

COVID SURVEY 2020

**ARTH PRESENTS: IMPACT ANALYSIS OF COVID-19
ON MICRO ENTERPRISES IN UTTAR PRADESH.**

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Arthimpact Digital Loans Private Limited

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Survey Report : Understanding the Impact of COVID-19 with micro-entrepreneurs

Objective

ARTH in its report “Impact Analysis of COVID 19 on Micro-enterprises in Uttar Pradesh” aims to deeply understand the vulnerability of various small businesses in the lockdown-hit economy.



The health emergency has adversely affected the financial fragility of micro-businesses, more specifically in the rural and semi-urban sectors. This survey aims to study the impact induced on micro-businesses in Uttar Pradesh, as an outcome of COVID-19 in the pre and post lockdown phases.

It provides an understanding of the immediate effects of the pandemic on the basic needs of the lower income households, like- situation of food supplies, mental awareness about the spread of the virus, preparedness and stability of their businesses, alternate income sources, impact on the families, health condition of family members, expectation from government authorities on navigating the challenges, financial status on savings and expenses, etc.

A surge to the socio-economic gaps of micro-enterprises

The State of Uttar Pradesh has around '89.99 Lakh MSMEs which is around 14.20% of the estimated MSME's in India, accounting for the highest share in the country. Out of these, approx. 7% of the enterprises are directly owned by women micro-entrepreneurs. Micro and small enterprises in India account for 50 percent of GDP and 70 percent of total employment, as observed and stated by the United Nations on the MSME Day 2020. Such businesses are bearing the brunt of the collateral

damage caused by the pandemic, making it difficult for businesses to stay afloat amidst a shrinking economy and falling demand; their vulnerability to the economic shock is a rising concern.

Majority of these MSME's have already been health insecure due to limited resources. The pandemic has only aggravated their social, financial and entrepreneurial situation, making it tough for businesses to recoup from the consequences. And for micro businesses led by women, the instability is grievous and a cause of immediate concern for the economy to stabilize.

To further understand the threats on micro businesses, owing to the pandemic and the extended lockdown, ARTH conducted a survey for an in-depth understanding of the affected households and occupations. Through various outreach initiatives earlier in the year, it was observed that various micro enterprises were encountering severe operational challenges and were unable to seek appropriate measures to bounce back in the unlock phases.

Thus, following a quantitative methodology, the survey was conducted in 4 districts, covering over 80 clusters in Uttar Pradesh from 6 of the major income-generating occupations at the "base of the pyramid".

Executive Summary

Based on the responses of the above survey, it can be summarized that majority of the small businesses generate income on a daily basis, that was disrupted to a great extent, initially due to the government-imposed lockdown and later due to a fall in the number of customers - owing to the scare of the virus. This particular segment of entrepreneurs is also largely dependent on their savings for any and every unprepared slowdown, but due to the prolonged cessation of businesses, the household economics will continue to suffer the imbalance for a longer duration.

The mental trauma has also resulted in closure of many of the businesses, that were unable to absorb the shocks and found ease in completely shutting down instead. Families of this segment are finding it hard to make appropriate adjustments and are seeking relevant relief measure by institutions to support their basic needs.

Profile of the Respondents

The study is based on the results of 573 entrepreneurs, with special focus on women in this segment. The respondents belong to the districts of Lucknow, Raeberali, Faizabad and Sultanpur in Uttar Pradesh. Businesses included under the survey include – grocery shops, food stalls, farm and non-farm activities, mobile and electronics shops, repair shops, food stalls, etc.

Figure 1 provides an overview of the split of the age groups of micro-entrepreneurs covered under the survey. Figure 2 illustrates the geographical split of the profile of the respondents. Other occupation includes- agriculture and allied activities, automobile and repairing services, etc.

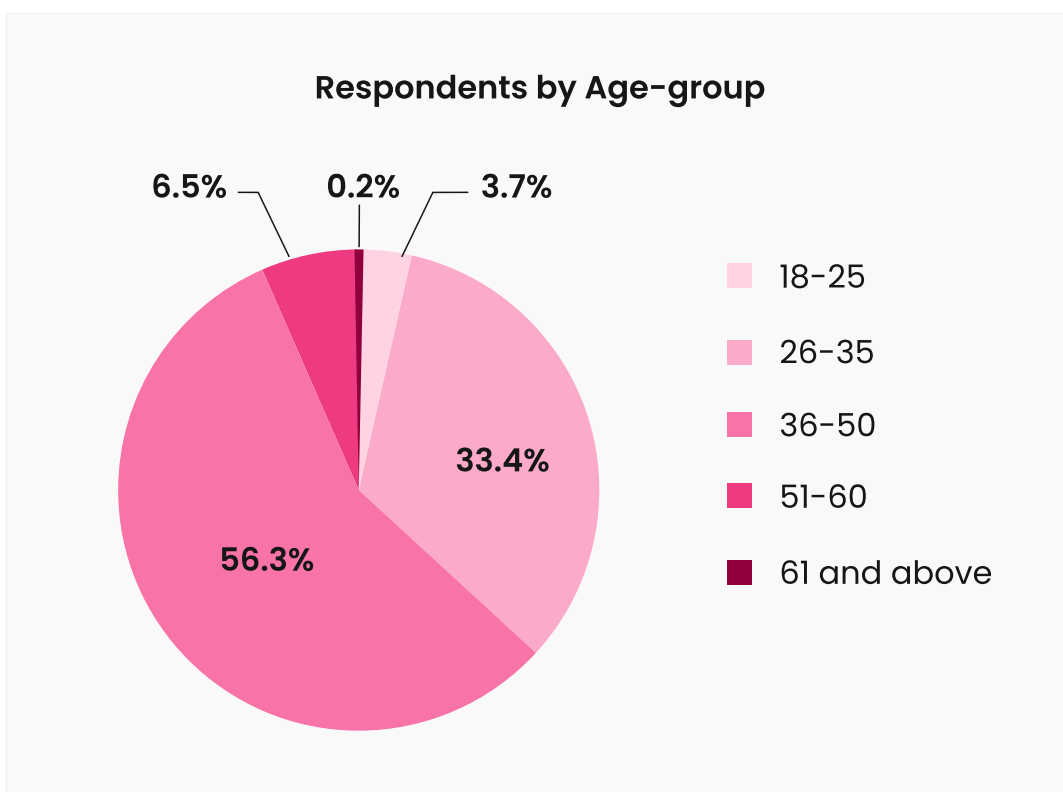


Figure 1

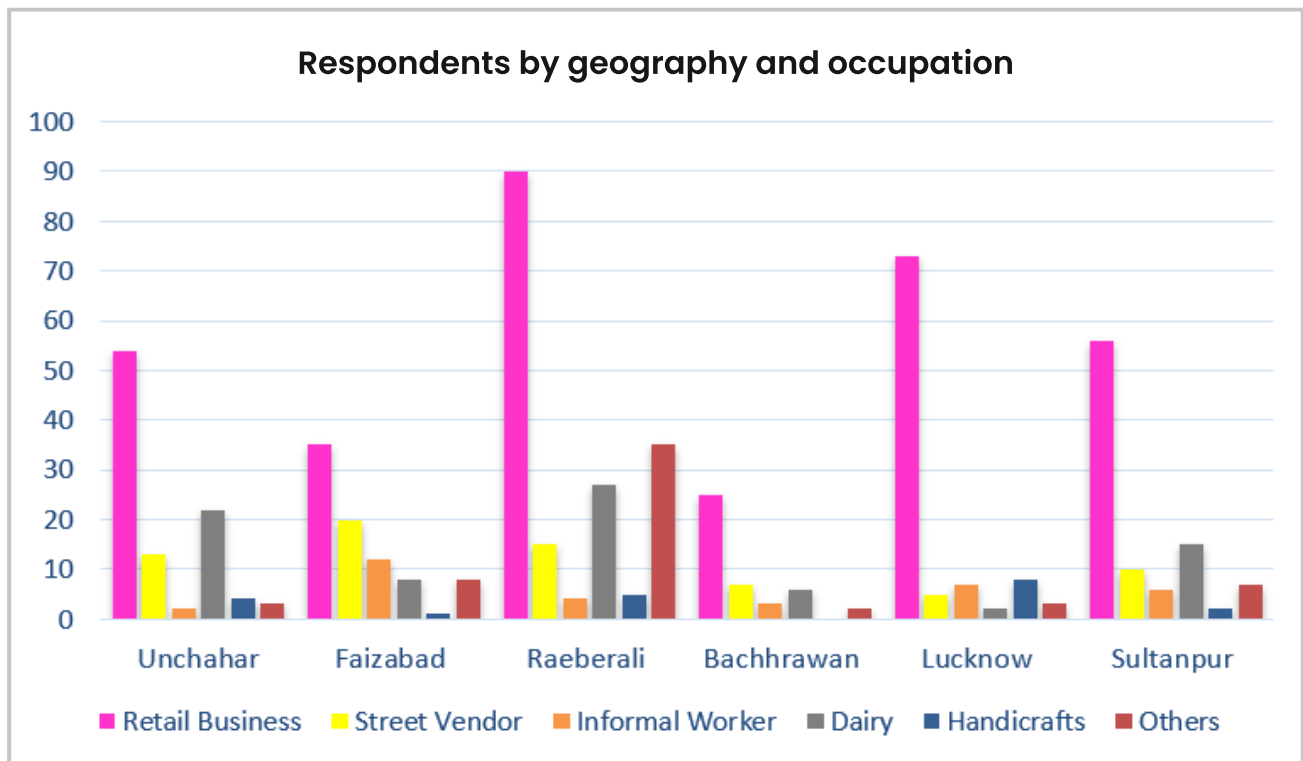


Figure 2

Detailed Summary

Based on the responses of the survey, key observations can be highlighted as below

- **Supply Disruption** : Due to lack of supplies during most of the first half of 2020, revenue of businesses has sharply declined. Lack of credit availability from suppliers to MSME's has further severed the situation for businesses. Shortage of supplies, also due to lack of resources, has impacted the overall health of MSME's, especially during the festive season.
- **Shortage of Demand** : Shortage of demand is majorly due to low customer footfall that has been the major inhibitor for small businesses in remote areas. Uncertainty around the future income of businesses, due to the declining purchasing power, is also endangering the survival of MSME's.
- **Financial Behavior** : Most of the business owners had to exhaust their savings

to sustain their families during the lockdown period. Rebuilding on the savings is the top priority issue amongst all these families to secure their livelihoods, but they are still waiting for businesses to normalize first.

- **Deteriorating Healthcare :** The micro-entrepreneurs belonging to the lower-income groups are also deeply concerned about the health and safety of their family members, since most of them have also experienced a health concern during this period. These families have already been health insecure owing to their lack of resources and lack of information on government supported initiatives.
- **Alternate Income Channels :** Respondents are primarily of the view to say that they would continue to infuse in their existing business needs, as against permanently exploring alternate sources of income, since they have already invested all available sources to setup a small business. Switching to a new business setup would mean doubling the efforts and resources.

Key Insights from the Survey :

The above views are built on some of the key findings as also illustrated below.

- More than 50% of the respondents accepted the fact that direct bank transfers under various benefit linkages have helped them in surviving through these testing times. This supports the fact that the government has successfully implemented benefit-schemes to extend relief to the underserved population.

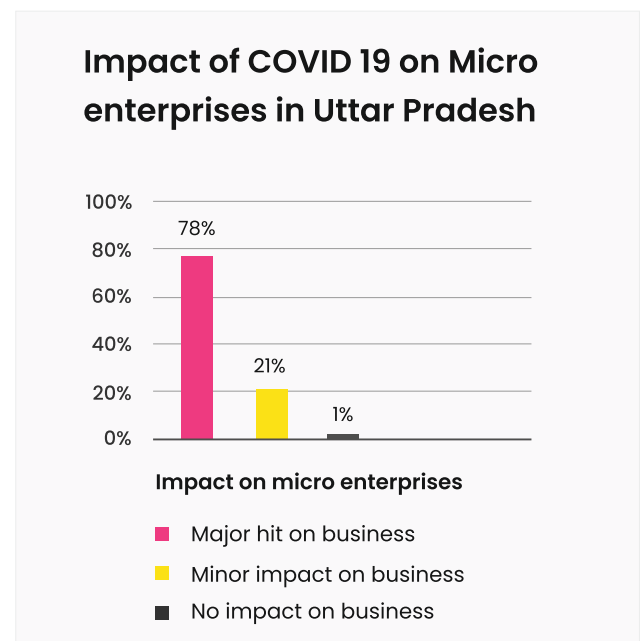


Figure 3 Count of respondents- 573;
ARTH customers for ARTH Covid Survey, 2020

- More than 60% of the responses were led by the view that lower per day sale post lockdown and closure of business during the lockdown is the major factor for loss of business revenue. Other factors include: delayed customer payment, shortage of supplies, lack of financial resources to cater to the business needs, amongst others.
- Owing to various factors that directly impact the households of these lower-income groups, 65% of the women respondents are worried about the health condition of their family members. For any unforeseen situation, these families have little or no security to face any sort of health emergency during these unprecedented times.
- 47% of the population were also reported to have skipped meals during the lockdown to provide for the needs of the children and elderly family members.
- 75% of business owners believe that by opting for an emergency credit, their micro-businesses will be able to sail through the difficulties.

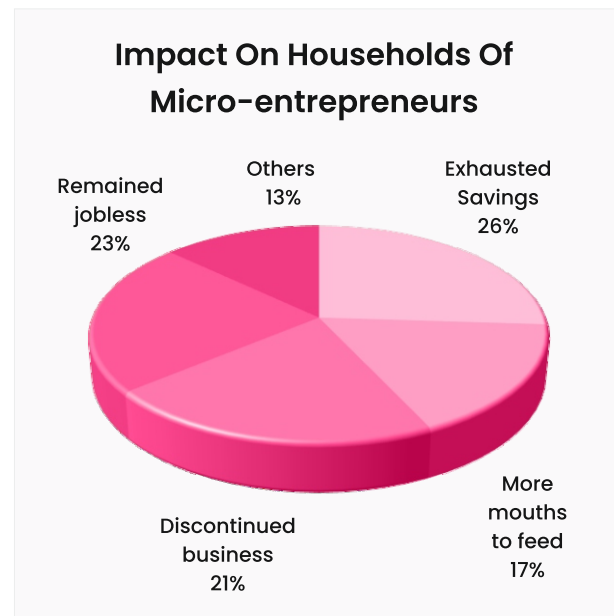


Figure 4 ARTH Customers in Uttar Pradesh, in response to the Covid Survey conducted in October 2020

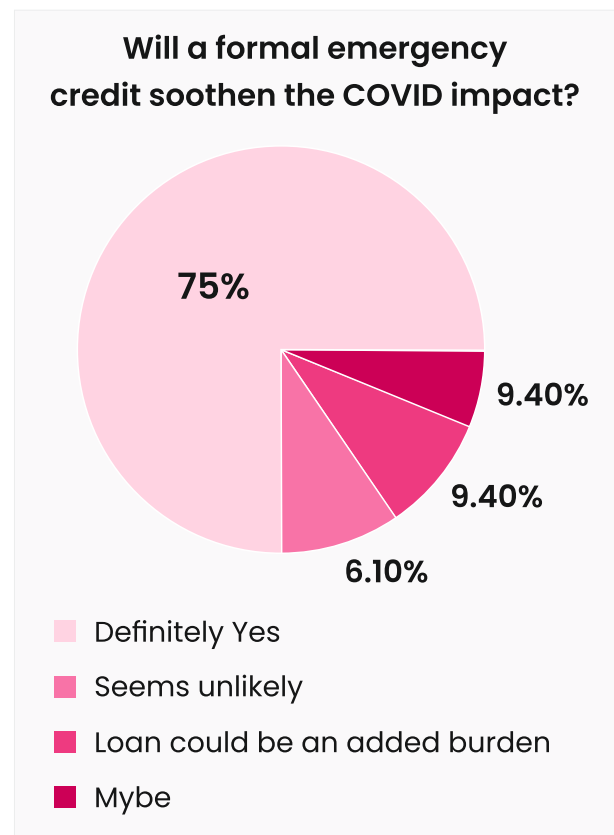


Figure 5 Respondents on being questioned on the expectation from credit support for their micro enterprise. Majority are hopeful on balancing their situation with the help of an immediate credit.

Conclusion

The responses were led by a financial need for reviving the businesses in order to smoothly function and return to the pre-COVID business performances. Immediate help by formal or informal credit is sought by micro-entrepreneurs to stabilize and reverse the negative impact of the pandemic on their business operations.

And overall, 3 out of 4 respondents are optimistic about bouncing back to the pre-COVID condition, provided they receive pertinent support from organizations on providing for the needs of their families and businesses.

Key take-aways

While the urban enterprises have found their mechanisms of reducing contact and adopting necessary precautions to minimize the risk in their day-to-day business, the micro segment is far from figuring out the 'how-to's' in their business environment and available resources. A lot of effort is needed to educate the micro entrepreneurs on ways to strengthen and rebuild on their businesses. Though the vaccine to the virus is underway, however the impact is here to stay until mid-2021 to the least.

In the meanwhile, it is crucial for agencies and institutions to provide the necessary socio-economic support to the smaller businesses, primarily with a gender focus. Partnerships between institutions and government agencies can easily foster micro-enterprises with relevant relief measures that the segment is on a lookout for.

APPENDIX A

Respondent's Profile

- Name of customer
- Mobile No.
- Gender – women only
- Business

Business Category	Count
Agri and allied	11
Automobile	25
Dairy	80
Handicrafts	20
Informal Worker	34
Retail business	333
Street Vendor	70

- Location of the business

Lucknow	99
Faizabad	88
Sultanpur	96
Raeberali	149
Unchahar	98
Bachhrawan	43

- Age

18-25	21
26-35	191
36-50	322
51-60	37
61 and above	2

APPENDIX B

Survey Responses

- 1. Did you operate your business during the lockdown?**
 - a. Yes - 90
 - b. No - 418
 - c. Open alternate day - 38
 - d. Others - 25

 - 2. How has the health emergency of COVID-19 affected your business?**
 - a. Badly affected - 447
 - b. Unaffected - 4
 - c. Slightly affected - 120

 - 3. What were these effects?**
 - a. Business remained shut temporarily - 382
 - b. Sales reduced - 100
 - c. Customers were not paying on time - 11
 - d. Received reduced deliveries from the suppliers - 14
 - e. Could not invest in the business - 30
 - f. Others -33

 - 4. Did you ever feel the need of switching to any other business because of COVID?**
 - a. Yes - 167
 - b. No - 299
 - c. Maybe - 104

 - 5. Did you face any issues in purchasing your business commodities?**
 - a. Yes - 208
 - b. Purchase dropped due to low sales - 126
 - c. Don't know- 139
 - d. No issues- 59

 - 6. What methods did you adopt to out pass the difficulties during COVID?**
 - a. Reduced people employed in the business - 17
 - b. Closed business temporarily - 286
-

APPENDIX B

Survey Responses

- c. Provided services on phone – 16
- d. Delayed bank repayments – 18
- e. Added new products – 23
- f. Nothing – 160
- g. Tried out a new supplier – 11
- h. Permanently closed business – 72
- l Others- 2

7. What has been the impact on your neighboring businesses?

- a. They got shut – 325
- b. Remained open on alternate days – 0
- c. They were essential services and hence remained open – 96
- d. Can't say – 98
- e. Others – 544

8. What has been the impact on your impact?

- a. Nothing major – 59
- b. Business remained closed – 341
- c. Had to stay at home jobless for months – 375
- d. More people to feed and less people to earn – 271
- e. Savings got over – 416
- f. Others – 147

9. Has anybody in your family migrated from any metro city?

- a. Yes – 64
- b. No- 508

10. Are you scared of COVID for the health of any of your family member?

- a. Yes- 372
- b. No- 11
- c. No, more than COVID we are worried about the business – 188
- d. No, we are scared about our savings – 2

APPENDIX B

Survey Responses

- 11. What has been the worst experience for your family during this time?**
- a. We had to quit one meal a day since we did not have money – 109
 - b. We did not have enough money to feed the children and elders in our family – 152
 - c. Children were unable to continue their school since we could not afford their school fees – 73
 - d. Family faced health-related concerns – 253
 - e. Others – 323
- 12. Do you think there can be another lockdown in the near future?**
- a. Yes- 27
 - b. No- 280
 - c. Don't know – 266
- 13. What has been the most helpful government initiative during this time?**
- a. Loan facilities with low interests and credit guarantee like PM SVANidhi Scheme – 91
 - b. Livelihood schemes like MNREGA – 58
 - c. Extension of repayment by 5 months – 23
 - d. Receiving direct credit benefits in our bank account's – 195
 - e. Supporting our business – 37
 - f. Other benefits – 329
 - g. Nothing – 119
- 14. Do you believe that the government will be able to control the upcoming situation?**
- a. Yes- 346
 - b. No- 34
 - c. Controlling seems difficult – 24
 - d. Don't know- 168
-

APPENDIX B

Survey Responses

- 15. Did you ever feel the need of borrowing money from your friends or family?**
- a. Yes – 305
 - b. No- 221
 - c. Maybe
- 16. In your opinion, will opting for a formal credit from an institution support your business?**
- a. Definitely yes – 429
 - b. No, its difficult- 35
 - c. No, Loan can be an additional burden – 54
 - d. Maybe – 54
- 17. Do you feel that the market will stabilize soon?**
- a. Yes- 467
 - b. No – 13
 - c. Don't know- 93
- 18. Do you feel that your business could normalize in the upcoming festive season?**
- a. Yes – 416
 - b. No- 23
 - c. Maybe – 134
- 19. Are you planning to invest in your business needs in the upcoming festival season?**
- a. Yes- 380
 - b. No -106
 - c. Maybe -81
- 20. What are you plans to safeguard your business?**
- a. Will start investing for savings – 452
 - b. Will invest more money in the business to increase sales- 157
 - c. Exploring alternate income source – 95
 - d. To resume the existing business, we will opt for a Loan facility – 78
 - e. Will have to sell property to resume business – 1
 - f. Other 196
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APPENDIX B

Survey Responses

- 21. For the festival, what announcements will you make?**
- a. Announcing a discount – 79
 - b. Will keep the expenses reduced- 34
 - c. Will invite old customers in the shop – 32
 - d. Will buy and new and attractive products to sell – 95
 - e. Others- 438



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