

Press Release - 50% of micro firms had no coping strategies, 40% denied loans during pandemic

November 19, 2022, BENGALURU: Global Alliance for Mass Entrepreneurship released the report of a nationwide study on how the Indian MSME sector managed the pandemic period lockdowns. The survey conducted among MSMEs during and post the lockdown period delves into major problems faced by entrepreneurs regarding financial impact, business confidence, and stress management.

The study conducted over 2020 and 2021 in two rounds, each across 1955 micro businesses, pointed out that over 50% of enterprises reported having no coping strategies or mechanisms to cushion the pandemic's impact. Further, the study highlights that nearly 40% of the micro businesses were denied loans (both formal/informal) as they did not have sufficient collateral and/or lacked positive credit history, while 21% of the businesses lacked requisite documentation for the application.

Ravi Venkatesan, Co-Founder, Global Alliance for Mass Entrepreneurship (GAME), stated, "There is a dire need for building adequate knowledge of bank managers, field officers, and banking correspondents on bank and government schemes. This study shows that of those surveyed only 31% were aware of schemes launched under the Atma Nirbhar Bharat initiative. As part of the package, financial institutions introduced a credit product for MSMEs whose loan accounts were categorized as special mention accounts by lending institutions. While this was created to support MSMEs unable to repay loans, similarly, financial solutions can be created to encourage business modifications as a response to external challenges."

On Women Entrepreneurship

The report released to commemorate Women's Entrepreneurship Day provides insights to policymakers and other stakeholders to better understand the hardships microenterprises have faced and create actionable solutions. The research was undertaken by LEAD at Krea University and was supported by the IKEA Foundation.

Overall, stress levels increased over time, with over 20% of the entrepreneurs mentioning that they felt stressed nearly every day one year into the pandemic. When looking at the impact on gender, patterns differed between men and women. Looking at those who reported being not stressed at all and those who were stressed almost every day, women seem to have been more stressed than men in the early phase of the lockdown. Women entrepreneurs also reported being more stressed than men in the early phase of the lockdown in 2020.

This trend, however, did not show up after 6 months. Among the employees laid off during the 2021 pandemic phase, 55% were women.

The study also pointed out that women entrepreneurs tend to employ women in their enterprises compared to those owned by men. The research found that 80% of workers in women-led

microbusinesses were women, while only 14% of those employed in male-led microbusinesses were women. The data shows that microbusinesses led by female owners witnessed greater layoff overall.

There are 489.3 lakh people are employed in various micro enterprises in urban areas of which 20% are women (NSS 73rd round, 2015-16). These micro enterprises comprise 99% of the MSME segment of the country. Their average productivity which is the Gross Value Added (GVA) divided by number of workers stood at Rs 60,544 in 2010-11 was however lower than the overall average of MSME Sector. This suggests how the micro segment of enterprises are at the Base of the Pyramid employing a vast majority of the workers.