

BLP's SME FINANCE AND COVID-19 SURVEY RESULTS SUMMARY

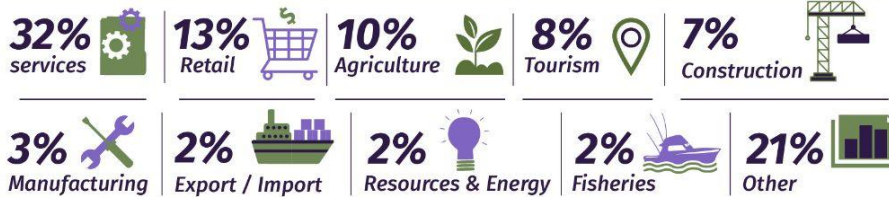
IN TOTAL THERE WERE 542 RESPONDENTS ACROSS 13 COUNTRIES



- 3% Cook Islands
- 46% Fiji
- 3% Kiribati
- 29% Papua New Guinea
- 5% Samoa
- 5% Solomon Islands
- 4% Timor-Leste
- 3% Vanuatu



These businesses operated in all industry categories identified including:



The gender composition of business ownership:



PACIFIC ISLAND FINANCIAL SURVEY

Access to Finance and the Impact of COVID-19 Report, 2021.

Business Link Pacific



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Introduction

Since 2018, Business Link Pacific (BLP) has been supporting and creating opportunities for businesses in the Pacific region. BLP recognises the significant impact that COVID-19 is having and has worked quickly to adapt its programme to best support Pacific businesses during this crisis. BLP has identified a strong need for better access to finance that will give Pacific businesses the best chance of survival.

In 2020, BLP launched its “*Pacific Island’s Financial Survey*” engaging with Small and Medium-sized Enterprises (SMEs) across a wide range of Pacific Island countries. The survey focused on better understanding:

1. The extent of the impact of COVID-19 on the SME sector,
2. The support available and strategies that SMEs have employed,
3. The adoption and use of technology by SMEs, and
4. The availability and need for business finance.

In 2021, BLP added new questions to the survey to gauge the perception of businesses of gender equity in the context of the COVID-19 crisis. This year, the survey received a total of 542 responses across 13 different Pacific Island countries: Cook Islands, Fiji, French Polynesia, Kiribati, Marshall Islands, Micronesia, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga and Vanuatu.

This document provides an overview and breakdown of the key findings from BLP’s 2021 Pacific Islands Financial Survey, and highlights changes in the business environment by comparing the results of the 2020 survey with current results. The results are broken down by theme: business impact, business response, technology trends, finance needs, human resources. The survey details methodology can be found at the end of the document.

Overview

The 2021 results continue to show that the pandemic has generated challenges for businesses; for instance, 86.3% reported a decrease in turnover and 84.0% reported a decrease in profitability. Approximately half of the respondents voiced that their business was at risk of closing if the current situation continues. This year, twice as many businesses reported to have already permanently shut down.

However, 37.6% of businesses reported some form of positive impact from COVID-19 overall. Fijian businesses appear to be committed to a strong recovery as we see them faring better than some of the other Pacific Island nations. Businesses that have diversified their business offering or have accelerated their digital transformation have been able to continue operating successfully. This can be seen in the services and agricultural industries which appear to be making the most of the new business climate, utilising new technology and digital marketing techniques to cater to new and domestic markets. With extended international travel restrictions, the tourism industry across the Pacific Islands has continued to struggle.

There has been a notable shift in finance seeking behaviour since the COVID-19 crisis began; businesses appear to be considering a wider variety of support both from the public and private

sector. We have seen a significant increase in the uptake of government financial support. When asked to select the most helpful financial products to mitigate the impacts of the COVID-19 crisis, working capital and low-interest loans have continued to be the two most popular responses.

Over three quarters of respondents have incorporated new technologies or increased their technology usage (especially mobile) as a direct result of COVID-19, while over half have implemented additional health and safety measures as a result.

Businesses were asked in what capacity they had worked with BLP. Of the 542 respondents, 160 reported working with BLP in some capacity. This information was used to divide the SMEs into those who worked with BLP and those who did not. This report highlights only the significant differences between the groups.

Key Findings

Business Impact

- 86.3% of respondents said they have seen a decrease in their business turnover.
- 84.0% of respondents said they have seen a decrease in their business profitability.
- 50.2% of the businesses surveyed reported that they had already shut down or expected to permanently shut down in the future, due to the COVID crisis; a higher percentage than last year.
- Fijian businesses were more likely to report positive benefits than the other countries interviewed. 64% of businesses reporting a positive impact are from Fiji; the country represents 46% of all businesses surveyed.

Business Response

- 54.4% of respondents have taken advantage of financial assistance provided by banks or other financial institutions.
- 62.5% of respondents accessed some form of government financial assistance.
- 59.2% of respondents said they accessed support from channels other than government, banks and financial institutions.
- When asked to select the most helpful assistance programmes to mitigate the impacts of the COVID crisis, the respondents primarily selected wage payment support.

Technology Trends

- 75.8% of the SMEs surveyed have incorporated new technologies or increased their technology usage as a direct result of COVID-19.
- Since our last survey, mobile business application use has become more widely adopted.

Finance Needs

- The vast majority (82%) of SMEs surveyed are currently seeking financial support.
- There has been a notable shift in finance seeking behaviour since the COVID-19 crisis began, SMEs appear to be considering a wider variety of finance options.
- When asked to select the most helpful financial products to mitigate the impacts of the COVID-19 crisis, working capital and low-interest loans have continued to be the two most popular responses.

Human Resources

- 55.5% of the SMEs surveyed have implemented additional health and safety measures as a result of COVID-19.

- 27.3% of those interviewed took steps to protect the mental health of owners and staff, while a quarter (25.1%) have enabled staff to work from home.

Results

Below is a breakdown of the results from the Pacific Islands Financial Survey completed through Business Link Pacific's custom online survey tool. The respondents represented a diverse range of businesses, and responses were collected between April 16, 2021 and June 6, 2021.

Business Impacts

It's clear that COVID-19 had a devastating impact on the majority of SMEs surveyed and that further support is needed to ensure businesses adapt and recover in this region.

A large majority, 86.3%, of respondents said they have seen a decrease in their business revenue, with over half indicating that their revenue had dropped by 40% or more. This is similar to the results we saw last year.

"90% of our target market are under financial constraints and economic uncertainty, so are unwilling to commit to any additional marketing expenditure".

- Business Owner Statement

84.0% of respondents said they have seen a decrease in their business profitability, nearly half of which indicated that their profits had dropped by 40% or more. These results align with the Pacific Business Monitor Research¹ that identified that 88% of businesses reported a decline in revenue.

Over half of the businesses surveyed, 55.2%, reported that they have seen a reduction in the volume of overall sales (domestic and international) and income. While 35.6% have been temporarily shut down or closed due to COVID-19, 23.4% have had difficulty repaying their debts and 25.3% have had trouble receiving payment from their clients, likely disrupting their cash flow.

¹ Pacific Trade Invest [2021]. *Pacific Business Monitor Survey 14 May 2021*. URL: <https://www.pacifictradeinvest.com/media/1782/pti-pacific-business-monitor-wave-14.pdf>

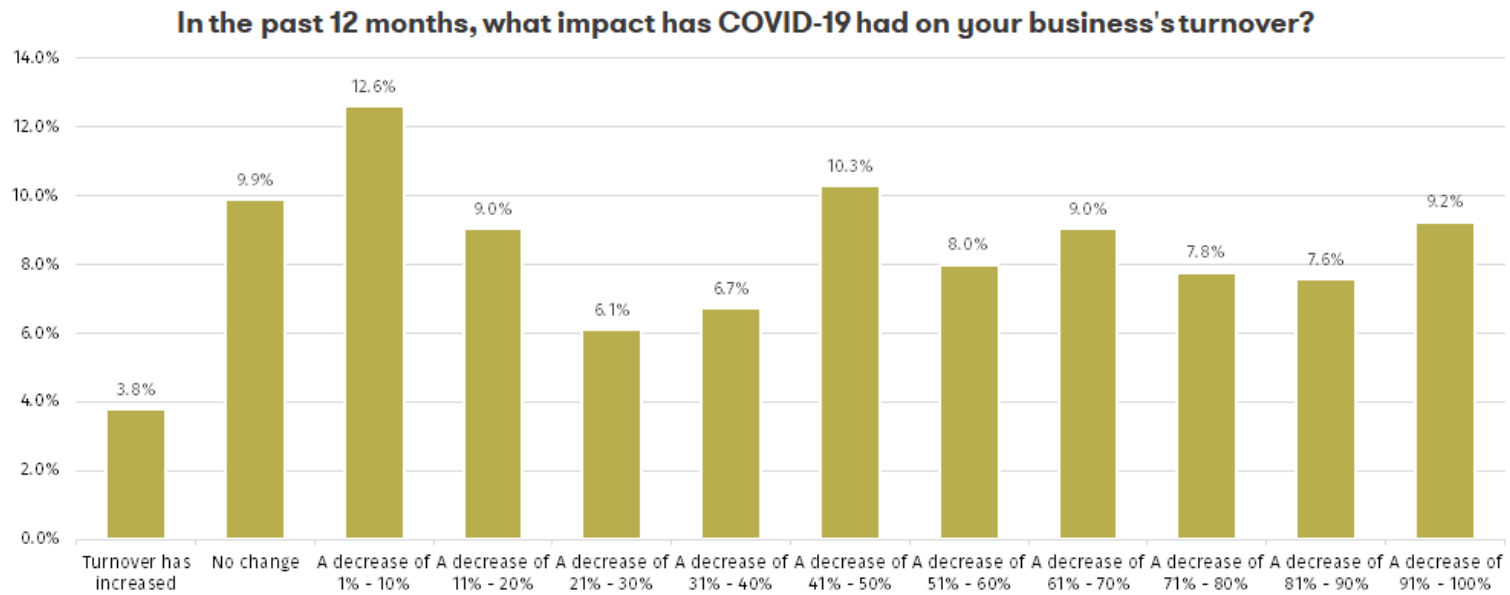


Figure 1: Bar chart showing turnover impacts of COVID-19 on SMEs surveyed.

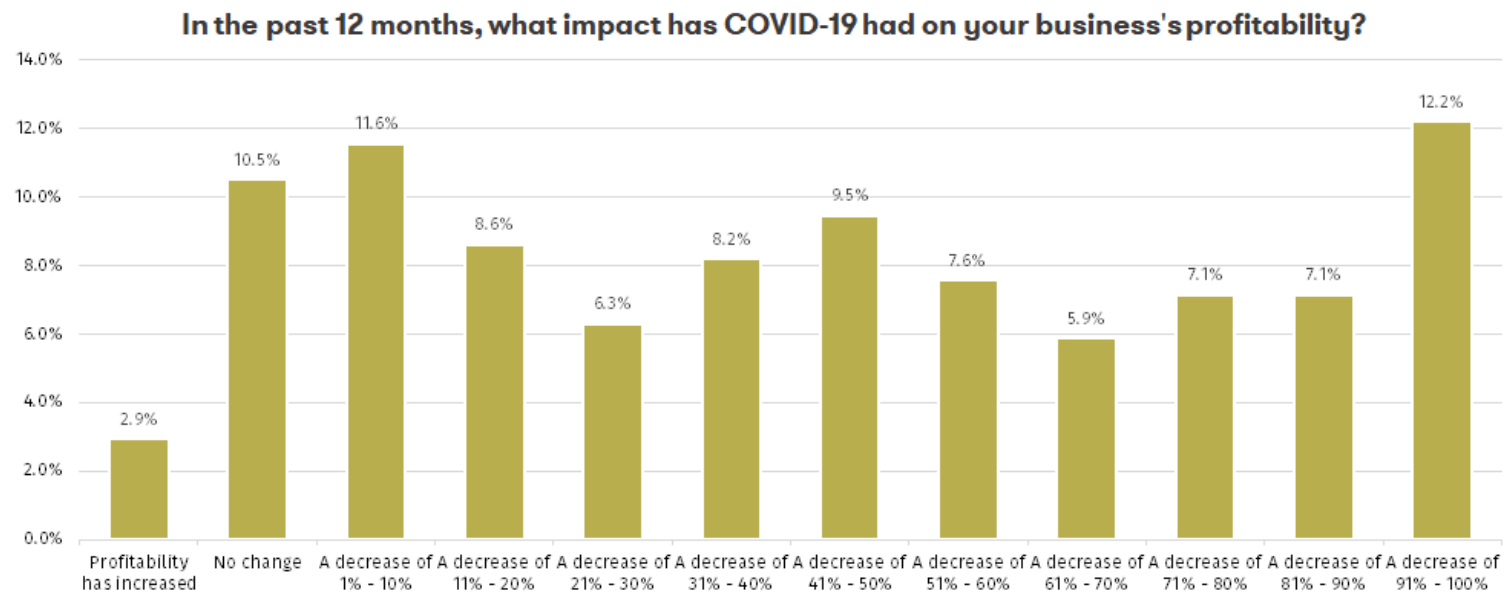


Figure 2: Bar chart showing profitability impacts of COVID-19 on SMEs surveyed.

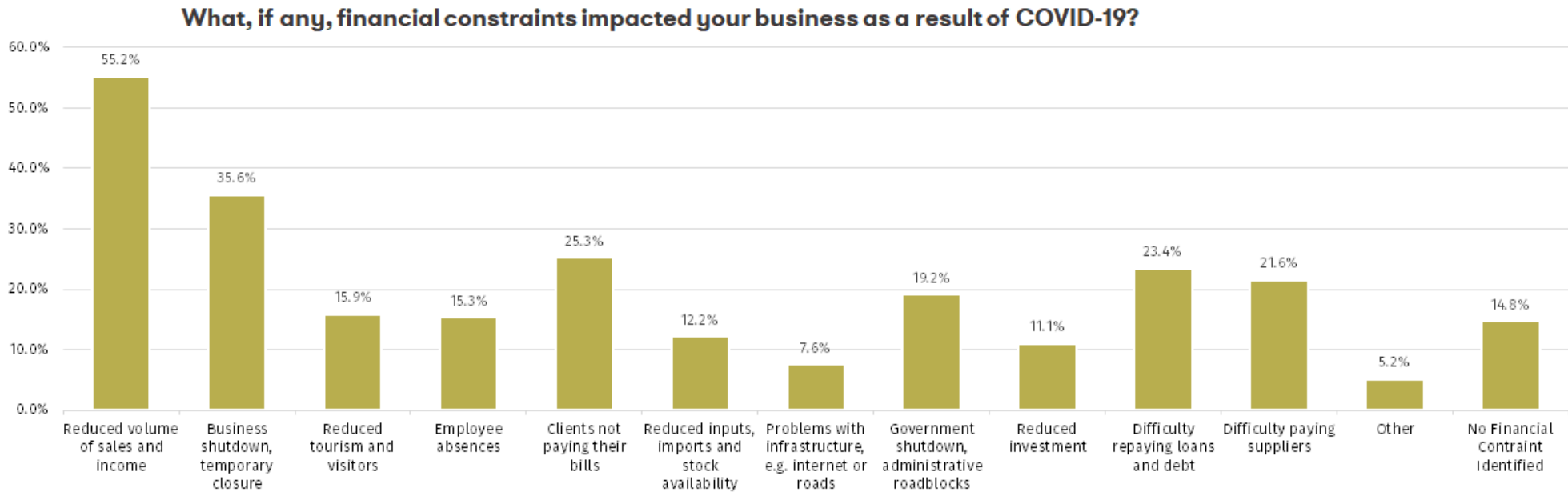


Figure 3: Bar chart showing financial constraints as a result of COVID-19 on SMEs surveyed.

When asked if there was a risk that their business could permanently shut down because of this crisis, 54 of the 422 that responded (12.8%) said they had already shut down and 158 (37.4%) said that they expected to shut down. When compared to last year, more businesses are reporting that they have already shut down (5.5% in 2020 vs. 12.8% in 2021).

“We pivoted the business to focus on consulting which has been successful, but the tourism business has been effectively mothballed, although we subsidised it from the consultancy side to keep it in a mothballed state as opposed to closing.”

- Business owner statement

Of the SMEs surveyed, businesses that have worked with BLP were more likely to answer “business closure not anticipated” than those who did not (see figure 4).

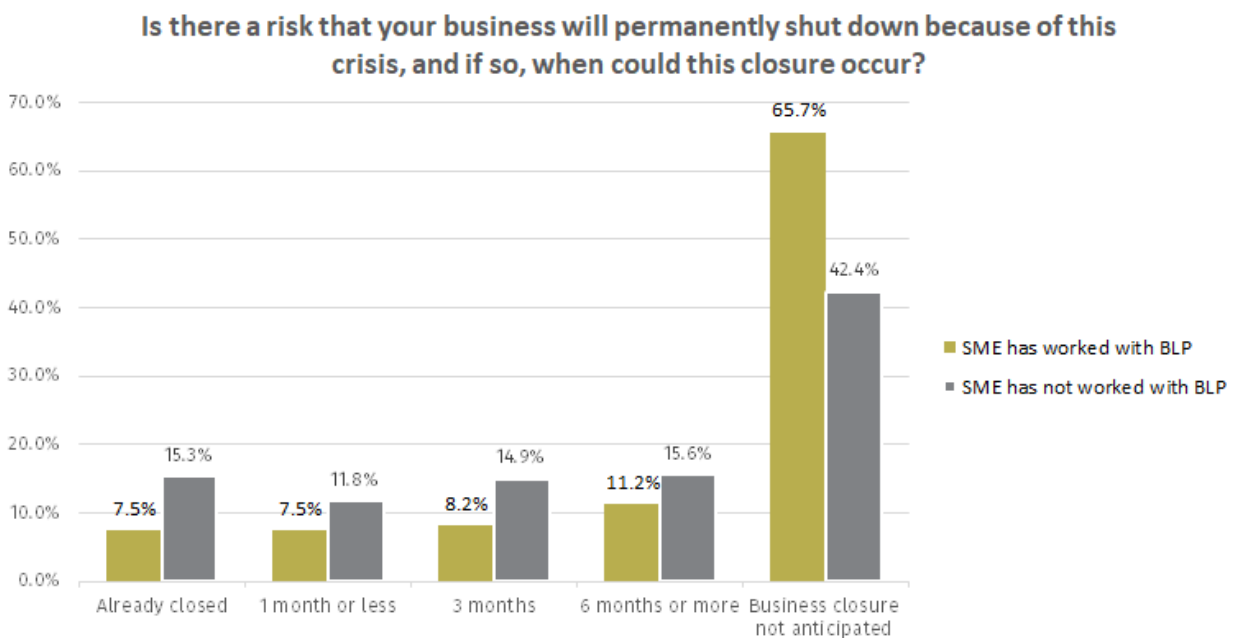


Figure 4: Bar chart showing the self-assessed likelihood of an SME permanently closing since the onset of the COVID-19 crisis by whether they worked with BLP or not.

From the group of the businesses that reported that business closure was not anticipated and had experienced a limited or significant positive impact as a result of COVID-19, we see a significantly higher number of Fijian businesses represented (17% of Fijian businesses reported a positive impact) as well as businesses in the services (16% reported a positive impact) and agriculture (20.4% reported a positive impact) industries.. Businesses in the tourism industry appear to be worse off. It’s worth noting that the sample sizes for countries other than Fiji and PNG are relatively small so it’s difficult to draw an accurate picture of COVID-19’s impact in specific countries where there is a smaller sample size of survey respondents. .

Business Response

SMEs reported having used a combination of strategies to overcome the onset of COVID-19 during the last 12 months. Supporting strategies included: borrowing from friends and family, working remotely, increasing marketing efforts, applying for loans or grants, and customising/creating new products. Many have laid-off employees and moved into online sales.

54.4% of respondents have taken advantage of financial assistance provided by banks or other financial institutions. This represents an increase from the 2020 results which reported 44.8%. Grace periods and interest-only payments are the most popular offerings. “Other” consisted of paying in installments and subsidies. Businesses that haven’t worked with BLP appear to be less likely to take advantage of this kind of support.

“We are a village-based company with a Gravel Extraction License which is renewed yearly, and no bank or lender will give money if your license is renewed yearly.”

- Business owner statement

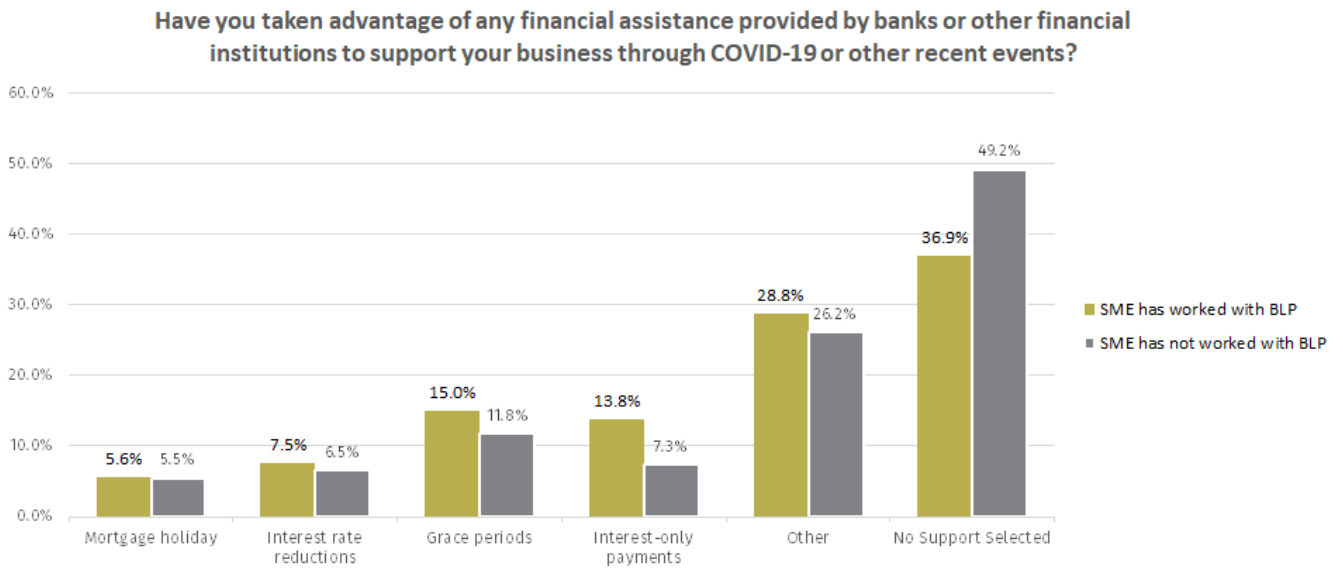


Figure 5: Bar chart showing the types of financial assistance SMEs have accessed from non-government financial providers by whether they worked with BLP.

Approximately 62.5% accessed some form of government financial assistance, 68 respondents (12.5%) used the wage payment support and 58 respondents (10.7%) accepted tax waivers or temporary tax breaks. This is significantly higher than last year’s results, where only 48% of businesses accessed some form of government financial assistance. This may be because more governments are now offering business support than in early 2020 when the first survey was conducted.

Note: Businesses that had worked with BLP previously were more likely to access government assistance than those that did not.

Have you taken advantage of any Government financial assistance to support your business through COVID-19 or other recent events?

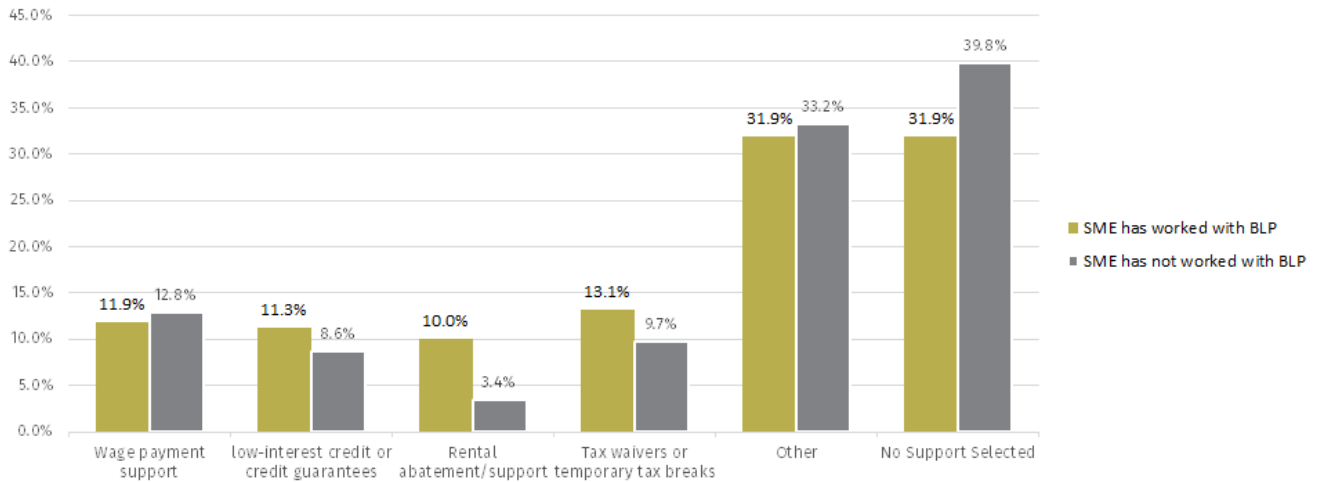


Figure 6: Bar chart showing the types of financial assistance SMEs have accessed from their governments by whether they worked with BLP.

59.2% of respondents said they had accessed support from channels other than government, banks and financial institutions. Most notably support from family members or friends, rent reductions and Business Link Pacific featured. This result is similar to last year's.

Have you received or taken advantage of any other support?

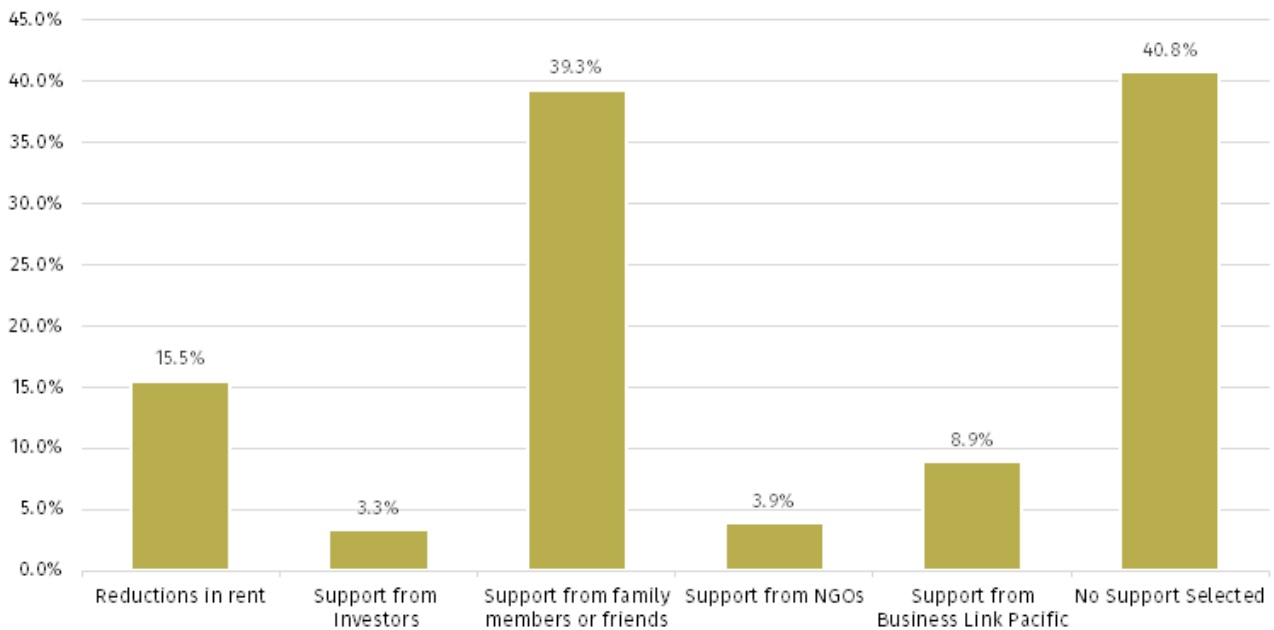


Figure 7: Bar chart showing the types of financial assistance SMEs have accessed from other channels.

When asked to select the most helpful assistance programmes to mitigate the impacts of the COVID crisis, respondents primarily selected wage payment support which was followed by rental abatement/support and tax waivers or temporary tax breaks. Although these measures may work in the short-term, the significant cost of such schemes means they are limited and it will not be possible for businesses to rely on this assistance indefinitely.

Select the top two assistance programs that would be most helpful as you cope with the COVID-19 crisis.

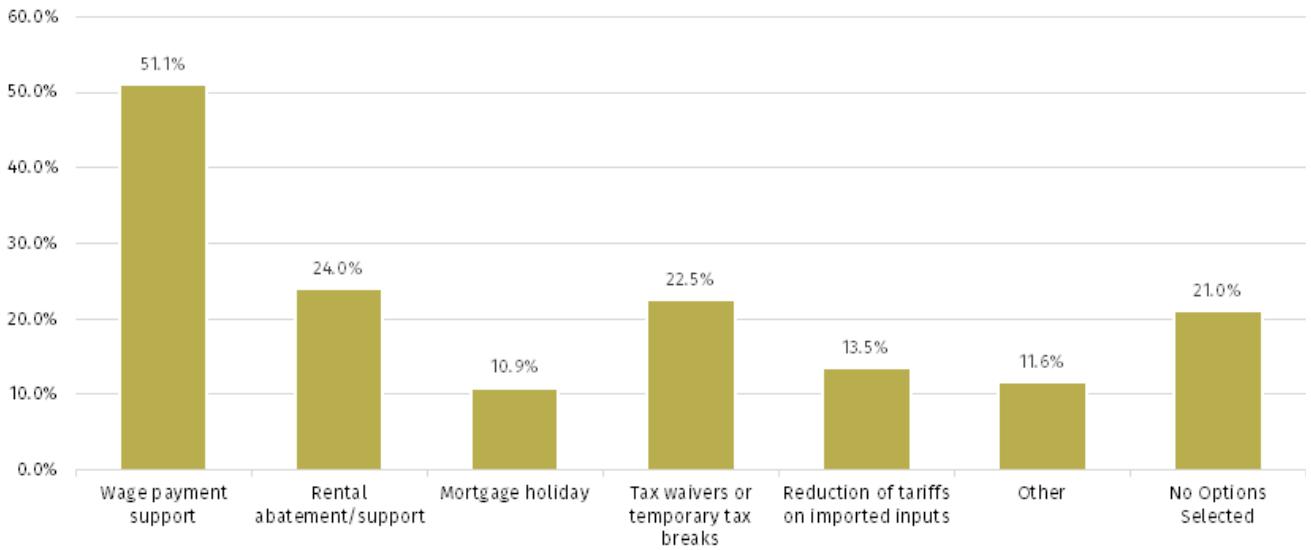


Figure 8: Bar chart showing the most helpful assistance programmes for mitigating the crisis as rated by SMEs surveyed.

Technology Trends

75.8% of the SMEs surveyed have incorporated new technologies or increased their technology usage as a direct result of COVID-19. The most notable being social media uptake (42.4% of respondents), online banking (24.2%) and mobile business applications (19.6%) are on the rise.

Have you started using or increased your use of any new technologies as a result of COVID-19?

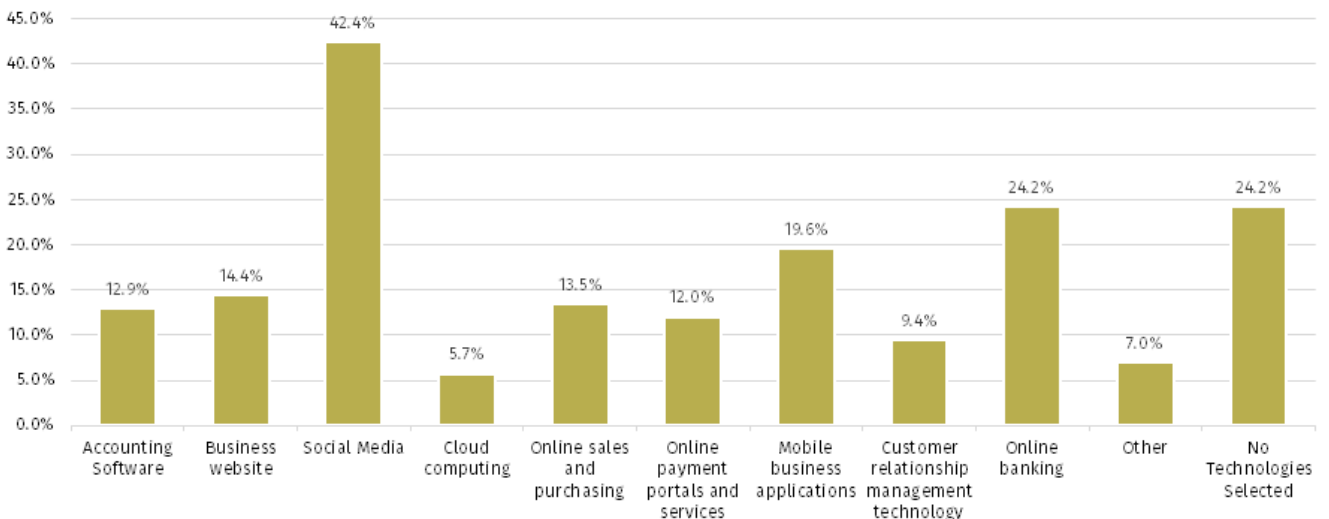


Figure 9: Bar chart showing the increase in technology use in SMEs as a result of COVID-19.

“Change of marketing and viewings and using more video calls to schedule viewings.”

- Business owner statement

Finance Needs

The vast majority (82%) of SMEs surveyed are now seeking financial support. This represents a small increase from the previous year, where 78% reported seeking finance.

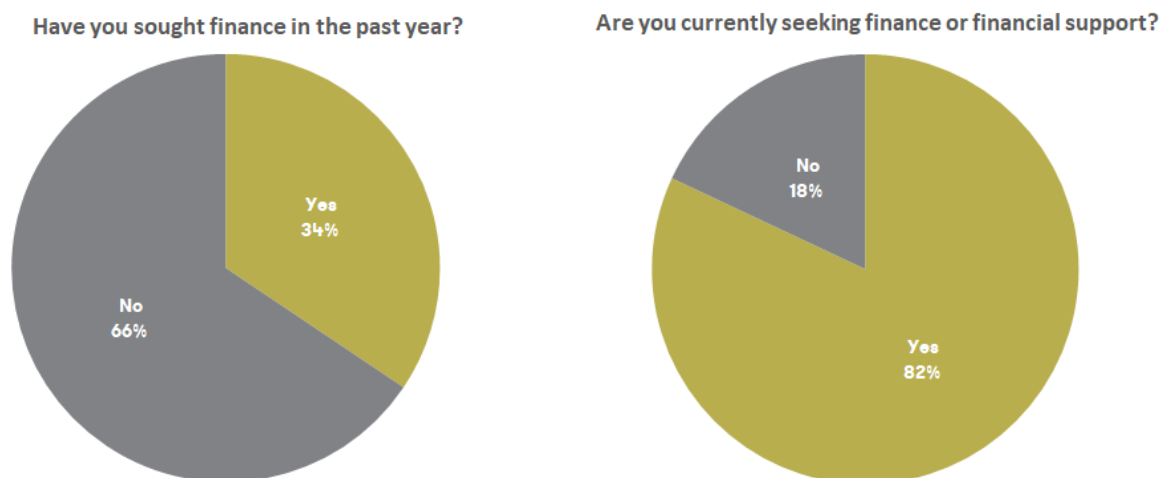


Figure 10: Pie graphs showing the number of SMEs who sought finance in the past year and the number of SMEs who are now seeking finance.

In 2019, SMEs primarily received finance from banks (which made up 68% of financing) to buy new equipment, manage cash flow or to grow. In 2020, SMEs were looking at multiple sources of finance. Over half of those interviewed last year were looking at grants or government assistance, surpassing the traditional banking channels.

That trend has continued into 2021 as we see 60.5% of those interviewed are considering grants, 42.2% are considering BLP financial support, 38.2% are considering government assistance and only 31.1% are considering a bank loan.

69.2% of SMEs sought funding of less than NZD 50,000, with many (46.6%) loans being at the micro end of the spectrum. Over a third (36%) were not successful in their applications. The reasons for not being successful in a loan application included insufficient income/cash flow (33.9%) and insufficient security (37.5%). Looking at these indicators, it would be safe to assume businesses are more likely to be seeking finance to survive short-term cash issues rather than expansion or business growth.

What sources of finance or financial support will you consider?

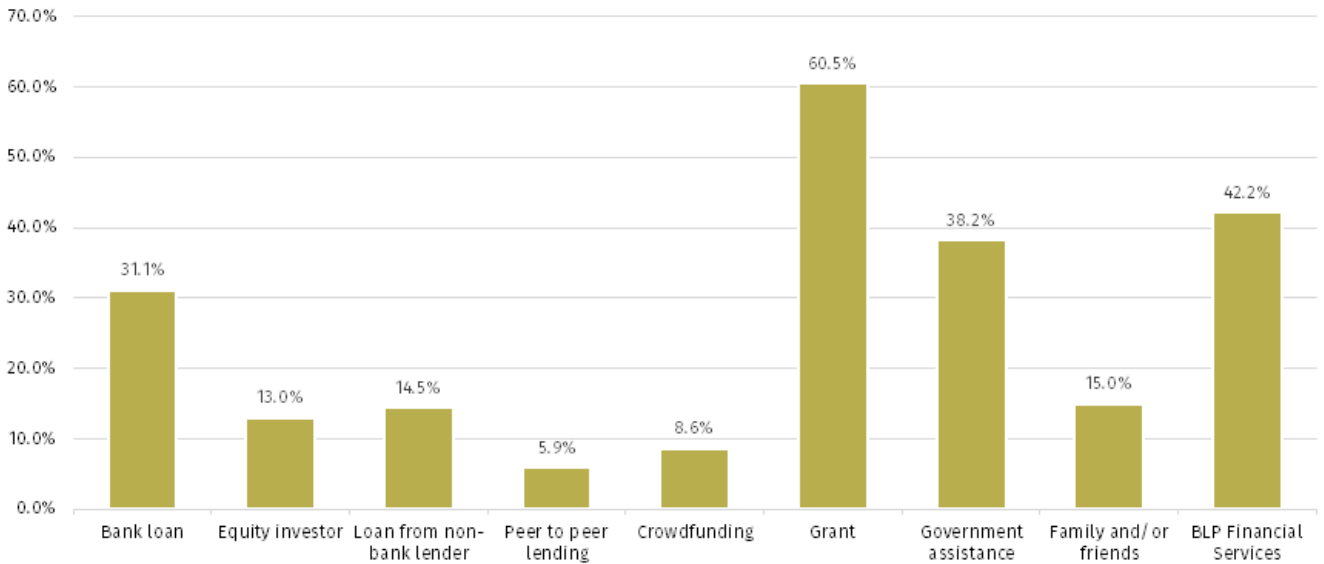


Figure 11: Bar chart showing sources of financial support the SMEs are considering.

When asked to select the most helpful financial products to mitigate the impacts of the COVID crisis, working capital (44.5%) and low-interest loans (40.0%) were the two most popular responses. The distribution is very similar to last year's survey, aside from credit guarantees going slightly out of favour.

Select the top two financial products that would be most helpful as you cope with the COVID-19 crisis.

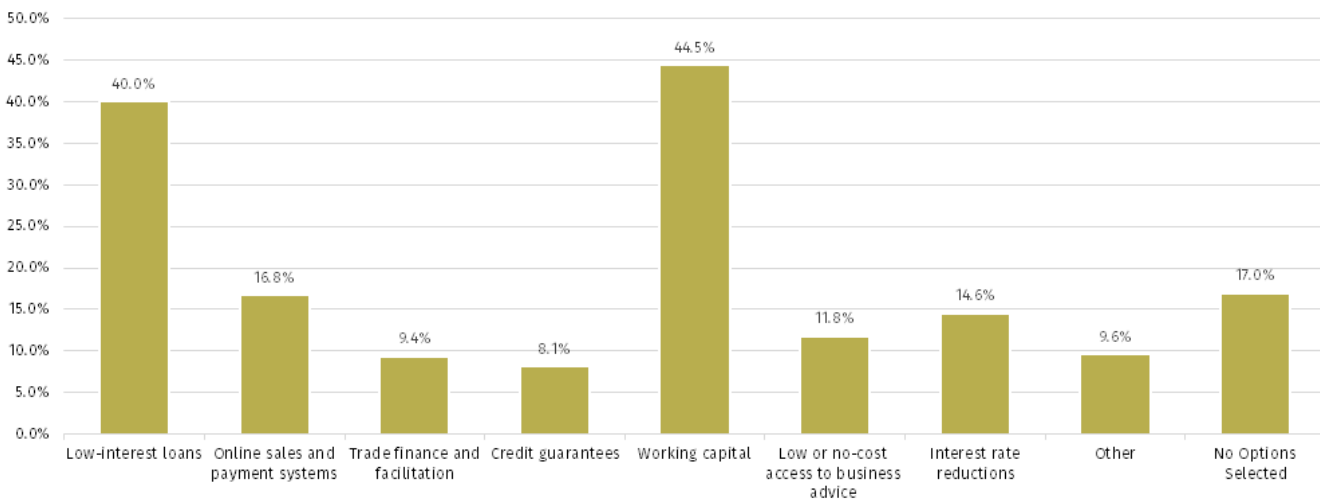


Figure 12: Bar chart showing the most helpful financial products for mitigating the crisis as rated by SMEs surveyed.

Human Resources

55.5% of the SMEs surveyed have implemented additional health and safety measures as a result of COVID-19. 27.3% of those interviewed took steps to protect the mental health of owners and staff, while a quarter (25.1%) have enabled staff to work from home.

Only 36.5% of the organisations surveyed offer unpaid leave, 30.4% offer compassionate leave and 22.1% offer extended maternity leave.

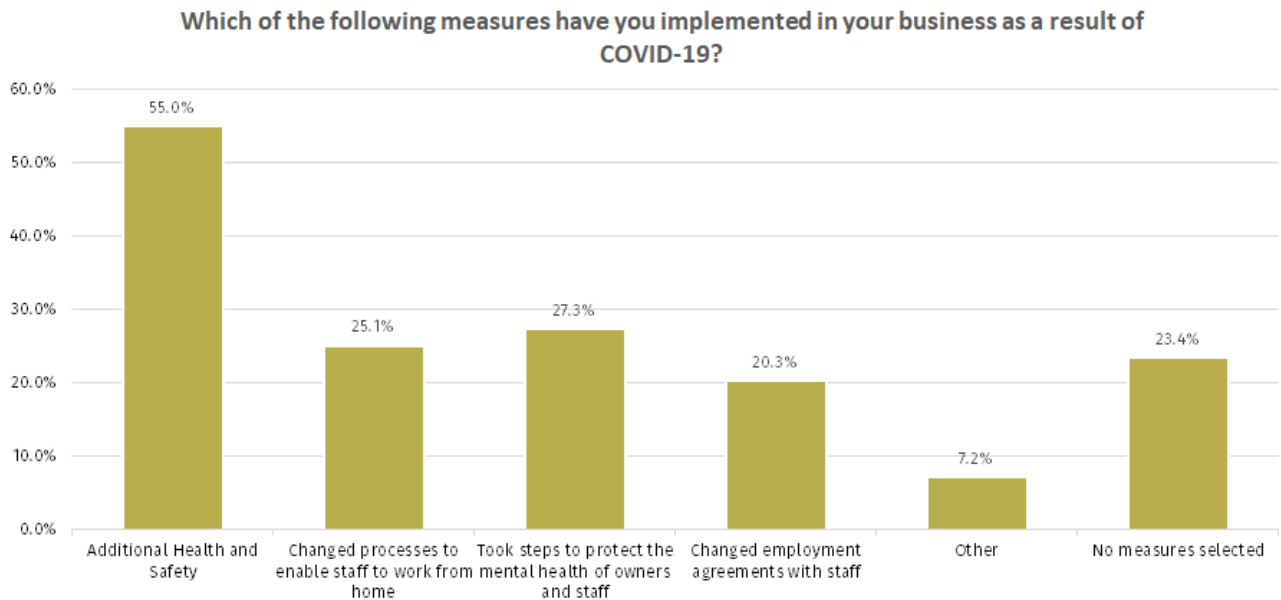


Figure 13: Bar chart showing additional measures implemented by SMEs due to COVID-19.

When asked who in their workforce has been most negatively impacted by the COVID-19 crisis, the majority of respondents were unsure. However, for those that did answer, we can see the most common answer by far was females (21.2% selected females vs. 12.1% selected males).

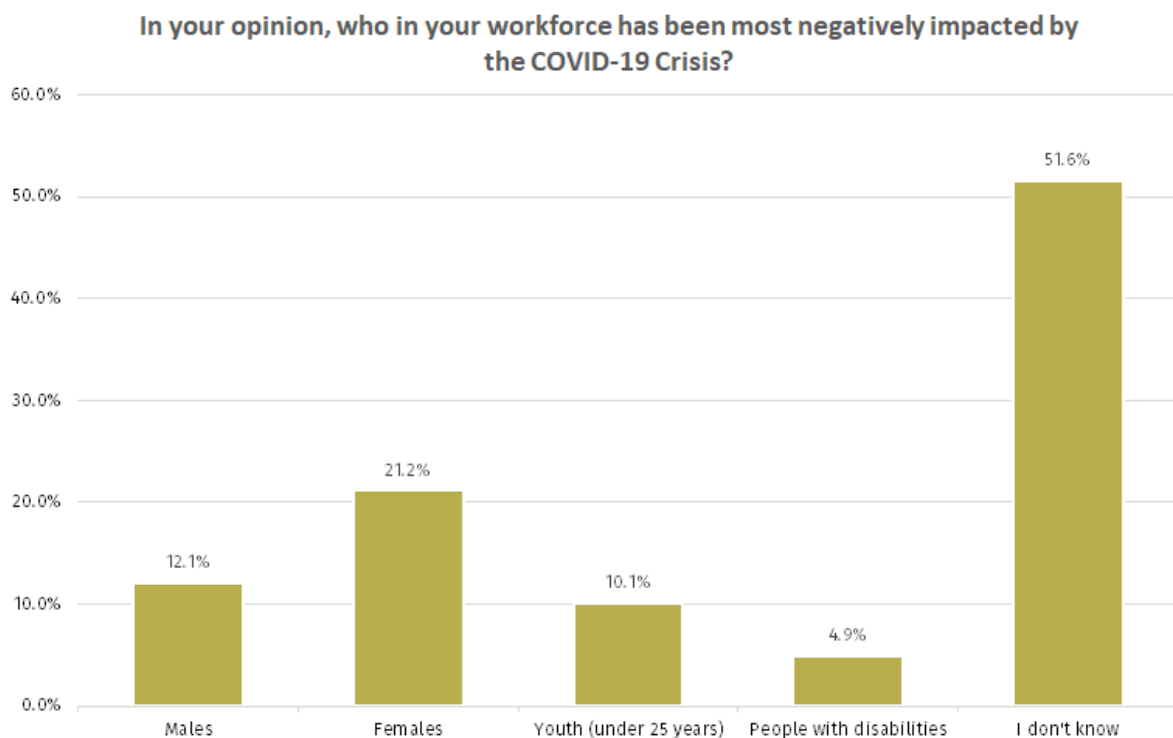


Figure 14:

Bar chart showing perception on who in the workforce has been most negatively impacted by the COVID-19 Crisis.

“We are flexible with the working hours depending on the COVID-19 protocols and the most practical approach we can obtain for the business to operate. When we see it's going to risk our employees, we reduce the number of hours, locations of sales and the type of income source that we engage with.”

- Business owner statement

Survey Details

Methodology

The survey was completed through Business Link Pacific's custom online survey tool which is optimised for both mobile and desktop devices. The survey link was distributed across a wide range of Pacific Island countries using a combination of digital advertising and direct marketing through the Business Link Pacific network and through local stakeholder networks.

Responses were collected between April 16, 2021 and June 6, 2021. The respondents represented a diverse range of businesses. In total there were 542 respondents across 13 countries: Fiji, Papua New Guinea, Vanuatu, Samoa, Solomon Islands, Kiribati, Cook Islands, Timor-Leste, Tokelau, French Polynesia, Marshall Islands, Micronesia and Tonga.

These businesses operated in all industry categories identified including: Services (32%), Retail (13%), Agriculture (10%), Tourism (8%), Construction (7%), Manufacturing (3%), Export/Import (2%), Resources and Energy (2%), Fisheries (2%), Other (21%).

Business sizes range from 1 to over 50 employees and years of operation ranged from less than 1 year to more than 20 years: less than 1 year (18%), 1-2 years (25%), 3-5 years (24%), 6-10 years (15%), 11-15 years (7%), 16-20 years (3%), more than 20 years (8%). 16% of respondents were from businesses that were solely owned by women, 48% were owned by men and women, and 36% were solely owned by men (male businesses appear to be slightly more represented compared to last year).

Businesses were asked in what capacity they had worked with BLP. Of the 542 respondents, 160 reported working with Business Link Pacific in some capacity. This information was used to divide the SMEs into those who worked with BLP and those who did not.

Limitations

The survey was a digital form marketed primarily through digital channels. This, therefore, favoured more tech savvy businesses, and those with higher digital literacy and internet access.

Although we had a large number of respondents overall, a very small number of submissions were received from Tonga, Micronesia, the Marshall Islands, French Polynesia and Tokelau (5 or under). This makes it difficult to draw accurate conclusions based on country as the sample sizes are so small. Vanuatu, Samoa, the Cook Islands, Kiribati, the Solomon Islands and Timor-Leste had a higher number of respondents than the previous group but we must still be cautious when drawing conclusions.

There was a lower proportion of all female owned businesses represented in the submissions than all male owned businesses (71 vs. 159), but this isn't abnormal when compared to our previous survey rounds.

Data Cleaning

Data was cleaned before the analysis. Any forms that were unsuitable, e.g. missing fundamental data or suspected of being a bot/spam, were removed to increase the accuracy of the report.