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How small businesses in Turkey and the Middle East are coping with the impacts of COVID-19

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This document summarises the findings from a survey on the impact of COVID-19 on small and medium enterprises (SMEs) in the Middle East and Turkey, and what support these businesses need to survive the pandemic. The survey and its analysis were undertaken by RAND Europe, commissioned by the Dutch non-governmental organisation (NGO) SPARK.¹ The survey questions are provided in the annex to this document.

This survey was intended to be rapid and exploratory in its nature to provide a snapshot of the issues small business owners in the Middle East and Turkey have been facing in the midst of the COVID-19 pandemic and what support they need for the survival of their business. The survey is targeted primarily at SMEs owned by migrants, women and young people, and so the results are not intended to be representative of all SMEs. The descriptive results of the survey are provided in this document and can be used to support policymaking and decision making for how best to support SMEs in the region during the pandemic.

RAND Europe is a not-for-profit research organisation that helps to improve policy and decision making through research and analysis. This report has been peer-reviewed in accordance with RAND's quality assurance standards. For more information about RAND Europe or this document, please contact Stijn Hoorens (hoorens@randeurope.org).

COVID-19 has had a huge global impact, not only on the health and wellbeing of people but also the economy. Small and medium-sized enterprises (SMEs) are a vital part of the economies in Turkey and the Middle East and North Africa (MENA) region.



Over 90% of SMEs in the MENA region are very small,



employing less than 50 people,



yet SMEs contribute to 60% of GDP



and 70% of employment.^{2,3}

Yet they may be most vulnerable to the economic effects of COVID-19 as they are less able to deal with the economic impacts of lockdown restrictions and access the financial support needed to survive.⁴

Government-enforced lockdown measures across the world forced many businesses to stop operations and caused severe disruption to supply chains, domestic demand and international trade. The MENA region and Turkey are no exceptions to this. The pandemic has led to severe economic disruption in the region, particularly in relation to the drop in oil prices, remittances, foreign direct investment and tourism.⁵ As a result, the International Monetary Fund estimates that the economy in the Middle East and Central Asian area will shrink by 3.1%, equal to a loss of \$425 billion for the region. This estimate is a worse outlook than seen during the 2008 global financial crisis and the 2015 oil price crash.⁶

Investigating the effects of COVID-19 on SMEs

RAND Europe ran an online survey from 4 May to 21 May 2020 to gain an understanding of the impact the COVID-19 outbreak has had on SMEs and local entrepreneurs in the MENA region and Turkey. In particular, the focus was on businesses owned by refugees, women and young entrepreneurs. This survey was undertaken by RAND Europe for SPARK, an NGO based in the Netherlands. The results help SPARK and donor agencies to identify and prioritise support measures and develop

programmes for supporting small business owners in the region during the pandemic. The survey was sent directly to a mailing list of SME owners supported by SPARK and it was also available online as an open link for any SME owner to complete.

171 SME owners responded. Of these, 63% were from owners of micro businesses (less than 5 employees) and 35% were from small (5 to 50 employees) businesses. Most were from respondents based in four countries: Jordan, Lebanon, Palestine and Turkey. Respondents' characteristics are compiled in Tables 1 to 3.

Table 1. Respondents and characteristics

Country	Respondent gender		Migrant or refugee*		Total**
	Male	Female	Yes	No	
Jordan	37	12	14	35	51
Lebanon	9	13	8	14	22
Palestine	10	6	6	10	16
Turkey	45	18	55	9	69
Other	10	3	10	3	13
Total	111	52	93	71	171

*Migrants or refugees include internally displaced persons, Syrians under temporary protection and refugees/asylum seekers

**Subcategories totals are not necessarily equal to 171 as some questions were not answered by some respondents

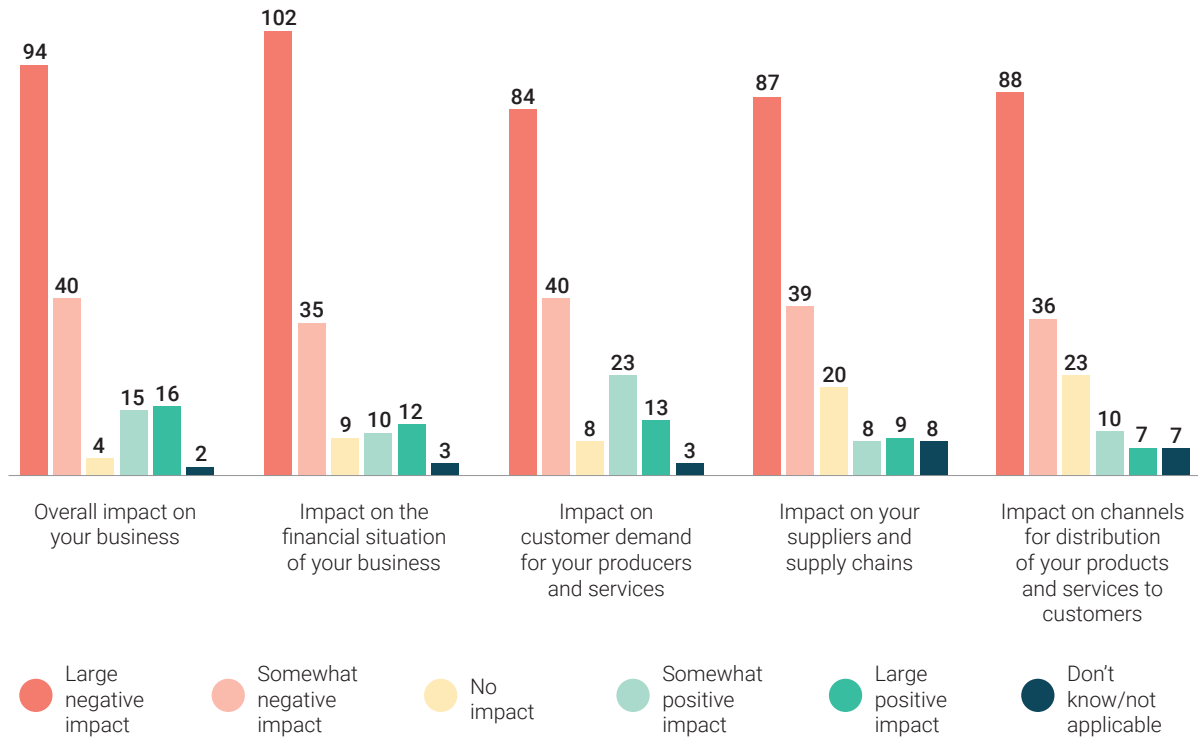
Table 2. Respondent age groups

Age groups	Respondents
18–24	30
25–34	73
35–44	45
45–54	12
55+	3

Table 3. Respondent company size

Company size (number of employees)	Respondents
0 employees	39
2–4	68
5–9	37
10–19	12
20–49	11
50–199	4

Figure 1. What can you say about the different impacts of the COVID-19 outbreak on your company? (n= 171)



While the respondents were from a range of industries – production/manufacturing, services and trade/retail – the sample was skewed towards young business owners (34 and younger, 63% of respondents), migrants (57% of respondents) and women (32% of respondents). The sample size is too small and not representative to draw conclusions that can be generalised to a wider population. Below we briefly discuss the main findings of the survey.

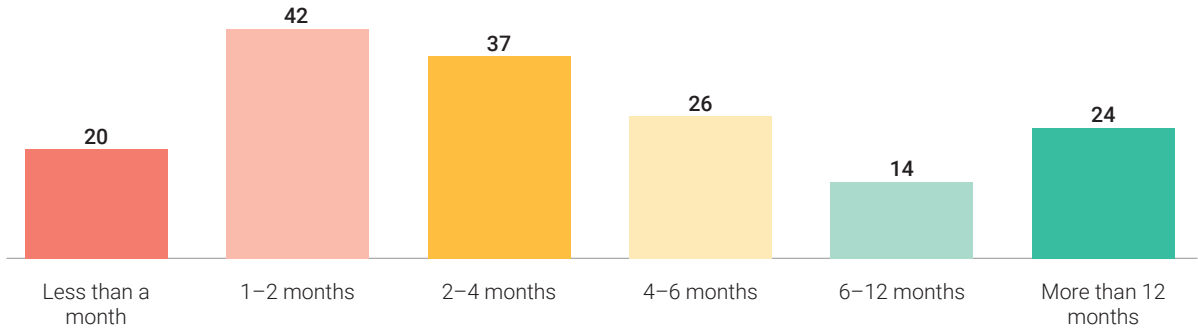
What have been the economic effects of COVID-19?

- 79% of respondents indicate that the overall impact on their company has been negative (Figure 1). More than half indicate that the pandemic has had a large negative effect on all aspects of their company, including finances, demand, supplier/supply chain and distribution channels.

These results are similar to two other studies that found COVID-19 primarily has a negative impact on businesses^{7,8} and they highlight the urgent need of support for SMEs in the region as the risk of many going out of business by the end of 2020 is high.

- Over half of those surveyed (61%) believe their companies would not survive more than four months and 85% believe they would not survive more than a year (Figure 2). Similar results were seen in a UNDP survey for Turkish enterprises, in which 96% of respondents felt that COVID-19 is a serious threat to their business.⁷
- Almost half of young entrepreneurs (18 to 34 years old) do not expect to survive longer than two months, while this is only the case for 20% of older entrepreneurs (Figure 2).

Figure 2. If you cannot receive any support, how many months do you expect your business can survive? (n= 163)



What measures have SMEs had to take to protect their business?

More than half (56%) have reduced their own salary or scaled back on services. Nearly half (47%) have had to take at least one of the following actions: laid off staff temporarily, requested a payment suspension or reduced or stopped wages for staff (Figure 4). Similar results were seen in a survey of young entrepreneurs in the Asia-Pacific, in which over one-third of business owners had laid off staff or reduced their hours.⁶ These results highlight

the major changes SME owners have had to make to ensure the survival of their company in the immediate future.

When looking at sub-groups, reducing wages is particularly an issue in Jordan (57% reported having reduced either self-pay or staff pay), while scaling-back on services seems more prevalent in Turkey (39% of respondents reported this). Smaller companies are less likely to have laid off staff, with 21% of companies with less than five employees laying off staff compared to 40% of companies with more than five employees.

Figure 3. If you cannot receive any support, how many months do you expect your business can survive? Broken down by respondent age group (n=163)

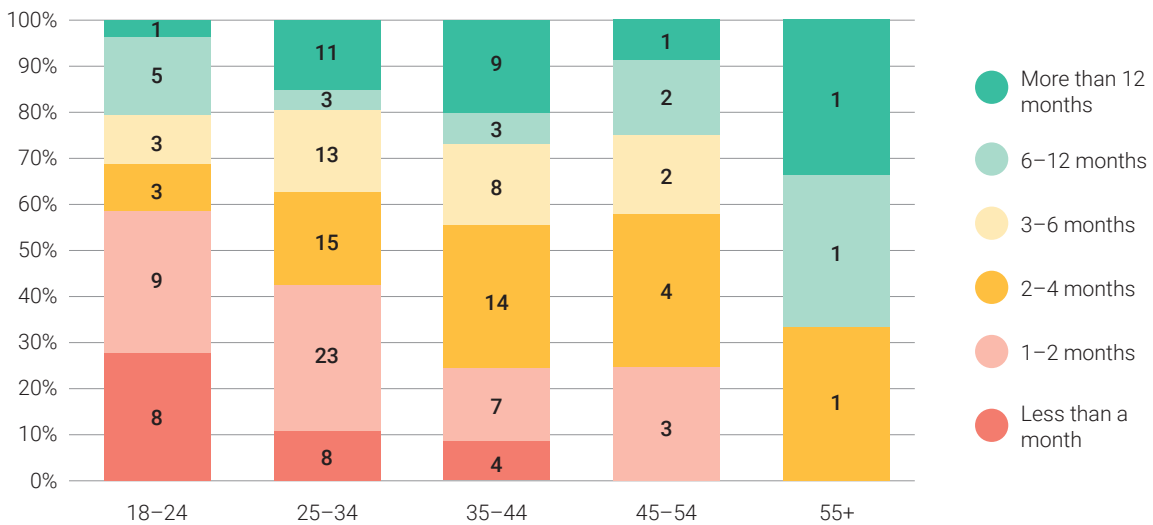
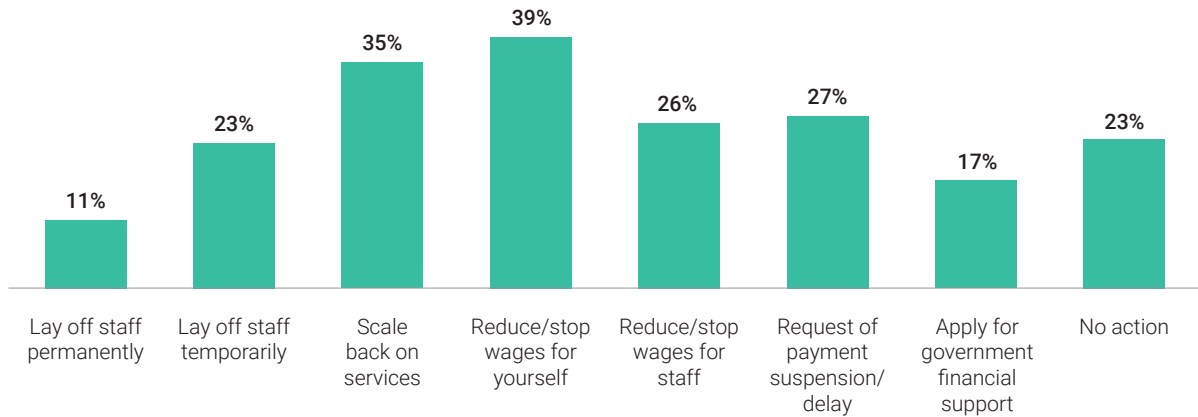


Figure 4. Have you had to take any of the following actions in your company in response to the COVID-19 outbreak? Please select all those that apply (n=171)



The results also suggest that female entrepreneurs are less likely to have laid off staff, with 21% of female-owned companies having done so compared to 34% of male-owned companies (Figure 5). This aligns with research conducted in Norway before the pandemic that suggests female leaders are less likely to lay off staff than male, even though this led to reduced profits.⁹

What are the challenges faced by SMEs because of COVID-19?

- Almost all respondents (97%) have been experiencing at least one of the challenges listed in Figure 6. Two-thirds of all surveyed enterprises (67%) are hindered by a reduction of domestic demand for their products or services and half (50%) are facing difficulties covering staff salaries and other business costs, such as rent or utilities. Challenges with other government regulations (7%) staff shortages due to sickness (8%) or tax laws (15%) are much less common.

Figure 5. Have you had to lay off staff in response to the COVID-19 outbreak? Broken down by respondent gender (n=163)

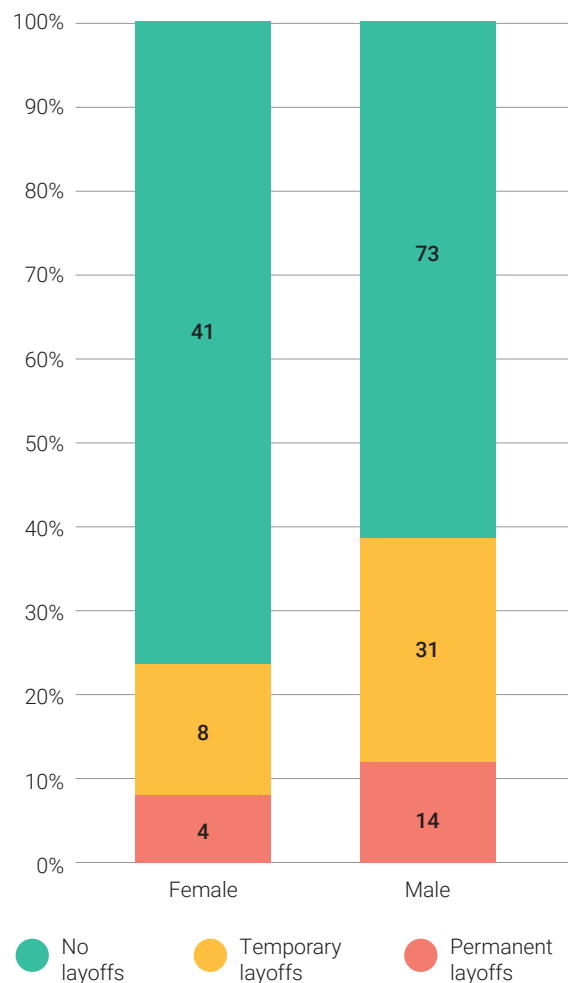
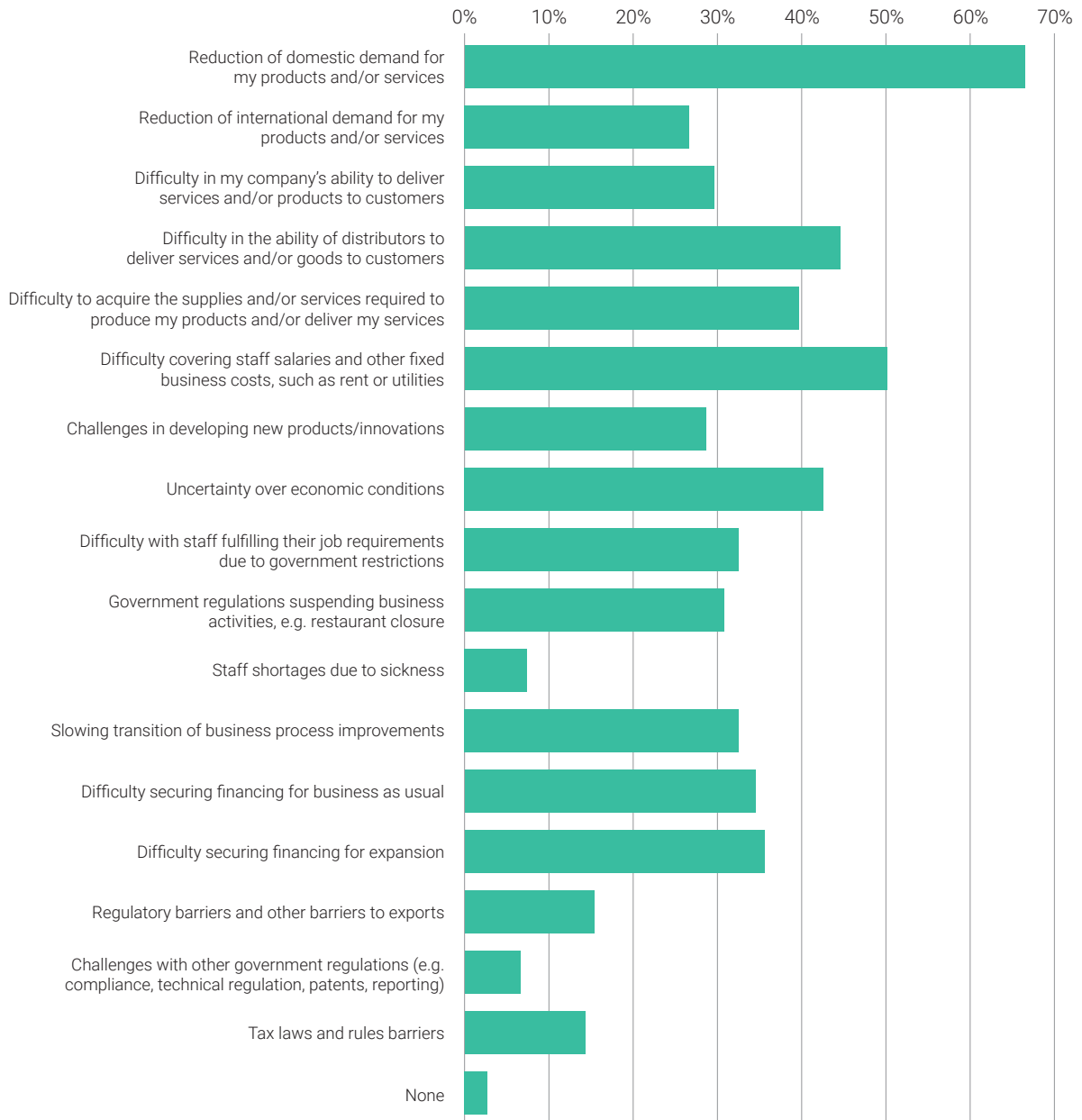


Figure 6. As a result of COVID-19, does your company face any of the following challenges? Please select all those that apply (n=169)

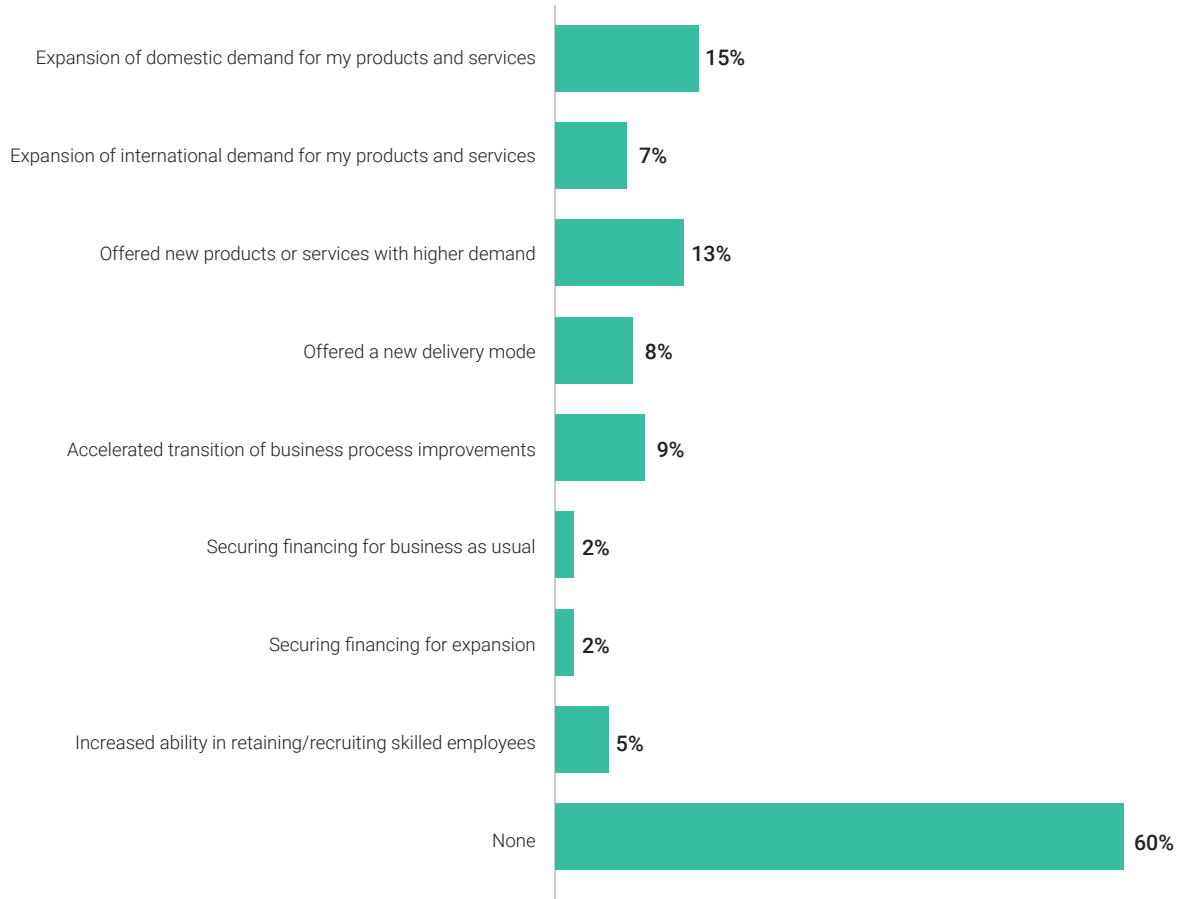


- As with the measures taken to protect businesses, these results demonstrate the difficulties SME owners are facing in ensuring their survival into the near future until lockdown restrictions start to lift.

What positive effect, if any, has there been for SMEs?

- One in six respondents indicated that COVID-19 has had a positive impact on their business, and over one quarter (26%)

Figure 7. As a result of COVID-19, does your company face any of the following opportunities? Please select all those that apply (n=169)



see opportunities to expand their business (Figure 7).

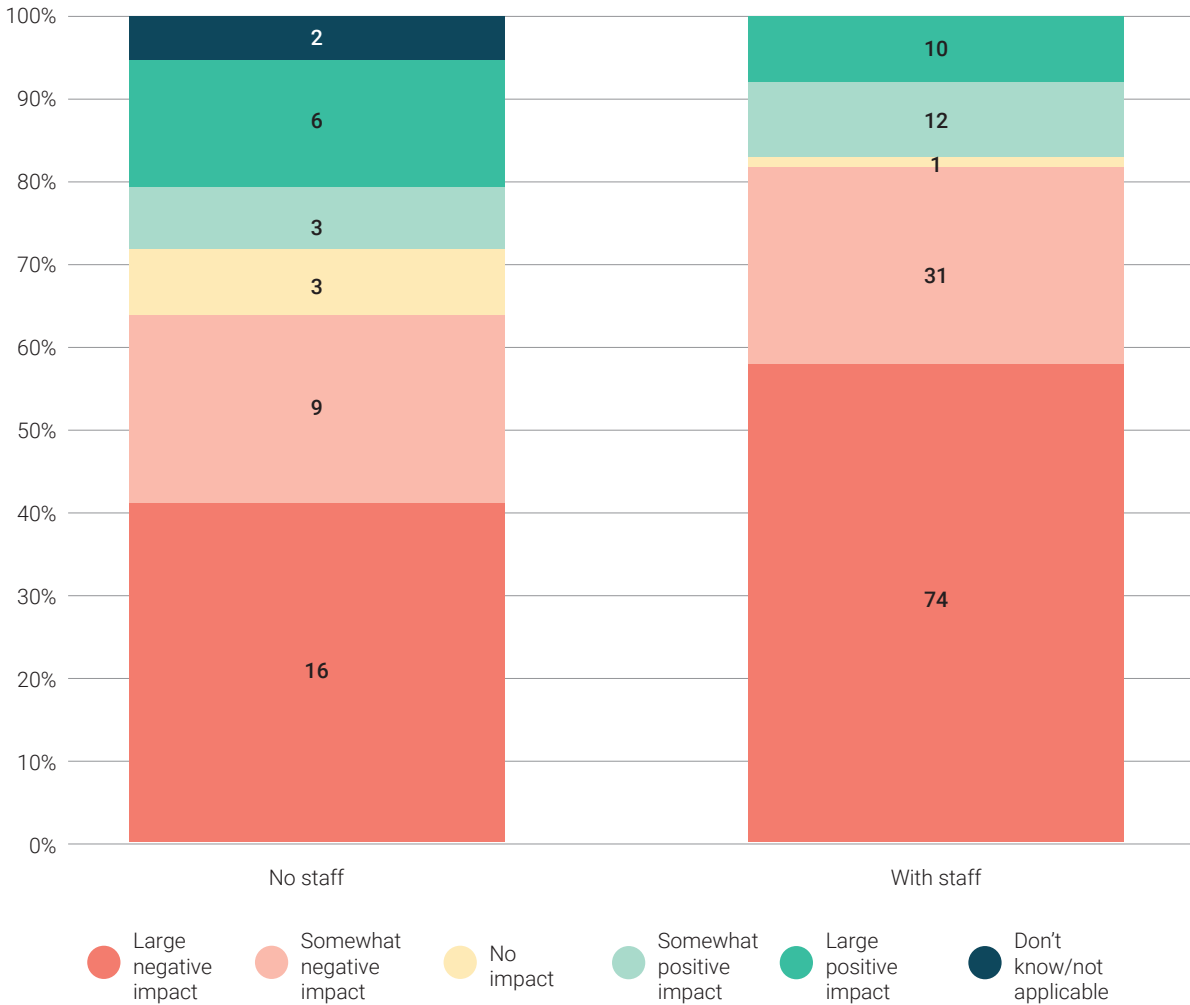
- Some SMEs see opportunities to expand domestic demand (15%), while others are offering new products or services that are in higher demand (14%). It is unclear from these results whether these are short-term benefits or whether these opportunities will extend beyond the pandemic.
- Young SME owners seem to be slightly more resilient than older owners as the overall positive impacts of COVID-19 were more often reported by respondents under 34 (20% of respondents under 34 reported overall positive impact compared to 11% of

older respondents). Entrepreneurs without staff seem to experience more positive impacts than those with staff (Figure 8). This may be because they have not had to provide support for staff or lay off staff.

What support do SME owners need to keep their businesses going?

- All except two firms indicated they would need some form of support to protect their business. A large majority (80%) felt they would need financial grants and around one-third (37%) would need access to markets, value chains or alternative sales

Figure 8. What can you say about the different impacts of the COVID-19 outbreak on your company? Broken down by staff (n=167)



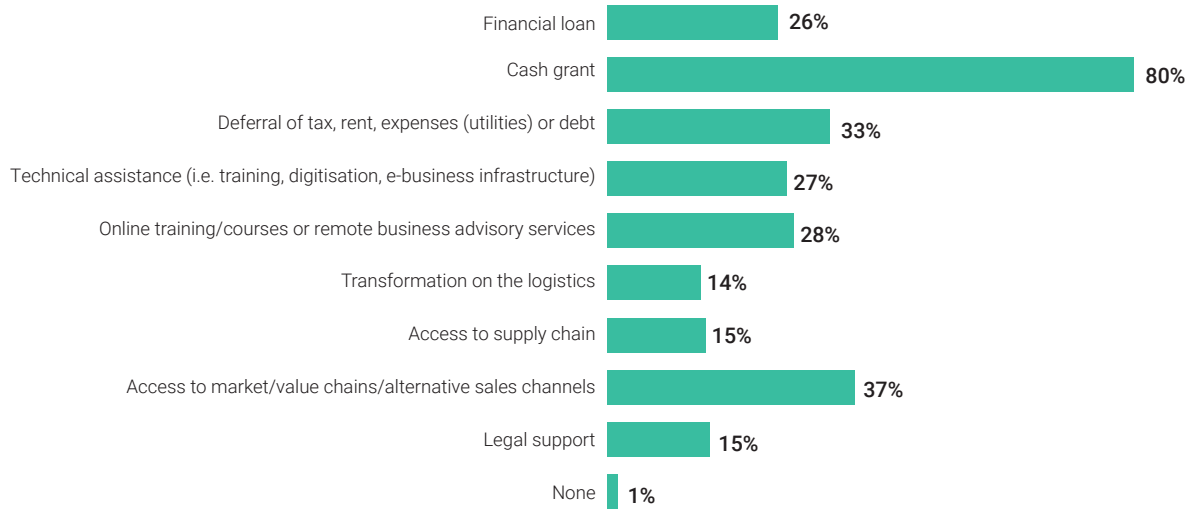
channels (Figure 9). Almost all respondents (87%) believe that they can grow and expand their business if they have access to financial and technical support during the pandemic.

- The type of support needed does not seem to differ by country. However, compared to their Jordanian counterparts, entrepreneurs in Turkey tend to emphasise the need for technical assistance and legal support more (43% in Turkey and 29% in Jordan). A UNDP study on the impact of COVID-19 on

enterprises in Turkey identified additional types of support that business owners may desire, including psychosocial support for employees, support for purchasing personal protective equipment and financial support for childcare.⁷

- Digital skills training and web-based marketing are felt to be of particular importance. Females entrepreneurs are more interested in online training, with 42% selecting this option compared to 22% of males.

Figure 9. What kind of support do you need to safeguard your company? Please select all those that apply (n=164)



What does this mean?

While the survey's sample size was small and not representative for all SMEs in the region, these results highlight the large and widespread impact of COVID-19 on small business owners in the MENA region and Turkey. As the owners of microbusinesses, female owners and migrant owners are over-represented in our sample and the results may provide insight into this group of SMEs. For example, the results suggesting that microbusinesses and female leaders may be less likely to lay off staff.

These results also demonstrate the urgent need for a range of support services to prevent many SMEs from going out of business before the end of 2020. While direct financial support, such as cash grants, appear to be the most desired, other types of support could also be considered. A recent Asia-Pacific survey by the IMF highlighted some of these other types of support being implemented in that region, such as incentives to buy from small, local businesses and the creation of e-commerce platforms and support for remote working, which could also be relevant initiatives to introduce to the MENA and Turkey regions.⁶

Endnotes

- 1 See for more information about SPARK: <https://spark.ngo/>
- 2 OECD. 2020. 'The Impact of the Global Economic Crisis on SMEs in the MENA Region.' As of 20 June 2020:
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- 4 Hofman, J. 2020. 'To be, or not to be – a question faced by small firms need an urgent policy response.' Forthcoming.
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- 6 International Monetary Fund. 2020. 'Regional Economic Outlook: Middle East and Central Asia.' As of 20 June 2020:
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- 7 Youth Co:Lab. 2020. 'Young entrepreneurs explain how COVID-19 is affecting their businesses.' As of 20 June 2020:
<https://www.youthcolab.org/young-entrepreneurs-explain-how-cov>
- 8 UNDP Turkey. 2020. 'Survey on Impact of COVID 19 on Enterprises and Needs Turkey.' As of 20 June 2020:
<https://data2.unhcr.org/en/documents/details/76803>
- 9 Matsa, David A., & Amalia R. Miller. 2013. 'A Female Style in Corporate Leadership? Evidence from Quotas.' *American Economic Journal: Applied Economics* 5(3): 136–69.

Annex A. Survey questions

1. Are you an entrepreneur? By entrepreneur, we mean someone who has set up a business or businesses.
 - a. Yes
 - b. No [end survey if this is selected]

2. What country do you currently live in?
 - a. [Drop-down list of MENA countries]

3. In which district/region is your business located?
 - a. [Drop-down list of region/district based on country selected in Q2]

4. What sector does your company work in?
 - a. Production/manufacturing
 - b. Services
 - c. Trade/retail

5. What industry does your company work in?
 - a. Agriculture, forestry and fishing
 - b. Mining and quarrying
 - c. Manufacturing
 - d. Electricity, gas, steam and air conditioning supply
 - e. Water supply; sewerage; waste management and remediation activities
 - f. Construction
 - g. Wholesale and retail trade; repair of motor vehicles and motorcycles
 - h. Transportation and storage
 - i. Accommodation and food service activities
 - j. Information and communication
 - k. Financial and insurance activities
 - l. Real estate activities
 - m. Professional, scientific and technical activities
 - n. Administrative and support service activities
 - o. Public administration and defence; compulsory social security
 - p. Education
 - q. Human health and social work activities
 - r. Arts, entertainment and recreation
 - s. Other services activities
 - t. Other (please specify)

6. Which of the following best describes your company?
 - a. Mainly seeking to make a profit (i.e. private sector)
 - b. A charity or voluntary sector organisation or a social enterprise
 - c. A local government-financed body
 - d. A central government-financed body
 - e. Other (please specify)

7. What is the approximate number of employees in your company? Please include both full-time and part-time permanent employees. Please do not include contractors or agency staff or other temporary staff.
 - a. Just myself
 - b. 1–4
 - c. 5–9
 - d. 10–19
 - e. 20–49
 - f. 50–199
 - g. 200–249
 - h. 250–300
 - i. 301+ [end survey here if this is selected]
 - j. Don't know

8. Please specify the gender balance of permanent staff in your company on February 1st, 2020. What was the proportion of female staff (in %)?

9. What is the approximate annual revenue of the company you own/run?
 - a. Less than \$25,000
 - b. Between \$25,000 and \$50,000
 - c. Between \$50,000 and \$100,000
 - d. Between \$100,000 and \$250,000
 - e. Between \$250,000 and \$500,000
 - f. Between \$500,000 and \$999,999
 - g. Between \$1,000,000 and \$3,000,000
 - h. More than \$3,000,000
 - i. Prefer not to say

10. To what extent do you agree with the following statement: 'I undertook extensive precautionary actions to avoid the negative effects of the COVID-19 outbreak on my company.'
 - a. Strongly agree
 - b. Somewhat agree
 - c. Neither agree or disagree

- d. Somewhat disagree
- e. Strongly disagree
- f. Don't know

11. What can you say about the different impacts of the COVID-19 outbreak on your company?

	Large positive impact	Somewhat positive impact	No impact	Somewhat negative impact	Large negative impact	Don't know/not applicable
Overall impact on your business	a	b	c	d	e	f
Impact on the financial situation of your business	a	b	c	d	e	f
Impact on customer demand for your products and services	a	b	c	d	e	f
Impact on your suppliers and supply chain	a	b	c	d	e	f
Impact on channels for distribution of your products and services to customers	a	b	c	d	e	f

12. Have you had to take any of the following actions in your company in response to the COVID-19 outbreak? Please select all those that apply.

- a. Make one or more permanent staff members redundant
- b. Lay off staff temporarily
- c. Apply for government financial support, e.g. furlough schemes, tax breaks, loans
- d. Reduce/stop wages for staff
- e. Reduce/stop wages for yourself
- f. Request a reduction or suspension of payment obligations to creditors, such as suppliers or landlord
- g. Scale back on services
- h. Don't know/not applicable

13. [If options for *Make one or more permanent staff members redundant* was selected in the previous question]: Please specify what proportion of permanent staff have been made redundant since the beginning of the Corona virus outbreak (in %).

- [open text response restricted to numerical values]

14. Please specify the gender balance of permanent staff that had to be made redundant since the beginning of the Corona virus outbreak. What proportion of all redundancies were female (in %)?
15. As a result of COVID-19, does your company face any of the following **challenges**? Please select all those that apply.
- Reduction of domestic demand for my products and/or services
 - Reduction of international demand for my products and/or services
 - Difficulty in my company's ability to deliver services and/or products to customers
 - Difficulty in the ability of distributors to deliver services and/or goods to customers
 - Difficulty to acquire the supplies and/or services required to produce my products and/or deliver my services
 - Difficulty covering staff salaries and other fixed business costs, such as rent or utilities
 - Challenges in developing new products/innovations
 - Uncertainty over economic conditions
 - Difficulty with staff fulfilling their job requirements due to government restrictions
 - Government regulations suspending business activities, e.g. restaurant closure
 - Staff shortages due to sickness
 - Slowing transition of business process improvements
 - Difficulty securing financing for business as usual
 - Difficulty securing financing for expansion
 - Regulatory barriers and other barriers to exports
 - Challenges with other government regulations (e.g., compliance, technical regulation, patents, reporting)
 - Tax laws and rules barriers
 - Other (please specify)
 - None of the above
16. As a result of COVID-19, has your company faced any of the following **positive opportunities**? Please select all those that apply.
- Expansion of domestic demand for my products or services
 - Expansion of international demand for my products or services
 - Offered new products or services with higher demand
 - Offered a new delivery mode
 - Accelerated transition of business process improvements
 - Opportunities for securing financing for business as usual
 - Opportunities for securing financing for expansion
 - Increased ability in retaining/recruiting skilled employees
 - Other (please specify)
 - None of the above
17. [If any positive opportunities are selected in Q16]: Could you provide an example of how the COVID-19 outbreak has positively impacted your company? For example, textile factories

shifting production to manufacture masks and protective gear or transportation workers providing delivery services of food and medicine.

- [Free text box]

18. What kind of support do you need to safeguard your company? Please select all those that apply.

- a. Financial loan
- b. Cash grant
- c. Deferral of tax, rent, expenses (utilities) or debt
- d. Technical assistance (i.e. training, digitalisation, e-business infrastructure)
- e. Online training/courses or remote business advisory services
- f. Transformation on the logistics
- g. Access to supply chains
- h. Access to market/value chains/alternative sales channels
- i. Legal support
- j. Other (please specify)
- k. None of the above

19. [If online training option is selected in Q18]: What type of online training/courses would you need?

- a. General advisory services on crisis management
- b. Human resources and staff management, including reskilling or upskilling of staff
- c. Repurposing or adjusting products or services to market demand
- d. Digital skills training
- e. Web-based marketing
- f. Web design
- g. Soft skills training
- h. Other (please specify)
- i. None of the above

20. [If any option except *None of the above* is selected from Q18]: If you cannot receive any of the support listed in the previous question, how long do you expect your business can survive?

- a. Less than a month
- b. Between 1 and 2 months
- c. Between 2 and 4 months
- d. Between 4 and 6 months
- e. Between 6 and 12 months
- f. Longer than 12 months

21. [If any option except *None of the above* is selected from Q18]: To what extent do you agree with the following statement: If I have access to financial and technical support for my

company during the COVID-19 outbreak, I see opportunities for my company to grow and expand.

- a. Strongly agree
- b. Somewhat agree
- c. Neither agree or disagree
- d. Somewhat disagree
- e. Strongly disagree

22. Have you received support from any of the following organisations to support your company during the COVID-19 outbreak? Please select all those that apply.

- a. National government
- b. Local government
- c. Insurance companies
- d. Non-governmental organisations (NGOs)
- e. UN agencies or development banks
- f. Trade and investment support organisations, banks etc
- g. Cooperatives
- h. Friends and family
- i. Local chambers
- j. Suppliers
- k. Customers
- l. None of the above
- m. Other (please specify)

Demographic and profiling questions

23. What is your gender?

- a. Male
- b. Female
- c. Other
- d. Prefer not to say

24. What is your age?

- a. 18–24
- b. 25–34
- c. 35–44
- d. 45–54
- e. 55+
- f. Prefer not to say

25. What country were you born in?

- [list of all countries]

26. What is the highest level of education you have completed?

- a. Did not attend school
- b. Some high school
- c. High school
- d. Undergraduate degree
- e. Postgraduate degree
- f. Doctorate/PhD
- g. Prefer not to say

27. Do you associate yourself in any of the following groups? Please select all those that apply.

- a. Internally displaced person
- b. Syrian under temporary protection
- c. Refugee/asylum seeker
- d. None of the above
- e. Prefer not to say
- f. Other migrant status