

Supporting SMEs in a time of crisis

March 2020



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Banks across the world are implementing an array of measures to ease the burden on SMEs as they face a severe demand shortage

The COVID-19 outbreak is wreaking economic havoc across the globe. What started in China has now spread to virtually every country on the planet. The virus spreads quite effectively from person to person in crowded areas. Armed with this knowledge, countries, to varying degrees, have essentially stopped people from gathering in large groups. Schools, restaurants, and bars have been shuttered. Conferences, festivals, and sporting events have been canceled. The ensuing economic effects are immediate and severe.


The world is facing an unprecedented demand shock. People are not eating at local restaurants, visiting independent theaters, or even going to the gym. Due to the nature of this crisis, the impact is felt acutely by small and medium-sized businesses. This is your neighborhood café that employs ten people. The catering business that works local events. The boutique hotel on the corner with 25 rooms. These types of businesses cannot open their doors, causing incredible and immediate economic disruption.

There are many more examples of businesses under threat, not to mention all types of second and third-order effects of whole countries and cities being confined to their homes for the foreseeable future. The layoffs are already happening and this is only the beginning. A report by the Canadian Federation of Independent Business (CFIB) found that “a full quarter of small firms would not be able to survive for more than a month

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Direct impacts on banks

Banks' interests are deeply intertwined with that of businesses. These SMEs are their customers. They use their banks to save their money and purchase goods. They have other lines of credit set with banks. If SMEs are going out of business, the will have a direct impact on banks' revenues by increasing the number of nonperforming loans (NPLs) among their business client portfolio. With the rise of spreading and SMEs forced to close their doors, they don't have the resources necessary to pay their loans. It's a clear incentive either or if they will be able to pay their SME loan.

Due to high competition and shrinking margins in the retail banking segment, banks have placed SMEs among their top priorities either for the last few years. They have gone beyond traditional services and created specialty or customized products. They have created incubators, launched partnerships to increase the value chain, and provided offerings to compensate for missing revenues. Thus, being understood, SMEs do not have the capacity or the interest for any additional decisions or products beyond the simple goal of saving their businesses. 

Indirect impacts on banks

SMEs form the backbone of the real economy of economies. When they fail, countries see a serious trouble. If SMEs are going out of business, it will have an economic impact on society. The unemployment rate will rapidly increase and affected customers will face serious difficulties paying their personal loans or mortgages. The banks as providers of money (SMEs, banks) are on the frontlines of the crisis because of the high frequency of

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Helping SMEs to help themselves

Beside the negative that Covid-19 brings to the banking world, there is a huge opportunity for banks to step up and deliver for SMEs. In order to bring up SMEs and ensure the continued livelihood of millions of people, banks and governments are called upon to provide necessary relief. Banks have a crucial role to play in helping society get through the coming months. SMEs are looking on their banks for understanding and assistance. Banks are responding to that with a wide array of measures aimed at supporting their SME clients through the crisis. If banks contribute and take the right course of action now, they can lower the impact on their SME clients on the economy, and the whole of society of while maintaining the stability of their SME business while they're out. For some time now, banks have started to be a business partner rather than merely a financial partner of their SME clients. Social responsibility and sustainable business models have become top priorities for many financial institutions, including SME banking. This is the time and place for banks to demonstrate the commitment they're to its SME customers.

We have compiled a list of various measures that banks from various corners of the globe have implemented to alleviate the immediate problems that small businesses are experiencing due to a drastic loss in revenue.



A standard SME support package from banks includes:



Deferring loan repayments

- 3-6 months
- Property & goods purchases
- Provide stopgap for immediate cashflow needs



Waiving fees

- Arrangement fees
- Early redraw/overdraft fees
- Merchant terminal fees
- Establishment fees

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Accelerated loan response and approval time

- Identify the most immediately impacted businesses (e.g. retailers, hotels, manufacturing)
- Reduce burden on applicants with a streamlined process



Special support services for SMEs

- Being proactive to key, anticipate needs of customers
- Dedicated phone lines and address
- Sector specific address
- On request financial support with health, legal, and HR advice

Obviously every country and bank will have their own distinctive circumstances to factor into their decision making. However, used together, these measures form the basis of a plan to prevent businesses from having to completely shut down. The road to recovery starts now. Given the scale of this crisis, it is not the time for half-measures, as SMEs are going to need all the assistance they can get in the coming months. See below for SME assistance packages being implemented throughout the world:



Allied Irish Banks (AIB)

- Providing a 48 hour decision on business loans and overdrafts up to €60,000.
- Short term loans to replenish spend from cashflow.
- Supporting customers for their working capital requirements and supply chains, including sub- supply chains.

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