Impacts of COVID-19 on Small- and Medium-Sized Enterprises in the Bangladesh Food System

RESULTS OF AN ONLINE SURVEY
JUNE 2020
GAIN and partners, including the Scaling Up Nutrition (SUN) Business Network (co-convened by the World Food Programme (WFP)), undertook a survey of food system SMEs in Bangladesh in early May 2020, aiming to assess the impacts of the COVID-19 pandemic and associated control measures on their businesses and their support needs.

54 responses were received, with most being from micro- or small-sized firms; respondents were primarily processors within the vegetable and grain value chains.

91% of firms that participated in the survey recorded that the pandemic had an immediate impact on their business, mainly via decreased sales (84%).

63% of firms reported changing their production volume as a result of the pandemic, generally decreasing it; 26% had changed their product’s sales price.

67% of respondents anticipated future impacts on their supply chains, including shortages of supplies (61%), production stoppage/suspension (50%), and suppliers closing down (44%).

30% of firms reported taking actions to mitigate the impact of the pandemic on their business, and 44% of firms took action to support the health and safety of their employees.

81% and 63% of firms reported urgently needing financial and technical support, respectively, to cope with the effects of the pandemic.

Based on these results, we recommend that government, development partners, and others take steps to support these crucial yet vulnerable food systems SMEs during this period, to ensure they remain in a position to provide nutritious, safe foods in the future.
Methodology

1. ELIGIBLE RESPONDENTS
Owners and/or managers of micro, small- and medium-sized businesses (SMEs) in the food system in Bangladesh, including firms that directly produce, process, or sell food as well as those providing supporting services.

2. TOPIC & FRAMING
Respondents were asked how the COVID-19 coronavirus pandemic and any measures to control it (e.g., movement restrictions, border closings) were impacting their business, referencing the period since the pandemic began affecting their country.

3. DISSEMINATION
The online survey was shared via email with firms in three food system networks convened by GAIN and/or WFP from 30 April to 18 May 2020. 54 eligible firms responded. All respondents provided written informed consent to participate. Of the businesses approached, the survey response rate was 54/54 (100%).

4. ANALYSIS
Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents descriptive statistics across 54 responding Bangladeshi firms; all data are presented in an anonymised form.
Responding Firm Characteristics

54 responses were received from 8 divisions, with the majority coming from Dhaka (15/54) and Khulna (14/54).

65% of participating firms are small or micro-sized, with less than $100,000 USD in annual turnover and fewer than 50 staff.

37% of respondent firms were women-owned businesses and 26% were co-owned by women.

58% of participating firms have been in operation for less than 5 yrs (median: 5 yrs, IQR: 3-10, range: 0-40).

Majority of firms were involved in distribution (72%).

Largest share of firms (50%) surveyed operate in the vegetable value chain.
The majority of firms were in the distribution sector (72%), followed by processing (52%), retail (39%) and crop farming (32%). The main food categories represented included vegetables (50%), grains (48%), dairy (39%), fruit (37%), eggs (30%), roots/tubers (26%), meat (24%), with the representation of fish, legumes, baked goods/ready-to-eat foods, nuts/seeds and condiments/sweeteners/spices/oils ranging from 5–20%. Firms could work in more than one sector or food category.
49 firms (91%) recorded that the pandemic had an impact on their business. Of these firms, 45% reported that the impact was severe and likely to cause business closure; whilst 20% reported the impact as moderate but manageable. The main impacts cited by firms included decreased sales (84%), difficulty accessing inputs (76%) and closed retail and outlet stores (65%).
34 firms (63%) reported changing their production volume as a result of the pandemic; of these, 47% reported stopping production, 21% reported a considerable (>30%) decrease, 24% a smaller decrease (0–30%), and 9% an increase. Considering the firm’s product sales price, only 14 respondents (26%) reported changing their product price as a result of the pandemic; of those making changes, most (10/14) noted they had increased their price by less than 30%.
Additional Details on Impact

Some respondents elaborated on the impacts of the pandemic on their business. Representative quotes include:

“Our business has already shut down completely and we are urgently seeking financing to attain more working capital.” – input provider, crop farmer and processor based in Barisal District

“Distributors have completely shut down because most borders are closed and they are not able to deliver seeds to the capital city.” – input provider, crop farmer and processor based in Jashore District

“The business has completely shut down as it used to deliver lunch to various banks and NGOs every day. Due to the lock down, we have completely run out of capital and are having trouble even affording necessities like food for ourselves. We can’t even afford to take a loan.” – distributor in Khulna District

“We urgently require a large amount of finance to support a network of 300 workers.” – processor and distributor in Jashore District
Looking to the next 6 months, 36 respondents (67%) expected impacts of the pandemic on their supply chains. The main anticipated impacts cited were shortages of supplies (61%); production stoppage/suspension (50%); suppliers closing down (44%); transportation disruption (39%); whilst less than 15% anticipated a long- or short-term change of their production focus (e.g., toward production of hand sanitiser or similar).
Only 16 firms (30%) reported taking actions to mitigate the impact of the pandemic on their business. Of these firms, 69% reported reviewing/adapting supply chains, whilst other actions included, varying product/input delivery times (44%), increasing internal communication (38%), promoting online sales (31%), downsizing staff (31%), frequent customer communication (31%) and changing sales hours (43%). Considering employee support, 24 firms (44%) reported taking actions to support employee health and safety. These actions included providing personal protective equipment (79%), providing information on prevention of COVID-19 transmission (71%), cleaning work areas more frequently (67%) and allowing staff to work from home (50%).
Opportunities

Only 26% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:

**Digitising Operations**
Explore the introduction of online sales and delivery, including use of smartphone apps.

**Diversifying into New Markets**
Some respondents have been keen to explore export markets.

**New Business Strategies**
Firms are looking to optimise their supply chain by exploring upstream, midstream and downstream investments.

**New Product Range**
Firms are actively considering how to expand their product portfolios such as developing shelf-stable and nutritious foods thought to be “immune boosting”.
49 respondents (91%) felt that government actions were needed to help firms weather the effects of the pandemic. Recommended actions included financial support (69%), support to ensure workforce continuity e.g., permitting travel (45%) and re-opening retail outlets (35%).
44 respondents (81%) reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required less than **50,000 USD** (46%) or **50,000-100,000 USD** (25%). Main uses of such financing included working capital (96%), refinancing (57%), inventory purchase (46%) and staff development (43%). 30 respondents (56%) indicated that they were looking to access loans, with the largest share of these firms preferring medium-term debt (50%).
34 respondents reported urgently needing technical assistance to cope with the effects of the pandemic on their business. 53% of these respondents sought advice on sales, 47% on linkages to distribution/logistics, 35% on developing online platforms and 35% on nutrition labeling. On improving the nutritional value of products, 29% of firms needed advice on food safety, 9% on product reformulation and 3% on fortification.
**Gender Differences**

Of the businesses that were surveyed (n=54), 37% were owned by men, 27% owned by women, 26% were co-owned by women and men and 6% opted not to disclose the gender of the business owner(s). Four survey questions were analysed for gender differences, namely (1) technical support requested, (2) type of finance preferred, (3) finance support requested and (4) immediate impact of COVID-19 on business operations. Lack of significant difference is partially driven by the small sample size (i.e., the study was underpowered to detect gender-based differences).

1. **Technical Support Requested:**
   - Advice on price information was needed by fewer men-owned firms (0%) than women-owned firms (58%) (p=0.004), and fewer co-owned firms (0%) than women-owned firms (p=0.014).
   - Although the association between gender and the need for advice on sales/distribution (p=0.032) and food safety (p=0.022) was significant, individual pairwise comparisons (e.g., men vs women) were not significant.

2. **Finance Preferred:** No significant gender differences observed

3. **Technical Assistance Needs:** No significant gender differences observed

4. **Immediate Impact of COVID-19 on Business Operations:** No significant gender differences observed

*Please note: Fisher’s exact test was used to assess associations between gender and survey responses. Where significant associations (p<0.05) were observed, pairwise comparisons (i.e. men vs women, co-owned vs women, unknown vs women) were made with a Bonferroni correction for multiple tests. Significant pairwise comparisons are presented using Bonferroni-corrected p-values.*
Conclusions

This rapid assessment has shown that:

1. Food system firms in Bangladesh are experiencing financial hardship as a result of the pandemic and related control measures.

2. In many cases, the pandemic has resulted in decreased or stopped production, which could have negative impacts on the food supply in the short and medium term.

3. A sizeable minority of firms also report or anticipate layoffs or pay cuts for staff, exacerbating the pain of the existing economic slowdown on workers.

4. Many firms do, however, see opportunities for new business models or products as a result of the pandemic.

While not assessed here, these changes could have negative impacts on consumer access to safe, nutritious foods and may risk increasing food loss.
Based on these conclusions, it is essential for the government and development partners to support these crucial yet vulnerable SMEs to ensure they remain in a position to provide nutritious, safe foods in the future. To that end, we make the following recommendations:

1. Particularly important is partnering with local financial services providers to develop a comprehensive package of financial support for SMEs, including grants or short-term low-interest bridge loans to meet critical needs (e.g., payroll), prevent bankruptcy, and support investment in production post-lockdown.

2. The government can also provide subsidies to banks to enable them to waive loan fees or extend payment deadlines and inject capital into the agri-food sector to help SMEs and their workers stay afloat.

3. Technical assistance can be provided to help SMEs adapt business models, reach consumers online, or adopt processing or packaging to extend products’ storage or shelf life.

4. Explore innovative solutions to link vegetable/fruit/dairy suppliers that are incurring post-harvest losses with SMEs that are struggling to access vegetable/fruit/dairy as core/secondary ingredients.

5. Ensuring the free movement of food-related goods and equipment within and across national borders is also essential.
This survey, a rapid assessment, is subject to certain biases: opt-in response bias, imperfect representativity (especially of smaller, less internet-savvy firms) within the networks studied; imperfect representativity of the networks themselves (especially of firms producing less-nutritious foods); and potential misinterpretation of questions, given the online survey mechanism.

Certain divisions are also over-represented in the responses, due to the greater presence of the surveyed networks in those divisions.

The situation is also likely to change rapidly; the information presented here can only be considered a snapshot in time.
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