

# Impact, Reaction, and Learning From Overcoming the COVID–19 Crisis: Cases From Small–Scale Businesses in Bangladesh

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## EXECUTIVE SUMMARY

*The COVID-19 pandemic has created devastating consequences for all businesses globally, including the small businesses in Bangladesh. The small business sector in Bangladesh is a key driver of its economic growth and has been hit particularly hard by the pandemic due to its pre-existing vulnerabilities and lower resilience to crisis. This chapter investigates the impact of COVID-19 on small-scale businesses, their subsequent response measures, and learning experiences that have created a route to resilience. A qualitative investigation on six small-scale enterprises across manufacturing and service areas was included in the study. The cases covered fashion and clothing and organic food and beverage businesses. The findings of the study suggest that the impacts of the pandemic are primarily financial, operational and supply chain, and logistical in nature. The policymakers need to take urgent measures to ensure the sustainability of this sector amid the ongoing pandemic.*

## **INTRODUCTION**

The Sars-COV-2 virus outbreak and subsequent COVID-19 pandemic have created a substantial social, financial, and economic crisis for societies and nations worldwide. Business enterprises have suffered terrible damages in terms of demand loss (Alves et al., 2020; Shafi et al., 2020), disruptions in supply chain and logistics (Lu et al., 2020), order cancellations (Juergensen et al., 2020), among others. In the business landscape, small businesses have been hit particularly hard by the crisis due to their greater vulnerability to exogenous shocks (Bartik et al., 2020; Thorgren & Williams, 2020).

Small businesses act as drivers of economic growth, poverty reduction, and financial empowerment for many countries worldwide, including Bangladesh. In Bangladesh, small businesses create 11 percent of all non-farm jobs and 26.9 percent of total employment (Bangladesh Bureau of Statistics, 2015). These businesses are located all over the country and are involved in agriculture, fishing, manufacturing, service, wholesale, retail, and trade-based sectors, thereby bridging the urban-rural income gap. Small businesses are indispensable drivers of growth in developing economies and are incurring significant losses following the Covid-19 pandemic (Bartik et al., 2020). From natural disasters and diseases to economic recessions, small businesses have experienced a severe trajectory across the world (Obrenovic et al., 2020). Although some businesses have shown resilience in adapting to the 'new normal' operating environments, almost all the industries faced lockdowns for months, significant reductions in consumption, and closure of the businesses (Gregurec et al., 2021). Small businesses across the agriculture, manufacturing, service, wholesale, retail, trade, and tourism sectors have been severely damaged by the preventive health measures imposed by local and national authorities (Kukanja et al., 2020). Financial and economic problems include scarcity of additional raw materials, product hygiene guarantee and environmental sanitation, financial instability, economic insecurity, job loss, and wage reduction (Irawan, 2020). Several reasons play a role in answering why small enterprises are more vulnerable to the crisis. First, small businesses are overexposed in sectors that were directly hit, such as tourism, retail, trade, and transportation. Second, as compared to the large companies, small businesses tend to have less cash in reserve and thus are more affected by human resource and capital underutilization. Third, small businesses are often more dependent on global and national supply chains, which were directly disrupted by the pandemic (Beglaryan & Shakhmuradyan, 2020). The crisis has established a necessity for small businesses to refurbish their operations and adapt resilience measures. The most effective strategy approaches adopted by small businesses as response measures include introducing work from home arrangements, paying higher salaries to employees working during the lockdown, shortening supply chains, shifting production, digitalizing and establishing online resource platforms, applying for government stimulus, and adhering to the latest guidance for businesses (Alves et al., 2020; Păunescu & Mátyus, 2020; Priyono et al., 2020). Other survival mechanisms include digital marketing, moving to smaller office space or shared space to save rent, staff number reduction, alternative day work arrangement, temporary pay cuts, reducing expenses on research and development, and hazard pay for frontline staff (Aladejebi, 2020; Thorgren & Williams, 2020). Widarti et al. (2020) state that small business owners must develop entrepreneurial knowledge, abilities, and strategic agility to improve business performance during times of crisis.

In Bangladesh, the current COVID-19 crisis and subsequent lockdown and social distancing measures put tremendous financial and economic pressures on these businesses. First, lockdown and mobility restriction measures disrupted the supply and logistics chain, creating disruptions in raw material procurement and product distribution. Second, mandatory business shutdown halted production activities while fixed costs such as salary, rent, and utilities accrued, creating liquidity issues. Third, social distancing

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