



Global State of Small Business Report

FACEBOOK, THE ORGANISATION
FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT
& THE WORLD BANK

FACEBOOK



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Foreword

Small businesses are the unsung heroes of the global economy – creating jobs and growth in every country and helping to reduce poverty and income inequality. But they are facing the challenge of a lifetime. The COVID-19 pandemic isn't just a public health emergency; it's also an economic crisis that is hitting small and medium-sized businesses exceptionally hard.

This is the first report in an ongoing series that will spotlight the situation facing businesses around the world. It is based on a survey of more than 30,000 small business leaders from more than 50 countries – and what they told us was sobering.

More than a quarter said they had closed between January and May this year – and that figure rose to more than 50% in some countries. A third of those currently operating reported that they had reduced their workforces, a worrying sign of what could be a lengthy jobs crisis. Nearly two-thirds of those in operation say sales are down on the same period last year – in many cases significantly so.

The survey shows that consumer-facing sectors like tourism and hospitality have taken the brunt of changes in consumption and consumer sentiment – for example, reduced travel spending – with around half of businesses in these sectors reporting that they had closed. The smallest businesses, those owned and operated by one person, have closed at a greater rate than others.

The report also exposes a stark gender disparity. Female-led businesses are 7 percentage points more likely to be closed compared to male-led ones and are significantly more likely to be concentrated in the sectors most affected by public health restrictions on business. In fact, the stricter the restrictions are, the more female-led businesses close their doors compared to those run by men.

Still, entrepreneurs are resilient people, and many are optimistic about the future. Nearly three-quarters of those that were closed at the time of the survey expect to reopen as restrictions are lifted. The path to recovery is highly uncertain and many may need support from governments and other institutions to get back on track. We hope this report will help to identify areas where that support can make the biggest difference.

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Executive Summary

The spread of COVID-19 and the resulting pandemic caused many governments to impose lockdown measures that have forced many businesses to suspend their in-person operations. The resulting economic crisis has also created a difficult new reality for small and medium-sized businesses (SMBs) across the world.

To better understand the scope and impact of this crisis on SMBs, The Future of Business Survey, an ongoing collaboration between Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank surveyed more than 30,000 SMB owners, managers, and employees in over 50 countries and regions.

Among SMBs surveyed, **26% reported that they had closed** between January and May 2020 - over 50% in some countries, such as Ireland and Bangladesh. Consumer-focused sectors have been hit hardest. For example, 54% of tourism agencies and 47% of SMBs operating in the hospitality and event management sector reported that they were closed at the time of the survey. Micro-businesses, defined here as SMBs owned and operated by one individual, have closed to a greater extent than those with multiple employees. Approximately 30% of micro-businesses reported that they were closed at the time of the survey, relative to 25% of SMBs with one or more employees.

Female-led SMBs have been disproportionately impacted. These businesses were 7 percentage points more likely to be closed compared to male-led SMBs at the time of the survey. Not only do a greater proportion of female business leaders operate micro-businesses with no employees (37% compared to 24% for men), but female-led SMBs are also concentrated in the sectors that have been most affected by lockdown measures. In addition, the more stringent the lockdown measures have been, the higher the gender disparity in closure rates.

“Among SMBs surveyed, 26% reported that they had closed between January and May 2020”

SMBs that remain open face an unprecedented business environment. **Nearly 2 in 3 (62%) SMBs operational at the time of the survey cited lower sales** in the last 30 days relative to the corresponding period in 2019. Of these, over half (57%) reported a decline in sales of 50% or more, exacerbating the cash flow constraints that SMBs face even in normal times. These pressures have

led SMBs to cut employment – **one-third of SMBs in operation reported that they reduced their workforce** as a result of the COVID-19 pandemic.

Some governments have been able to offset the impacts of COVID-19 by providing financial assistance. At the time of the survey, **almost a quarter (23%) of SMBs reported that they were receiving financial support in response to the pandemic**, with the majority coming from government grants and loans (about 60% in total). This is far from universal, however. **27% percent of SMBs not in receipt of financial support reported that there was no assistance available** at the time of the survey.

Even under normal economic conditions, SMB leaders are faced with a balancing act between work and domestic responsibilities. The COVID-19 pandemic may have exacerbated this dilemma by adding responsibilities, such as increased childcare or home schooling. These changes may have disproportionately impacted women – **23% of female business leaders reported spending six or more hours per day on domestic tasks** and caring for family members, relative to 11% of male business leaders.

Nevertheless, SMB leaders are trying to adjust, and remain optimistic about their future prospects. **Nearly three-quarters (74%) of SMBs that were closed at the time of the survey expected to reopen** as COVID-19 containment measures are lifted. Many have also spent time during the lockdown preparing to reopen and adapting their business models, for example by further developing their online presence. In 49 of the countries and regions in the sample, at least one-third of SMBs indicated that they had earned a minimum of 25% of their sales from digital channels in the previous 30 days.

Looking ahead, the path to recovery remains uncertain, and further support measures may be needed. **Many SMBs referenced a need for salary subsidies (32% in aggregate), tax deferrals (32%), and access to loans and credit (29%)** to offset ongoing cash flow and demand-side problems. This collaboration between Facebook, the OECD, and the World Bank will continue to monitor these trends over the next few months, to share timely data about the needs of SMBs around the world.

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Introduction

SMBs are vital to the global economy...

Small and medium-sized businesses (SMBs), defined here as those with 500 or fewer employees, are major contributors to economic activity throughout the world.¹ They play an important role in creating jobs, employing 60-70% of workers in most countries. SMBs are a major source of value creation, representing around 99% of all businesses within the Organisation for Economic Co-operation and Development area (OECD 2017).² SMBs also promote economic inclusiveness, for example by creating opportunities for female business leaders and other underrepresented groups (Kumar 2017).

SMBs are different from their larger peers in many ways. While smaller businesses might be more flexible and quicker to adapt than larger corporations, they also rely to a greater extent on current revenues and retained earnings to fund their growth and cover their expenditures (Sak 2004). Access to finance also tends to be more limited for them due to their lower asset base, smaller scale, and perceived risk profiles relative to larger businesses (Fouejieu et al. 2020). As a result, SMBs typically have fewer resources to fall back on during periods of economic downturn.

The crucial contribution of SMBs to the global economy is well documented:

- **Contribution to global economic growth:** SMBs make a significant contribution to economic growth around the world, accounting for the majority of employment and creating on average between 50% and 60% of value added (for example, through wages, profits, and taxes) in high-income countries,³ with similar shares in developing markets (OECD 2017). SMBs are vital contributors to local economies, utilising local resources and fostering employment opportunities across the supply chain.
- **Increasing inclusivity:** SMBs create job opportunities across geographic areas and sectors, employing broad segments of the labour force, including low-skilled workers. In this way, SMBs may contribute to reducing poverty and income inequality, particularly in developing countries. They also provide opportunities for underrepresented groups, including women, ethnic minorities, and the disabled (OECD 2017).
- **Fostering innovation:** SMBs generate innovation by exploiting commercial opportunities, driving innovation in, for example, digital solutions such as smart working, health, and entertainment.⁴ They are often responsible for advances in products, production methods, and management processes through breakthrough innovations themselves (for example, OECD 2018 or European Commission 2019) and also by seizing technological opportunities neglected by larger firms (OECD 2010).

- **Promoting environmental sustainability:** With their ability to develop innovative business models, SMBs play an important role in renewable industries. SMBs are well positioned to seize opportunities involving greener supply chains in local clean technology markets, including in developing countries, which may be less attractive for large global firms (World Bank 2014).

Despite their agility, because of their smaller scale and more limited access to resources, SMBs also face a number of challenges. Even in a healthy economy, they may face unique financial, supply chain, network, and resource constraints. For example:

- **Reduced access to credit and financial resources:** SMBs are less likely than large firms to be able to access finance, due to factors such as a limited credit history and lack of detailed financial information. Instead, they have a greater reliance on internal funds to operate and grow their enterprises, a phenomenon that is particularly evident in developing markets. The International Finance Corporation (IFC) estimates that 40% of formal micro, small, and medium-sized enterprises in emerging markets have an annual unmet financing need of \$5.2 trillion (IFC 2017).
- **Supply chain and market dependencies:** SMBs often develop specialised offerings that are highly dependent on local supply chains and resources. These businesses may also be particularly reliant upon a relatively small consumer base, leaving SMBs potentially vulnerable to wider economic or industry-specific disruption (Neagu 2016).
- **Technological adoption lags:** While their flexibility facilitates innovation in organisational structures and delivery models, factors such as financing concerns and skills availability can result in technological adoption lags within the SMB sector (OECD 2018).
- **Access to global markets and knowledge networks:** SMBs are typically less able than large firms to bear the costs of engaging in international trade or to access external markets and resources, both of which may entail significant regulatory and administrative costs (Fliess et al. 2006).

These challenges leave SMBs particularly vulnerable to an economic downturn, particularly following the COVID-19 pandemic.

...but they have already been profoundly affected by COVID-19

SMBs have been particularly affected by the COVID-19 pandemic. Many countries have implemented lockdown measures that have greatly impaired economic activity, which has been accompanied by widespread business closures.

SMBs are prevalent in many of the sectors most affected by lockdown measures, such as retail, accommodation, hospitality and event services, and personal services. Indeed, evidence from the OECD (2020) finds that SMBs account for 75% of employment in sectors directly affected by these measures. The impact of closures is highlighted by much of the emerging literature. For example, in a survey of 5,800 SMBs in the United States (beginning March 26 2020), Bartik et al. (2020) found that around 40% of SMBs surveyed were forced to close temporarily due to the pandemic.

Major challenges, such as falling demand and production, cash flow constraints, access to finance, and disruption to supply chains, remain for those businesses that continue to operate.

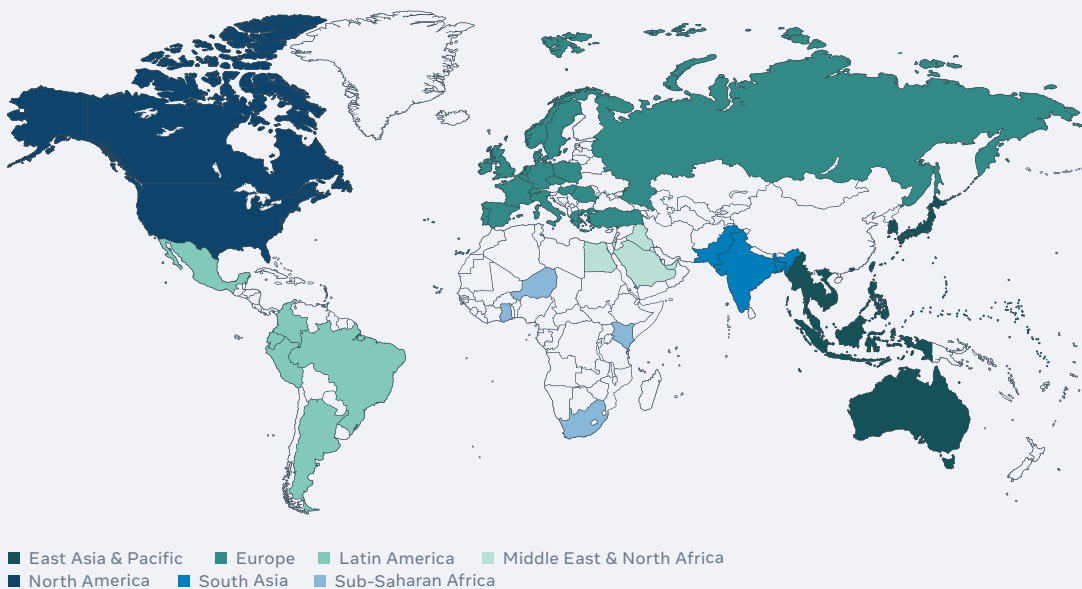
The Future of Business Survey aims to provide an ongoing assessment of SMB needs and challenges...

The Future of Business Survey is an ongoing collaboration between the Facebook Data for Good Initiative, the OECD, and the World Bank to survey online SMBs on the Facebook platform about their business conditions, challenges, and operations. Data from these surveys are shared publicly, providing policymakers, research institutions, non-profit organisations, and indeed, SMBs themselves, with a global view of how SMBs with a Facebook Business Page operate. As of 2019, the survey expanded its coverage to 97 countries, with data collected twice a year.

To provide timely information in response to the COVID-19 outbreak, the survey has temporarily shifted to a monthly exercise that aims to assess SMBs' responses to the pandemic in over 50 countries, as displayed in *Figure 1*.⁵ The survey seeks to capture the impact of the COVID-19 pandemic on SMB business operations, their financial performance, and the actions that they have taken to mitigate the impact of the pandemic throughout the world.

This report presents the findings from Wave 1, which was conducted from May 28-31, 2020⁶, and captures the views of more than 30,000 business owners, managers, and employees worldwide. The survey aims to provide a point-in-time snapshot of the online SMB sector – more specifically, those with Facebook Business Pages – in these countries, and so care is needed in interpreting and extrapolating results. It is not designed to reflect the entire business population of a given country or region.

FIGURE 1: Survey country coverage⁷



...a journey that begins with this research

In these new economic circumstances, it is vital that policymakers and business leaders are provided with timely insights into how SMBs are coping, and where further assistance could offer invaluable support. This analysis therefore seeks to uncover the key challenges faced by SMBs and their leaders and understand the types of support that they believe might help to mitigate them.

To achieve this, the report analyses the survey responses across seven key topics:

- 01** Survivorship and closure rates
- 02** Effects on sales and revenue
- 03** Effects on employment
- 04** Access to finance
- 05** Domestic and family responsibilities
- 06** Future expectations
- 07** Needs and policy insights

In reporting insights, it is acknowledged that the observed cross-country differences are likely to be a function of many important factors, including the stringency of lockdown measures, the prevalence of the virus, the capacity of governments to deliver support (especially financial), the structure of the economy, and SMBs' resilience in each country considered, among others. While the report touches upon many of these factors, it does not and cannot infer causal relationships for the trends presented. Further research is encouraged in this regard.

The report findings should also be considered in light of sample representativeness. In particular, the survey is only representative of Facebook Business Page Administrators at the individual country level. This sample may not be representative of the wider SMB population and sectoral breakdown in each country and region considered. Data and survey limitations also mean that the "aggregate" sample should not be considered representative of the global SMB population. For example, the paucity of data in developing countries results in these countries being underrepresented in the survey sample.

Furthermore, there is no pre-COVID-19 sample counterfactual with which to assess, for example, the pre-COVID-19 level of optimism among business leaders regarding their future prospects. However, it is anticipated that the following monthly waves will provide an opportunity to observe and analyse how these trends shift over time, to better understand their underlying determinants.

Survivorship and closure rates

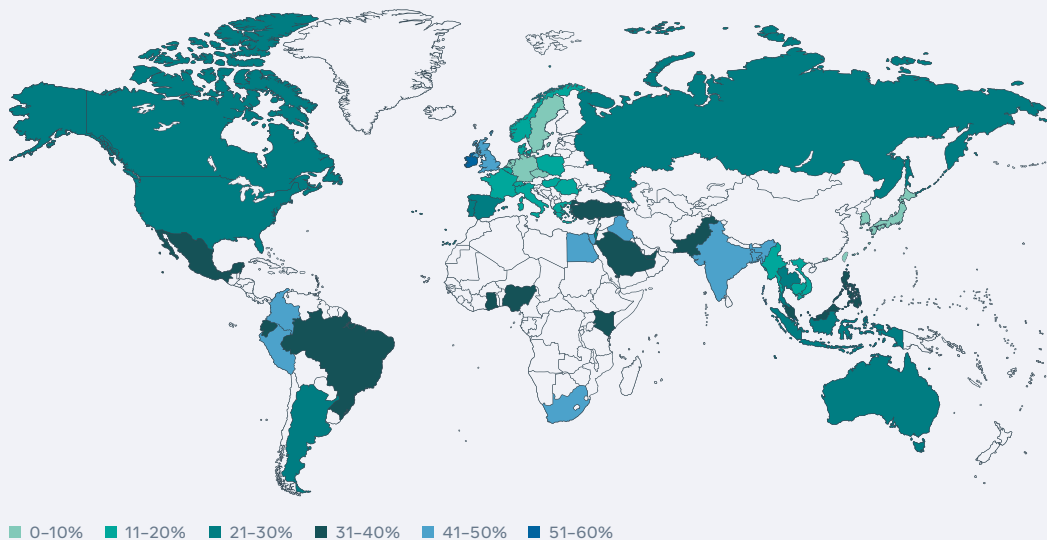
The COVID-19 pandemic and the resulting economic shutdowns have had a major impact on SMBs throughout the world. Most governments imposed lockdown measures, which directly forced many businesses to cease their in-person operations. Although SMBs may often be flexible in adapting to economic conditions, the scale of the pandemic has exacerbated many of the challenges that these businesses face even during normal times, including access to finance, cash flow constraints, and disruption to supply chains.

SMBs have been forced to close...

More than one-quarter of businesses (26%) within the aggregate sample reported that

they had closed during the period January-May 2020, although there was significant variation at the regional and country level.⁸ In the South Asian countries sampled, for example, 46% of SMBs surveyed were closed at the time of the survey, with Bangladesh (50%) and India (47%) particularly affected.⁹ This compares to 18% for sampled countries in the East Asia and the Pacific region, and 21% in Europe, where countries, such as Germany (8%), have seen significantly lower closure rates. In most countries, when asked for the reasons for their closure, more than half of closed businesses directly referred to government and health authority orders as the primary reason.¹⁰ *Figure 2* illustrates the rates of business closure within the survey sample.

FIGURE 2: Business closure rates across the aggregate sample



The variability in closure rates is not only evident between geographic regions, but also within them. Within the East Asia and the Pacific region, for example, only 4% of surveyed SMBs in Taiwan, 10% in Japan, and 10% in South Korea were closed. This compares to 31% in Singapore, which has maintained some of the most stringent lockdown measures within the aggregate sample, as measured by the University of Oxford Lockdown Stringency Index. There are many potential reasons for this variation, such as differences in the timing and intensity of COVID-19 outbreaks, varying policy responses, and economic characteristics across countries – for example, sectoral composition.

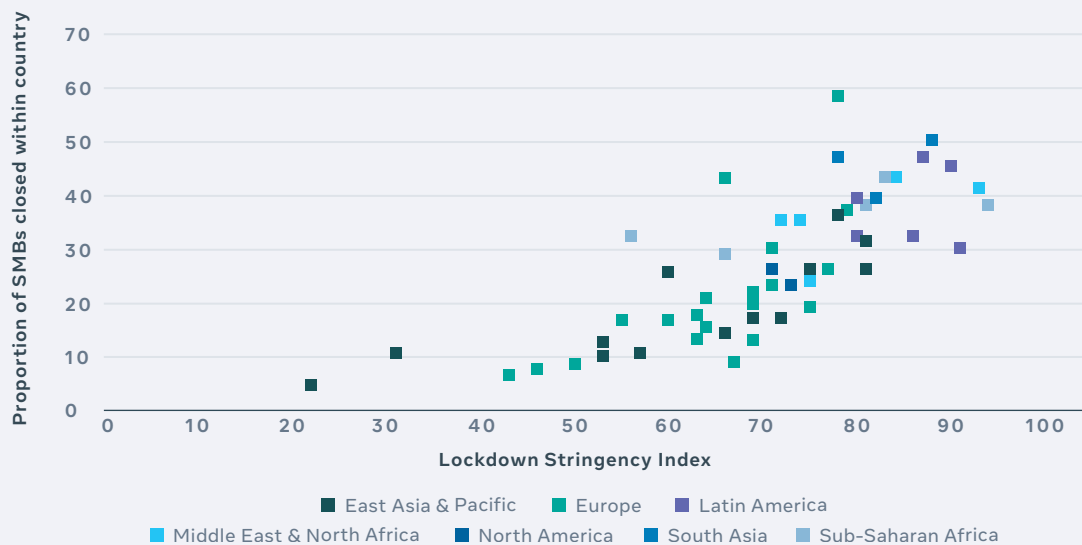
In European countries, similar variation was observed. SMBs in the Czech Republic, the Netherlands, Germany, and Sweden reported closure rates of under 10%, with Sweden in particular implementing relatively limited lockdown measures. On the other hand, some of the highest closure rates in the entire sample were observed in Ireland (58%) and

the UK (43%). Closure rates were also high, though less variable, across countries in the Middle East and North Africa (MENA), Sub-Saharan Africa (SSA), and Latin America regions. In the overwhelming majority of surveyed countries in these regions, between 30% and 45% of SMBs were closed at the time of the survey.

...following the implementation of lockdown measures

Across the aggregate sample, government and health authority orders were cited as the main reason for SMB closure, with the exception of Ghana and Nigeria, where financial constraints were reported by approximately 50% of closed SMBs. This pattern sheds some light on the ability of SMBs to continue operating in light of the lockdown measures. Indeed, there is a distinct correlation (*Figure 3*) between SMB closure rates and the stringency of government lockdown measures, as measured by the University of Oxford Lockdown Stringency Index.

FIGURE 3: Proportion of surveyed SMBs closed within country (vertical axis) vs Lockdown Stringency Index (horizontal axis, each data point represents the average for 29 May to 01 June), by country¹¹



“Approximately 30% of micro-businesses reported that they were closed at the time of the survey”

SMB closures are also related to the timing of COVID-19 outbreaks and the resulting restrictions placed on ‘non-essential’ businesses. Across all countries in the sample, 53% of closed SMBs indicated that they were last operational in March, the month in which strict lockdown and social distancing restrictions were introduced by governments in many countries.¹² In Peru, for example, 63% of closed businesses closed in March, coinciding with lockdown measures brought in on the 16th of that month.

Consumer-focused and micro-businesses have been particularly affected

Tourism and other consumer-focused businesses appear to have been hit particularly hard. In the aggregate sample, the sectors with the most business closures were: travel or tourism agencies (54% closed), hospitality and event services (47%), education and childcare services (45%), performing arts and entertainment (36%), and hotels, cafes, and restaurants (32%).

With restricted access to finance and cash reserves, smaller businesses have limited resources to withstand a prolonged economic downturn (JPMCI 2020). Only 19% of SMBs with more than 50 employees reported that they were closed, compared to 26% across the aggregate sample. Micro-businesses, defined here as SMBs owned and operated by one individual, appeared most vulnerable. Approximately 30% of micro-businesses reported that they were closed at the time of the survey.

Closures have disproportionately affected female-led SMBs

One major benefit of SMBs is that they boost inclusivity, generating opportunities for disadvantaged groups, including women (OECD 2017). This survey, however, offers evidence, both within regions and across countries, that female business leaders may have been disproportionately impacted by SMB closures.

In particular, a larger proportion of female business leaders in this survey operated micro-businesses (37% of female-led businesses operated with no hired employees prior to COVID-19, compared to 24% of male-led businesses), which demonstrated particularly high closure rates (30% compared to 25% for businesses with one or more employees). Additionally, female-led SMBs were also concentrated among the sectors most heavily impacted by COVID-19 and the resulting lockdown measures.

Measured at the aggregate level, female-led businesses were 7 percentage points more likely to close their business than male-led businesses.¹³

“Female-led businesses were 7 percentage points more likely to close their business than male-led businesses”

The gender disparity in business closure rates is largest in North America (approximately 14 percentage points), Latin America (11 percentage points), and Sub-Saharan Africa (7 percentage points) (see *Figure 4* on page 14).

Russia reported the largest gender gap across countries, with a 26 percentage point difference in closure rates between female-led (37%) and male-led SMBs (11%), followed by South Africa (24 percentage point difference), Malaysia (16 percentage points), and Canada (15 percentage points). Only Romania, Indonesia, Italy, and Hungary saw higher closure rates for male-led businesses than female-led businesses.

As noted above, female-led SMBs are also concentrated in the sectors that have been most impacted by COVID-19 lockdown measures and subsequent closures. For example, 26% of female business leaders were in the wellness, personal grooming, sports, and fitness sector, compared to 10% for their male counterparts, who were more likely to operate in the professional services sector, in which the survey revealed relatively fewer business closures.

Disproportionate impacts on female-led SMBs were most visible in countries that implemented the most stringent lockdown measures at the time of the survey. Indeed, *Figure 5* shows that the closure rate for female-led SMBs was 10 and 12 percentage points higher than male-led SMBs for countries and regions within the upper and third quartiles of the Lockdown Stringency Index, with a lower disparity in countries in the lower quartiles (or with less strict policies according to the Lockdown Stringency Index). For example, economies such as the USA resided in the third quartile with a 12 percentage point gender disparity, whereas Taiwan, which implemented some of the least stringent measures, had a gender disparity of less than a percentage point.

FIGURE 4: SMB closures gender gap across regions¹⁴

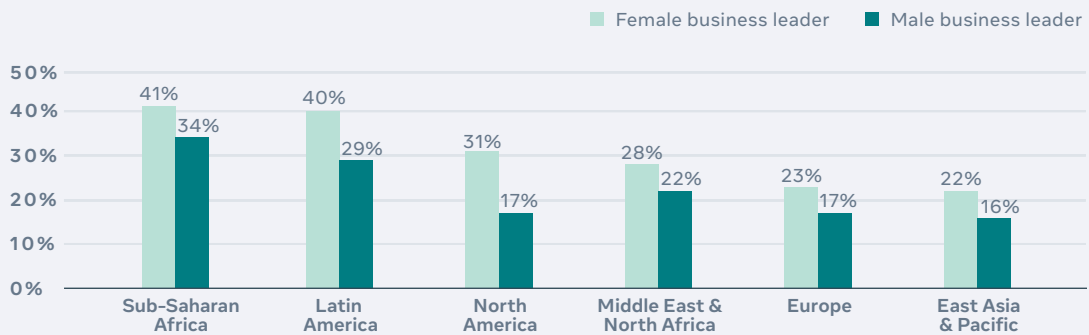
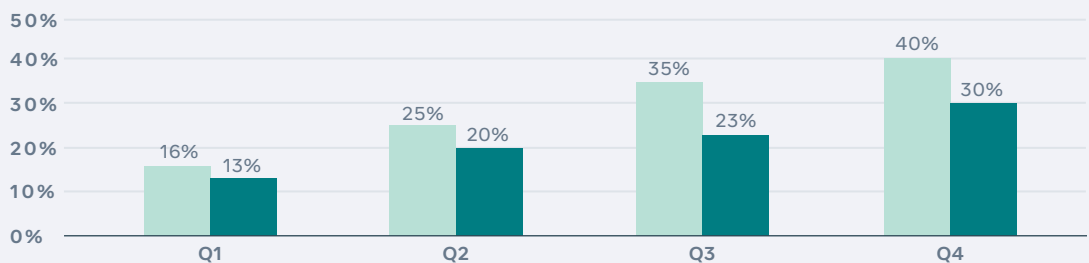


FIGURE 5: SMB closures gender gap across the aggregate sample, by stringency quartile in May 2020 (Q4 = countries and regions with the most strict lockdown policies, Q1 = countries and regions with the least stringent lockdown policies)



Effects on sales and revenue

Lockdown measures, in combination with economic uncertainty, have led to a considerable decline in consumer activity and in the amount of goods and services produced. Consumer-focused sectors, such as hotels, cafes, and restaurants, have been particularly affected, and in many cases, they have been brought to a virtual standstill. The scale of the reduction in activity is also significant - more than half of operational SMBs surveyed throughout the world disclosed a year-on-year monthly decline in revenue of more than 50%.

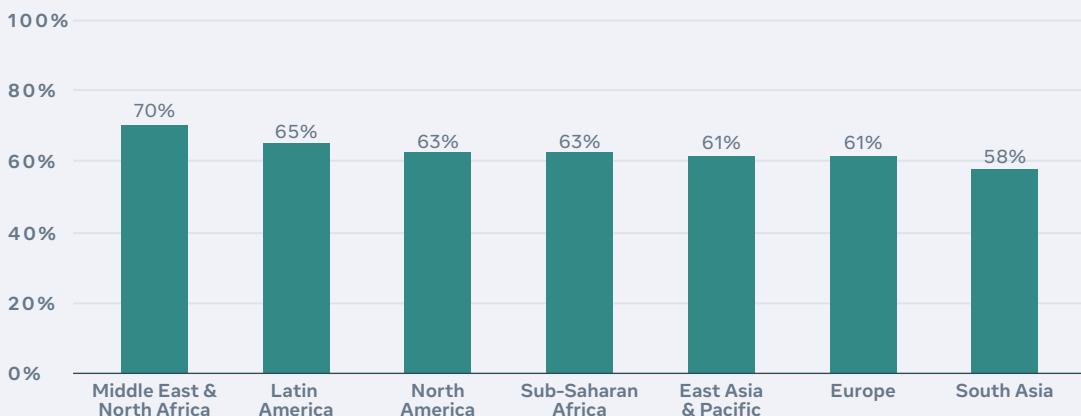
The majority of SMBs still operating have seen a reduction in sales...

Across countries in the aggregate sample, the majority of SMBs (62%) operating at the time of the survey reported that they generated lower sales in the previous 30 days compared to the corresponding period in 2019.

This trend was fairly consistent between regions. For example, across sampled countries in the Middle East and North Africa and South Asia regions, 70% and 58% of businesses reported reduced sales, respectively. In only two countries - Denmark and the Philippines - did fewer than 50% of businesses report a fall in sales, illustrating just how widespread the impact on sales has potentially been, even among operational businesses. In particular, in Hong Kong, Italy, the UAE, and Kenya, 75% or more of SMBs disclosed a year-on-year decline in their monthly sales.

These findings are consistent at the sectoral level too. In all sectors, more than 50% of businesses reported a decline in sales across the aggregate sample, with hotels, cafes, and restaurants (76%) and transportation and logistics (69%) most likely to have reported a reduction in sales. Within the services sector,

FIGURE 6: Proportion of operational SMBs reporting a decline in sales, by region



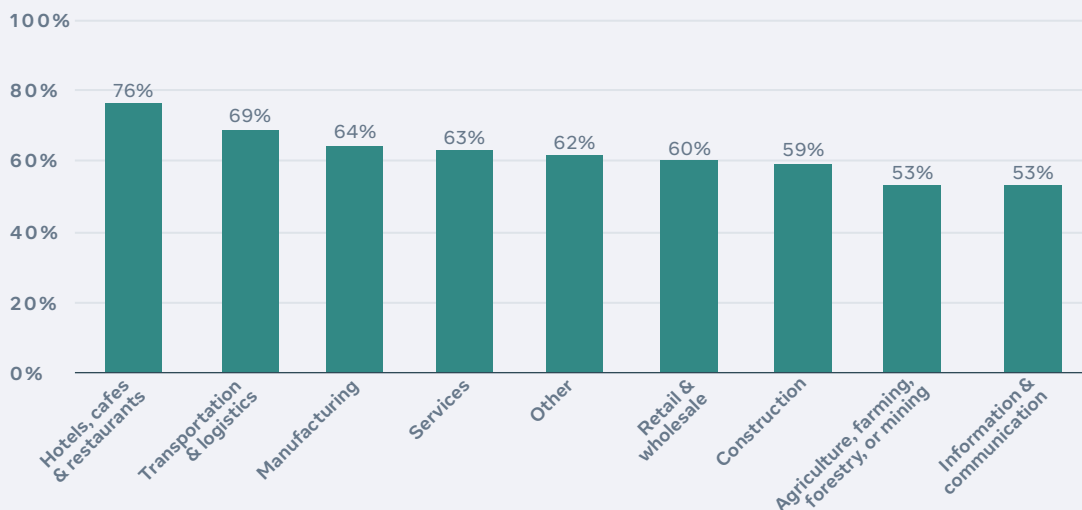
a large proportion of SMBs in hospitality and events management (72%), and in performing arts and entertainment (65%), also reported lower sales at the time of the survey than in the corresponding 30-day period in 2019.

...with over half of these exhibiting reductions of more than 50%

Beyond the number of SMBs that reported any reduction in sales, the extent of these reductions was also noteworthy. Within the aggregate sample, 57% of SMBs that disclosed a decline in sales reported the proportion of the decline to be 50% or more. Falls of similar magnitude were reported across all regions, along with similar aggregate proportions for both male and female business leaders.

In almost all countries surveyed, the majority of SMBs that noted a reduction in sales recorded reductions of more than 50%. In Europe, for example, the UK, Italy, and Portugal suffered the steepest falls, with 68%, 69%, and 71% of SMBs reporting falls of more than 50% respectively, relative to the corresponding 30-day period in 2019. In Latin American countries, Mexico (63%) and Ecuador (64%) had the highest proportion of SMBs reporting sales reductions of more than 50%. Singapore (75%) had the highest proportion across the East Asia and the Pacific countries and regions sampled. Countries and regions that reported a notably lower proportion of businesses with a fall in sales of more than 50% include Taiwan (28%), Norway (39%), and Denmark (48%).

FIGURE 7: The proportion of operational SMBs reporting a decline in sales, by sector



Effects on employment

“Across all surveyed countries, one-third of SMBs (33%) in operation at the time of the survey reported that they had reduced their workforce as a result of the COVID-19 pandemic”

Against this backdrop of business closures and falling sales, SMBs have been forced to cut costs and reduce employment. Many businesses in consumer-focused sectors in particular have ceased operations and laid off staff.

SMBs are responsible for a very sizeable share of global employment. Indeed, prior to the COVID-19 pandemic, 60-70% of workers in most countries were employed by SMBs (OECD 2017). The story of layoffs by SMBs in the wake of the COVID-19 outbreak is therefore of particular importance to policymakers. Some governments, particularly those in high-income countries, have been able to offer assistance, such as salary support and stimulus payments, to offset the impact of the pandemic. However, the extent of this support has varied.¹⁵

Many SMBs have reduced their workforce during the pandemic...

Across all surveyed countries, one-third of SMBs (33%) in operation at the time of the survey reported that they had reduced their workforce as a result of the COVID-19 pandemic, although there was significant variation at the regional and country level. Employment and salary support systems in higher-income countries, in particular in the European region, may have helped to nullify some of the pandemic’s impact on workers.

However, there was significant variation in the type of government support accessible to SMBs across the sample.

The pandemic’s impact on employment appears to have been particularly severe in low-income and medium-income countries. In sampled countries in the Sub-Saharan African region, for example, approximately one-half of businesses reported that they had reduced their workforce in response to the pandemic at the time of the survey. Similarly, in sampled countries in East Asia and the Pacific, those with the highest proportion of businesses to cut their headcount – Indonesia (50%), Malaysia (42%), and Vietnam (46%) – were all low-income or medium-income countries.

Sampled countries within the Middle East and North Africa, South Asia, and Latin America regions also saw a significant proportion (around 40%) of open SMBs reducing their workforce in response to the pandemic. Egypt (51%), Peru (48%), and Colombia (48%) reported some of the highest proportions in these regions. Indeed, in all regions except Europe, more than 30% of SMBs open at the time of the survey responded that they had reduced their workforce. Across the sampled European countries, the relevant proportion was 22%, with the largest workforce reductions observed in Turkey (34%) and Italy (31%).

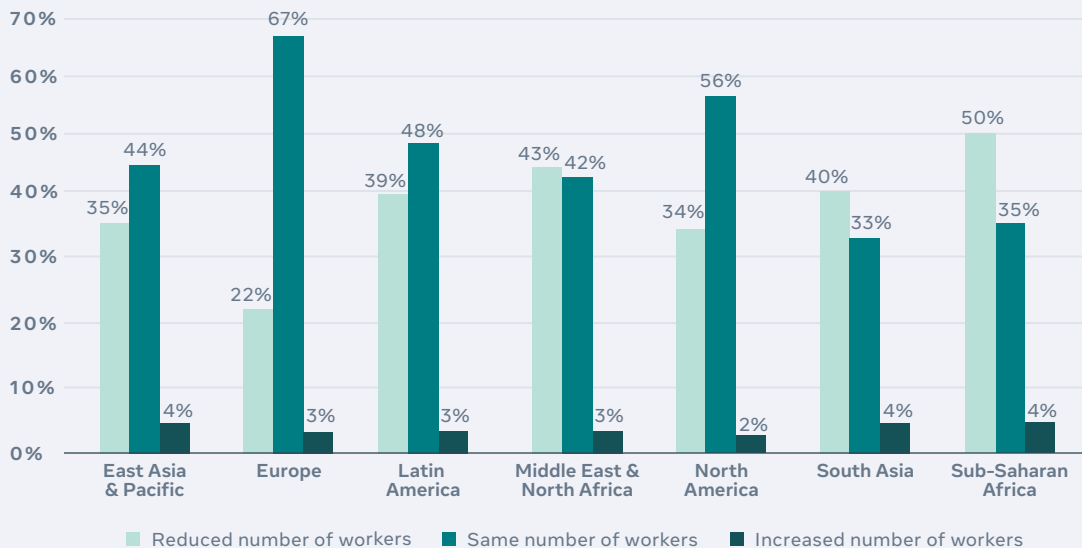
At the other end of the scale, fewer than one in five open businesses in the Netherlands (13%), Belgium (14%), France (14%), Denmark (15%), Poland (16%), and Russia (16%) said that they had reduced their workforce. Outside of Europe, only in Japan did less than a fifth of businesses (18%) say that they had reduced their workforce, and less than a third reported doing so in other high-income countries, including the USA (29%) and Australia (31%).

...and the extent of this reduction is correlated with the cash flow constraints they face

SMBs which remain open have faced cash flow constraints within an environment of business closures and reduced sales. The combination of these pressures has forced many to reduce costs and employment.

Figure 9 (page 19) illustrates how reductions in employment by SMBs may be correlated with the principal challenges raised by the COVID-19 pandemic. In particular, the graphic shows that in countries where a relatively high proportion of operational SMBs stated difficulties in paying their business expenses,¹⁶ a relatively high proportion of these businesses also reduced the size of their workforce in response to the pandemic. In Egypt and Colombia, for example, 80% and 85% of open businesses, respectively, reported difficulties paying their business expenses, while 51% and 48%, respectively, responded to the pandemic by reducing their headcount. By contrast, in the Netherlands and Denmark, only 39% and 37% of open businesses, respectively, said that they had encountered these difficulties, while only 13% and 15%, respectively, had reduced their workforce at the time of the survey.

FIGURE 8: Changes in employment among open SMBs, by region



Consumer-focused sectors reduced their workforce by the largest margin

Across the aggregate sample, 54% of open businesses in the hotels, cafes, and restaurants sector reported that they had to reduce the size of their workforce as a direct result of the pandemic. These findings are to be expected, given that government-imposed lockdown measures in many countries have prevented businesses in these consumer-focused sectors from operating at normal capacity for an extended period.

Reductions in employment were reported by open SMBs across all sectors in the sample. More than one-quarter of operational businesses in each sector reported that they had taken the decision to reduce their headcount at the time of the survey. The information and communications sector, in which 26% reduced their workforce, appeared

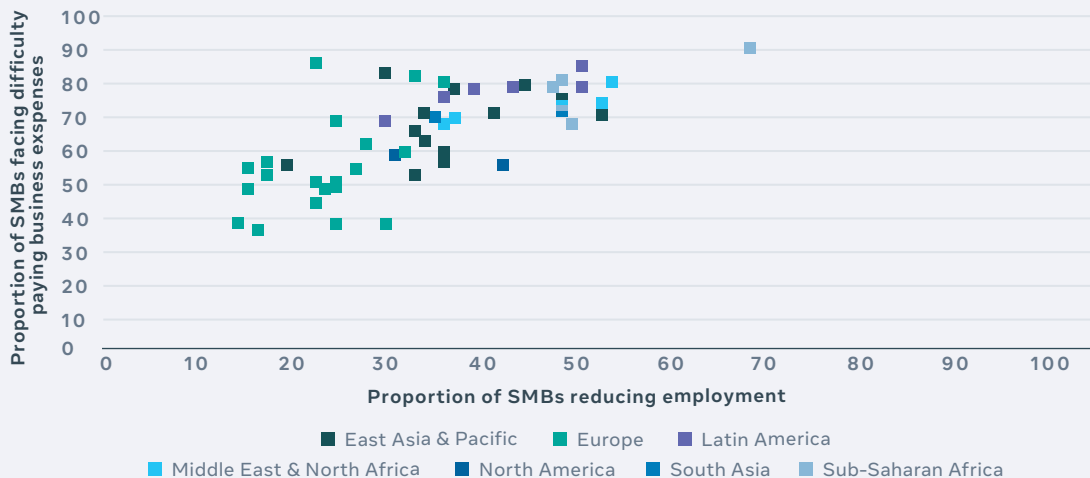
least affected at the time of the survey. *Figure 10 (page 20)* illustrates the change in workforce resulting from the pandemic in each sector within the survey sample.

Approaches to employment vary between countries...

The extent to which SMBs have retained or laid off employees varies significantly between the surveyed countries and regions. In the aggregate sample of SMBs that were not operating at the time of the survey, 20% reported that they were keeping and paying their employees at least part of their wages during closure. The lowest such proportion could be observed across SMBs surveyed in North America (9%), where only 6% of surveyed SMBs in Canada and 13% in the USA were doing so.

These variations could reflect a number of factors, including the timing and intensity of

FIGURE 9: Proportion of businesses facing difficulties in paying business expenses (vertical axis) against the proportion of businesses reducing their employment levels due to COVID-19 (horizontal axis), by country



the pandemic's impact and the different governmental approaches to SMB or employment support. Interestingly, while North America had the lowest proportion of closed SMBs retaining and paying their workers, it also had the highest proportion of SMBs (18%) placing staff on paid temporary leave (the respective figures were 23% in Canada and 12% in the USA) at the time of the survey.

...and the workforces of some closed SMBs face a somewhat uncertain future

Some closed businesses reported they will likely rehire the same workers when the business reopens, and a quarter of closed businesses are paying workers, at least partially, while they are closed. However, across the aggregate sample of closed SMBs, only 8% reported that they would look for new workers once they reopen.

“36% of these closed SMBs expected to rehire the same workers when they reopen”

Moreover, only 36% of these closed SMBs expected to rehire the same workers when they reopen, with figures as low as 14% in the UK, 18% in Brazil, and 28% in Ireland. The relevant proportions are also low in a number of other high-income countries, such as Canada (28%) and the USA (35%). These findings suggest that SMBs that are currently closed may maintain a cautious outlook towards employment even when they reopen, as they continue to grapple with ongoing reductions in sales or persistent cash flow constraints.

FIGURE 10: Changes in employment among open businesses, by sector



Access to finance

SMBs typically have smaller cash reserves than their larger, more established counterparts and have limited access to financing (Fouejieu et al. 2020). While many SMBs have turned to their governments for financial assistance, the support offered varied significantly between countries and regions. Many governments have introduced loans, grants, and subsidies as primary means of financial support. However, at the time of the survey, these measures were far from universal.

SMBs have sought financial assistance, especially from government, to support them through the pandemic...

On average across firms in the countries surveyed, nearly a quarter (23%) of businesses reported receiving financial support in response to the COVID-19 pandemic at the time of the survey. However, there was significant variation at the country and regional level. Regions fall into two unique clusters. Far greater proportions of SMBs reported receiving some form of financial assistance, such as grants or loans, across countries sampled in East Asia and the Pacific (29%), Europe (30%), and North America (37%). Indeed, in some countries, such as Australia, Belgium, and Ireland, around 50% or more of businesses reported receiving financial support.

“Nearly a quarter (23%) of businesses reported receiving financial support in response to the COVID-19 pandemic”

The picture was very different in many other countries surveyed. In several countries, including Turkey, Romania, Hungary, and Vietnam, fewer than 15% of SMBs reported receiving financial assistance at the time of the survey. A similar proportion was evident in sampled countries within the Latin America (12%), South Asia (10%), and the Middle East and North Africa (12%) regions. Sub-Saharan Africa (7%) was the region with the lowest proportion of businesses saying they had received financial assistance. In only six of the 19 countries surveyed in these regions - Argentina (23%), Brazil (30%), Israel (34%), Saudi Arabia (10%), Bangladesh (12%), and South Africa (12%) - did more than 10% of businesses report receiving financial assistance in response to the COVID-19 pandemic at the time of the survey.

Those sectors that appear to have suffered most from the COVID-19 pandemic, particularly in terms of closures, were most likely to report having received financial assistance at the time of the survey. Between a quarter and a third of SMBs in travel or tourism agency, hospitality and event services, education and childcare services, and hotels, cafes, and restaurant sectors reported receiving financial assistance. Indeed, in line with their relatively higher participation in these sectors, a slightly greater proportion of female business leaders reported that they were receiving financial support (33% compared to 30% among male business leaders) at the time of the survey, although the direction and size of this gap vary across countries and regions.

In the aggregate sample, around 60% of all financial support to surveyed SMBs took the form of governmental grants (49%) or governmental loans (10%), although there were differences between countries in this regard. In Thailand, Israel, and Brazil, 43%, 34%, and 30% reported that they were in receipt of financial support in response to the COVID-19 pandemic. Of these businesses, more than three-quarters reported it came from government grants or loans.

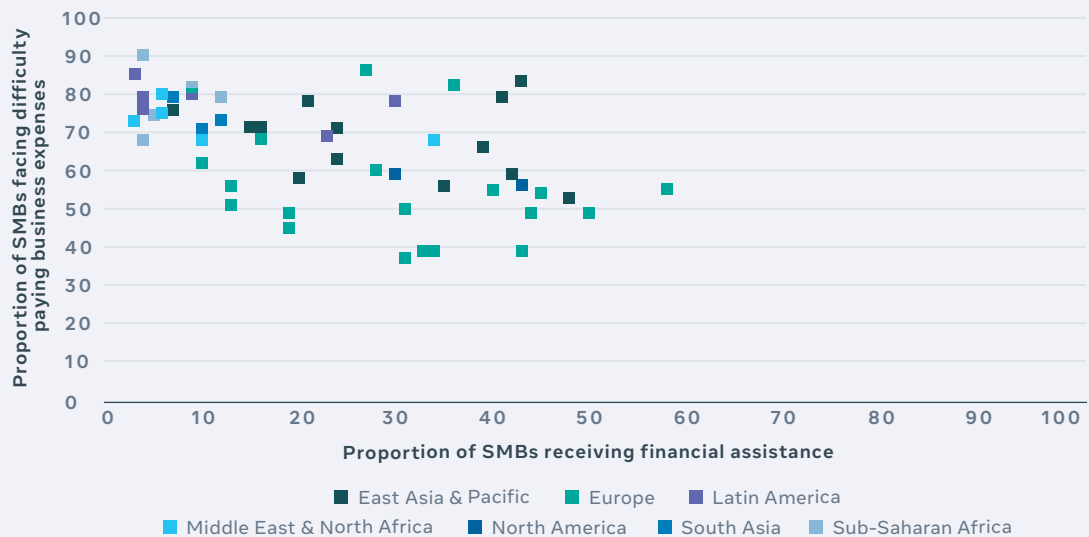
However, of those surveyed SMBs receiving some form of financial support in countries such as the Czech Republic and the USA (44% and 30% of businesses, respectively), only around a third or fewer of these were receiving these loans or grants from their respective governments. In Ireland, 58% of SMBs surveyed were in receipt of financial assistance at the time of the survey. Of these, 59% stated that they were receiving government support in the form of unemployment benefits.

The financial assistance provided to SMBs may have helped to alleviate some of the immediate cash flow constraints these businesses face. Indeed, *Figure 11* shows the proportion of open SMBs in each country that reported some degree of difficulty in paying their business expenses, against the proportion of businesses that were in receipt of some form of financial assistance. In countries where more SMBs reported receiving financial assistance, fewer SMBs reported difficulties paying their business expenses at the time of the survey.

...however, many challenges remain in providing SMBs with the assistance they require

Financial support was not universally available at the time of the survey - 27% of SMBs in the aggregate sample that were not receiving financial support of any form in response to the COVID-19 pandemic stated that the main reason was because no assistance was available.

FIGURE 11: Proportion of businesses reporting difficulty in paying their business expenses (vertical axis) vs proportion reporting they are receiving financial assistance (horizontal axis), by country

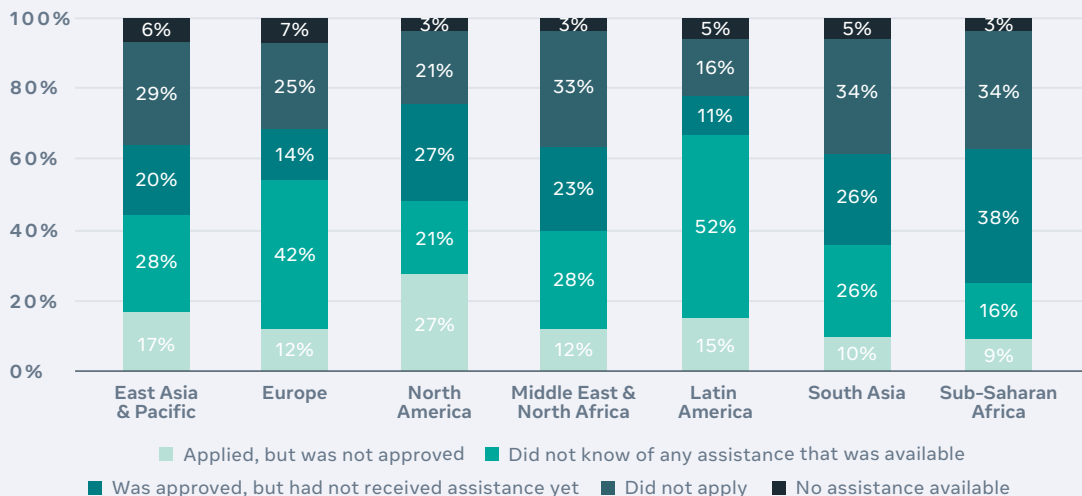


This was especially the case in sampled countries within the Middle East and North Africa (33%), South Asia (34%), and Sub-Saharan Africa (34%), and in particular Cambodia, India, and Iraq, where more than 40% of SMBs that were not in receipt of support at the time of the survey reported that no assistance was available.

In Canada (57%) and the USA (46%), a large proportion of these businesses acknowledged that support was available but did not apply. A separate survey on the impact of COVID-19 on small businesses also found that there is a relatively high rate of awareness of the support that is available amongst smaller businesses in the USA (Humphries et al. 2020). In the survey, 77% of small businesses reported that they were aware of federal or state programs that could help their business during the pandemic.

In sampled countries in Latin America, 27% of SMBs at the time of the survey reported that they had applied for support but their application had not been approved, a significantly higher proportion than SMBs sampled in other regions such as North America (15%) and Europe (12%). In particular, a large number of SMBs had applied but were not approved in Peru (42%), Argentina (37%), and Colombia (30%) at the time of the survey.

FIGURE 12: Reasons why SMBs were not receiving financial support by region



Domestic and family responsibilities

COVID-19 and the resulting lockdown measures have not only hindered SMB operations, but have also required business leaders to balance domestic responsibilities, such as childcare and caring for elderly family members, with managing their businesses. Indeed, a significant proportion of business leaders reported spending six or more hours per day on domestic tasks and care duties, with a clear disparity between female (23%) and male (11%) business leaders.¹⁷

The extra burden for business leaders is particularly evident in sampled countries in South Asia, Latin America, and Sub-Saharan Africa. In Kenya, Peru, and Bangladesh, for example, more than 80% of business leaders reported that domestic responsibilities, such as caring for family members, home schooling, and household chores, were having a significant impact on their work. Countries in Sub-Saharan Africa, South Asia, and Latin America also reported the highest percentage of business leaders experiencing at least some difficulty in paying their household bills.

Business leaders are having to balance work with domestic responsibilities...

SMB leaders face major challenges in growing their businesses, even in more normal economic conditions, and often need to devote considerable time outside standard working hours to try to overcome them.

However, more than one-third of business leaders within the aggregate sample reported spending four hours a day or more on domestic responsibilities, while nearly a fifth

(17%) spent six hours a day or more. The COVID-19 pandemic has not only potentially exacerbated these pressures, but may also have introduced further responsibilities, such as childcare and home schooling in daytime hours, into this equation for some business leaders. Around two-thirds (67%) of business leaders within the aggregate sample reported that domestic responsibilities were having an impact on their work, with domestic chores (31%) and caring for children (26%) the most common tasks cited at the time of the survey.

A significantly smaller proportion of business leaders in sampled countries in North America and Europe (59%) said that domestic responsibilities were having an impact on their work, though this is still a notable result. In Germany (43%) and Denmark (45%), the relevant proportions were even lower than this average. In South Asia and Sub-Saharan Africa, on the other hand, more than 80% of business leaders reported that domestic tasks were having a significant impact on their work. That figure was nearly 90% in Bangladesh.

Unsurprisingly, in those countries where business leaders reported spending a relatively significant amount of time on domestic responsibilities, a higher proportion of business leaders also reported that these responsibilities were having an impact on their work. In Japan, Denmark, Sweden, Greece, and Belgium, for example, countries in which fewer than 10% of business leaders spent more than six hours on domestic tasks, a relatively small proportion of business leaders reported a significant conflict between work and home responsibilities.

...which has particularly impacted female business leaders

The need to balance work and domestic responsibilities appears to have had a disproportionate impact on surveyed female business leaders. In the aggregate sample of SMBs that were open at the time of the survey, female business leaders were six percentage points more likely to report that domestic responsibilities were having an impact on their work (66% for female business leaders relative to 60% for male business leaders). Female business leaders were around ten percentage points more likely to say that caring for children, home schooling, and household chores were affecting their work relative to male business leaders.

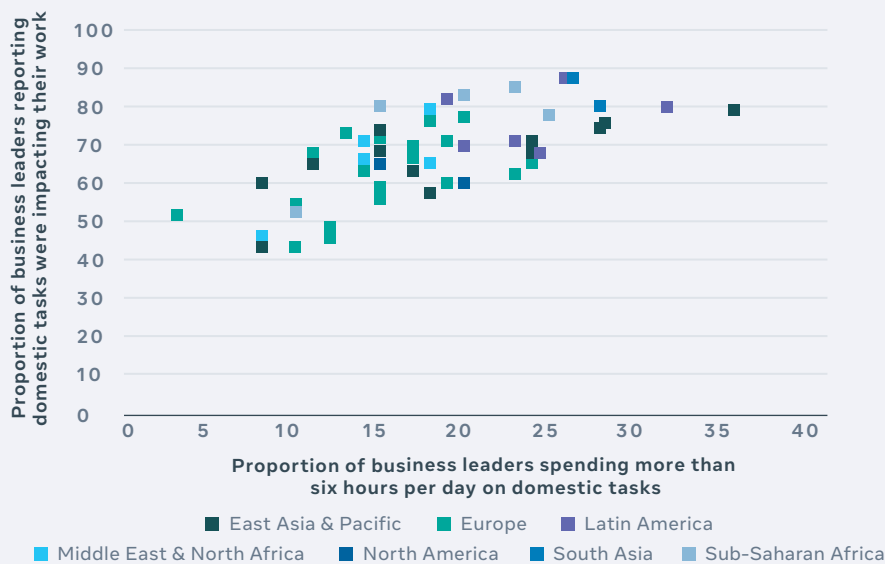
Female business leaders also reported spending more time on domestic responsibilities than their male peers did. In the aggregate sample, female business leaders were twice as likely as male business leaders to spend six hours a day or more on domestic tasks (23% compared to 11%). Only

in one country, Israel, did a higher proportion of male business leaders (15%) spend more than six hours a day on domestic responsibilities than females (12%).

In several countries, there were very large disparities between the proportions of male and female business leaders who reported spending at least six hours per day on domestic responsibilities. In Brazil, Japan, and Poland, female business leaders were around 18 percentage points more likely to spend six hours a day or more on domestic responsibilities than their male peers, the largest difference in the aggregate sample.

In all countries surveyed, female business leaders were also more likely to care for children or other dependents themselves, and much less likely to rely on a spouse. In the countries with the greatest disparity - Australia, Belgium, Hungary, the Netherlands, Romania, and Russia - female business leaders were 30 to 50 percentage points more likely to care for dependents themselves, and around 20 to 30 percentage points less likely to rely on a spouse.

FIGURE 13: Proportion of business leaders indicating that domestic responsibilities are impacting their work (vertical axis) against the proportion reporting they spend more than 6 hours per day on these tasks (horizontal axis), by country



Business leaders have struggled to cover their household bills...

Many SMBs have relied on financial assistance to remain open, especially those in consumer-focused sectors. In many instances, just as businesses have faced financial constraints, so too have many business leaders' households.

Though it is not possible to compare to pre-COVID-19 household financial situations, in the aggregate sample, more than 50% of business leaders stated that they were struggling to pay household bills at the time of the survey. However, there was significant variation at both the regional and country level. For example, in sampled countries in Sub-Saharan Africa, South Asia, and Latin America, more than two-thirds of business leaders reported that they were struggling to pay their household bills. In several countries - Colombia, Bangladesh, Ghana, Kenya, and

South Africa - more than 70% of business leaders reported that they were finding it difficult to cover these expenses.

Across the European and North American countries sampled, the relevant percentage is somewhat lower, although still very significant. Around 40% of business leaders across the countries sampled in these regions reported difficulty paying household bills at the time of the survey. Less than one-quarter reported facing difficulties in Norway and Denmark, although in some countries such as Portugal (64%) and Italy (58%), these proportions were notably greater.

Overall, female business leaders were more likely to report difficulties paying their household bills. More than 70% of female business leaders in Portugal and Italy were confronting such problems, 13 percentage points and 21 percentage points more than their male counterparts in these countries,

FIGURE 14: Proportion of female business leaders reporting difficulty paying their household bills (vertical axis) against the proportion of female business leaders who closed their business (horizontal axis), by country



respectively. In Canada, Israel, Poland, Belgium, Thailand, and Japan, there was a disparity of at least ten percentage points. Germany and Spain were the only countries in the sample where a gender disparity of ten percentage points existed, but where it was the male business leaders who found it more difficult to pay their bills.

As we saw in Section 1, female business leaders more often operate micro-businesses with no other employees, which have faced greater closure rates relative to larger SMBs, and work in sectors that appear to have been hit hardest by the pandemic. This reality may have led to greater financial distress for female business leaders. *Figure 14 (page 26)* indicates that in those countries where more female business leaders closed their business, more female business leaders also reported difficulties in paying their household bills.

...which remains a major concern for business leaders

Given these findings, it is not surprising that having sufficient funds to support their family was a major concern for nearly 50% of the business leaders in the survey. This concern was inevitably greater in those countries where more business leaders were reporting

difficulties in paying household bills. For example, in Portugal and Italy, respectively, 58% and 53% of business leaders said they had concerns about supporting their families, among the highest proportions in Europe. A significantly greater proportion of business leaders in Latin America reported this as an issue: around 60% in every country surveyed in that region.

“Having sufficient funds to support their family was a major concern for nearly 50% of the business leaders in the survey”

Future expectations

The COVID-19 pandemic has created an extremely challenging environment for SMBs. Businesses have closed, demand has fallen, and many SMBs cannot access the financial assistance they need. Nevertheless, as the global economy begins to recover, SMB leaders are adapting and looking to the future.¹⁸

Of the 26% of SMBs to have closed, nearly three-quarters (74%) reported that they expect to reopen – 47% of these cited the lifting of COVID-19 containment measures as the most important factor in any decision to resume operations.¹⁹ Among leaders of those SMBs that have remained open, nearly half (45%) reported that they did not expect their business to close, even if conditions at the time of the survey persisted beyond the next six months. Many have spent the lockdown period preparing to reopen and have adapted to new conditions by, for example, further developing their digital capabilities.

“Of the 26% of SMBs to have closed, nearly three-quarters (74%) reported that they expect to reopen”

In all surveyed countries, aside from Ireland (5%) and Spain (13%), 20% or more of closed businesses that were surveyed reported that they were unsure when they would reopen, indicating a degree of uncertainty remains within parts of the SMB community.

SMB leaders in many countries remain optimistic about the prospects for their business...

Despite the profound impact of the COVID-19 pandemic, and the large proportion of businesses that said they were concerned about the future as noted above, many SMB leaders still appear to be retaining a degree of optimism about their business’s prospects in the medium term. In two-thirds of the countries surveyed, at least 50% of SMB business leaders said they were optimistic, or very optimistic, about the future of their business. While evidence from the economic and business literature does suggest that entrepreneurs may have a tendency to be particularly optimistic about their future prospects (see for example, Kahneman et al. 1993, or Puri et al. 2007), it is heartening that at least some degree of optimism remains.

The degree of optimism varied significantly across and within regions, though it is of course not possible to compare the variation to pre-COVID-19 levels as this was not captured by the survey. For example, in sampled countries in Europe, business leaders were notably upbeat in Denmark and the Czech Republic, with 72% and 71% of SMB leaders, respectively, saying they felt optimistic or very optimistic about the future of their business, compared to 35% of SMB leaders in France and 39% in Portugal. The variation in optimism could reflect underlying differences in the SMBs surveyed and their general levels of optimism, cultural factors, the nature of COVID-19 containment measures, the level of economic support provided to SMBs, and the broader economic environment, among other factors.

Similar variations were seen in sampled countries within the East Asia and the Pacific region. Two-thirds (67%) of SMB leaders in Indonesia reported feeling optimistic or very optimistic, compared to only 14% in Japan, the lowest level of optimism reported in this region. In the other regions, the proportions were typically between 40% and 75%.

...with the majority expecting to reopen as COVID-19 containment measures are lifted

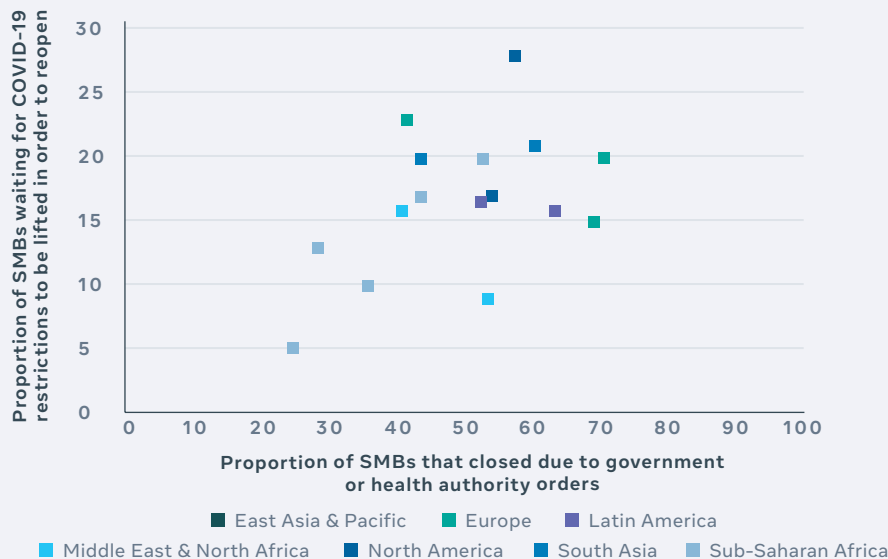
Despite the difficulties experienced by SMB leaders between January and May 2020, the majority of closed SMBs surveyed considered closure to only be temporary and expected to survive. Among closed businesses, 28% reported that they expected to resume operations within one month of the survey, and more than 54% of them reported that they would start up again within three months, with Israel (65%), Ireland (69%), and Spain (70%) reporting the highest proportion of businesses expecting to reopen over that period.

Still, some uncertainty remains.

Approximately one-quarter of SMBs that were closed in the aggregate sample said that they were not sure when they would be able to resume operations. This was a relatively consistent finding throughout the countries in the sample, with at least 15% of businesses in all but two countries (Spain and Ireland) uncertain when they will reopen. The degree of uncertainty was greatest in Kenya (48%), Egypt (40%), and Pakistan (39%).

In all countries in the sample, the lifting of COVID-19 containment measures was the most commonly mentioned factor when it came to the ability of SMBs to reopen. Perhaps unsurprisingly, the proportion of SMBs citing the removal of lockdown measures was greater in those countries where more businesses referred to government and health authority orders as the main cause of closure. This relationship is illustrated in *Figure 15*.

FIGURE 15: Proportion of business leaders referencing the removal of COVID-19 containment policies as the main factor determining their ability to reopen (vertical axis) against the proportion who closed due to government or health authority orders (horizontal axis), by country



The UK and Ireland, for example, had the highest proportion of businesses declaring that they closed primarily as a result of government and health authority orders (71% and 69%, respectively), and also the highest proportion of businesses saying that the removal of COVID-19 containment policies would be the main factor determining their ability to reopen (65% and 60%, respectively).

Nevertheless, SMBs still expect to face significant challenges...

Despite the optimism of SMB leaders, many still face significant challenges over the next few months. Only 13% of businesses within the aggregate sample did not identify specific challenges that they expected to face, although there was significant variation between and within some regions. In sampled countries in Europe, for example, 16% of businesses did not report that they expected to face any specific challenges. However, this answer was given by fewer than 10% of businesses in Italy (6%), Portugal (8%), and Greece (8%), but by at least 25% in Denmark (25%) and Russia (27%). This compares to 5% across sampled countries in Latin America where, in all but one country (Mexico ((11%)), 5% of businesses or less indicated that they faced no challenges.

...with lack of demand, cash flow constraints, and loan repayments most commonly cited

In the aggregate sample, the three near-term challenges most commonly cited by businesses that were operational at the time of the survey were lack of demand (47% of SMBs), cash flow constraints (37%), and repaying outstanding loans (19%). In all regions, lack of demand and cash flow constraints were the two most frequently

anticipated challenges for the coming months. Lack of demand was cited more frequently by SMBs in sampled countries in Europe (51%) and Latin America (57%) than in the Sub-Saharan Africa (34%) and South Asia (32%) samples. This variation is illustrated in *Figure 16* (page 31).

“In the aggregate sample, the three near-term challenges most commonly cited by businesses that were operational at the time of the survey were lack of demand (47% of SMBs), cash flow constraints (37%), and repaying outstanding loans (19%)”

There were also a range of other challenges highlighted by businesses, with significant variation between regions. In sampled countries in North America and Latin America, for example, the challenge of finding suppliers was cited by a significantly higher proportion of businesses (20% and 27%, respectively) compared to the sample average (15%). Only 7% of businesses in the European sample identified this as a challenge.

Obtaining a new loan was also mentioned as a challenge by sampled businesses in Latin America (28%), more often than in other regions. In sampled countries in the Sub-Saharan Africa region, around one-quarter of businesses (23%) reported that attracting an investor was a challenge, more than in any other region, while in the Middle East and North Africa region, 22% of businesses surveyed believed that government and health authority orders would be a challenge in the coming months.

There was also significant variation in the challenges cited within regions. The proportion of businesses in sampled countries in Europe that made reference to cash flow constraints as a challenge ranged from less than 20% in Denmark (19%) and Hungary (19%), to more than 50% in Ireland (54%) and Turkey (61%). Similarly, the challenge of repaying outstanding loans was cited by less than 10% of businesses in several countries, including Sweden (6%), Denmark (8%), and Norway (9%), but by more than 25% in Ireland (26%), Italy (34%), and Turkey (45%).

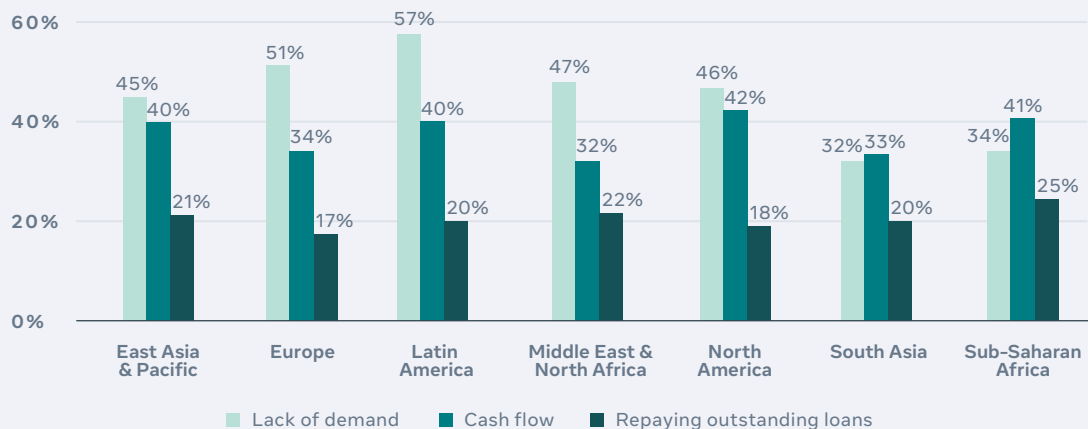
A lack of demand (45%) and cash flow constraints (40%) were the most frequently reported challenges by businesses in all countries surveyed in East Asia and the Pacific, except for Indonesia, where only 17% and 15% of businesses considered these to be challenges, respectively. A particularly high proportion of businesses in high-income countries, such as in Australia (50%), Japan (52%), Singapore (59%), and South Korea (56%), pointed to a lack of demand as a challenge they face. In sampled countries in

Latin America, the proportion of SMBs referring to cash flow as a future challenge varied significantly, from 26% in Argentina to 57% in Colombia.

Many businesses are preparing to reopen and have adapted their business models for the new economic environment

In spite of the significant challenges businesses undoubtedly face, there is also evidence that SMBs have been preparing to reopen and have adjusted their business models to adapt to the post COVID-19 economic environment. In all of the sampled countries, for example, the most commonly cited activity by business leaders of closed businesses was working on plans for reopening. Many business leaders also indicated that they adapted to the pandemic by setting up an online website or business presence, most notably in Ireland (41%) and Brazil (32%).

FIGURE 16: Proportion of businesses who stated lack of demand, cash flow, or outstanding loans as a future challenge, by region



“In 15 of the countries surveyed, more than one half of businesses were making at least 25% of their sales online”

Many SMBs have seemingly sought to increase online sales in response to their shops being closed, for example.²⁰ In 49 of the 54 countries in the sample, at least one-third of SMBs indicated that they had earned a minimum of 25% of their sales from digital channels in the previous 30 days. In 15 of the countries surveyed, more than one-half of businesses were making at least 25% of their sales online. More than 60% of businesses are meeting this threshold in Singapore (62%), Canada (64%), Ireland (65%), and Russia (65%).

Across all the sectors, the construction sector had the lowest proportion of businesses earning at least 25% of sales from digital channels (27%), while the information and communication sector exhibited the highest proportion (60%).

Needs and policy insights

SMBs have been severely affected by the COVID-19 pandemic and are likely to require further support should conditions persist or if a second wave of the virus emerges. In the aggregate sample, approximately one-third of SMBs suggested that the policies they considered to be most necessary to support them throughout the pandemic would be salary subsidies, tax deferrals, and access to loans and credit at the time of the survey.

A range of factors are likely to have influenced the type of support requested by business leaders, including their levels of existing support, sectoral composition, intensity of lockdown measures, and the prevalence of the virus, among others. There are also existing concerns which may need to be taken into account. For example, businesses with an outstanding loan or line of credit from a financial institution were more likely to suggest loan repayment deferrals as a means of support. The needs and characteristics of SMBs within each region are likely to differ and change over time, and subsequent waves of this survey hope to capture these changes, to allow policymakers to track the support mechanisms requested by SMBs as the global economy begins to reopen and recover.

Salary subsidies, tax deferrals, and access to credit are the most critical measures for supporting the SMB recovery...

In the aggregate sample, when asked which were the three most critical policies to support their business over the COVID-19 pandemic, SMBs most commonly referred to one or more of salary subsidies (32%), tax

deferrals (32%), and access to loans and credit guarantees (29%). However, there was some variation in the proportion of businesses citing these as necessary means of support, both between and within regions.

Salary subsidies were identified as one of the three most important support measures by more than a quarter of businesses in every region, with a particularly high proportion citing them in sampled countries in East Asia and the Pacific (39%) and the Middle East and North Africa (35%). However, there was considerable variation between countries and regions. Salary subsidies were considered one of the key support measures for 70% of businesses in Hong Kong and for around half of businesses in Singapore (53%), Norway (50%), and South Africa (50%). By contrast, less than one-quarter of businesses in the Netherlands (18%), Ecuador (16%), Ghana (16%), and Nigeria (17%) cited it.

“Salary subsidies were identified as one of the three most important support measures by more than a quarter of businesses in every region”

Access to loans and credit guarantees was considered to be one of the top three most important means of support by a particularly high proportion of businesses in sampled countries in Latin America (49%) and Sub-Saharan Africa (40%). South Africa (28%) was the only country in these regions where less than one-third of businesses cited it as one of the key measures. By comparison, access to loans and credit guarantees was cited as one

of the key measures by less than one-quarter of businesses in sampled countries in Europe (22%) and South Asia (24%), and by less than one-third in sampled countries in the Middle East and North Africa (27%), East Asia and the Pacific (28%), and North America (32%) regions. Across these countries and regions, access to loans and credit was cited as one of the key measures by a particularly high proportion of businesses in Italy (40%), Taiwan (42%), and the UAE (46%).

Tax deferrals were also consistently cited as one of the top three support measures, with at least one-quarter of businesses citing it in every region. A particularly high proportion of businesses in sampled countries in Europe (36%) and Latin America (35%) highlighted this as one of the most important measures. However, there was still significant variation within European countries in particular. Tax deferrals were cited by 60% of businesses in Italy and by around half of businesses in Greece (50%), Spain (47%), and Turkey (47%), though this was true for less than a quarter of businesses in Switzerland (20%) and France (22%). In other regions, a relatively high

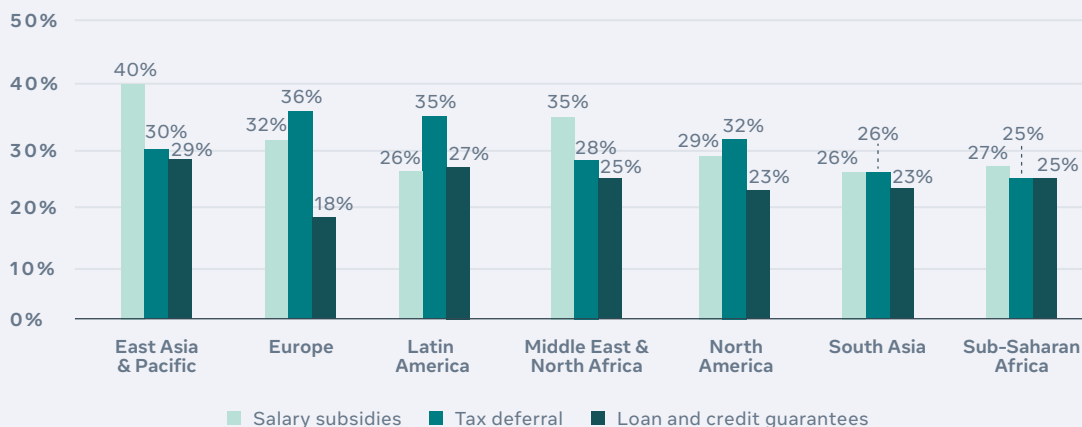
proportion of businesses in Israel (50%), Australia (44%), and Singapore (44%) considered tax deferrals to be one of the most critical areas of support, compared to less than a quarter in, for example, Nigeria (13%), Iraq (16%), and Saudi Arabia (19%).

...although deferrals of rental and loan repayments, utility subsidies, and social security exemptions were also considered important by many SMBs

In the aggregate sample, more than 20% of business leaders cited one or more of rental and loan repayment deferrals (27% and 23%), utility subsidies (24%), and social security exemptions (23%) within the top three most important measures to support them through the COVID-19 pandemic, although there was some variation between and within regions.

Deferral of rental payments was highlighted as one of the three key measures by at least a quarter of businesses in every region, with a particularly high proportion of businesses considering it to be a key measure in the Middle East and North Africa (42%), as well

FIGURE 17: Proportion of businesses stating salary subsidies, tax deferrals, and loan and credit guarantees as support they need, by region



as in several countries in other regions, including Kenya (42%), Colombia (41%), and Singapore (42%).

Deferral of loan payments was also identified as one of the three most critical measures by around a quarter of businesses in all regions, although the overall percentage in Europe was somewhat lower (18%). A particularly high proportion of businesses in Turkey (47%) and Ecuador (45%) mentioned loan payment deferral as a key policy measure to support them during the pandemic.

The proportion of businesses identifying utility subsidies as one of the key support measures was relatively consistent at the regional level, ranging from 19% in sampled countries in North America to 28% in East Asia and the Pacific. However, there was significant variation within the regions themselves. Within the European countries sampled, for example, the relevant proportion ranged from less than 10% in Sweden (4%), Spain (6%), and Denmark (9%) to more than 40% in France (41%) and Italy (42%).

Businesses in the European countries surveyed (33%) were most likely to highlight the provision of social security exemptions as one of the key support measures. However, there was significant variation within the region. More than 60% of businesses in Poland (70%), France (63%), Portugal (62%), and Spain (62%) considered social security exemptions to be a key form of support.

As well as requiring support for their businesses, female business leaders highlight the need for support in taking care of household members

Female business leaders disproportionately reported the need to balance domestic and work responsibilities during the pandemic compared to male business leaders. In the aggregate sample, around one-quarter of female business leaders (23%) said that support in taking care of household members was one of the three most critical measures for helping their business through the pandemic. This compares to 18% of male business leaders in the aggregate sample.

Indeed, in 12 of the 21 countries with sufficient sample sizes, more than 20% of female business leaders considered support in taking care of household members to be one of the most critical measures in assisting their business, with the highest proportions observed in Nigeria (49%), Thailand (33%), and Italy (31%).

In all but one of these 12 countries, the proportion of female business leaders citing a need for this support exceeded the proportion of male business leaders who did so. In Portugal, for example, around one-third of female business leaders (30%) highlighted this as one of the most important support measures, compared to 14% of male business leaders who did so. Out of all the 12 countries, the USA was the only country where the proportion of male business leaders citing this measure (24%) exceeded the proportion of female business leaders (21%) who did so.

Conclusion

This study has provided a snapshot of the impact that the COVID-19 pandemic has had on SMBs. A significant number of surveyed businesses reported that they were closed, while those that remained open continue to face significant challenges, including cash flow constraints and falling sales. The report has further provided insight into the household impacts that have resulted from the pandemic and subsequent lockdown measures.

The survey that formed the basis of this report was the first in a series of six monthly waves of data collection that will examine the impact of the pandemic on SMBs. Further rounds of surveys will allow for trends to be investigated over time, in particular, to understand how SMBs across the countries sampled recover from the pandemic, as countries ease their lockdown restrictions, or possibly manage the impact of further waves of infections.

Further research will serve to deepen the insights from this report. For example, the population for this survey was taken from SMBs with a Facebook Business Page, and as such only includes SMBs with at least some digital presence. It is likely that these SMBs are likely to have different characteristics to those with a more limited digital presence and will have reacted differently to the pandemic.

Nonetheless, this collaboration between Facebook, the OECD, and the World Bank will continue to monitor the trends among SMBs over the coming months, to share relevant insights and nuanced findings with policymakers and small businesses around the world.

Survey methodology

Sampling

Wave 1 of the State of the Global SMB Future of Business Survey was fielded in the period May 28-31, 2020, though the exact time and date that users received the survey varied by time zone. Sample quotas were set at the country level with the exception of Sub-Saharan Africa, exclusive of Nigeria, Ghana, Kenya, and South Africa, were each sampled as a single unit with no country-level quotas.

After accounting for eligibility and non-response, the survey captured responses from approximately 80,000 respondents across 91 countries and seven regions (though results here are reported for approximately 30,000 business owners, leaders, and managers only). 38 countries in Sub-Saharan Africa were subsequently grouped into a single sampling unit due to sampling limitations. It is further noted that country samples do not, in general, include overseas territories - for example, the USA sample does not include USA territories or Puerto Rico.

The sample is only representative of Facebook Business Page Administrators at the individual country level after weights have been applied - it is not representative of the SMB population at large within each country considered. The sample leveraged Facebook Page Administrators to maintain consistency with prior versions of The Future of Business Survey.

Survey

The survey invitation was shown as an invitation on the sampled individual's Facebook News Feed. The survey introductions emphasised voluntary participation and confidentiality of responses. Opening the survey, responding to the survey, and completing the survey partially or fully were all entirely optional. If respondents chose to skip any question in the survey they were allowed to do so with no reminders or prompts to answer of any kind, and the questionnaire flow took them to the next logical question. Respondents were not compensated in any way for either starting or completing this survey.

Data treatment

Reported results only use weighted data. The sample weighting targets were derived from on-platform Facebook Business Page Administrator population statistics for each country, and variables were selected from a set of variables known to be highly predictive of survey non-response on the Facebook platform.

Results for businesses above are reported from answers collected from those who said they were an owner or manager of day-to-day operations of a business with 500 or fewer employees that was currently operating, or that ceased operations after January 1, 2020. Results are not reported where a given question had fewer than 100 respondents within a country, including demographic-based sub-reporting (for example, by gender).

Where regional statistics are presented, these are taken as the mean of the country statistics within a given region, only accounting for countries that meet the 100-responses criteria for a given question. Similarly, statistics reported for the aggregate sample across countries take the average of all countries that meet the 100-respondent quota for a given question. Where statistics are reported by sector or business size, these were calculated using the whole sample, treating each respondent as an individual observation.

The Future of Business aggregate country data from this survey will also be published on the World Bank data catalog, in keeping with prior waves of this survey.²¹

Regional mapping

The following countries and regions are reported in this survey and report (asterisk denotes OECD membership). The following country and region names and borders follow World Bank practice, and do not represent political statements or judgments.

Region	Identifier	Name	Invitations	Survey Starts	Response Rate
East Asia and the Pacific	AU	Australia*	53,864	1,447	2.69
	ID	Indonesia	22,750	1,613	7.09
	KH	Cambodia	47,726	1,924	4.03
	HK	Hong Kong SAR, China	47,843	761	1.59
	JP	Japan*	45,296	1,842	4.07
	KR	Korea, Rep.*	47,927	739	1.54
	MY	Malaysia	48,543	1,994	4.11
	MM	Myanmar	17,349	1,671	9.63
	PH	Philippines	27,527	1,566	5.69
	SG	Singapore	46,902	1,206	2.57
	TW	Taiwan, China	52,687	1,480	2.81
	TH	Thailand	79,316	2,383	3.00
VN	Vietnam	47,546	2,026	4.26	
Europe	BE	Belgium*	61,250	1,481	2.42
	CZ	Czech Republic*	50,130	1,562	3.12
	DK	Denmark*	57,889	1,367	2.36
	FR	France*	84,706	1,833	2.16
	DE	Germany*	53,858	1,755	3.26
	GR	Greece*	31,979	1,550	4.85
	HU	Hungary*	45,270	2,024	4.47
	IE	Ireland*	38,067	1,402	3.68
	IT	Italy*	51,713	2,090	4.04
	NL	The Netherlands*	60,857	1,345	2.21
	NO	Norway*	49,938	1,314	2.63

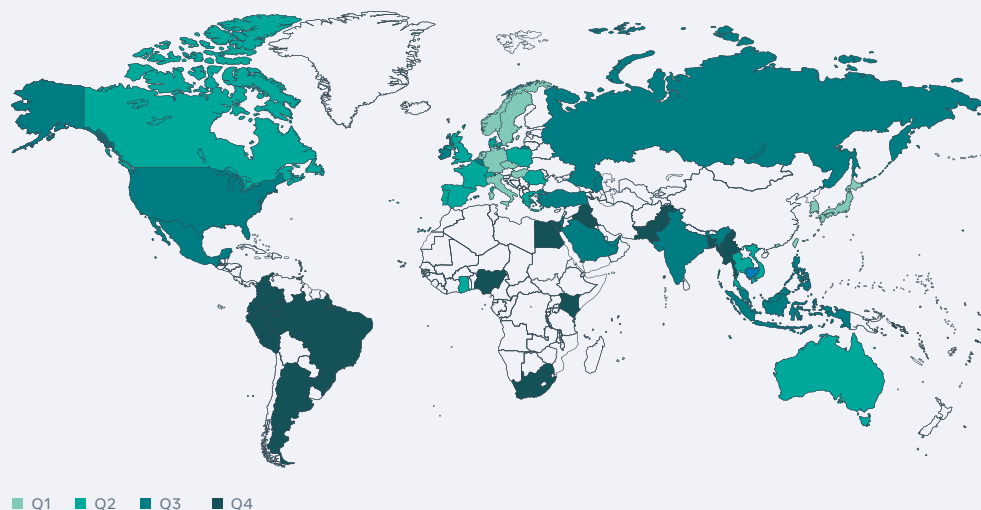
Region	Identifier	Name	Invitations	Survey Starts	Response Rate
Europe	PL	Poland*	51,425	1,703	3.31
	PT	Portugal*	32,510	1,608	4.95
	RO	Romania	28,044	1,707	6.09
	RU	Russian Federation	39,098	1,667	4.26
	ES	Spain*	47,174	1,797	3.81
	SE	Sweden*	49,159	1,782	3.62
	CH	Switzerland*	47,089	925	1.96
	TR	Turkey*	29,385	1,693	5.76
	GB	United Kingdom (UK)*	75,156	2,793	3.72
Latin America	AR	Argentina	40,471	1,905	4.71
	BR	Brazil	49,006	2,825	5.76
	CO	Colombia*	22,629	1,533	6.77
	EC	Ecuador	24,599	1,528	6.21
	MX	Mexico*	31,833	2,335	7.34
	PE	Peru	23,744	1,550	6.53
Middle East and North Africa (MENA)	EG	Egypt, Arab Rep.	32,928	2,630	7.99
	IQ	Iraq	19,994	1,776	8.88
	IL	Israel*	43,301	2,029	4.69
	SA	Saudi Arabia	20,300	1,754	8.64
	AE	The United Arab Emirates (UAE)	29,033	1,661	5.72
North America	CA	Canada*	50,062	1,609	3.21
	US	United States (USA)*	78,398	2,612	3.33
South Asia	BD	Bangladesh	15,153	1,706	11.26
	IN	India	52,285	3,666	7.01
	PK	Pakistan	22,603	1,749	7.74
Sub-Saharan Africa (SSA)	GH	Ghana	28,883	2,375	8.22
	KE	Kenya	23,370	2,402	10.28
	NG	Nigeria	27,550	3,251	11.80
	ZA	South Africa	15,027	1,728	11.50
	RA	Rest of Africa ²²	39,569	4,023	10.17

Lockdown stringency

One factor influencing the impact of the COVID-19 pandemic in different countries is the stringency of each government's response. The University of Oxford COVID-19 Government Response Tracker (Hale et al. 2020) tracks information on several different common policy responses such as closing schools and restrictions on gatherings that governments have taken to respond to the pandemic.

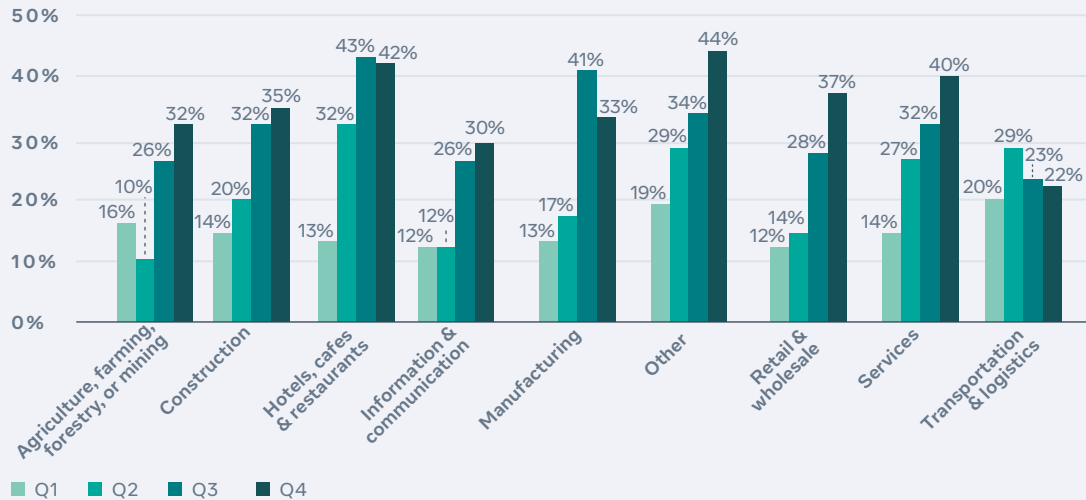
These responses have been compiled into a Stringency Index for each country. For the analysis in this report, the average Stringency Index over the period 29 May to 01 June was used. *Figure 18* shows which quartile of this Stringency Index each country in this report belongs to.

FIGURE 18: Lockdown Stringency Index, by quartile



As discussed in Section 1, there is a positive correlation between the stringency of lockdown measures and the business closure rate. As can be seen from *Figure 19*, this correlation also applies for all economic sectors which see greater closure rates where restrictions are higher.

FIGURE 19: Closure rates for each sector by stringency



The full rankings of the Lockdown Stringency Index are shown below:

Country or region	Government response stringency index (average over 29 May - 01 June 2020)	Quartile
Taiwan, China	22	Q1
Japan	31	Q1
Czech Republic	43	Q1
Sweden	46	Q1
Germany	50	Q1
Hong Kong SAR, China	53	Q1
Cambodia	53	Q1
Norway	55	Q1
Ghana	56	Q1
Korea, Rep.	57	Q1
Italy	60	Q1
Australia	60	Q1
Denmark	63	Q1
Hungary	63	Q1
Switzerland	64	Q2
Greece	64	Q2
Rest of Africa	66	Q2
Vietnam	66	Q2
United Kingdom (UK)	66	Q2
The Netherlands	67	Q2
Poland	69	Q2
France	69	Q2
Thailand	69	Q2
Romania	69	Q2
Canada	71	Q2
Portugal	71	Q2
Spain	71	Q2
Indonesia	72	Q3
The United Arab Emirates (UAE)	72	Q3
United States (USA)	73	Q3
Saudi Arabia	74	Q3
Belgium	75	Q3

Country or region	Government response stringency index (average over 29 May - 01 June 2020)	Quartile
Israel	75	Q3
Malaysia	75	Q3
Russian Federation	77	Q3
Ireland	78	Q3
Philippines	78	Q3
India	78	Q3
Turkey	79	Q3
Mexico	80	Q3
Brazil	80	Q4
Myanmar	81	Q4
Nigeria	81	Q4
Singapore	81	Q4
Pakistan	82	Q4
South Africa	83	Q4
Egypt, Arab Rep.	84	Q4
Ecuador	86	Q4
Colombia	87	Q4
Bangladesh	88	Q4
Peru	90	Q4
Argentina	91	Q4
Iraq	93	Q4
Kenya	94	Q4

To add further context to these figures and those presented in the report, the below table also provides a list of lockdown start dates for each country. Data is taken from a variety of sources, including government and health authority webpages and news sites.

It should be noted that there is no official definition of a COVID-19 lockdown, and so these dates may vary depending on the source of information. Some countries also introduced local or sub-national-specific measures. Where this occurred, the dates for the earliest lockdown are reported.

Country or region	Start date
Argentina	19/03/2020
Australia	23/03/2020
Bangladesh	26/03/2020
Belgium	18/03/2020
Brazil	17/03/2020
Cambodia	
Canada	
Colombia	25/03/2020
Czech Republic	16/03/2020
Denmark	
Ecuador	16/03/2020
Egypt, Arab Rep.	
France	17/03/2020
Germany	23/03/2020
Ghana	30/03/2020
Greece	23/03/2020
Hong Kong SAR, China	
Hungary	28/03/2020
India	25/03/2020
Indonesia	
Iraq	22/03/2020
Ireland	12/03/2020
Israel	02/04/2020
Italy	09/03/2020
Japan	
Kenya	
Korea, Rep.	

Country or region	Start date
Mexico	23/03/2020
Myanmar	
The Netherlands	
Nigeria	30/03/2020
Norway	
Pakistan	24/03/2020
Peru	16/03/2020
Philippines	15/03/2020
Poland	13/03/2020
Portugal	19/03/2020
Romania	25/03/2020
Russian Federation	28/03/2020
Saudi Arabia	09/03/2020
Singapore	07/04/2020
South Africa	26/03/2020
Spain	14/03/2020
Sweden	
Switzerland	
Taiwan, China	
Thailand	25/03/2020
Turkey	23/04/2020
The United Arab Emirates (UAE)	26/03/2020
United Kingdom (UK)	23/03/2020
United States (USA)	19/03/2020
Vietnam	01/04/2020

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End Notes

1. It is recognised that the definition of a small and medium-sized business differs across countries, regions, and organisations. The European Commission, for example, classifies a small and medium-sized enterprise (SME) as an enterprise that employs fewer than 250 persons and has either an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million. On the other hand, the World Bank uses thresholds of 300 employees, turnover of less than \$15 million, and total assets also less than \$15 million to define a micro, small, and medium-sized enterprise (MSME). To be classified as an MSME, businesses must meet two of these three criteria. These definitions are available at:
 - European Commission: https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en
 - World Bank: <http://documents1.worldbank.org/curated/en/602291468183841622/pdf>
2. The OECD statistics referenced here define an SME as an enterprise that employs fewer than 250 persons. As a result, the share of employment and value added accounted for by SMBs, defined in this report as firms with 500 or fewer employees, would be even higher than these OECD SME proportions. At the time of writing, the OECD area comprises 37 countries, of which 26 were included in this survey: Australia, Belgium, Canada, Colombia, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, South Korea, Mexico, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States. For more information please visit: <https://www.oecd.org/about/document/list-oecd-member-countries.htm>
3. Gross value added is defined in the System of National Accounts, the international standard for measuring GDP, as the value of output less the value of intermediate consumption. It is a measure of the contribution to GDP made by an individual producer, industry, or sector. Link: <https://data.oecd.org/natincome/value-added-by-activity.htm#:~:text=Definition%20of,capital%20to%20the%20production%20process>
4. The European Digital SME Alliance, for example, has run a recent campaign to highlight how digital SMEs have developed solutions to the COVID-19 pandemic. Available at: <https://www.digitalsme.eu/solutions/>
5. The survey results are reported from 54 countries and regions, which are provided in Appendix 01. This number includes a single sampling unit formed of 38 countries in Sub-Saharan Africa. This was performed purely on the basis of sample size limitations.
6. The exact time and date that users received the survey varied by time zone.
7. The selection of countries and their geographic representation on this map are not intended as political statements or judgments. For convenience, regions such as Hong Kong SAR, China, and Taiwan, China, are simply referred to as Hong Kong and Taiwan, respectively.
8. The survey was fielded May 28-31, 2020. Closure rates include all businesses that stopped operating any time between January 1 and June 1 2020 and are currently not engaged in any revenue-generating activities.
9. The survey sample may be less representative in developing countries relative to high-income countries owing to sampling limitations.

10. The extent to which countries have pursued lockdown measures varies by country. Appendix 02 presents data from the University of Oxford Coronavirus Government Response Tracker, which sheds some light on the type and depth of the measures adopted.
11. The Lockdown Stringency Index is averaged over the period 29 May-01 June for each country. Full rankings are provided in Appendix 02.
12. A timeline of lockdown measures by country is presented in Appendix 02.
13. This statistic excludes 14 unit samples due to insufficient sample sizes: Hong Kong, Philippines, South Korea, Vietnam, Turkey, Colombia, Peru, Egypt, Iraq, Saudi Arabia, the United Arab Emirates, Bangladesh, India, and Pakistan.
14. South Asia is missing from this chart due to insufficient sample sizes among women-led businesses in all countries in the region.
15. Further information on the policy responses to COVID-19 is available from sources such as the OECD. Available at: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101>
16. For example, salaries, taxes, rent, and other business expenses.
17. This study is unable to determine whether some or even all of this gender disparity (as well as other differences across countries or regions) preceded the pandemic. This is an important area for further study.
18. In interpreting results from this survey and in seeking to compare to other studies (for example, the EU business tendency and consumer surveys), it should be reiterated that this sample is not designed to be representative of the wider SMB sector in each country, and even less so of the entire economy.
19. “Containment” and “lockdown” are used interchangeably throughout this report. For clarity, containment is used in this section to be consistent with the language employed within the survey response options.
20. It should be noted that no pre-COVID-19 counterfactual can be derived in this regard.
21. World Bank Data Catalog available at: <https://datacatalog.worldbank.org/dataset/future-business-survey-aggregated-data>
22. A further 38 countries in Sub-Saharan Africa were grouped and reported as one sampling unit. These are: Angola, Burkina Faso, Burundi, Benin, Botswana, Central African Republic, Cameroon, Cabo Verde, Chad, Congo, Djibouti, Equatorial Guinea, Ethiopia, Gabon, Gambia, Guinea, Guinea-Bissau, Ivory Coast, Lesotho, Liberia, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Reunion, Rwanda, São Tomé and Príncipe, Seychelles, Senegal, Sierra Leone, Swaziland, Togo, Tanzania, Uganda, and Zambia.

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