Policy measures desired by MSMEs involved in GVC

- Most MSMEs sought financial assistance from the government, followed by subsidies/cash transfers/grants.
- GVC MSMEs desired one stop service windows for exporters & importers.



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Source: Calculated based on data from the rapid MSME surveys in Thailand and Indonesia, April–May 2020.

Tax waivers/temporary tax relief and financial programs would be most helpful government measures for both small and big businesses

What are the top 3 government measures that would be most helpful as you cope with the COVID crisis? (% of responses and [overall ranking])

	Micro	Small	Medium	Large
Financial programmes	59 [1]	61 [2]	63 [2]	64 [2]
Tax waivers or temporary tax breaks	54 [2]	64 [1]	70 [1]	71 [1]
Support to self-employed people	36 [3]	29	22	15
Rent subsidies	31	34 [3]	29	28
Employment programmes	27	28	37 [3]	39 [3]
Cash transfers	24	33	19	17
Reduction of tariffs on imported inputs	16	15	21	27
Others	6	4	4	4

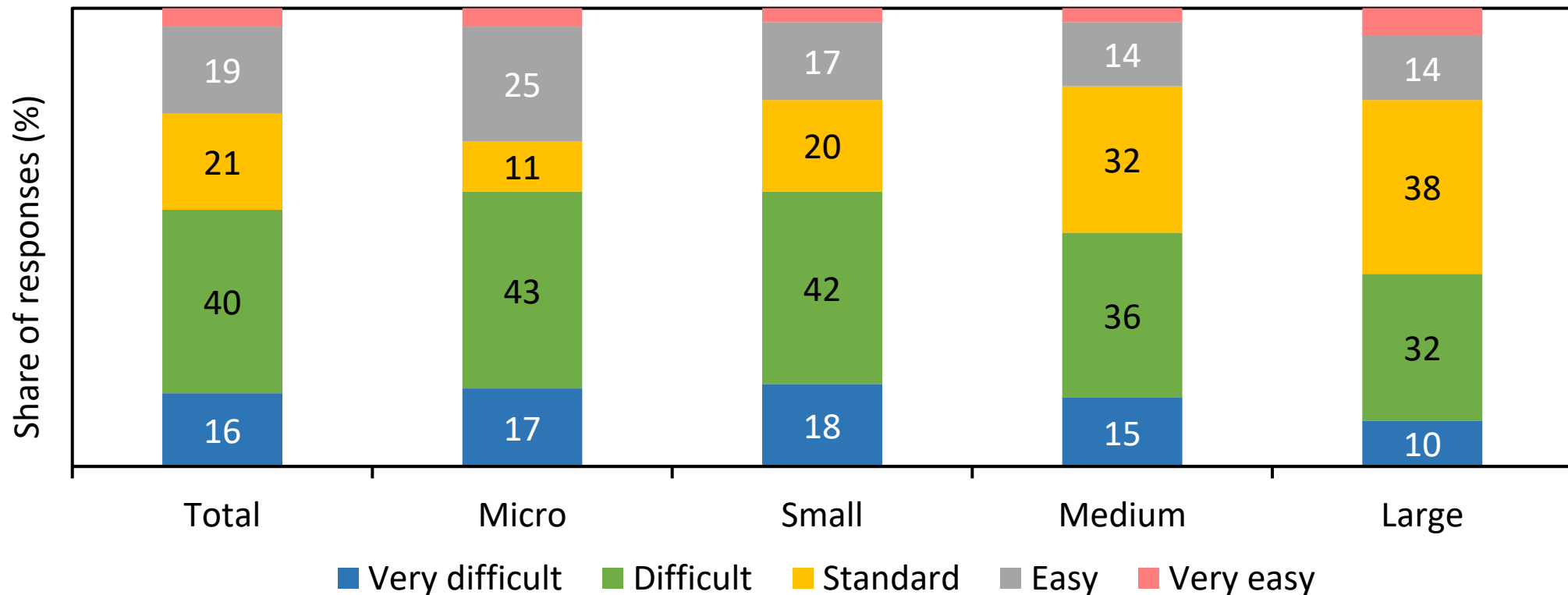
Definitions: Microenterprises, up to 4 employees; small firms, 5-19 employees; medium-sized firms, 20-99 employees; large firms, 100 or more employees.

Note: Data on 2,170 businesses in 121 countries. Response rates vary across countries and regions.

Source: ITC calculations based on COVID-19 Business Impact Survey. Data collected 21 April – 2 June 2020.

MSEs struggle to access information and benefits from government

How easy is it to access information/benefits from government COVID assistance programs?

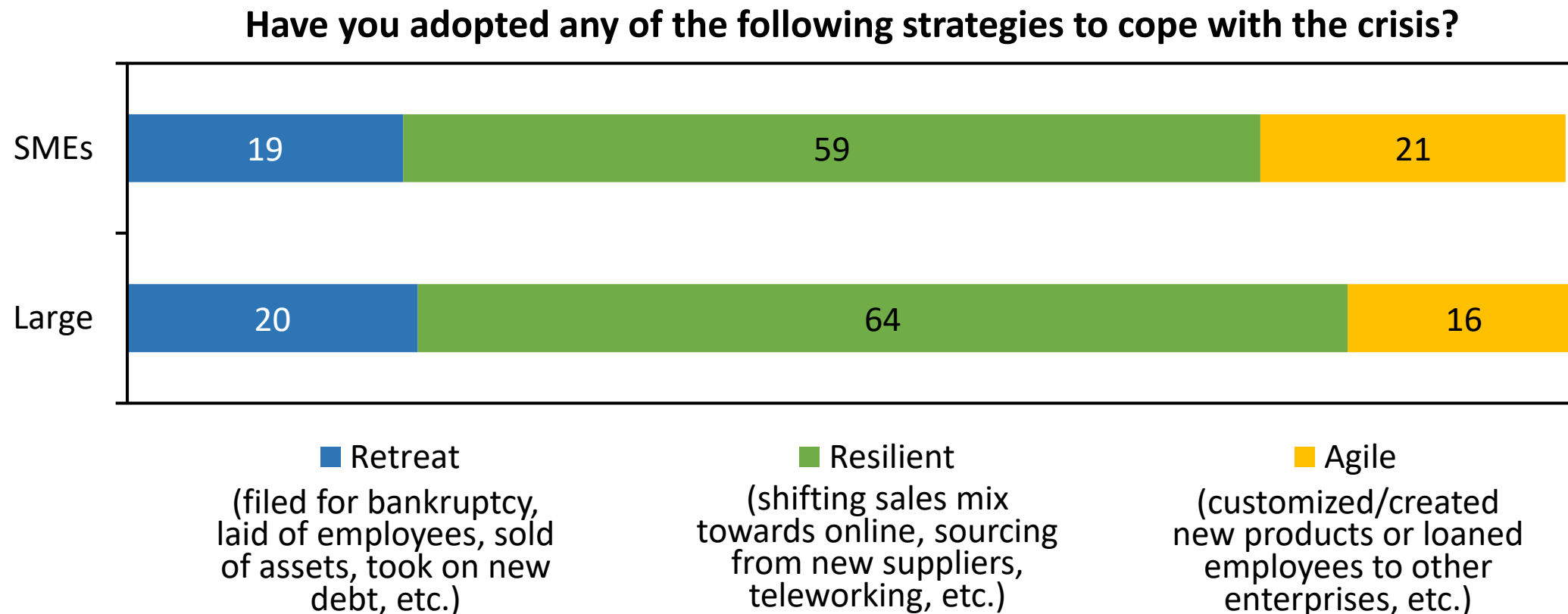


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SMEs more likely to adopt “agile strategies”



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- **New normal**

Normal?

Old Normal – pre-COVID

- To January 2020
- Globalization, value chains, SME participation

Great COVID Disruption

- February 2020 to July 2021 (?) – trusted vaccine
- Constrained economic activity
- Reduced global interaction (especially people, tourism, travel)
- New ways/deepening of digital interaction (platforms, zoom, Teams, skype)

New Normal – post-COVID

- Will COVID create a new normal?
- What shape, implications for SME internationalization?

4 characteristics of a new normal



Shock Prepared

Be better prepared for future shocks. Expect the unexpected. Build financial reserves, within business and economic systems.

Deeper Digital

Ever more of what we do will be digitized. Reduced travel. More remote work. Requires better digital infrastructure and advanced digital literacy.

Defensive Health

More conscious of health risks. More protection. Biology is a benefit but a danger. Across borders, within borders. Build protective health systems.

Agility to pivot

Business respond to new trends. Crisis is an opportunity. Positive pivot from traditional markets/processes to latent opportunities. At home and abroad.

Digitalization programs to boost SMEs internationalization

Digitalization Support in Selected Asian Economies

Support	
Singapore	SGD 33 billion ' Fortitude ' Budget that will encourage businesses to adopt e-invoicing, e-payments and business process or e-commerce solutions
Hong Kong, China	D-Biz program to fast-track SME adoption of 12 categories of IT solutions; each eligible applicant may receive up to HKD 300,000 to undertake projects, to be completed within 6 months
Malaysia	RM 300 million has been allocated by the government for the Automation and Digitalisation Facility (ADF) program to incentivize SMEs in automating processes and digitalize operations to improve productivity and efficiency
Indonesia	Conduct of virtual business matching events that will spur exports by small and medium enterprises (SME) by connecting them with potential buyers abroad



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