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**Partnership for Accelerating Results in Trade, National Expenditure and Revenue
(PARTNER) Activity**

Findings Report
Business Survey on
Trade and Labour Market Impacts
of COVID – 19
on Exporters in Sri Lanka

June 2020

Conducted by

Ceylon Chamber of Commerce (CCC) and USAID PARTNER

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INTRODUCTION

The COVID-19 outbreak has had wide impacts on the Sri Lankan economy across all business sectors. Given the implications of the pandemic on export businesses due to supply chain disruptions, weak export demand and labour related impacts, the Ceylon Chamber of Commerce (CCC) and the USAID Partnership for Accelerating Results in Trade, National Expenditure and Revenue (PARTNER) project collaborated and conducted a survey on *Trade and Labour Market Impacts of COVID-19 on Sri Lankan Exporters*. This survey was structured to uncover answers to questions on how exporters were adjusting to the constraints imposed by the pandemic, the impact of the lockdown on the ability to export, as well as exporters' views on support packages as well as further facilitation required to improve the trading environment. Overall, the survey findings aim to support evidence-based decision making.

The survey was conducted during curfew/lockdown when there was a disruption to the normal functioning of businesses in the world, and received responses from 3 main types of businesses; large firms, Small and Medium Enterprises (SMEs), and firms owned or led by women. The results provided critical insights about the impact the pandemic has caused in Sri Lanka's trade and labour market. Survey results are expected to be used for policy advice to provide support for exporters. The Report is organised as follows: first, survey methodology is discussed; second, key insights from the survey are highlighted; third, findings from the survey are presented including general respondent details, changes in export business due to COVID-19, changes in employment, business facilitation measures by the government during lock-down period, and business outlook.

SURVEY METHODOLOGY

The survey was conducted with an objective of achieving 100 responses at a minimum and consisting of a response rate of a minimum of 25 SMEs and 10 women-owned or led firms. To achieve this objective, emails were sent out to relevant companies included in the databases maintained by CCC.

Towards conducting collection, a survey questionnaire (Annexure 1) was developed consisting of 59 questions covering the following information to capture the impact of COVID-19 on export firms with in-depth detail:

1. General respondent details
2. Changes in export business due to COVID – 19
3. Changes in employment
4. Business facilitation measures by the government during the lock-down period
5. Business outlook

A pilot run of the survey was conducted with two exporters to obtain feedback and improve the questionnaire to make it more reader-friendly as well as to find out whether the survey is effective in fulfilling the purpose of the survey.

The survey was implemented on May 5, 2020 and spanned a period of 14 days. Information was collected via the online survey tool *Typeform* and was distributed among exporters linked to the Ceylon Chamber of Commerce. A total of 402 participants commenced the survey showing a very high level of interest for participation. However, only 122 completed the survey. Drop off rates are an indication of non-relevance of the survey for non-exporting firms. 60% of the survey responses came within the first week of the release of



the survey. From second week onwards, phone calls were made to export firms, sector-specific associations and other databases in order to inform firms of the survey and encourage participation. Sufficient sector representation and women-owned/led business participation was achieved. A total of 122 respondents completed the survey of which 115 responses were used for the survey analysis including;

- 67 Large firms
- 48 Small and Medium Scale Entrepreneurs (SMEs)
- 10 Women-owned or led firms

For the survey analysis, firms are categorized as large or SME, based on the number of employees: firms with less than 200 employees being categorized as SME and a firm with 200 or more employees being categorized as a large firm.

Majority of the survey responses were received from senior-level executives of export firms providing an opportunity for the survey to draw business insights from senior professionals who are currently strategizing the way forward for exports in a post-pandemic world. The survey also captures promising insights in terms of new business opportunities. The types of firms that responded and the coverage of over 26 export segments provides an in-depth and diverse perspective of the impact of COVID-19 on exports.

The survey process faced certain limitations such as the limited time duration available to run the survey as certain questions were time-bound due to changing economic and social conditions and lack of willingness of exporters to engage in a lengthy survey conducted on an online survey platform.

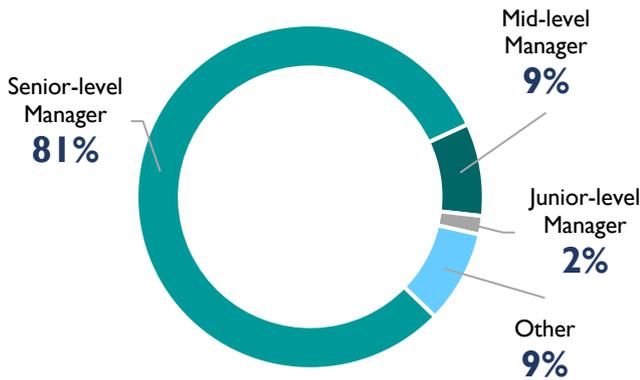
KEY INSIGHTS

- A majority of the respondents indicated that they were prepared to manage the impact of COVID-19. This is supported by the fact that 70% of the firms stated that they have a Business Continuity Plan in place. Of the firms that were not prepared to manage the business impact of COVID-19, the SME respondents were higher than the large firms.
- Three key challenges highlighted by export firms were the continuation of overall business operations, the lack of operational cash flow and the impact from a decline in workers' production or productivity due to working from home or termination of employment.
- The top three requests across the types of firm surveyed were for tax relief, financial assistance and digitisation of Government border agencies.
- 50% of the survey respondents expect export revenue in 2020 to decline by more than 40% in 2020 compared to 2019. However, 63% of the firms responded that COVID-19 provided them new business opportunities.
- Prior to COVID-19, 63% of the firms had begun automating their business processes with a high response rate of 80% being recorded from women-owned/led businesses.
- 65% of the firms are expecting a reduction in their training budget with larger firms expecting to trim this expense relatively more than the SMEs.
- The majority of the financial relief that companies have applied for included working capital requirements relative to debt moratorium and asset financing.
- The perceived outlook for economy and export business is expected to improve over a 12-month horizon relative to the expectation of either a 'severe contraction' or 'moderate contraction' in the next 3 and 6 months.



I. GENERAL RESPONDENT DETAILS

Description of Current Job Role



Export Business Categorisation

58%
Large Firms

42%
SMEs

91%
Male Led
or Owned

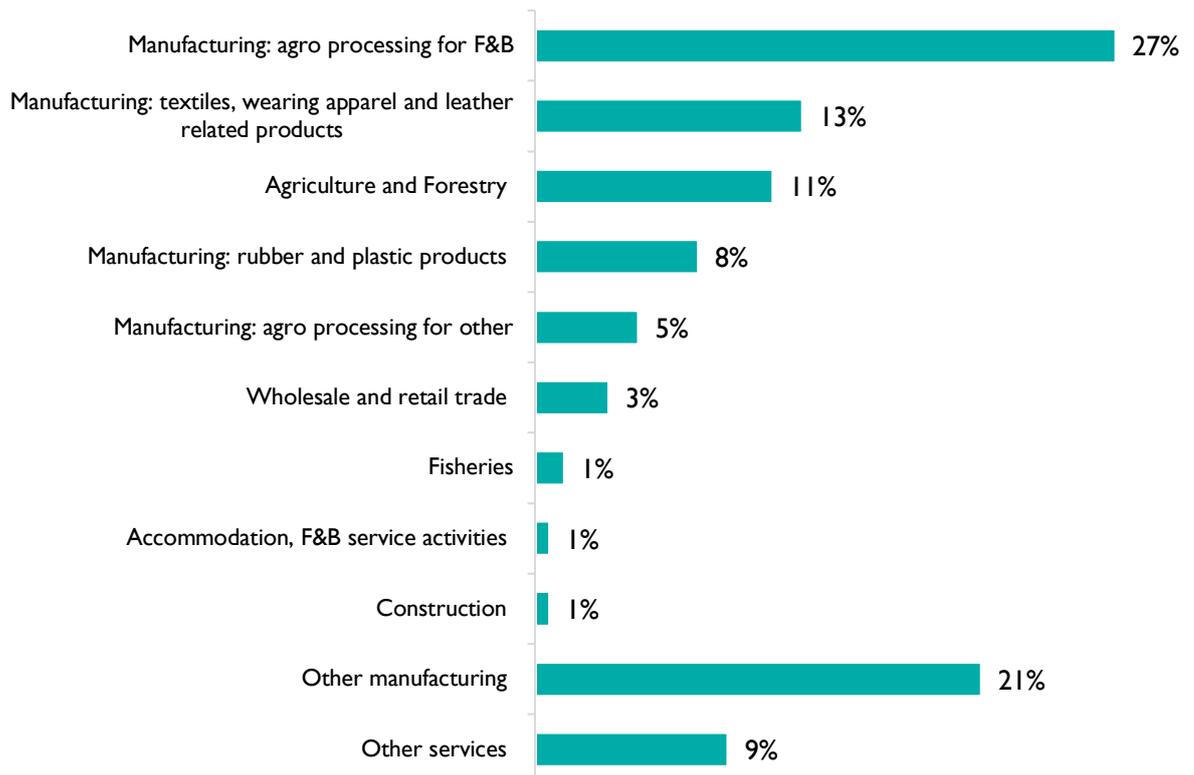
9%
Female Led
or Owned

Engaged in export of

93% Goods

5% Services

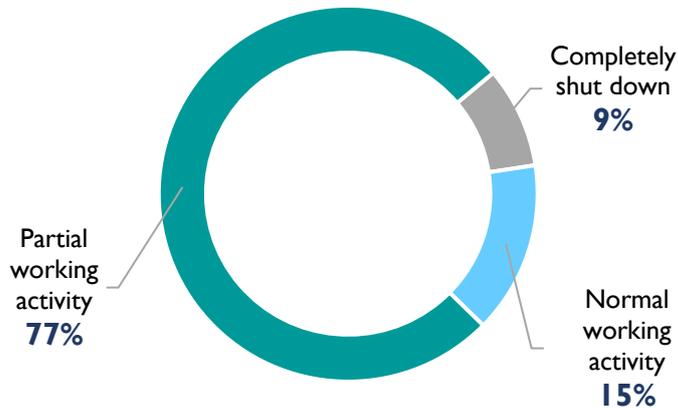
2% both Goods and Services





2. CHANGES IN EXPORT BUSINESS DUE TO COVID – 19

77% of export firms operated with partial production activity

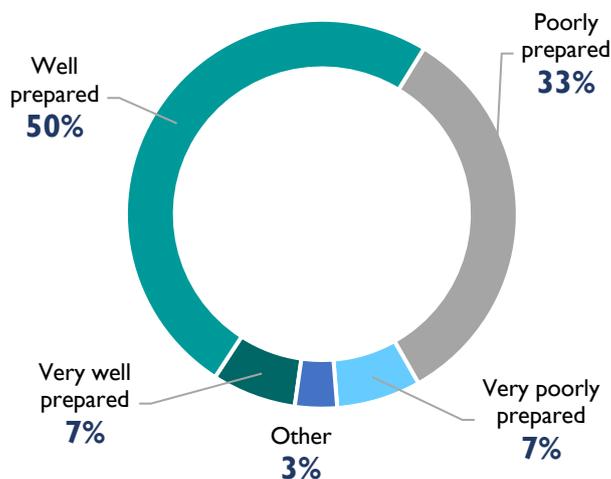


70% of the firms engaged in partial working activity operated under 50% of their production capacity.

70% of the firms that faced a complete shutdown of production activity were SMEs.

80% of the female owned/led businesses were operating under partial working hours.

57% of the firms were well prepared or very well prepared to manage the impact of COVID-19



Well-prepared / Very well prepared;

61% of the large firms

50% of the SMEs

90% of the female owned/led businesses

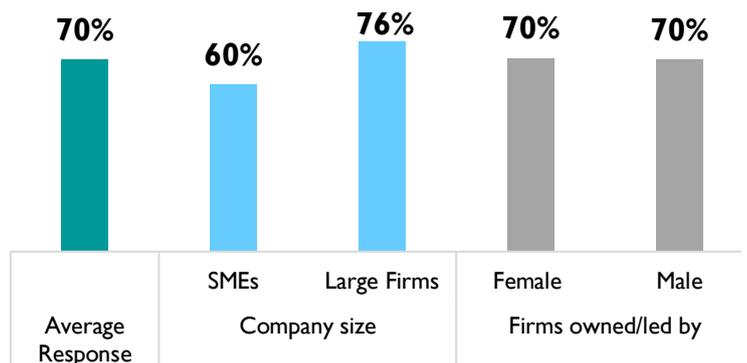
Poorly prepared / Very poorly prepared;

34% of the large firms

48% of the SMEs

10% of the female owned/led businesses

70% of the firms reported having a Business Continuity Plan (BCP) in place, which helped continue to deliver their products/services through a major disruption such as COVID-19 lockdown





Export firms' response to COVID-19 related challenges indicate a significant impact on business with the majority of responses being provided with a rank* of 7 or more for;

- 63% for overall business operations
- 58% for operational cash flow
- 56% for the impact of decline in workers' production or productivity due to working from home / termination of employment
- 45% for Drop in demand for products / services
- 47% for Issues with changing business strategies and offering alternatives

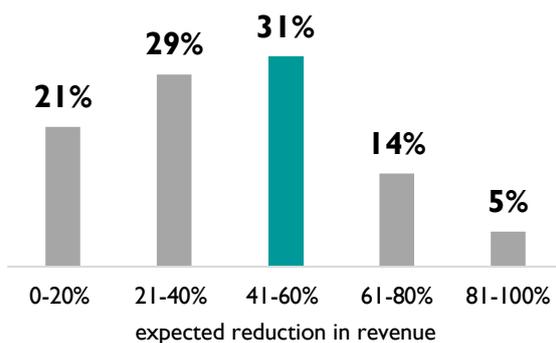
Rank	On overall business operations	Lack of operational cash flow	Decline in workers' production or productivity due to working at home / termination of employment	Drop in demand for products / services	Issues with changing business strategies and offering alternatives
less than 3	8.7%	22.6%	15.7%	31.3%	19.1%
4 - 6	28.7%	19.1%	28.7%	23.5%	33.9%
7 or More	62.6%	58.3%	55.7%	45.2%	47.0%

*Rank provided on a scale of 0-10, where 0 being the least challenging and 10 being most challenging

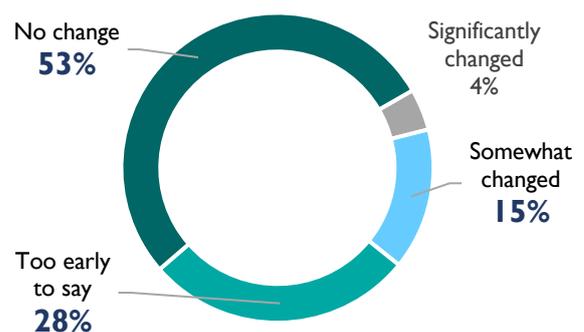
83% of the firms are faced with difficulties in obtaining inputs for production with the response capturing;

- 78% of large firms
- 92% of SMEs
- 100% of female owned/led businesses

50% of the firms expect a reduction in export revenue of 40% and above in 2020



53% of the firms anticipate no change in export destination





63% of firms had begun automating their business processes prior to COVID-19

This represents;

- **72%** of the large firms
- **50%** of the SMEs
- **80%** of the female owned/led businesses

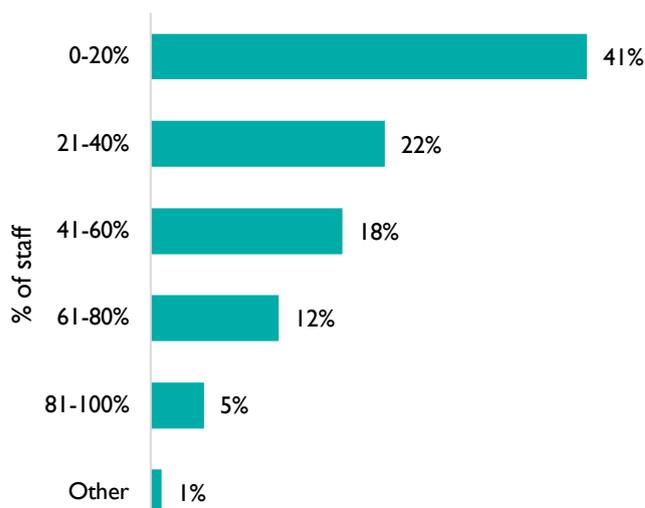
23% of firms have started automating their business processes because of COVID-19

This represents;

- **22%** of the large firms
- **23%** of the SMEs
- **10%** of the female owned/led businesses

3. CHANGES IN EMPLOYMENT

Remote work arrangements due to COVID-19

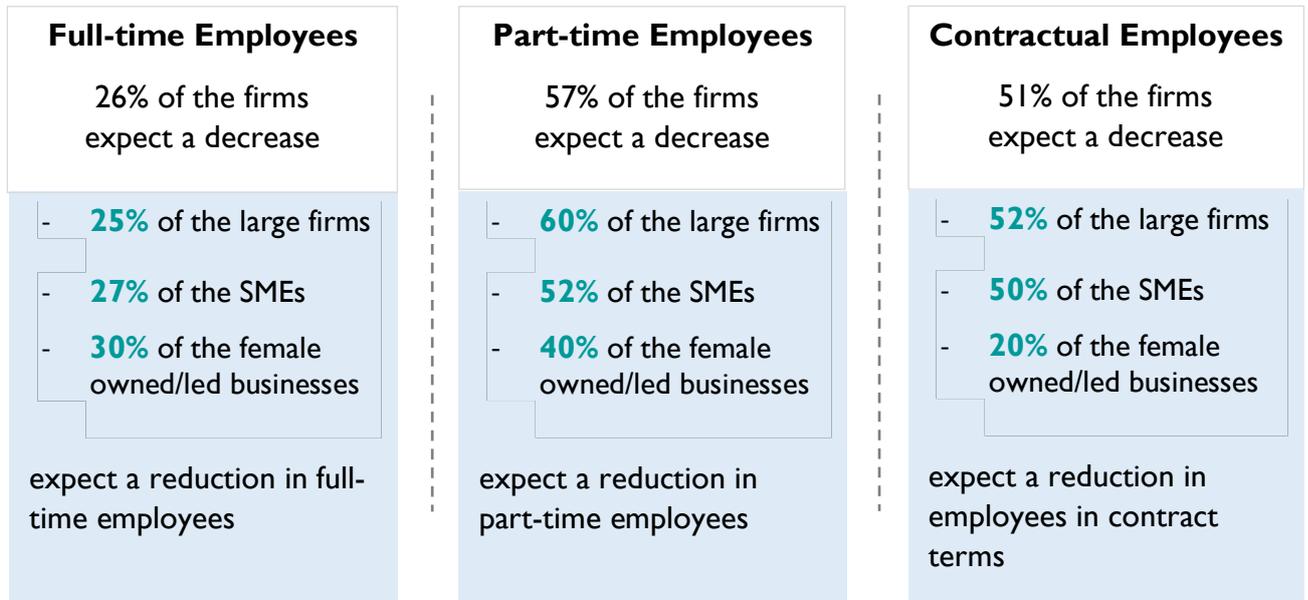


81% of firms stated that **60% or less of total staff** worked remotely due to disruptions caused by COVID-19. This represents:

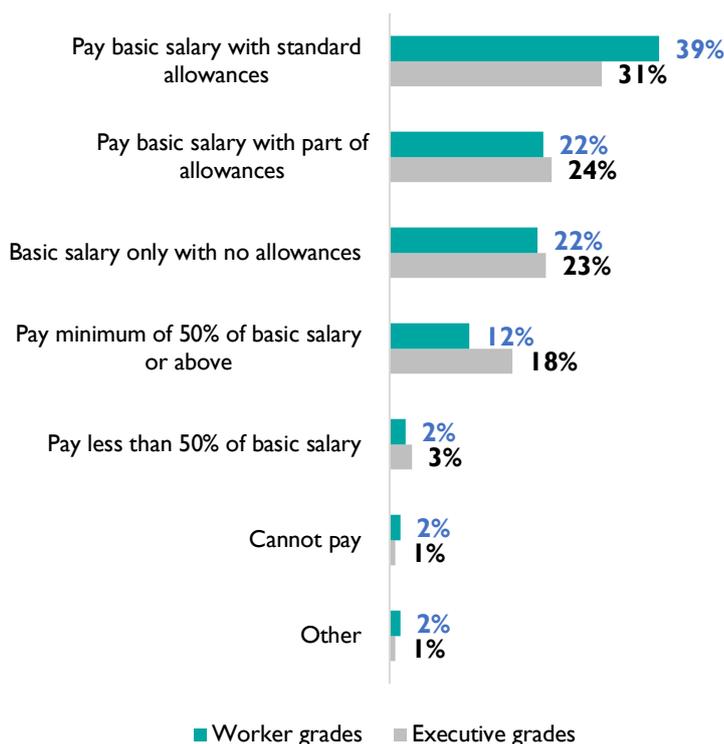
- **88%** employees in large firms
- **73%** employees in SMEs
- **70%** employees in the female owned/led businesses



Expectations on **change in employment** conditions indicates that **26%** are anticipating a **decline in full-time employees**, **57%** decline in part-time and **51%** decline in contractual employees in the next 3 months.



Expectations on **wages and salaries** of employees in the next 3 months;



78% of the firms expect to pay at least the basic salary to employees in executive grade.

This expectation is reflected by

- 80% of large firms
- 72% of SMEs
- 64% of female owned/led businesses

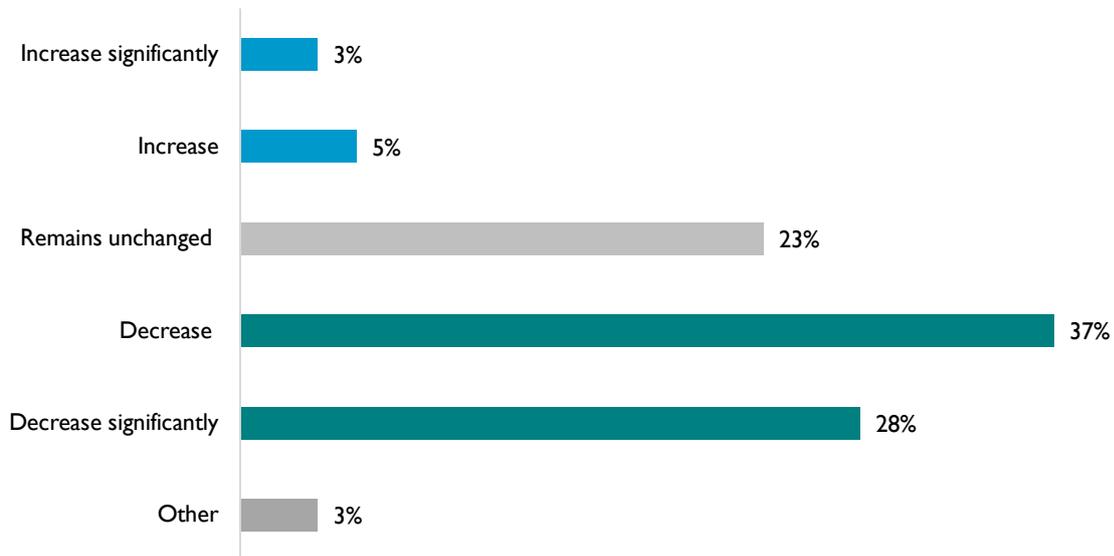
83% of the firms expect to pay basic salary to employees in worker grade

This expectation was reflected by;

- 80% of large firms
- 72% of SMEs
- 64% of female owned/led businesses



65% of firms expect a reduction in their budget for training and support for employees



This expectation was reflected by;

- 70% of large firms
- 56% of SMEs
- 80% of female owned/led businesses

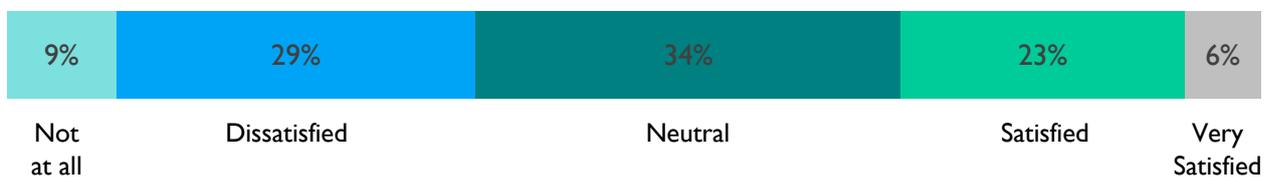
4. BUSINESS FACILITATION MEASURES BY THE GOVERNMENT DURING LOCK-DOWN PERIOD

The level of satisfaction on the facilitation received by border regulatory agencies for export business during lock-down period indicated;

38% dissatisfied (includes responses: not at all satisfied and dissatisfied)

34% neutral stance

29% satisfied (includes responses: satisfied and very satisfied)





61% of the firms intend to **apply/already applied for financial relief** due to COVID-19 impact



Need to apply for financial relief was expressed by;

- **57%** large firms
- **66%** SMEs
- **80%** female owned/led businesses

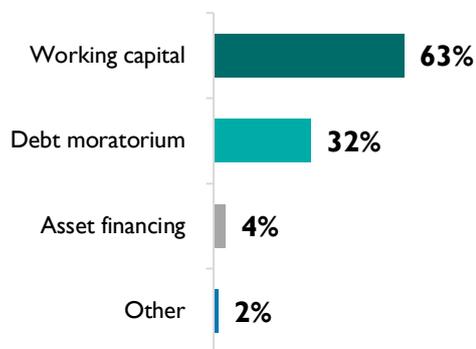
73% of the firms intend to **apply/already applied for financial relief** from private commercial banks



Commercial banks were preferred by;

- **71%** large firms
- **76%** SMEs
- **78%** female owned/led businesses

63% of financial relief is applied to meet **working capital** requirements



Need for financial relief for working capital requirement was expressed by;

- **62%** large firms
- **63%** SMEs
- **78%** female owned/led businesses

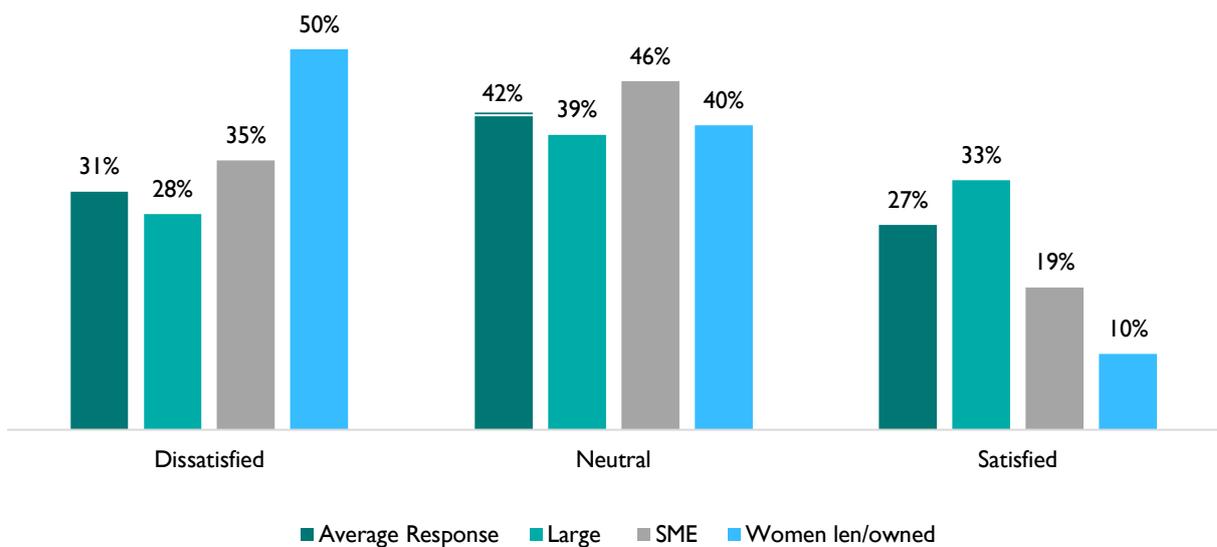


Tax relief, financial assistance and digitization of Government border agencies were the common requests amongst the top 5 interventions requested by large firms, SMEs and women owned/led firms

Rank	Top 5 Interventions requested by Firms		
	Large firms	SME firms	Firms owned/led by women
1	Tax relief/exemption	Financial assistance package	Tax relief/exemption
2	Change of labour laws to allow more flexibility	Tax relief/exemption	Financial assistance package
3	Financial assistance package	Change of labour laws to allow more flexibility	Assistance in managing logistic channels
4	Fast track digitizing border regulatory operations	Fast track digitizing border regulatory operations	Market access support
5	Assistance in managing logistic channels	Assistance in obtaining production input	Fast track digitizing border regulatory operations

42% of the overall firms had a neutral stance on the overall facilitation provided by the Government for export business during lock-down period while;

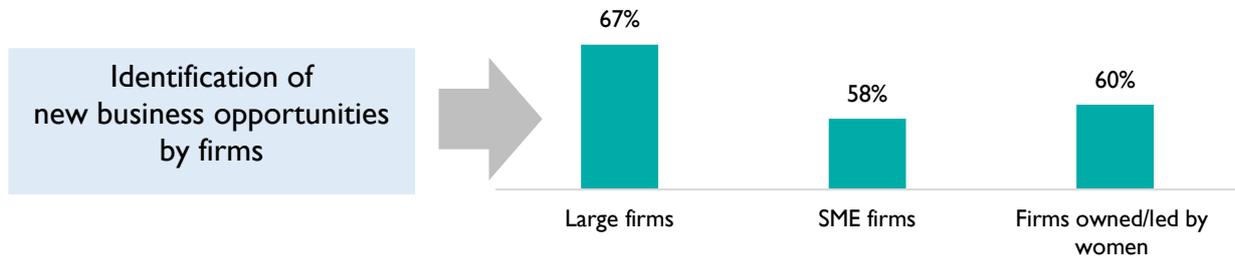
- 46% SMEs have a neutral stance
- 50% female owned/led businesses were dissatisfied



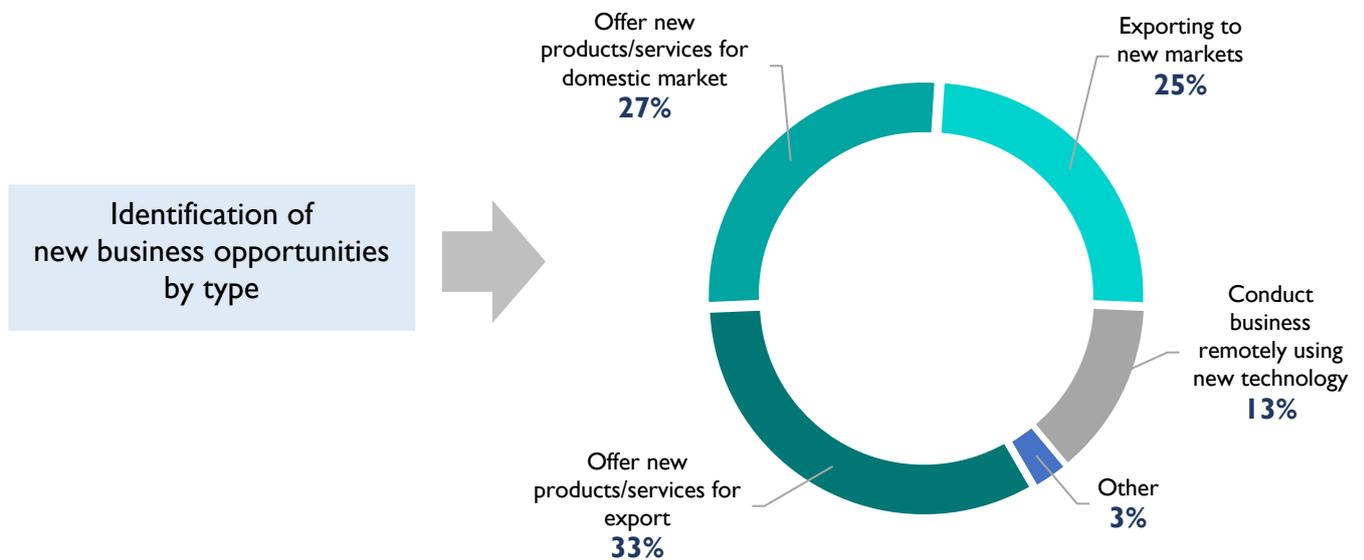


5. BUSINESS OUTLOOK

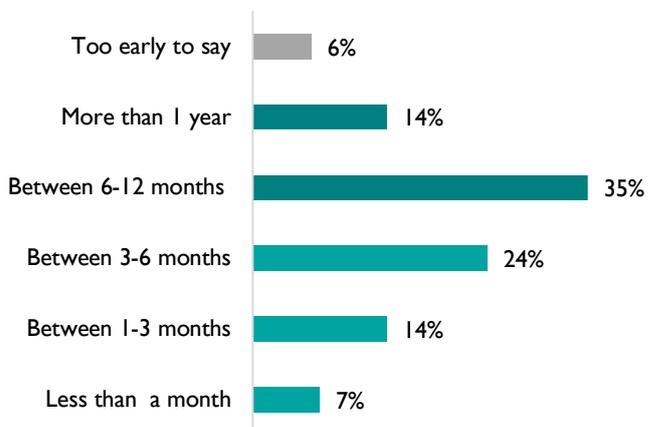
63% of firms have identified **new business opportunities** due to the COVID-19 impact



33% of the identified **new business opportunities** are for export of **new products/services**



45% of the firms expect business to return to **normal** in **under 6 months**

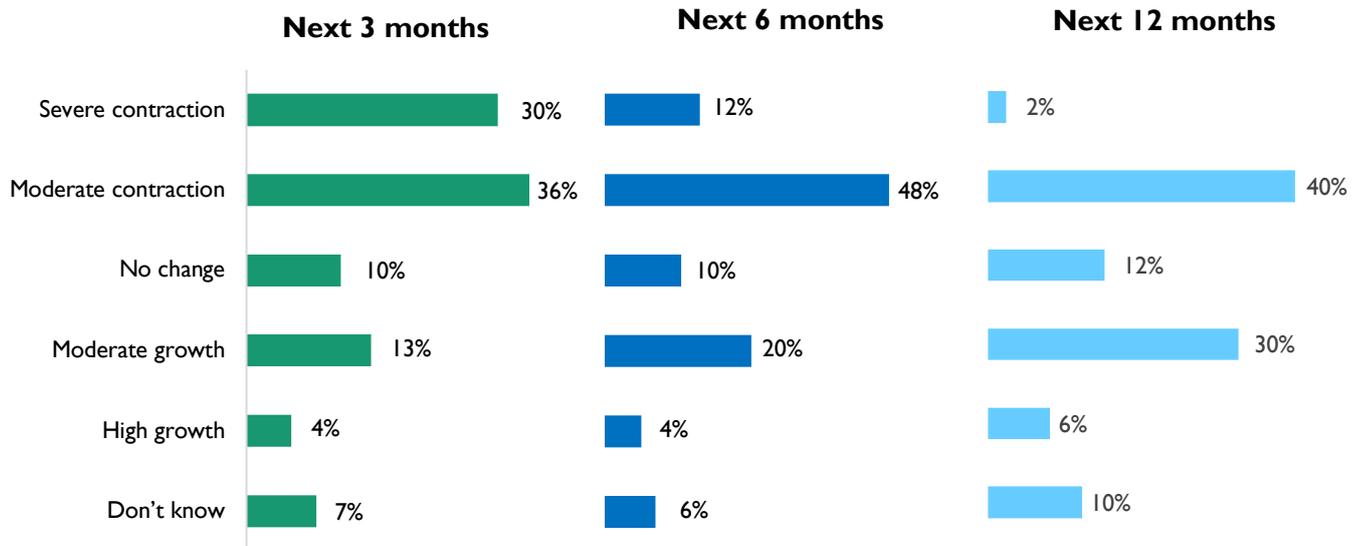


49% of the firms expect more than a **6-month** time period for business to return to normal. This expectation was expressed by;

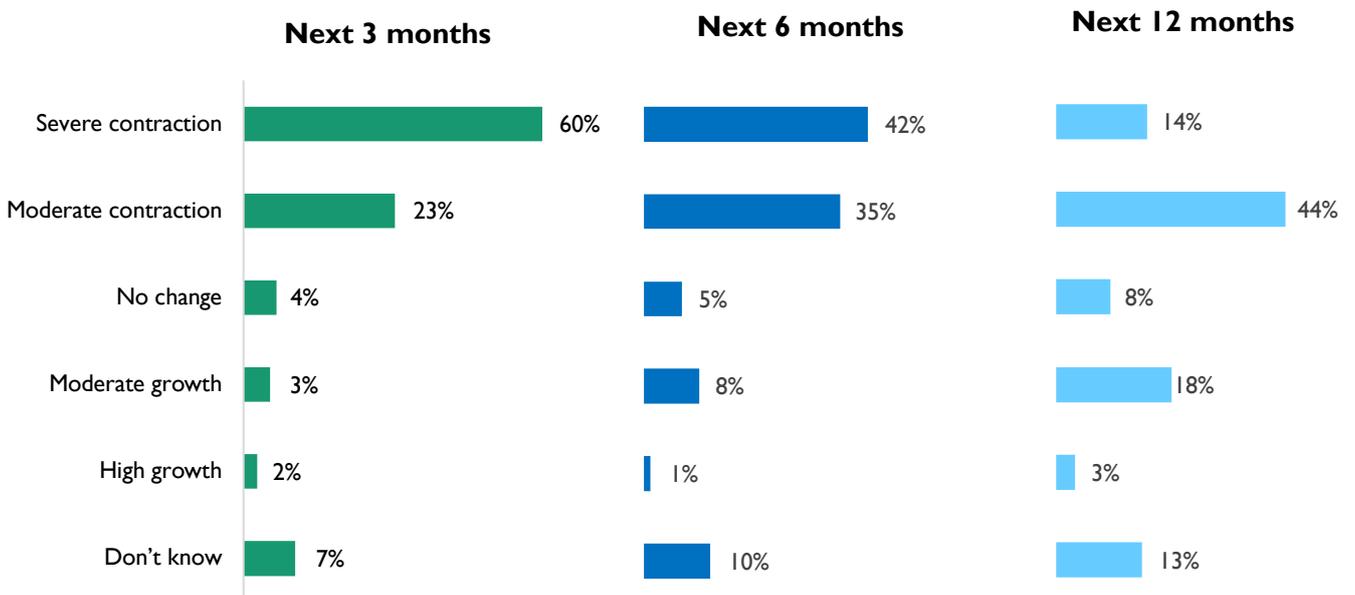
- **49%** of large firms
- **48%** of SMEs
- **70%** of female owned/led businesses



Perceived outlook for **export business**



Perceived outlook for **the Sri Lankan economy**



The perceived outlook for economy and export business is expected to improve over a 12-month horizon relative to the expectation of either a 'severe contraction' or 'moderate contraction' in the next 3 and 6 months



Annexure I – Survey Instrument

Part I: Changes to Export Businesses due to COVID-19

Question I(a): Which of the following BEST describes the current production and operation status of your export business?

- Normal working activity
- Partial working activity
- Complete shut down
-

Question I(b): If your answer to question I(a) is 'Partial working activity'; What is your current production/service capacity utilization?

- 0-10%
- 11-20%
- 21%-30%
- 31%-40%
- 41%-50%
- 51%-60%
- 61%-70%
- 71%-80%
- 81%-90%
- 91%100%

Question I(c): How well was your business prepared to manage the impact of COVID-19?

- Very well prepared
- Well prepared
- Poorly prepared
- Very poorly prepared

Question I(d): Does your company have a business continuity plan – a plan for how a company can continue to deliver its production/services through a major disruption?

- Yes
- No

Question I(e): Provide a Rank for the following COVID - 19 related challenges your company is facing now.

- Provide a rank on a scale of 0-10, where 0 being least challenging and 10 being most challenging.
- Lack of operational cash flow (rank on a scale 0-10)
- Decline in workers' production or productivity due to working at home/termination of employment (rank on a scale 0-10)
- Drop in demand for products/services (rank on a scale 0-10)
- Issues with changing business strategies and offering alternatives (rank on a scale 0-10)
- On the overall business operations (rank on a scale 0-10)
- Please specify other challenges, not listed above and provide a rank on a scale of 0-10, where 0 being the least challenging and 10 being most challenging

Question I(f): Are you faced with any difficulties in obtaining inputs for your production?

- Yes
- No

Question I(g): Do you source production inputs locally under normal circumstances?

- Yes
- No

Question I(h): Are you faced with a shortage of production input sourced from domestic suppliers due to COVID-19?

- Yes
- No



Question 1(i): Do you source production inputs from overseas suppliers under normal circumstances?

- Yes
- No

Question 1(j): Are you faced with a shortage of production input sourced from overseas suppliers due to COVID-19?

- Yes
- No

Question 1(k): If you are having any difficulty sourcing production inputs from usual overseas suppliers, are you in a position to source input from an alternative country?

- Yes
- No

Question 1(l): What level of reduction do you expect in your export revenue in 2020 compared to 2019 as a result of COVID-19?

- 0-20%
- 21-40%
- 41%-60%
- 61%-80%
- 81%-100%

Question 1(m): Have your export destinations changed as a result of COVID-19 (change in exports market from one destination to another)?

- No change
- Somewhat changed
- Significantly changed
- Too early to say

Question 1(n): Have you begun automating your business processes prior to COVID-19?

- Yes
- No

Question 1(o): Did you start automating your business processes as a result of COVID-19?

- Yes
- No

Part 2: Changes to Employment due to COVID-19

Question 2(a): What percentage of your total staff work remotely due to work disruptions caused by COVID-19?

- 0-10%
- 11-20%
- 21%-30%
- 31%-40%
- 41%-50%
- 51%-60%
- 61%-70%
- 71%-80%
- 81%-90%
- 91%-100%

Question 2(b): Which of the following measures would your business undertake in the next 3 months related to your workforce?

Question 2(b1): Work hours of employees in the next 3 months would;



- Increase significantly
- Increase
- Remains unchanged
- Decrease
- Decrease significantly

Question 2(b2): Number of full-time employees in the next 3 months would;

- Increase significantly
- Increase
- Remains unchanged
- Decrease
- Decrease significantly

Question 2(b3): Number of part-time or casual employees in the next 3 months would;

- Increase significantly
- Increase
- Remains unchanged
- Decrease
- Decrease significantly

Question 2(b4): Number of employees on contract basis in the next 3 months would;

- Increase significantly
- Increase
- Remains unchanged
- Decrease
- Decrease significantly

Question 2(c): Wage and Salaries of employees in executive grade in the next 3 months;

- Pay basic salary with standard allowances
- Pay basic salary with part of allowances
- Basic salary only with no allowances
- Pay minimum of 50% of basic salary or above
- Pay less than 50% of basic salary
- Cannot pay

Question 2(d): Wage and Salaries of employees in other worker grades in the next 3 months;

- Pay basic salary with standard allowances
- Pay basic salary with part of allowances
- Basic salary only with no allowances
- Pay minimum of 50% of basic salary or above
- Pay less than 50% of basic salary
- Cannot pay

Question 2(e): Budget for training and support of employees

- Increase significantly
- Increase
- Remains unchanged
- Decrease
- Decrease significantly

Question 2(f): Which of the following measures are already implemented/expected to be implemented at workplace to support workers/employees? (choose as many as you like)

- WHO guidelines at workplace
- Protect employment through incentives



- Provide unemployment benefits
- Expand access to paid leave
- Prevent discrimination and exclusion
- Give legal cover to teleworking, flexible working
- Employment retention measures

Part 3: Business Facilitation Measures by the Government during lock-down period?

Question 3(a): How satisfied are you by the facilitation provided by border regulatory agencies for your export business during lock-down period?

- Not at all
- dissatisfied
- Neutral
- satisfied
- Very satisfied

Question 3(b): Your answer to question 3(a) is due to; (choose as many as you like)

- Access to information
- Work hours of the institution
- Staff availability
- Provision of online solutions/approvals
- Adoption of flexible procedures to suit the situation
- Adherence to Health standards

Question 3(c): As a result of COVID-19, you or one of your subsidiaries intend to apply/have applied for financial relief?

- Yes
- No
- Not decided

Question 3(d): If yes to above question 3(c), from what kind of financial institutions?

- State bank
- Private Commercial bank
- Non-banking Financial Institutions (NBFI)
- Moneylenders
- Crowdfunding
- Other (please specify)

Question 3(e): What kind of financial support do you intend to apply/have applied for?

- Working capital
- Asset financing
- Debt moratorium
- Other (please specify)

Question 3(f): What government intervention(s) would you like to receive for your business? (choose as many as you like)

- Assistance in managing logistic channels
- Assistance in obtaining production input
- Market access support
- FastTrack digitizing border regulatory operations
- Change of labour laws to allow more flexibility
- Tax relief/exemption
- Financial assistance package (rent subsidies during business closure, interest free loans, debt moratorium etc.)
- Increase public investment to boost short- and medium-term growth
- Timely and robust communication strategy
- No assistance required



Question 3(g): How satisfied are you by overall facilitation provided by the Government for you export business during lock-down period?

- Not at all
- dissatisfied
- Neutral
- satisfied
- Very satisfied

Part 4: Business Outlook for Year 2020

Question 4(a): Have you identified any new business opportunities arising out of the new situation?

- Yes
- No

Question 4(b): If yes for the above question 4(a), please specify which business opportunities

- Offer new products/services for export
- Offer new products/services for domestic market
- Exporting to new markets
- Conduct business remotely using new technology

Question 4(c): What is your perceived outlook for your export business along the following time horizons?

Question 4(c1): What is your time estimate of return of business to normal?

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(c2): Perceived outlook for your export business in the next 3 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(c3): Perceived outlook for your export business in the next 6 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(c4): Perceived outlook for your export business in the next 12 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth



- Don't know

Question 4(d): How do you perceive the outlook for the economy as a whole, along these time horizons?

Question 4(d1): Perceived outlook for the economy in the next 3 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(d2): Perceived outlook for the economy in the next 6 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(d3): Perceived outlook for the economy in the next 12 months;

- Severe contraction
- Moderate contraction
- No change
- Moderate growth
- High growth
- Don't know

Question 4(e): If you have any other comments on COVID-19 impact on your export business or the economy, please include your comments below

Part 5: General Respondent Details

Question 5(a): My Name

Question 5(b): Name of My Company

Question 5(c): My Email Address

Question 5(d): My Contact Number

Question 5(e): I am working as a;

- Senior-level Manager
- Mid-level Manager
- Junior-level Manager

Question 5(f): I am working for an export business;

- Led by a female
- Led by a male
- Owned by a female
- Owned by a male

Question 5(g): Is your company engaged in exports?

- Yes
- No



Question 5(h): My business is related to export of; (choose as many as you like)

- Agriculture and Forestry
- Fisheries
- Manufacturing: textiles, wearing apparel and leather related products
- Manufacturing: agro processing for food and beverages
- Manufacturing: agro processing - Other
- Manufacturing: rubber and plastic products
- Manufacturing: basic metals and fabricated metal products
- Manufacturing: other non- metallic mineral products
- Manufacturing: machinery and equipment
- Manufacturing: electrical equipment
- Manufacturing: transport equipment
- Manufacturing: paper products, printing and reproduction of media products
- Manufacturing: furniture
- Manufacturing: wood and of products of wood and cork, except furniture
- Manufacturing: chemical products
- Manufacturing: pharmaceutical products
- Manufacturing: coke and refined petroleum products
- Manufacturing: Repair and installation of machinery and equipment
- Other manufacturing
- Electricity, gas, steam and air conditioning supply
- Mining and quarrying
- Construction
- Water collection, treatment and supply
- Sewerage, Waste, treatment and disposal activities
- Wholesale and retail trade
- Passenger transportation related services
- Goods transportation related services (including Warehousing)
- Postal and courier services
- Programming and broadcasting activities and audio video production related services
- Telecommunication services
- IT programming consultancy and related services
- Financial Service activities and auxiliary financial services
- Insurance, reinsurance and pension funding
- Real estate related services
- Healthcare and social work related services
- Education services
- Professional services
- Accommodation, Food and beverage service activities
- Other services

Question 5(i): If yes to question 5(g), what type of export are you engaged in?

- Export of goods
- Export of services
- Export of goods and services

Question 5(j): If you are engaged in export of goods, what percentage of the production is exported (assuming the balance is catered to the domestic market)?

- 0% - 20%
- 21% - 40%
- 41% to 60%
- 61% - 80%
- 81% - 100%

Question 5(k): If you are engaged in export of services, what percentage of the services delivered are exported? (assuming the balance is catered to the domestic market)

- 0% - 20%
- 21% - 40%



- 41% to 60%
- 61% - 80%
- 81% - 100%

Question 5(l): If you are engaged in export of both goods and services, state the percentage revenue from goods export relative to services?

(eg; if your answer is '*less than 20% in goods*' it implies, that your company's export revenue is generated by a minimum of 20% from goods exports and 80% in services exports)

- Less than 20% in goods
- 21% - 40% in goods
- 41% to 60% in goods
- 61% - 80% in goods
- More than 80% in goods

Question 5(m): How many employees work for your company?

- Less than 16
 - 16 - 74
 - 75-199
 - More than 200
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