Weekly Member Update on Mitigation of COVID-19 Crisis

Strategies public sector institutions have used to increase support for SMEs:

- Japan, France and the UK, together with other governments, have introduced direct support for SMEs, including credit guarantees and the paying of worker’s wages from government funds.
- The UK, for example, will begin to provide government backed loans to SMEs on Monday 23 March. The guarantees total 15% of national GDP or US$330 billion. 80% of the wages of every employee furloughed will be paid by the state.
- Numerous governments have introduced tax relief measures for SMEs. For example, the French government has announced wide-ranging deferral of business taxes due in March 2020; businesses forced to shutter as a result of the outbreak will be eligible for a tax rebate.
- US legislators are expected to pass a US$1 trillion-plus stimulus package, which will include capacity for hundreds of billions of dollars in SME lending.
- For those interested in the potential for an even more radical government response, consider this paper from Gabriel Zucman and Emmanuel Saez.

How banks and financial institutions are playing a key role:

- Australian banks have developed a relief package for small businesses impacted by COVID-19. The plan will allow companies to defer loan repayments for six months, a step that would potentially save up to $4.6 billion.
- DBS SME Banking in Singapore has introduced measures to help SMEs cope with the crisis. These include enhanced cash flow support, new digital and bridging loans, extended insurance coverage, and e-learning opportunities; more information may be found here.
- JP Morgan Chase will deploy $8 million to assist vulnerable and underserved small businesses operating in the US, Europe and China. The investment primarily aims to lower the cost of funding for the most vulnerable SMEs.

How financial innovation can find new sources of resilience:

- Fintech companies enabling remote work and client communications have reported a boom in new business as the crisis has intensified.
- Automated lending firm Kabbage has introduced a nationwide program encouraging consumers to buy gift certificates for SMEs suffering through the crisis; the online hub for the program can be accessed here.
- Facebook has launched a $100 million assistance program to help SMEs affected by the crisis. Cash grants and advertising credits will be available for up to 30,000 eligible small businesses across thirty countries.
- Ant Financial has advanced innovations to support SMEs in their transition to remote working and digital sales. These measures will potentially benefit more than 8.5 million small and micro businesses across China.