



COVID-19 Enterprise Response Research

Findings from the field
8th June - 18th July 2020

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Acknowledgement

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Lastly and most importantly, we are extremely grateful to our survey team for their undeterred work and to the respondents of this study for patiently answering the survey questions during what is a very testing time.

LEAD AT KREA UNIVERSITY

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About the Study

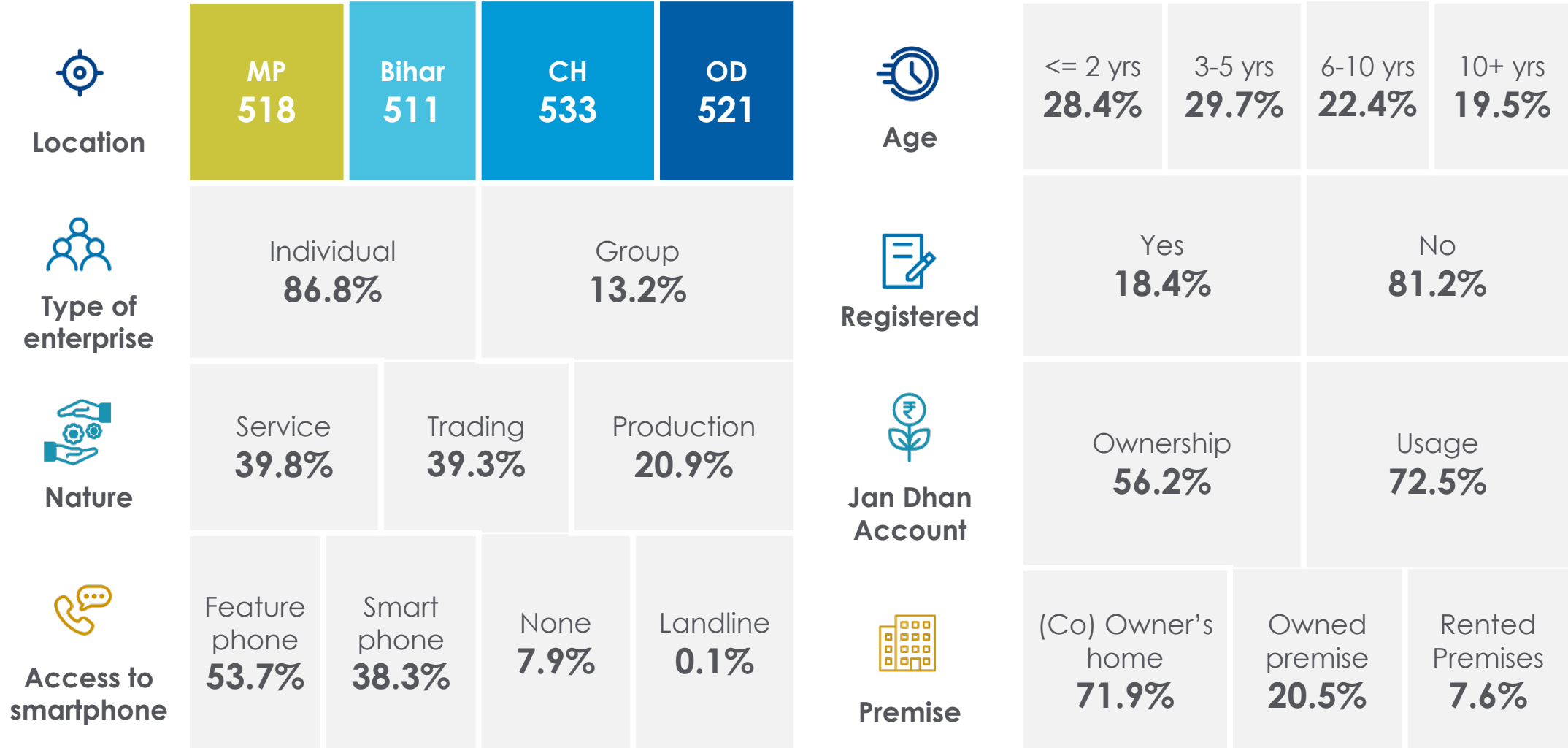


Women-led rural enterprises have been known to be resilient during economic shocks in the past. However, little is known about the impact of a long-drawn lockdown affecting supply chain, business operations and sales. Especially when faced with the burden of increased unpaid care work and limited cash reserves at a household and enterprise level.

It is in this context that STREE conducted a COVID enterprise response study to understand how 2,083 women in the states of Madhya Pradesh, Bihar, Chhattisgarh and Odisha were faring.

The survey for these enterprises was completed between 8 June - 18 July 2020.

Enterprise Profile(n=2083)



Key Insights



Enterprises closures

1 in 3 women entrepreneurs have shut down their business either temporarily or permanently



De-prioritisation of business

For **48.4%**, the business was the primary source of income for the household, but post COVID, the numbers went down to **36.2%**



Formalisation is a helpful insurance

Unregistered enterprises are more likely to face permanent closures (12.07% vs 8.81%)



Substantial revenue drop

72.5% average drop in revenue between lockdown and at the time of the survey regardless of nature of enterprise (service, production, retail)

Key Insights



Loss in risk appetite

Approximately **1 out of 2** respondents who reported permanent closure of business are unlikely to restart a business again



Change in loan preferences

80% did not take any enterprise related loan during the lockdown, more than three-fourth respondents dipped into personal savings and business cash reserves



Promise of future cashflows

Over **1 in every 2** enterprises is providing goods on credit and most (over 3/4th) remain confident that they'll recover the amount sold on credit.



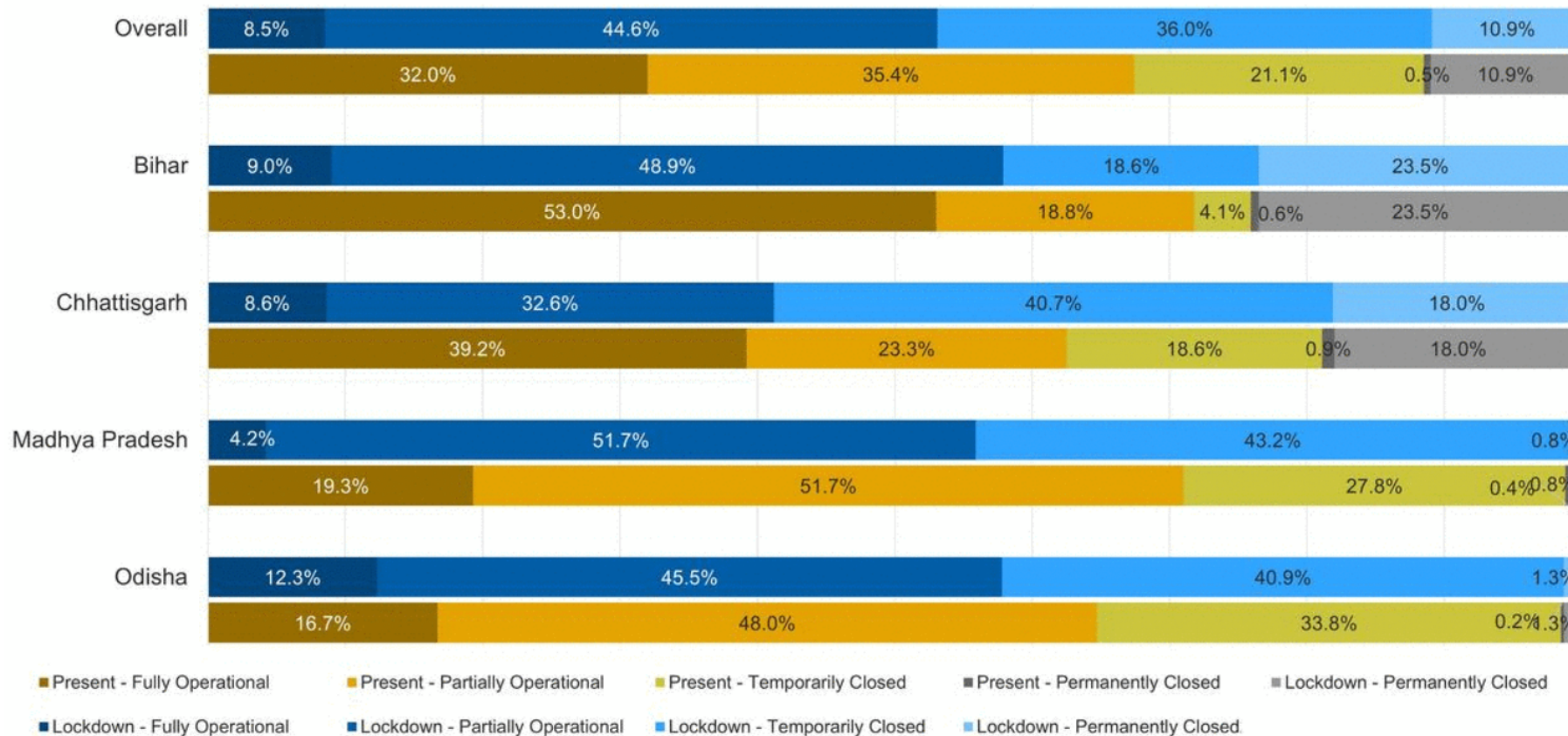
Increased time burden

2/3rd 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.

Key Highlight:

1 in 3 women entrepreneurs have shut down their business either temporarily or permanently.

Status of business operations - Lockdown vs Present



Businesses have shown considerable recovery between beginning of lockdown and at the time of the survey (June-July).

However, **21.1%** of businesses faced temporary closure and **11.5%** faced permanent closure.

The permanent closures (n=239)

Unregistered enterprises

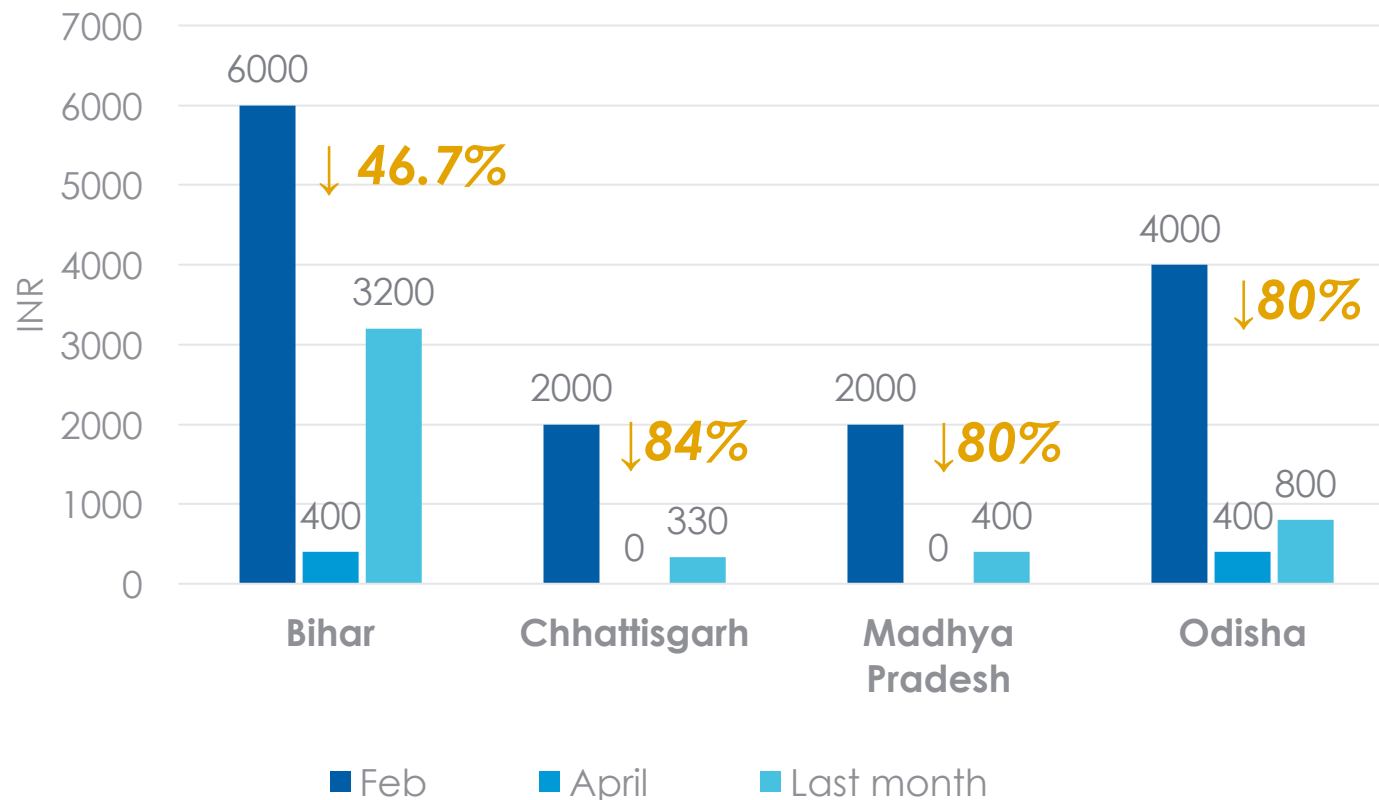
*Have reported **1.4 times** more permanent closures as compared to registered businesses.*

Top challenges reported, that resulted in permanent closure of enterprises:

- 1** Difficulties in sourcing raw materials (either supplier is closed or due to transport issues)
- 2** Reduced demand (reduction in sales or clientele numbers)
- 3** Difficulties relating to loans (getting loans, or repaying loans)

COVID-19 impact on business revenue

COVID Impact on business revenue
(Median business revenue)



72.5%
revenue drop

(3 out of 4 states have an 80% + drop in revenue)

With supply chains disrupted, production units have seen the largest decline in revenue – with most reporting zero revenue for the months of April, May and June.

COVID-19 impact on cash reserves

29 days

Average self-sufficiency** of enterprises

Median cash reserves - INR 200

Fund sufficiency (days) by state:

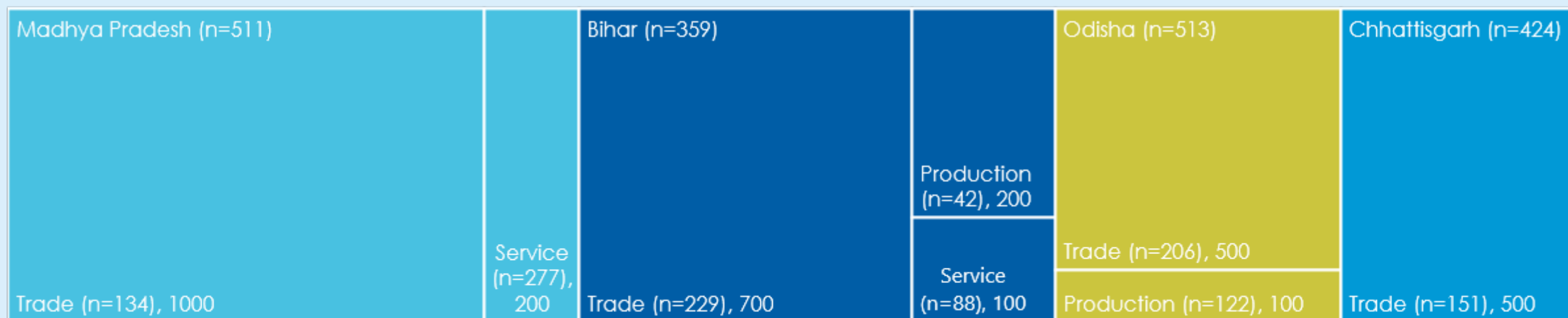
- **Bihar** – 19.5 days
- **CG** - 12.1 days
- **MP** – 29.5 days
- **Odisha** – revenue is greater than per month expenses

Fund sufficiency (days) by nature of enterprise:

- **Production** – 18.5 days
- **Service** – 19.9 days
- **Trading** – 8.2 days

Cash reserves (INR) in businesses* by State x Industry

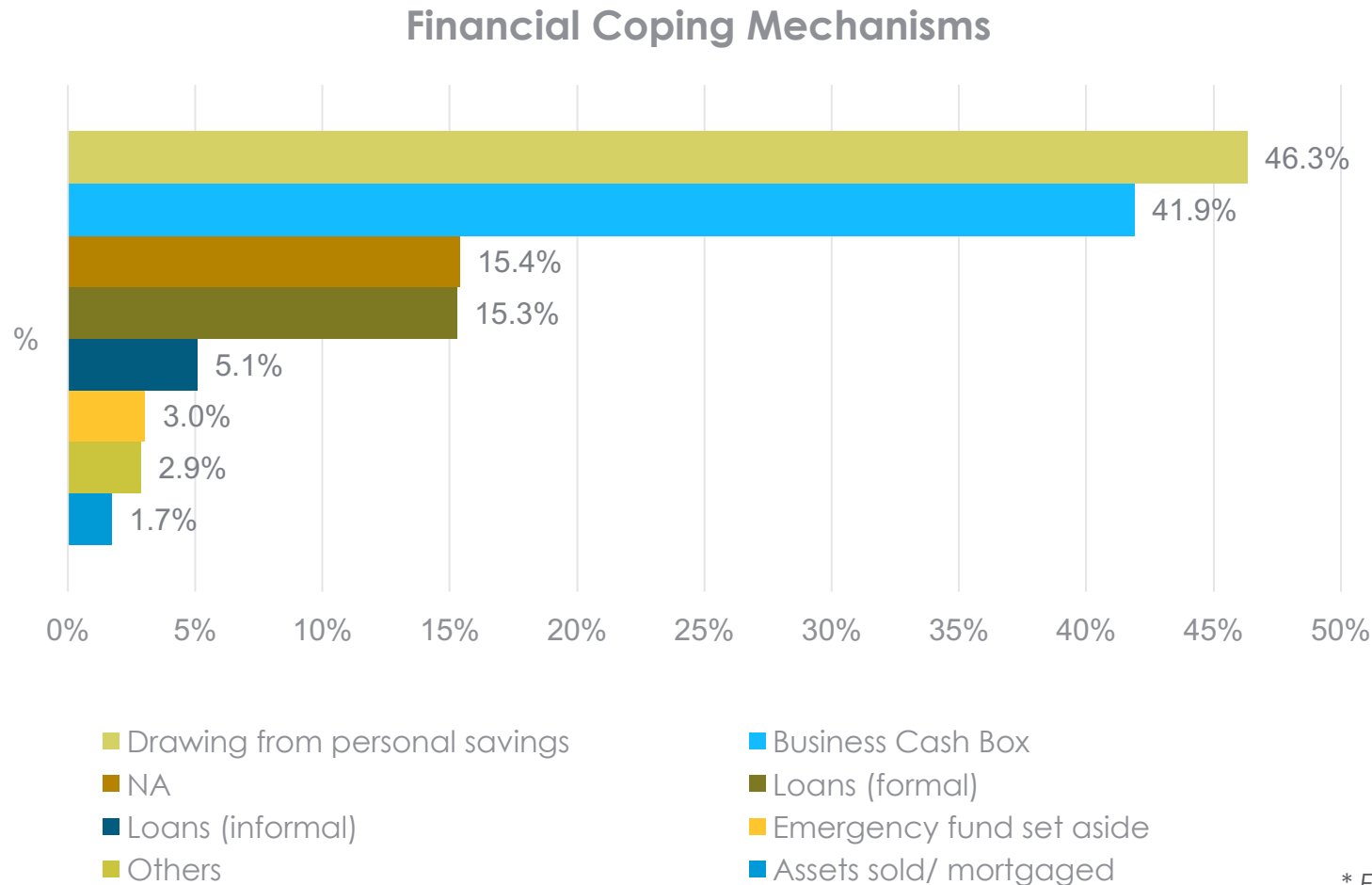
■ Bihar (n=359) ■ Chhattisgarh (n=424) ■ Madhya Pradesh (n=511) ■ Odisha (n=513)



* Median cash reserve values, disaggregated by state and industry

** Calculated using cash reserve, expense and revenue data (median)

Financial coping mechanisms



Over 3/4th of enterprises

chose to tap into entrepreneur's personal savings or the business cash box for enterprise-expenses

Loans since lockdown

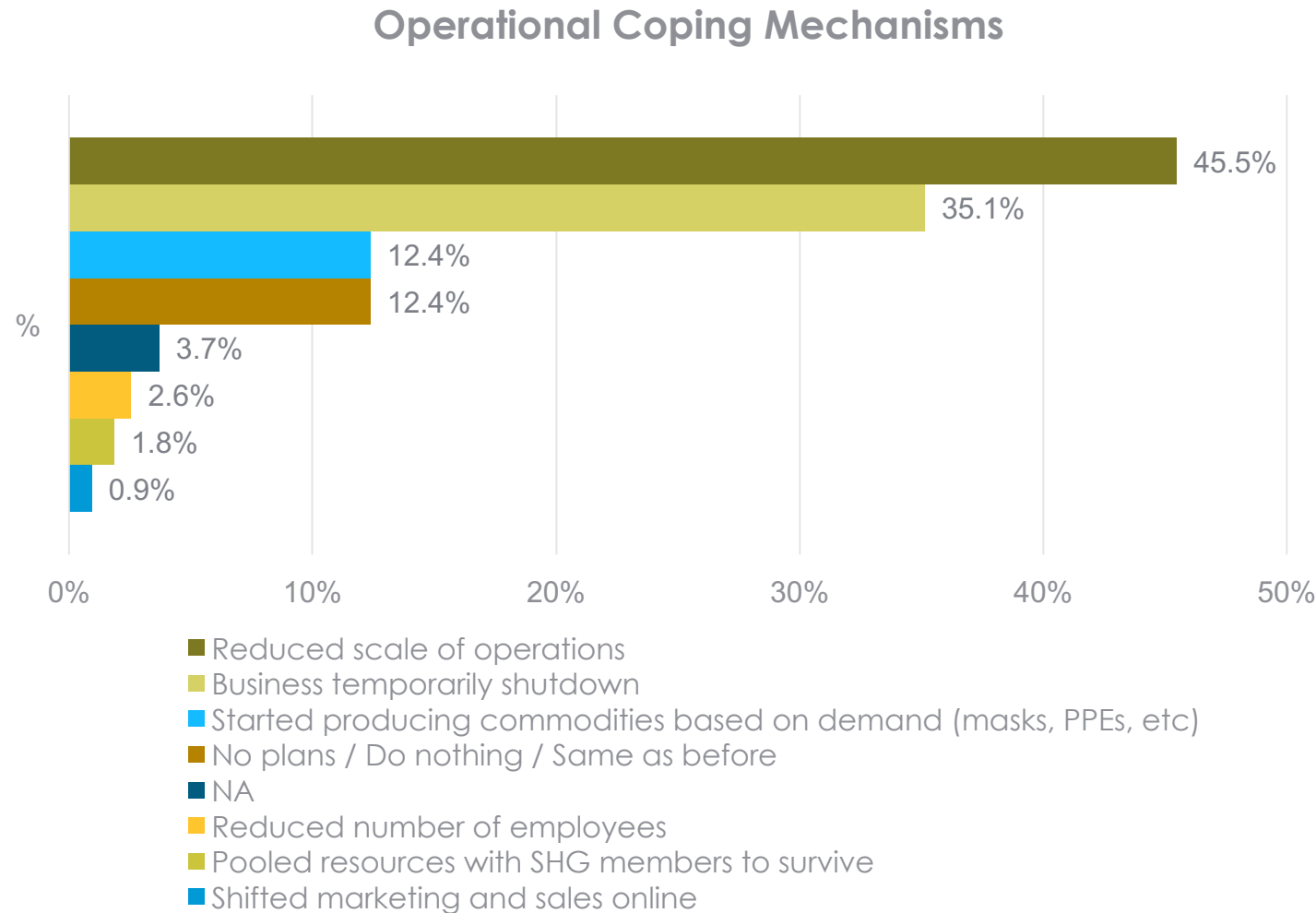
Only 19.2% businesses (n=125) took a loan which were meant purely for business purposes.

Formal channels* were the most preferred source of loans (42.5%) followed by informal channels** before seeking support from friends and family.

* Formal channels for the purpose of the survey include – commercial banks, MFI, loans from SHGs, Vos and CLFs

** Informal channels for the purpose of the survey include – money lender, pawn shop

Operational coping mechanisms



Approx. 80%
of enterprises

reduced scale of operations or
shut down temporarily

Credit purchases:

Only about 21.9% of surveyed
businesses are currently **receiving**
credit from their suppliers.

Credit sales:

However, more than 1 in every 2
enterprises currently **selling** goods
on credit (56.9%) and most
(78.48%) remain confident that
they'll recover the amount sold on
credit

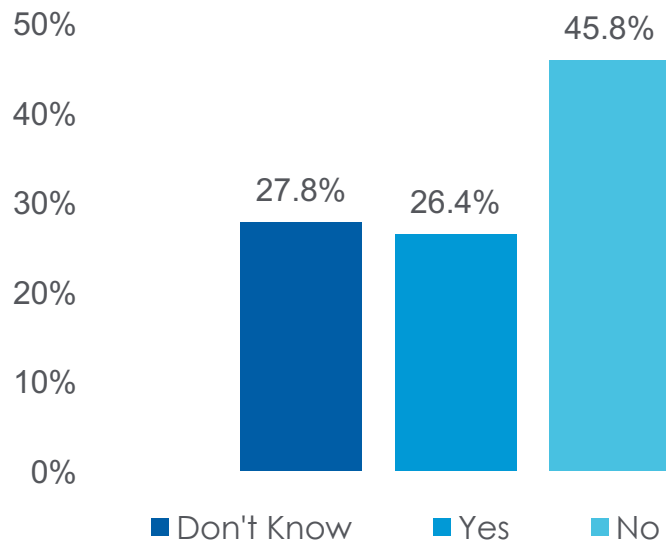
COVID-19 impact on risk appetite

among permanently-closed businesses

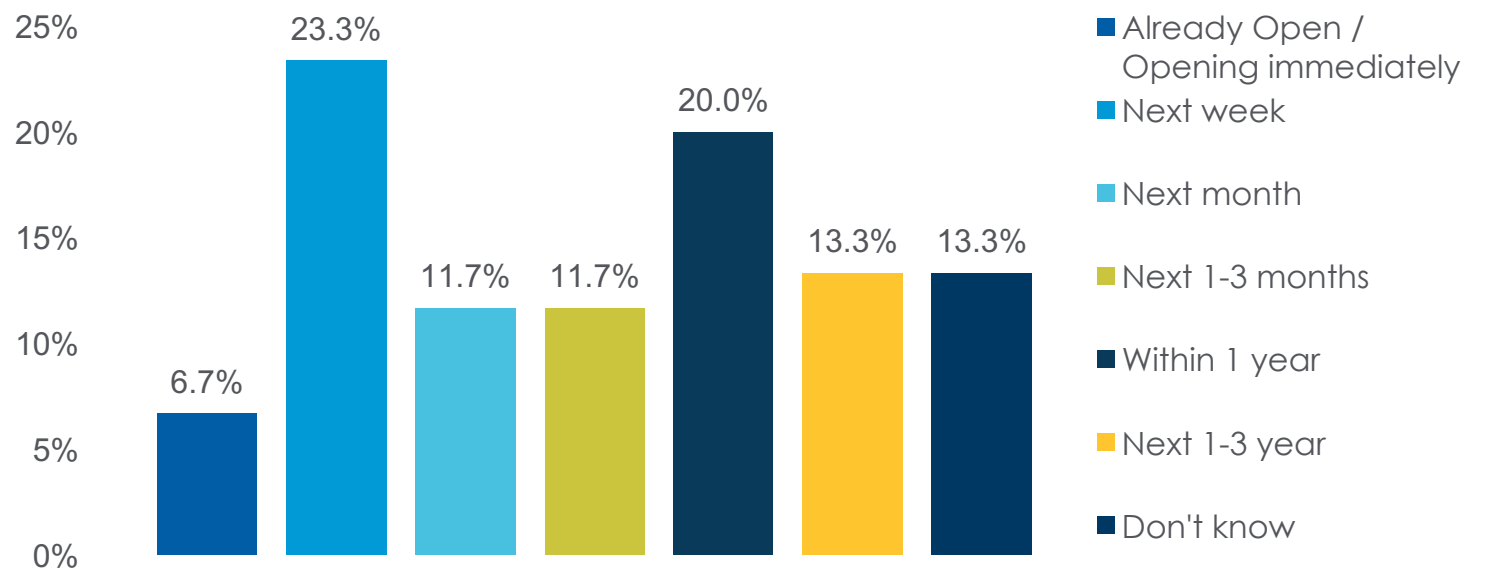
Key Highlight:

45.8% enterprises reported permanently closed had no intention of starting another business.

Do you foresee opening a new business in future? (n=227)



When do you think you'll be able to start a new business? (n=60)

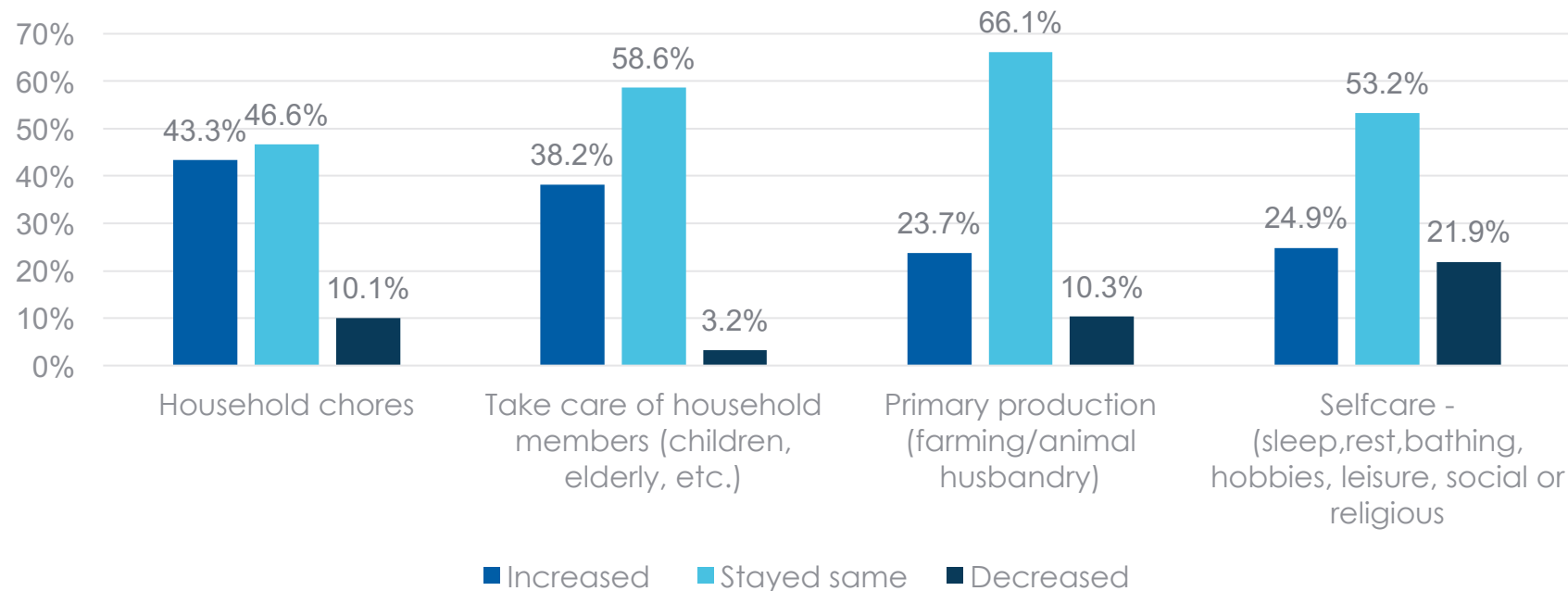


COVID-19 impact on time burden

1 in every 2

enterprise owners surveyed mentioned a decrease in time spent on business activities

Time Spent on non-business activities



43% of respondents reported an increase in time spent on household chores and **over 35%** mentioned increase in unpaid care work.

COVID-19 impact on financial and non-financial stress

Stress level x reasons	Extremely high stress	High stress	Moderate stress	Low stress	No stress
Running business	26.6%	34.8%	23.9%	5.1%	9.7%
Household income stability	24.4%	29.0%	27.7%	4.9%	14.1%
Food expenses	23.9%	27.1%	31.2%	6.2%	11.6%
Children's education	20.9%	24.2%	20.5%	6.4%	28.1%
Household chores	28.7%	32.0%	26.7%	4.4%	8.3%
Family health	17.7%	21.2%	27.9%	11.0%	22.3%
Staying locked in	23.5%	33.6%	27.6%	5.1%	10.3%

% responses

Women seem to face extremely high stress with regard to running their businesses as well conducting household chores – the burden of one impacting the time spent on the other.

28.1% of the respondents also mentioned children's education contributing lesser to their stress

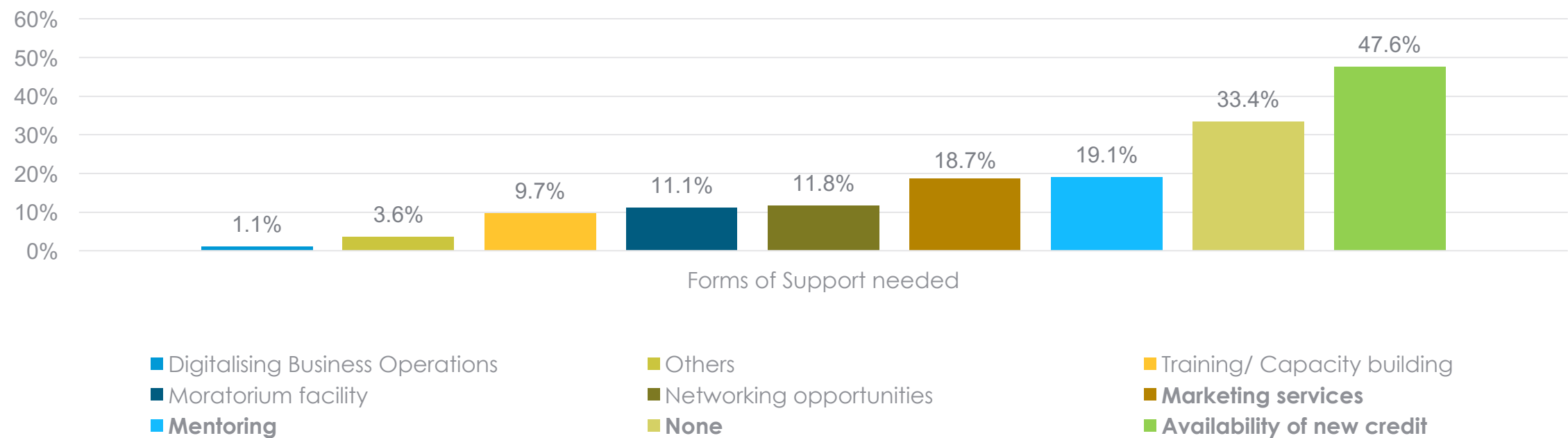
Recommendations and Support

Key Highlights:

When asked how they would protect their business against future events like this?

- 46% adequate cash in hand
- 38.6% save portion of month salary for emergencies
- 35.6% maintain regular stock of raw materials and products

What support is needed to reach pre-covid levels of operations?



Recommendations and Support

- 1** Interest-free loans to encourage business continuance and expansion and business loans consolidation for better financial management
- 2** Leveraging existing banking channels like Jan-Dhan accounts for quick cash transfers and business account linkages
- 3** Encouraging digital literacy among women entrepreneurs and thereafter increasing digital presence across e-commerce platforms
- 4** Training in financial planning and management, to account for monthly savings, investments and expenditure planning
- 5** Exploring risk hedging instruments like micro-business insurance for income protection, and indemnity against any product or service liability
- 6** Using agent models and expedite efforts to ensure awareness and reach, of current state-level schemes
- 7** Access to creche amenities, and better community infrastructure, and strengthening community networks to reduce the time burden among women especially in times of distress
- 8** Rehabilitation support especially for businesses that are permanently closed, to dissuade loss of risk appetite

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.

To further propel NRLM's vision of creating a robust enabling entrepreneurial ecosystem for women in rural India, a technical assistance program, Solutions for Transformative Rural Enterprises and Empowerment (STREE) was inceptioned in 2019. The STREE program is spearheaded by LEAD at Krea University and is supported by the Bill & Melinda Gates Foundation.

Thank you

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LEAD is a part of IFMR Society with strategic oversight from Krea University.

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ANNEXURES



Response rates

Disaggregated by states

Response rates

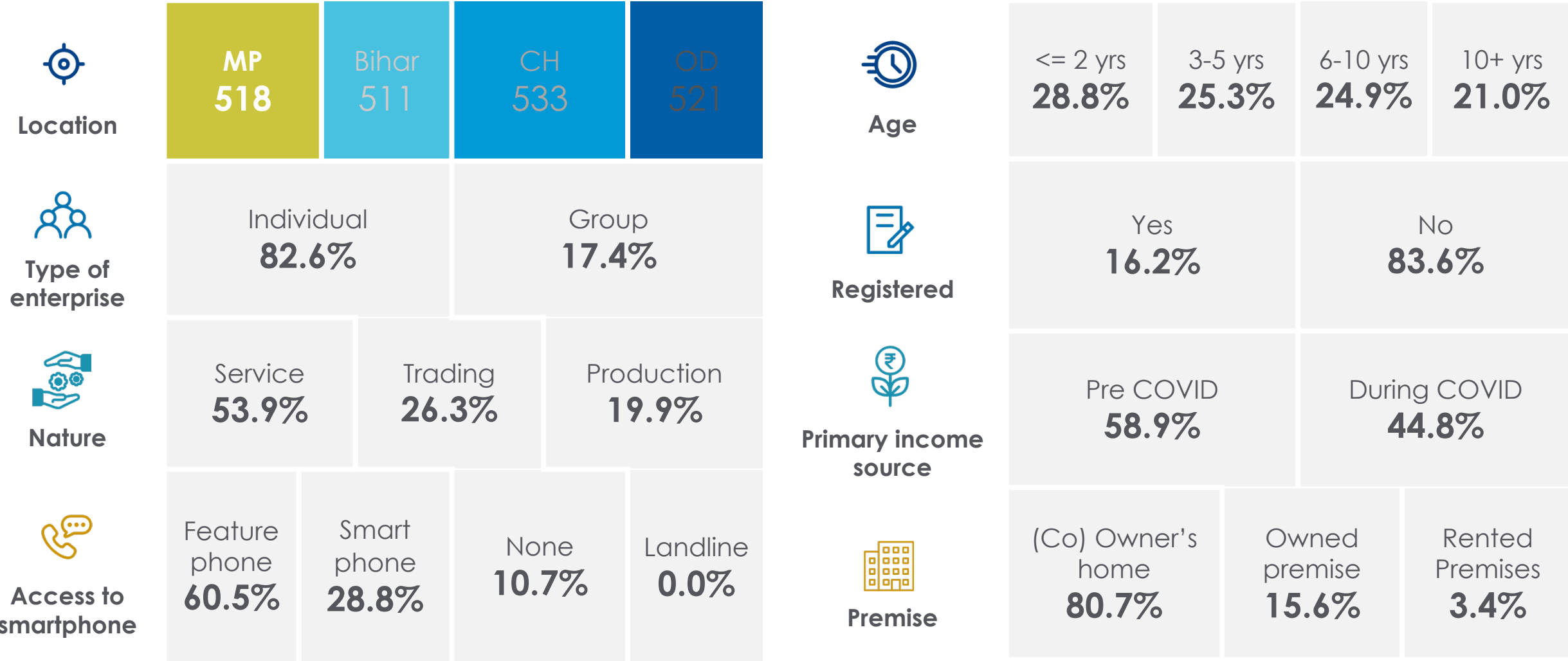
Data at end of survey (18 th July)		State 1 (Bihar)	State 2 (CG)	State 3 (MP)	State 4 (Odisha)	Overall
Target		510	510	510	510	2040
Surveys completed		512 (100.39%)	534 (104.7%)	518 (101.56%)	521 (102.16%)	2085 (102.2%)
Response rate <i>(Surveys completed / Contacted)</i>		39.9%	27.35%	40.25%	30.73%	33.53%
Calls made	Total Prelist	1541	2086	1498	2079	7204
	No Contact	258 (16.74%)	134 (6.42%)	211 (14.09%)	384 (18.47%)	987
	Contact (all)	1283 (83.26%)	1952 (93.58%)	1287 (85.91%)	1695 (81.53%)	6217 (86.3%)
Contact (all)	Didn't meet screening criteria	234 (18.2%)	215 (11.01%)	66 (5.13%)	29 (1.71%)	544 (8.75%)
	Met Screening criteria	1049 (81.8%)	1737 (88.99%)	1221 (94.87%)	1666 (98.29%)	5673 (91.25%)



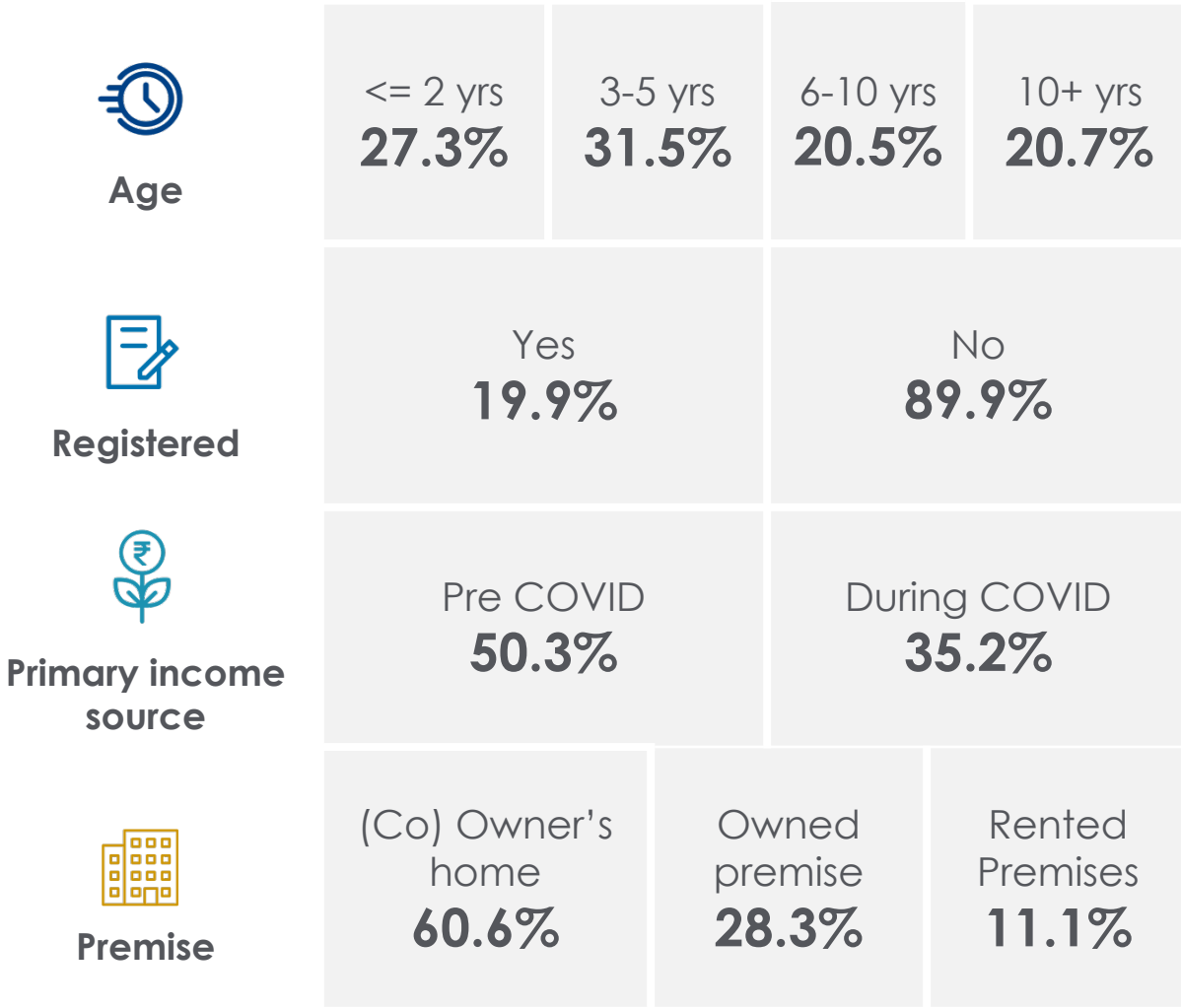
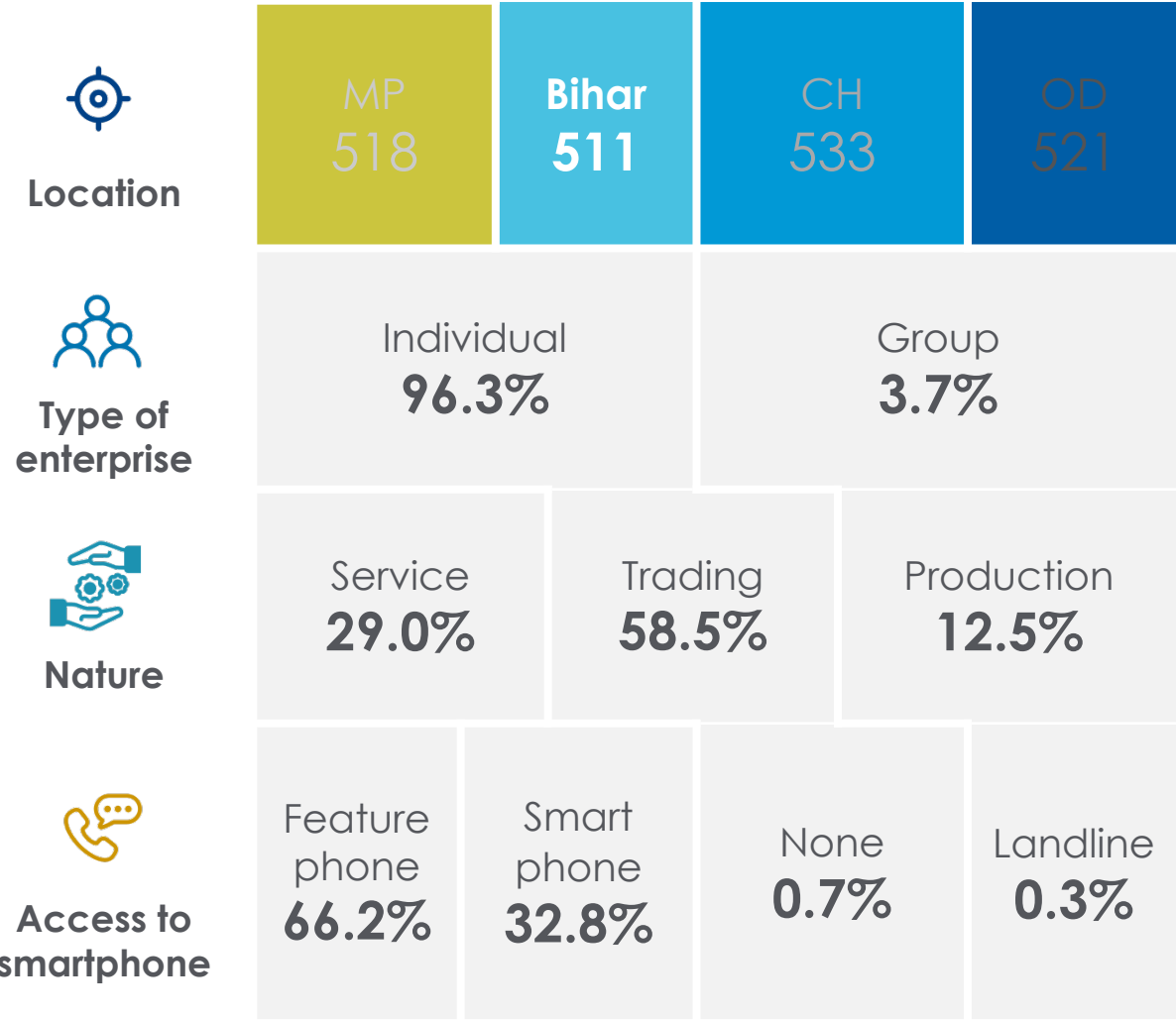
Respondent profile x State

Respondent profiles for Bihar, Chhattisgarh, Madhya Pradesh, Odisha

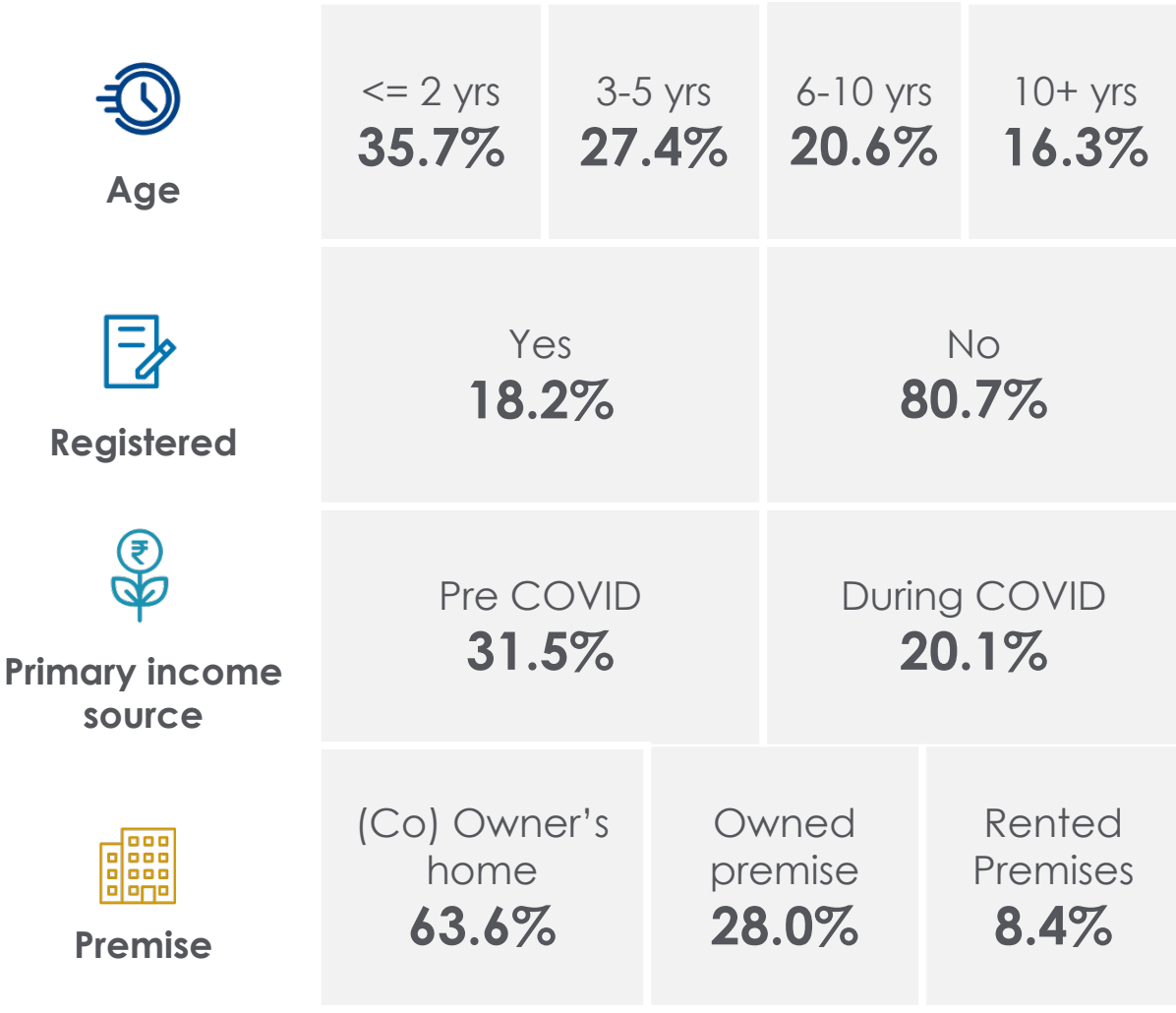
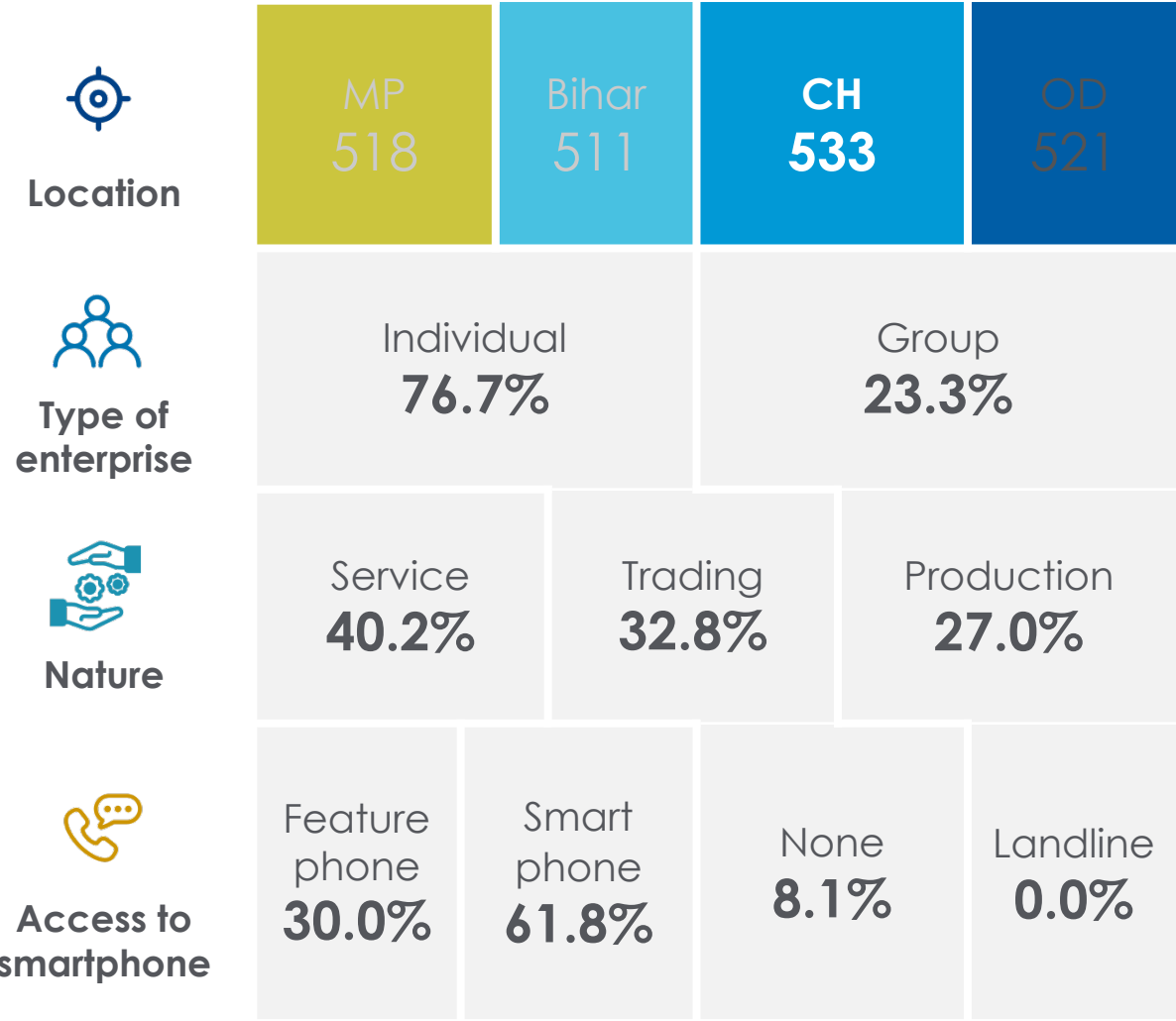
Profile of enterprises (Madhya Pradesh)



Profile of enterprises (Bihar)



Profile of enterprises (Chhattisgarh)



Profile of enterprises (Odisha)

