



Policy Brief

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HOW RESILIENT ARE FEMALE ONLINE ENTREPRENEURS?

FINDINGS FROM THE COVID-19 SHOCK

1. INTRODUCTION

COVID-19 is putting all businesses, big and small, in danger of bankruptcy. From large retailers, such as JC Penny in the United States, to road-side vendors in Bangladesh, the effect of COVID-19 is felt sorely by all entrepreneurs. Bangladesh has been in lockdown from 26 March 2020, with markets gradually opening from 10 May 2020.

According to a 2013 United Nations Development Programme (UNDP) report on the resilience of micro, small, and medium enterprises (MSMEs) in the face of a disaster, MSMEs are especially vulnerable to shocks as they have a narrower range of coping mechanisms available. In Bangladesh, most micro and small enterprises operate within the informal sector, with limited access to formal

financial services. Working with a small capital and a few employees and no insurance or risk management capacity, these businesses cannot afford a prolonged disruption in operations.

In these hard times, businesses are facing multiple challenges. COVID-19 has brought a breakdown of supply chains. According to news reports, the country's online business industry first started fearing the effects of COVID-19 in early February, expecting delays and disruption in shipment from China (Ovi & Shawki, 2020). However, the major upheaval took place in early April when online orders took a plunge (Hossain, 2020). While online platforms selling daily essentials and health products, such as masks and sanitisers, saw a rise in their sales, sellers of fashion, IT services, cosmetics, and other imported products took a hard hit.

Entrepreneurs have a tough job in hand—juggling workforce, liquidity crisis, and supply chain management, along with the uncertainty of the nature and tenure of the crisis. Not only is this a temporary shutdown, but COVID-19 is also going to permanently change the way many businesses operate, which means entrepreneurs have to revise their business plans in many respects, focusing on technological transformation.

Online businesses are a particularly interesting sector; because these are enterprises that are paving the future of small enterprises in Bangladesh, creating opportunities for home-based entrepreneurs to connect to local and international supply chains. In Bangladesh, there is a large number of online entrepreneurs, mostly women, who use social media platforms to sell products. How resilient are these businesses? In this study, we focused only on female online entrepreneurs who operate on Facebook to investigate how they cope with the COVID-19 shock and what strategies they use to sustain their businesses.

Like all businesses, these women are facing a grave challenge of sustaining their activities. While they are facing some unique challenges, there are also possible advantages. Online shopping is now the most favoured mode for shopping among urban populations, as it allows for social distancing and minimises

human contact. With low overheads, these businesses can scale down significantly for a short time. If supply chains are ensured, there is no barrier to marketing and selling online, even when physical markets and shopping outlets are closed.

So how will COVID-19 affect these businesses? There are a few different hypotheses, which we want to investigate through this research: a) businesses with low overheads can quickly shut down, with entrepreneurs moving to other employment options; b) businesses can stay inactive during the lockdown and resume as soon as the economy opens; c) businesses can scale down temporarily with fewer employees and scale up again when the economy opens; or d) businesses can switch to selling essentials which are in demand now, leading to a growth in business.

2. METHODOLOGY AND SAMPLE

In line with our particular interest in micro and small enterprises owned by women, we selected 122 Facebook pages managed by women in Bangladesh. The sample does not include e-commerce platforms. The sample was selected primarily by web search and snowballing (targeting non-essential products with a predominantly female customer base), using Facebook's automated suggestions of similar pages. We reached out to 200 pages, of which 122 participated.

The survey was conducted over a week, starting from 14 to 21 April. The online questionnaire (with both Bangla and English options) took about 30 minutes to fill out. Researchers communicated with respondents through Facebook Messenger to introduce and explain the purpose of the research and take informed consent. Ethical considerations were ensured with the assurance of strict confidentiality of identity and sensitive information (such as sales and revenue information), the choice to opt-out of the survey at any point, and skip questions that respondents were not comfortable to answer. Given the impersonal nature of the survey (compared to our usual face-to-face or

phone interviews), respondents had the choice to converse with researchers and ask questions and also receive the survey by email instead of Facebook to ensure cybersecurity.

We also collected data publicly available on each page, such as the number of followers (an indicator of market size), reviews (market standing), and latest posts (last sales). The survey will be repeated three times by July 2020 to track the outcomes of these enterprises.

The following table shows the types of products sold by the enterprises in our sample.

Table 1. Types of products respondents sell

Product categories	Frequency	Percentage
Books/Stationary	7	5.74
Clothing	59	48.36
Cosmetics/Make-up	13	10.66
Food	20	16.39
Gift product	5	4.1
Home decor	4	3.28
Jewellery/Watches/Accessories	14	11.48
Total	122	100

Although we purposely selected only female-owned businesses, 11.5% of the respondents have at least one male co-owner. About 88% of these businesses do not have any physical outlets, and 65% have no formal registration or trade license.

Businesses range in age, the number of employees, and the number of followers (see Annexe 1). The majority (80%) process/manufacture their products. Moreover, 25% are traders, simply buying offline and selling online. About 66% of the manufacturers make products with local raw materials only. Meanwhile, 13% are fully dependent on imported raw materials (see Annexe 2).

Furthermore, 39% of the businesses market their products only within their division of residence. And only 4% of them sell outside

Bangladesh. In the current scenario of localised lockdowns, it will be possible for most of these businesses to resume on a small scale if delivery services are functional.

The entrepreneurs are mostly young and educated (see Annexe 3). Of them, 80% are between the age of 21 and 35. For 57%, their online business is their main occupation. The rest of them are either home-makers or have another full-time job or business (see Annexe 4). For over 30% of the respondents, their online business contributes over 40% of their household income (see Annexe 5).

3. FINDINGS

3.1 Immediate Impact of COVID-19

On 25 March 2020, one entrepreneur posted on her page (translated):

“At this difficult time, I am mentally very disturbed. I cannot find the strength to work. I have invested so much money! For many, this may be a small amount, but for a small entrepreneur such as myself, this is a lot. My small workshop is full of products. I will wait until the 10th/15th [of April] and assess the situation. My delivery service is also closed. This is a financial and emotional drain for many businesses.”

The same entrepreneur posted again on 3 April 2020:

“May Allah help us all. May we be able to return to our old world. I am very depressed...I don't know if I can recover the investment I made for Pahela Baishakh and Eid. I don't know if I will survive, if I can pay my staff salaries. In this situation, I don't even know if it is appropriate to try and sell my products. I am asking for your help. Please help to keep our local products alive.”

It is obvious that COVID-19 has taken both a financial and a mental toll on online entrepreneurs. Given that COVID-19 coincided with peak season (Bangla New Year and Eid), for most of these businesses, the shock is expected to have multi-faceted long-term effects. When asked how they are affected, 95% of our respondents reported they were negatively affected, as expected. When asked about their revenue compared to the same time last year, 84% reported their revenue was lower.

For more than 18% of these businesses, the drop in revenue is between 91-100%, indicating a complete shutdown (Figure 1). And almost half of the respondents reported

a loss of revenue over 70%, indicating a near-complete shutdown. The effect does not vary by the type of products sold.

The impact of a shock on a business is likely to be linked to its size, location, and owner’s characteristics. Although it is still early to see the full impact of COVID-19, we find that businesses that have a higher number of employees and/or have a physical outlet are reportedly at a greater loss in April 2020 (Figure 2). This is logical, as rental costs and staff salaries are borne by these entrepreneurs, regardless of sales.

We explored other possible features, such as the number of followers, age of the business, and educational level of the owner, but there

Figure 1. Comparison of revenue with the same season last year

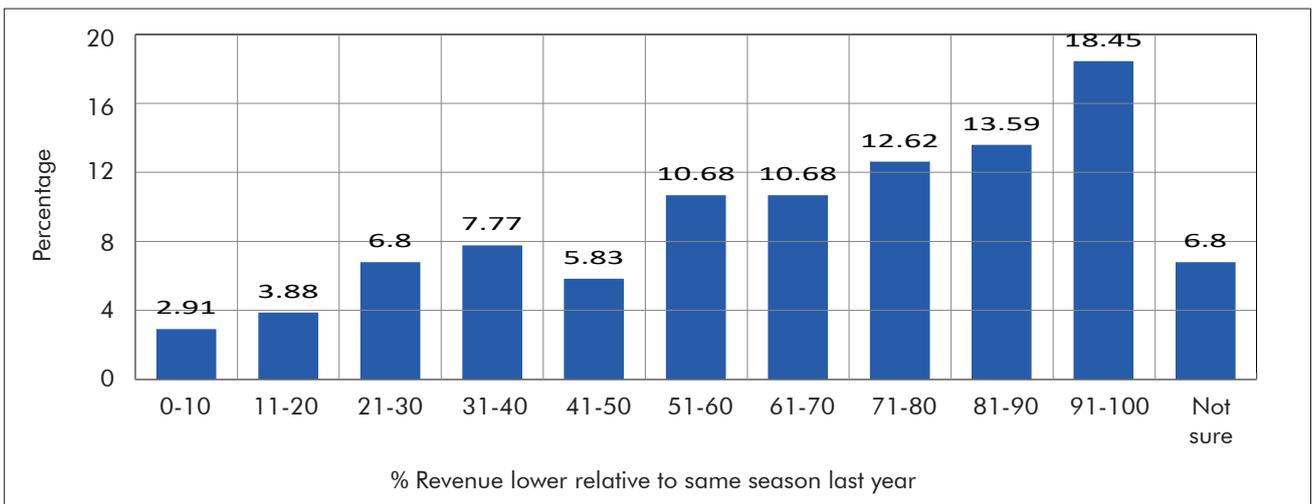
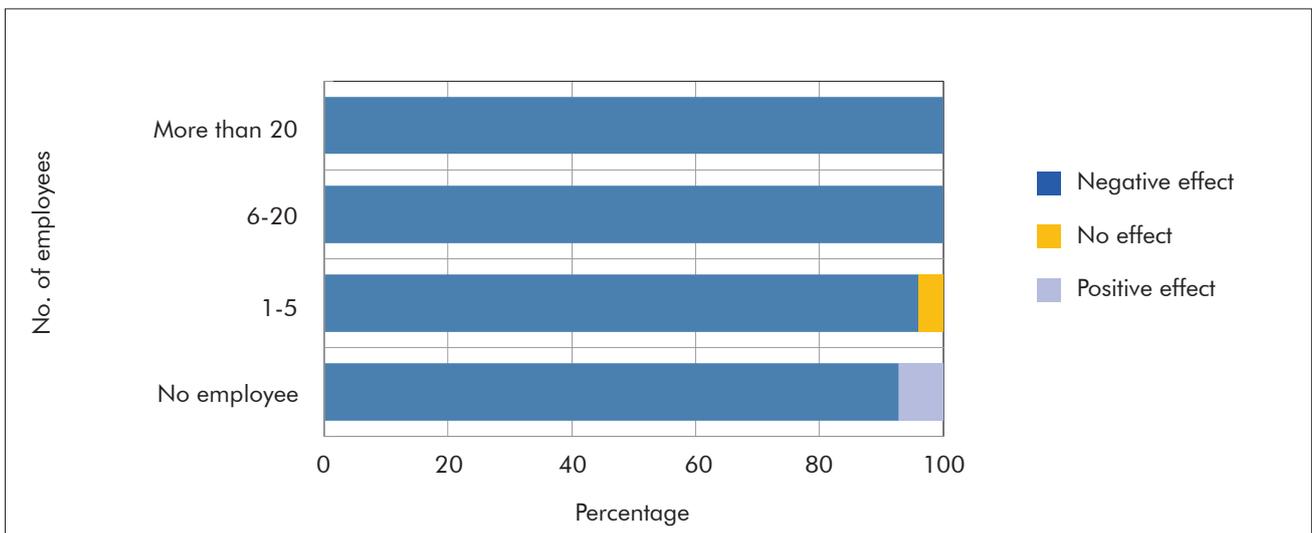


Figure 2. Impact on business by their number of employees



were no significant differences in the loss of business by these characteristics. The planned follow-up surveys will reveal further insights into the determinants of the resilience of these businesses.

3.2 Knock-on effects

“The factory where I get my work done, especially the screen print factory, earns by providing orders of people like me. This vendor has already suffered from the consequences of the Rana Plaza collapse and had to sell most of his belongings to clear his debts. Now during this lockdown, I’m afraid how he’ll be able to hold on to the rest. If they can’t survive, I’ll also face tremendous trouble to restart my work—if I’m lucky enough to pass this time successfully.” —An online entrepreneur

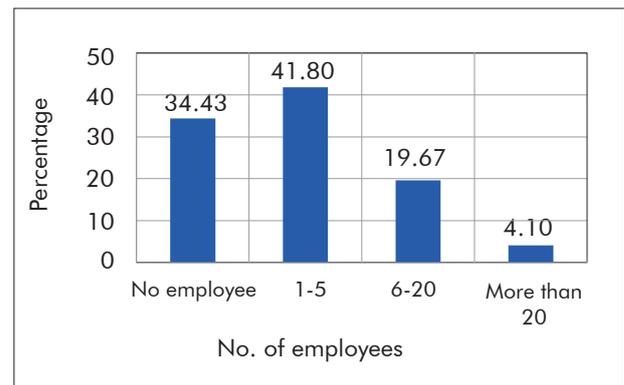
The reduction in sales of these businesses, however small, has knock-on (domino) effects on everyone linked to their supply chain. To get a sense of the direct knock-on effects of the slowdown of online businesses, we asked respondents about their direct employees and direct vendors. As evident from the above quote, a number of small local entrepreneurs are dependent on online businesses. When asked how many vendors they buy products from, 68% of our respondents reported buying from at least five vendors (see Annexe 6). That is roughly 400 vendors whose livelihoods have also been negatively affected.

As for employees, a large number of these enterprises (34.43%) have no employees (Figure 3). About 42% have less than six employees, and about 25% have more than six.

Out of the enterprises that had employees, 11% reported that they are not able to pay any employee salaries for the month of April. An alarming 41% said that they can bear employee salaries for at most another 2 months if sales do not pick up. Only 16% were confident that they could pay their employees for up to 8 months. A significant 30% were “not sure”

about the answer to this question, indicating that they are still not fully sure how the crisis will evolve. This was a common feature in many of the responses related to confidence to resume operations and future plans, as by mid-April, many entrepreneurs were still observing the situation and stalling any major decisions regarding scaling down their businesses.

Figure 3. The number of employees enterprises have



The 122 entrepreneurs in our sample employ a total of 668 employees. For 193 employees, the entrepreneurs were still not sure about how to pay salaries, which means that they have already lost their jobs. If things do not improve for online businesses, 297 more will lose their jobs within the next two months. For the remaining 178 employees, owners reported they will be able to support salaries for 3-8 months.

A majority of these businesses use third-party delivery companies to deliver their products to customers. Only 13% reported that they only deliver personally (see Annexe 7). So, considering the direct knock-on effects of the devastating impact on these online businesses, all actors in the supply chain (employees, vendors, and delivery companies) are also affected. However, as we will discuss in the following section, laying off employees was not a predominant strategy for most entrepreneurs as of April 2020.

3.3 Coping mechanism, as of April 2020

At the time of this survey, the crisis had fully set in for about three weeks. We asked respondents

what their immediate coping mechanism was. It is evident from their answers (Figure 4), that the predominant strategy was that of damage control. About 48% of the respondents said that they had cancelled orders to prevent a pile-up of stocks. And about 12% reported giving discounts to sell off the stock in hand. Only 9% reported that they had already laid-off employees. This was a multiple-choice question, with an option to add “other” responses. Interestingly, there was no reported sale of assets or capital, which indicates that these entrepreneurs are not thinking of closing business yet. There was also no indication of adopting new and innovative marketing approaches to adapt to a changed post-pandemic world.

Figure 4. The coping mechanisms of online businesses



One interesting case was that of an entrepreneur who used to sell cosmetics online, switched to selling masks and sanitisers in response to the new demand. She was an early responder and changed her product basket in mid-March and offered considerable discounts too. This entrepreneur was one of the only two who reported that COVID-19 has had a positive effect on her business. Revenue has gone up, restrained only by the limited delivery capacity.

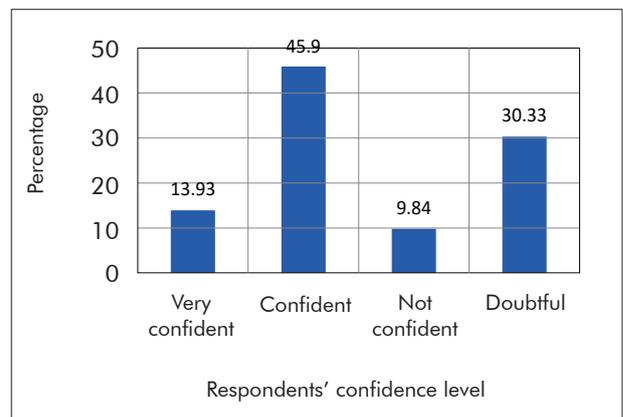
The other entrepreneur who reported that she is not negatively affected, explained that although her sales have gone down, she is using this time to invest in a new website, a new business strategy, and connecting to new partners. This was the only respondent who revealed a forward-looking response, as she is already drawing up a continuity plan.

3.4 Will you survive this shock, and how long will it take for you to recover?

“I had to close down because my business entirely depends on the production of raw materials in factories which are now closed. However, I plan to come back after a month maybe, with a slow start and go back in shape within the next six months.” —A female entrepreneur

We asked entrepreneurs how confident they were about recovering from the current shock, and how long it would take for them to go back to where they were before.

Figure 5. Respondents’ confidence level about overcoming the shock



As shown in Figure 5, almost 60% were confident that they would be able to overcome the shock. About 10% were not confident and 30% were unsure. Despite the huge loss in business, these entrepreneurs were mostly optimistic. Given that the survey was done in mid-April, with an estimated date of lockdown until the end of April, 34% were confident that they will revert to their pre-COVID state within the next five months (Table 2). Moreover, 13% said it will take them more than a year, while the rest thought they will recover within one year.

Table 2. Duration respondents think will require them to get back to their previous stage

Required time to go back to the previous state	Frequency	Percentage
Within 5 months	41	34.45
6-12 months	62	52.1
12-36 months	16	13.45
Total	119	100
**3 respondents responded that they are doubtful about the timeline.		

Although the perception of length and depth of the shock differs, most of these entrepreneurs have not given up on their hopes of survival. In the follow-up surveys, we will be able to get more insights into their journey to recovery.

3.5 Access to assistance

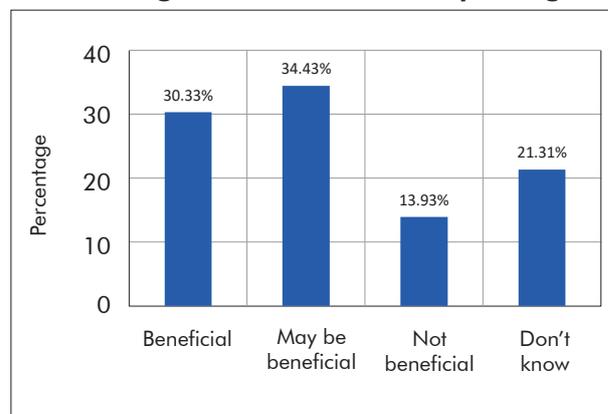
As mentioned before, most of these online entrepreneurs are part of the informal sector, with no formal business identity. This makes them ineligible for the government stimulus package for SMEs. About 82% of the respondents have self-financed their business. Only six respondents reported that they had taken a bank loan before the shock. Also, 16 reported having taken personal loans (from friends and family). This indicates weak links to formal financing systems for these enterprises. They are mostly dependent on informal financing.

When asked if they are reaching out for assistance from anyone at this time, 94% reported that they have not. However, 64% said that they would be able to get loans in the near future, if required to sustain their business.

We asked if the government stimulus package will be beneficial for our respondents. About 21% did not know about the stimulus package or how they would benefit from it (Figure 6). About 30% said it will be beneficial for them, while 34% said it “might be” beneficial. On further probing, it was clear that entrepreneurs were not sure about the details of the stimulus package for SMEs—how it will be disbursed, if they are eligible, or how they can access it.

There was a general expectation that there will be support for them from the government.

Figure 6. How respondents perceive the government stimulus package



Most of these entrepreneurs use mobile banking services. However, only 3% have merchant accounts, which can possibly help the government to target them for assistance. It should be noted that trade license is required to open merchant accounts, which is why most of these entrepreneurs resort to using personal accounts for their business transactions.

Other than direct business support, there have been some initiatives to support citizens financially during these times. We asked respondents how beneficial these measures are for them.

Measure 1: “No charge will be required to buy medicine and other essential commodities using Mobile Financial Services (MFS), such as bKash, Nagad, Rocket, etc.”

About 35% of the owners think that this step is very beneficial, while 25% claim it is beneficial.

Measure 2: “MFS users (peer-to-peer) also will not have to pay any transaction charge for urgent shopping. The ceiling of this transaction has been raised to BDT 200,000 from BDT 75,000 monthly. In addition, no charge will be required for cash out of BDT 1,000 daily at a time.”

This is perceived to be very beneficial by 26% and beneficial by 30% of the owners.

Measure 3: “Banks waived their charge for late payment for credit cards.”

About 25% of the owners perceived this step as very beneficial and 32% of them think this step is beneficial.

4. DISCUSSION AND CONCLUDING REMARKS

According to a trade analyst, Mohan (2020), micro, small, and medium-sized enterprises will go through four phases in this crisis, either successively or simultaneously. These businesses will first go through partial to full close-down to supply-chain constraints, and eventually to demand depression before going into recovery. These businesses will need customised government policies suited to their country’s context.

From our survey, it looks like businesses are already going through some of these phases simultaneously. Some important highlights from our findings are as follows:

- More than 90% of businesses have been negatively affected due to the pandemic;
- More than 80% of businesses are facing lower revenue compared to this season in last year, which means most businesses will face the liquidity crisis, given the small cash reserves these small businesses usually have;
- Although, most of the businesses are confident about reactivating their businesses and 84% perceive that they can revive the previous condition of the businesses within one year, this perception might be clouded with the assumption of lock-down being lifted after April;
- Immediate coping strategy is to reduce loss by cancelling orders and selling the stock at a discount;
- Few businesses are coming up with innovating coping mechanisms like temporary close-down while maintain

social media visibility, adding products which are now in demand;

- COVID-19 does not have discernible effects on businesses by the size or type of businesses, or the characteristics of owners—small informal online businesses are and will be hurt regardless;
- For 56% of the owners, their surveyed businesses are the only source of income, with more than 67% of these businesses contributing up to 60% to their family income;
- Although most enterprises have no formal registration or trade license, there is an expectation of support from the government. How and when this assistance will arrive is not clear to entrepreneurs; and
- Although most entrepreneurs have not laid-off their employees, if sales do not pick up, they will not be able to retain employees for too long.

These businesses have shown confidence toward their road to recovery, despite almost all reporting that they are affected negatively. A small portion of businesses, due to the informal nature and the smaller size, have been able to go for temporary shut-down or use the time efficiently. However, in either case, it is important to note down that without formal registration or trade license, these businesses will not be eligible for the financial stimulus package plan of the Government of Bangladesh (GoB). Thus, they will be left behind without any formal help from the government. Eventually, looking at their reported ability to continue payment of their employees, and the informal nature of these employments, potential unemployment will be on the rise soon.

Not only does a good portion of many households’ income depend on these businesses, but the potential unemployment and loss of the employees and local vendors are also interlinked with the resilience of these businesses. About 57% of these female entrepreneurs are financially empowered only

through their online businesses; the economic resilience of these businesses can affect the empowerment and financial independence of these women. Policies to bring these informal businesses under the umbrella of formal post-disaster response and recovery support should be at the heart of the government's contingency plan.

We plan to conduct a follow-up survey on how they fare, what strategies they use to survive, and what are the informal mechanisms of support for these informal businesses.

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ANNEXE 1.

Figure a. Business range in age

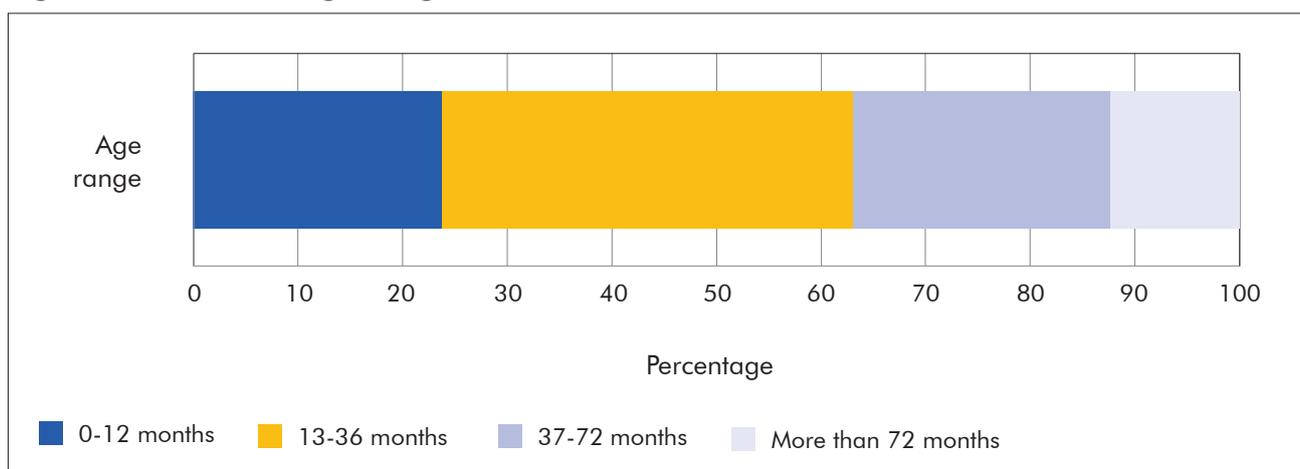


Figure b. Number of employees

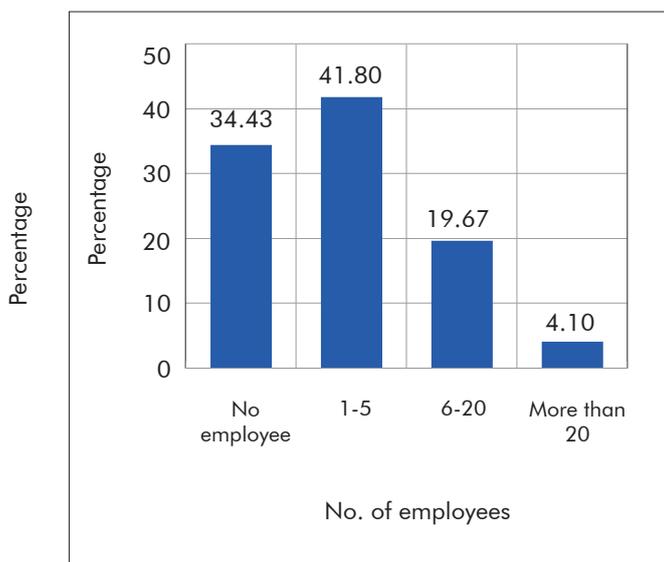
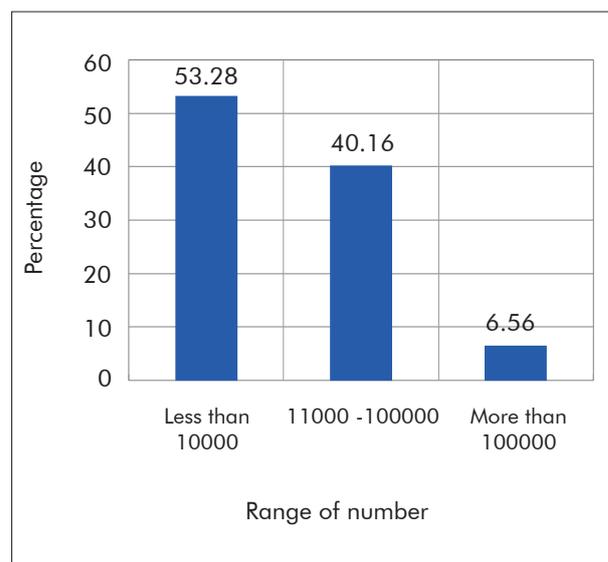


Figure c. Number of followers



ANNEXE 2.

Table. Sources of product

	Import the product from abroad	Import raw material from abroad and make the product locally	Buy raw materials from local vendors and make the products locally	Buy the products from local vendors
Yes (%)	29.51	13.11	66.39	25.41
No (%)	70.49	86.89	33.61	74.59
Total	100	100	100	100

ANNEXE 3.

Figure a. Age range of the entrepreneurs

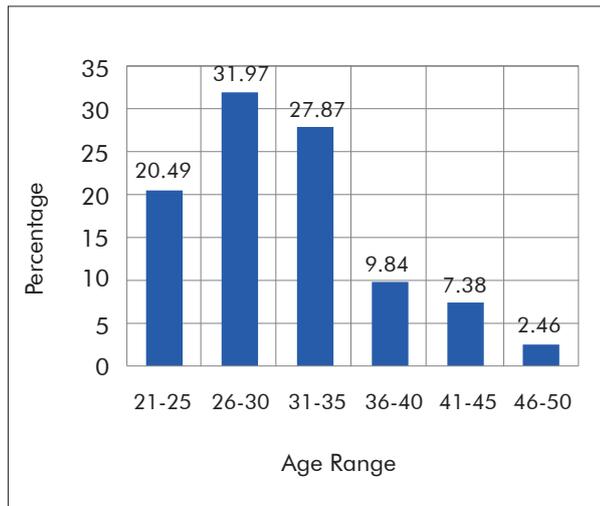
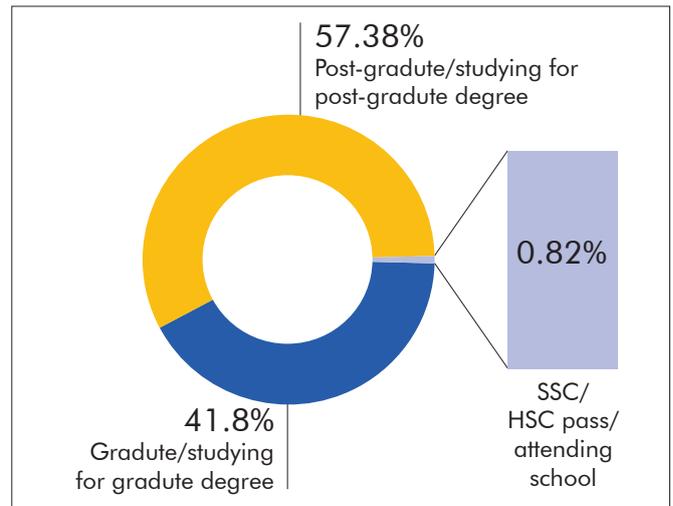
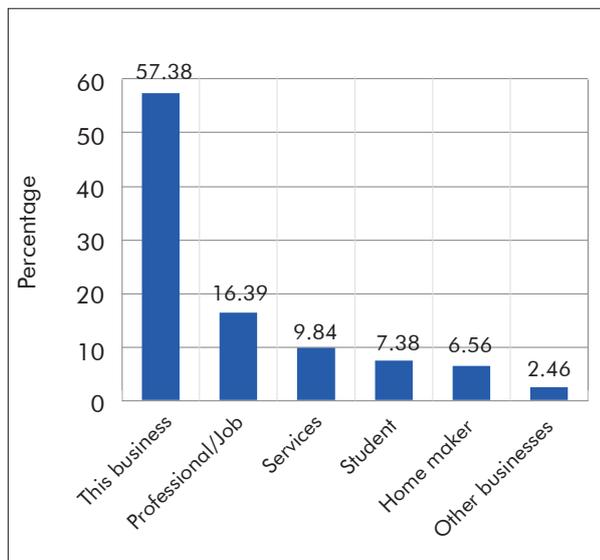


Figure b. Education level of the entrepreneurs



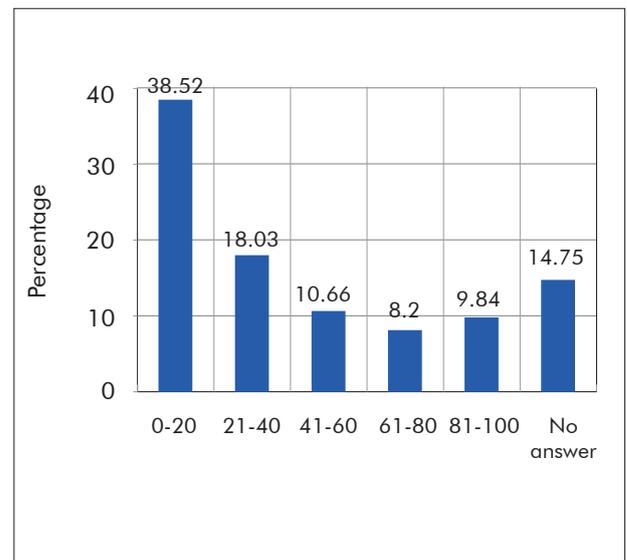
ANNEXE 4.

Figure. Occupation level of the entrepreneurs



ANNEXE 5.

Figure. Contribution (%) to family income from the business



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ANNEXE 6.**Table. Number of local vendors used for supply of inputs/products**

Number range of local vendor	Frequency	Percentage
No number reported	11	10.89
1-5	69	68.32
6-10	15	14.85
More than 10	6	5.94
Total	101	100
*21 do not buy from local vendors		

ANNEXE 7.**Table. Delivery medium used by the businesses**

Medium of delivery	Frequency	Percentage
Pick up only	2	1.64
Pick up only, Personal delivery	7	5.74
Pick up only, Personal delivery, Third-party delivery company	8	6.56
Pick up only, Third-party delivery company	4	3.28
Personal delivery	16	13.11
Personal delivery, Third-party delivery company	16	13.11
Third-party delivery company	69	56.56
Total	122	100



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