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Abstract

Have the Clustered SMEs Performed Better Than the Non-clustered SMEs during the Pandemic? Evidence from Three Rounds of Surveys

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Covid-19 induced pandemic has been found to take a huge toll on the small firms across the globe, particularly because of their low ability to cope with large shocks. As the literature is occupied with early evidences, we know little about the recovery paths over a longer horizon. Moreover, literature indicates the presence of high degree of heterogeneity of impacts of Covid-19 among the small firms. Taken these two issues together, we track the impact and recovery of the SMEs from February 2020 to February 2021, highlighting an important source of heterogeneity that stems from clustering of SMEs. Using a pre-Covid-19 survey as the benchmark, we conduct three rounds of worker-linked surveys of both clustered and non-clustered SMEs. We found that about 6 percent of the sample SMEs winded up their businesses and about 8 percent of the sample workers lost their jobs, including both surviving and closed-down businesses. We observe a V-shape recovery of the SMEs, with steeper recovery for the clustered SMEs. The regression results show that relative to February 2020, average production of clustered SMEs was about 10 percent higher than the non-clustered SMEs. Employment of the workers is about 6 percent higher in the clustered SMEs, driven by higher retaining of permanent labor. We also find significantly higher glut – the difference between production and sales – for the non-clustered SMEs. Worker survey shows that monthly employment was about 14 percent higher for the workers of clustered SMEs than that of non-clustered ones. Both clustered and non-clustered SMEs relied more on other sources (e.g., borrowing from formal and informal sources) than the government's subsidized credit scheme, and this incidence is higher for the workers of the non-clustered SMEs.