



## The Impact of COVID-19 Outbreak on Performance of Small and Medium Enterprises in Kosovo

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**Abstract:** The pandemic situation caused by coronavirus disease (COVID-19) has affected the global and Kosovo economy. Because of the restricted measures applied to prevent the spread of the virus, SMEs have faced worsening financial results. The article aims to assess the impact of the COVID-19 outbreak on these businesses and provide policy recommendations to help reduce business losses and survive through the crisis. We have adopted an explanatory methodology for comprehensively reviewing the available literature, including policy documents, research papers, and reports in the relevant field. To add empirical evidence, we collected data from 70 Kosovo' SMEs by administering an online questionnaire. Based on the study findings, the financial results deteriorated, and the drop in output and liquidity obstacles are not statistically significant. We recommend different policies to ease the adverse effects, although our suggestions may not be sufficient to help SMEs go through the ongoing crisis.

**Keywords:** SMEs; COVID-19; Profit; Turnover; Output; Liquidity; Government Aid

**JEL Classification:** M20; M21; M29

### 1. Introduction

In addition to its impact on public health, coronavirus disease 2019 (COVID-19) has caused significant economic shock. Various SMEs in different economic branches face several issues which cause a certain degree of loss. SMEs face declining

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demand, supply chain disruption, operational restrictions, and transport damage. In this context, it is clear that enterprises worldwide are experiencing a significant impact of the pandemic outbreak on their businesses (Shafi et al., 2020).

The most influenced businesses by the COVID-19 outbreak are SMEs because they do not possess sufficient resources, emphasizing here limited financial and managerial capacity, and SMEs were unprepared for such disruptions are likely to go longer than expected (Bartik et al., 2020).

In Kosovo, SMEs are crucial for the economy, as they constitute over 99% of the estimated 188,529 business enterprises (Open Data Kosovo, 2020). Due to restricting measures applied to prevent the spread of the virus, SMEs faced unprecedented adverse effects on businesses. The ongoing pandemic crisis severely will hamper the operation of these businesses because SMEs are highly dependent on the cash economy, which has been adversely affected by the pandemic (Shafi et al., 2020). According to a recent report published by the World Bank (2020), the Kosovo economy is affected by the global pandemic of COVID-19, and the gross domestic product (GDP) is expected to shrink by 8.8% on 2020. Hence, a robust policy response is essential to offset the consequences of the current outbreak.

The crisis caused by COVID-19 is novel, we found only a few papers that treat this topic in Western Balkan countries. It is worth mentioning here a study conducted by the Albanian Investment Council (2020) with 833 Albanian businesses to investigate the impact of COVID-19. With aim to investigate the impact of COVID-19 on SMEs in Kosovo, our study will focusing on three questions. First, how do SMEs respond to the obstacles faced by COVID-19? Second, what is the impact of COVID-19 on financial results, and which are the main channels that influence the worsening of SME's financial performance? Third, how might alternative policy proposals help the sustainability of business?

The study aims to assist policymakers and practitioners to identify appropriate strategies to respond to the impacts of the ongoing pandemic on SMEs. We keep focusing on the risks brought by external environmental uncertainty, to help SMEs to predict risk in the early stage of planning or decision-making, and specifying countermeasures.

The remaining parts of this paper are organized as follows. Section 2 briefly discusses the impact of the external environmental crisis caused by natural disasters and the influence of the COVID-19 outbreak on the economies. In Section 3, we present the methodology adopted in this study. Section 4 presents the discussing and findings of the study, followed by policy recommendations. Finally, Section 5 discusses the conclusions, limitations of the study, and future study directions in this or related topics that have to do with COVID-19.

## 2. Literature Review

COVID-19, also known as coronavirus, is a new strain of infection that appeared at the end of 2019. The virus was first identified in China and reported to the World Health Organization in December 2019. As of January 6, there were more than 1.8 million deaths and 87.2 million confirmed cases of the disease (World Health Organization, 2020).

The governments worldwide were forced to implement drastic measures such as lockdown, social distancing, and mask-wearing, to prevent the spread of COVID-19. Many external environmental crises have occurred in the past that have severely affected SMEs globally, such as SARS, MERS, the Swine flu pandemic (2009 H1N1), and the 2014 Ebola outbreak (Shafi et al. 2020; Eggers, 2020).

Its difficult to predict the full economic consequences caused by the pandemic, but it is already apparent that it represents an unprecedented external shock. The pandemic has caused losses but also created severe threats to business continuity. Since SMEs are financially fragile and limited in resources, they are more vulnerable to environmental crises than their counterparts are, for example, corporations or joint-stock companies (Eggers, 2020; Asgary et al., 2020). A pandemic can directly influence SMEs through fatalities, supply chain disruptions, property damage, and inventory loss. However, SMEs also face the indirect effects of the pandemic, such as damage to electricity supply, communications, and transportation systems, which caused an increase in production costs or even business discontinuities (Asgary et al., 2020; Shafi & Ren, 2020; Juergensen et al., 2020).

It is worth distinguishing here the immediate effect of the shock, due to the almost simultaneous universal lockdowns across major economies between April and June 2020, and its longer-term impacts. According to Lu (2020), the epidemic expects to have a considerable effect on SMEs' work resumption, income and confidence. Those obstacles will be a substantial challenge to the survival of many SMEs. SMEs faced a decline in customer demand, major supply chain disruptions, the deferred launch of new goods, and capital investment plans put on hold (Fairlie, 2020; Juergensen et al., 2020). Costumers reduce or completely stop spending, and financiers become more careful in terms of their investments. ACCA (2020) conducted a global research with over 10,000 organizations and concluded that over 80% of business leaders expect a significant downturn in expected revenues and profit year to year. Referring to the same research, respondents also reported problems with employee productivity and cash flow.

SMEs are vital for the economy, but they are fragile and deeply affected by economic events such as crises. According to Bartik (2020), firms had little cash on hand at the beginning of the pandemic, which means that they will either have to reduce costs, get additional debt, or declare bankruptcy. Shafi (2020), researched the pandemic

impact on Pakistan's SMEs and concluded that businesses are facing various issues such as financial (67.93%), supply chain disruption (47.83%), decrease in demand (44.02%), and reduction in sales and profit (38.04%, 41.85%, respectively). Moreover, firms expect to face sales declining in the oncoming months.

Because the crises caused by COVID-19 are novel, we found only a few papers that treat this topic in Western Balkan countries. It is worth mentioning here a study conducted by the Albanian Investment Council (2020) with 833 Albanian businesses to investigate the impact of COVID-19. About 97% of respondents declare that business operation is affected negatively. Out of the total number of respondents, 47% had stopped activity, and only 53% were active partly or fully. SMEs faced various issues, such as falling customer demand, lack of liquidity, difficulties, paying salaries, and problems with pay-in-time liabilities and taxes.

### **2.1. The Situation of COVID-19 and its Impact on SMEs in Kosovo**

Intently, to protect society from the spread of the new virus, the World Health Organization declared COVID-19 a “pandemic” on March 11, 2020 (WHO, 2020). However, after more than ten months, the number of confirmed and fatal cases is increasing rapidly worldwide. In Kosovo, the announced first COVID-19 case was on March 13, 2020. The confirmed and the fatal number of COVID-19 cases is growing exponentially as of January 7, 2020, and the Kosovo National Institute for Public Health reported 38,208 confirmed cases with 676 deaths (Ikshpk, 2020).

To prevent the spread of the disease, the Kosovo institutions imposed a series of strict measures since March 13, 2020, when quarantined the municipalities of Klina and Vitia; stopped interurban transport and borders for non-Kosovo citizens stopped all economic activities except essential workers, and established a two-week quarantine for all citizens entering Kosovo (Prime Minister Office, 2020).

The impact of COVID-19 in society and the economy can be witnessed from lockdowns, labour mobility restrictions, travel bans, airline suspensions, and most importantly, the slowdown of the economy (UNDP, UN WOMEN & UNEPA, 2020; Krasniqi, 2020). Based on UNDP (2020), most activities stopped their operations due to government measures (81%), because of lack of customers (24%), and (16%) for problems with payment of salaries. Krasniqi (2020) reported that hotels, construction, trade and nonessential goods are the sectors most affected by the pandemic. According to the author, the private sector has laid off about 60-70% of employees.

The surveyed businesses declared that if the situation remained the same for the next three months, they have to terminate their employment contract for 40% of the employees. The Kosovo Chamber of Commerce (2020) concluded that there is no difference in perception of the negative impact of COVID-19 between various

sectors. Around 92% of the respondents stated that sales decreased, while 22% declared that sales declined by more than 50%.

The above discussion indicates that Kosovo will suffer disproportionately. The impact of coronavirus on the global and Kosovo economy will leave deep scars. Therefore, assessing the influence of the COVID-19 outbreak on SMEs can help policymakers and practitioners to streamline their strategies to help businesses survive the crisis.

### **3. Methodology**

We adopted an explanatory methodology with an extensive review of the available literature, including policy documents, research papers, and reports in the relevant field. Furthermore, we collected data from SME operations in Kosovo by administering an online questionnaire because of time and financial constraints, and most importantly, to comply with COVID-19 safeguards.

This study has employed the random selection method, realized by sending the link of the electronic form of the questionnaire to potential enterprises through social media platforms such as Viber, Facebook, and Mail. We received 70 responses between December 1 and December 31, 2020, from SMEs of different cities in Kosovo which they provided their perspective.

The questionnaire included 30 questions, with basic information about firm characteristics (including firm size and industry), questions about the current response to the COVID-19 crisis, and beliefs about the future course of the pandemic. Participation in the survey was voluntary, and no financial compensation was offered for survey completion.

#### **3.1. Model Description**

To study the impact of the COVID-19 outbreak on the SMEs' performance in Kosovo, we used a multivariate linear regression because it is more appropriate for our data. Many researchers have adopted a similar approach because it is more practical, saves time, and costs less (Bartik et al., 2020; Shafi et al., 2020). We based the questionnaire of this study on the questionnaires from the Office for National Statistics and the International Labour Organization, to get a perception of the impact of the COVID-19 outbreak on the financial performance of SMEs.

We divided the questionnaire of this study into sections: demographics and scales of the four underlying factors of the research instrument, capturing three (3) independent variables and one (1) dependent variable. A 5-point Likert scale was

used showing: (1) or “strongly disagree, (2) or “disagree”, (3) or “don’t know”, (4) or “agree”, and (5) or “strongly agree”.

The Cronbach alpha for all 30 items in the scale shows 0.848, above and over 0.7 cut-off threshold (Cho, 2016), which suggests that the reliability of the scales for measuring the Financial Performance (FP), Turnover (TUR), Output (OUT), and Liquidity (LQD) are considered acceptable.

Based on recent papers related to the COVID-19 outbreak, the financial performance of SMEs is worsening as a result of lockdowns and restricting measures, which have directly influenced operations and financial performance. In this context, to identify which indicator affects the worsening of financial results, we adopt the fusion theory and create variables where SMEs performance is as a function of dependent variables as follows:

$$FP = f(TUR, OUT, LQD) \quad (1)$$

Where:

FP - Financial Performance

TUR - Turnover

OUT - Output

LQD - Liquidity

The econometric model has the following expression:

$$FP = \beta_0 + \beta_1 TUR + \beta_2 OUT + \beta_3 LQD + \mu \quad (2)$$

Where:

$\beta_0$  = parametric constant intercept

$\beta_1$ -  $\beta_3$  = dependent variable constant, and

$\mu$  - error term

The “apriori expectation” in the model is that all independent variables will have a linear relationship with the financial performance measured by FP.

The mathematical expression is represented as  $\beta_1$  and  $\beta_3 > 0$ , implying that reduce for a unit in the independent variables will lead to a decrease in the FP by a unit.

Based on the previous studies, the variables are expected to have parameters the same as in Table 1.

**Table1. Variables and Expected Parameters**

Variable	Description	Calculation	+/-
FR	Financial Results	Profit component / no. of components	N/A
TUR	Turnover	Turnover components / no. of components	+
OUT	Output	Output components / no. of components	+
LQD	LQD	Liquidity components / no. of components	+

### 3.2. Sample Description

A vast majority of respondents came from Prishtina (17.1%), followed by Prizren (15.7%), Malisheva (14.3%), Gjakova (8.6%), Deçan (7.1%), Dragash (5.7%), and other cities participating with less than 5%.

Around 63% of the response came from the owners of SMEs, followed by accountants (14.3%), managers (12.9%), and other positions (10%). In terms of annual turnover, over 65.5% of the participant enterprises have below € 50 thousand annual turnover sales.

In terms of the number of employees, the survey results indicate that 68.2% of enterprises employ less than five employees, more than 86.4% have up to 10 employees, and around 10.6% of the participating enterprises reported that they employ up to 50 employees.

Furthermore, in terms of economic branches/industry, the majority of the sectors represented in the study are tourism (32.9%), services (21.4%), trade (20%), industry (12.9%), construction (11.4%), and agriculture (1.4%).

Based on the study results, around 11.4% of SME participants are established before 2000, while 32.9% are established between the years 2001-2010, whereas 55.7% are established after 2011.

## 4. Results

We grouped the study results into three categories. First, we describe the impact of COVID-19 on business operations and employment in the beginning phase of the crisis. Second, we present the response steps taken by SMEs to rescue their business. Third, we measure the expectations of SMEs for future impact on the performance indicators and their chance for economic survival, measured at a particular point to understand the impact of future policies.

#### 4.1. Issues Faced by SMEs Due to COVID-19 Outbreak

As is expected, the COVID-19 outbreak has had a significant negative impact on SME operations in Kosovo. The initial survey question asked the respondents, “is the business currently operational?” Respondents were allowed to answer that the business is operational, temporarily closed, or permanently closed.

Besides, respondents were allowed to report whether the business activity was closed because of COVID-19 or another reason. Across the sample, 55.7% of businesses reported that they are currently operational. 27.1% reported that they were temporarily closed because of COVID-19. Moreover, 17.2% of respondents reported that their business is closed and not active. SMEs were closed because of COVID-19 (12.9%), restricted measures (2.9%), and a far smaller number because of a decrease in sales (1.4 %).

We also asked the businesses about the main obstacles faced as a result of the COVID-19 outbreak. In the entire sample, over 55.4% reported a decrease in turnover, 24.3% reported restricting measures, 10% of respondents reported financial constraints, 5.7% fluctuation in the supply chain, 4.3% reported problems with rescheduling or pause of loan repayment, and 1.4% reported insufficient protective equipment.

To evaluate the impact of the COVID-19 outbreak on SMEs turnover, we asked about turnover for 2019 and expected turnover at the end of 2020. We got 54 valid responses from the total sample. About 18.5% reported a more than 50% decrease in turnover, 53.7% reported a drop in turnover between 25% and 50%, 11.1% reported a dropping in turnover less than 25%, and 16.7% reported no effect on turnover. The result shows that the average turnover for 2019 was € 101,393.33 €, but for 2020 average turnover was only € 74,731.48, which presents a decrease by 26.3%.

The negative results due to COVID-19 are reported also in the number of employees. Based on survey data, the average number of employees in 2019 was 6.6, and this average decreased to 4.5 employees during 2020, which present fallen by 31.5% on employee numbers. Bartik (2020) and Shafi (2020) conducted the same survey and found similar employment effects (roughly 39% decrease in employment).

To investigate the source of investment funds, we asked the respondents about the number of loan product exposure in 2019 and the survey date. Over the entire sample, the number of loan exposure products had increased by 16.03%, where the average number of loan products in 2019 was 1.7, but in 2020 the average increased to 2.05.

Table 2 displays results on the above questions, breakdown by industry sectors. Sectors such as tourism, services, and construction reportedly declined precipitously in turnover.



**Table 2. Summary of COVID-19 impact on SMEs**

Category	Observations	2019	2020	Diff.
<b>Turnover (€)</b>				
Truism	19	1,549,400	766,500	-50.53%
Services	8	180,340	109,700	-39.17%
Trade	12	822,500	613,000	-25.47%
Industry	7	2,235,000	2,139,300	-4.28%
Construction	8	668,000	347,000	-48.05%
Agricultural	1	24,000	60,000	+150.00%
<b>Sum</b>	<b>52</b>	<b>5,475,240</b>	<b>4,035,500</b>	<b>-26.29%</b>
<b>Employees</b>				
Truism	22	124	71	-42.74%
Services	14	51	31	-39.21%
Trade	12	92	74	-19.56%
Industry	9	92	88	-4.34%
Construction	6	57	43	-24.56%
Agricultural	1	2	2	0.00%
<b>Sum</b>	<b>64</b>	<b>418</b>	<b>309</b>	<b>-26.07%</b>
<b>No. loans</b>				
Truism	18	34	42	+23.53%
Services	12	16	20	+25.00%
Trade	11	26	25	+3.84%
Industry	7	12	20	+66.66%
Construction	6	10	10	0.00%
Agricultural	1	0	0	0.00%
<b>Sum</b>	<b>64</b>	<b>98</b>	<b>117</b>	<b>+19.38%</b>

Source: Own calculation based on survey data

#### 4.2. Description Analysis

The descriptive statistics of the variables used to test the hypothesis (Financial Performance, Turnover, Output, and Liquidity) are presented in Table 3.

**Table 3. Descriptives Statistics**

Variable	N	Min	Max	Mean	Std. Deviate
Fin. Results	70	1,00	5,00	3,9333	0,95063
Turnover	70	1,00	5,00	3,7051	1,00827
Output	70	1,30	4,00	2,6714	0,56853
Liquidity	70	1,00	4,80	3,3043	0,87401

Source: Own calculation based on survey data

The descriptive analyses in Table 3 show that we have 70 observations for each of the variables. The average value for the variable Financial Results is 3.9 or near code 4 “agree”, which means that the financial results are worsened.

The average value for the variable turnover is 3.7 or near code 4 (agree), which means that SMEs are facing a decrease in turnover/sales. The answer for variable output has an average of 2.67 or near code 3 (not sure), which means that SMEs are not sure if the COVID-19 outbreak has affected a decrease in output or services.

And the last one, the variable Liquidity has an average value of 3.3 or associates more with code 3 (not sure), indicates that SMEs are not sure about pandemic situations influenced by their liquidity or by their financial position.

### 4.3. Empirical Results

After the description analyses of the indicators presented in the section above, we employ the correlation matrix for the variables included in our study

**Table 4. Correlation Results**

Variable	(1)	(2)	(3)	(4)
(1) FR	1			
(2) TUR	0.741*** (0.00)	1		
(3) OUT	0.096 (0.461)	0.138 (0.254)	1	
(4) LQD	0.342*** (0.004)	0.286** (0.016)	0.242** (0.044)	1

Note: \*\*\*, \*\* and \* represent 1%, 5%, and 10% significance level. The values in brackets are significance.

Source: Own calculation based on survey data

According to the results presented in Table 4, the turnover and financial results have a strong positive correlation, where the Pearson coefficient is 0.741, and the level of significance is below 5%. Whereas the relation between financial results and liquidity is poorly positively correlated, where the Pearson coefficient is 0.342, and the level of significance is below 5%. Moreover, the correlation of financial results with output has a poor relation and significance level of more than 5%.

The relation between liquidity and turnover, respectively output is a poor positive correlation, where the Pearson coefficient is 0.286, respectively, 0.242, and the level of significance is less than 5%. These results can be interpreted that, as the higher is the turnover or output, the level of liquidity is expected to increase.

After analyzing the descriptive statistics and the correlation relationship between variables, we did some pre-tests to decide which model is more appropriate for our

data. The Durbin Watson test is 2.36, which means that the model has no autocorrelation, and we can easily say that the regression results are considered not spurious and are thus acceptable. The VIF test shows that all variables have a VIF test under 5, so we decide to accept the null hypothesis and conclude that our model has no multicollinearity. The Breusch-Pagan/Cooc-Weisberg test is used to test for heteroscedasticity and a p-value is greater than the significance level, so we cannot reject the null hypothesis and conclude that the residuals are homoscedastic. However, to make the results unbiased, we add robustness to the regressions. We are going to interpret only the results that derivate from the linear regression.

**Table 5. Model Summary**

Category	Results
R	0.754 <sup>a</sup>
R Square	0.568,
Adj. R Square	0.549
Std. Error	0.63850
R Square Change	0.568
F Change	28.983
df1	3
df2	66
Sig.F Change	0.000
Durbin-Watson	2.306

a. Dependent Variable: Financial Results  
b. Predictors: (Constant), Turnover Output, Liquidity

*Source: Own calculation based on survey data*

The R square and R2 ratios are quite higher, which indicates that the independent variables represent the dependent variables with 56.8%. The F ratio is higher as well, and the level of significance is 0. Models indicate that at least one of the dependent variables will be significant, or one variable has a p-value lower than 5%.

**Table 6. Coefficients Results**

Multivariable Linear Regression						
No. of observations	70					
Sample	SMEs in KOSOVO					
Variable	Coeff.	Stn. Err.	t	Sig.	Collinearity	
					Tole.	VIF
Constant	1.107	0.46	2.23	0.02	-	-
Turnover	0.663	0.08	8.31	0.00	0.91	1.09
Output	-0.063	0.14	-0.45	0.65	0.93	1.06
Liquidity	0.163	0.09	1.73	0.08	0.87	1.14

*Source: Own calculation based on survey data*

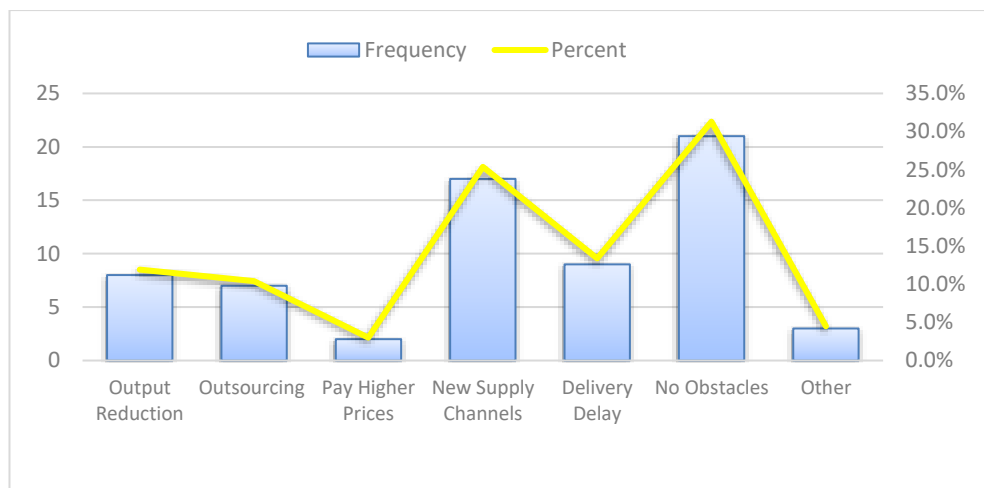
Based on the results in Table 6, we can conclude that only one variable influences the financial results of SMEs, because the p-value is less than 5%. The turnover is statistically significant, and the fluctuation will directly affect business financial results. The other two variables (OUT and LQD) are not statistically significant, which means that the financial results are not influenced by output level or liquidity.

## 5. Discussion

### 5.1. SMEs Response against Obstacles

The SMEs have chosen a different variety of strategies to curb the business crisis, where 37.3% of respondents reported reducing output or level of services, 14.3% negotiating with banks for loan payment (reschedule or loan deferral), 12.9% negotiations with employees, 10% diversification of sales channels, 4.3% diversification of output (production of masks, disinfectants), and 19.4% of SMEs declared no action as a response to COVID-19.

The second main obstacle faced by SMEs presents the disruption of the supply chain and strategies to cope with them. About 31.3 % of respondent's report no restrictions on supply, 25% have investigated for new supply channels, 13.4% delay in delivery, 11.9% decrease of output, 10.4% declared supply from outsourcing companies, and 3% offered higher purchase price.



**Figure1. Supply Chain**

*Source: Own calculation based on survey data*

Finally, we investigated how SMEs coped with financial obstacles, where 34.8% reported the reduction of operational expenses (cut salaries, employee number, point of sales), 34.8% got loans from banks, 13% invested own capital and loans from microfinance, and 4.3% of SMEs reported that they have not any financial problems.

## 5.2. Prediction Path of the Crisis

We asked businesses to predict the expected impact of the COVID-19 outbreak for three upcoming months in terms of turnover, operations, and financial stability. About 36.2% of respondents expect a decrease in turnover “up to -25%”, 26.1% of respondents expect to reduce for “-26% till -50%”, 21.7% expect to reduce in turnover “-51% till -100%”, and the remaining responses are distributed among categories such as “un-impacted” (7.2%), “increase in turnover”(4.3%), and “don't know” (4.3%).

In the context of financial performance, 36.76% of respondents expect less profit in the range “up to -25%”, 25% expect to reduce profit “-26% till -50%”, 20.6% expect to reduce profit “-51% till -100%”, and the other response is spread on categories “un-impacted” (5.88%), “increase in profit” (2.94%), and “don't know” (8.82%).

In the question of employees' numbers in the three future months, we got 68 responses. Around 63.2% of respondents reported that they expected a cut of employees, 32.4% declared that COVID-19 does not influence employee numbers, and other responses are in categories: “increase in employee number” (1.5%) and “don't know” (2.9%).

To investigate the liquidity of businesses, we asked firms about cash reserves, where 51% of SMEs reported that they are without cash reserves, 31% reported cash reserve for “1 to 3 months”, 11% reported reserves for “4 to 5 months”, and only 6% have enough cash reserves for the next six months.

About 60.9% have perceptions that solvency risk exposure is higher than before, 4.3% reported the same risk as before, and 21.7% do not have any opinion. The increased insolvency risk is more expressed in tourism (30.95%), services (28.57%), and trade (21.43%).

As is expected, most SMEs are not sure about the future existence of their business, where 66.7% are unconfident, 26.1% are not sure, and only 7.2% report that they are confident.

The three main future business concerns are economic consequences (14.3%), cash flow problems (11.39%), and a decrease in revenue (11.39%).

### 5.3. Aid and Government Assistance for SMEs

When we asked businesses about the assistance necessary from the local or national government, over 38.6% of participants indicated that they prefer covering payroll costs, 24.6 % want support to liquidity, and 11.6 % prefer loan deferral or reschedule. The remaining answers are divided into alternatives: subsidies on rent cost (8.7%) or other forms of support (5.7%).

To better study the needs of SMEs for support, we listed few alternatives from which businesses had to choose based on priority. The results from the crosscheck analysis are disclosed in Table 7.

**Table 7. Preference for Assistance Support**

Category	1 <sup>st</sup> Priority	2 <sup>nd</sup> Priority	3 <sup>rd</sup> Priority	Low priority.
<i>Advice with business continuity planning</i>				
Truism	29.1%	21.7%	11.6%	8.7%
Services	66.7%	13.3%	13.3%	6.7%
Trade	69.2%	15.4%	15.4%	0%
Industry	44.4%	22.2%	0%	33.3%
Construction	87.5%	0%	12.5%	0%
Agricultural	100%	0%	0%	0%
<b>Sample</b>	<b>58%</b>	<b>21.7%</b>	<b>11.6%</b>	<b>8.7%</b>
<i>Advice on diversification of goods sales channels</i>				
Truism	22.7%	40.9%	13.6%	22.7%
Services	53.3%	20.0%	13.3%	13.3%
Trade	27.3%	27.3%	27.3%	18.2%
Industry	22.2%	22.2%	33.3%	22.2%
Construction	25.0%	50.0%	12.5%	12.5%

Agricultural	100%	0.0%	0.0%	0.0%
<b>Sample</b>	<b>31.8</b>	<b>31.8%</b>	<b>18.2%</b>	<b>18.2%</b>
<b>Online business management</b>				
Truism	17.4%	17.4%	30.4%	34.8%
Services	13.3%	40.0%	26.7%	20.0%
Trade	30.0%	20.0%	50.0%	0.0%
Industry	33.3%	11.1%	22.3%	33.3%
Construction	12.5%	25.0%	12.5%	50.0%
Agricultural	100.0%	0.0%	0.0%	0.0%
<b>Sample</b>	<b>21.2%</b>	<b>22.7%</b>	<b>28.8%</b>	<b>27.3%</b>
<b>Support for short term financing/liquidity</b>				
Truism	72.7%	18.2%	9.1%	5.9%
Services	53.3%	33.3%	13.3%	0.0%
Trade	69.2%	15.4%	15.4%	0.0%
Industry	55.6%	0.0%	22.2%	22.2%
Construction	50.0%	0.0%	25.5%	25.5%
Agricultural	100.0%	0.0%	0.0%	0.0%
<b>Sample</b>	<b>63.2%</b>	<b>16.2%</b>	<b>14.7%</b>	<b>5.9%</b>

*Source: Own calculation based on survey data*

Results from Table 7 indicate that the next rescue package for businesses should include fiscal and monetary assistance. For most SMEs listed as first priority: advised to maintain business continuing (58%) and support for liquidity or short-term financing (63.2%). Other categories of assistance are in the range of second priority to low priority.

## 6. Conclusions

The study objective is to measure the influence of the COVID-19 outbreak on the performance of SMEs in Kosovo. To achieve our purpose, we distributed our questionnaire to SMEs from 1-30 December 2020. We got back 70 responses, where the vast majority of respondents belong to the main cities in Kosovo. SMEs included in our sample have an average turnover of less than 30 thousand EUR and up to five employees.

The COVID-19 outbreak impacted the stability and operation of SMEs in Kosovo. The main obstacles that SMEs are facing are: reduction in turnover, restriction measures, and problems with liquidity.

Based on the correlation results, the relation between financial results and turnover is strongly positively correlated, which indicates that the increase and reduction in turnover have a direct impact on the business's financial performance. In addition, the Pearson correlation between financial results and output or liquidity is poor

positive correlated, which indicates that changes in output or liquidity have an impact on financial performance, but are not significant as turnover.

The first hypothesis, regarding the influence of turnover (TUR) on financial results (FR), was true based on regression results and confirm that a decrease in turnover is statistically significant or cause in worsening the financial results of SMEs. The findings indicate that a decrease in turnover caused by restricted measures and the decrease in aggregate demand have influenced profit and financial results.

The impact of output (OUT) and liquidity (LQD) are not statistically significant, which allows us to approve the alternative hypotheses and conclude that the decrease in output and financial obstacles have no significant impact on the financial performance of SMEs in Kosovo.

The disruption of supply channels was an obstacle at the beginning of the pandemic, but businesses started to explore for new channels of supply, and in this way the output process remained stable. However, the situation with liquidity is more complex because the consequences will arise with time, and it is recommended by the government to prepare a rescue plan that provides SMEs short-term financing on preferable terms.

Based on the findings, we recommend different policies to ease the burden on SMEs, including here advice on business continuity, diversification of sales channels, online business management, short-term financing, and deferred payments. Our purpose for support measures may not be enough to help SMEs but would be very important to ease the suffering of these businesses during a difficult time.

Although our research provides insightful theoretical and practical implications concerning the impact of COVID-19 on SMEs, some limitations remain that create room for further investigations. The sample size of our study was not enough to represent the perspective of the respective industries. Besides creating social and economic consequences, the outbreak of COVID-19 has created a new challenge for the health protection and safety of employees and customers, along with a new workplace operational culture. Hence, future studies can also consider examining these issues to provide more in-depth knowledge about the consequences of the pandemic to continue the business.



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