

**CENTER FOR RESEARCH AND POLICY MAKING
IN COOPERATION WITH THE
MACEDONIAN CHAMBERS OF COMMERCE**

Research report on the online business survey on the impact of Covid 19 and the response measures on the work of Macedonian companies including gender analysis

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Brief introduction:

The Centre for Research and Policy Making (CRPM) was engaged by OSCE to monitor the measures taken by the Government of the Republic of North Macedonia in order to address the economic consequences caused by Covid-19 and on the basis of the conducted research to define measures for the following post-coronavirus period.

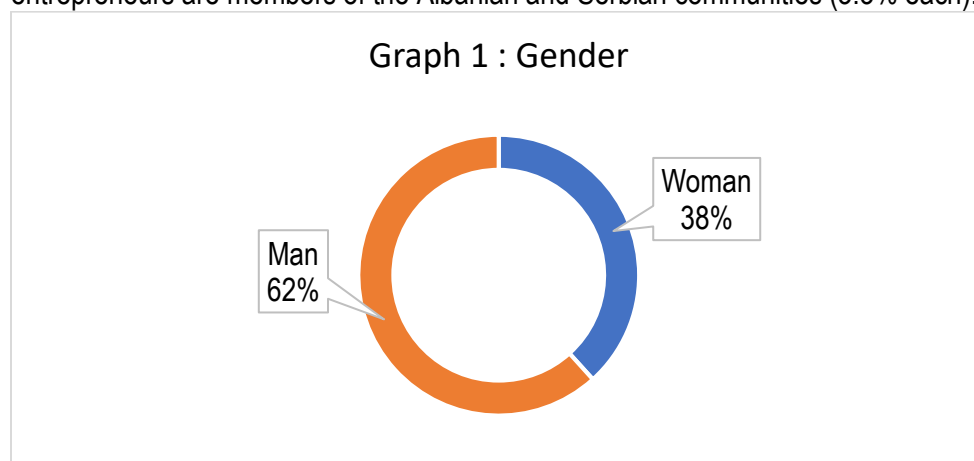
For the purpose of the project, during May 2020, the CRPM conducted online survey in which the answers of 60 representatives of Macedonian companies were processed (women and men entrepreneurs). The survey questionnaire for needs assessment of the companies for better coping with the situation caused by Covid-19 contained 34 questions, structured into three main chapters that were examined: A) general and demographic information of the respondent and the company; B) Assessment of the consequences of Covid-19; C) The need of necessary support for Macedonian companies. The survey was conducted through the online platform KoBoToolbox. Participation in the survey was anonymous and the obtained data will be used to develop public policies that will correspond to the needs of the stakeholders – Macedonian business entities.

Results obtained from the conducted research

The research report below presents several graphs that were developed based on the data obtained from the online survey. In addition, the results are explained in detail and are structured according to the main chapters listed in the questionnaire.

A) General and demographic information of the respondents and companies

Almost 62% of the respondents (entrepreneurs) who participated in the research are men (see Graph 1), and according to their ethnicity, 93.3% of the respondents are Macedonians, whereas the other entrepreneurs are members of the Albanian and Serbian communities (3.3% each).

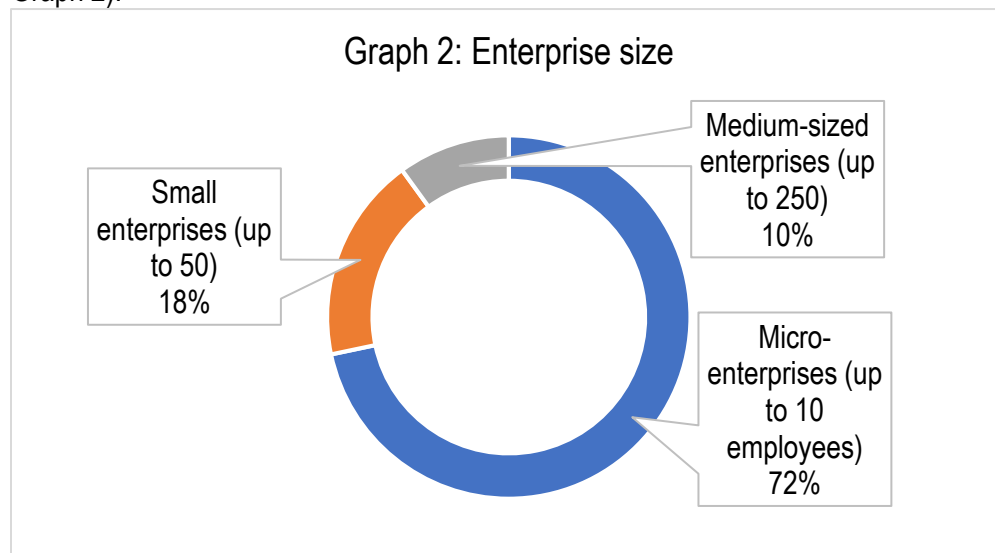


Source: CRPM company survey of impact of Covid 19 and response measures, 2020

From the processed data, we noticed that more than 33% of the companies that participated in the survey are managed by a woman, while in 20% of them a woman is the sole founder of the company. Slightly over

13% of the companies are co-founded by a woman along with other founders. Regarding the legal status of the businesses, most of the interviewed companies (93.3%) are registered as limited liability companies (LLC or Ltd), and majority of them are located in the capital city – Skopje (61.7%), following Kumanovo (10%) and Ohrid, Bitola and Prilep (with 3.4% each).

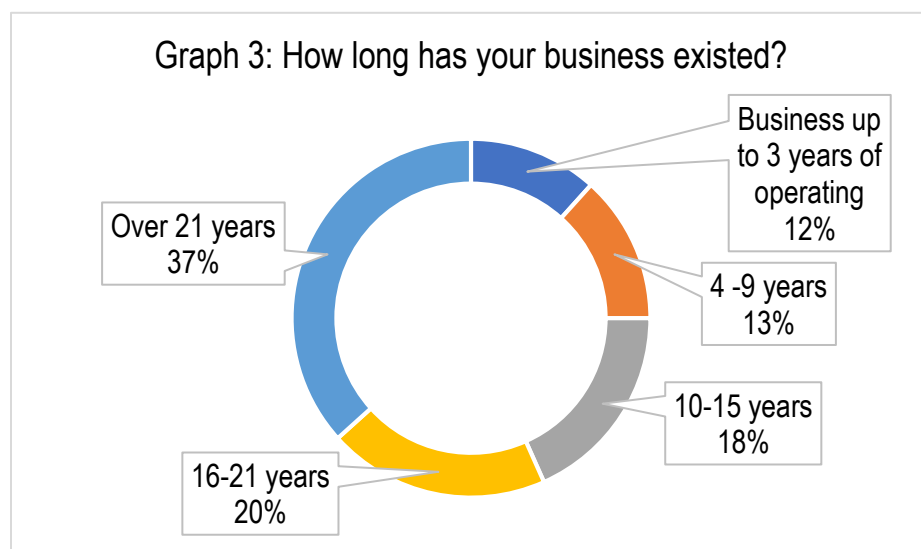
In the survey, most of the companies that participated are micro-enterprises, with up to 10 employees (see Graph 2).



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

Most of the companies perform their economic activity solely on the domestic market (65%), and only 8.3% operate their business solely on the markets outside of the borders of Republic of North Macedonia. More than 26% operate both in N. Macedonia and on the foreign markets.

Regarding the economic sector in which they operate their business, most of the companies perform their activity in the sector: Accommodation and service activities with food (20%), followed by the economic sector Production (15%) and Financial and insurance activity (15%). Slightly more than 8% of companies operate in the economic sector Information and Communication.

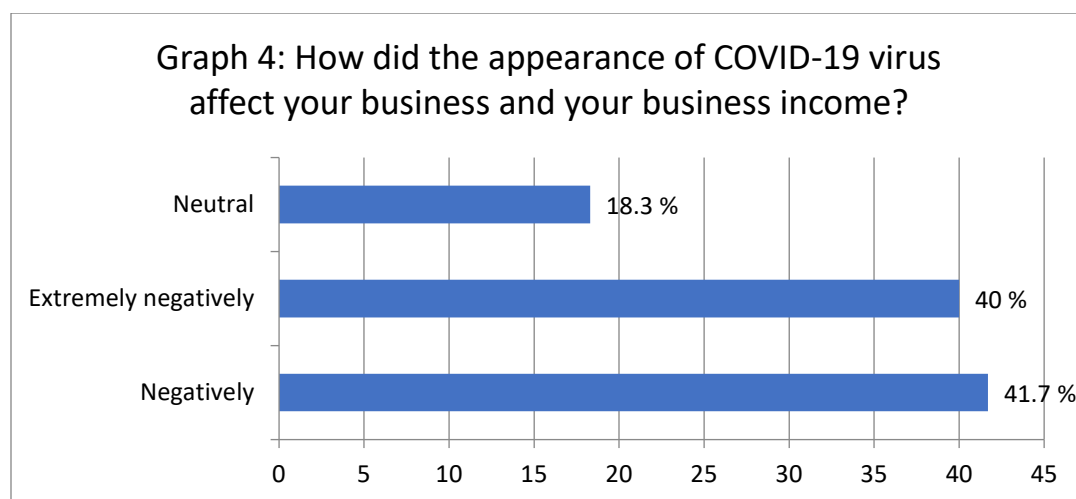


Source: CRPM company survey of impact of Covid 19 and response measures, 2020

The companies that were part of the research have been on the market for a relatively long time. Namely, 36.67% of the companies have existed for more than 21 years (see Graph 3).

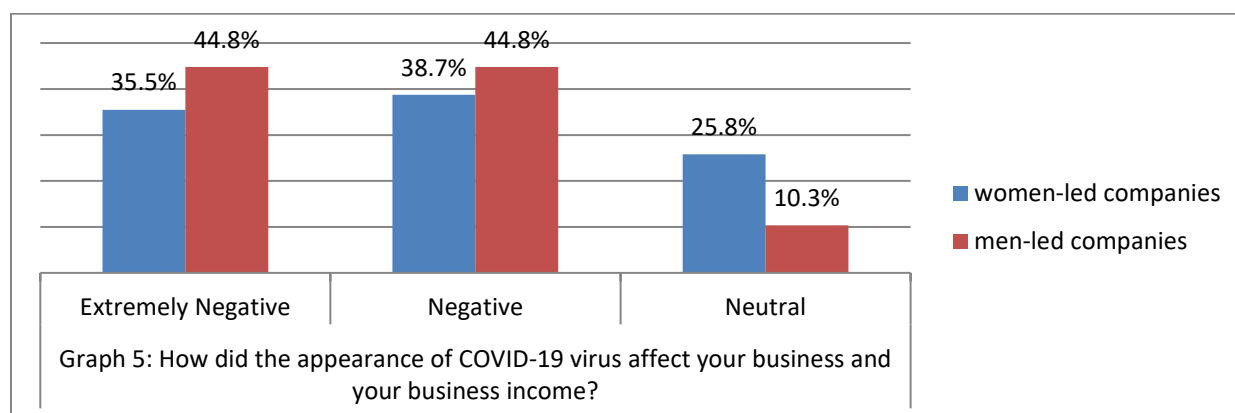
B) Assessment of consequences

Covid-19 had significant impact on the Macedonian economy. Namely, 81.7% of the respondents stated that the consequences caused by the virus had a negative impact on running their own business and generating revenue.



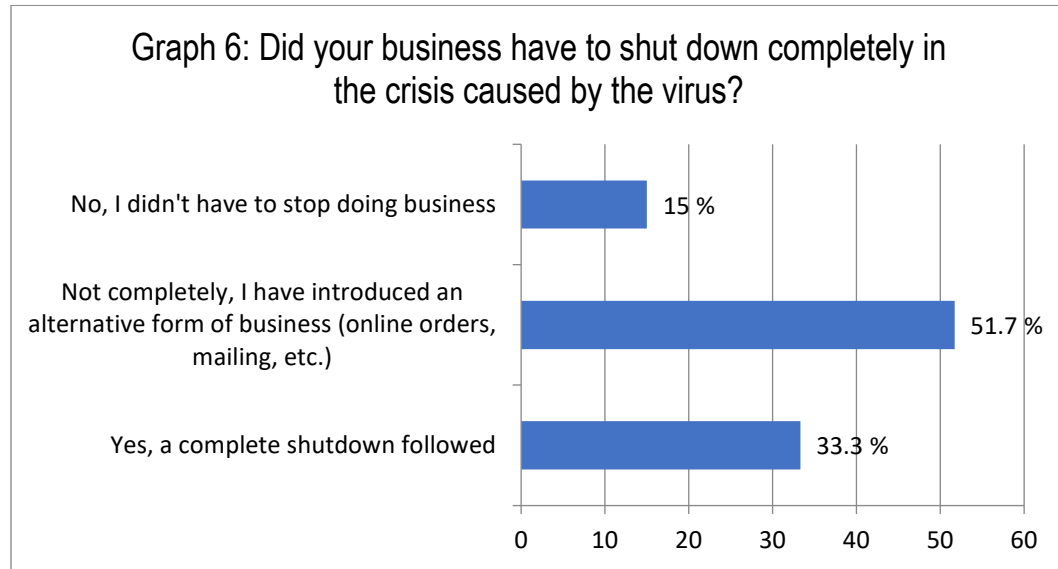
Source: CRPM company survey of impact of Covid 19 and response measures, 2020

It is worth to note that most of the businesses run by women, or in which a woman is the founder or part of the founding structure of the company, generally believe that the virus has a negative impact on their business. Namely, almost 90% believe that the emergence of the Covid-19 has a negative impact on their business and revenue. In the companies with different management structure or mostly led by men, the percentage for is lower by 15.4% (see Graph 5).



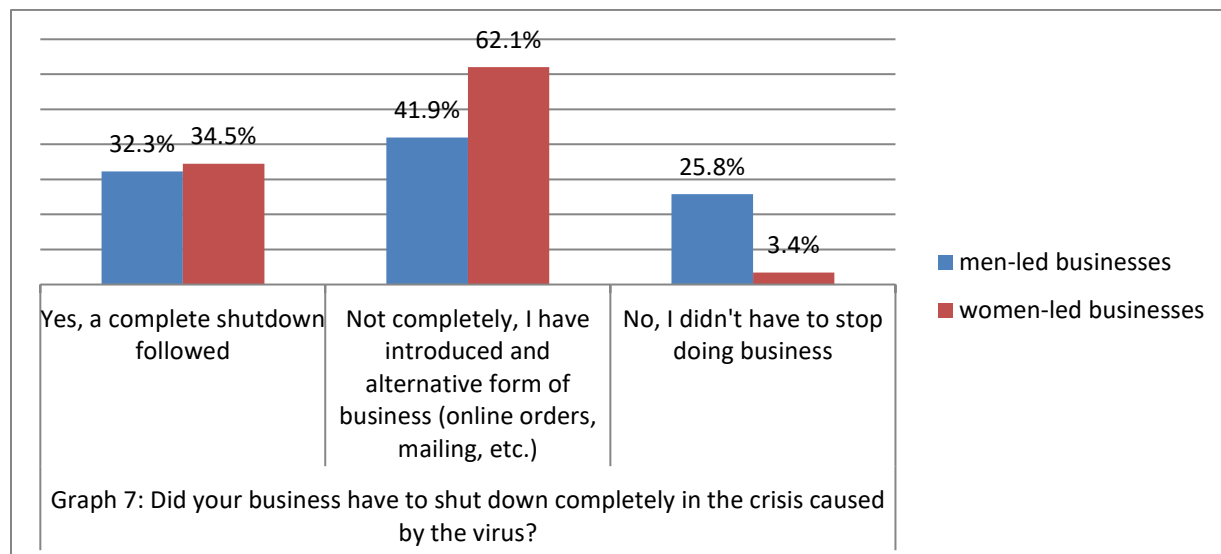
Source: CRPM company survey of impact of Covid 19 and response measures, 2020

The consequences are far greater if we take into account that 33.3% of the respondents have stated that complete shutdown was done as a result of the crisis caused by the Covid-19. Most of the companies have tried to adapt to the new situation; namely, 51.7% did not completely stop their activity, and have introduced alternative forms of business operation using electronic tools, i.e. online orders, mailing and delivery etc. For 15%, the crisis did not cause them to stop doing business.



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

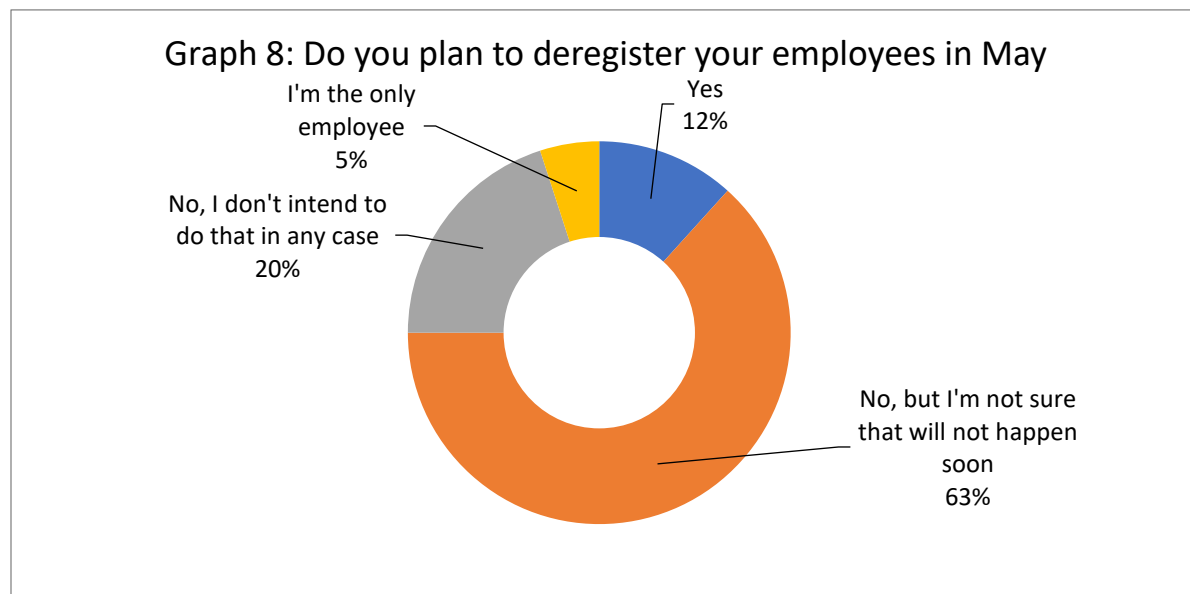
Businesses run by women, or in which a woman is the founder or part of the company's founding structure, adapts much more quickly to changing economic conditions. Thus, 62.1% of such companies did not close their business completely as a result of the crisis caused by the virus, but introduced new forms of operation using digital tools and distribution of goods to customers, compared to only 41.9% for companies run by men (see Graph 7).



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

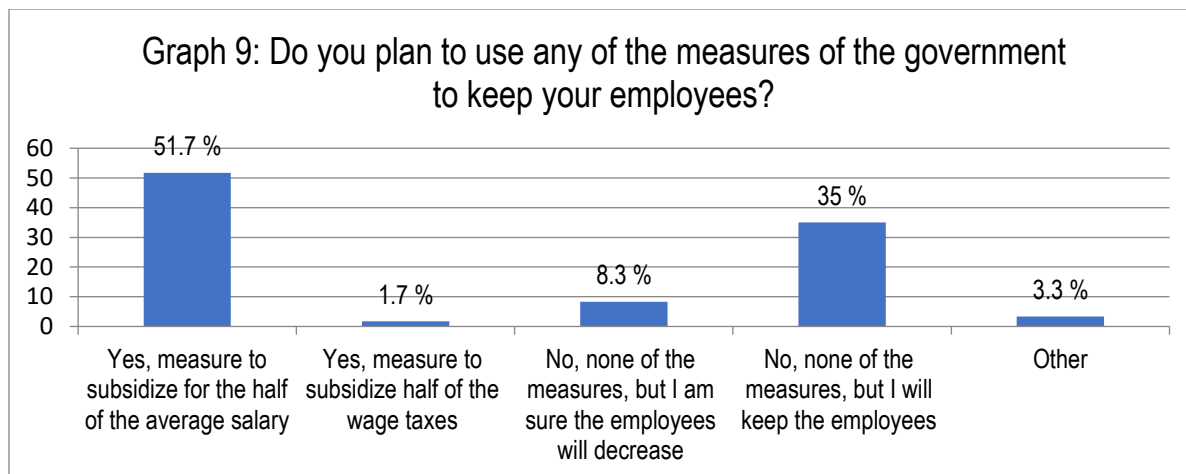
Although some companies have been forced to adjust to the situation or even completely shutdown their business activity, the data show that most of the companies retained their employees in this period (March and April 2020). About 11.7% of the respondents stated that their companies were forced to deregister their employees during this period.

The situation regarding retaining or firing workers in the companies as a result of the crisis will remain same during May. Namely, 11.7% said that they are planning to deregister employees during May, while 63.3% do not plan to make such decisions at the moment, but they are not sure that this decision will remain as such in future. Significant percentage of the surveyed companies (20%) said that they do not intend to deregistered or fire their employees in any case (see Graph 8).



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

Within the framework of the conducted survey, we examined whether companies intend to use any of the measures adopted by the Government of the Republic of North Macedonia. The measures were designed by the authorities to help employers to retain their employees in time of crisis caused by Covid-19. Most of the respondents (51.7%) said that they will use the minimum wage subsidy measure, while 43.3% stated that they will not use any of the measures. It is important to notice that more than 8% of the companies who stated that they will not use any measures, they are sure that in the following period they will reduce the number of employees. Only one of the companies said it would take out a bank loan to keep its employees in the following period.



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

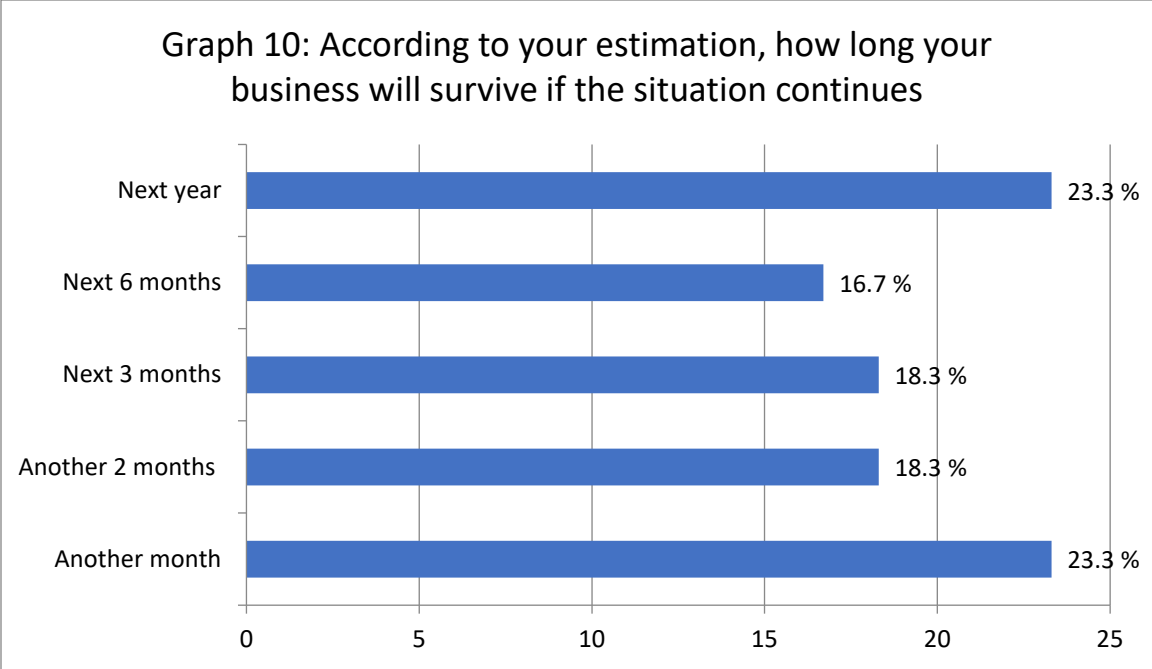
We asked the companies to give their assessment of the usefulness of the measures adopted by the Government. Namely, a significant part or 31.7% of them believe that the measure they plan to use in the following period is not sufficiently useful for retaining employees. On the other side, about 25% of the respondents give a positive assessment of the usefulness of the measure that they plan to use, while only 1.7% of them stated that the measure for them is very useful in terms of retaining workers.

According to the representatives in the following period for the Macedonian companies the three most important challenges will be: 1) the reduced or completely suspended demand for products (due to limited or discontinued operations in the production process), 2) the collection of payments and liquidity issues, as well as 3) the emergence of additional expenses that are not planned. Additionally, according to businessmen, the working capital shortage will be a significant challenge in the period ahead.

Macedonian companies are aware that the impact of the crisis caused by Covid-19 on their business activity will last in relatively long period of time. Namely, 35% believe that the impact of the crisis caused by the virus will last up to one year. Over 18% estimate that the crisis will last for up to two years, and same percentage of companies expect that the crisis situation will have an impact on their business for more than two years. Slightly more than 28% of companies believe that the impact of Covid-19 on their business activity will last between 3 and 6 months.

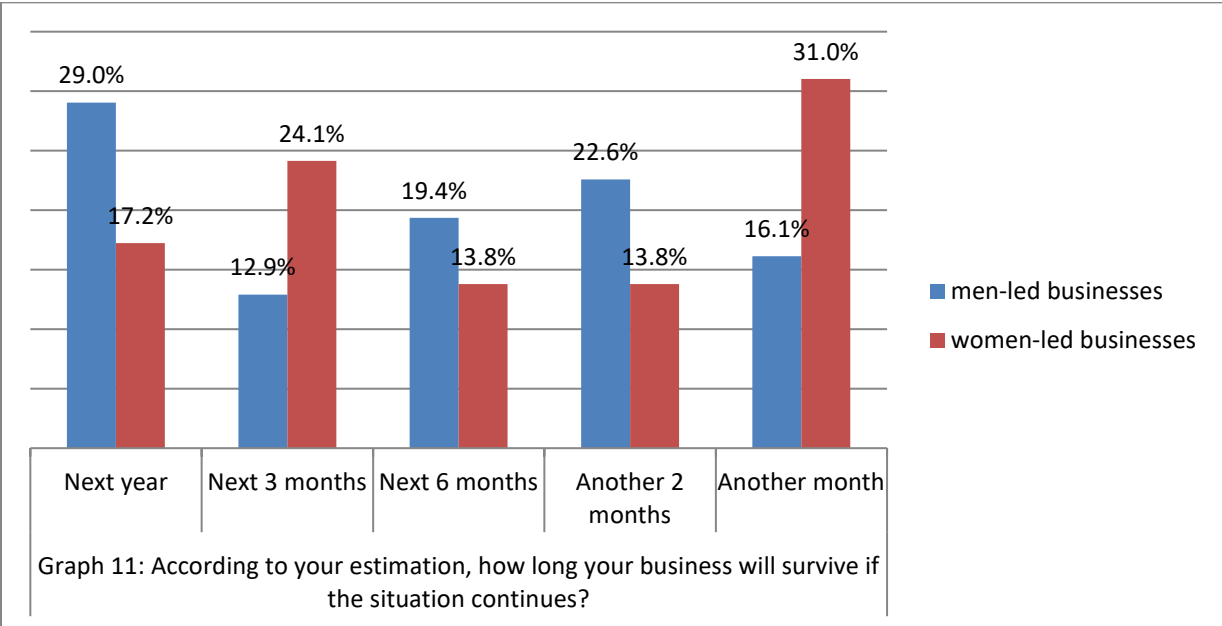
Given their estimation of the duration of the impact that Covid-19 has on their business, we asked the entrepreneurs to estimate how long their business will survive if this situation continues in the following period. Of concern is the fact that 23.3% believe that their business will survive for another month, if the unfavourable situation continues. Over 18% consider that their business would survive for another 2 months, while the same percentage of companies estimates that their business would survive in the next 3 months.

Overall, 76.6% estimate that their business will not survive for the next 1 to 6 months if this situation continues to affect their business. Only 23.3% said that their business will survive until next year (see Graph 10).



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

The worrying fact is that for most of women-led companies, the opinion prevails that the crisis caused by the virus could be fatal for the business. Namely, almost 45% estimate that if the virus condition continues, their business will not survive for more than 2 months, while only 37.9% of them assess that they will be able to withstand the crisis in the next 3 to 6 months. If the situation continues, 17.2 % state that they will be able to last another year. As comparison, 29.0% of men-led business estimate that they could last for another year even if the crisis continues.

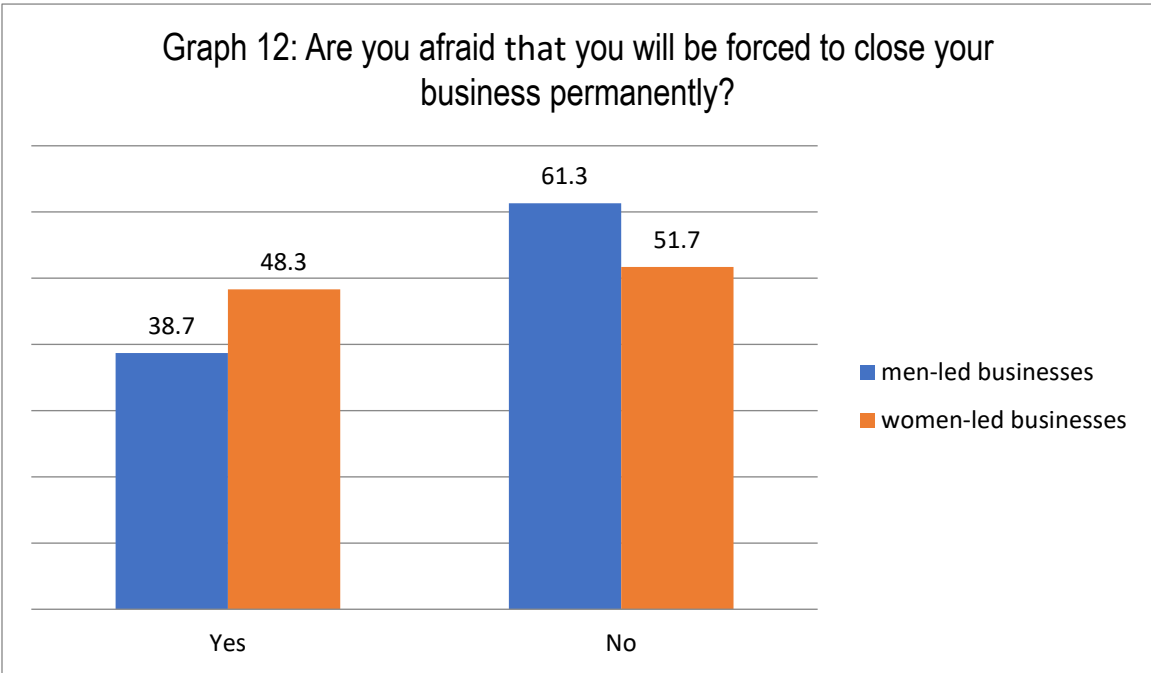


Source: CRPM company survey of impact of Covid 19 and response measures, 2020

In order to ensure continuity in their business operations, most companies plan to reduce costs (68.3%), borrow loan from banks and micro-credit institutions (53.3), and a significant part of companies as a way to ensure continuity of their business they plan to use of surplus income from previous periods (43.3%). Some companies plan to delay payments to suppliers, thus continuing to operate in the following period (30%).

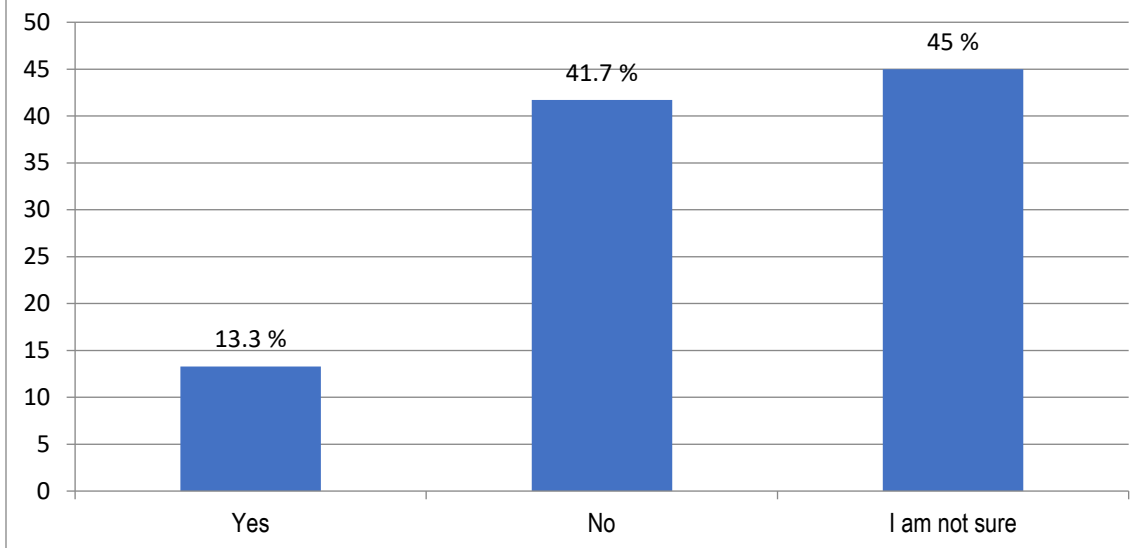
Given the necessary manners to deal with the crisis, there is a clear impression that there is fear among businessmen that as a result of the situation with the Covid-19 they may be forced to close their own business permanently (43.3% of them are afraid of this).

If we analyse the data from gender perspective, of concern is the fact that 48.3% of the businesses run by women, or in which a woman is the founder or part of the founding structure of the company fear that they will be forced to close their own business permanently because of the crisis. In contrast, 38.7% of this belief is held by men-led companies (see Graph 12).



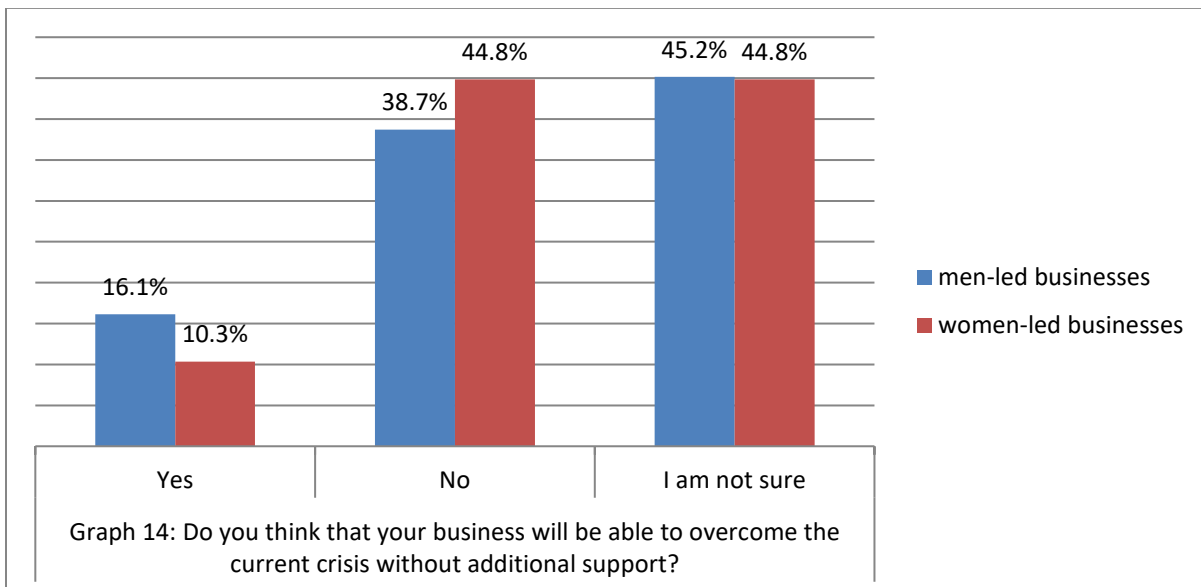
Source: CRPM company survey of impact of Covid 19 and response measures, 2020 According to their own estimation of the duration of the crisis, the short period of time in which their business will survive if the situation lasted for several months or year, as well as the measures to cut expenses, borrowing loans, and delay payments to suppliers in order to continue to operate in the following period, it is clear that companies could not overcome this crisis by their own. Namely, 86.7% of the companies are not sure/not able to overcome the current crisis without receiving additional support (see Graph 13).

Graph 13: Do you think that your business will be able to overcome the current crisis without additional support?



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

Additionally, 89.7% of companies influenced by women stated that they are not confident that they can overcome the crisis on their own, while only 10.3% believe their businesses will survive without any additional support. As for men-led companies, the responses to this question are similar with 83.9% and 16.1% respectively.



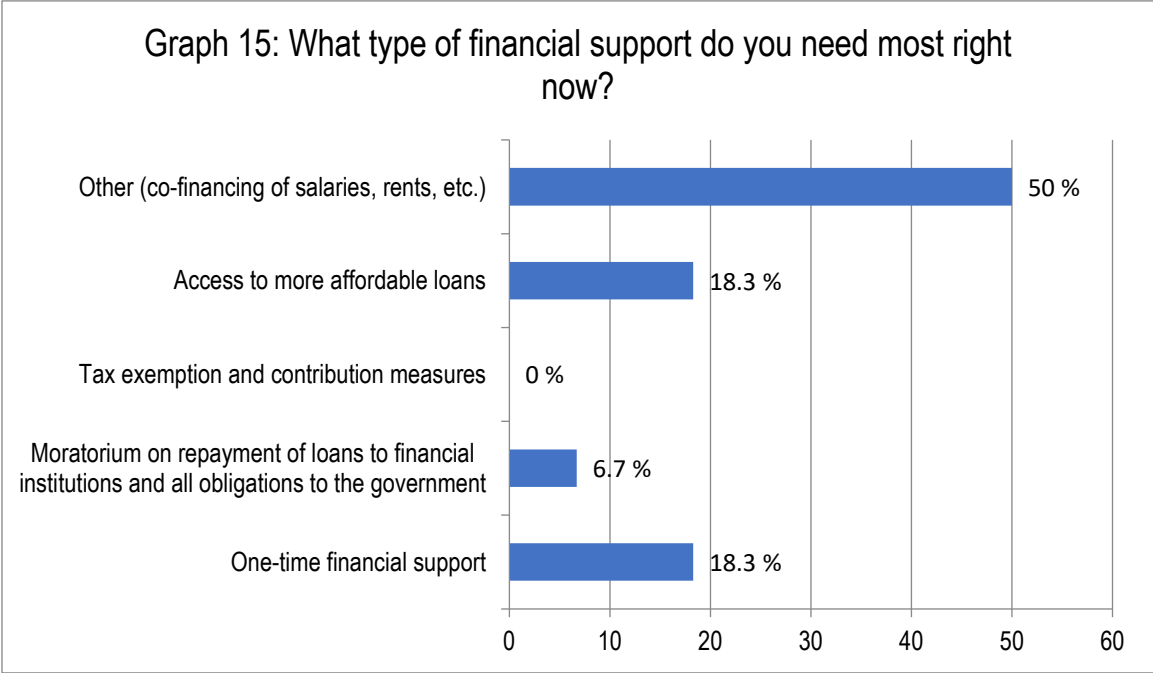
Graph 14: Do you think that your business will be able to overcome the current crisis without additional support?

Source: CRPM company survey of impact of Covid 19 and response measures, 2020

C) Assessment of the help that companies needed

Given that only 13.3% of companies believe that they can overcome this crisis without additional support (see Graph 9), companies were asked what kind of support they need most at the moment. For most companies (68.3%), financial support is most important form of support, while for 25%, in addition to financial support, they also need advisory and technical support.

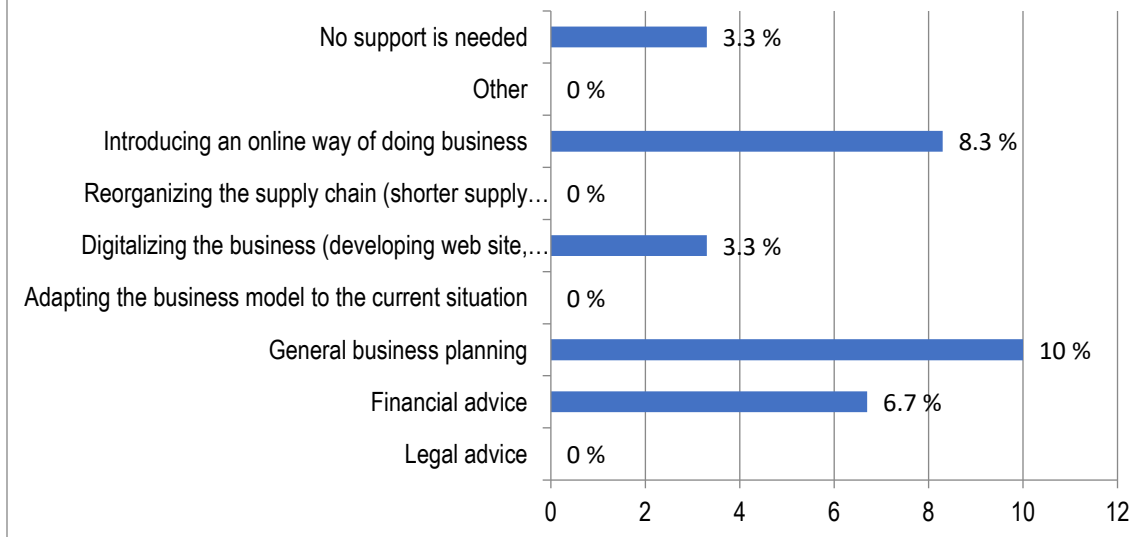
For 50% of companies, the financial support they need currently should be in form of co-financing salaries, expenses for rents etc. More than 18% consider that one-time financial support would be useful, and the same percentage as a form of support that they need currently is easier access to more affordable loans. Only 6.7% of companies, as financial support believe that there should be an opportunity for moratorium on repayment of loans to financial institutions and all obligations to the government (see Graph 15).



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

Regarding the need of advisory and technical support, according to the respondents, it needs to be in the direction of support for their general business planning, introduction to electronic business, as well as financial advice to overcome this situation. Their needs are presented in Graph 16 below.

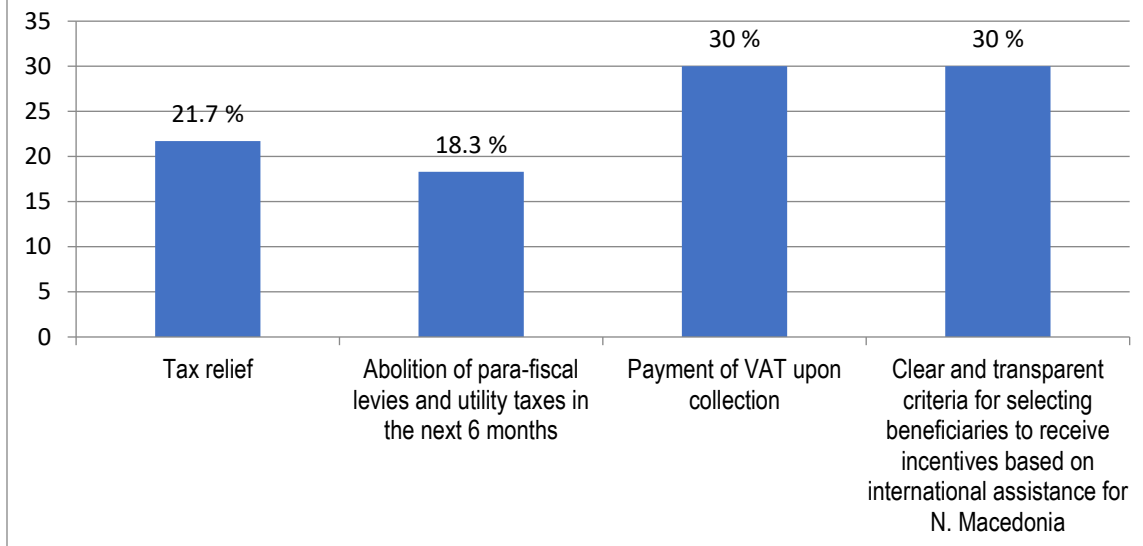
Graph 16: What type of advisory and technical support would you need at the moment?



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

In terms of what emergency measures should be taken by the relevant public institutions in order to help companies to revitalize their business, most respondents believe that this should be through: 1) payment of VAT upon collection (30%), clear and transparent criteria for selecting beneficiaries to receive incentives based on international assistance for N. Macedonia (30%), as well as tax relief (21.6%).

Graph 17: What emergency measures do you think the relevant institutions should take to help revitalize the business?



Source: CRPM company survey of impact of Covid 19 and response measures, 2020

The companies that were part of the survey were asked if there is anything good from this crisis or have learned something new. For most of them (63.3%), there is nothing good in it, but for some of them whose activity is seasonally related, the consequences can be catastrophic. However, in all the wave of negative effects caused by the virus, some companies believe that this crisis will bring positive changes in their operations, while in some industries the demand for products and services has increased.

As employers, they are aware that this crisis will lead to a faster transition to digitalization and remote work, which will introduce new ways of performing work tasks outside the company's premises. During this period, they noticed that the business activity can be performed with a reduced number of people who are present in the company's premises, and thus they will save on time, transportation costs, and equipment for workers, etc. In addition, during this period of uncertainty, they had enough time to acquire new skills, for them as managers and for their workers.

Some companies believe that in the future they will learn to be cautious in their work, but also vigilant. The whole situation gave them more time to prepare detailed analyses and develop strategies for effective functioning in the future. As something they also consider as good is the opportunity for the economic sector to show solidarity with taxpayers, but also some of them expect workers to have greater commitment and sense of responsibility towards the companies. In terms of business opportunities, some companies believe that it is opportunity to invest, but also to introduce innovative ways of working with increased efficiency and effectiveness that will reduce certain costs.

For some, this meant an opportunity to spend more time with their family.

Conclusion and recommendations:

1. **Government should help economic actors to continue operating under the new conditions.** 76.6% of the respondents estimate that their business will not survive for the next 1 to 6 months if this situation continues to affect their business. This shows that the economy needs to reopen, even if the virus is not entirely gone, and the government should lead the way by introducing and enforcing rules for safe working conditions under the new reality. In this sense, labour inspectorates' capacities should be strengthened and the legislation should be extended for the new working ways under the stay-at-home economy to ensure both employers' and employees' rights are protected. In addition, the respondents also state that they welcome advice in areas such as general planning, setting up online operations and financial planning. Government's help in this sense could be in the direction of establishing online knowledge hub and information centre with advice and instructions for businesses that are planning to transform and/or face difficulties.
2. **The plan of many companies to postpone payment of liabilities (30% of respondents), suggest that liquidity crisis is in the making.** Companies will become reluctant to trade on credit and will start seeking payments in advance, which will affect liquidity, suffocate trade and may invoke cascades of defaults. To maintain liquidity a government credit and default guarantee scheme is needed. Insurance of trade credit protects companies against the risk of non-payment by their clients. Just for comparison, rich European countries such as France and Britain have offered credit guarantees of up to 15% of GDP, which will correspond to close to 2 billion EUR in

Macedonia. The latest government's third economic relief package envisions credit guarantees, but only for start-up, micro and small companies and limited to EUR 10 millions, which may prove not sufficient. The issue is also related to the old problem of payment of VAT upon issuance of invoice, instead of collection, which significantly affects liquidity. 30% of respondents have stated that the government should introduce payment of VAT upon collection as a new emergency measure.

3. **Online businesses should be provided a broad systemic support.** Half of the respondents in the survey have introduced alternative forms of business such as digitalization. The legislation, the administration and the enforcers of the law, such as inspectorates, are not ready to address the challenges that businesses face. Some of the state's laws regulating trade and business have their roots in the old socialist system and should be refurbished to match the new digital reality. In example, digital businesses struggle with rules on the form and manner of keeping records of purchase and sale of goods and services in trade. These require keeping records on physical prescribed documents whereby the content and order of each column and row is strictly defined. Majority of businesses now quickly migrate to digital ready-to-deploy solutions that come with integrated bookkeeping and trading management software. Such ready digital solutions are cheaper than custom-designed and can provide the same accountancy outputs, however usually in different format than the state prescribed one. Unfortunately, inspectorates do not accept such formats and businesses are threatened with penalties up to EUR 10,000 for incorrect bookkeeping. These bureaucratic rules suffocate the economy and should be quickly amended. Trade inspectors' capacities should also be enhanced to match the needs of digital businesses and online trade.
4. **The government should continue providing direct economic relief beyond June 2020.** The health crisis is currently managed and possibly under control, but it is not over. Countries fear of second wave and lifting restrictions goes very slow and prudent. This reduced uncertainty will surely affect consumption and economic growth in the next 6-12 months and ultimately many businesses will remain at risk of default. The current direct government's economic support of companies has been mostly limited to the period April-June 2020. The government should act fast and provide extension of the support. Moreover, the companies see little value and interest in some of the measures, such as the subsidy of 50% of wage taxes, which shows that there is room for the measures to be adapted and further tailored to companies' needs.
5. **Direct financial support to certain sectors should be provided for other operating expenses, besides salaries.** The government's underlying goal in providing support was keeping jobs during the worst 2-3 months of the crisis. However, certain industries (e.g. tourism, hospitality and entertainment), will most likely remain closed for much longer and will certainly face difficulties with other operating expenses such as rents, maintaining inventory and access to working capital. To avoid total collapse, the financial support for the most economic ill-stricken industries should be more tailored and expanded significantly.
6. **Consumption should be given strong boost.** The reduced or completely suspended demand for products is cited as the greatest challenge which entrepreneurs face in the crisis which provides support and justification for the third EUR 355 million-worth economic relief package of the government.