

Economic Effect and Coping Mechanisms of COVID-19 on Women Entrepreneurs in Sylhet City of Bangladesh

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Abstract

This paper focuses on the economic impact of COVID-19 on women entrepreneurs and their coping mechanisms to overcome the situation. Women entrepreneurship plays a vital role in the global economy in general and personal development of women in particular. It also has a great social impact, as it raises women's social status and empowers them in quiet a lot of ways. It can be noted that women entrepreneurs have greater contributions to global economic development. However, their input to the domestic and local economy has been severely harmed and disrupted as a result of the coronavirus outbreak in 2020. While Small and Medium Enterprises' (SME) are considered to be the bloodline of Bangladesh's economy, employing 7.8 million people directly and providing livelihood to a total of 31.2 million, the hit of COVID-19 pandemic has made women entrepreneurs vulnerable. In this regard, an attempt has been made to investigate the impact of COVID-19 on women entrepreneurs in Sylhet city, as well as to enquire how they have been managing the negative outcome. Both qualitative and quantitative approaches were adopted for this study. An interview schedule and checklist were used to collect data for the purposive sampling procedure. The study reveals that most of the women entrepreneurs of Sylhet city face severe challenges and economic crisis due to pandemic situations. Lockdown that lasted for a long time resulted in employment losses and as a result economic vulnerability became a reality. During COVID-19 these female entrepreneurs did not get any financial support or help from the Government and Non-government organizations. Financial institutions like bank, small loan windows did not extended their hands as well to provide loan for their survivals. Some entrepreneur had to change their business and others simply are spend times without doing any work. They plan to continue their business in an alternative way, if the coronavirus crisis continues for a long time. However, they need to get

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support from government and other entities. Financial motivation (Pronodona) can play a pivotal role in sustaining their business.

Keywords: COVID-19, Entrepreneurship, Effect, Vulnerability.

Introduction

Women entrepreneurship is a recent phenomenon that has spread all over the globe. As a result, women's role as entrepreneurs has grown in importance. Nowadays both industrialized and developing countries consider entrepreneurship to be one of the most important predictors of industrial growth. Women's participation in economic activities, particularly in entrepreneurship, has resulted in significant growth and achievement in many countries.

Entrepreneurship is a key to the development of a country and the solution of numerous problems. However, the magnitude and velocity of women's involvement in economic activities in Bangladesh is still quite low. Women account for nearly half of the population and which means if this manpower is used properly then there is enormous potential for the country's socio-economic development. In today's age, gender discrimination seems to one of the major roadblocks to Bangladesh's economic progress. Gender inequality cannot be reduced without active participation of women in the economy. In this scenario, women entrepreneurs can easily participate and contribute directly to household income and country's economy as well. In recent years, developing countries around the world, including Bangladesh, have focused attention on the marginalized groups of society namely women. This growing government awareness has resulted in the implementation of national programs to aid in the development of women in all domains, particularly economic activity, with a precise focus on entrepreneurial development. Engaging in entrepreneurship provides women with a source of income, improve their social position, combat gender bias, and contributes to the advancement of society. The result of this might be that women entrepreneurs are becoming more involved in our country's economic activities, particularly in micro and small businesses, and they are playing a significant role in boosting our economy. However, in comparison to their male counterparts, they are in a less privileged position to outperform and outgrow their businesses, even in identical environments. In Bangladesh, Small Medium Entrepreneurs (SMEs) are important drivers of the national economy accounting for 25% GDP and playing an important role in revenue generation and resource utilization. Cottage, micro, small and medium enterprises (CMSMEs) employing 80% of the workforce in the industrial sector. Their export contribution is reported to be 75%. Women's engagement in the Bangladesh labor force has grown over time, from 24% in 2000 to 36% in 2020, according to the Bangladesh Bureau of Statistics. Recently, women entrepreneurs have been increasing importance to our country's overall development.

Unfortunately, the COVID-19 outbreak has had an impact on the global economy. It wreaked havoc on the world, affecting over 208 countries and the spread is still spreading, posing a serious threat to the global economy. Bangladeshi employees and businesses have been crippled by the government imposed lockdown, which continued until the end of May. Due to the government-imposed lockdown, CMSMEs experienced low client demand and fewer opportunities to meet new consumers. CMSMEs represent about 99% of all business units in Bangladesh, as per studies, 7.7 million of those are in crisis, unable to pay their employees and facing the consequences of the COVID-19 outbreak.

The economy has nearly come to a halt, with negative consequence in almost every industry. Survival is a constant struggle for Cottage, micro, small, and medium enterprises (CMSMEs). In Bangladesh CMSMEs are confronting new challenges as a result of the COVID-19 outbreak. In 2020, 94% of business experienced a significant drop in revenue, with micro-enterprises reporting an average 49% drop in sales. This is projected to reduce significantly by 2021. CMSMEs have an impact on Bangladesh's national strategic plans, including vision 2021 (based on the Perspective Plan of Bangladesh 2010-2021) and vision 2041 (the Perspective Plan of Bangladesh 2021-2041, which seeks to eliminate extreme poverty, reach the upper middle income country status by 2030). The impact of COVID-19 on CMSME may potentially have a negative impact on the country's progression from least developed to developing country status. Bangladesh's economic growth is expected to be 5.2% in 2020 and 6.8% in 2021, according to the Asian Development Bank. The International Monetary Fund (IMF) predicted that the country's GDP would expand by 3.8% in 2020 and 4.4% in 2021. The World Bank predicts 2% and 1.6% GDP growth in 2020 and 2021, respectively. All of the projections are significantly lower than average. The pandemic weakened consumer purchasing power, resulting in a large drop in aggregate demand. The economy is stopped, and supply chain is disrupted across the country due to the lockdown.

There are differing opinions on possible impacts of COVID-19 on the Bangladesh economy. According to the Asian Development Bank (ADB), Bangladesh's recovery from the coronavirus induced downturn is expected to be V-shaped. The outbreak of COVID-19 has hampered Bangladesh's GDP growth, which had been averaging approximately 8% in recent years. Unemployment is now estimated to be between 10 and 15 million, up from 2.7 million in 2017. Despite this, devastating impact can be seen in almost every industry.

Statement of the problem

Earlier, because of the existing patriarchal norms in society, women's economic activities were mainly confined to household chores. As time passed, women are now engaging in more financial activities. Some are

doing jobs, while others are launching their own start-up or e-commerce venture. As a part of national development programs, developing countries are now emphasizing women's entrepreneurial development. Moreover, women's entrepreneurship is now widely acknowledged as having the potential to contribute significantly to the economic well-being of families and communities by creating jobs, reducing poverty and increasing productivity. However, everyone is affected by the COVID-19 pandemic, from small businesses to global corporations. As a result, we conducted this study to know more about our women entrepreneurs and their struggles. The study focuses on some questions raised due to recent outbreak of COVID-19, such as: What are COVID's negative and positive effects on their business? What is their plan to recover from or to deal with this difficult situation?

Objectives

- To find out the past and present scenario of women entrepreneurs.
- To explore the effect of the COVID-19 crisis on women entrepreneurs in terms of their particular business and the broader context of the country's economy.
- To know the coping strategies and further plan for their business.

Methodology

This research was carried out following both qualitative and quantitative methods. Women entrepreneurs who live in Sylhet city and have been running their own enterprises during and before the pandemic were the population, particularly those involved in boutique houses, handicrafts, food, parlors, and service based businesses. This study excluded all types of resellers, resulting in a relatively limited sample size. Data were collected from 23 respondents using survey techniques in the quantitative section. And 5 in-depth studies were conducted for the qualitative part. An interview schedule and a checklist were used to collect data using a purposive sampling procedure. In the quantitative part, Microsoft Excel was used for data processing, interpretation, and analysis, whereas thematic analysis was conducted in the qualitative section. However, due to strict lockdown, the majority of the data were collected through telephone interviews and mail surveys.

Result and Discussion

Demographic Variable and Business

Despite staying in a patriarchal culture where participation of women in economic activities are often not so welcomed, surprisingly, it has been found that all of the respondents overcame cultural barriers, started their own business to achieve something on their own, built their own identity, and had the flexibility to work. From all of the respondents, approximately half (52.2%) are married, 43.5 are unmarried, and 4.3% are

single mothers. A good number of women entrepreneurs are involved in the food business because it is convenient, easy to invest in and they have the basic idea of cooking healthy food for their family. From them, 91.3% had invested their own saving into their business and rest had taken loan and returned on time. Almost half of the respondents have both offline and online shop, while 39.1% have only online shop, 13% have only offline shop. It's encouraging to see that majority of the respondents 65.2%, hold activity licenses.

“With the support of my husband, I invested 5000 BDT from my own savings and got the courage to start something where I can have full freedom to do what I love and get the chance to present my creativity by customizing cakes with other bakery items”, Gazi Zinat Afza, a renowned baker told about her initial days of starting the venture.

“After a year of job hunting even being a topper at a public university but not being able to get a decent job, I decided to start my own VA firm as I was already experienced in freelance work. And after generating a healthy profit from my firm, I started investing in my craft shop. I have always loved crafting, so this was a childhood dream that came true”, stated Muhaimina Faiz, another owner of start-up shared her journey.

“When I started my business, I strongly felt the absence of female entrepreneurs in this challenging field. We really needed to change our mentality. Most importantly, I had to do something on my own as my self-dignity was at stake. I could have worked as a teacher or something else if I had wished, but as a single mother, it would have been much more difficult for my children to be cared by helping hands. So, I thought of opening a boutique and tailoring shop near my home so that I could see them whenever I wanted. Luckily, I opened a boutique store in front of my house”, said Fahmida Kabir Chowdhury.

COVID-19's Impact on Women Entrepreneurs

All businesses around the world are threatened by the coronavirus. In these difficult times, women entrepreneurs, in particular, face social, economic and mental hurdles. This paper examines the economic impact of COVID-19 on women entrepreneurs' and coping mechanisms in Sylhet city, based on limited data and literature. The study revealed that the coronavirus outbreak has had a serious effect on the majority (43.5%) of women who run their own business. In compared to the pre-pandemic period more than half of the respondents (56.5%) claimed their income dropped as a result of the pandemic. The abrupt and massive reduction in their income made their lives a living nightmare. It resulted in a drop in revenue, the reduction of some services and programs, the inability to pay salaries, and the unemployment of personnel. On the other hand, some respondents (8.7%) had opposing views, believing that the crisis aided

them in launching new services, people buying local items, people relying on online business, giving them an opportunity to grow their business and demonstrate the world their potential.

One of the respondents said, *“Obviously, COVID-19 is not a blessing for anyone. But I believe it was beneficial to me from a business standpoint. During COVID, I launched a new business with the help of my coworkers. Now I have 10 employees, but before the pandemic I only had four. I left my job at the start of 2021 and concentrated more on business. I discovered a positive consequence as well as my own potential. If coronavirus had never occurred, I would have never realized how much potential I possess and how much I can contribute to the economy, even in a pandemic”*.

Challenges Faces by Women Entrepreneurs during COVID-19

Respondents had to confront a plethora of challenges, the lockdown and its movement effects are considered to have the most drastic impacts on the entrepreneurs by a substantial number of them (73.9%), another striking challenge the entrepreneurs had to face is the scarcity of raw materials (52.2%), as shown in figure 1. Due to this unprecedented situation nobody was prepared for the changes brought. If they could receive the raw materials on time and been capable of moving with precautionary measures during the lockdown, they could have easily continued their business as usual, but they could not.

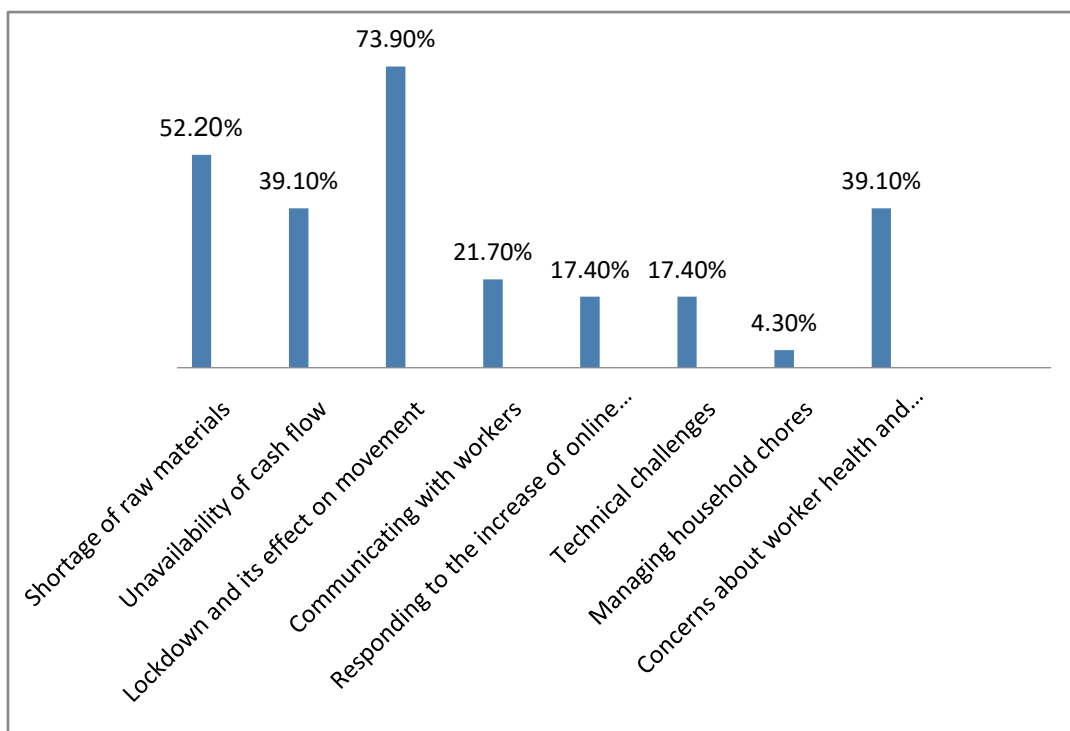


Figure 1: Challenges during COVID-19
How they handled the situations

COVID-19 outbreaks occurred unexpectedly, disrupting everyone's usual functioning and left the future uncertain. Even the government took a significant time to decide what measures should be taken to overcome the situation and to avoid recession. Women entrepreneurs also are adopting certain techniques in order to adapt to the new normal and continue their businesses. The pandemic has resulted a winner and loser environment. *"The best lesson learned during this pandemic is to lead an enterprise that it requires a lot of courage and support"*, said Hasnat Jahan.

Business Activity

When asked about their business activities in this changed circumstances, 73.9% asserted they provide services and products online now, 30.4% stated they had partially discontinued some products and services, and 17.4% said they have canceled a planned future investment. A tiny portion amounted to 4.3% enterprises are considering shutting down until the situation improves, which clearly shows the visible effects of pandemic (indicates in figure 2).

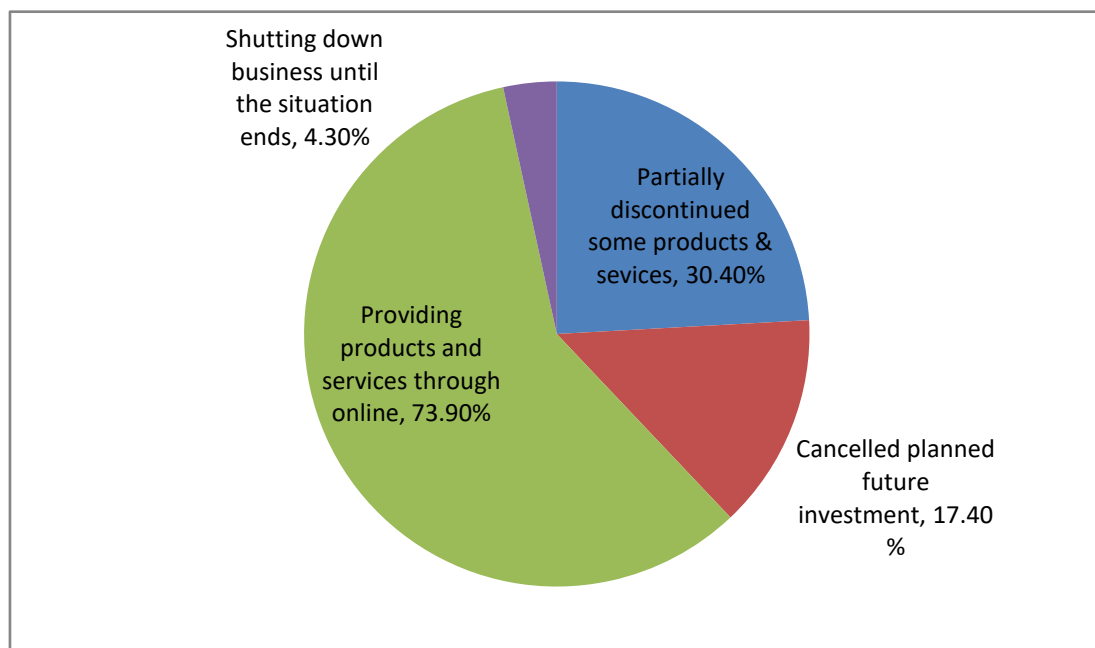


Figure 2: Business Activity

Human Resource Management

In terms of managing human resources, the start-up owners had to take some measures to strike a balance between the profit and expenses. According to figure 3, a significant number of respondents accounted for 38.9% had to lay off personnel, 22.2% opted for reduction of worker salaries, and the smallest percentage amounted to 5.6% of the entrepreneurs who participated in the survey had to cut their income

target to survive the crisis. A respondent said, “COVID’s global proliferation has wreaked havoc on everyone’s budget and financial circumstances. My clients want me to maintain my pricing range at a more reasonable level, but I cannot because I have my own employee and set the cost based on my work standards. I am also responsible for paying their wages. I am not sure what I will do. As a result, I have stopped taking new client’s orders and now just dealing with my old customers who are willing to pay according to my work standards”.

Another respondent said, “I laid off employees and put all of the economic strain on myself to make up the financial losses. If I hire additional staff, I will have to pay even more, which I am unable to afford right now”.

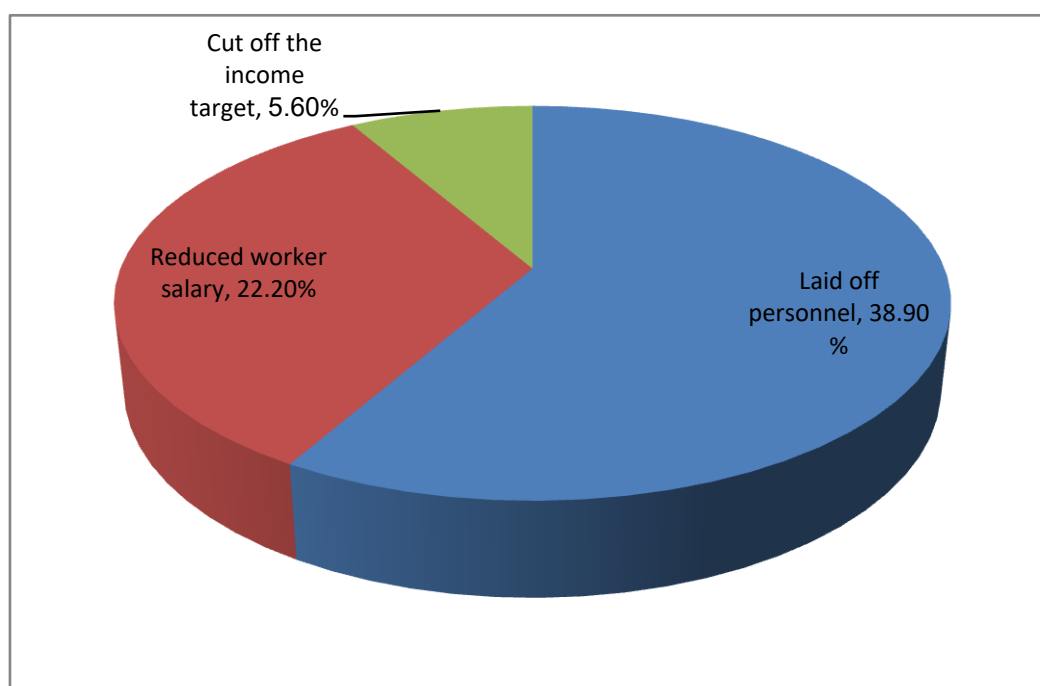


Figure 3: Human Resource Management

Product & Service

In continued managing product and service costs, it’s difficult for any business owner to make drastic changes overnight; instead, they must adapt to the current situation and keep their businesses running. Figure 4 shows that 17.4% female entrepreneurs expanded their pricing range to strike a fine line, 13.0% decreased it, while 34.8% of them reconsidered and negotiated their price range. It’s worth mentioning that more than a third of respondents (34.8%) did nothing and have continued to provide their services as before. “Due to the COVID-19 the loss I am facing, it would take roughly two to three years to recover”, claimed Gazi Zinat Afza.

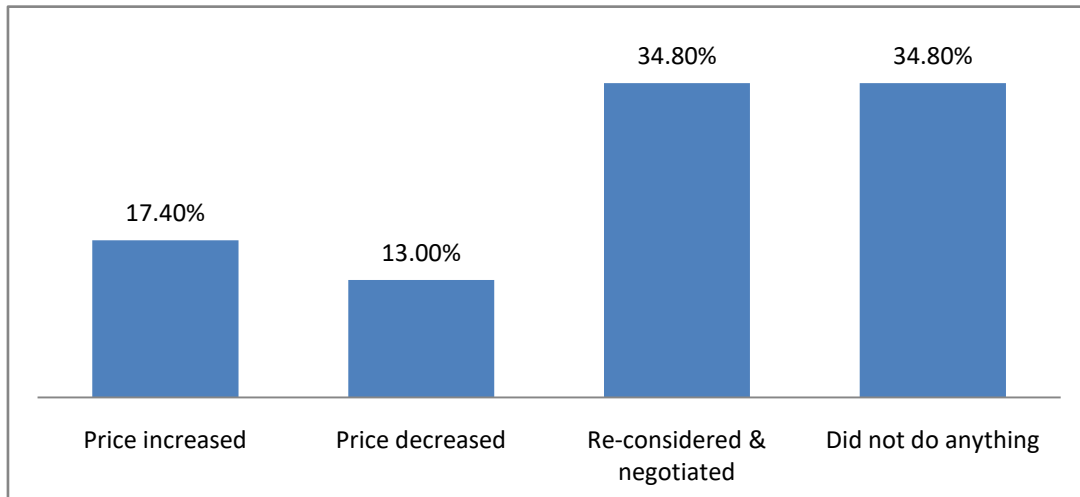


Figure 4: Product & Service

Business Operation

While maintaining health precautions, in terms of business operations and working methods, the majority 69.6% of women entrepreneurs are following safety precautions and operating their venture, but unfortunately 21.7% of them have partially closed their office work, and 43.5% have modified their working methods (reflected in the figure 5). *“How will a healthy workout style will be followed in such a crisis situation?Where getting everyday meals a day dream.I had to close down my office for 6months due to concerns about the safety of my trainers and clients”,* said Nasrin Begum.

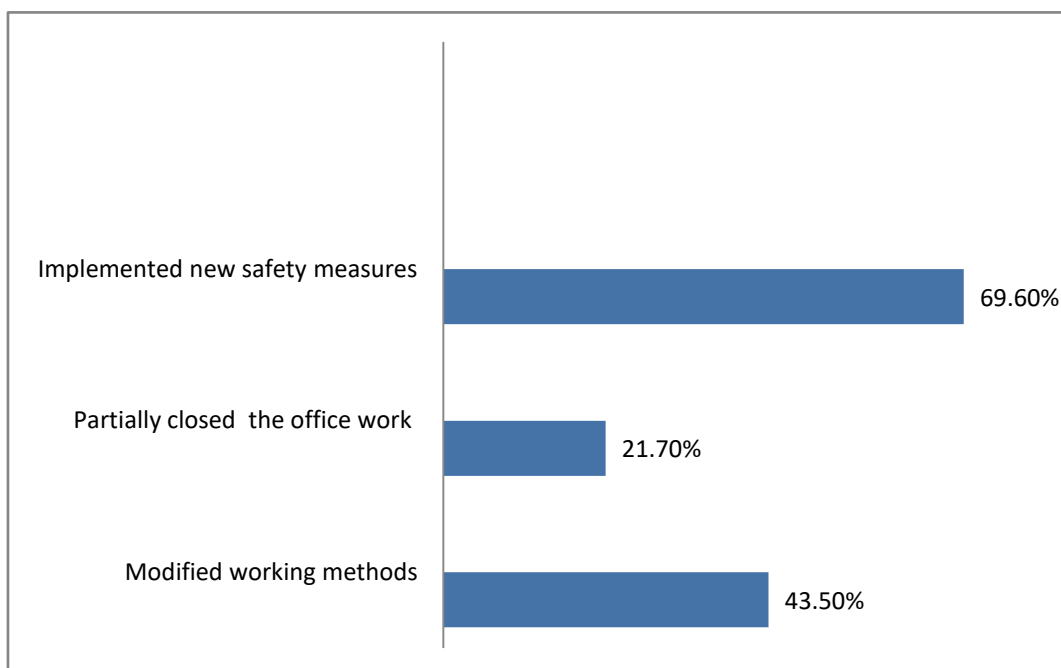


Figure 5: Business Operation

Women Entrepreneurs Ask for Assistance

When female entrepreneurs had just started to prove their worth and potentials, COVID-19 took place and everything came to a standstill. This unprecedented pandemic situation has put women owned businesses in Bangladesh in jeopardy, yet it has not stopped them from working. Nevertheless, they are making every effort to keep their business afloat. Almost every women entrepreneur uses Facebook, Instagram, websites and different e-commerce groups to market their products and services. As a result, several marketing sites and groups developed. However, as they have only a limited amount of experience in digital marketing, payment systems and business promotion, they are having difficulty. Moreover, women entrepreneurs must develop and expand their skills in response to changing market conditions. Hence, they are demanding better working capital allotment as well as other financial support from the government and their various organizations in order to recoup from losses experienced as a result of the COVID-19's aftermath. *"I have no clue about my future plans, but I intend to take loan, otherwise, I will be unable to continue my venture"*. Also adding that *"Bangladesh's government should provide a big fund for women entrepreneurs with zero interest rate, and can decrease Vat or Tax for small businesses"*, said Nasrin Begum.

When they were asked what kind of support and help they needed to survive and overcome the current crisis situation, half of the responded said financial crisis management training, 60.9% requested governmental financial assistance, 31.8% indicated e-commerce related help, and 22.7% mentioned e-marketing support.

According to one respondent, *"Finding sponsors, mentors and a professional support network is often harder for women. Female entrepreneurs consider a lack of a professional network as a significant barrier. So, the government should make an effort to make entrepreneurship more accessible for women and increase support locally through relatable and accessible mentors and networks"*.

"My proudest moment is sitting in Bangladesh; my firm's is assisting in the growth of remittances. However, in order to expand my business, I need help with human resources, marketing and technology", said Muhaimina.

Female entrepreneurs now need policy support and more budgetary allocation, which will lead to the development of entrepreneurship in Bangladesh. Also recognition of female entrepreneurs as equal to their fellow male entrepreneurs is a must. And make sure, women have reliable and easy access to life skill development, business problems solving,

small business marketing strategies, and so on. Women entrepreneurs should also have easy access to banking. *“There is no need to provide new services from the government. Because the government has already done so many things, it should now concentrate on policy execution in order to ensure that existing policies on women’s entrepreneurship are properly implemented. For instance, the government is offering Pronodona loans, but is not paying attention to how the funds are being utilized by entrepreneurs. So, it’s high time to develop follow up program with proper training for better policy implementation”*, said Hasnat Jahan.

Conclusion

Over the last few years, Bangladesh has seen dramatic increase in women entrepreneurship. After overcoming all obstacle and hardship women entrepreneurs attained success. COVID-19’s fast spread has wreaked havoc on everything. Based on limited data, this study analysed the effect of COVID-19 on women entrepreneurs in Sylhet city Bangladesh and their coping mechanisms. The coronavirus outbreak has harmed a significant number of the prominent small business owners. According to the findings, the majority of respondent eliminated some of the services, canceled their earning target. On the other hand, some respondents consider the pandemic to have had a positive impact, because it helped them to take risks, step outside of their comfort zones and to launch new services. Furthermore, consumers shifted their purchasing habits to support local businesses, which allows them to expand their business and help them to present their potential to the world. To cope with the crisis, a large number of respondents either entirely or partially closed their work office, other have preferred to market their goods via the internet, most of them are following safety precautions and change human resource management strategies to continue their business. Lamentably, a big portion is concerned about losing profits and productivity if the coronavirus exists for a few months. Additionally, the majority of the participants agreed that the government and its different entities should focus on providing general training and technical assistance to women who own businesses, with an emphasis on internet-related topics such as e-commerce, e-marketing, crisis management training and financial assistance.

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