


## THE REACTION OF PORTUGUESE SMES IN THE FACE OF THE COVID-19 CRISIS

### A REAÇÃO DAS PMES PORTUGUESAS PERANTE A CRISE DA COVID-19

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**Resumo.** Objetivo do estudo: o presente estudo analisa a reação das micro, pequenas e médias empresas – MPEs às políticas públicas de apoio às empresas nacionais durante o período de lockdown em Portugal. Metodologia/abordagem: o estudo utilizou um questionário realizado pelo INE em parceria com o Banco de Portugal. A pesquisa foi desenvolvida para monitorar o impacto da pandemia nas empresas e este estudo analisa os resultados da pesquisa. Principais resultados: a pesquisa indicou que as empresas mais afetadas pelo lockdown foram as microempresas, principalmente do setor de hotelaria e restaurantes. No entanto, 82,3% das MPEs continuaram total ou parcialmente a exercer as suas atividades durante o bloqueio. A maioria das empresas não planejava usar mecanismos de apoio do governo, como acesso a crédito a taxas de juros mais baixas. No entanto, mais de cem mil empresas utilizaram o instrumento de demissões simplificadas disponibilizado pelo governo para suspender os contratos de trabalho. Contribuições teórico-metodológicas: o estudo mostra que, ao contrário das expectativas dos formuladores de políticas, a maioria das MPEs não utilizou o crédito como ferramenta de apoio para superar a pandemia, dentre as demais políticas de apoio a mais utilizada foi a suspensão do pagamento dos impostos. Relevância/originalidade: é importante porque permite analisar quais tipos de políticas públicas podem levar as pequenas empresas a enfrentar a crise provocada pela Covid-19. Contribuições sociais/gerenciais: o estudo demonstra que a formulação e implementação de políticas públicas podem impactar nas MPEs, mas muitas vezes o desenho das políticas não atinge efetivamente seu público-alvo.

**Palavras-Chave:** Políticas públicas; Covid19; Empresas portuguesas; Crise econômica.

**Abstract.** Purpose of the study: this study analyzes the micro, small, and medium enterprises SMEs' reaction toward public policies to support domestic companies during the period of lockdown in Portugal. Methodology/approach: the research used a weekly survey conducted by Statistics Portugal in partnership with Banco de Portugal. The survey, was developed to monitor the impact of the pandemic on companies and this study analyzes the results of the survey. Main results: the survey indicated that the companies most affected by the lockdown were micro-enterprises, mainly in the hospitality and restaurant industry. However, 82.3% of SMEs completely or partially continued to perform their activities during the lockdown. Most businesses were not planning to use government support mechanisms such as access to credit at lower interest rates. Nevertheless, more than a hundred thousand companies used the instrument of simplified layoffs made available by the government to suspend workers' contracts. Theoretical/methodological contributions: the study shows that contrary to the expectations of the policymakers, most SMEs did not use credit as a support tool to overcome the pandemic, among the other support policies the most used was the suspension of payment of tax. Relevance/originality: this study is valuable because it allows the analysis of what types of public policies can lead small businesses to cope with the crisis caused by Covid-19. Social / management contributions: the study also contributes by demonstrating whether the formulation and implementation of public policy can impact small businesses, but policy design has often not effectively reached its target audience.

**Keywords:** Public Policy; Covid-19; Portuguese companies; Economic crisis.

## INTRODUCTION

Covid-19 is the name given by the World Health Organization (WHO) to the disease caused by the new coronavirus SARS-COV-2. The first cases in Portugal were confirmed on March 2, 2020, and, with the increase in the number infected, the Portuguese authorities (through a presidential decree approved by parliament) declared a state of emergency on March 18, leading to a nationwide lockdown. The consequences of stopping much of the economic activities were considered potentially irreversible, but avoiding the collapse of the health system's capacity and reducing the number of deaths was evaluated as producing a softer economic impact, facilitating the actions for the economic restoration later on (Portugal, 2020).

The most substantial part of the Portuguese economy is made up of micro, small, and medium enterprises (SMEs) – corresponding to 99.9% of the companies (INE, 2018) – which undoubtedly were

the most affected by the country's state of emergency declared according to the decree of the Presidency n. 14-A/2020 (Portugal, 2020), in effect until May 2. The decree n. 20-A/2020 extended the 'state of emergency' and 'situation of calamity' (Portugal, 2020a), requesting the population to fulfill the civic duty of staying at home, using special protection when leaving, and following the order of mandatory isolation for those infected with Covid-19.

Within the scope of the negative impacts caused by Pandemic, which permeate from high mortality rates, to situations such as increased unemployment, company closures and, consequently, decline in the countries' growth forecasts (WTO, 2020), micro and small companies were affected economically, socially and in their governance.

Many governments across the globe used restrictions to prevent the spread of the virus Covid-19 outbreak. Governments implemented policies such as the lockdowns of countries, temporary closure of physical operations of businesses, and the circulation of the people. SMEs are more affected by the effects of restrictions than large companies (Papadopoulos, Baltas & Balta, M., 2020, Guo et al., 2020).

SMEs have an important role in the countries' economy, as they generate jobs and income and can "and providing safety nets, especially for people affected by the financial and economic crisis" (Fitriasari, 2020). The survival rate of SMEs is lower than that of large companies due to the internal and external factors of the companies. Therefore, new research on SMEs can contribute to stakeholders better understanding the factors that lead to failure or success and in the public policies formulation to support this size of enterprises (Luque-Vílchez, Rodríguez-Gutiérrez, & Guerrero-Baena, 2019).

In recent literature, some studies focusing on "how SMEs respond to all challenges posed by a pandemic made sense, especially in the service sector, which has been severely impacted by lockdowns in most countries" (Gregurec, Tomičić Furjan, & Tomičić-Pupek, 2021, p. 2). Another issue for SMEs is a difficulty in financing and support to maintain their cash flow. Financial service providers (FSPs) have considered supporting SMEs and making corresponding adjustments under the impact of the pandemic (Song, Yang, & Tao, 2020).

In order to assist businesses due to the 'state of emergency,' authorities used different instruments, including financial (such as loans) and non-financial mechanisms, applied according to the particularities of each industry, the companies' size, and the regional and market differences. These measures are aligned with the recommendations by Park, Lee, and Kim (2019), who recognize the significant asymmetry between the conditions the banks impose on loans for SMEs and those for large companies, arguing that government intervention helps to reduce the risks for banks and businesses.

Against this backdrop, the research explores the impacts of the Covid-19 pandemic on Portuguese companies' activities and the public policies created to minimize the crisis. Its objective is to analyze the reaction of Portuguese SMEs towards the public policies proposed to businesses during the country's lockdown. The study was based on the weekly survey *Inquérito Rápido e Excepcional às Empresas – Covid-19*. The survey was carried out by the Instituto Nacional de Estatísticas (INE) (Statistics Portugal), in partnership with Banco de Portugal (BdP) (INE, 2020) to monitor the impact of the pandemic on companies.

Although the importance of public policies aimed at supporting SMEs is recognized, in practice, the empirical data show that the difficulty of accessing these policies, the design of these policies is not appropriate to the needs of small entrepreneurs, who sometimes prefer not to use the available tools.

This study consists of an introduction that intends to present the context of the research goal. The first section synthesizes an overview of Portugal to understand the coping with the Covid-19 crisis and especially how SMEs. The second section details the methodology used in this paper. The fourth section analyzes the main support policies for companies and workers to face the crisis and the results of the survey carried out by INE and highlights how SMEs reacted to the lockdown. Finally, we present the conclusions of the study.

## **THE IMPORTANCE OF PUBLIC POLICIES TO SUPPORT SMEs IN THE FACE OF CRISIS**

Data from the Annual Report of European SMEs of 2018 – 2019 shows that micro, small, and medium-sized enterprises (SMEs) are 99.8% of companies in the continent and are responsible for 56.4% of added value, and 66.6% of jobs. SMEs in the 28 member countries increased by 2%, while the addition grew 4.1% in 2018. There are 25 million SMEs in Europe, responsible for generating jobs and income for more than 100 million people (European Commission, 2019).

SMEs are particularly important in the Portuguese economy. In 2018, they accounted for 99.9% of companies. In 2018, the added value of SMEs was growing above the EU-28 average of 4%. Also, the

generation of jobs grew at a rate of 3.4%, while the EU-28 was 1.8% (European Commission, 2019).

International institutions, national laws, and industry can define the classification of companies as SMEs. European Commission launched in 2005 a guide that determined the criteria for defining enterprises: number of employees, annual turnover and annual balance sheet (Berisha; Pula, 2015). In Portugal, the Decree n. 372/2007 (PORTUGAL, 2020-b) considered small and medium-sized companies (SMEs) and large companies. Table 1 shows the criteria adopted by Portugal that defining enterprises like SMEs.

**Table 1.** Definition of Small and Medium Enterprises with Portuguese standards

Definition	Number of employees	Turnover or Balance Sheet Total
SME	< 250	≤ €50 million (I) ou ≤ € 43 million (BT)
MICRO	< 10	≤ €2 million
SMALL	< 50	≤ €10 million
MEDIUM	< 250	≤ €50 million (and not classified as micro or small business)

**Source:** Elaborated by the authors, based on the PORTUGAL (2020-b).

The Portuguese government fostered measures of austerity and social sacrifices for long years. In 2020, the government expected to balance government revenues. According to the State Budget Report (OE, 2019), the State had as its objective to stimulate public investment, with a growth of 17.1% in 2018 and thus reached 2.3% of GDP. In 2019, the budget presented foresaw the decrease in public expenditure on GDP, from 43.9% in 2018 to 43.5% in 2019. The unemployment rate was 6.3% and the growth of the Portuguese economy was higher than the European countries average of 1.9% and Portugal corresponding to 2.2% for the third consecutive year.

Portugal's GDP was 2.1%, in 2019 (IFM, 2020). The growth was also driven by the tourism sector, which was very strong, and Portugal was emerging as one of the main routes to tourists in Europe. The number of tourists entering Portuguese territory surpassed 27 million in 2019 (Neves, 2019). The predicted drop in post-pandemic tourism was 50% (Ramos et al., 2020).

The research released by FFMS (2020) reports that the Portuguese worker has an average weekly hours worked of 35.8 hours and the EU average (27) is 31.3 hours. Portuguese workers work more hours than the average, but the hourly wealth produced 27.2 is below the EU average 41.0. Portugal is in 38th place in competitiveness among 141 countries, but it is in the second level in the European Innovation ranking, mainly in SMEs. According to the National Innovation Agency - ANI (2020), Portugal has become the 12th most innovative country among the countries of the European Union, as shown by the result of the European Innovation Scoreboard. The country has made efforts to improve the performance of its companies and make them more competitive in the international market.

According to the Ministério da Economia (2020), in the period before the pandemic, the unemployment rate was -4.02% in Portugal. After the decree of the state of emergency and the lockdown, the number of unemployed was 24,327. On April 1, 2020, it increased to 50,485. On May 4, 2020, the lockdown ended, and there were 100,149 unemployed.

The spread of Covid-19 has several implications around the world (Aftab, Naveed, & Hanif, 2021). Sullivan & Wolff (2021) say the world locks down to contain COVID-19, a sharp economic recession takes hold. Firms around the world struggle with mandated closures or depressed demand. In response, governments have unveiled massive fiscal stimulus packages. In mid-March, the European Commission loosened its restrictions on state aid, defined as an advantage conferred selectively to specific undertakings by national governments.

One of the consequences left by the crisis caused by the pandemic was the fiscal imbalance, observed in all EU countries. Public deficits that had low levels in 2019 (approximately 0.5% of GDP) in the euro area rose to around 7% in 2020. These imbalances were largely caused by the use of resources to support policy support for economic activities (Rueda-Cantuche, 2021).

In the context of the Covid-19 pandemics, it is up to the state to take on the risks and play an entrepreneurial role using industrial and innovation to tackle society's challenges, as suggested by Mazzucato, Kattel, and Ryan-Collins (2019). The locus of elaboration and implementation of public policies can be centralized by a federal government or shared among other levels of the public administration (states and municipalities, for example) (Rajan, 2020).

The pandemic generated emergency demands related to protective and hospital equipment, beds in

hospitals, adequacy of medicines to fight a new virus, a vaccine. Worldwide demand for the same goods and services requires both international cooperation measures, as well as the State's orientation of economic activities to reallocate the supply of these goods and services (European Commission, 2020). In this crisis, the State assumes the risks beyond the entrepreneurial and innovative role along the lines of Mazzucato's interpretation (2014).

Many countries' decree lockdown led to a severe impact on businesses, especially on SMEs (Aftab, Naveed, & Hanif, 2021) corroborated by the study by Adian et al. (2020) que compararam SMEs entre 13 países e o impacto nestes negócios da crise causada pela pandemia.

Lazzarini & Musacchio (2020) point out some essential instruments to face the Covid-19 crisis, among which are: a) the acceleration of investments in strategic infrastructure and increased production capacity; b) incentive to implement large programs of collective action; c) new technological capabilities; d) financial support to specific sectors; e) support for privately held companies such as SMEs.

According to Adian et al. (2020), Development Finance Institutions (DFIs) can contribute to SMEs providing and mobilizing financing through financial institutions and consultative services to reform regulations, support firm adaptation to the crisis, and support new business.

The European Commission (2019) recognized the importance of SMEs for Europe and took on a strategy that fosters these organizations' sustainability and digitalization. The combination of public policies for SMEs (Radas, Anit, & Tafro, 2015) to mitigate the effects of the Covid-19 crisis is an urgent issue, and the state's action toward these policies will be decisive for these businesses' survival.

The impacts of technologies for business were more evident with the Covid-19 pandemic. The pandemic reinforced the approach of bringing in new technologies to transform the SME business model or strengthen business processes (Gregurec, Tomičić Furjan, & Tomičić-Pupek, 2021). The adoption of digital technologies by SMEs implies an increase in business sustainability and longevity (Papadopoulos, Baltas & Balta, M., 2020). Digital technologies have contributed to the functioning and development of companies, bringing benefits also to SMEs. Companies with more advanced digitalization degrees showed that, during the crisis, they were able to adapt more easily to the new environmental conditions, reconfigure their resources, and take advantage of the opportunities that arose in the crisis (Guo et al., 2020).

During and after the COVID-19 contingency, SMEs had to try a new organization and management to offer services and products to their customers. SMEs could improve their performance with digital platforms or on the internet (Caballero-Morales, 2021; Ramada et al., 2023).

The crisis can present new business opportunities. Although the negative effects are more highlighted, companies can grow and conduct their business to respond to new challenges. The crisis caused by Covid-19 presents itself as an enormous challenge for SMEs. Can SMEs grow despite the crisis caused by Covid-19 outbreak? (Lim, Morse & Yu, 2020). These authors recommend to the SMEs that "cannot overemphasize the importance of constantly monitoring, verifying, adjusting, and strengthening the product-market fit" (Lim, Morse & Yu, 2020, p. 497).

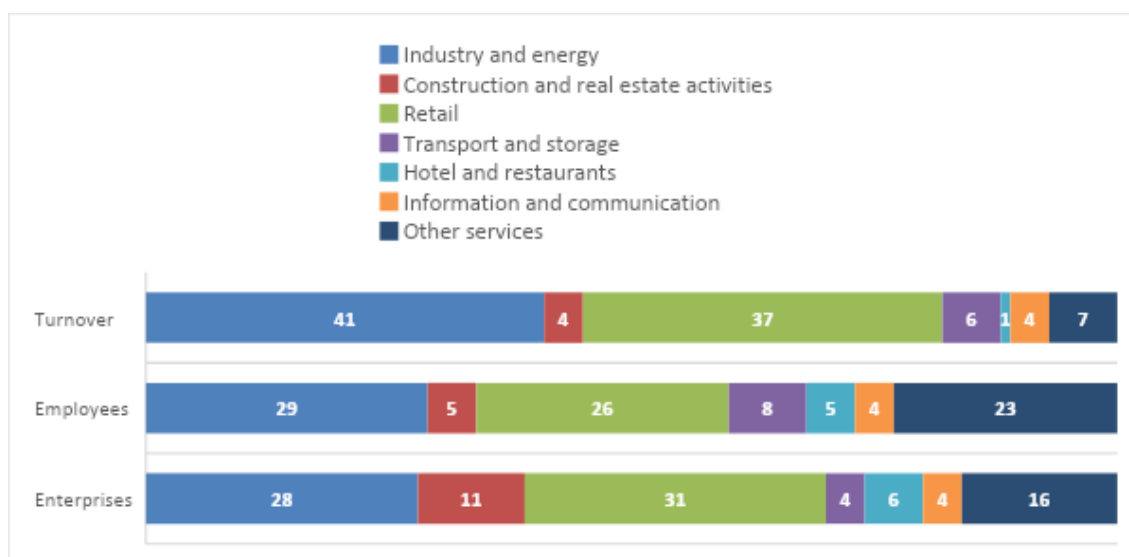
## **MATERIAL AND METHODS**

This paper uses the qualitative and quantitative method. Firstly, the official websites of the Portuguese government were used to identify government decrees, the main public policies in order to support SMEs, especially during the lockdown period in Portugal and to overcome the consequences on economic activities.

Second, the main results of the paper are based on the Inquérito Rápido e Excepcional às Empresas – Covid-19 (quick and exceptional business survey), a weekly survey carried out by the Instituto Nacional de Estatísticas (INE) (Statistics Portugal), in partnership with Banco de Portugal (BdP) (INE, 2020) to monitor the impact of the pandemic on companies. This research examined the results of the survey applied in the period from April 27 to May 1, 2020. The data was analyzed observing the government decrees enacted to support the public policies providing relief to workers and businesses during the period the Portuguese authorities declared a 'state of emergency' due to the Covid-19 pandemic.

This survey was applied to a sample of 8,883 SMEs and large companies representing different sectors of the country's economy, obtaining 5,504 (62%) valid responses (INE, 2020).

The instrument of data collection consists of questions related to the organization's profile (Figure 1), including the economic sector it operates, type, and size, as well as another 13 questions about the impact the public policies to address Covid-19, had on the company (INE, 2020):



**Figure 1.** Number of companies, personnel employed, and turnover (presented in percentage of valid responses, by sector of activity). **Source:** Elaborated by the authors, based on the INE, 2020.

Regarding the companies' size, 20.89% were micro-enterprises, 35.45% small, 29.20% medium-sized, and 14.46% were large enterprises (INE, 2020). The respondents were grouped as follows:

A) 4 groups according to size: micro enterprises (< 10 employees and turnover of < 2 million euros); small enterprises (< 50 employees, turnover of < 10 million euros, and not classified as a micro-enterprise); medium-sized enterprise (<250 employees, turnover of ≤ 50 million euros, and not classified as a micro or small company); and large enterprises (≥ 250 employees or turnover of > 50 million euros) (INE, 2020);

B) 7 groups according to economic activity: 'industry and energy,' 'construction and real estate,' 'commerce,' 'transport and storage,' 'hospitality and restaurants,' 'information and communication,' and 'other services' (SEC2010) (INE, 2020).

## RESULTS AND DISCUSSION

### Emergency public policies to support Portuguese SMEs

The decree declaring the condition of a 'state of emergency' in Portugal entailed a series of measures to offer conditions for citizens and companies to comply with the lockdown. The negative impact on the economy was imminent and, in order to mitigate the collapse of the health system and prevent further deaths, it was necessary to follow the specialists' recommendations for social isolation. The Portuguese government, therefore, developed support measures for workers and companies (Box 1 shows the measures designed for companies).

**Box 1.** Measures to support businesses during the Covid-19 Pandemic.

Measure	Description
<b>Simplified layoff</b>	Employees' contracts are suspended for a maximum of 6 months, and they receive 2/3 of their salary. The state's social security system covers 70% of the reduced salary, and the employer pays the remaining 30%.
<b>Credit lines specifically designed to aid SMEs and large corporations</b>	Companies could easily access credit with low-interest rates and flexibility in the repayment period. The government created two credit lines for micro, small, and medium-sized enterprises: 1 – Credit line Capitalizar – "Covid-19 – Working Capital." 2 – Credit line Capitalizar – "Covid-19 – Cash Budget," available from March 12, 2020, with 200 million Euros. The following conditions apply: i) maximum budget of 1.5 million euros per company, ii) up to 80% guarantee, with a 100% counter-guarantee; iii) free guarantee fee.
<b>Tax payment flexibility</b>	Example: Taxes such as VAT, special payment on account, and payment on account, may be paid in installments and without interest charges, or be postponed.

Source: Elaborated by the authors, based on the government's decree (Portugal, 2020-a).

According to the companies surveyed, the sum of contracts suspended using the simplified layoff mechanism was 102,489, out of 1,258,938 workers. As for the profile of the companies that used this measure, 80% of them have less than ten workers. More than 600 million euros were paid in the implementation of this policy. The majority of respondents (59%) pointed out that the simplified layoff was a relevant policy to guarantee people's jobs (Ministério da Economia, 2020; INE, 2020).

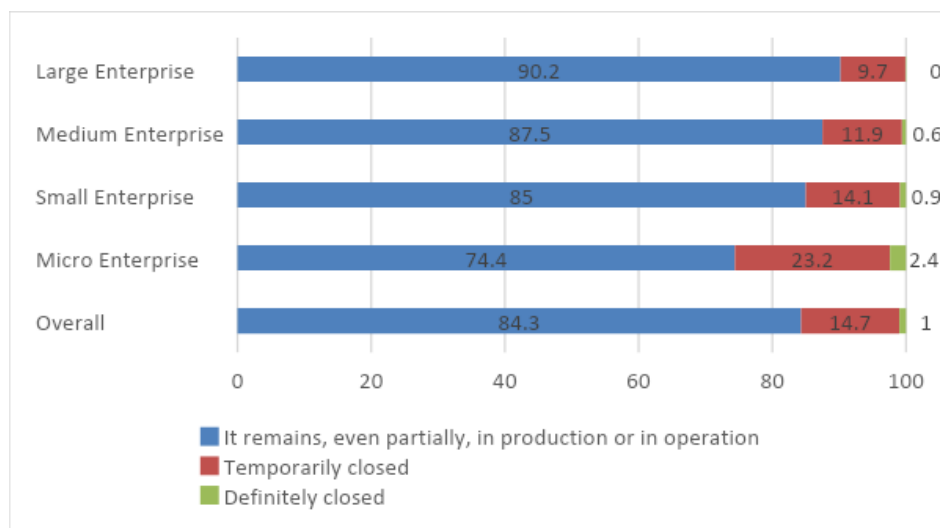
According to PME Investimentos (2021), the Portuguese government created the 60-million-euro credit line for micro-enterprises in the tourism sector. The demand for credit increased, and the Portuguese government also raised the budget to 400 million euros to the "Credit Line Capitalize 2018 - Covid-19. This line of credit aims to support companies whose activity is affected by the economic effects of Covid-19.

According to the latest Global Small Business States Report (Facebook, OECD & World Bank, 2020), the survey results show that firms were strongly impacted by the first wave of the pandemic and the closure rates of SMEs were from 20% to 40% in all regions in May 2020. The economic recovery process of SMEs has been slow, and the report highlights the fragility and importance of lines of support and financing for this size of companies. In the case of Portuguese SMEs that participated in this survey, 23% declared that they would temporarily close their activities due to the quarantine. Regarding the sales of Portuguese SMEs, 70% of these companies had lower sales than the same period in 2019.

In the context of the Covid-19 pandemic, the European Commission (2020) recommended combining measures to protect people's lives and livelihoods, offering support to the population to maintain social distancing and continuing companies in businesses to recuperate the economy. The pandemic brought to light the importance of public policies to stimulate growth and to respond to such a significant health crisis (Rajan, 2020). The state must be connected and be the agent capable of gathering public and private efforts to overcome in all spheres the harmful effects of this phenomenon.

## Perception of the impacts of the economic crisis related to Covid-19 in Portugal

At the same time as declaring a 'state of emergency' and implementing lockdown, the Portuguese authorities also proposed a set of policies to mitigate the effects of such measures on companies and workers. The survey offered elements to analyze the companies' perceptions in the face of the pandemic, and the way they addressed its economic effects, taking into consideration the public policies proposed.



**Figure 2.** Situation that best describes the company  
Source: Elaborated by the authors, based on the INE, 2020.

The respondents that suffered the most from the crises were the micro-enterprises, with 25% shutting temporarily or permanently. In the hospitality and restaurant sector, 60% closed temporarily or permanently (Figure 2).

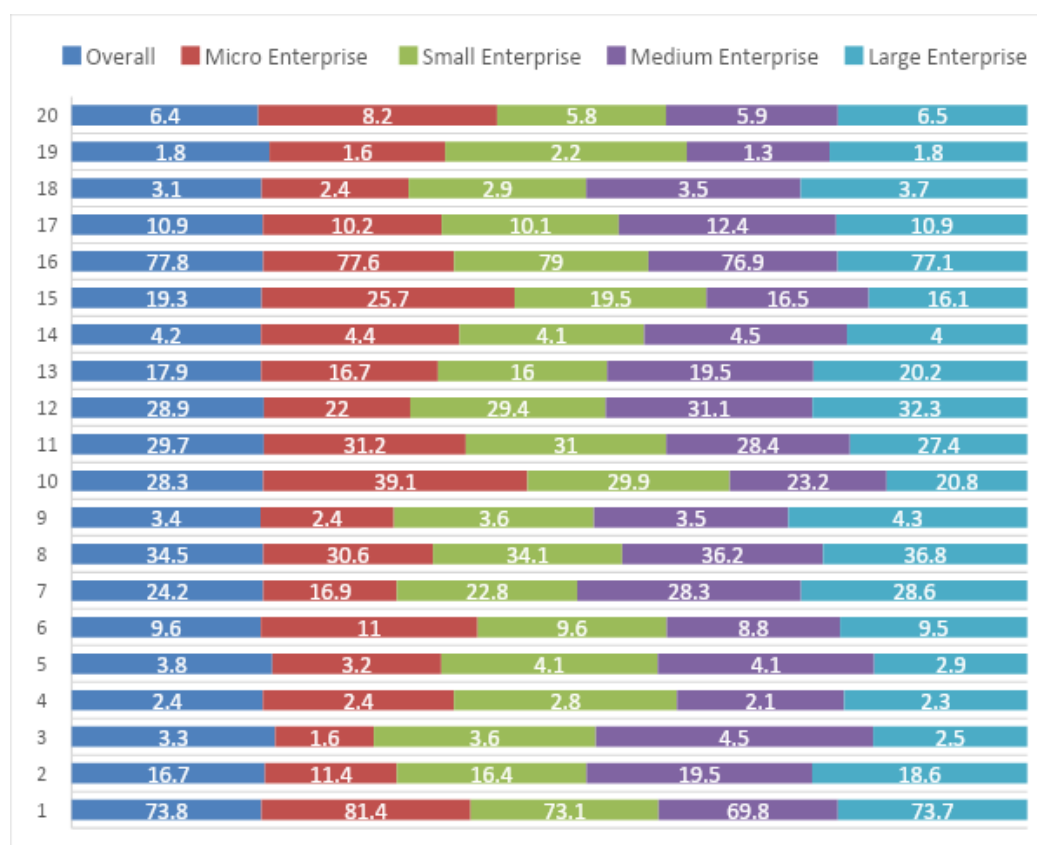
The reasons identified as having the most impact on the definitive closure of companies were restrictions due to the state of emergency and the absence of orders and or customers.

Regarding the measures to combat the Covid-19 pandemic and their impact on the business' turnover (per size) (Figure 3), the micro-enterprises (68%) and small-businesses (71%) were the most impacted organizations. The sectors of the economy that showed the most significant reduction in business turnover were hospitality and restaurants (90%), and transport and storage (80%). The sector that showed the smallest reduction was construction and real estate (62%).

Martins (2016) highlighted in his research the reaction of Portuguese companies to the economic and financial crisis from 2010 to 2013, where the respondents point out the adjustment of prices, wages and composition of the workforce. The lack of ability to pay customers and falling demand was referred to as the two main factors that negatively affected companies during the crisis. It is not possible to state that the same will happen in Portuguese companies after the Pandemic crisis, but it is seriously impacting Portuguese companies.

In Brazil, the Brazilian Institute of Geography and Statistics (IBGE, 2020), stated that by June 2020, 70% of companies operating in Brazil reported negative impacts on their activities due to the pandemic - reduced sales, production and services and problems in the provision and access to supply chains - although 13.6% of these companies reported positive effects. In August 2020, 40% of all construction companies and 39.7% of all retail companies were experiencing serious negative effects.

Sullivan & Wolff (2021) the Netherlands has a long history of corporatism, in the government consults a tripartite council consisting of employers, unions and government-appointed experts on every important socioeconomic policy change. Although participating interest groups have a central deliberative role, not all interest groups get to participate. 'Outsider' groups may strategically attempt to gain access to formal processes.



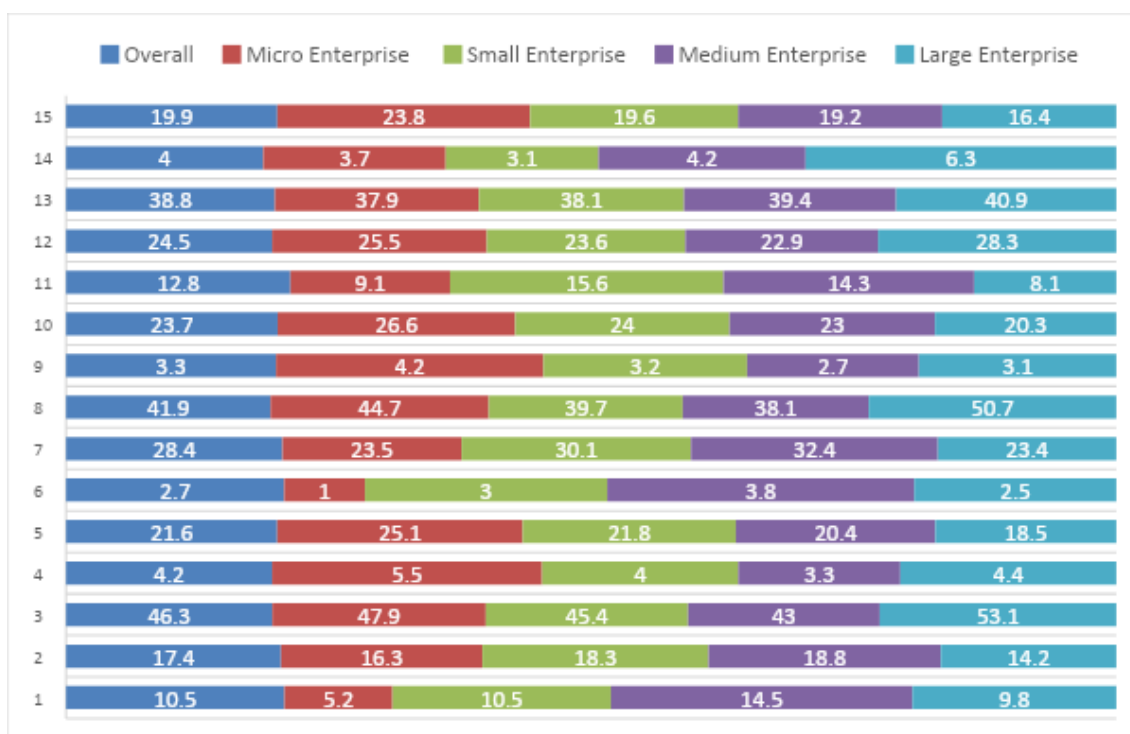
**Figure 3.** Impact of the following reasons in reducing businesses' turnover.

**Source:** Elaborated by the authors, based on the INE, 2020.

The most significant impact on SMEs was related to the restrictions imposed by the state of emergency, such as supply chain problems and lack of sales. On the other hand, there was a higher incidence, even though without impact, of unforeseen employee shortages for both SMEs and large companies.

The micro and small companies that responded to the survey foresaw a reduction of business turnover of more than 75%. The biggest increases were for medium-sized and large companies, up to 25%. The sectors that showed the greatest reduction between 51% and 100% were hospitality and restaurants (84%), and transport and storage (52%).

Martins (2016) pointed out that in Portugal there was a reduction in 82% of the companies surveyed and were affected as by “the clients' inability to pay the commitments assumed and the reduction in demand” (p. 9). By sector, they were most felt in small or micro companies, "in sectors such as construction, energy or commerce" (p. 9). This may be a reflection of the post Pandemic in Portugal.



**Figure 4.** Whether the business has benefited (or planning to benefit) from one or more of the following measures the government presented to fight the Covid-19 pandemic.

**Source:** Elaborated by the authors, based on the INE, 2020.

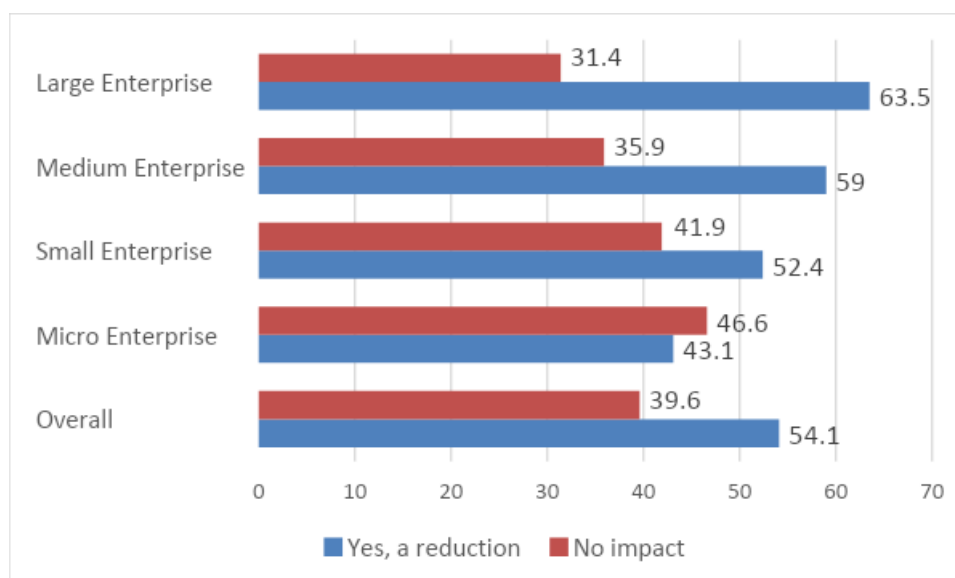
The companies were also asked if they increased the use of bank credit or other types of credit. Among the respondents, 76.1% did not increase credit, 10.9% did, and 13.1% did not know or did not answer. When examining the percentages according to the companies' size, 81.6% of micro-enterprises, 74.1% of large companies, and 72.2% of medium-sized companies did not increase the use of credit. As for the sector of the economy, the hospitality and restaurant sector was the one that most increased the use of credit (17.2%), followed by industry and energy (12.5%), and commerce (11.6%) (Figure 4).

The government offered measures to facilitate access to credit for companies during the crisis and facilitated the negotiation regarding the payment of taxes. The results show that almost 40% of all respondent companies did not benefit, nor do they plan to benefit from the suspension of payments and tax obligations. The same occurred for access to new credit with subsidized interest (or using guarantees offered by the state) and for the moratorium on the payment of interest and capital of existing credit. On the other hand, about 30% have already benefited or are planning to benefit from these public financial policies. But what explains why SMEs do not use the availability of low-interest credit? According to Adian et al. (2020, p. 3), "SMEs need grants, not loans. The majority simply do not turn to banks for loans, despite record low interest rates".

In the study by Rodrigues (2016), most credit programs are designed to ensure benefits for participants and the sustainability of organizations, applying a progressive lending policy by allowing larger loans to micro-enterprises who pay first.

The results of the study by Park, Lee, and Kim (2019) demonstrated that government-funded loans contributed to the survival and growth of Korean SMEs. The combination of support policies and diagnostic services and public financing are more effective and have a positive impact on company assets and increased sales. On the other hand, in times of a pandemic, credit can help pay fixed and variable costs, and honor commitments to suppliers.





**Figure 5.** The Covid-19 pandemic had an impact on the number of people actually working.  
 Source: Elaborated by the authors, based on the INE, 2020.

It was observed that 54% of the companies had a reduction in the number of employees working (Figure 5). Decree n. 14-A/2020 (Portugal, 2020) also advised companies to use telework when possible, recommended for the protection of workers, and mitigation of the consequences of the pandemic. The survey showed that 41.8% of respondents did not adopt telework during the state of emergency, against 58% who did. When observing the size of the respondents using telework, 93% were large companies, 72.6% medium-sized companies, 48.2% small businesses, and 30.4% micro-enterprises. As for the sector of the respondents, 67% of the companies with more than 75% of the employees working through telework operate in the information and communication sector. Conversely, the sector that least used this type of work was hospitality and restaurants (INE, 2020). In Figure 5, responses related to “Yes, an increase” were 0.3 to 1% only and “No reply” responses were 4 to 9% overall.

According to Barata (2020), the legal regime for teleworking in Portugal involves the work that can be delivered outside the company’s facilities, using information and communication technologies.

On the other hand, for workers “teleworking eliminates travel expenses for (and from) the company; less work stress and provides a better use of time; and facilitates access to employment for people with disabilities” (Barata, 2020, p. 60-61). However, teleworking has disadvantages for the worker, such as: “greater isolation from those who provide the work; some blurring of the boundaries between professional and private life; and less control in situations of exceeding legal limits with regard to working time” (p. 61). Pandemic time was widely used by companies as the survey results reveal.

## CONCLUSION AND IMPLICATIONS

Unlike the economic and financial crises observed in recent decades, the Covid-19 pandemic is primarily a health crisis with immediate repercussions on the economy and the social sector. It has required a unique public agenda, considering the speed that the virus has spread across countries and the immediate impact on the health care structure, forcing the formulation of public policies to respond more quickly to the different demands.

Given the importance of SMEs for the Portuguese economy, the elaboration and orientation of policies to stimulate and strengthen these companies have been consolidating over recent years as part of the national public agenda, aligned with a supranational understanding within the European Union. The accentuated difficulties observed in micro and small enterprises were expected due to their physical and financial structure and the characteristics of the Covid-19 pandemic, where each infected worker may mean the company’s closure for a while.

The lockdown resulted from the Decree n. 14-A/2020 intended to protect citizens and mitigate the impacts of the pandemic on the national health system, meeting the recommendations of WHO experts. Also, the Portuguese government, admitting the seriousness of the pandemic and the mobility restrictions of its citizens, developed measures to support companies and workers. Among them is the definition of

rules for companies to suspend workers' contracts, as a temporary measure to preserve the organization's finances while allowing workers to maintain an income with the support of the public social security system. The government also facilitated the companies' access to credit and suspended or negotiated tax payments during the period. Understanding the peculiarities of SMEs, a credit line was designed specifically for this group of enterprises. According to the survey, 59% of the companies that reduced the number of employees adopted the policy of simplified layoff.

The survey pointed out that, within the scope of the main policies to support companies (based on credit and taxes), most Portuguese SMEs have not requested resources and do not intend to. However, the research confirmed the susceptibility of SMEs to unforeseen crises, 2.3% closed permanently, and 23.1% temporarily stopped their activities. The sectors of the economy that presented the most losses due to the crisis were the hospitality and restaurant sector. The delay in carrying out government incentive payments to companies and employees in Layoff has been recurrent in the wake of the pandemic in Portugal.

The state of emergency ended at the beginning of May 2020, and companies are resuming their activities following specific safety protocols. Despite the fragility demonstrated in this time of crisis, SMEs are important vectors within the Portuguese economy, deserving special care and attention to continue contributing to the generation of jobs and income.

The research had been limited to the period analyzed that referred to the first wave of Covid-19 that affected Portugal. This work represents the first effort, located in Portugal, to analyze the results of the survey applied from April 27 to May 1, 2020. This study was based on the first perception of the impacts suffered by the pandemic. It is suggested to compare the results of the surveys in the following years, as well as to analyze the implementation of the measures applied by the government to support SMEs that were efficient to survive the restrictive measures of the state of emergency. In future studies could combine quantitative techniques and the use of econometric tests.

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