

IMPACT OF COVID ON MICROBUSINESSES: A GENDER PERSPECTIVE

Seven years ago, Vidya took the plunge into entrepreneurship by starting her own business selling handmade bags and clothes.

“My family was facing a big financial turmoil and I wanted to support them in times of need. This led to kick starting my business and stepping out of the comfort zone of my caretaking responsibilities”

She was helped in the process by *Mann Deshi*, a foundation supporting women entrepreneurs. They helped her with a loan of upto Rs. 50,000, and also arranged for her to get trained in stitching bags. She commends their work by pointing out that they help enterprising women like herself in setting up their home-based businesses every step of the way. She now employs thirteen women, manages a stall to sell her bags, and accrues a monthly turnover of over Rs. 80,000. Her steady growth was hindered by a huge setback because of the lockdown and her story is not unique in this respect. She shares her struggles with her fellow women entrepreneurs who own over 8 million enterprises in India (*6th Economic Census*).

In India, only about 13% of the total number of enterprises are run by women out of a total of around 58 million establishments. In the wake of COVID-19 pandemic, it is becoming abundantly apparent that its ramifications will be wide and deep rooted. Through the gender



Caption: Vidya and her staff in a Market/Bazaar stall, set up by them from pre - COVID times.

About

LEAD at Krea university in partnership with the Global Alliance for Mass Entrepreneurship is conducting a national level COVID-19 impact study which aims to capture the status of micro-enterprises in India during the current crisis. Through this dynamic multidimensional survey various micro businesses will be interviewed over a period of six months. The survey assesses the impact of the lockdowns and other policy restrictions on business operations, employment practices, and income.

Explore the full data-set and through this interactive dashboard:
<https://dashboard.massentrepreneurship.org/>

prism, historically pandemics have informed us that the crisis such as this is likely to have a greater effect on women as they are typically exposed to more economically and socially disadvantaged circumstances. Moreover, small businesses are likely to suffer the brunt of the slowdown. With revenue plummeting, production chains broken, and even essential services halted, the prognosis for women rural entrepreneurs is grim. Women-led micro and small businesses are particularly at risk because they include smaller companies working in lower-margin markets and are more prone to face instability than normal micro businesses. Many women-led businesses can be located in industries that are specifically impacted by social distancing initiatives such as handloom, craftsman, restaurants, and salons. Women are additionally confronted with conventional impediments.

Micro businesses are at times, alternatives for women who want to supplement their family incomes while managing constraints of time, mobility, literacy, and other factors that inhibit their participation in the formal labour force. In this article, we attempt to understand the gender specific insights from the study on the impact of COVID on women in micro businesses and provide few recommendations based on our findings.

Leveraging social networks and diversifying products to adapt

Small businesses need to constantly innovate and adapt to survive volatile market trends. The COVID crisis has seen multiple examples of this form of resilience. Based on our study we find that 15% of our sample added new products/services to their existing businesses during the lockdown period.

Vidya has been working hard to ensure that she and her staff survive during these difficult times. Operating out of a small town called Satara in Maharashtra, Vidya has very little to work with in terms of customer base. "In Satara village there are not many opportunities. I have managed to sell some traditional prints of bags in international markets by digging into my own social network (family and staff)", she says. In order to sustain her business during the lockdown, she diversified her products and allocated seven members of her staff to stitching just masks. "I still try to give cutting and stitching work to the rest in order to pay them some pocket money", she adds. She has started to allot three pieces each instead of ten to workers and has also extended trade credit to customers. On being asked the reason behind her actions, she says

"I was poor once. So I know how important a regular income is for the household. It also does not make business sense to lay them off now. If I lay them off now, will I not face labour shortages when businesses pick up in the future?"

Women usually operate with structural and systemic constraints. So, the ability to take risks, make mistakes and, more importantly, to fail, is not a liberty licensed to women. Despite the adversity, 19% of our sample reported scaling up their businesses, showcasing immense resilience.

Steadily moving towards digitization

In our study, which predominantly covers women enterprises in urban and semi urban areas, low sales and reduced customer footfall was reported by 79% of the female entrepreneurs. What has changed due to COVID?

"Last year in ten days, all of us made Rs. 5000 selling at a bazaar. We miss those times. Now also we do have the stock but no bazaars are being held. One of the benefits of the lack of access to physical markets is that we learned about the possibilities of online sales and payment transfers. We have started leveraging social media for selling now. Since the onset of the lockdown, we have sold fifty bags online."

Vidya adds. A lot of such micro businesses relied on physical bazaars as a link to customers. 81% of women-led micro-businesses in our sample sell directly to customers. The social distancing measures to counteract COVID's spread has thus put an end to a major income source.

Vidya discovered digital platforms through Mann Deshi's support from her digitally informed and tech savvy relatives and adopted a no contact market system during the pandemic. Earlier there used to be a certain level of discomfort and anxiety with the digital landscape; but Vidya has been quick to get over them. She has started using her digital and financial literacy skills to tap into mediums like Facebook, Whatsapp and Instagram to sell her products.



Caption: Vidya's micro-business diversifying and scaling up from making handmade traditional bags to face masks.

Increase in household responsibilities for women and related entrepreneurial trade-off

There is an evident gap that exists in the workforce regarding the types of roles that women were perceived to be suited to and their consequent exploitation which was a product of patriarchal societies.

Vidya, who has a registered MSME and has availed the Mudra loan¹ talks about her struggles in setting up an enterprise and the changes that the business has brought within herself. "Prior to my foray in entrepreneurship, I had no respect within my family. I have everyone's respect now, and my family members approach me for advice." In 2010, when her house got sealed, and her family was crippled by major financial constraints, she was faced with two options - to give up or to persist. Vidya chose the latter. In her words,

"By giving up, my family would have been in a debt trap and struggling for survival. So, I started my business very small out of my home and forced myself to learn more. I want to give this message to all women - they need to believe in themselves. Everyone has a skill and should just have faith in a better tomorrow!"

She believes that normalcy may take time, so she takes precautions, wears a mask, and practices social distancing. Breaks are hard to come by between her business and

her household chores. Predefined roles as caregivers in the household make it difficult for women to embrace their entrepreneurial nature. She does believe that she tends to lag behind with her household chores, as maintaining the balancing act between her work and caregiving is not an easy task.. In her words "If we had adequate support of local and affordable child care and health care services, my journey as an entrepreneur would have been simpler."

In a similar study done by LEAD, we find similar results with women enterprises facing further burden of unpaid care work affecting time spent on business. Two in every three enterprises surveyed mentioned a reduction in time spent on business activities and over 40% of respondents reported an increase in time spent on household chores.

Kausar, another woman entrepreneur who runs a Jain Business Store that sells stuffed blankets, shares her experience in managing her small shop, "Work is slow as demand is less and the lockdown has caused disruptions in the supply chain. I need money to get the raw material from Karnataka and Rajasthan. I have more stock and there is work, but there is some raw material shortage. My business is not registered and I sell straight to customers by going to the markets. I have six workers and have not let go of any. They have been working with me for eight to ten years. I pay my employees on a piece-rate basis. My business is family run, though I took a loan and took complete ownership of it to earn some money. Prior to lockdown, I had four employees, now I have two more and my plan is to take more loans, increase business, and employ more people."

¹ She got it initially. The amount was around Rs. 50000 for her nano MSME. She is not aware of the Government Moratoriums and how to avail them.

Kausar believes she runs her own home as well as the home of her workers. She wakes up early and gets help from her daughters, who manage the household. She says, “Full day is tasked with work.”. Her expenses have increased with lesser demand for blankets, she needs cash

reserves or an inflow of cash to give money, though her expenses are stuck as cash inflow is low. She does have full support from family but with no bazaars being held, the market is disrupted.”



Caption: A worker couple arranging the stuffing for the blanket at Kausar’s shop during lockdown.

Gender-responsive policy recommendations as a suggested pathway

The fall in production, along with the supply chain disruption, has resulted in a sharp decrease in the profit and revenue of micro businesses. Given the uncertainty regarding potential profits due to the spread of the pandemic and declining purchasing power, the survival of such enterprises is threatened. It is crucial to adopt immediate measures to boost the income and reduce the burden of expenses on micro businesses led by women. Innovation and commitment are two important characteristics required for the growth of an enterprise. In both aspects, women remain disadvantaged, primarily due to their lack of access to information and support. With the rising interest in fortifying MSMEs as a pathway to achieve higher economic goals, women’s

roles as entrepreneurs, decision makers, and showrunners need further support from government and private sector initiatives to be enriched.

1. Ease up financial access: Due to operational inefficiencies, collateral requirements, and lack of digital data trails, banks do not lend to women. Gender gaps persist in the availability, access and the use of finance. **63% of our sample did not have cash reserves to manage their expenses during the crisis.** Vidya did not have any support from the government and has been resilient in the face of financial stress. Women entrepreneurs tend to rely more on informal loans. It is in this context that LEAD conducted a COVID enterprise response study under the STREE initiative,²

² About STREE: In 2018, through the National Rural Economic Transformation Project (NRETP), the Ministry of Rural Development (MoRD) and the World Bank collaborated to build on the learnings from DAY-NRLM and pilot a new generation of economic initiatives including high-growth entrepreneurship models in 13 low-income states of India. The project aims to support about eighty thousand rural enterprises by June 2023.

in collaboration with other partners to understand how women were faring during the pandemic. The study has similar findings that market shocks add further financial distress and render enterprises more risk averse. 80% did not take any enterprise related loan during the lockdown and more than two-third respondents dipped into personal savings and business cash reserves. 30% of the respondents in the study said that availability of new credit is the kind of support they require. One of the needs that arise is making financial services more inclusive by easing financial access through creating and using alternative credit or trust scores and by building and offering customized services to meet financial requirements of women entrepreneurs. In order to make this happen, formal sources of finance, like banks, fintechs and MFIs will have to adopt targeted sourcing/marketing strategies, generate awareness about financial products and services, and explore the potential for doorstep financial delivery models and other cost-effective and innovative delivery systems.

2. Institutionalized care support for women: Women-led rural enterprises have been known to be resilient during economic shocks in the past. However, little is known about the impact of a long-drawn lockdown affecting supply chain, business operations and sales, especially when faced with the burden of increased unpaid care work and limited cash reserves at a household and enterprise level. The STREE study results also showed 43% of respondents reported an increase in time spent on household chores and simultaneously over 35% mentioned an increase in unpaid care work. This often leads to the unwanted entrepreneurial trade off. A crucial policy requirement for women has to be institutionalized care support. The recognition that women's household work and care work takes their time off entrepreneurial ventures can be offset by providing adequate household infrastructure like uninterrupted water and electricity supply, access to clean fuels and access to quality child care services - creches, government centers (Anganwadi), private affordable care centers and so on. Local state and central government schemes and networks will have to be activated in order for this to be institutionalised for women led micro businesses.

3. Upskilling is important: **Only 9% of our sample learned a new skill during the lockdown** - which continues to be a key skill to stay relevant and to manage

trade effectively, especially with return of male counterparts to peri urban and rural areas. The challenges women face seem to be multidimensional when it comes to their employment opportunities, conditions, and safety, and Vidya trained 4000 women despite the constraints. The key aspects of the discussion were the importance of skilling, technological support and interventions from the private sector in enabling micro businesses to address the challenges and also tap into the opportunities that had taken roots in the crisis. We recommend that ICT4D can be leveraged to provide training to women entrepreneurs who want to grow. Private startups prove to be great stakeholders coming up with innovative ideas for upskilling existing women entrepreneurs via incubators and accelerators. It is high time that the informal sector micro businesses are tapped by this segment.

4. Support graduation of solo-entrepreneurs: Given their predominant role in severely affected sectors such as services and trade, women-led micro businesses have been among the hardest hit by the crisis. Need a greater push for entrepreneurship in the country, in turn leading to these micro-businesses scaling up to their maximum potential. The role of policy needs to be highlighted more clearly in terms of expanding markets and not only market access. As the markets for products, such as masks, produced by these women, are getting saturated rapidly we should consider what could be potential mechanisms for expansion of markets as well as providing women access to those expanded markets. Elevation of micro businesses through higher-order bank linkages, bank loans, registration on government e-market portals, and similar e-commerce portals should be considered. Facilitating transition of SHGs and micro businesses into higher order producer organizations such as food processing enterprises and clusters based development approaches should also be contemplated.

The adverse effect of COVID on women micro businesses has certainly exacerbated a huge socio-economic gap. Governments, banks and other financial institutions must also immediately follow effective gender-sensitive policy responses to meet the need of the situation.

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