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

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Survey on Enterprises: Profile

Survey Period

July 14-23, 2020

Survey Method

Phone interview

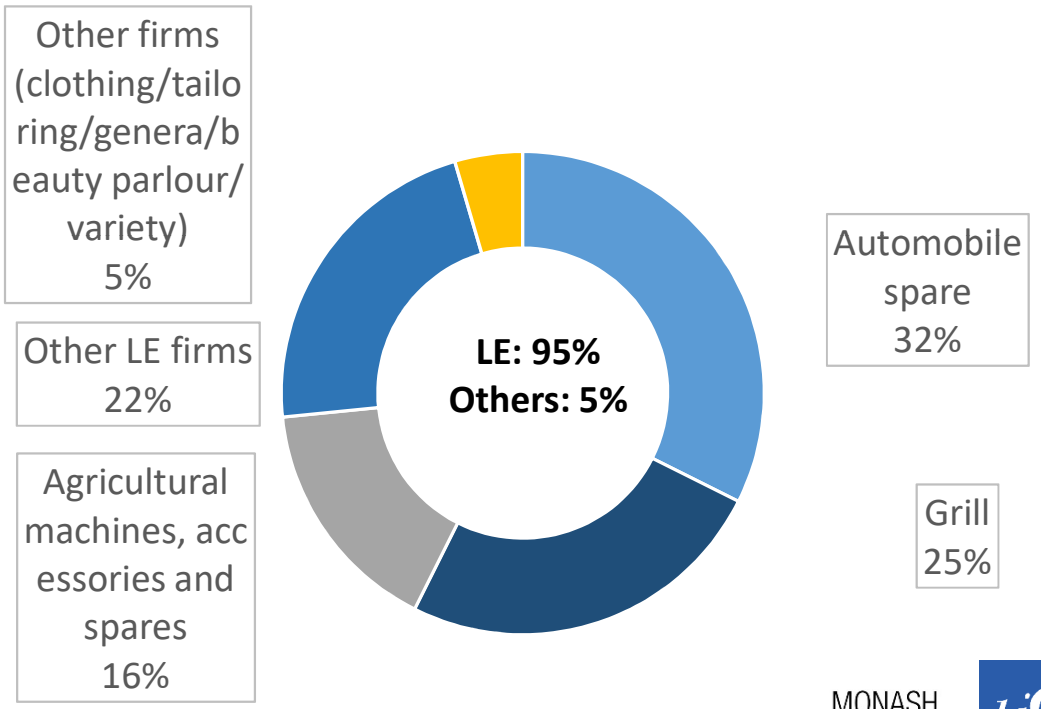
Successful Sample

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



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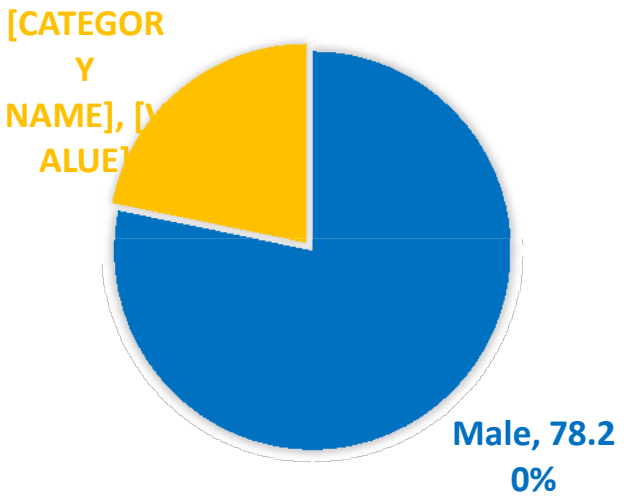
Survey on Workers: Profile

- 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%) youths were employed in February
- Average age: 23 years



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Enterprises

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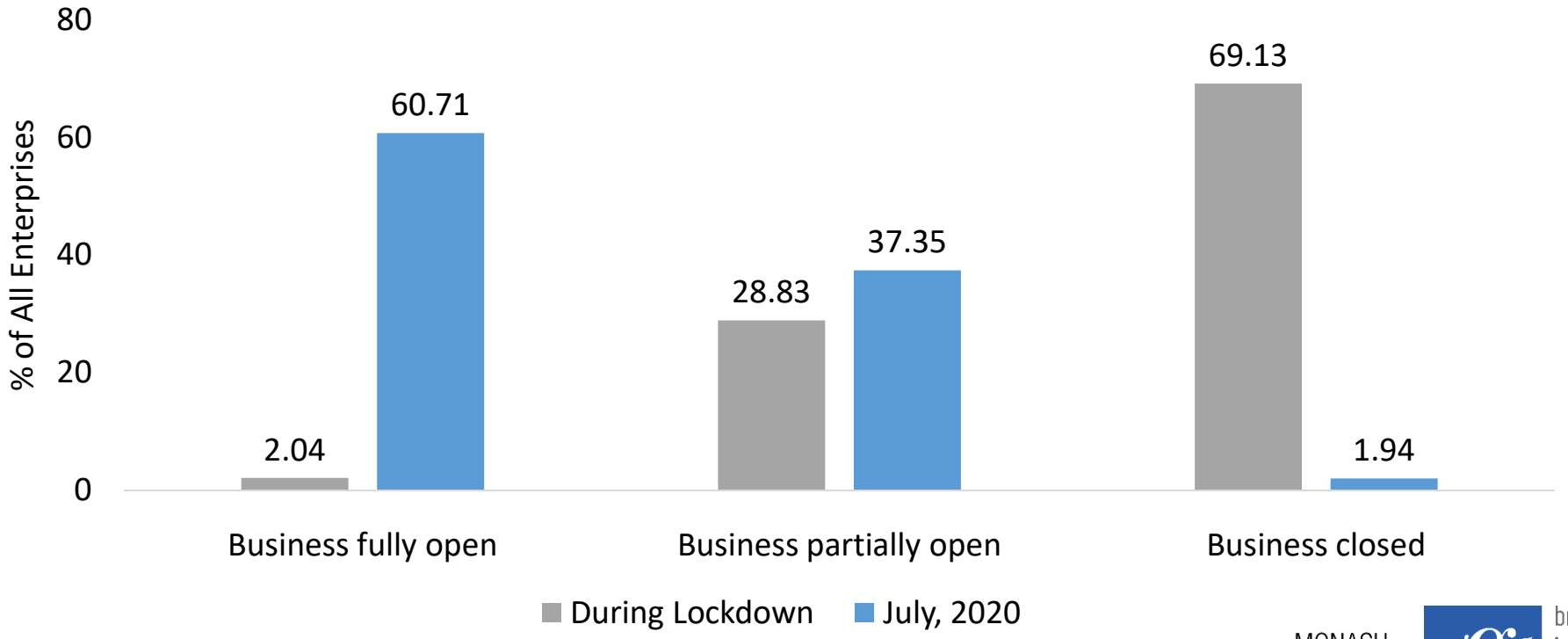
Business Operation Status

One-third of enterprises were partially open in July 2020



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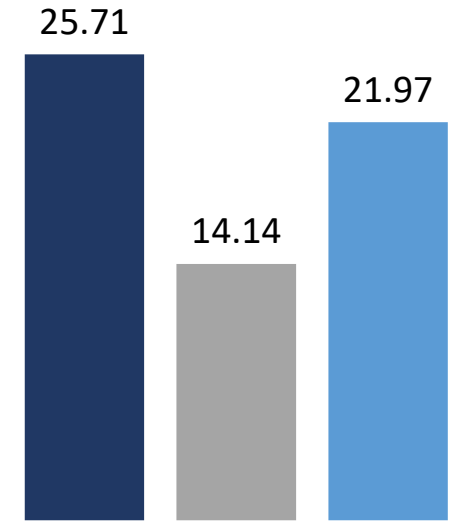
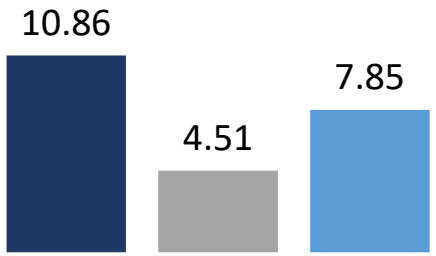
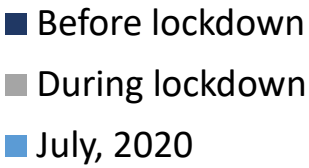
Business Operation Status (Cont'd)



No. of days workshop open in past one month



Average hours a day workshop open in past one month



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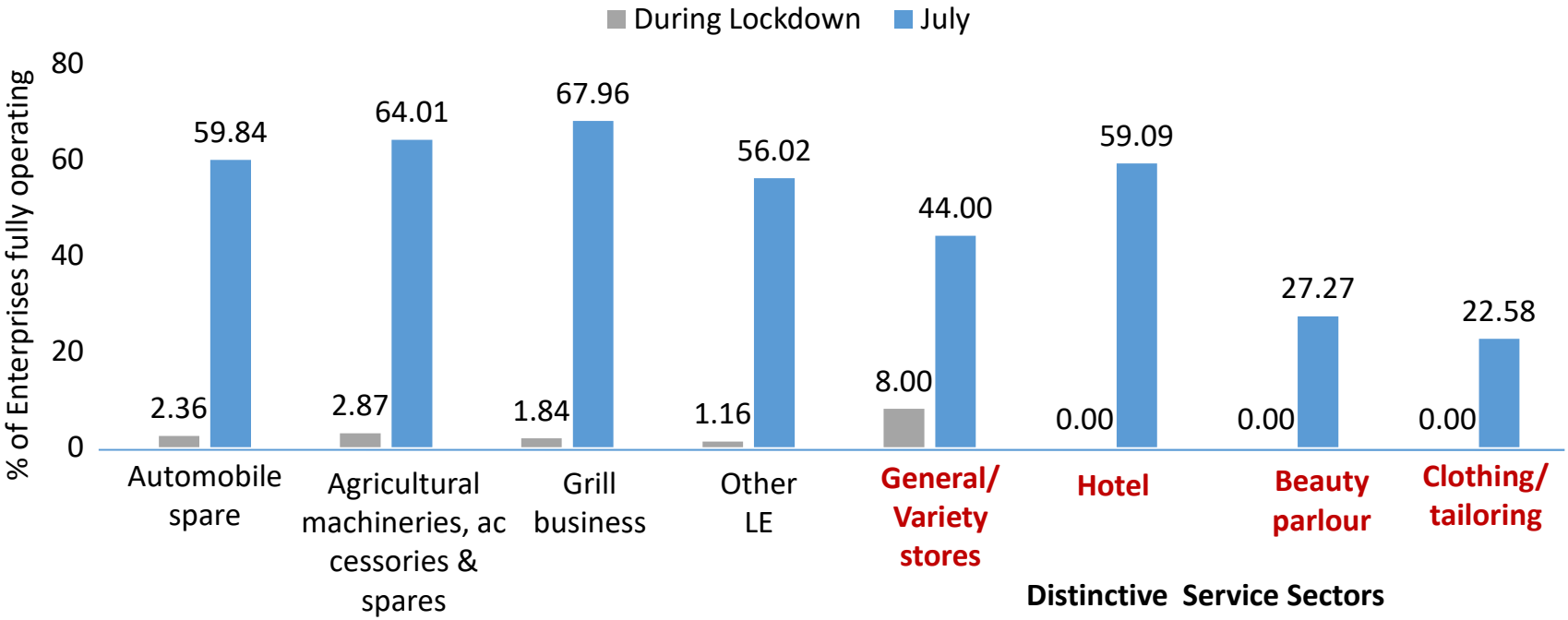
Business Operation Status by Enterprise Type

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



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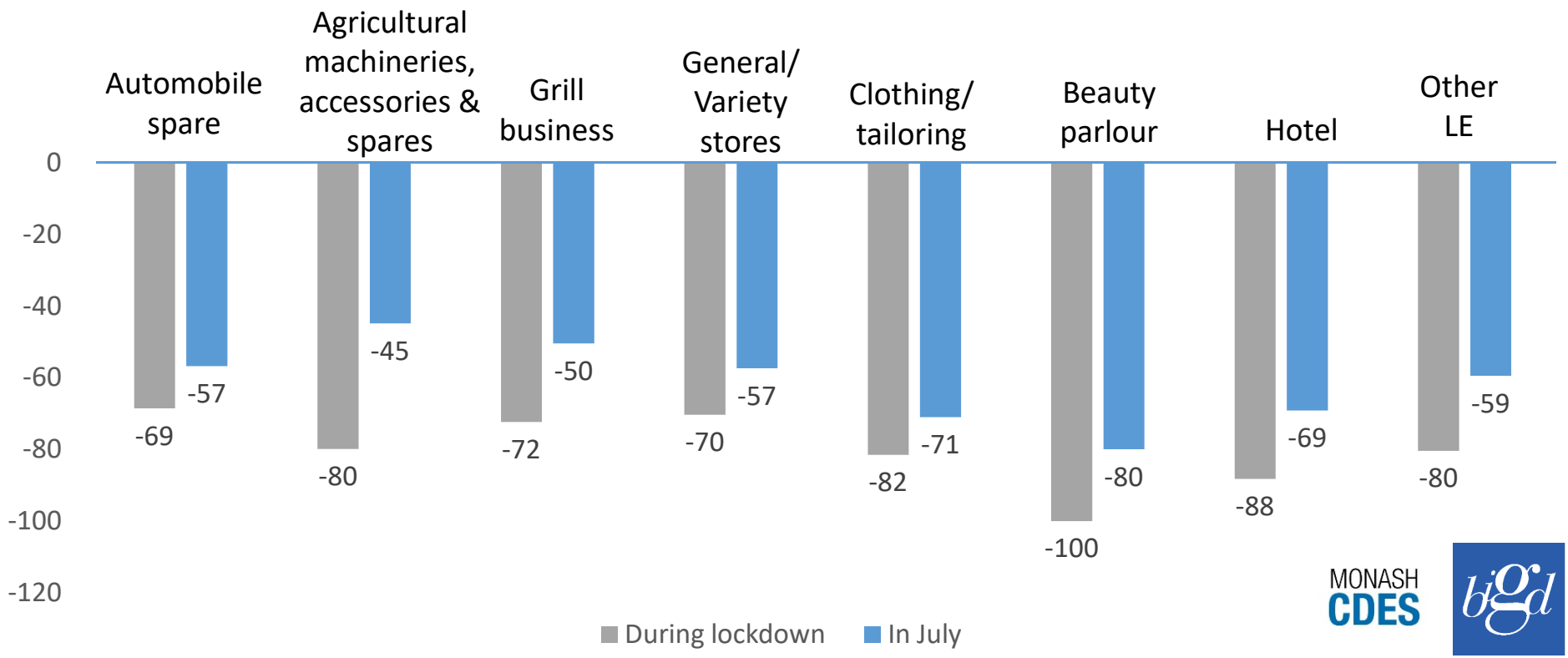
Drop in Sales by Enterprise Type Relative to Pre-COVID19

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



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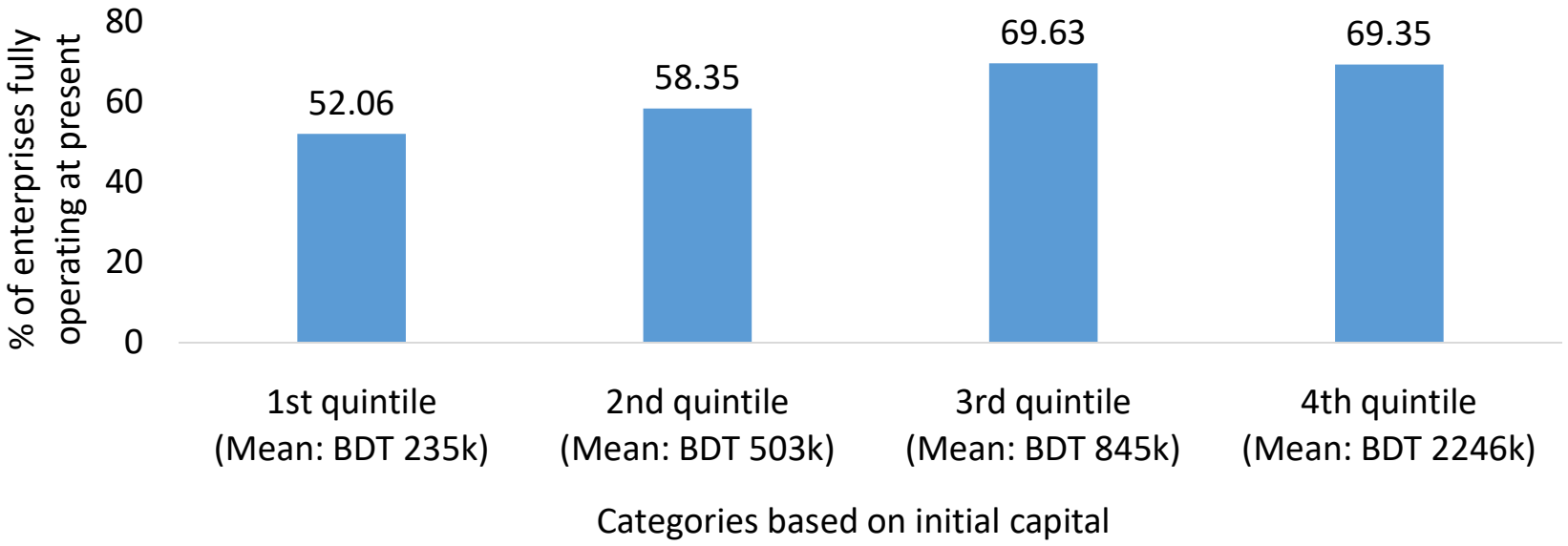
Current Operation Status by Initial Capital of LE Firms

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



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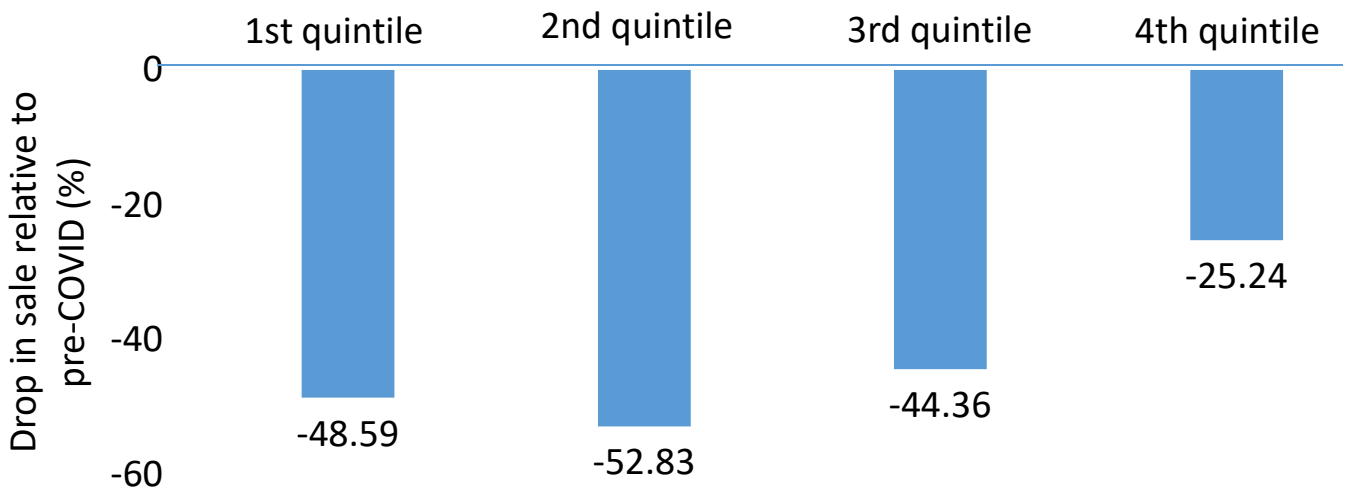
Drop in Sales relative to pre-COVID by Initial Capital of LE Firms

Poorer owners are facing severe drop in sales after the lockdown



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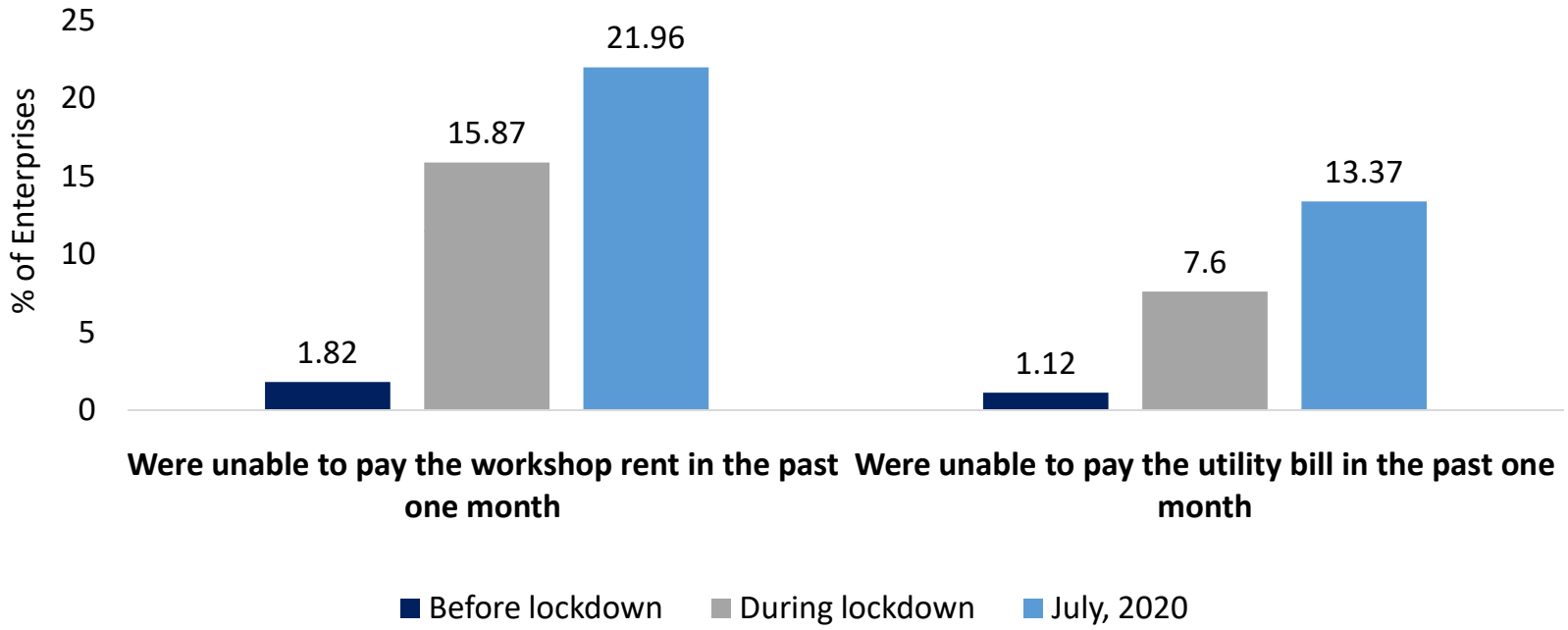
More owners are unable to pay rent and utility in July

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



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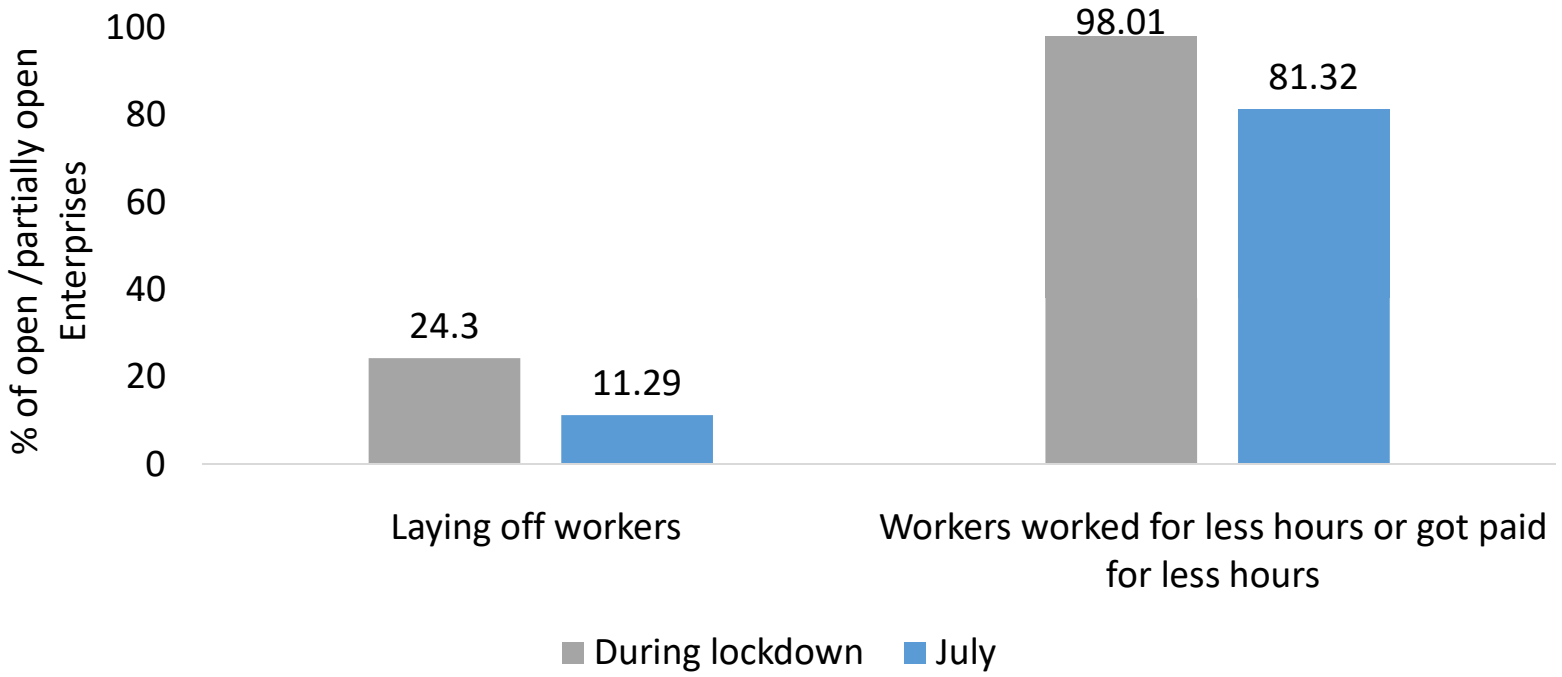
Consequences on Hired Workers of open/partially open enterprises



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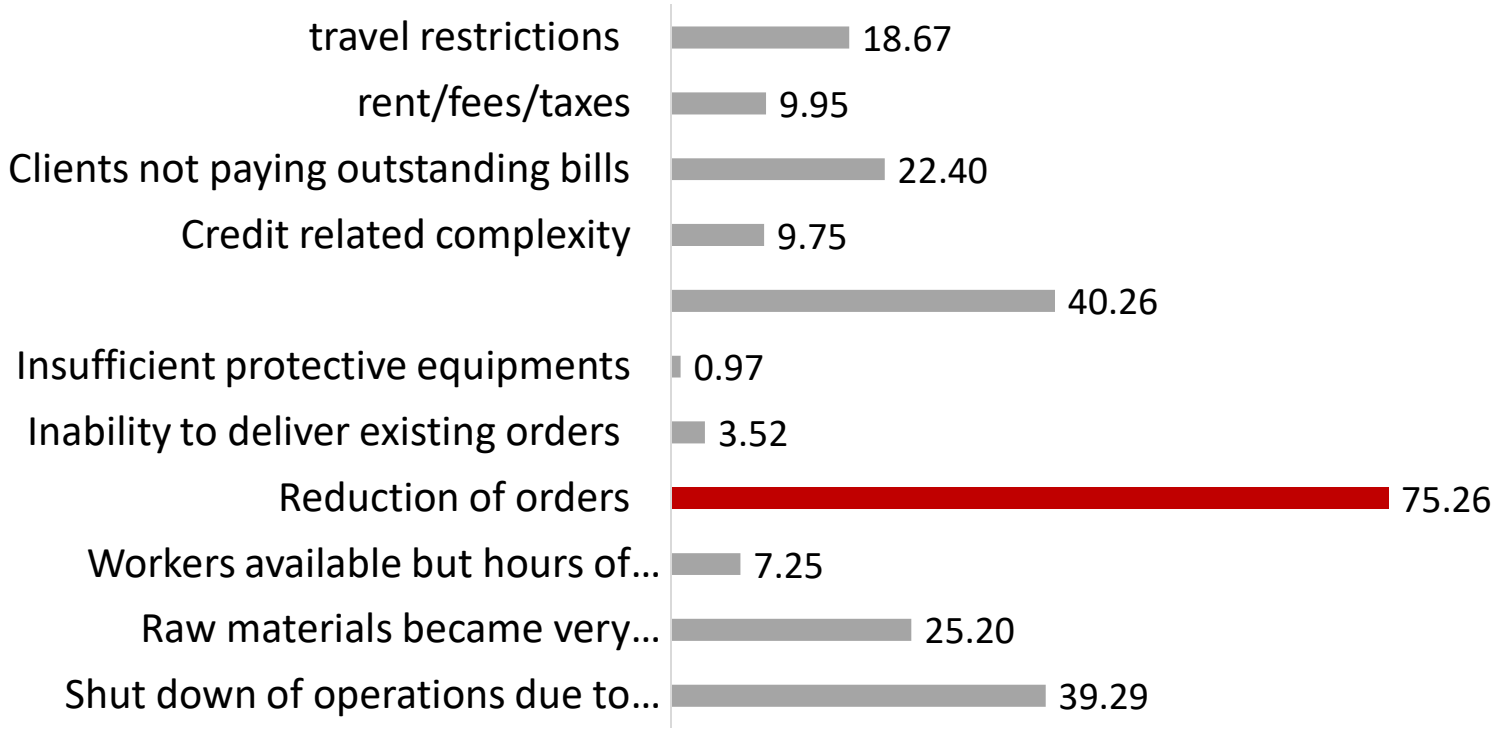
Disruption/Extreme Disruption Faced During Lockdown



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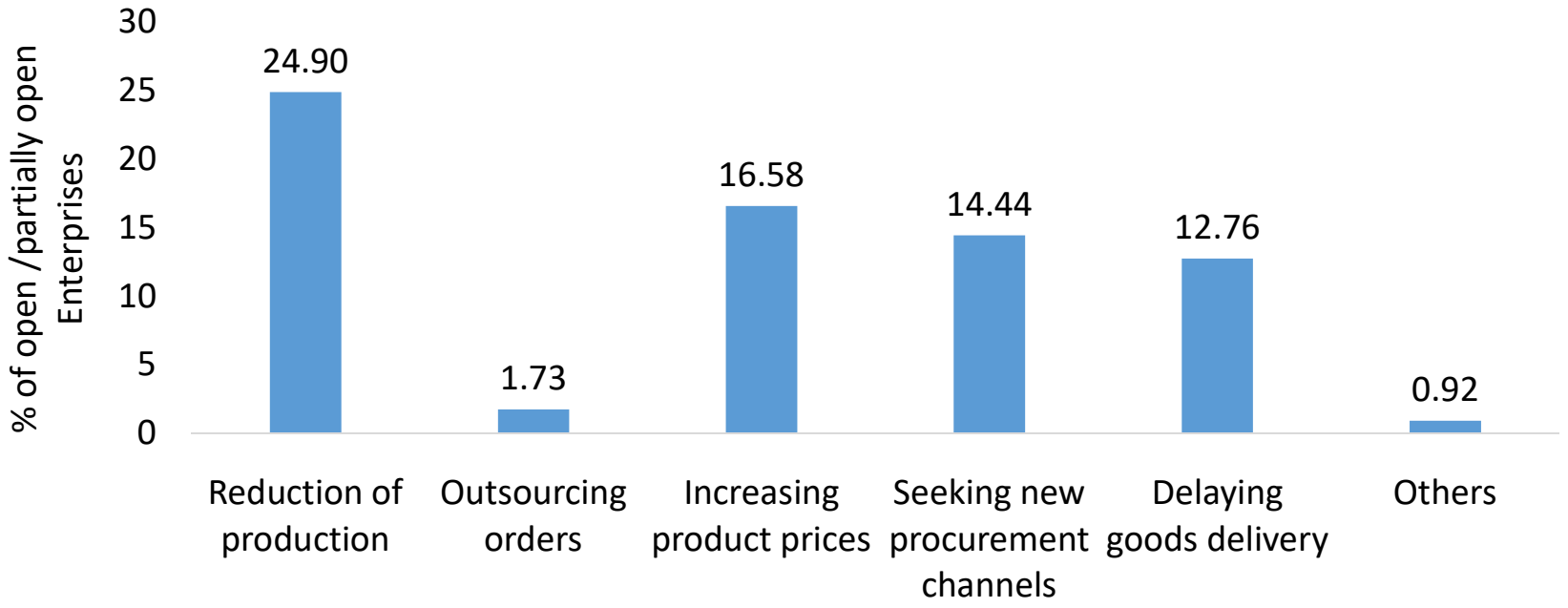
Coping with the Shortage of Raw Materials After Lockdown

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



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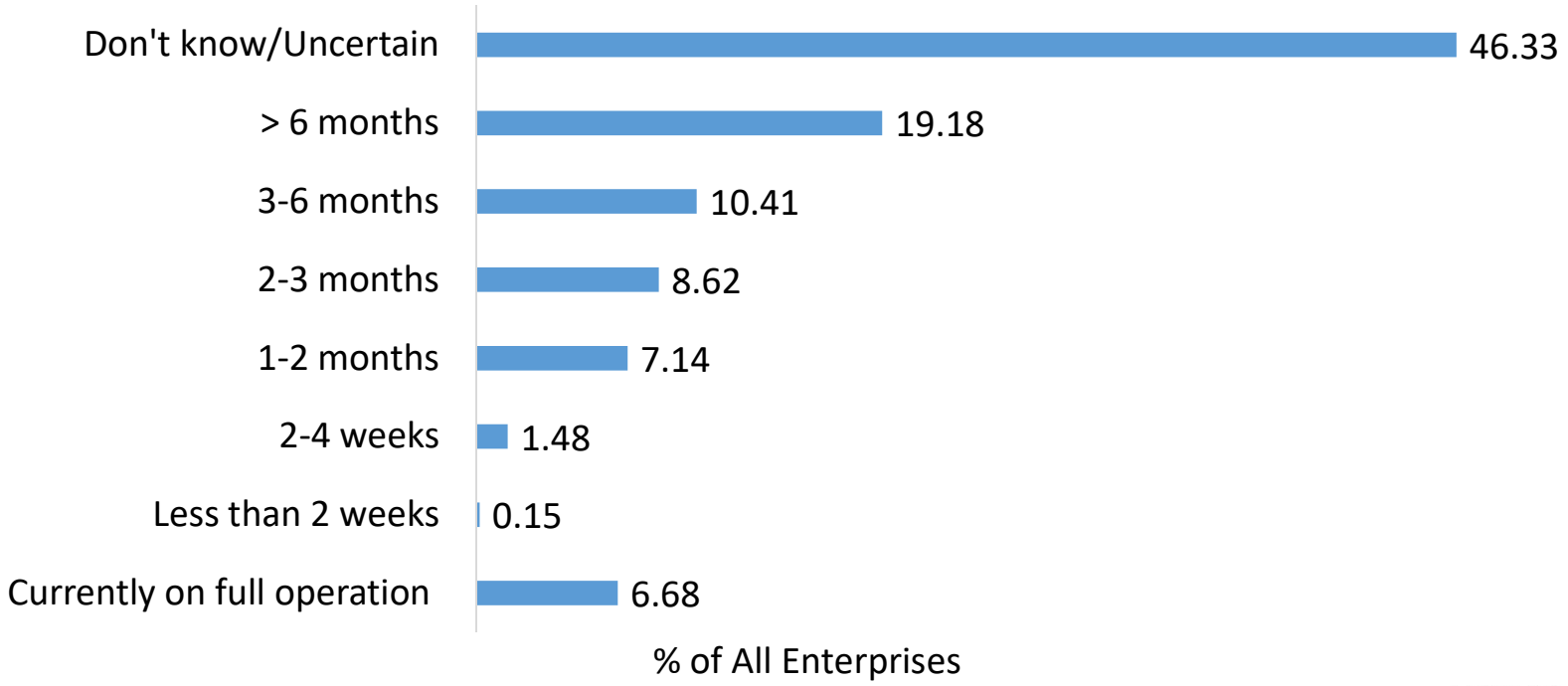
Time Required to Resume Full Operation

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



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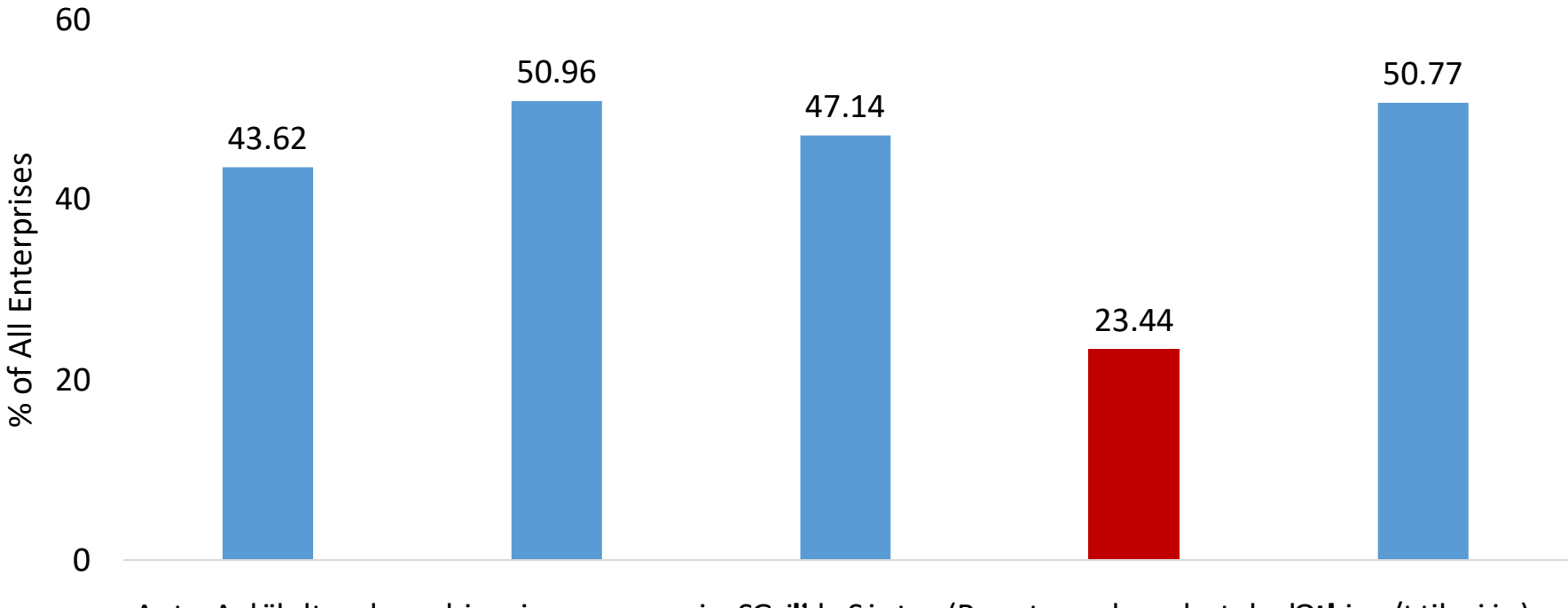
Access to Business Loans/Grants to Support Business Recovery

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



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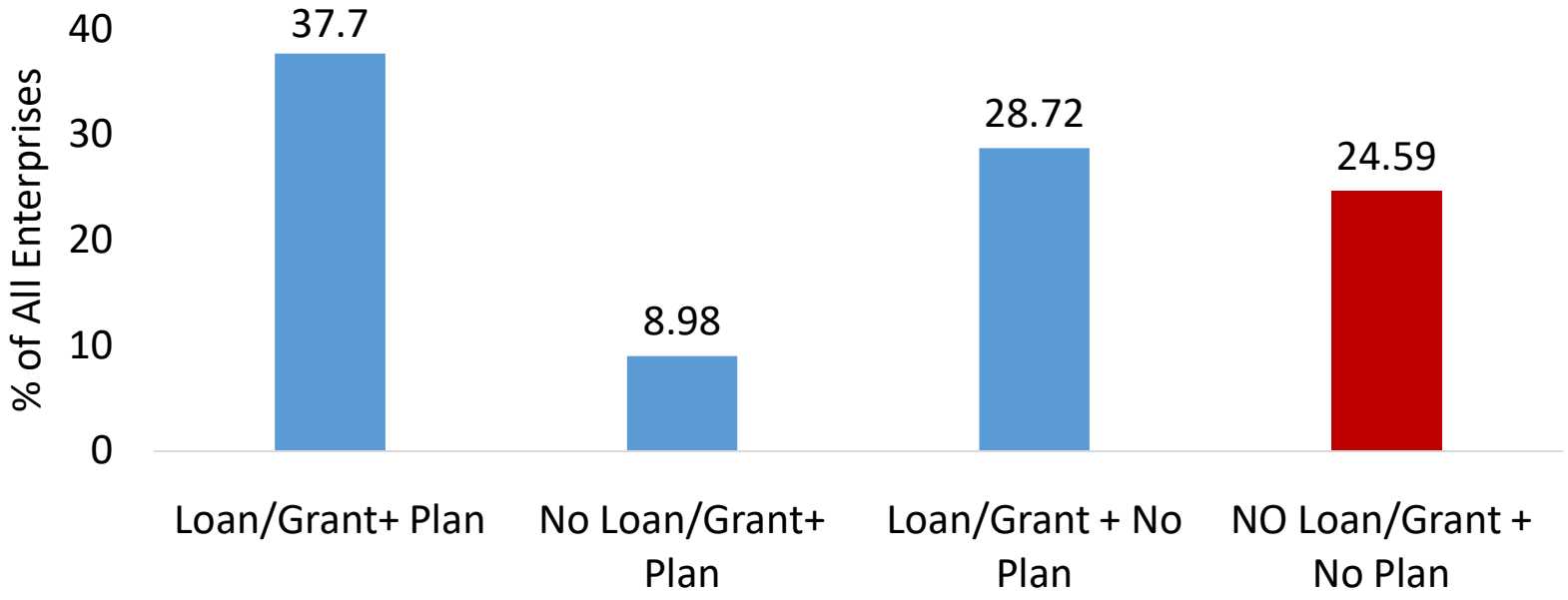
Recovery Planning

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



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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

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Which Enterprises Applied for Govt. Support

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

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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

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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

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Workers

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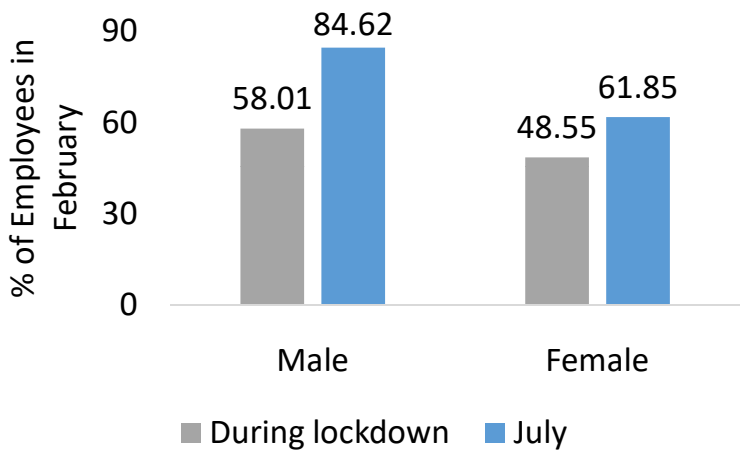
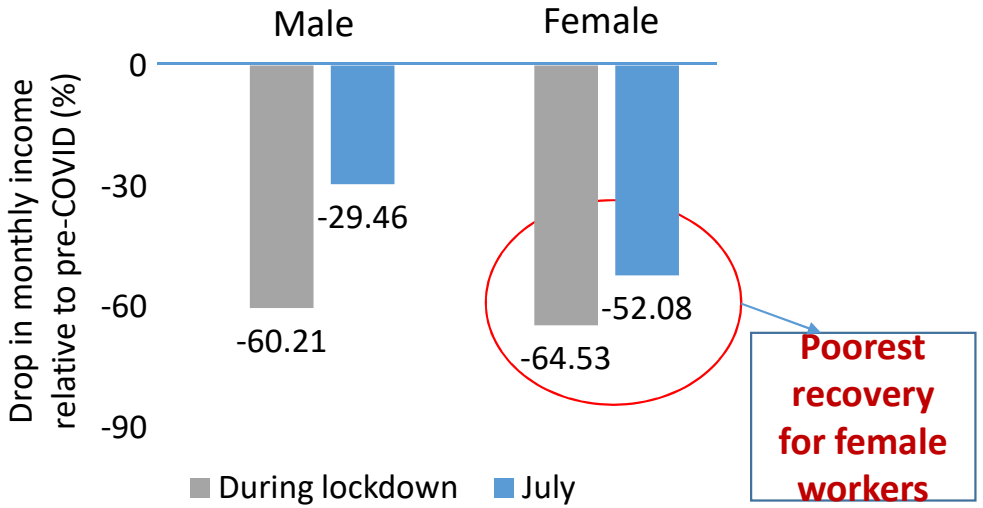
Workers' Employment Status and Income Drop Relative to Pre-COVID

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





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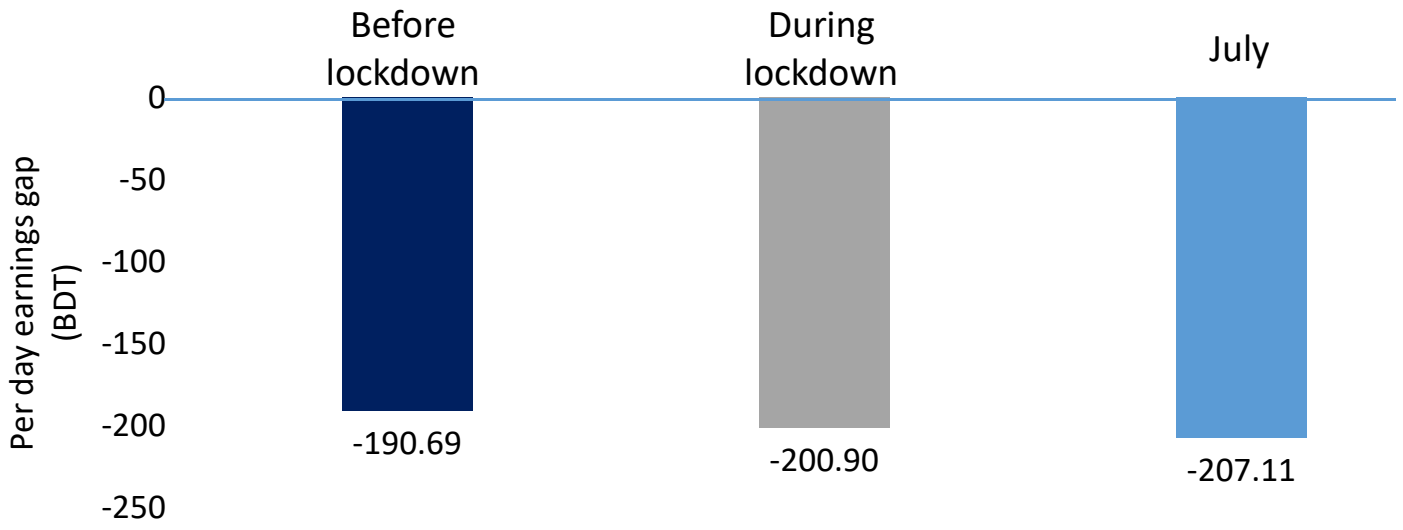
Per Day Earnings gap (Female-Male)

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



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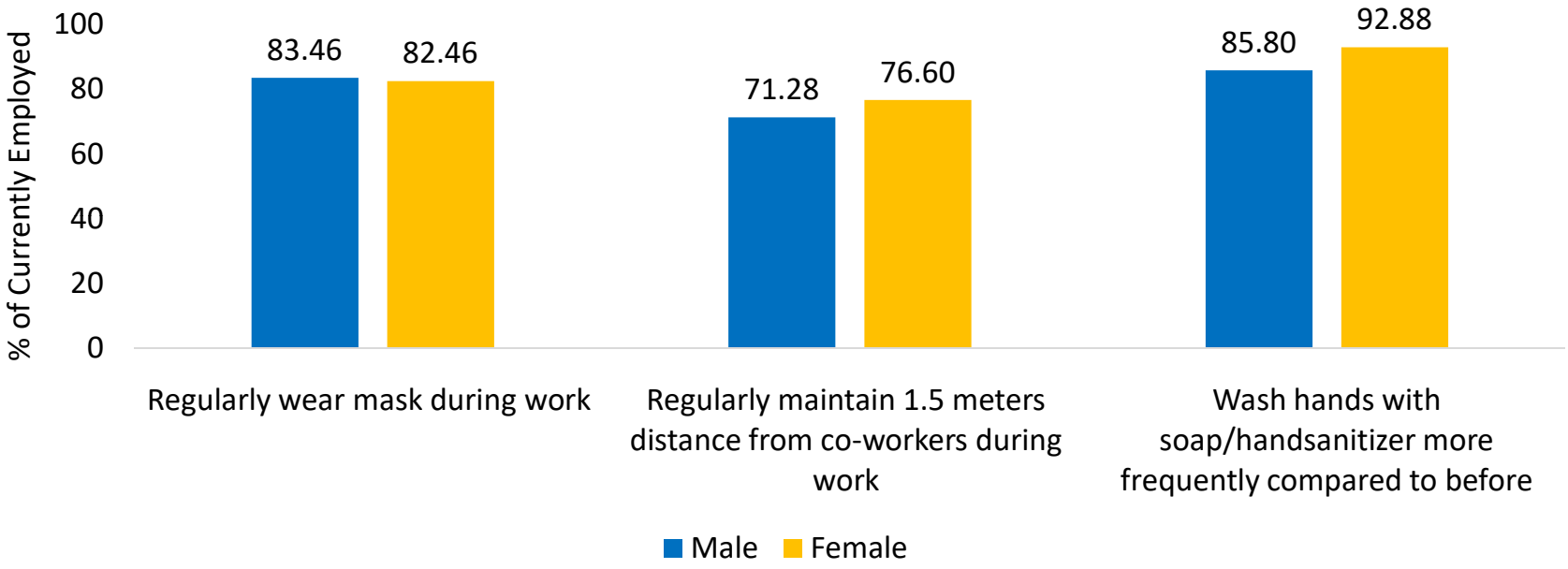
Maintaining Health Guidelines at Workplace

Female workers are more likely to wash hands more frequently



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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

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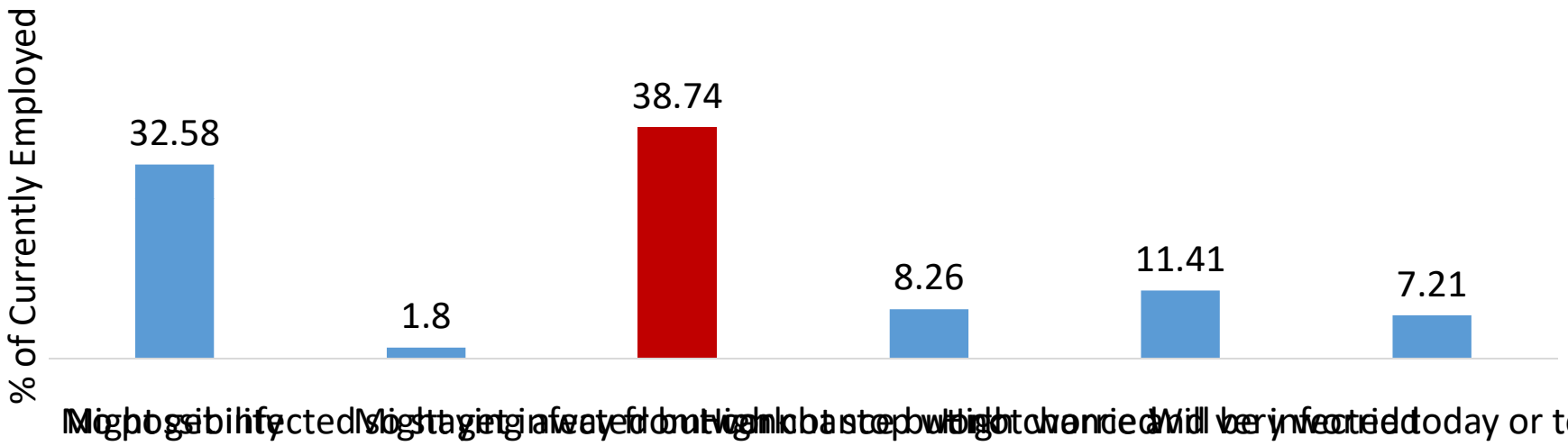
Workers' Perception of being Infected by COVID19

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

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