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KNOCKED DOWN, BUT UP AGAIN

THE CASE OF FEMALE ONLINE ENTREPRENEURS IN BANGLADESH

1. INTRODUCTION

The world has now been living with COVID-19 for over four months. This crisis has been affecting every aspect of human lives on earth—from daily life to the global economy. Small businesses are among the most affected sectors of the economy. Small and medium businesses tend to invest less on disaster risk management and this inaccurate risk perception makes them more vulnerable to disasters (Pathak et

al., 2017). While studying how small businesses responded and recovered from disasters, Runyan (2006) stated that, following a natural disaster, small businesses faced vulnerability to a liquidity crisis; lack of access to resources, such as capital; infrastructural support; lack of planning; etc. Patankar (2019) shows that small businesses in India were more vulnerable after a disaster than their bigger counterparts, as the

former lack technical and financial capacities as well as business continuity plans.

According to the 2016 United Nations Development Programme (UNDP) synthesis report, regardless of the nature of the businesses and operating countries, small businesses usually depend on personal savings and networks to cope with disasters. Particularly in developing countries, small businesses have to adopt informal coping strategies because of the insufficiency or absence of formal mechanisms.

However, the impact of disasters might be different for informal entrepreneurs. It is possible for informal small and medium enterprises (SMEs) in the retail sector to bounce back faster as they have low overheads and recurring costs. However, a study on micro-merchants in Bangladesh showed that SMEs will face a shortage of working capital post-pandemic, while they are relying on personal savings for the time being (Innovision, 2020). One in four start-ups in Bangladesh have shut down their business by July 2020, according to Haque et al. (2020).

The literature related to the impact of the disaster or crisis on small and medium businesses is mostly limited to formal, informal, and offline businesses. In developing countries like Bangladesh, small businesses, mostly informal, are emerging using online media. There is no evidence in the literature on the impact of any disaster or crisis on the small businesses which are not only operated online and informal in nature, but also owned by female entrepreneurs. Our study on informal online female-owned small businesses will shed some light on the impact of a crisis on the resilience of such businesses.

Published as a research brief in May 2020, our research on *'How Resilient are Female Online Entrepreneurs? Learning from the COVID-19 Shock'* shows that the entrepreneurs of online informal businesses are mostly women and well educated. Fifty-seven percent entrepreneurs consider their online businesses as their main occupation. Even though all online enterprises were negatively affected, 84% of the female online entrepreneurs were hopeful of recovering from the shock within a year.

These women, managing online businesses from home, coped with the crisis by cancelling orders, selling off stock, and laying off some employees. The general response at that time was to stall further investment and reduce loss from existing stock. Entrepreneurs were waiting to see how things unfolded before deciding on a response strategy.

2. OBJECTIVE OF THE RESEARCH

The objective of this research was to understand how online entrepreneurs respond to shocks such as COVID-19. We purposively selected small online businesses owned by women mostly in the informal sector, not large e-commerce sites. The advantages of being small and online, as discussed earlier, are manifold in the COVID-19 context. Online shopping is the preferred mode for many buyers now. With low overhead, it is easier to downsize and avoid large losses. However, being in the informal sector, these entrepreneurs have little to no support to overcome the shock. In a follow-up survey in May-June 2020, we tracked the same entrepreneurs to see how they had fared after our first round.

At the time of the second round of our survey, the government-enforced lockdown had been in place for over two months. By then people had somewhat adjusted to a new way of life. This was a few days after the nation-wide celebration of Eid-ul-Fitr. Normally, this is the peak season for businesses in Bangladesh. Yet, businesses were sceptical, given the losses experienced during Pohela Boishakh (Bengali New Year) which was celebrated under social distancing measures (i.e. lockdown) to combat COVID-19.

In the first round, we focused solely on the businesses of these entrepreneurs and added some new features in the second. Given our need to understand the role of ICT-enabled communities and business support needed, we added questions on the entrepreneurs' individual network for support and guidance and examined their need for technical assistance. We also delved deeper into the issue of work-household balance by introducing another section on time use for daily activities. In this round, we also

enquired about the mental health impact of this crisis on the female entrepreneurs.

3. CONCEPTUAL FRAMEWORK

By delving into all these aspects of the businesses and their owners' lives, we try to draw a conclusion about the resilience of these businesses. Conceptually, resilience is defined as the ability of any system to persist when they are stressed to move from their equilibrium state (Holling, 1973). The concept of resilience has been discussed in many fields, one of which is enterprise resilience. According to Minolli C.B, enterprise resilience is the ability to absorb changes or challenges without compromising their profitability through "flexibility" and "rapid adaptation." In a nutshell, the ability to "avoid, absorb, adapt and recover" from any disruptive event is enterprise resilience (Sanchis et al., 2020). For our research, we will focus on the enterprises' resilience defined by their ability to prevent the circumstances from going worse, as in, to survive the circumstances caused by COVID-19 and their perceived ability to recover from the crisis.

4. METHODOLOGY AND SAMPLING

The second round of the survey reached out to the same 122 female entrepreneurs who had participated in the first round through their Facebook pages. These women are mostly young and have a good educational background. Out of these 122 entrepreneurs, 103 responded in the second round. The survey was conducted over 12 days, starting from May 31 to June 11. While the first round of the survey took place right after Pohela Boishakh (April 14), the second round started a few days after Eid-ul-Fitr. The online questionnaire (available in both Bangla and English) was 30 minutes long. Like the first round, researchers reached out to the entrepreneurs through Facebook Messenger. The challenge this time was that many entrepreneurs were busier compared to the first time due to Eid preparations and household workload, including care work (four respondents were infected by COVID-19 and few others had family members who were affected). Those who agreed to participate

in the second round but did not have time to fill out the online survey (15% of respondents) were interviewed through the phone.

FINDINGS

5.1 Are they still in business?

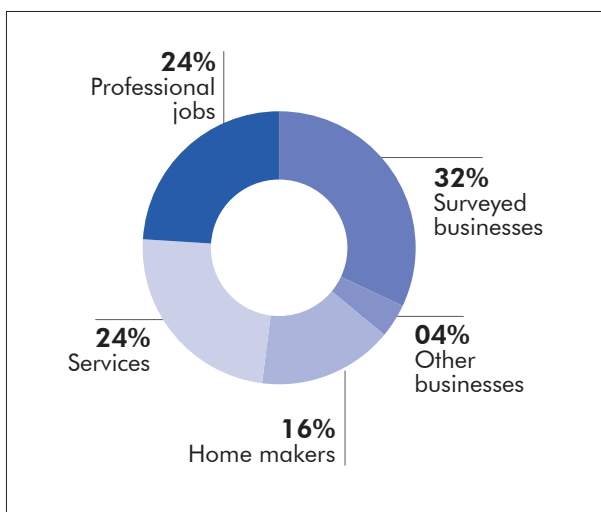
We had a hypothesis that small online enterprises are more flexible and can downsize/adapt quickly in response to a shock. From our two rounds of survey, we see that a number of businesses have closed down temporarily. Between April and June, 24% of our sample online businesses were closed, 27% had restarted their operation after temporary closedown, and nearly half (49%) of the respondents had been able to continue their operation during this time of crisis (Table 1).

Table 1. Operating status of the businesses

Operating Status	Freq.	Percent
Continuing operation	50	48.5
Restarted operation	28	27.2
Closed	25	24.3
Total	103	100

The entrepreneurs who closed down their online business were more likely to have other sources of income, which means their online business was dispensable to them. Sixty-eight percent of those who closed said that their online businesses are not the only income source of their household; 48% of the entrepreneurs of the 25 closed businesses have other jobs as their main occupation (Figure 1). So, when the crisis hit and they were incurring losses, they quickly (within 1-2 months) decided to close down operations.

Figure 1. Main occupations of the owners of closed businesses



From our analysis, we see that those selling fashions accessories, which are non-essential items, were more likely to go out of business. The proportion of fashion accessories sellers is higher among closed businesses in relation to open businesses; nearly a quarter (24%) of closed businesses used to sell fashion accessories, compared to only 9% of open businesses (Table 2, Appendix). Meanwhile, food and clothing businesses sustained their sales. Fifty-one percent of the open businesses are in the clothing line and nearly 18% are in the food business—proportions that are larger than those found in closed businesses (see Table 2, Appendix). Compared to the open businesses, closed businesses are smaller in terms of the number of employees and recurring costs. Ninety-six percent had up to five employees and around 60% had no recurring cost (Table 3, Appendix).

5.2. Intermediate impact of COVID-19
Adjusting to the “new normal”

“I was thinking last time that the business won’t go well. But after a few days of Ramadan, we have experienced the opposite scenario. We got a good response from the customers and the business did better than the expectation. During this time of lockdown, more people are actually buying clothes online.” [Translated].

During the first round of the survey in April, the fear factor affected these businesses deeply. During the second round, the fear subsided from both supply and demand sides. Which is why, compared to April, fewer businesses reported to face negative effects of COVID-19 in June (Figure 2). Twenty-one percent of the businesses think they are doing better compared to other businesses (Figure 3). These businesses are mainly in food and clothing sectors and have experienced a rise in customer engagement on their online pages during Eid. This engagement may sustain well into the future.

Figure 2. Comparison of the effect on businesses

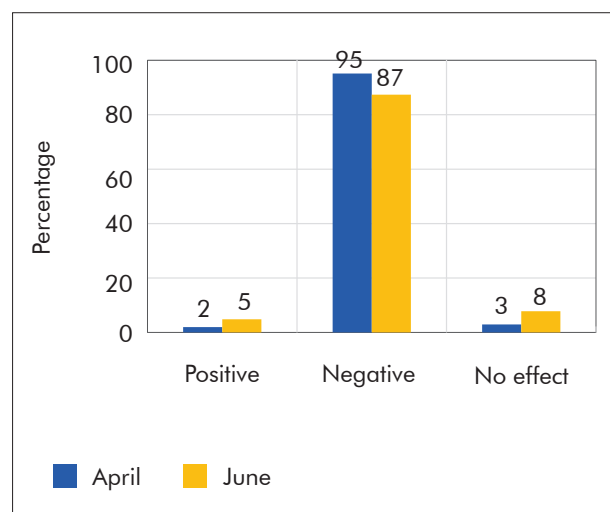
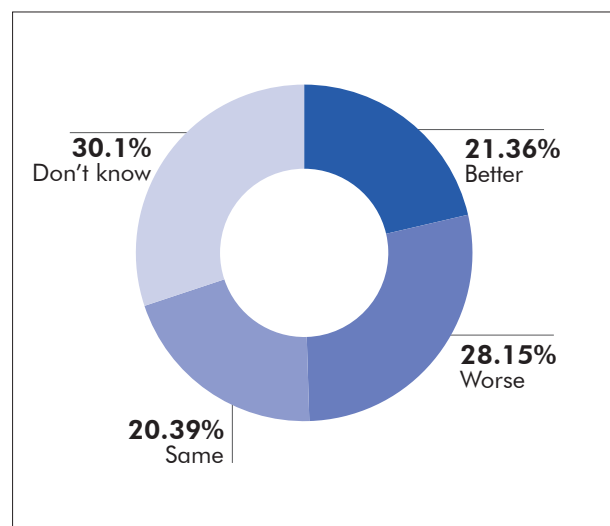


Figure 3. Owners’ perceptions of performances of the businesses compared to others



In April, during our first round of the survey, these entrepreneurs were more uncertain about what was going to happen. The confidence level of the businesses was down. At that time, 30% of the businesses were unsure about overcoming the shock of COVID-19, while only 15% were very confident that they would be able to overcome the shock (Figure 4). In the second round in June, the fear subsided. The confidence level of the online businesses improved and there was less uncertainty about the effect of COVID-19 on the market. Thirteen percent of the businesses expected that it would take more than a year to revert to their pre-COVID stage (Figure 5). Only 18% of the businesses in the second round are unsure about overcoming the shock caused by COVID-19 and around 21% of the businesses are very confident (Figure 4). Sixty-two percent of the entrepreneurs think that they can go back to the previous stage of business within 6 to 12 months (Figure 5).

While their confidence grew within this one month and some businesses are doing better than others, how have they been sustaining during this situation? They are adapting some specific coping mechanisms. During the second round, the businesses are sticking to the same coping mechanisms as they did during first: cancelling orders, giving discounts, laying off employees, or bringing no changes at all. However, the percentage of businesses adopting these coping mechanisms has changed. More businesses (26%) are making no change. Fewer businesses (37%) are cancelling orders and more businesses (33%) are giving discounts to sell products (Figure 6).

During the lockdown, many people and businesses have shifted away from cash on delivery to mobile financial services, as it helps maintain social distance and safety and hygiene. Twenty-one percent fewer businesses than usual use cash on delivery services, while 5%

Figure 4. Confidence level about overcoming the shock

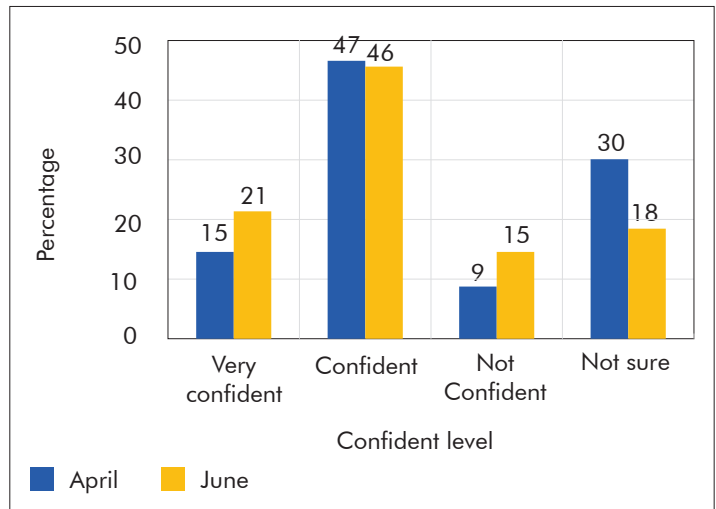


Figure 5. Required time to go back to the previous stage of the business

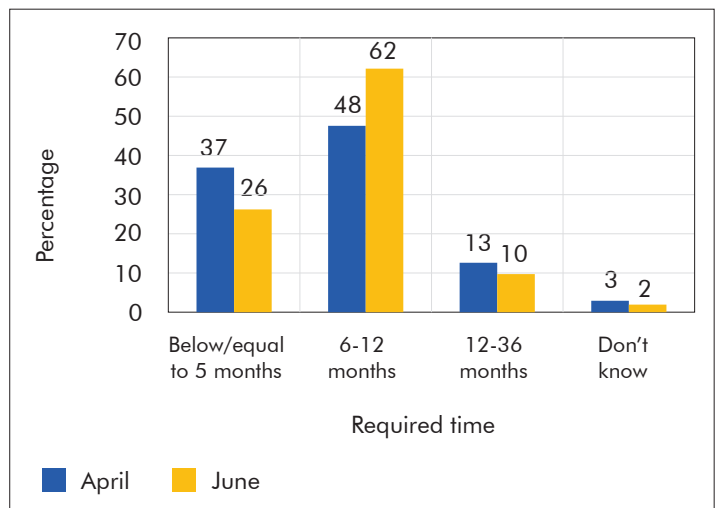
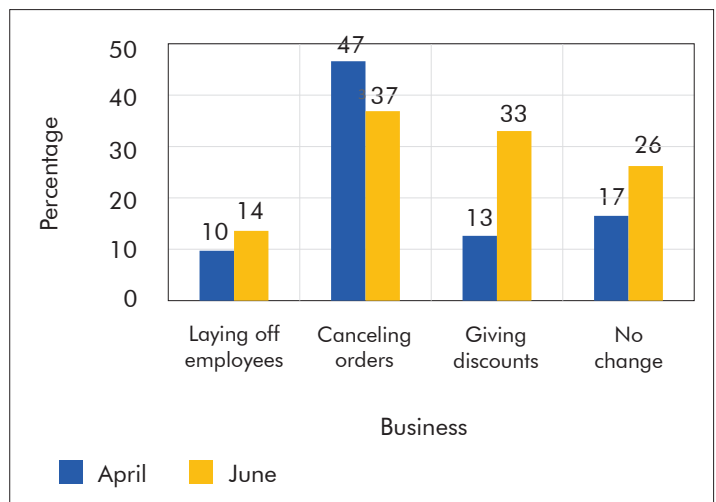
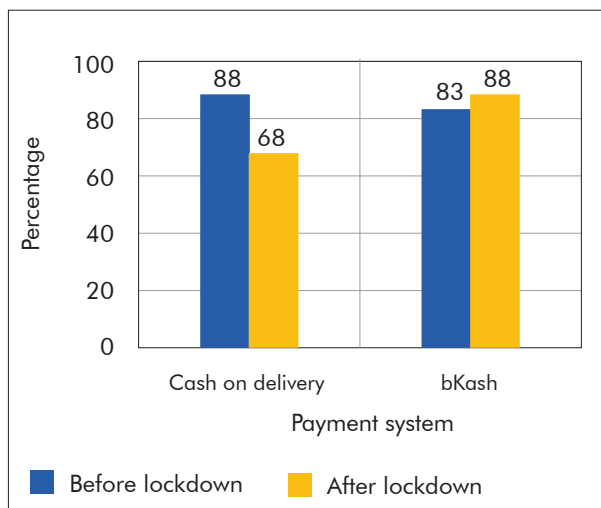


Figure 6. Comparisons of coping mechanisms



more businesses than usual are using bKash (Figure 7).

Figure 7. Change in the use of payment mode/system during lockdown



In the time between the two rounds, businesses that can afford to, have closed down their business temporarily. The ones that stayed open were more optimistic about their future.

5.3 Intermediate impacts of COVID-19

The negatives

Despite all the positivity and adjustment to the COVID-19 situation, there are some negative effects of this pandemic that can put a dent on the livelihoods of the entrepreneurs and their employees as well as increase the vulnerability of the businesses.

5.3.1 Knock-on effects

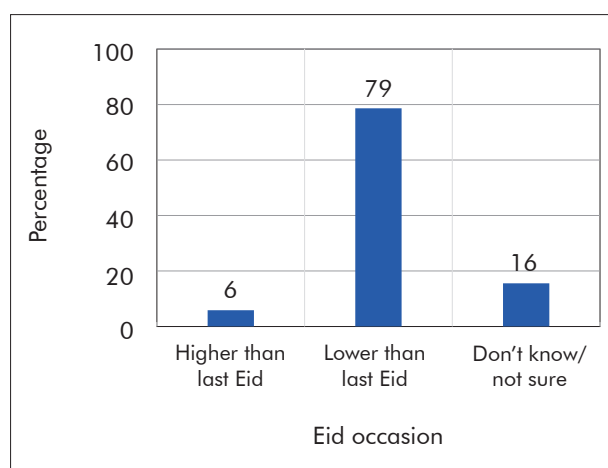
During the first round, some businesses reported that they could pay a certain number (174) of their employees for one to two months if this crisis continues. Based on that, we predicted that about 174 people would be unemployed within one month. *From our second survey, we found out that 121 employees were actually laid off within this one month.* Based on the ability of the businesses to pay their employees, we estimate that, within the next 7 months, jobs of an additional 547 employees will be

at stake if the situation does not improve for the businesses.

5.3.2 Revenue situation

Eid is usually a peak season for businesses but the COVID-19 crisis changed all of that. Compared to the last year’s Eid occasion, only 6% of the businesses have earned higher revenue, whereas 79% have earned lower revenue (Figure 8). Around 67% of the businesses earned 40% lower revenue compared to the last Eid (Table 4, Appendix).

Figure 8. Comparison of revenue with the last year’s Eid occasion



5.3.3 Access to support

Financial and non-financial

As these entrepreneurs are experiencing significant losses, they are likely to need financial support. Majority of them are sustaining with personal savings, which will run out soon. Relying on family and friends for support is also unsustainable. If the pandemic continues, these online entrepreneurs may not have access to any other source of support. Formal assistance from the government or non-government agencies will be necessary for their sustenance. According to our survey, 68% of the businesses are spending money from personal savings and 19% are relying on family and friends. None of the businesses are receiving any form of formal assistance from the government or non-government sources. Around 11% have already taken a loan from family and friends.

In April, we found that these businesses were running informally with no formal registration, making them ineligible for any formal support. This June, we found that 63% have no idea about where to find information on government-provided assistance. While the policymakers need to step up and address the financial need of these small online businesses, the businesses also need to step up and get formally registered.

Despite the lack of support from the government and non-government agencies, these businesses have their own support systems (or network) for non-financial support. Many of our women entrepreneurs are part of online entrepreneur forums, where they can look for guidance. Some also attend online webinars to learn about the current issues. Fifty-two percent of the businesses are part of online entrepreneur groups (Figure 9). Forty-six percent of the businesses lean towards these online entrepreneur groups for guidance, while 53% turn to family and friends, and 44% depend on other entrepreneurs. Interestingly, 46% of the entrepreneurs have attended recent webinars on business-related topics. Of them, 28% found the webinars useful, whereas 8% did not (Figure 10).

Figure 9. Support system of the businesses for guidance

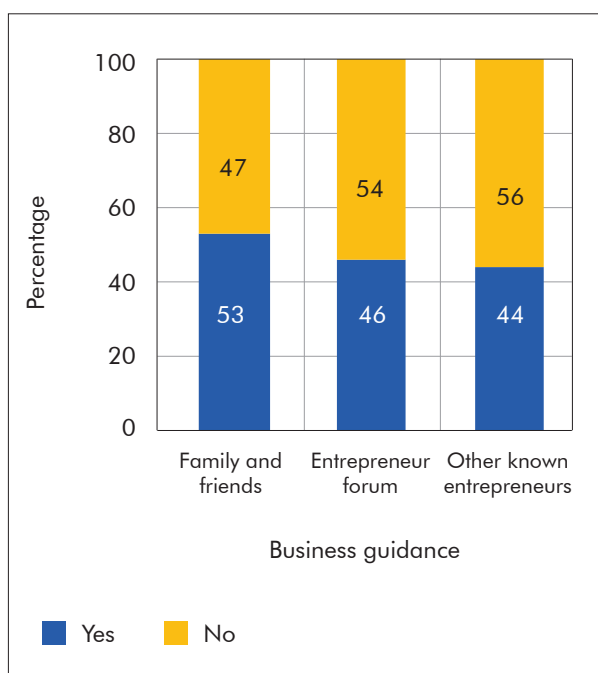
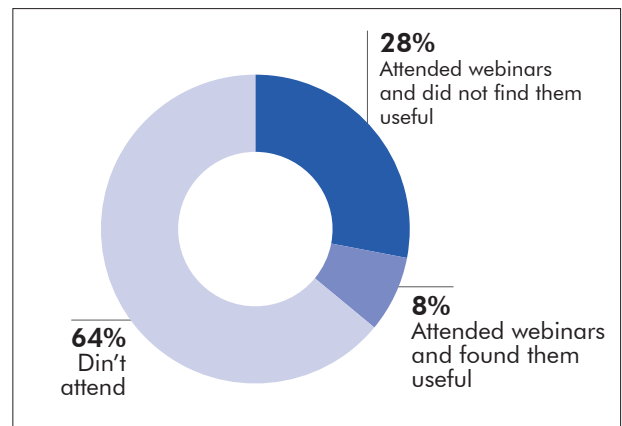


Figure 10. Access to webinars



5.3.4 Work-life balance and mental health of the owners

“[a big challenge is...] Managing both family work and the entrepreneurial work. My family, for example, doesn’t understand that I work online, rather keeps on blaming that I am not participating enough in household chores. Plus, male entrepreneurs can easily now go outside, receive couriers from vendors and do other chores. But security has now become a severe issue for female entrepreneurs more than ever before.”

“I feel like the male entrepreneurs will always be given priority for recovery loans, advice, etc., as people in Bangladesh think that women do our kind of business as merely a hobby.”

As we know, the owners of these businesses are all females. These women are responsible for their home and work simultaneously. The work-life balance and mental health of these women are closely related to the performance, and thereby, the resilience of their businesses. Because of the lockdown, women’s domestic responsibilities have increased. Along with the poor condition of their financial capacity and their access to financial support, this is increasing their stress.

Most women are now spending a significant amount of time in household chores, and less time in running businesses or doing office-related work. Most women showed more symptoms of a poor mental health situation

during this unprecedented time. Women entrepreneurs are spending on average four hours on household chores, whereas prior to the lockdown, they used to spend 2.5 hours (Figure 11). Given the added load of household chores and care-giving, they are also spending less time on business activities.

We followed Johns Hopkins Bloomberg School of Public Health (2020)'s guideline and included their recommended core sets of questions on mental health measures for

understanding the mental health of the female entrepreneurs during a crisis. Our findings show that the mental health condition of these entrepreneurs, given the dire situation of their business and work-life balance, is not good. Approximately 50% of the respondents felt nervous or anxious, depressed, and lonely for 5-7 days or 3-4 days a week. Around 30% have felt a physical reaction for 5-7 days or 3-4 days a week while thinking about the current crisis (Figure 12).

Figure 11. Comparison of average time use on daily activities before and during lockdown

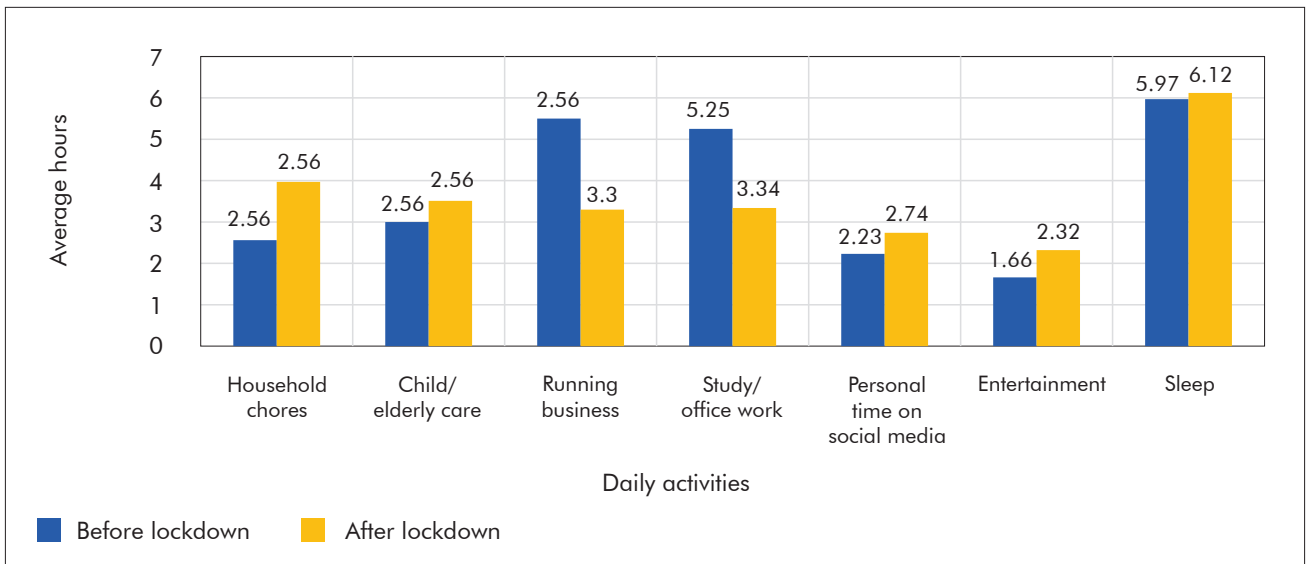
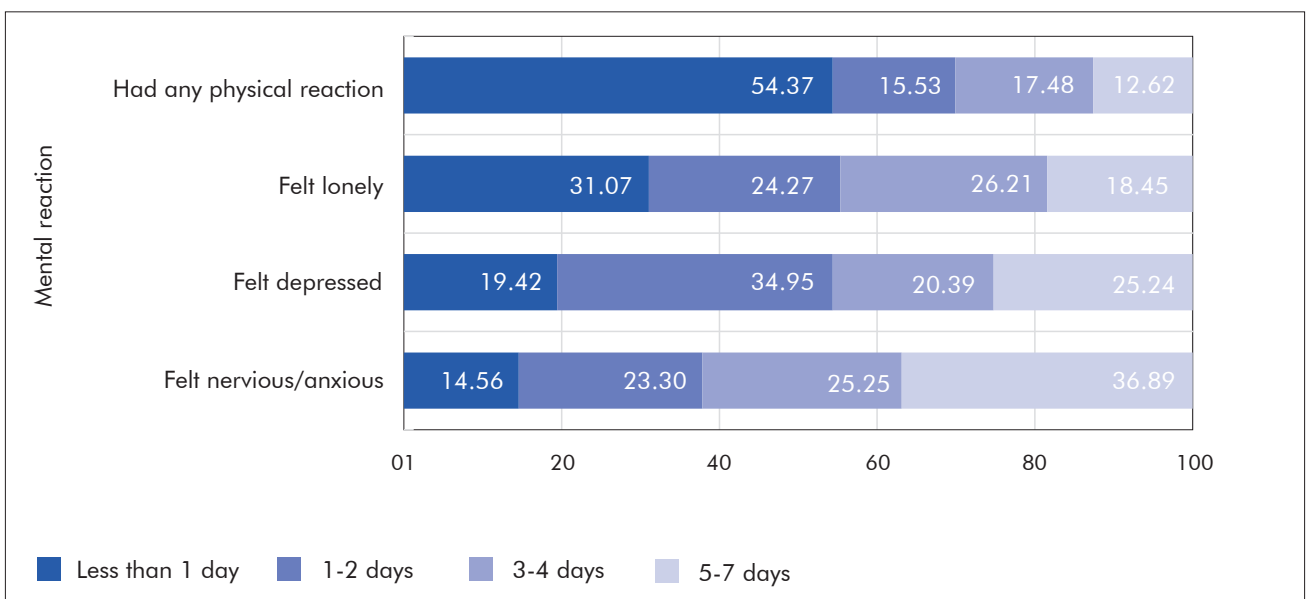


Figure 12. Mental health of the female entrepreneurs



6. RESILIENCE

In this section, we have tried to assess the resilience of these small businesses based on the above findings. Enterprise resilience has often been associated with the key attributes of enterprises, such as flexibility, agility, adaptive capacity, vulnerability, and redundancy (Erol et al., 2010). The key attributes of enterprise resilience that we are considering in this analysis are: adaptability, flexibility, agility, vulnerability, recovery capacity, work-family balance, and mental health.

In our survey, we measured these attributes as follows.

- a) *Adaptability, agility, and flexibility*¹ are overlapping concepts. That is why, we have measured these three by looking into these variables: the coping mechanisms that the businesses are undertaking, revenue and income situation (mostly compared to before the pandemic), any rapid changes in their business (COVID-19 effects, change in payment mode, laying off employees, keeping the business closed temporarily).
- b) To understand the *vulnerability*,² i.e. how prepared the businesses are to face this crisis, we have collected information about nature of the businesses (formal/informal, registered or not), their access to assistance (external, social, and personal), and the extend of the owners' network.
- c) To measure their *recovery capacity*,³ we could not see if the businesses go back to their initial level and rise

¹ Adaptability refers to the ability of an enterprise to change/reform its strategy and all operations and management-related capabilities to fight the circumstances caused by disruptive events. Flexibility is the ability of an enterprise to change/reform within least time and effort as per the requirements. Agility refers to the capability of the enterprise to respond rapidly to the changing environment that disruptions cause (Erol et al., 2010).

² Vulnerability means how prepare the enterprise is to face any disruptive event (Erol et al., 2010).

³ Recovery capacity means the ability of the enterprise to not only go back to recover the circumstances and go back to its initial stage, but to go to a level at which comparative advantage can be maintained (Sanchis, 2020).

higher than that level, as COVID-19 is still an ongoing pandemic. Instead, we examined their recovery capacity by taking information on how confident they feel about recovering from circumstances caused by COVID-19 and their perception on how fast they will be able to go back to the previous stage of their businesses.

- d) We added *work-family balance and mental health* of the owner as an attribute of the resilience of these businesses, as these can threaten the resilience.

Based on the findings we have discussed in Section 3, we can draw a conclusion about the resilience of these businesses in terms of the above attributes. In term of adaptability, agility and flexibility, and recovery capacity, we find that these businesses have some capability to sustain longer, prevent their circumstances from worsening by adopting some coping mechanisms, and to close down temporarily with the confidence to come back in businesses within a reasonable time period. In terms of vulnerability, these businesses are at higher risk as they do not have any access to formal financial support, as they are informal in nature. Women's difficulty in maintaining work-family balance and their poor mental health during this crisis period also might hamper the resilience of these businesses.

7. CONCLUDING REMARKS

After a few months into the crisis caused by COVID-19, businesses are trying to adjust to the new situations while facing some challenges. Some important highlights are:

- Even though many businesses could not generate expected revenue and recover the investment during the Eid, they are more confident than the last time about bouncing back to their previous stage in a reasonable timeline. They are adjusting to the "new normal" as they have a better view of the situation within these three months of crisis.

- To sustain, these businesses are adopting diverse coping mechanisms—laying off employees, giving discounts, and cancelling orders. Few of them also have stopped their cash on delivery service to minimize cash transaction by hand.
- Businesses that could temporarily close-down are smaller in size and mostly are not the only income source for the entrepreneurs.
- As predicted during the first round, businesses have laid off employees. According to their ability to pay the employees, more employees are predicted to be laid off within the next seven months.
- These businesses have no access to formal financial support. They mostly rely on personal savings and loan from friends and family.
- For guidance, these businesses mostly depend on the online entrepreneur forums and friends and family.
- The women entrepreneurs are struggling with simultaneously doing household chores and running the business. They also show symptoms of poor mental health.

Being online, the demand for essential products has remained unchanged. The online businesses have been able to downsize and sustain. From our two rounds of survey, it is evident that these female entrepreneurs have been flexible and adaptive in the face of COVID-19. However, it is important to note that they are unable to access formal support from external government and non-government sources. To sustain, formal financial support is necessary for these businesses. Employees are being laid off and more is going to be laid off if the revenue of these businesses does not look up.

APPENDIX

Table 2. Type of products closed businesses vs. open businesses sell

Product type	Closed businesses		Open businesses	
	Freq.	Percent	Freq.	Percent
Food	4	16	14	17.95
Clothing	10	40	40	51.28
Accessories	6	24	7	8.97
Stationaries/books	1	4	4	5.13
Cosmetics	2	8	7	8.97
Home decor	1	4	2	2.56
Gift products	1	4	4	5.14
Total	25	100	78	100

Table 3. Size of the closed businesses vs open businesses

Business size in terms of...	Closed businesses		Open businesses	
	Freq.	Percent	Freq.	Percent
a) Number of employees				
No employees	12	48	25	32.05
1-5 employees	12	48	31	39.74
6-20 employees	1	4	18	23.08
More than 20 employees	0	0	4	5.13
Total	25	100	78	100
b) Recurring cost (BDT)				
No recurring cost	15	60	36	46.15
1-10,000	2	8	8	10.26
11,000-50,000	7	28	14	17.95
51,000-100,000	0	0	4	5.13
100,000-400,000	0	0	11	14.1
Do not want to share	1	4	5	6.41
Total	25	100	78	100

Table 4. Percentage of revenue decreased compared to the last year's Eid

Range (%)	Freq.	Percent
0-10	10	12.35
11-20	6	7.41
21-30	5	6.17
31-40	6	7.41
41-50	9	11.1
51-60	4	4.94
61-70	8	9.88
71-80	12	14.81
81-90	5	6.17
91-100	10	12.35
Don't know	6	7.41
Total	81	100

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