

Rapid Response Research to COVID-19

The Effects of COVID-19 on Small Firms: Evidence from Large-Scale Surveys of Owners and Employees

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Background

Aim

Understand the current situation of the SMEs and their workers compared to the pre-COVID19 situation in Bangladesh

Focus

- Light Engineering (LE) firms

The research team previously evaluated a BRAC intervention with LE firms using a large-scale RCT in 2017 and we surveyed all LE firms in our RCT

- A small sample of other types of SMEs

provided by BRAC Bank

Survey on Enterprises: Profile

Survey Period

July 14-23, 2020

Survey Method

Phone interview

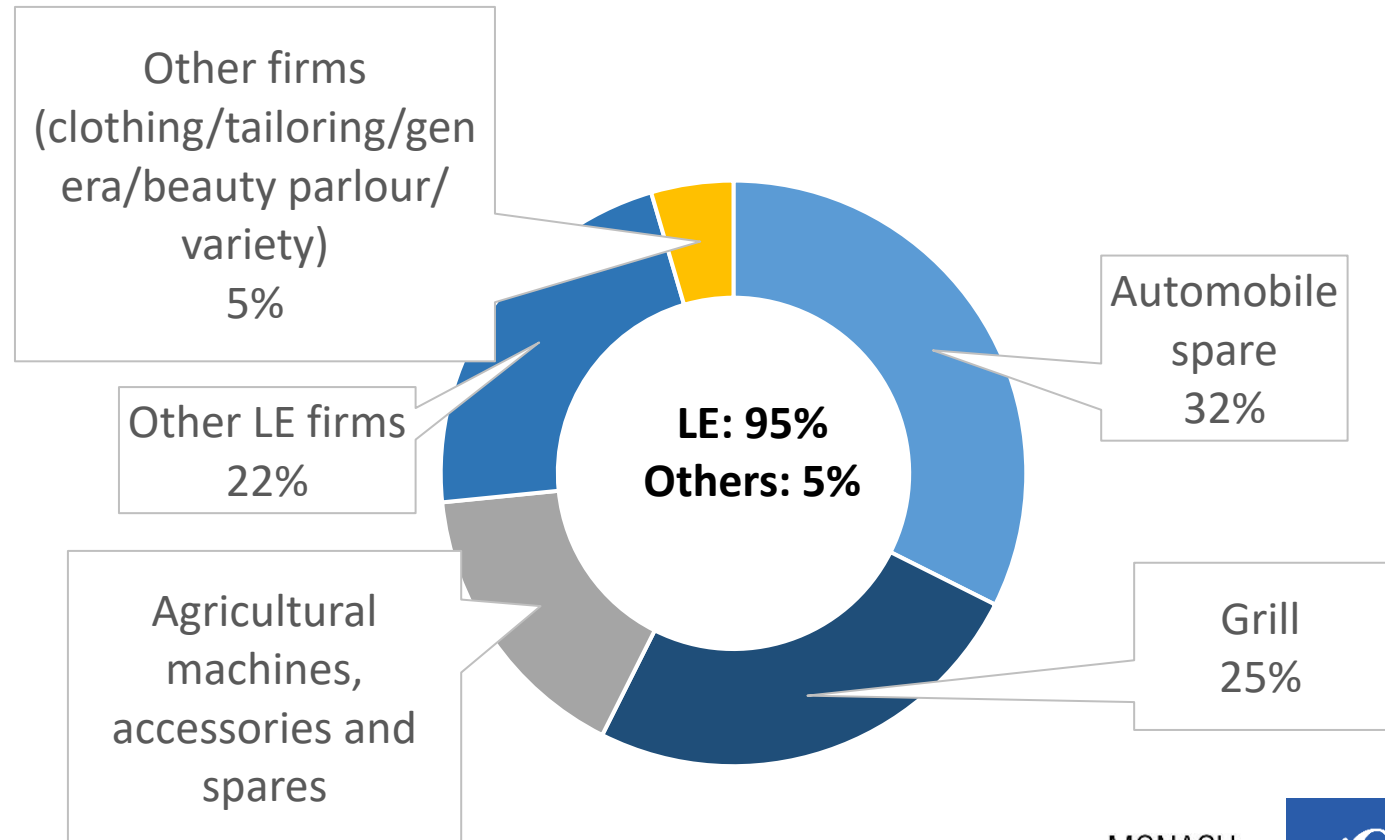
Successful Sample

1960 out of 2374 LE Firms and other SMEs

Respondents' Sample

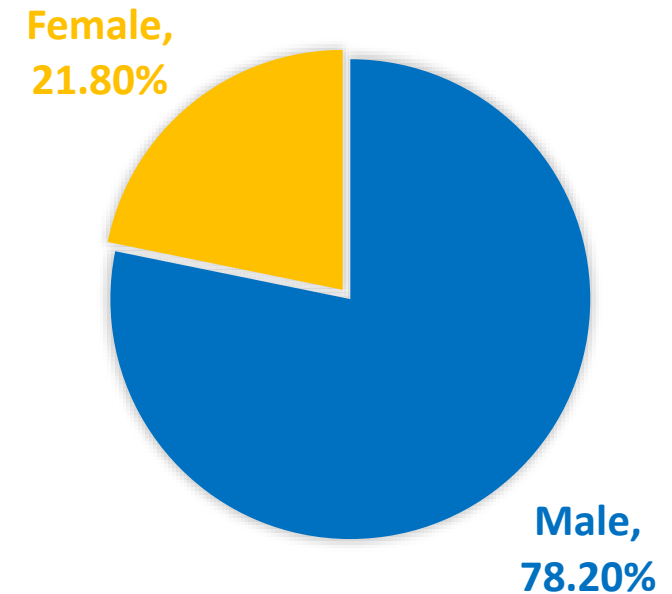
Male respondents: 99.13%
Average age: 42 years

Sample: % of LE and other types of SMEs



Survey on Workers: Profile

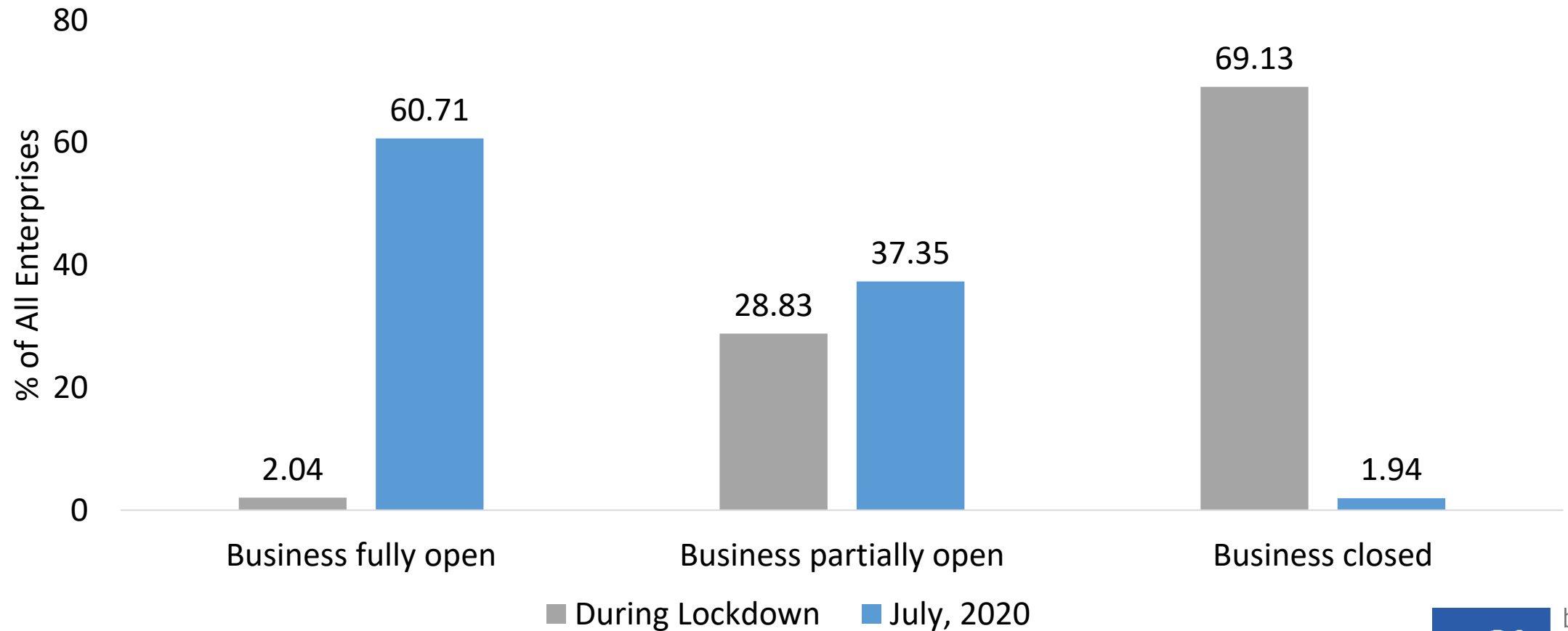
- In addition to the enterprise owners, we surveyed a group of BRAC's trainees on LE sectors and selected youths for BRAC's training
- We successfully interviewed 1014 out of 1652 youths
- Out of 1014, 798 (79%) trainees were employed in February
- Average age: 23 years



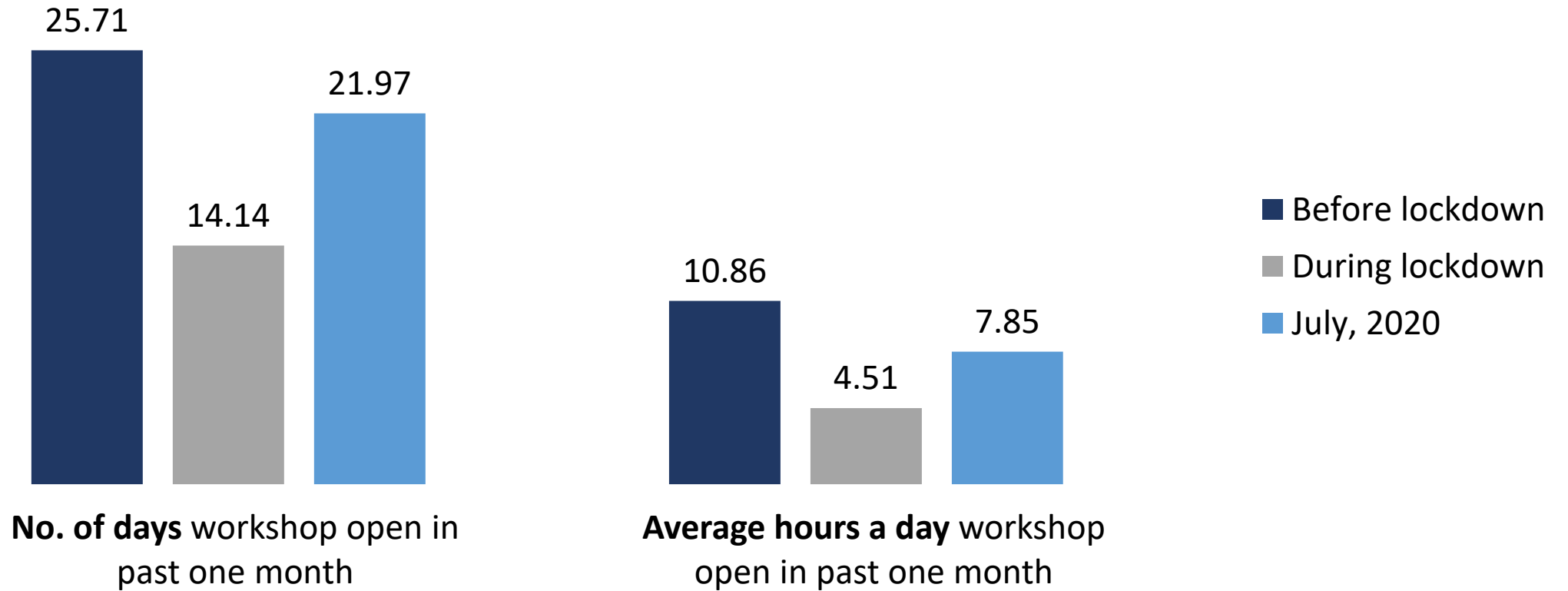
Enterprises

Business Operation Status

One-third of enterprises were partially open in July 2020

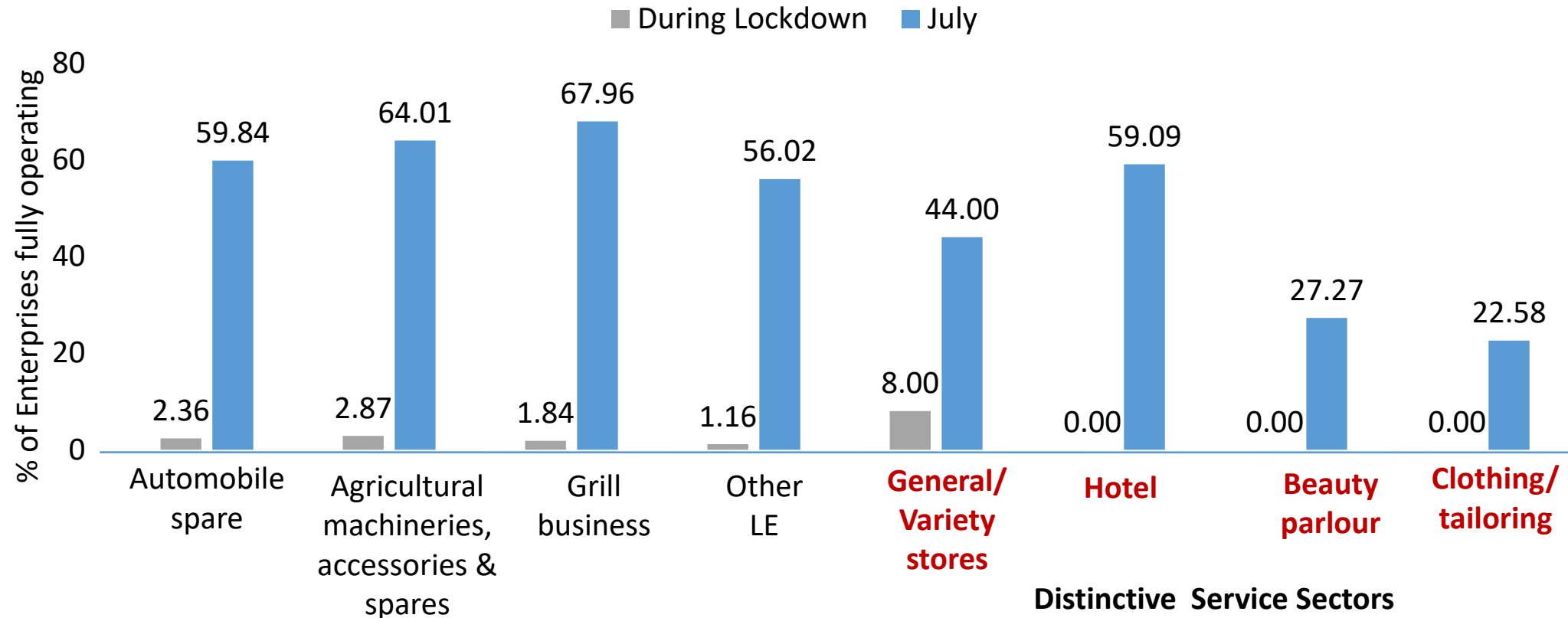


Business Operation Status (Cont'd)



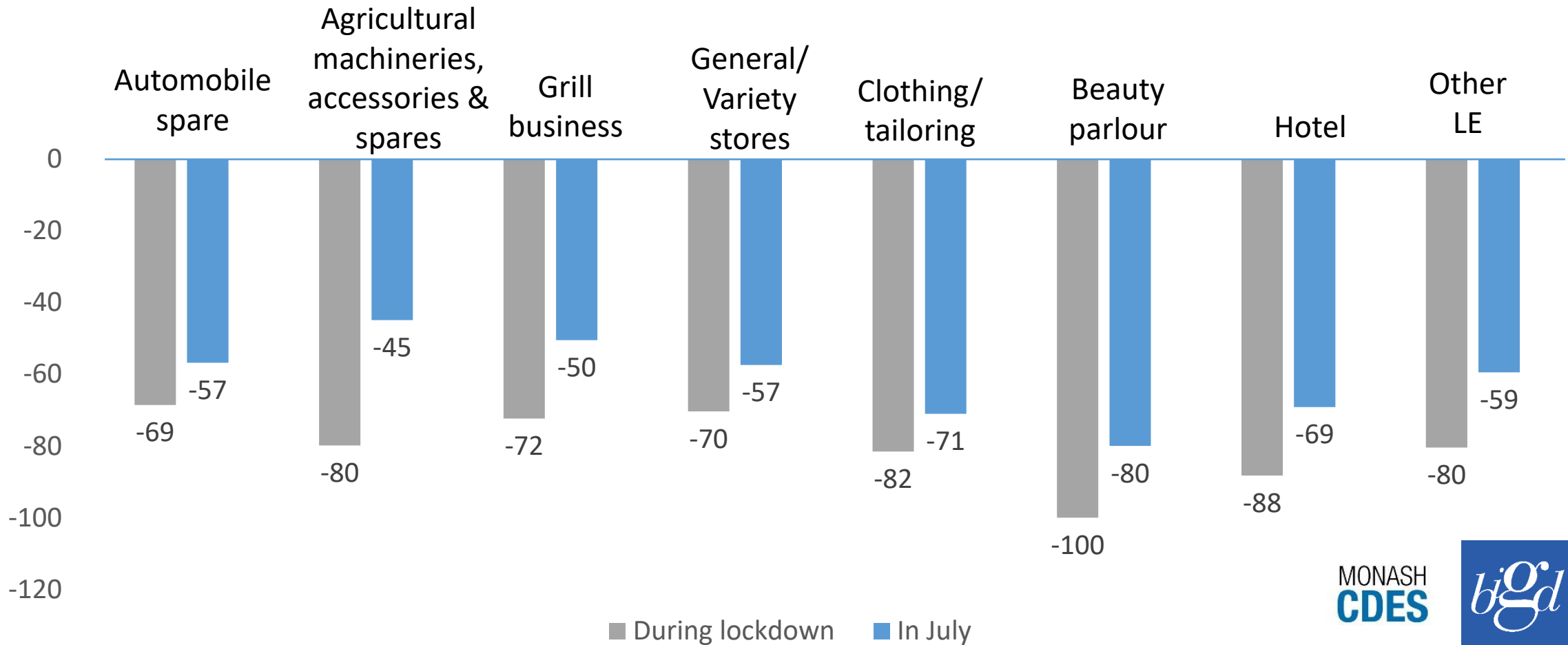
Business Operation Status by Enterprise Type

Distinctive service sectors are less likely to operate at full capacity after the lockdown



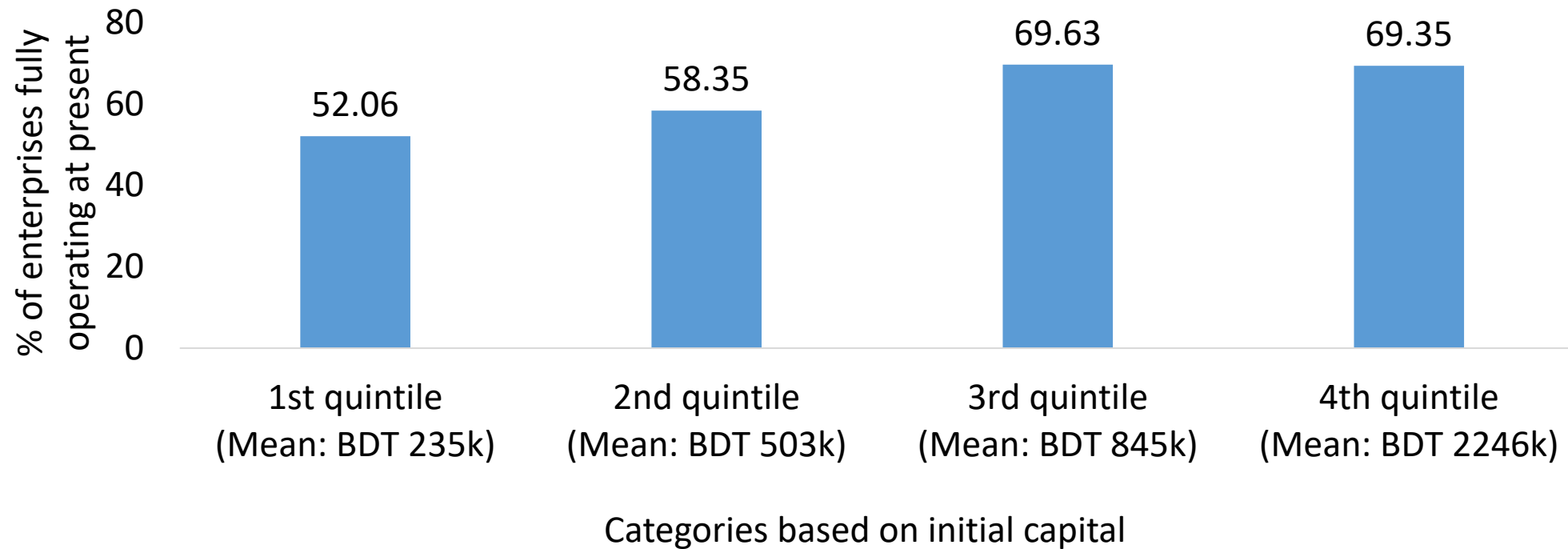
Drop in Sales by Enterprise Type Relative to Pre-COVID19

Distinctive service sector (where interaction is essential) are facing severe drop in sales



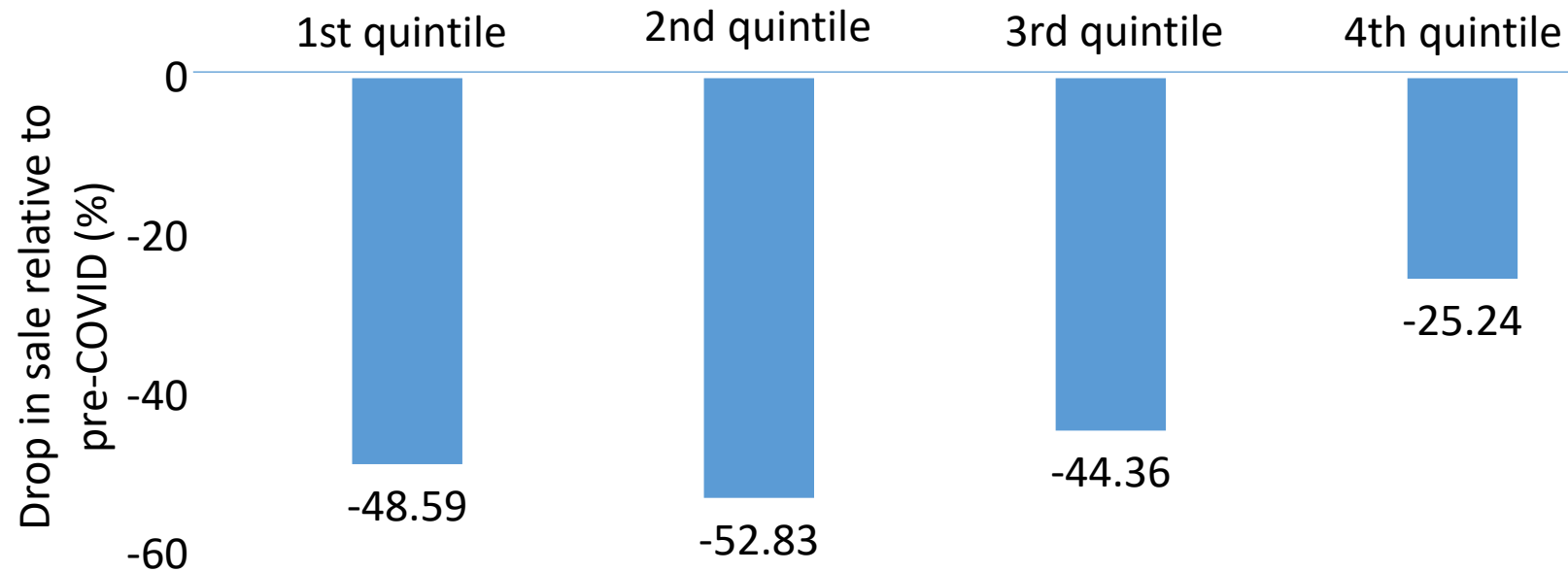
Current Operation Status by Initial Capital of LE Firms

Poorer owners are less likely to operate their business at full capacity



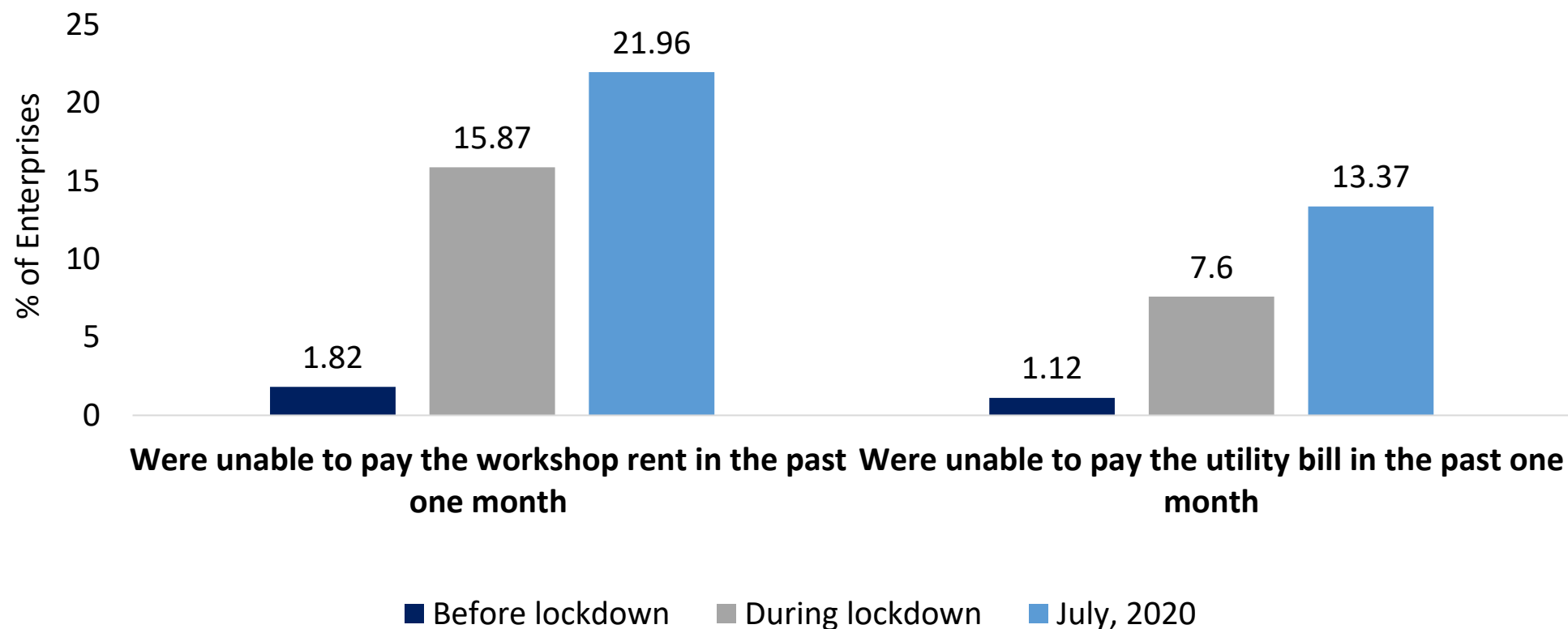
Drop in Sales relative to pre-COVID by Initial Capital of LE Firms

Poorer owners are facing severe drop in sales after the lockdown

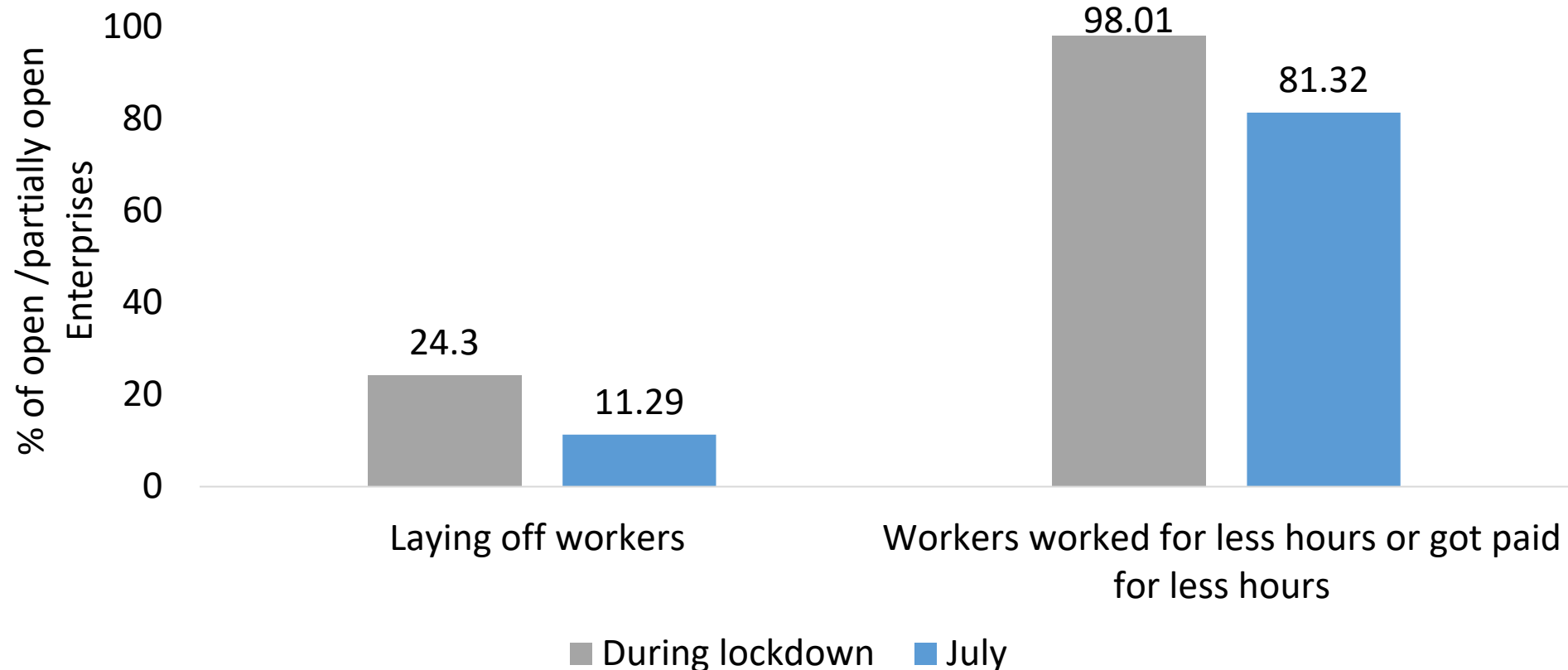


More owners are unable to pay rent and utility in July

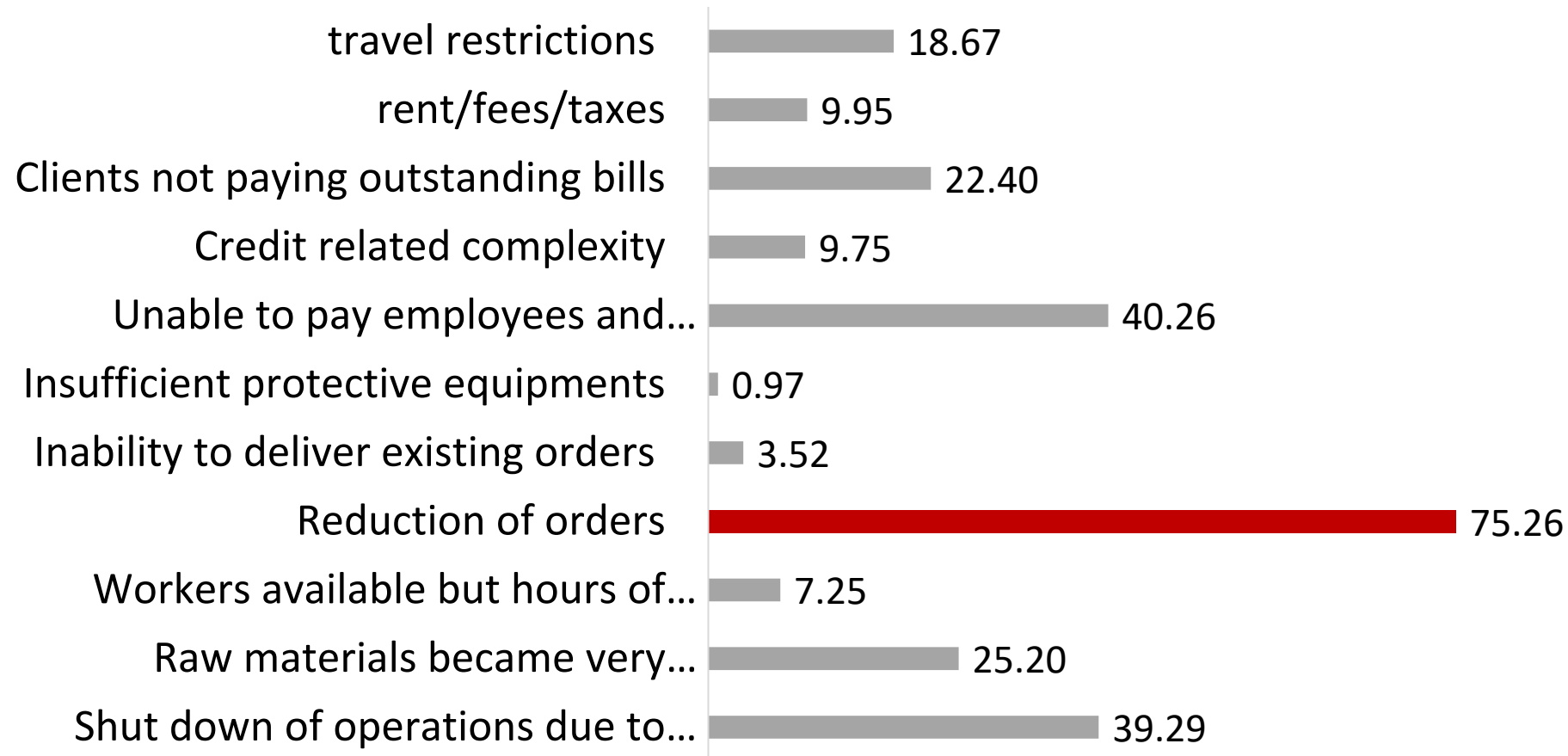
Sales drop is **15 percentage points higher** for those who were unable to pay rent compared to those who paid rent



Consequences on Hired Workers of open/partially open enterprises



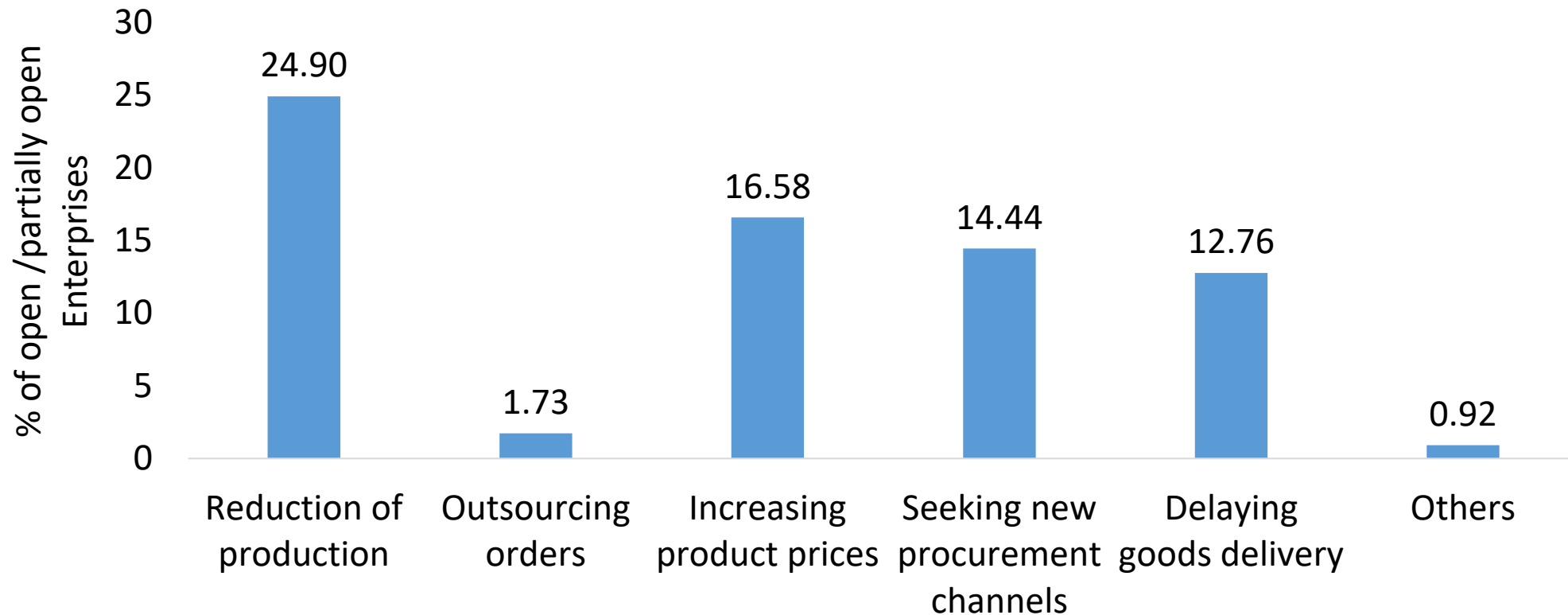
Disruption/Extreme Disruption Faced During Lockdown



% of All Enterprises

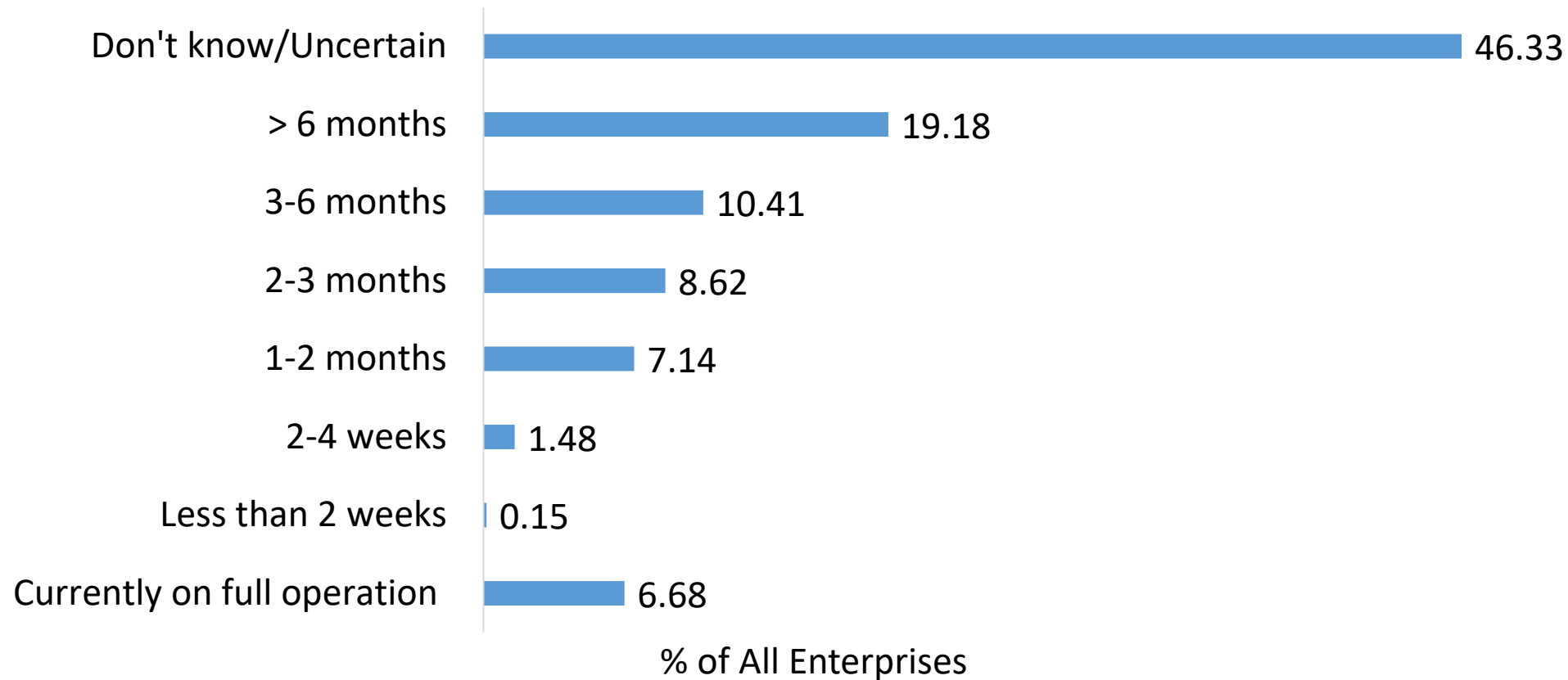
Coping with the Shortage of Raw Materials After Lockdown

61% of the enterprise owners reported to have shortage of raw materials after lockdown



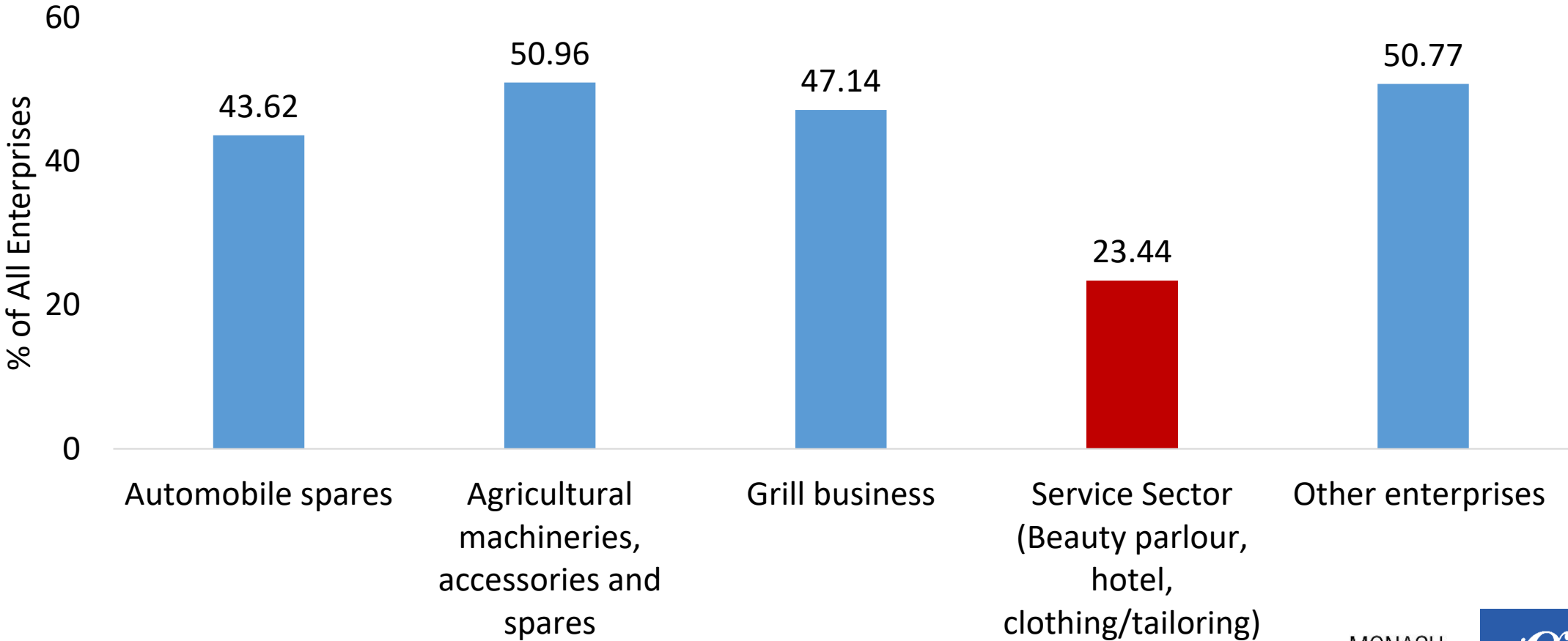
Time Required to Resume Full Operation

75% of all enterprise owners are highly worried about the future of their business



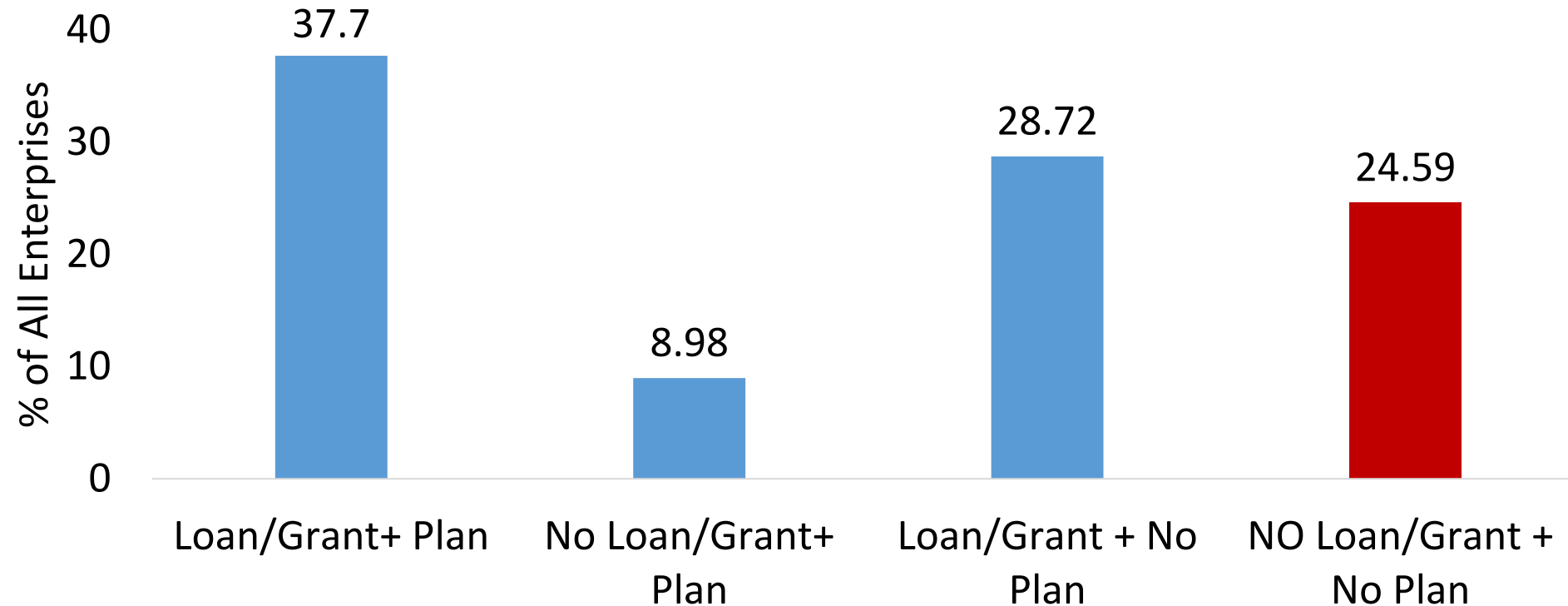
Access to Business Loans/Grants to Support Business Recovery

47% of the enterprises have access to loan/grants to support business recovery



Recovery Planning

One-fourth enterprises have no access to loan and no plan for business recovery



Government Support

3 Months time gap between Bangladesh Government's declaration of stimulus package for SMEs and Our survey

1226 out of 1960 enterprises (**63%**) know about the package

65 out of 1960 enterprises (**3%**) applied for the support

1 out of 1960 enterprises received the support

1000 out of 1960 enterprises (**54%**) don't know how to apply

Which Enterprises Applied for Govt. Support

- Were more profitable during the pre-COVID
- Were open during lockdown
- Have higher amount of current sales

COVID-19 Symptoms

Workers of **service sectors** are more likely to have any of the COVID19 symptoms

Symptom during last three months	Anyone in the workshop (% of workshop)	Owners' HH member (% of workshop)
Automobile spare	23	26
Grill business	30	34
Agricultural machineries, accessories and spares	26	34
Service sector	33	39
Other enterpries	26	36

Are the business closed because of workers' / owners' COVID19 symptoms ?

There is **no significant correlation** between openness of the enterprises and workers having any of the COVID19 symptoms
i.e. fever, cough, shortness of breathing

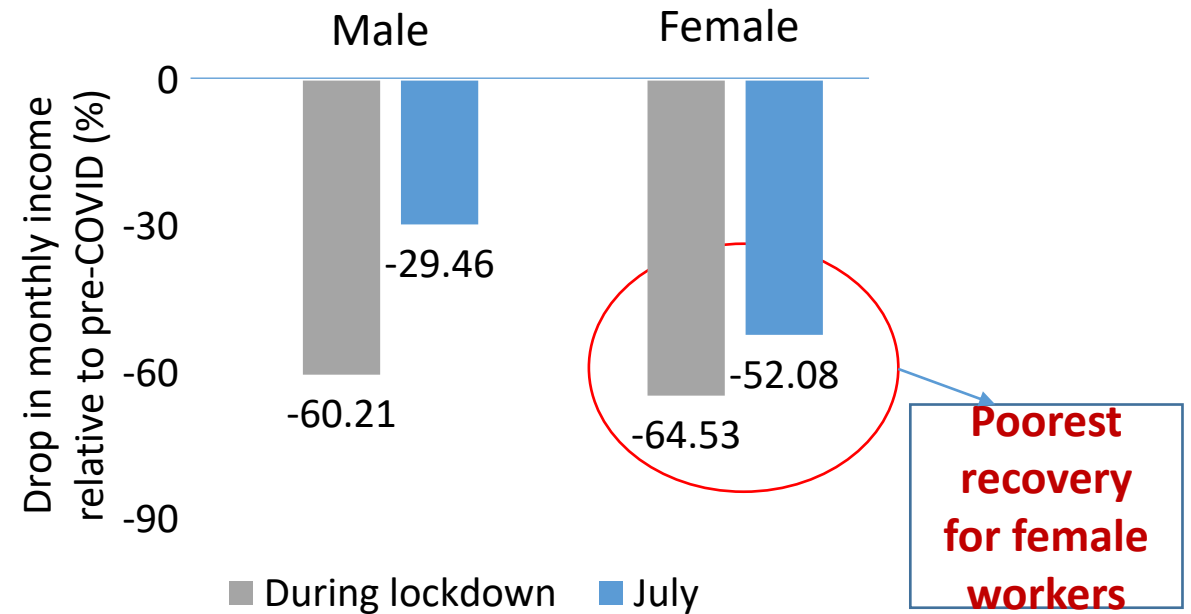
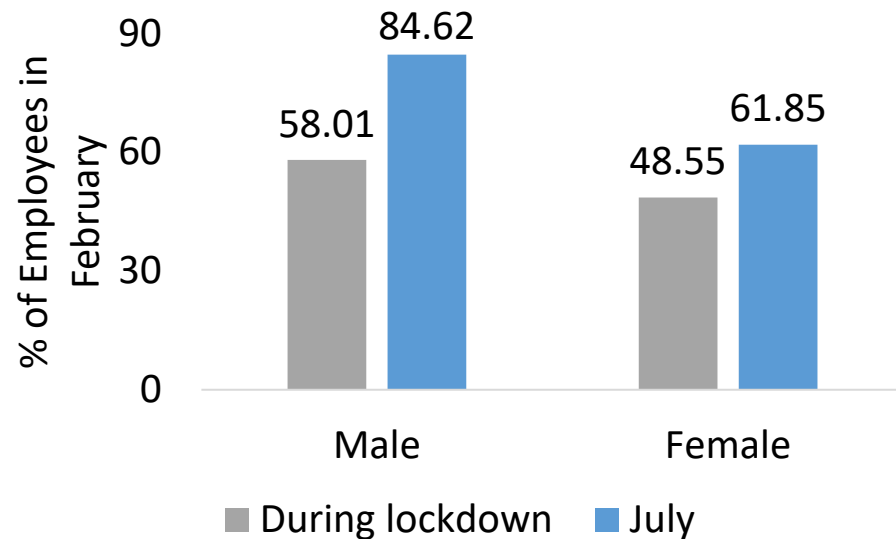
Intervention Recipient Vs. Non-Recipient

- **Intensive training on occupational health and safety and financial linkage** to a group of the surveyed owners by BRAC in 2017/18
- **Before lockdown (Feb,2020)**
Intervention recipient owners were making **14% higher profit** compared to non-recipient owners
- **During lockdown**
As most of the enterprises were closed during lockdown, intervention recipient **did not make more profit** compared to non-recipients
- **After lockdown,** intervention recipients making **double profit** compare to non-recipients

Workers

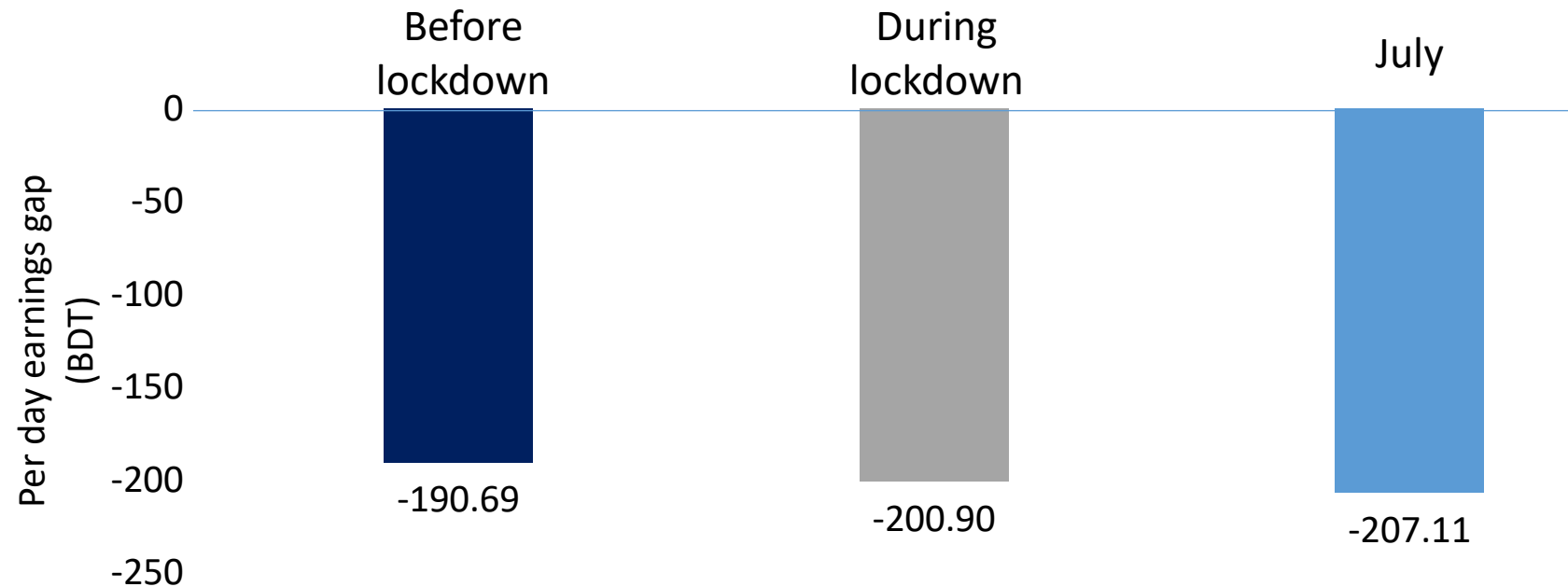
Workers' Employment Status and Income Drop Relative to Pre-COVID

Female workers are losing jobs and are less likely to return to work after lockdown



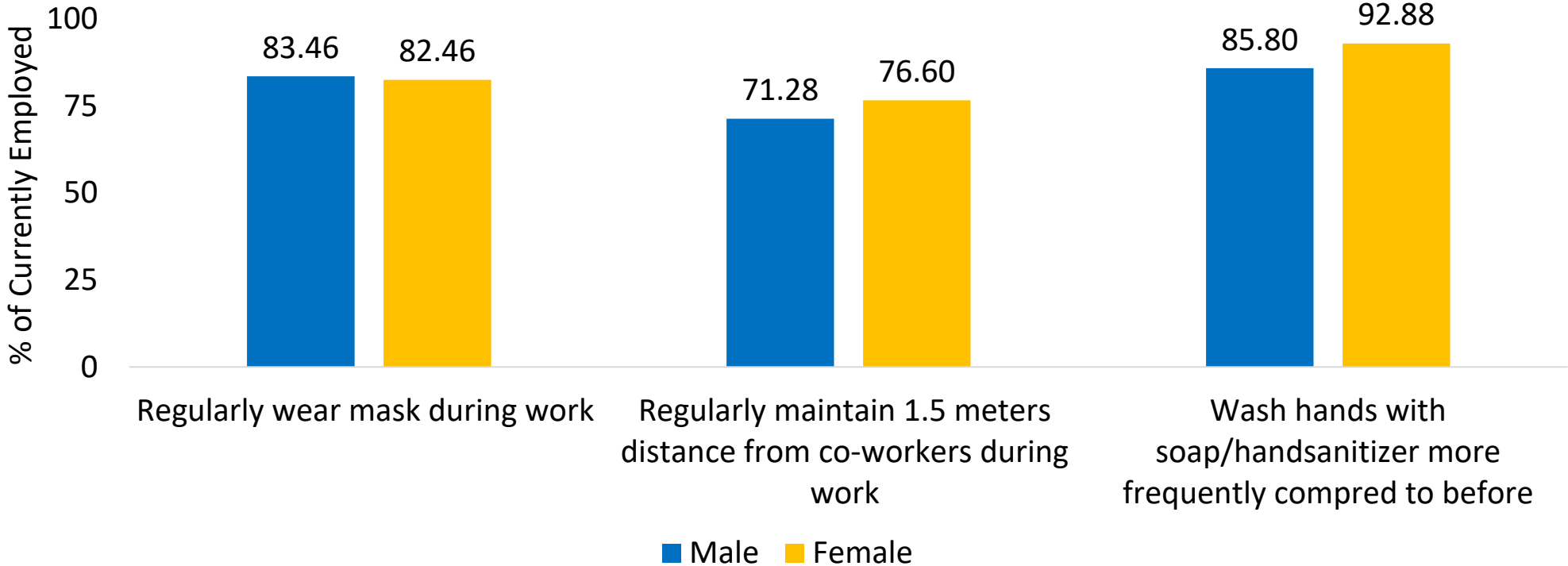
Per Day Earnings gap (Female-Male)

Gap is **widening** because currently **employed female are working more days** compared to their male counterparts



Maintaining Health Guidelines at Workplace

Female workers are more likely to wash hands more frequently

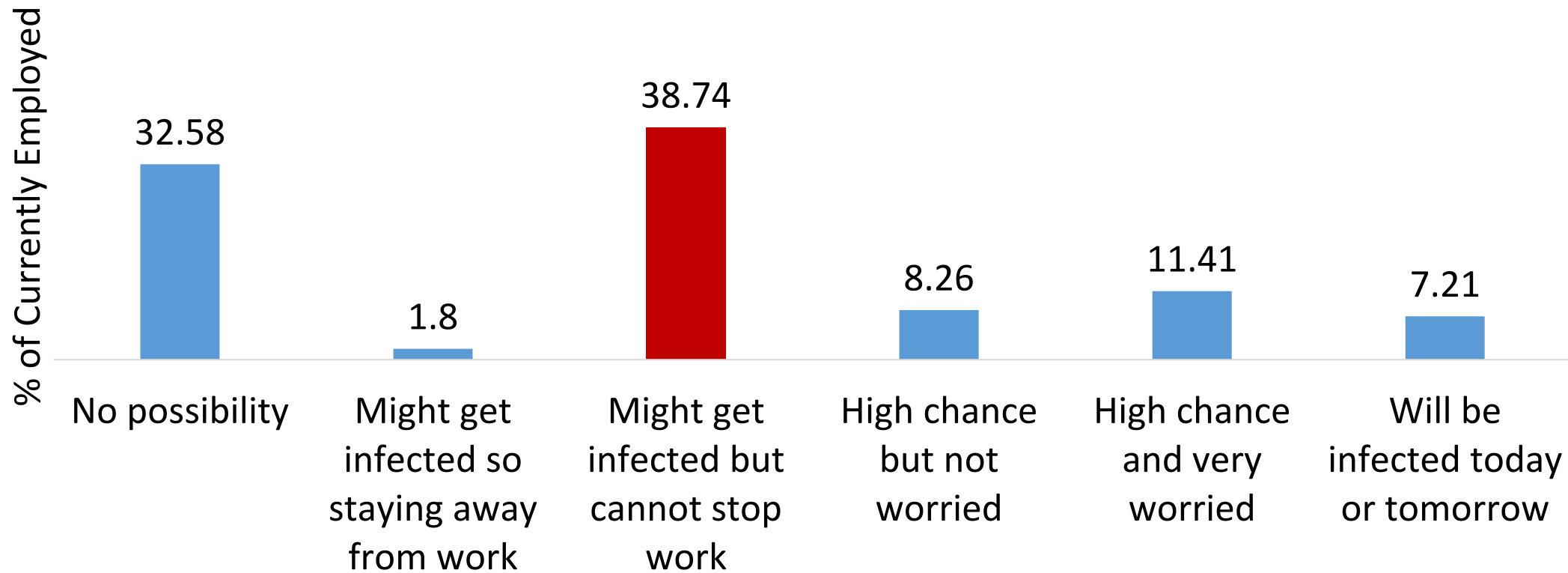


COVID-19 Symptoms

24% of the current workers reported that anyone at their workplaces had symptoms i.e. fever, cough, shortness of breathing in the last one month

Workers' Perception of being Infected by COVID19

There is risk to get infected but earning livelihood is first priority



Conclusion

- Enterprises are struggling to earn profit after the lockdown
- Fragile service sectors where social distance is difficult to maintain
- Poorer enterprises are at greater risk
- Cutting down the production to cope
- Limited access to formal financial support
- No access to the Government support package
- Female workers are at greater risk

Next Steps

- Link this data with the benchmark data (i.e. endline survey of the RCT study)
- Conduct further two rounds surveys to explore the coping and recovery dynamics of these firms

Get in Touch

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