



## COVID-19 Effects on SMEs Businesses in the Durres Region

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### Keywords:

SME;  
Lockdown;  
Income;  
Employees



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**Abstract:** *The effects of Covid 19 have hit the global economy; therefore, the Albanian economy could not be excluded from these effects. This paper examines the issues that small and medium enterprises in Albania are facing under the current conditions identifying the most significant difficulties the SMEs are facing. SMEs have been severely affected, starting with the illnesses of the employers, quarantine and lockdown of the businesses reduced demand for different products and insufficient supply. The purpose of this paper is to analyse the effects that Covid-19 had in small and medium enterprises regarding the consequences of restriction measures taken by the government had in terms of production, income, number of employees reduction, the way of doing business and how ready are these companies to return in the post-Covid period. The data were gathered through structured questionnaires and analysed by the authors. The result shows that Small and Medium Size Enterprises have been heavily affected by Covid-19 in terms of income, way of doing business and in reducing the number of employees.*

## 1. INTRODUCTION

Durres is one of the most important economic regions in Albania with a significant number of small and medium-sized enterprises. Being a port city, Durres hosts about 8000 small and medium-size enterprises becoming the most important economic centre of the country. The spread out of the Covid-19 pandemic that started on March 9<sup>th</sup>, 2020 in Albania, had an immediate effect on all country's economy. Soon after the pandemic was declared, the government declared a full lockdown by closing all activities but those of supply chain, essential services, and necessary public services. This had an immediate effect on the small and medium-sized enterprises, for most of them were forced to stay closed for a relatively long period (until the end of May 2020) creating a direct negative impact on their overall balance.

## 2. METHODOLOGY

To get information on the impact of Covid-19 on small and medium-sized enterprises, questionnaires were compiled. These questionnaires were built to reveal some information on the effect that Covid-19 had on their operation, financial performance, and employment. They had to answer the following questions:

- The company had to declare their juridical status if they were physical persons or juridical entity, joint venture, or limited responsibility type.
- Their ownership status and the origin of the capital (is it an Albanian or foreign company)
- They had to declare if their company fall under one of the categories:
  - A company with an annual throughput of 5 million ALL,
  - A company with an annual throughput between 5-8 million ALL,
  - A company with an annual throughput of over 8 million ALL,

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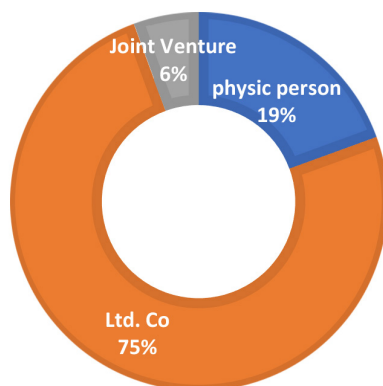
- If the company had received any bank loan before the pandemic,
- If yes, did they have any postponement of the instalments,
- If the above answer was “no”, the reasons:
  - Was the postponement request refused?
  - There was no answer from the bank.
  
- Has the Covid-19 affected in the due time payment of the duties?
- What is the number of employees of the company?
  - 1-10
  - 11-20
  - 21-50
  - Over 50
  
- How have the Covid-19 restriction measures affected the company’s activity?
  1. No effect
  2. Little effect
  3. They have significantly affected the company’s performance
  4. They have severely affected the company’s performance
  5. The company has gone bankrupt
  
- How have the Covid-19 restrictions affected the company’s income/revenues?
  - They are reduced up to 10%
  - They are reduced up to 15%
  - They are reduced up to 20%
  - They are reduced up to 25%
  - They are reduced up to 30%
  - They are reduced by over 30%
  
- Has your company benefited from any financial support from the government during the lockdown period?
- If the above answer is yes, please define the amount benefited and its destination (if it was a support for the staff payment or support to the production/services of the company)
- Have you been forced to reduce staff number due to Covid-19 restrictions? If yes, what percentage of the staff has been reduced?
  - 5%
  - 10%
  - 15%
  - 20%
  - 30%
  - Over 30%
  
- Has Covid-19 affected the way you normally operate?
  - No
  - Little
  - Has affected
  - Has significantly affected
  - Has extremely affected

- Has your company started preparations to come back to normality after the Covid-19 end?
  - We have not started some preparations
  - We do not have any idea what to do
  - We have started possible options
  - We have prepared the returning strategy

All questionnaires were sent to more than 2000 different companies. Only 216 (10,8% of the respondents) companies responded. The questionnaires were sent and collected by using google forms.

### 3. RESULTS

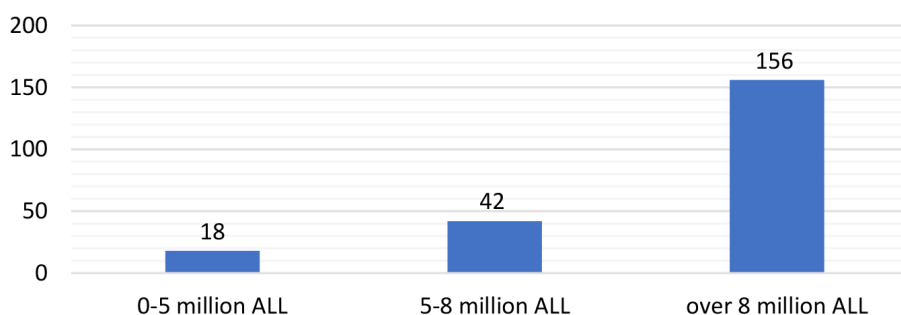
All the responses were collected and analysed to reveal the effect that Covid-19 had on the Small and Medium Size Companies in Durres Region. Most of the companies (162) that responded were companies with limited responsibilities (75%), followed by physic persons (42) or 19% of the respondents and the rest (12) were joint ventures (6%)



**Chart 1.** Juridical status of the companies

**Source:** Authors’ research

Regarding the ownership type, all the companies (100%) were owned by Albanian owners. Most of the companies (156) were with an annual throughput of over 8 million ALL (72,2%), the rest was with a turnover of 5-8 million ALL (19,4%) and 0-5 million (8,4%).



**Chart 2.** Annual turnover in million ALL

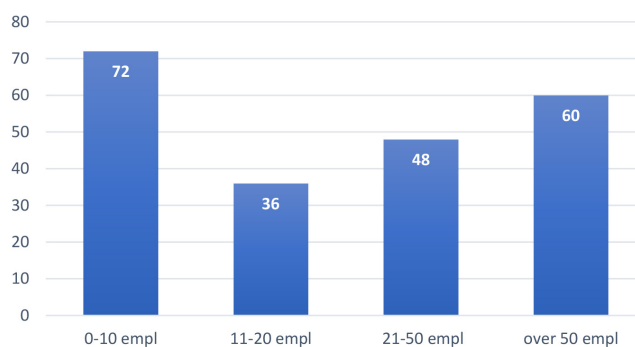
**Source:** Authors’ research

Most of the companies (120) declared that they had received a bank loan for running their business (55,5%) and most of them (70%), (84) declared that they had requested to the banks to re-negotiate their instalment terms due to Covid-19 difficulties they have in paying in time

their instalments. A part of them (23%) received a negative response from the bank refusing to postpone their instalment payments, and the rest (77%) declared that they did not receive an answer at all from the banks.

Responding to the question: “Has the Covid-19 affected in the due time payment of the duties?” 144 of the companies (67%) responded with “Yes” and 72 companies (33%) responded “No”.

The size of the companies regarding the number of employees is shown in the following chart.

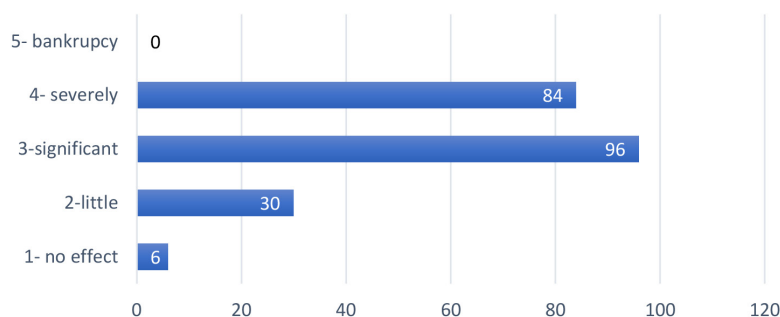


**Chart 3.** Company size according to No. of employees

**Source:** Authors’ research

The question on “How have the Covid-19 restriction measures affected company’s activity?”, referring to a scale from 1 (no effects) to 5 (the company has gone bankrupt) the result was 3,19 which falls between 3 (Has significantly affected the company’s performance) and 4 (They have severely affected the company’s performance).

Out of 216 companies, 6 responded that they had no effect at all in their overall performance, while 84 companies (38,8%) responded that they had little effect caused by Covid-19 restriction measures. Most of the companies (96), (44,4%) responded that they were significantly affected by restriction measures and 30 companies out of 216 (13,8%) were severely affected in their overall performance. Only 6 companies declared their activity was not affected by the restriction measures imposed by the government during the period March 2020 February 2021. Finally, the respondents stated that their activity in most of the cases was significantly affected to severely affected with a score of 3,19 (out of scale 1-5). The results are shown in the following chart.

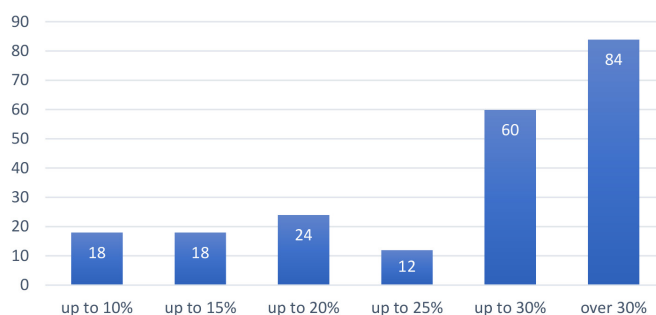


**Chart 4.** The effect of Covid -19 measures

**Source:** Authors’ research

Another indicator this study has analysed is income reduction. For this reason, the respondents (companies) were asked to what degree their incomes were affected by restriction measures

scaling the effect from 10% to 30% or more. According to the responses collected, all companies declared that they had a reduction in their incomes. The degree of the reduction was as follows: 18 companies (8%) declared that they had an income reduction up to 10%, 18 declared that their incomes were reduced up to 15%, 24 companies (11%) had a reduction of incomes up to 20%, 12 companies (5,5%) were affected in their income reduction up to 25%. Most of the companies were significantly affected and heavily affected. Out of 2016 companies, 60 (27,7%) declared they lost up to 30% of their income and 84 companies (38,9%) declared that their incomes were severely affected and reduced by more than 30%.

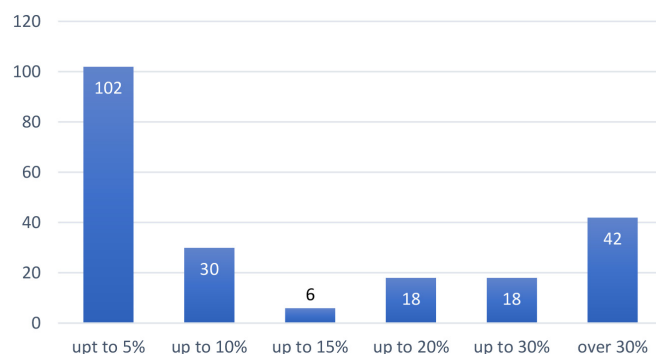


**Chart 5. Income reduction (%)**

Source: Authors' research

There was no specific information provided by the companies regarding the amount allocated to them by the government support.

The companies responded to the question: “Have you been forced to reduce staff number due to Covid-19 restrictions?”, as follows: most of the companies, 102 out of 216 companies (47,2%) responded that they were forced to reduce 5% of their staffed, and the rest were forced to reduce more. Only 42 companies (19,4%) were forced to reduce more than 30% of their staff. The following chart shows the reduction of the staff due to the restriction measures. The rest (36%) of the companies were in between these figures.



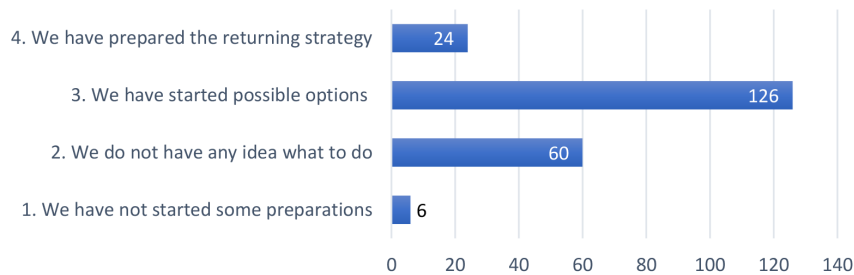
**Chart 6. Staff reduction due to restrictions**

Source: Authors' research

Regarding the question “Has Covid-19 affected the way you normally operate?” using a classification score 1-5 (from no effect [1] to “extremely has affected [5]). The overall score to this question was 3,42, which shows that Covid -19 has significantly affected the way they normally do business.

The returning post-Covid-19 strategy of the SME was another issue that was evaluated through the responses provided. The question was: “Has your company started preparations to come

back to normality after the Covid-19 will be over?”, and there were 4 possible answers. The following graph shows the respondents scores:



**Chart 7.** How ready are companies to return to normal

**Source:** Authors' research

The final score is 2,83 which means that companies are not yet prepared to return, and they have not prepared any returning strategy to come back to normal.

#### 4. CONCLUSIONS

Covid-19 pandemic, created a lot of difficulties for the businesses due to the restrictions that the government took to prevent the spreading of the infection. These measures forced businesses to lock down or work with reduced time. On the other hand, the restriction on people's movement, affected severely the demand for products and services, therefore affecting business performances. This paper revealed that the Covid-19 pandemic has affected in different dimensions the performance of the businesses. It showed that businesses had difficulties paying back bank loans and there was no postponement period granted from the banks to facilitate the payment.

Businesses had difficulties paying taxes and other duties because they suffered a significant reduction in their incomes and there was no financial support from the government to the production. There were some financial supports, to some of the SMEs for employee's wages, but this was not to all the SMEs and according to respondents this support was not granted to all the businesses. No evidence was provided since some businesses did not benefit from this governmental aid. To survive, businesses had to reduce their expenses, and reduce staff number, thus contributing to the unemployment growth.

Another important issue which deals with returning strategies of the SME is that most of the Small and Medium Size companies are not ready to adapt themselves to the new post-Covid environment and have no strategy for how to return to normal.

#### ADDITIONAL READING

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