

The Impact of COVID-19 Crisis on Medium-sized Enterprises in Serbia

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ABSTRACT

The research objective is to empirically assess the impact of the COVID-19 crisis on the operation of medium-sized enterprises in Serbia. The main research question is how the COVID-19 crisis has affected the operation of medium-sized enterprises in Serbia with focus on major problems faced by these enterprises in times of the state of emergency over the epidemic. Also, considerable research attention is on policy measures to alleviate the negative impact of the COVID-19 outbreak with comparison of measures between Serbia and selected countries. To empirically assess the impact of the COVID-19 crisis on medium-sized enterprises in Serbia, an online survey research was conducted during the period of March and April 2020. The survey results show that the COVID-19 crisis has affected the daily business of medium-sized enterprises in different ways and with varying intensity. Due to the COVID-19 outbreak, 20% of the surveyed enterprises have moved their employees to work from home, while a decline in liquidity and in business capacity utilization, as well as supply chain disruptions have occurred in 16% of enterprises each. Less than 10% of enterprises expressed other problems such as payment of wages, insufficient workforce utilization, reduction in business hours, production disruptions, limited access to resources etc.

Key words: *SME, medium-sized enterprises, COVID-19 Crisis, major problems, survey research, policy responses*

JEL Classification: M10, M21

INTRODUCTION

The first registered cases of SARS-CoV-2 (the virus that causes COVID-19) appeared in Wuhan, China in December 2019. Between January and February 2020, the spread of the disease occurred in 31 provinces of mainland China with Wuhan being the epicenter of the epidemic. The Chinese government declared an emergency situation of the highest-level enforcing measures to prevent the further spread of the virus such as self-quarantine, public events cancellation, crowd gatherings prohibition, closure of all businesses and sport facilities except for food stores, as well as closure of highways, railroads, and flights across the country. The Chinese government restriction measures were soon followed by other countries' restrictions on travel to and from China. By the end of January, the Chinese economy (particularly sectors such as transportation, tourism, hospitality, entertainment, and financial industry) was already strongly affected by the outbreak of the epidemic. Early evidence of a survey of 761 business owners mostly SMEs conducted by the University of International Business and Economics in

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February reported the impact of the COVID-19 outbreak, lockdowns and travel ban on the confidence of both domestic and international companies, expected loss of revenues and challenges related to cash flow (He Wen Long & Wu Jian Feng, 2020). Given that SMEs account for 99.6% of China's companies, 80% of national employment, and more than 60% of GDP they were expected to suffer most during the epidemic (Bouey, 2020, p.7).

On March 11, 2020, the World Health Organization declared the outbreak of the COVID-19 as a global pandemic. To prevent the spread of the disease, many governments across the world imposed national lockdown measures that have led to a dramatic decline in global economic activity. A significant reduction of production, falling demand and job losses occurred across many sectors of national industries worldwide.

Small businesses are characterized by exceptional flexibility, a propensity for entrepreneurial ventures, smaller production volumes, simple organizational structure, and informal internal communication (Lazarevic-Moravcevic, 2019, p.106). However, they are generally more vulnerable in times of economic crisis. The early evidence indicates that the impact of the COVID-19 pandemic on SMEs is worse than the 2008 financial crisis. Given that SMEs are the engines of economies around the world, their collapse could significantly impact the growth of national economies.

A survey conducted by researchers from Tsinghua University in Beijing, China of 995 SMEs in February showed that 30% of the companies have seen their income drop by more than 50%; another 28% reported a 20% to 50% drop; more than one-third of the companies reported that they could stay open for only one month with their current cash flow, 33% could sustain two months, and less than 10% could stay open for more than six months, while most of the financial pressure (62.8%) is from paying salaries and employee insurance and social security; rent and loan payments were the second and third causes for stress (Bouey, 2020, p.7). OECD (2020) presents the outcome of 31 SME surveys identified worldwide on the impact of COVID-19 on SMEs showing that more than half of SMEs now already face severe losses in revenues, one third of SMEs fear to be out of business without further support within one month, and up to 50% within three months. An early evidence from a survey on how small businesses are adjusting to COVID-19 conducted by Bartik et. al (2020) from the US National Bureau of Economic Research, that included more than 5.800 small businesses across the United States, suggests that the pandemic has already caused mass layoffs and closures with 43% of businesses being temporarily closed, that businesses have on average reduced their employee counts by 40% relative to January, many small businesses are financially fragile, they have widely varying beliefs about the likely duration of COVID-19 related disruptions and the majority of businesses planned to seek funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

SMEs have been affected by the current crisis more severely than the large enterprises because of their sensitivity to the supply and demand shocks. According to Narjoko & Hill (2007), the effects of economic crisis on firms are profound, however they are uneven between firms. SMEs are in general more vulnerable to the crisis for many factors. Their greater dependence on (fewer) customers and suppliers (Nugent & Yhee, 2002) may lead to increased difficulties in maintaining their activity in the face of the crisis (Bourletidis & Triantafyllopoulos, 2014). According to OECD (2009, p.6), it is more difficult for them to downsize as they are already small; they are individually less diversified in their economic activities; they have a weaker financial structure (i.e. lower capitalization); they have a lower or no credit rating; they are heavily dependent on credit and they have fewer financing options. SMEs are usually associated with risk-taking and findings show (Soininen et. al, 2012, p.14) that risk-taking firms tend to be in more trouble especially in operations related both to short and long-term financing since they may already be highly-leveraged before the recession and when the recession begins, rising interest rates along with decreasing sales can cause them financial distress. Chowdhury (2011, p.379) points out that SMEs are in general more vulnerable during crisis because of (a)

demand shock: drop in sales, export decline backed by contraction of external demand as well as rising input costs; and (b) credit crunch: shrinking credit supply.

The COVID-19 virus has been present in Serbia since the beginning of March 2020. The state of emergency was declared by the Serbian government on March 15, followed by the strict measures to prevent the spread of the disease including closure of borders, school closure, public transportation suspension, restrictions on the movement of people and closure of businesses in the service sector such as restaurants, cafes, shopping malls, beauty salons, gambling facilities and casinos, sports related facilities etc. Available evidence on the economic impact of the COVID-19 outbreak provided by the OECD (OECD, 2020) reports that by the end of March 67.000 employees were working from home, 168 manufacturing companies stopped, damages in infrastructure and transport amounted to over EUR 110 million, the damage to the tourism sector amounted EUR 2.7 million between March and the first half of April, and round 85% of SMEs are expected to be negatively affected.

Governments across the world have issued policy responses to mitigate the impact of the COVID-19 pandemic on humans and economies. The type and timing of policy measures vary in different countries depending on the intensity of the disease and level of economic development. However, the measures are particularly focused on supporting SMEs through the crisis. In Serbia, the government adopted a set of measures including financial support to private sector activity and employment.

The research objective is to empirically assess the impact of COVID-19 crisis on the operation of medium-sized enterprises in Serbia. The subject of the research are medium-sized enterprises in Serbia. The main research question is how the COVID-19 crisis has affected the operation of medium-sized enterprises in Serbia with focus on major problems faced by these enterprises in times of pandemic. Also, considerable research attention is on policy measures to alleviate the negative impact of the COVID-19 outbreak with comparison of measures in Serbia and selected countries. The assessment is restricted to medium-sized enterprises as they are the driving force behind growth in many OECD countries (OECD, 2017). Medium-sized enterprises are less represented in the total number of business entities, but they provide greater contribution to employment and value added (Đuričin& Beraha, 2018a). Because for years now medium-sized enterprises have made the greatest contribution to increasing employment, gross value added, turnover and foreign trade activities, they are considered the backbone of growth and development of the Serbian economy.

The empirical assessment of the impact of the COVID-19 crisis on the operation of medium-sized enterprises in Serbia is based on the evidence of an online survey of 18 enterprises conducted during March and April 2020.

The article is structured as follows: after introductory remarks, section 2 describes the data and methodology, section 3 presents the research results and discussion. Finally, conclusion summarizes the scientific results of the research, raises open questions, and provides recommendations for further research.

DATA AND METHODOLOGY

To empirically assess the impact of the COVID-19 crisis on medium-sized enterprises in Serbia an online survey research was conducted during the period of March and April 2020.

The questionnaire combined close-ended and multiple-choice questions with predefined answers providing the respondents the possibility to choose among a set of options or rate the answer options on a 7-point Likert scale (Đuričin&Beraha, 2018b).

The questionnaire contained 19 questions and was designed to provide an insight on the major impacts of the COVID-19 crisis on the operation of medium-sized enterprises in Serbia. The questions were organized along three thematic blocks. The first block refers to general data about an enterprise such as size, number of years in operation, the function of responder within

an enterprise, primary industry classification, geographic district, whether an enterprise owns or leases an operation space, and the amount of monthly operating expenses. The second block includes questions about major concerns, reactions regarding the number of employees and impacts of the outbreak of COVID-19 on an enterprise daily operation. Finally, the third block contains questions about the type of support an enterprise needs to overcome the negative effects of the crisis, desired duration of the support measures and familiarity and understanding of government measures in response to COVID-19.

The questionnaire was sent to the addresses of 50 medium-sized enterprises that have been monitored and analyzed since 2016 within the publication "National Network of Medium-sized Enterprises" published by the Institute of Economic Sciences. The database used for the classification and selection of medium-sized enterprises is provided by the Business Registers Agency of the Republic of Serbia. The sample of 50 most representative enterprises is made considering the distribution of medium-sized enterprises by activity classification and regional distribution. The primary criterion for the selection of 50 representative entities that form the Network of Medium-sized enterprises in the Republic of Serbia was the amount of total revenue generated. Additionally, the criteria of the share of individual activities, geographical location, organizational form, and number of employees were also considered.

Concerning the geographical distribution, 56% of the total number of surveyed medium-sized enterprises is registered on the territory of the City of Belgrade, 22% in the Macva District, 11% in the Central Banat District and 11% in the North Banat District. Concerning the number of years in operation, 78% have been in business for more than 10 years, while 22% have been in business between 5 and 10 years. Concerning the number of employees, 78% of the surveyed enterprises employ between 50 and 250, 11% employ between 10 and 50 and 11% employ more than 250 employees. The largest percentage of surveyed enterprises is in the field of professional, scientific, innovation and technical activities (33%), while those from other activities participate with 11% each. Other activities include wholesale and retail of motor oil and tire batteries; agriculture, forestry and fisheries; information and communication; traffic and storage; IT and production of construction material production. 56% of the total number of surveyed enterprises lease and 33% own business space, while it is partially owned and leased by 11% of enterprises. Monthly expenses in 88% of surveyed enterprises are higher than EUR 10.000, while in 12% they amount to between EUR 5.000 and 10.000.

Table 1. Sample structure

- in % -

District		Business space ownership	
North Backa District	11	Ownership	33
Macva District	22	Leasing	56
City of Belgrade	56	Ownership/leasing	11
Central Banat District	11	Total	100
Total	100		
Activity		Number of years in business	
Wholesale and retail of motor oil and tire batteries	11	5 to 10 years	22
Agriculture, forestry and fisheries	11	Longer than 10 years	78
Professional, scientific, innovation and technical activities	33	Total	100
Information and communication	11	Number of employees	
Traffic and storage	11	10 to 50	11
IT	11	50 to 250	78
Construction material production	11	Over 250	11
Total	100	Total	100

Source: Authors' survey

RESULTS AND DISCUSSION

During the state of emergency, the medium-sized enterprises operated in difficult circumstances, expressing different degrees of concern about certain aspects of business. The research results indicate that 44% of enterprises expressed extreme concern about the health of employees during and after the epidemic. However, 22% are not at all concerned, 22% are unconcerned and 11% are moderately concerned about the health issues of employees. Extreme concern about decreased demand and loss of market share was reported by 33% of the surveyed enterprises, while 22% expressed no concern for this aspect of business. 34% and 22% of enterprises respectively are concerned and moderately concerned about the lack of funds to smoothly operate business. Unconcerned, somewhat concerned, and neither concerned nor unconcerned is stated by 11% of respondents each. 45% of enterprises are worried about unpaid receivables and lack of cash flow to cover operating expenses, moderately and extremely are worried 22% each, while 11% stated that they are somewhat unconcerned. Moderate concern about minimum number of employees at workplace is expressed by 34% of the surveyed enterprises, while 22% stated that they are neither concerned nor unconcerned, the same percentage is unconcerned and 11% is somewhat unconcerned.

Table 2. Structure of responses to the question: "What concerns you most about your business during and after the epidemic? Please rate the given answer options."

- in % -

Aspects of business	Evaluation						
	not at all concerned	un concerned	somewhat unconcerned	neither concerned nor unconcerned	moderately concerned	concerned	extremely concerned
Concerns about employee health	22	22	0	0	11	0	44
Decreased demand and Loss of market share	22	11	11	0	11	11	33
Decrease in turnover and revenue	0	11	0	0	22	33	34
Lack of funds to smoothly operate business	0	11	11	11	22	34	11
Unpaid receivables and lack of cash flow to cover operating expenses	0	0	11	0	22	45	22
Minimum number of employees at the workplace	0	22	11	22	34	11	0

Source: Authors' survey

During the state of emergency, half of enterprises (56%) reported negative impact of epidemic on their business. However, 22% expressed that their business is not yet affected, but are expecting negative impacts in the following 2-5 months. That their business will not be affected, or that it has not been affected yet, but negative impacts are expected in the following 2 months is reported by 11% of responders each.

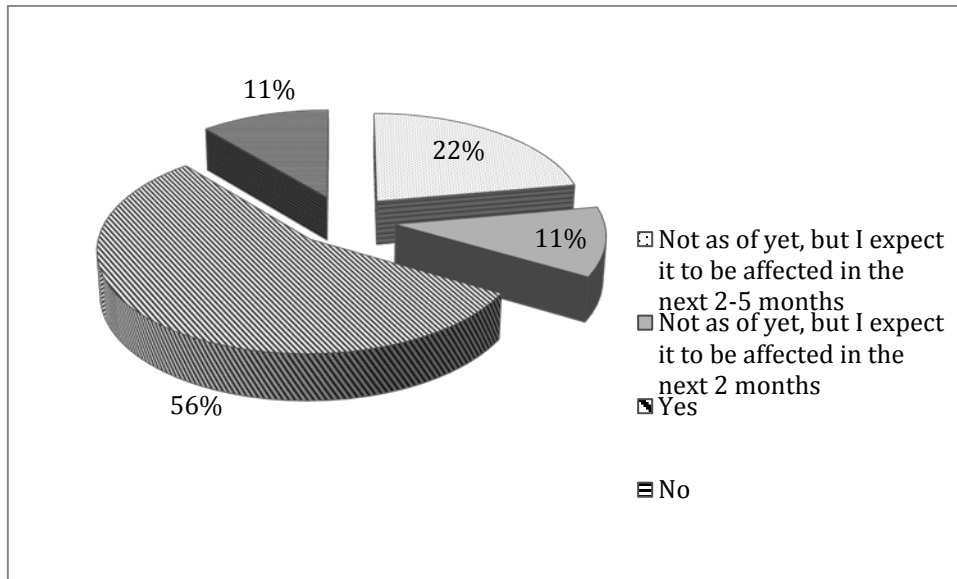


Figure 1. Structure of responses to the question: "Has COVID-19 affected your business?"

Source: Authors' survey

The ways and intensity of the impact of the COVID-19 crisis on the daily operation of medium-sized enterprises in Serbia vary. 20% of enterprises reported that their employees are working from home due to the epidemic, while a decline in liquidity, decline in business capacity utilization and supply chain disruptions were reported by 16% of respondents each. 8% of enterprises faced difficulties with payment of wages and insufficient workforce utilization. The epidemic caused reduction in business hours in 4% of enterprises, and the same percentage experienced occasional production interruptions due to supply chain delays as well as restrictions on access to necessary resources and capital.

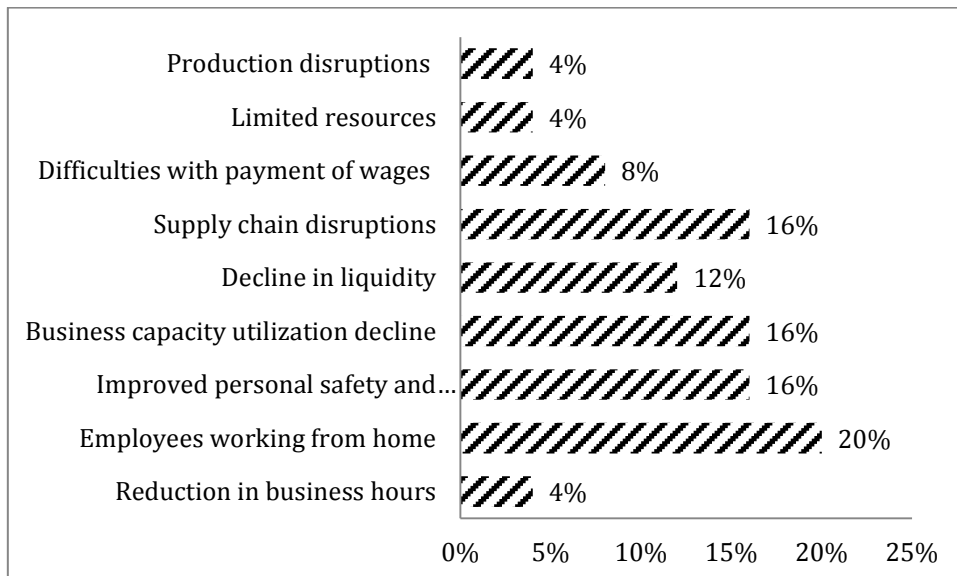


Figure 2. Frequency answers to the question: "How has COVID-19 affected your daily operation? (choose all relevant answers)"

Source: Authors' survey

The number of employees was not reduced because of the outbreak of COVID-19 in 67% of Serbian medium-sized enterprises, while 33% did not reduce nor expect to be forced to reduce the number of employees. Evidence from surveys in other countries shows that the number of employees and level of wages in the SME sector has been affected by the epidemic. The results of the Pan-Asian research conducted between March 31 and April 6, 2020 indicate that almost 30% of SMEs expect to lay off 50% or more of its employees (OECD, 2020). According to the OECD data, 31% of SMEs in Belgium were under the risk of stopping business operation due to the epidemic.

Enterprises need various types of support to continue to function smoothly and overcome the negative effects of the COVID-19 crisis. Some 45% expressed the need for an extension of income, property, and flat tax payments during the epidemic. Most enterprises (89%) believe that this type of support would be efficient if implemented by the end of the fiscal year, while 11% reported that it would be efficient if implemented for more than one year. 33% of enterprises need fiscal policy responses to relieve employers of payroll tax liabilities, and 22% need preferential short-term loans i.e. lower interest rates and lower collateral. Some 78% of respondents believe that fiscal measures to relieve employers of employment taxes would be efficient if implemented until the end of the fiscal year, while 22% suppose they should be implemented only during the state of emergency.

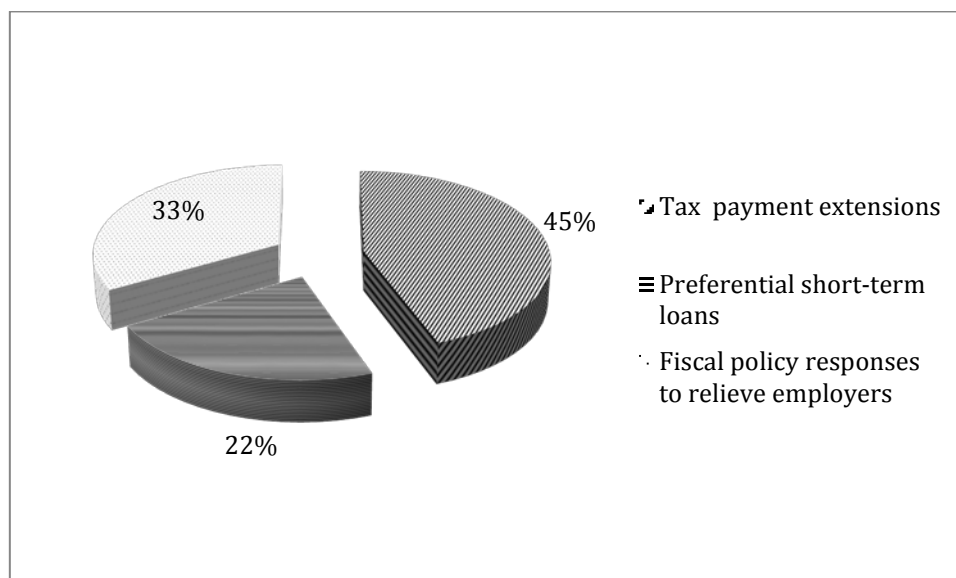


Figure 3. Structure of responses to the question: "What type of business support is most needed by your enterprise during the COVID-19 epidemic?"

Source: Authors' survey

More than half of the surveyed enterprises (56%) are completely familiar with the economic stimulus package adopted by the government of the Republic of Serbia to mitigate the negative impact of the COVID-19 outbreak on businesses. 33% of enterprises stated that they are partially familiar, while 11% stated that they are mostly unfamiliar with the Regulation.

Table 3. Structure of responses to the question: "Please rate on a given scale each of the economic stimulus package adopted by the Serbian government. (1- completely dissatisfied; 4 – neither satisfied nor dissatisfied, 7- completely satisfied)".

- in % -

Measures	Evaluation						
	Completely dissatisfied	Dissatisfied	Moderately dissatisfied	Neither satisfied nor dissatisfied	Moderately satisfied	Satisfied	Completely satisfied
Moratorium on repayment of all loans granted to commercial entities and citizens	0	0	0	23	44	33	0
Reduction of the key policy rate to 1.50%	0	11	0	34	44	11	0
Salary increase for medical workers	0	0	23	11	33	33	0
One-time aid to pensioners of 4.000 RSD	11	11	23	11	11	33	0
Tax relief measures for the economy	0	0	0	11	22	67	0
Direct aid to private sector	0	11	0	0	45	33	11
Measures for the maintenance of liquidity of the economy	0	0	11	11	56	22	0
Direct one-off cash grant in the amount of 100 EURO for every adult citizen	67	11	0	22	0	0	0

Source: Authors' survey

During the state of emergency, a stimulus package consisting of fiscal measures, direct aid to the private sector, measures for the maintenance of liquidity of the economy, and a direct one-off cash grant for every adult citizen was adopted by the government of the Republic of Serbia to alleviate the economic impact of the COVID-19 outbreak. The measures within the package were rated by the surveyed enterprises as follows:

- Concerning the moratorium on repayment of all loans granted to commercial entities and citizens, 44% of enterprises is moderately satisfied, 33% is satisfied and 23% is neither satisfied nor dissatisfied.
- Concerning the reduction of the key policy rate to 1,50%, 44% of enterprises is moderately satisfied, 34% is neither satisfied nor dissatisfied, while satisfied and unsatisfied is 11% each.
- Regarding the salary increase for medical workers, satisfied and moderately satisfied is 33% of enterprises each, 23% is moderately dissatisfied and 11% is neither satisfied nor dissatisfied.
- Concerning the one-time aid to pensioners of 4.000 RSD, 33% of enterprises is satisfied, 23% is moderately dissatisfied, 11% is neither satisfied nor dissatisfied, while completely dissatisfied, dissatisfied, and moderately satisfied is 11% each.
- Tax relief measures for the economy consist of deferral of payment of payroll tax and social security contributions for the private sector, deferral of payment of monthly advances on corporate income tax due in the second quarter, and VAT exemption on donation contributors. These measures provoked the most positive reactions with 67% of enterprises being satisfied, 22% being moderately satisfied, and 11% being neither satisfied nor dissatisfied.
- Direct aid to private entities is a measure consisting of direct financial aid for entrepreneurs, micro, small and medium-sized enterprises in the amount of three minimum salaries per each employee. Concerning this measure, 45% of enterprises are moderately satisfied, 33% is satisfied, while completely satisfied and dissatisfied is 11% each.
- Measures for the maintenance of liquidity of the economy consist of: (a) Program for granting loans and working capital to entrepreneurs, micro, small and medium-sized enterprises through the Development Fund of the Republic of Serbia and (b) Guarantee schemes to support the liquidity of private entities through commercial banks operating in the Republic of Serbia. 56% and 22% of enterprises respectively is moderately satisfied and satisfied with these measures, while 11% is moderately dissatisfied and 11% is neither satisfied nor dissatisfied.
- Concerning the direct one-off cash grant in the amount of 100 EURO for every adult citizen, 67% of enterprises is completely dissatisfied, 11% is dissatisfied and 22% is neither satisfied nor dissatisfied.

Many governments have already introduced policy measures to mitigate the economic impact of the COVID-19 outbreak. The overview of the SME policy responses is provided by OECD (2020) based on analysis of 31 SME surveys conducted worldwide on the impact of COVID-19 on SMEs. All measure packages are divided into four groups: labour, deferral, financial instruments and structural policies. Generally, most adopted measures are related to labour and financial instruments, while the smallest number is in the field of structural policies. The measures related to labour include measures to reduce working hours of employees and their temporary redundancy, wage support schemes and measures to support self-employed ranging from sick leave payments and unemployment benefits, to lump sum subsidies. Deferral refers to measures that enable SMEs to postpone payments such as income/corporate tax, value added tax, social security and pension contributions, rent/utilities/local tax, and debt moratorium. Financial instruments measures include loan guarantees, direct lending to SMEs, and grants and subsidies, while Structural policies include new markets, teleworking/digitalization, innovation and training and redeployment. All countries except for Russia have adopted wage subsidy related measures. Deferral of income/corporate tax was introduced by all observed countries except for Israel. Only Croatia, Russia and the USA did not adopt the loan guarantees, while Portugal is the only country to introduce training and redeployment measures.

Labour related measures in the Republic of Serbia include the 10% salary increase for medical workers, tax relief measures for the economy consisting of deferral of payment of payroll tax and social security contributions, and direct financial aid amounting to three minimal wages for each employee. Direct and indirect labour related measures have been introduced in other countries as well. According to OECD data, Belgium created new options for partial unemployment, while employment legislation has been relaxed in Denmark and Hungary to allow SMEs to temporarily reduce employees' hours. Similarly, measures to enable short-term work arrangements and temporary layoffs have been adopted in Germany and France. The survey was conducted in the United Kingdom to identify the groups of workers who are most exposed to aggregate risk of salary reduction, and the results show that young workers employed in small enterprises are most at risk of 8-9% salary reduction (Bell et al., 2020). Also, the survey results indicate that older women employed in large companies face very little or no risk of salary reduction.

An intervention law for co-financing temporary layoffs was introduced by the Slovenian government, three quarters of costs when employee working hours are reduced and one third of costs for short-term workers are covered by the Government in Sweden, in Poland all companies whose turnover drop by at least 15% can receive support from the Guaranteed Employee Benefits Fund, while in Romania the government covers 75% of salaries for all workers who became technically unemployed due to the COVID-19 epidemic.

The policy measures related to Deferral in the Republic of Serbia include moratorium on repayment of loans, reduction of the key policy rate to 1.50%, and tax relief measures for the economy consisting of deferral of payment of payroll tax and social security contributions, monthly advances on corporate income tax, and VAT exemption on donation contributors. Debt payment moratorium is adopted by many countries, however in some countries it is adopted by governments, while in others by commercial banks. For example, Croatia introduced a three-month moratorium on liabilities to the Croatian Bank for Reconstruction and Development and commercial banks. In Belgium, a deferral of debt payments until 30 September is granted by the financial sector along with the governmental opening of a EUR 50 billion new guarantee for all new credits up to 12 months. Hungary introduced a moratorium until the end of 2020 on all loans taken by private individuals and businesses before 18 March. The Italian Banking Association with support of the government adopted a debt moratorium on debt repayments, including mortgages and repayments of small loans and revolving credit lines on loans subscribed by companies until 31 January 2020. Also, a six-month moratorium on repayments of SME loans worth less than EUR 2.5 million is introduced by the Netherlands Banking Association.

Tax relief for the economy is also the best rated package of measures by medium-sized enterprises in the Republic of Serbia. Policy responses related to the Deferral vary across different countries, and they are often designed to meet the needs of specific sectors. In Norway, a nationwide VAT is lowered from 12% to 8% until 31 October along with first-quarter payments being extended until 14 June. The United Kingdom has introduced a 100% business rates tax holiday for the next 12 months. A 75% rates relief for retail, hospitality and leisure sectors has been introduced in Scotland. In Turkey, special tax relief measures are designed for the tourism sector and accommodation tax is cancelled until November. Greece has adopted a 4-month VAT payment extension. Some countries such as Belgium, Japan and Israel have introduced relaxation in local tax payments and property taxes to alleviate the liquidity risk. Furthermore, some countries provided the possibility of deferring the payment of rental costs (France) and utility costs (Belgium) with special benefits for the SME sector. Hungary suspended the payment of lease costs for SMEs facing difficulties in servicing this type of obligation, while Slovenia temporarily released SMEs from paying electricity from renewable sources.

Table 3. Overview of policy responses - selected countries

Country	Labour			Deferral					Financial instruments			Structural policies			
	Redundancies	Wage subsidies	Self-employed	Income/ corporate tax	Value Added Tax (VAT)	Social security and pension contributions	Rent/utilities/ local tax	Debt moratorium	Loan guarantees	Direct lending to SME	Grants and subsidies	New markets	Teleworking/ digitalization	Innovation	Training and redeployment
Belgium	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓			
Croatia		✓		✓		✓		✓		✓					
Czech Republic		✓		✓				✓	✓	✓	✓			✓	
Denmark		✓	✓	✓	✓			✓	✓	✓					
France	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Germany	✓	✓	✓	✓					✓	✓	✓			✓	
Greece		✓		✓	✓	✓			✓	✓		✓			
Hungary	✓	✓		✓		✓	✓	✓	✓	✓					
Israel	✓	✓	✓		✓	✓	✓	✓	✓						
Italy	✓	✓	✓	✓				✓	✓	✓	✓	✓			
Poland		✓	✓	✓		✓			✓	✓				✓	
Portugal	✓	✓		✓	✓	✓			✓	✓		✓			✓
Romania		✓		✓			✓	✓	✓						
Russia			✓	✓		✓		✓		✓					
Slovak Republic		✓	✓	✓					✓		✓				
Slovenia		✓	✓	✓			✓	✓	✓	✓	✓	✓			
Spain		✓	✓	✓		✓	✓	✓	✓	✓		✓			
Sweden	✓	✓	✓	✓	✓	✓	✓		✓	✓					
Switzerland	✓	✓							✓	✓	✓				
Turkey	✓	✓		✓	✓	✓	✓	✓	✓	✓					
United Kingdom		✓	✓	✓			✓	✓	✓	✓					
United States		✓	✓	✓						✓	✓				

Source: **OECD**. 2020. "Tackling Coronavirus (COVID-19) Contributing to a Global Effort: SME Policy Responses". Organisation for Economic Co-operation and Development

Policy responses related to the Financial instruments in the Republic of Serbia include program for granting 1% interest rate loans to maintain the liquidity and working capital, and guarantee schemes to support the liquidity of private entities in times of COVID-19 crisis. In some countries, central banks have abolished the reserve requirement on commercial banks to divert these funds to loans for SMEs. Guarantee schemes for banks to strengthen loan financing of SMEs have been introduced by governments of many countries such as Belgium, Denmark, France, Germany, Poland, Portugal, Romania, Spain, Switzerland, the UK, etc. For example, the Danish government guarantees 70% of the value of new bank loans of SMEs whose operating profits decreased by more than 50%. In Italy, the Central Guarantee Fund provided EUR 1.5 billion for SMEs, Germany provided EUR 2.5 billion, and the United Kingdom provided GBP 330 billion of loan guarantees for businesses. In some countries, administrative procedures have been simplified to provide easier access to loan guarantees. For example, in Israel, loan approval at banks is shortened to up to 9 working days. Along with guarantees, direct financial aid to SMEs is provided by some countries such as Austria, Croatia, Czech Republic, Portugal, Slovenia, Spain, Switzerland, UK, etc. Direct financial aid in the Republic of Serbia is introduced only in the field of Labour in the amount of three minimum salaries per each employee. Ireland has introduced EUR 200 million working capital scheme for businesses considered to have significant impact on economic development, while the United Kingdom introduced a "Coronavirus Business Interruption Loan" for SMEs affected by COVID-19 crisis in the amount of GBP 1.2 million. Austria has directed the direct financial aid amounting to EUR 100 million to the tourism sector, e.g. hotels whose sales declined by more than 15%. In some countries, the amount of funding allocated to the SME sector under existing lending schemes has been increased along with simplification of administrative procedures of getting loans. Furthermore, some countries have decided to implement grants and subsidies to SMEs with different amounts and conditions for application (Belgium, Czech Republic, Denmark, France, Germany, Italy, Slovak Republic, Spain, Turkey, United Kingdom, and United States).

No structural policies have been adopted in the Republic of Serbia except for the distance learning for elementary and high school students. In all other cases, enterprises individually developed ways to adjust their working conditions to the new circumstances in times of epidemic and state of emergency. Structural policies refer to the adoption of new working processes, retraining of workforce, digitalization, and finding new or alternative markets. These policies tend to tackle the new challenges of work through the COVID-19 crisis aiming to strengthen the resilience of SMEs and support their growth and development. Countries such as Belgium, Czech Republic, France, Italy, Portugal, Slovenia, and Switzerland have adopted structural policy measures aiming to support SMEs in finding new markets. The Danish Export Fund has introduced a support system for 250 SMEs, while Germany established the Economy Stabilization Fund to support businesses of crucial importance for the economy. To diversify SME export markets, Italy has announced a EUR 4 billion package, Switzerland provided CHF 4.5 billion for export promotion and Spain provided EUR 2 billion for the same purpose. In the Republic of Serbia, many enterprises have implemented the Teleworking/digitalization measure thus enabling working from home during the COVID-19 epidemic and state of emergency. Teleworking/digitalization measures within Structural policies have been adopted in many countries such as France, Greece, Italy, Slovenia, Spain etc. For example, the Italian Ministry of Innovation and Digitalization has launched an initiative called "Digital Solidarity" includes a portal for SMEs to register and access digital services of large enterprises without costs. Countries such as the Czech Republic, France, Germany, Poland, etc. have adopted measures to support innovation and competitiveness of SMEs and start-ups. The Czech Republic has set CZK 300 million for new technological equipment and facilities to subsidize projects to fight against the spread of the COVID-19 disease. The European Institute for Technology has launched a call to innovative SMEs and start-ups to support testing, treating, monitoring and other aspects of COVID-19 epidemics. For this purpose, France has set up an initial fund amounting to EUR 4 billion to respond to the COVID-19 crisis. Measures to support training and redeployment have

been adopted only in Portugal where a special budget is set to provide training to people who are laid off because of Covid-19.

CONCLUSION

During the state of emergency declared due to the COVID-19 epidemic, the medium-sized enterprises in Serbia expressed varying degrees of concern for different aspects of doing business. Concerns about employee health are mostly present along with strong concern about lack of funds to smoothly operate business and potential loss of market share. Almost half of the surveyed enterprises expressed concern about unpaid receivables and lack of cash flow to cover operating expenses.

Early effects of the COVID-19 crisis show that aspects of business that enterprises were most concerned about are not affected with the expected intensity. While 45% of the surveyed enterprises expressed concern about unpaid receivables and lack of cash flow to cover operating expenses, only 16% reported liquidity problems. 34% of enterprises reported concern about lack of funds to smoothly operate business, however only 4% reported difficulties accessing resources and capital. Also, 67% of enterprises have not reduced the number of employees due to the early negative impacts of the COVID-19 crisis, and 33% have not reduced and neither they expect to be forced to reduce the number of employees in the following months.

Research results show that concerns expressed by enterprises have been bigger than the real consequences that have occurred because of the COVID-19 crisis. However, as the survey was conducted during the state of emergency, it represents a snapshot at one point in time thus leaving the possibility for negative effects to occur in the future.

During the state of emergency, 56% of medium-sized enterprises stated that epidemics has affected their business activity, 22% reported that their business activity has not yet been affected by the epidemics but that they expect negative impacts in the following 2-5 months, 11% stated that their business will not be affected, and the same percentage of respondents reported that their business has not yet been affected but they expect the negative effects in the next 2 months.

Also, policy responses implemented in different countries to alleviate the economic impacts of the COVID-19 outbreak were analyzed to identify problems faced by their SMEs. Generally, the SME sector is facing similar problems in all countries. The research conducted on a sample of medium-sized enterprises in Serbia indicates that this segment of the SME sector has shown Brier resilience to the negative impacts of the COVID-19 crisis comparing to entrepreneurs, micro and small enterprises. In line with identified problems, most countries have adopted similar measures to mitigate the negative impact of the COVID-19 disease. Measures and resources for their implementation vary across countries depending on the level of development and capacity to help the economy. Accordingly, most measures introduced by the Republic of Serbia are related to Labour and Deferral. Also, measures related to financial instruments have not been left out either, however they are less intensive comparing to other countries. What remains as an open question for future research is the assessment of efficiency of the adopted measures and the re-examination of possibilities for the adoption of new ones.

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