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Impact of Covid 19 pandemic Focusing on Female-led Small and Medium Enterprises in the Rural Areas of Bangladesh

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Abstract: During the Covid 19 pandemic, small and medium enterprises (SMEs), like other economic participants, were particularly heavily hit, which disrupted supply chains, demand, and national and international business networks. In Bangladesh, SMEs are a significant source of economic growth and jobs, but SMEs suffered the most vulnerable situation due to covid-19. However, there is no research conducted specifically focusing on the predicament of female-led SMEs in the rural areas of Bangladesh. In consideration to this, a survey on small and medium-sized enterprises in the rural area of Bangladesh, the majority of which are run by women, was carried out in order to gain a better understanding of the changing circumstances that firms faced throughout the lockdown period. A phone call survey has been conducted on 112 firms, and descriptive results have been depicted to find the impact of covid-19 on SMEs. The study found that lockdown procedures made the majority of small enterprises close and that one-fourth of those businesses were only operating at a limited capacity during the early lockdown phases. The gender gap widened as women's labor-intensive jobs were hit the worst. Furthermore, businesses with weaker financial resources faced heightened vulnerabilities, struggling to access government stimulus packages and financial aid. The study focuses on the impact of Covid 19 on SMEs, including how they run their businesses during the pandemic time, their employment situation, the most serious problem(s) during the pandemic and the steps taken, and their profit scenario. Finally, it intends to figure out how to get out of this unexpected situation. This study's drawback is the

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inability to perform any econometric analysis or correlative analysis.

Introduction

Bangladesh's economy, like the rest of the world, is suffering from the 'Great Lockdown' recession brought on by the COVID-19 pandemic. The nationwide closure, which has been in effect since late March 2020 to combat the spread of the COVID-19, has resulted in a significant slowdown in our economic activity (Bodrud and Doza, 2020). SMEs have been particularly vulnerable since the outbreak of the COVID-19 pandemic; this is a major concern for Bangladesh since these enterprises are critical to the country's economic recovery once the pandemic has passed. Bangladesh's economy is dependent on small and medium-sized businesses. SMEs are vital to the progress of our economy because they create employment, generate revenue, and alleviate poverty. The industrial sector contributes 31% of the country's GDP, the bulk portion of which is made up of SMEs (Business inspection, 2022). According to research published by the World Bank in 2019, SMEs account for 99 percent of non-farm enterprises in Bangladesh, and SMEs generated over 20 million jobs in 2013. SMEs play a critical role in Bangladesh's national economy as sources of non-farm employment and income production, particularly in rural and semi-urban regions (World Bank, 2019). SMEs have a unique role in Bangladesh's economy since they are primarily responsible for the development of the private sector. Their roles in terms of production, job creation, export contribution, and promoting equitable income distribution are critical. SMEs are critical to a country's economic growth and development (A. Islam et al., 2019). SMEs are not just limited to low-tech, traditional, and agro-based economic activity; they also exist in non-traditional industrial and service sectors. In reality, SMEs are often regarded as engines of economic growth. SMEs account for more than 90% of all firms in the country and supply two out of every three private-sector jobs (N. Islam et al., 2019). SMEs can considerably contribute to economic growth by fostering competition, innovation, entrepreneurship, and skill diffusion, according to experience in the East and Southeast Asian region (Raihan et al., 2021). Since June 2020, SMEs in Bangladesh have been more affected than large firms, according to quarterly firm-level surveys undertaken by the South Asian Network on Economic Modeling (Raihan et al., 2021). Covid-19 has had catastrophic effects on the health and lives of hundreds of thousands of people, in addition has a significant setback for Bangladesh's burgeoning economy. The crisis has already morphed into an economic and labor market shock, affecting all businesses, particularly small and medium-sized enterprises. This is especially essential since small and medium businesses play a critical role in economic resilience in comparison to other sectors. Their relationship to the global economy is relatively limited and they employ a large proportion of the workforce; mostly the poor. Because of their informality and small size, micro and small businesses have minimal entry barriers. The low entrance barrier, however, does not always imply cheap entry and departure expenses for these businesses in relation to their size. As a result, a pandemic like Covid-19 has the potential to permanently shut down many micro and small businesses. Nevertheless, the central bank has mandated that 20 percent of all bank loans be directed to SMEs. In actuality, there is a problem with SME entrepreneurs not being able to obtain the necessary

loans. As a result, SMEs are forced to acquire loans from unofficial sources at higher interest rates (Akter et al., 2019).

This study looks into the impact of the pandemic on Bangladesh's small businesses and their employees. The influence of the COVID-19 pandemic on firm survival, growth, investment, and profitability is examined over the long term. We will also look at the pandemic's long-term repercussions on employees' health and employment prospects. The motivation of this study comes from the reality that there is a dearth of information regarding the immediate impact of an ongoing unique shock like the pandemic. In Bangladesh, this data gap is more prominent, which led to this particular study.

Literature review

Due to the novelty of COVID-19, research into its effects on other economic factors is currently being conducted all over the world. Due to this, an effort was made to offer a comprehensive assessment of recent findings about this novel virus in this paper.

Calabrese (2022) examined that micro and small enterprises had the biggest loan demand, and better-performing organizations were more likely to acquire loans through Covid-19.

Hossain et al. (2022) found that Bangladesh's SMEs are currently experiencing a severe crisis, including supply chain disruption, bankruptcy risk, difficulties accessing stimulus packages, cash flow issues, operations interruption, and difficulties predicting future business directions. According to conversations with SME business owners, the major shock of COVID-19 for SMEs was a lack of operating capital or cash flow. Interviews revealed that the loss in demand and decreased sales were the primary causes of the cash problem. The disruption of the supply chain was another terrible consequence of COVID-19 for SMEs. These kinds of ventures are generally reliant on imported or locally gathered raw resources.

Kalemli and Ozcan (2020) made research on seventeen countries using a large representative firm-level database. 3.1% of private sector jobs are at risk as a result of COVID-19-related SME business failure. Despite the significant implications on employment and business failures, they predict very modest repercussions on the banking sector and assess the price and efficiency of different policy actions. An intervention that specifically targets at-risk enterprises may have a low fiscal cost (0.54% of GDP).

Effects of the COVID-19 on Pakistan's SMEs have been evaluated by Shafi et al. (2020). According to the authors, COVID-19 led to operational reductions, supply chain disruptions, and financial crises for the majority of the selected SMEs in the nation. In contrast, COVID-19 reduced export orders and led to the layoff of workers in a small number of SMEs nationwide.

Chen (2007) explored how the linkages between four Asian stock exchange markets and China were impacted by the severe acute respiratory syndrome (SARS) epidemic. The analysis found that the SARs outbreak was responsible for the decline in the link between the Chinese stock market and four Asian markets. To protect the large number of people who have been severely affected by COVID-19 and are being kept from jobs and other activities as a result of the nation's lockdown, the government of Bangladesh has

announced a massive stimulus program. (Lalon, 2020) examined that, the number of people working in informal job sectors who lost their jobs as a result of the country being locked down due to the impact of COVID-19 is approximately 3 corers. It may cost the government around BDT 18000 corers to protect them against COVID-19 by sending this money to their respective accounts using mobile financial services.

There exists a data gap regarding how SMEs deal with the shocks such as the shock induced by the pandemic. This paper looks into the impact of the pandemic on Bangladesh's small businesses and their employees. The particular research questions have been added in the Annex-1.

Research Methodology

In this research, primary data has been used. We performed a phone survey that included 112 enterprises. Hence, we contacted survey respondents via phone. Simple random sampling has been followed in the study. As every individual in the population has an equal chance of being selected, and each selection is independent of the others. To ensure data validity and reliability, the length of each interview in both rounds was kept to a minimum. Each interview lasted approximately 15-20 minutes. We asked each respondent 12 questions about the impact of Covid 19 on their enterprises. Females made up the majority of the respondents. The descriptive methodology was employed in this study. Descriptive methodology refers to a research approach that aims to describe and summarize characteristics, behaviors, or phenomena of a population or a specific sample without manipulating or influencing them. The primary objective of descriptive research is to provide an accurate and comprehensive portrayal of the subject under study. Descriptive research comprises a variety of surveys and fact-finding inquiries. And the survey findings are being presented through the tables and charts.

Results and Discussions

A. The business's operational status assessment

Covid-19 has affected every aspect of the mass population's lives, including jobs, businesses, and other economic endeavors. From that standpoint, the first question that has been posed by the survey is whether the company was open from January to May 2020. As the virus was first detected in the country on 8 March 2020 and the country went on a "General Holiday" from 26 March 2020. Among the respondents, 75.9% said that they were unable to open their businesses due to the pandemic. This means that only one-fourth of the respondents were able to run their businesses. The data highlights the significant adverse impact of the Covid-19 pandemic on business operations, with a majority of businesses being forced to close temporarily or suspend operations during the specified period.

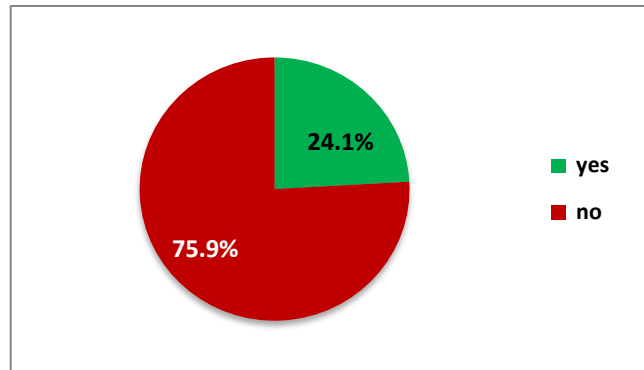


Figure 1: Whether or not the business was open

B. Impact of the pandemic on employees' workplace attendance

Although one-fourth of the surveyed population were able to operate their businesses, the majority of them failed to ensure employee attendance owing to the pandemic. As the following graph shows, 5% of respondents stated that all of their employees were absent, 5% said more than half of their employees were absent, 18% said less than half of their employees were absent, and 72% of the respondents did not respond at all. Drawing from the conversation, they either don't have any employees or that they didn't run their business during the pandemic. Data suggests that the pandemic posed considerable difficulties for businesses in terms of ensuring employee attendance and operational continuity, leading to various degrees of disruption depending on the nature and circumstances of each business.

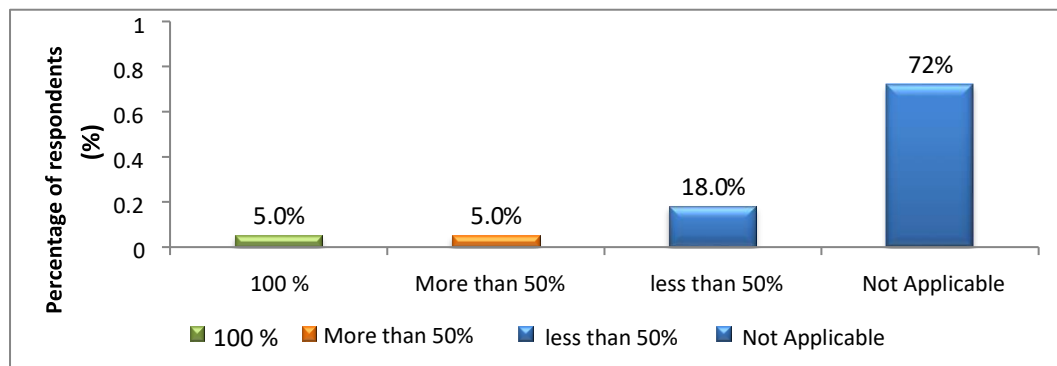


Figure 2: Employees' ability to come in work

C. Understanding the factors contributing to employee absences amidst the outbreak

The business owners were asked regarding the reason for the absence of employees. Most of the respondents (29.5%) said that their employees were absent due to the business being closed. Hence, it was hardly an option for those employees, and they were furloughed, if not unemployed altogether. Among the rest of the respondents, 4.5% admitted to laying off their employees, 7.1% of the business owners could not afford employees due to their financial crisis, and 9.8% were involved in online businesses. Very few of the respondents

(1.8%) indicated the sickness of their employees as a reason behind their absence. The data indicates that business closures and financial constraints were the most common reasons for employee absence during the pandemic, reflecting the significant challenges faced by businesses in maintaining their workforce and operations during this period. Online businesses appeared to have better adaptability.

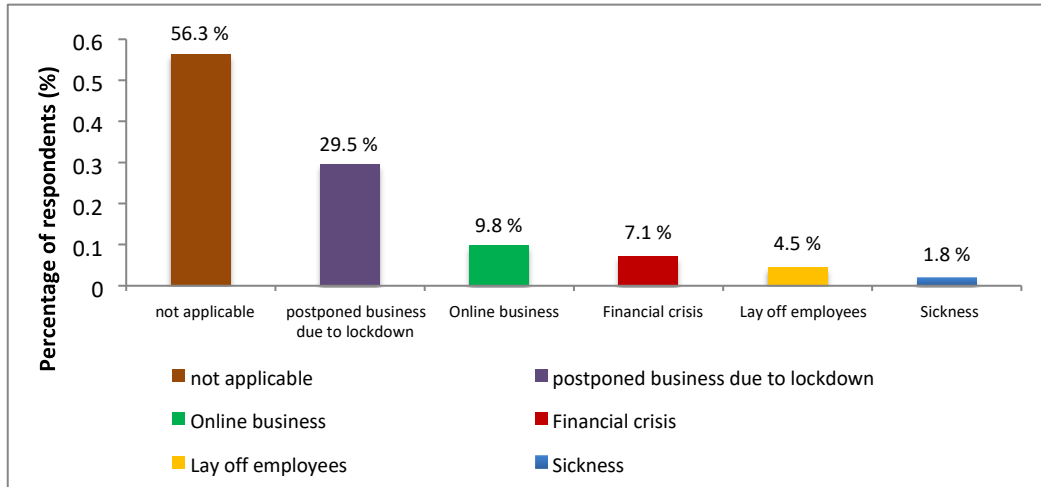


Figure 3: The reasons behind employees' absence.

D. Exploring the causes of business closures during the pandemic

The declaration of a nationwide lockdown led 86.8% of respondents to postpone their plans regarding economic activities, or temporarily close their businesses. Furthermore, 5.5% of businesses closed due to the reduction of sales margins due to the pandemic, which went well below the operating cost. And 2.2% said their financial crisis was the primary reason for their company's closure. The data highlights the severe challenges businesses faced during the pandemic, leading to a considerable number of closures and disruptions to economic activities.

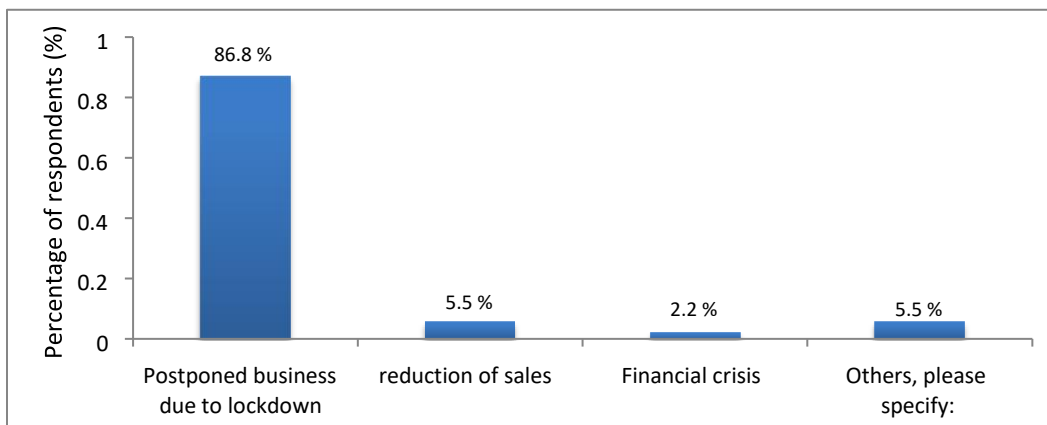


Figure 4: The reason for the business operation's closure

E. Key challenges faced by businesses during the Covid-19 outbreak

We asked the respondents regarding the challenges that they encountered during the general holiday. For more than 80% of the firms, paying labor costs and other operational costs (electricity bills, security charges, etc.) was the most pressing concern. Taking out a loan to start a business is a normal occurrence for SMEs and repaying the debt on time was challenging even in the pre-pandemic era. As a result, during the pandemic, this difficulty was present for 54.4% of businesses. The third major concern, according to 41% of respondents, is paying rent. Aside from that, the firm indicated that sales reduction (34%), supply shortage of raw materials (26%), and payment of invoices (14%) were the noteworthy challenges during the first wave of the pandemic. The data presented the financial strain faced by businesses, particularly in meeting operational costs and repaying loans during the pandemic. Additionally, challenges related to rent, sales, supply chain disruptions, and payment issues added to the difficulties businesses encountered during this unprecedented crisis.

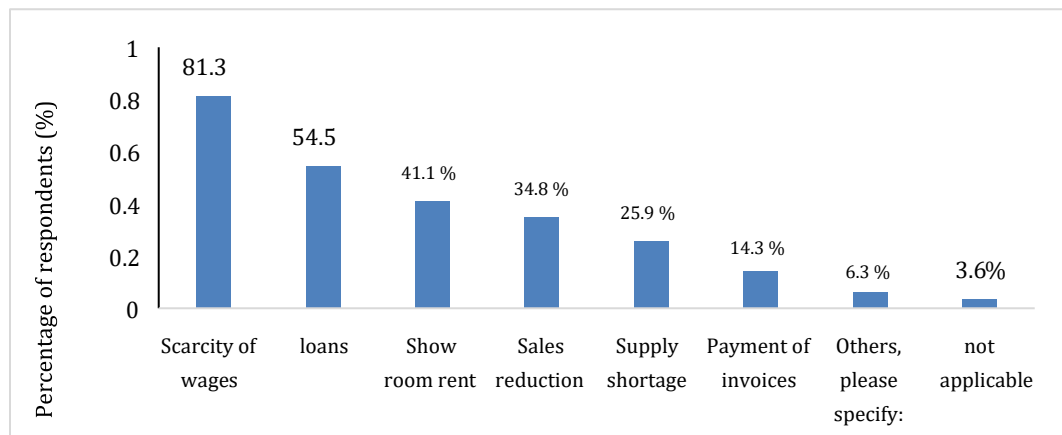


Figure 5: Significant problem(s) of business

F. The ability to operate businesses during the Covid-19 outbreak

In light of the pandemic related situation, we asked those who were still able to run their businesses regarding how long they expected to be able to do so. Only 6.4% of firms were confident that they could continue their operation for a year or more. On the other side of the spectrum, around 13.8% could continue their operation for less than a month from the survey period. This reiterates the vulnerable and volatile state of the SMEs. These findings underscore the vulnerable and volatile state of SMEs during the pandemic, reflecting the challenges they faced in maintaining their businesses amid the uncertainties and disruptions caused by the outbreak.

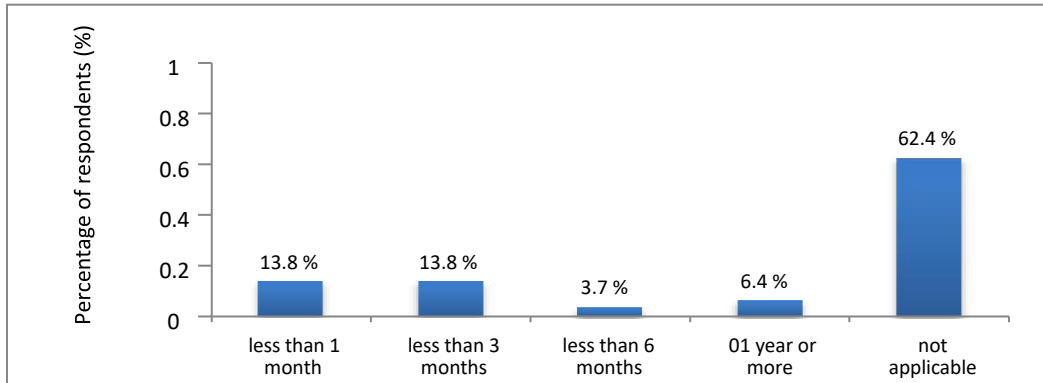


Figure 6: Ability to run the operation of the business

G. Measures implemented to fight against the pandemic

More than 77% of businesses had to postpone their operation to combat the pandemic as sales were insufficient to cover the daily operating costs. And the second largest percentage of respondents (17%) had to lay off employees to deal with the pandemic. 16.1% of businesses tried to survive by taking out a loan. Regrettably, more than 6% of businesses were forced to close their showrooms to deal with the pandemic. These measures reflect the difficult decisions businesses had to make to mitigate the financial strains and uncertainties brought on by the pandemic.

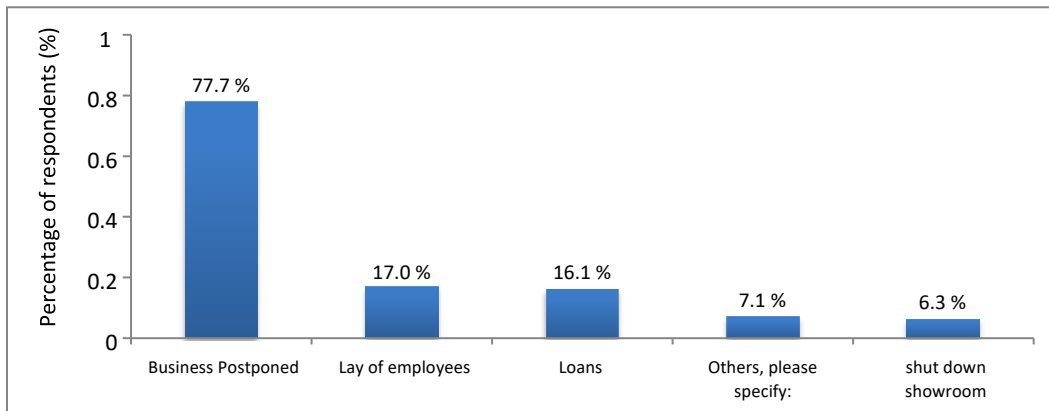


Figure 7: The steps taken to fight against the pandemic

H. The most effective measures to confront the pandemic

Most of the firms were going through financial turmoil due to the pandemic and the majority of them (86.6%) agreed that government initiatives would help to mitigate their challenges. In addition to this, being granted a loan could also be a favorable option for them, as around 70% respondent reported it. Among the remaining respondents, 39% requested for interest rate deduction, 36.6% requested an extension of their existing loans, and 15% stated that a tax decrease would be a big relief. The data emphasizes the critical

role of government interventions and financial support in helping businesses cope with the financial turmoil brought on by the pandemic. Loan grants, interest rate deductions, loan extensions, and tax reductions emerged as the most effective measures to confront the economic hardships faced by businesses during this unprecedented crisis.

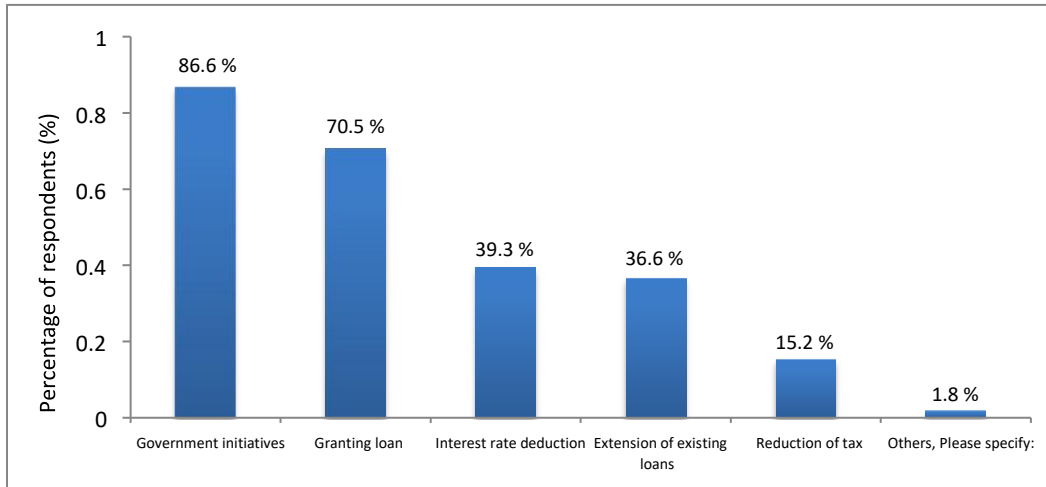


Figure 8: Most effective measures to face pandemic

I. Total profit expectation of businesses in 2020 compared to 2019

In 2019, 50% of respondents reported that their profit was more than 1 lakh. And 27% said that they experienced lower than 1 lakh profit. Apart from that, 12% of firms got less than 50 thousand BDT and 10% gained less than ten thousand BDT. Regardless of how much they earned in 2019, the majority of respondents stated that their profit will decrease in 2020, but most of them have no idea how much. 16.1% of them are projecting half of their profit will decline in 2020 and 70.5% are projecting declining profit, however, they are not certain about the amount of decline. 6.3% of business owners are optimistic about their profits increasing and the pandemic scenario getting better, but they do not know by how much. When things return to normal, 2.7% of businesses expect a 50% boost in profits. The data indicates a widespread expectation of decreased profits for businesses in 2020, reflecting the substantial impact of the pandemic on financial performance. Despite some optimism for potential improvements in the future, the majority of respondents were uncertain about the specific outcome, illustrating the prevailing uncertainty and challenges businesses faced during the pandemic.

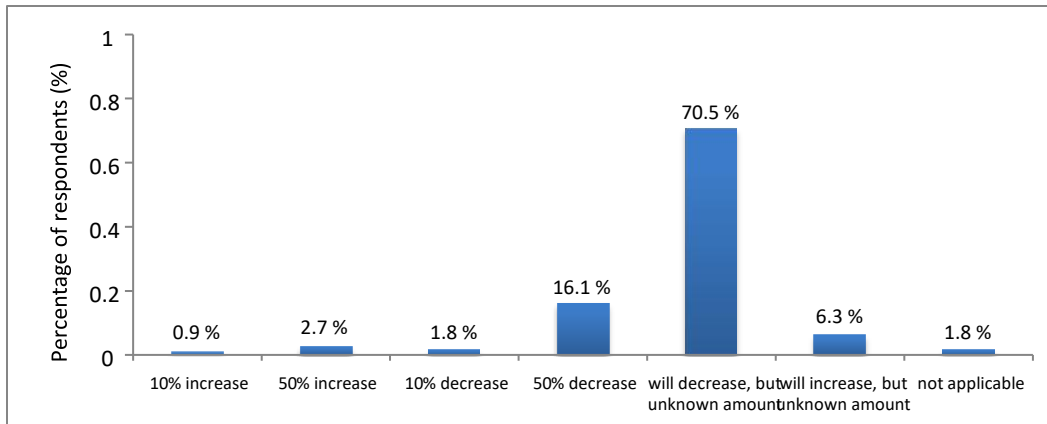


Figure 9: Total profit expectation of businesses

K. The capital amount of businesses

We have divided our respondents into three categories according to their capital: less than 10 lakhs, 10 lakhs to 75 lakhs and more than 75 lakhs. About 55% of entrepreneurs have capital equal to less than 10 lakhs, while 34% have capital ranging from ten to seventy-five lakhs. Among all the firms, only 11.6% of them have more than 75 lakhs in capital.

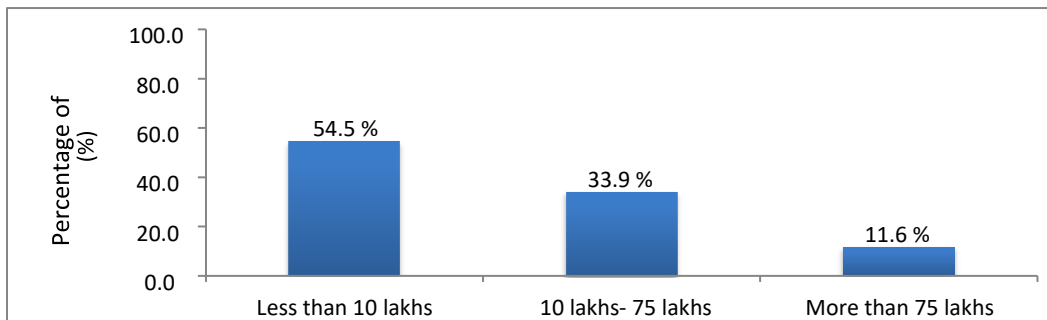


Figure 10: The amount of capital

L. Number of employees at the end of 2019

The abovementioned figure shows that around 57% of firms have fewer than 15 employees. And 15% reported that they have employees between the range of 16-30. Aside from this, the rest of the firm confirmed that they had more than 30 employees at the end of 2019.

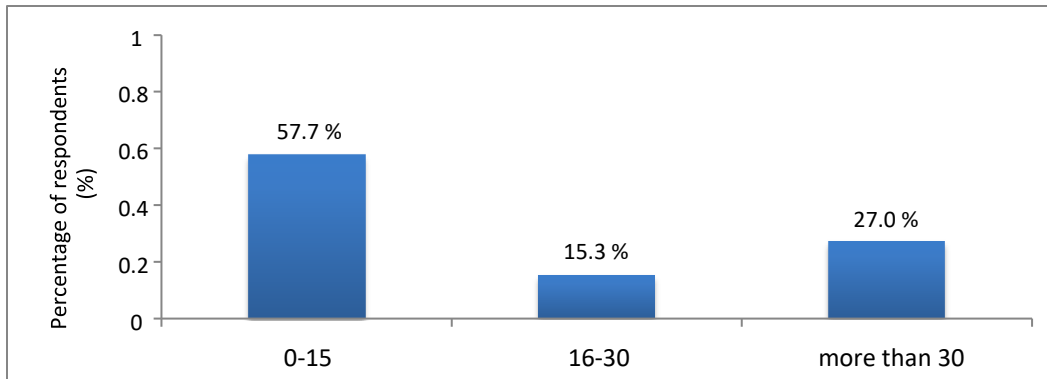


Figure 11: Number of employees of business

M. Psychological condition of the business owner regarding the pandemic

The sentiments of respondents toward the pandemic are depicted in the graph below. Undoubtedly, almost everyone expressed anxiety. The COVID-19 pandemic has created a lot of anxiety in their lives, as reported by 78% of respondents. Along with this, 17% said they were anxious in some way. Only a slim figure of 3.7% said they are not concerned at all. The data reflects the widespread anxiety and concern among business owners during the pandemic, highlighting the significant psychological toll the crisis has taken on this group.

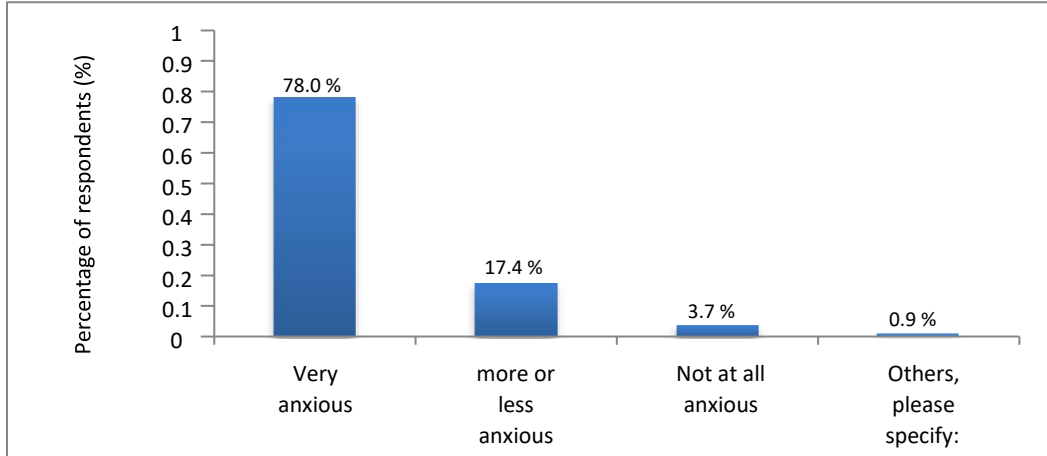


Figure 12: Psychological condition of the business owner

Conclusion and Recommendations

The impact of COVID-19 on SMEs and the problems they face during shutdowns are described anecdotally in the article. According to our findings, COVID-19 has had a notable impact on SMEs, with consequent heterogeneity in effects across industries and locales. By providing descriptive survey results, our research helps to understand what SME owners were thinking and feeling during the epidemic's early phases. According to

the studies, the third-fourth of the surveyed enterprises were closed, and a significant portion of the overall workforce was unable to report to work because of the lockdown. According to the findings, the most crucial problem for the enterprises was paying labor costs and other operational expenditures (energy bills, security charges, etc.), whereas small and informal businesses were seeing large declines in sales. Furthermore, only 6.4 percent of businesses were confident in their ability to operate for a year or longer. Thus, more than 77 percent of firms were forced to postpone operations to combat the pandemic because sales were insufficient to support daily operating costs, resulting in a significant drop in revenue and profit. Although one-fourth of the surveyed population were able to operate their businesses, the majority of them failed to ensure employee attendance owing to the pandemic. This study, thus, looked into the impact of the pandemic on the SMEs, as indicated by the research questions. Moreover, the owners of the enterprises are under a lot of mental strain as a result of this horrible circumstance. Furthermore, our research has certain methodological flaws, such as reporting biases throughout these unprecedented times, seasonality, and a lack of heterogeneity in terms of sex, among others, in our sample. As a result, we cannot declare with certainty that our findings are indicative of the entire SME sector. The informal sector is a major generator of our economy, and small and medium businesses are critical in maintaining our growth momentum and reducing inequality in the long run. In conclusion, we need comprehensive and inclusive initiatives to assist such businesses in their post-pandemic recovery process and ensure that no one falls behind.

This study shed light on the scenario that the female-led SMEs went through. Since the sample was derived from the directory of female SME entrepreneurs, it suffices to say that the gender aspect of the pandemic hit SMEs was captured adequately through his study. Furthermore, regardless of the scope, it is mandatory to collect data during shocks such as the pandemic. While the sample size of this study has been quite small, the study conducted was a dataset collected during the first wave of the pandemic, marked by the initial lockdown period. The study has not conducted any econometric exercise, which remains the subject of further research direction. Moreover, future studies should be conducted collecting regular data on SMEs, especially female-led ones, to capture their positions during various shocks. As mentioned before, our research has certain methodological flaws, such as reporting biases throughout these unprecedented times, seasonality, and a lack of heterogeneity in terms of sex, among others, in our sample. Future studies should look forward to dealing with these issues.

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Annex- Questionnaire- 1:

1. Whether or not the business was open from January 20 to May 20
2. Because of the epidemic, what is the percentage of your employees who are unable to come to work in your business?
3. Please choose the reason why your employees were absent during the outbreak.
4. If your business were not in operation, then what is the reason?
5. Please choose the most significant problem(s) for your company during the outbreak.
6. How long will your company be able to run the operation?
7. What are the steps you have taken to deal with the Corona Pandemic?
8. Which measure(s) do you believe will be most effective for your company in the face of epidemic corona?

9. Total profit of your business in 2019.
10. The amount of capital and assets of your business.
11. How many employees did your company have at the end of 2019?
12. What is the psychological condition of the business owner regarding the pandemic?

Annex-Profile of the Enterprises- 2:

The enterprises (respondents) have selected from the SME women entrepreneurs' directory second edition. The profile of the enterprises (respondents) have found in the following link-

https://smef.portal.gov.bd/sites/default/files/files/smef.portal.gov.bd/files/252493e4_b7e14a21_a6c8_0c4311c478c2/sme_entrepreneur_women_directory.pdf