



COVID-19 Implications for Small and Growing Businesses:

Emerging evidence in India from the entrepreneurial ecosystem

ANDE Issue Brief

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About the Brief

This issue brief is an addendum to the global COVID-19 issue brief published by the Aspen Network of Development Entrepreneurs. It summarizes the initial evidence emerging from the Indian entrepreneurial ecosystem, including challenges, risks, and needs that have arisen from the community, to help guide the response. The research for this brief was developed as part of the Global Inclusive Growth Partnership, a joint collaboration between the Aspen Institute and the Mastercard Center for Inclusive Growth

About ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

OVERVIEW

Most of us are well aware of the unprecedented humanitarian and health crisis caused by COVID-19, but the pandemic's long-term economic impact is still unfolding. The effects of COVID-19 have shown to be severe across sectors. However, the small and growing business (SGB)¹ sector has been hit particularly hard, as markets across the world attempt to adjust to a new normal.

This issue brief draws on its global counterpart, *The Small and Growing Business Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs*, which summarizes initial evidence gathered by ANDE on the impact of COVID-19 on SGBs and the SGB support sector in emerging markets, while also providing deeper insight into what this means for India specifically. It summarizes current risks, impacts, and needs so that SGB support providers can have a clearer picture of how COVID-19 is impacting the Indian entrepreneurial ecosystem, and use that knowledge to design and implement effective interventions. The brief also applies a gender lens to this analysis, examining whether women-led SGBs are facing unique challenges, and noting the nuanced support women entrepreneurs may need to recover from this crisis. Preliminary findings show that:

- 1 SGBs are in urgent need of flexible financing.**
- 2 There is a need to develop a gender-smart response to support SGBs.**
- 3 Capacity development intermediaries need to adapt to survive and stay relevant.**

KEY TAKEAWAYS

- There is a significant risk of SGBs failing in India. 40% have already temporarily shut down operations and another 14% anticipate doing so in near future.²
- More than 60% of Indian ventures have experienced disruptions to their supply chains.
- Evidence suggests that women will likely be disproportionately impacted by the crisis. Nearly twice as many women-led SGBs in India are considering permanently shutting shop.
- Flexible financing is urgently needed. Entrepreneurs also indicate emergency debt financing as a top need.
- Two in ten ANDE members in India estimate a high risk of shutting down due to impacts from the crisis.
- Capacity development organizations are among the hardest hit, but also have an opportunity to pivot the services they provide to remain relevant and support SGBs through the pandemic.

¹ ANDE [uses the term](#) Small and Growing Business (SGB) to describe the higher growth segment of small businesses in emerging markets. SGBs have typically raised between \$20,000 and \$2 million USD in capital and employ between 5 and 250 people.

² GALI and India Women Entrepreneur Survey 2020.

DATA SOURCES

ANDE COVID-19 Member Needs Survey

ANDE collected data and feedback from ANDE members about the impact of COVID-19 on their organizations as well as the SGBs they support through a survey that was open from March 30-April 6, 2020. ANDE received responses from 190 individuals representing 133 member organizations, 44% of which are headquartered in emerging markets. The respondents mostly include capacity development providers (53%) and investors (21%), consistent with ANDE's overall membership, followed by a smaller number of research/advisory service providers, corporations, foundations, and academic institutions.

Global Accelerator Learning Initiative (GALI) Entrepreneur Survey

GALI, a partnership between ANDE and Emory University, distributed a survey between April 13-27, 2020 on the effects of the pandemic on its global database of early-stage ventures that have applied to accelerators. The ANDE India team distributed the same survey among its member portfolios and own network of entrepreneurs. Combined, these surveys provided a sample of 57 ventures based in India. These ventures work in a variety of sectors, most commonly Agriculture (18%) and Health (16%).

ANDE India Interviews

Between April 22-30, ANDE India collected data from 30+ enterprises on how COVID-19 is affecting women-led ventures. This data was supplemented by in-depth phone interviews of women entrepreneurs to corroborate some of the findings from the survey and gain deeper insight into the challenges they face.

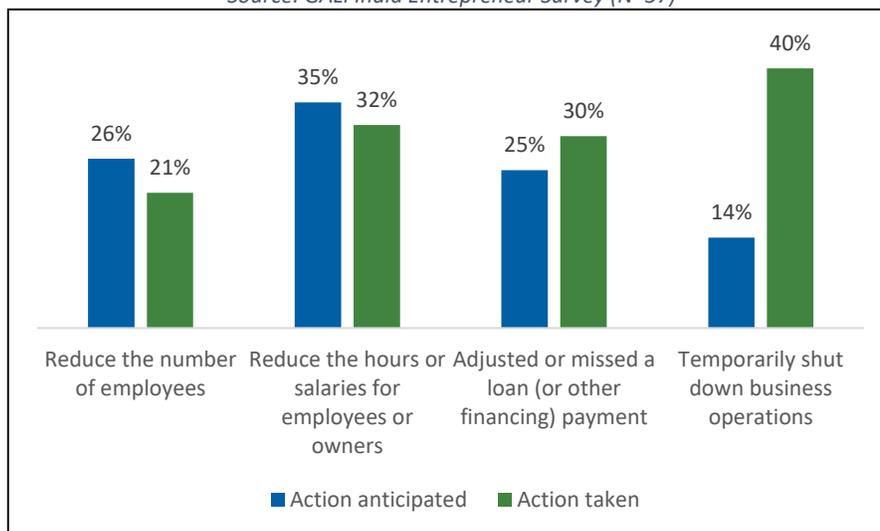
EMERGING EVIDENCE FROM INDIA

How is COVID-19 impacting SGBs?

The pandemic poses an existential threat to many SGBs, in India and around the world. The ANDE COVID-19 Member Needs Survey estimated that 42% of global SGBs supported by ANDE members are at risk of failing within the next six months. This statistic is aligned with findings from Indian enterprises, with 40% of Indian ventures in the GALI dataset having already temporarily shut down business operations and another 14% anticipating the need to do so soon.³ According to a National Association of Software and Service Companies (NASSCOM) pulse survey of the first quarter of operations, 40% of start-ups are temporarily halting operations, similar to what we observe through the GALI data.⁴ Another recent survey, conducted by LocalCircles in the last week of March, also backs up these trends: 47% of startups stated that they have less than one month of funding left, and 27% of them are already out of funds.⁵

These major disruptions are largely stemming from an impact on SGBs' supply chain and customer habits. GALI data on ventures based in emerging markets show that in India, nearly 60% have experienced a disruption in supply chains, and a similar percentage have reported an inability to deliver on existing orders or contracts due to logistical challenges. WeConnect, a global network that connects women-led businesses to buyers around the world, surveyed around 90 Indian women entrepreneurs on the impact of the pandemic and found that 38% could not move idle inventory due to a decrease in demand.⁶

Figure 1: Action taken or anticipated during the COVID-19 crisis
Source: GALI India Entrepreneur Survey (N=57)



³ GALI and India Women Entrepreneur Survey 2020.

⁴ Gupta. A. (2020) [Reviving the Indian startup engine during COVID-19](#). NASSCOM.

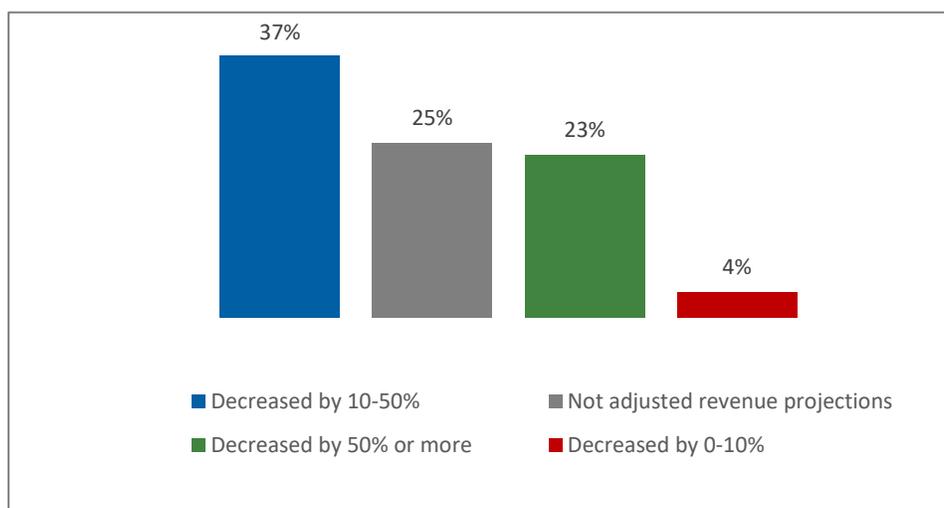
⁵ Luke Koshi. (2020) [47% Indian startups and SMEs have less than 1 month of cash left: LocalCircles survey](#). The NewsMinute.

⁶ WEConnect. (2020) [The impact of COVID-19 on women business owners and their companies in Asia and Australia](#). WEConnect International.

To avoid closures, SGBs are taking various actions to reduce the costs of operation, including downsizing and temporary closures. Nearly one third of Indian entrepreneurs in the GALI dataset have adjusted or missed the payment of a loan or other financing payment (Figure 1). Close to 50% of the entrepreneurs have already downsized their teams or anticipate doing so in the near future. The GALI entrepreneur survey also shows that 68% of the businesses have already experienced a decrease in revenue, with 23% projecting a drop of 50% or more for 2020 (Figure 2). The NASSCOM survey indicates that 60% of startups, under all age groups (early, mid-age and mature), are facing a revenue decline of over 40%.⁷

It is important to note that the enterprises and intermediaries surveyed, as well as the additional secondary sources referenced in this brief, are present in urban India. Information about entrepreneurs and their support systems from the rural majority of the country is largely missing from any analysis of the current situation, and in any relief being designed to support these enterprises.

Figure 2: Percentage of entrepreneurs with estimated reduction in 2020 revenue
Source: GALI India Entrepreneur Survey (N=57)



SGBs urgently need additional financing, along with non-financial support to help pivot business models

SGBs are in dire need of liquidity to keep operations running. A recent survey by Praxis Global Alliance concluded that 37% of Indian startup CEOs only had six to twelve months of cash reserves left in their banks.⁸ Uncertainties around the future, severely affected supply chains due to extreme lockdown measures implemented in the country, and a decline in the flow of capital have led entrepreneurs to look to extreme measures to keep costs low. Close to two-thirds of startups think that the impact of the crisis will last up to twelve months.⁹ At a higher level, startup investments in Asia have declined significantly since December 2019.¹⁰

⁷ Gupta. A. (2020) [Reviving the Indian startup engine during COVID-19](#). NASSCOM.

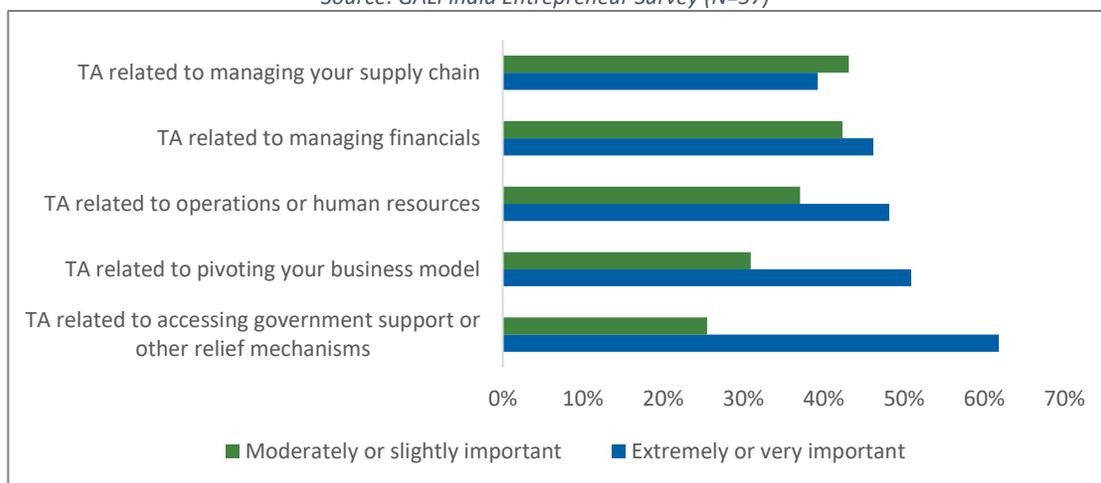
⁸ Sandeep Singh. (2020). [Covid-19 Impact on The Indian Startup Ecosystem: Threats and Opportunities](#). Inc42.

⁹ Gupta. A. (2020) [Reviving the Indian startup engine during COVID-19](#). NASSCOM.

¹⁰ Morelix, A. (2020). [The Impact of COVID-19 on Global Startup Ecosystems: Global Startup Survey. Second Installment](#). Startup Genome.

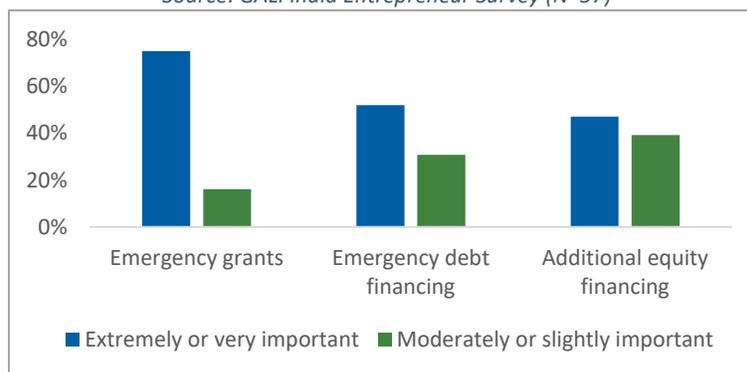
In comparison to the United States, where around 65% of entrepreneurs have applied to government support or relief programs, according to the GALI survey,¹¹ in India only 26% have sought this assistance. This type of support was one of the most popular needs identified by survey respondents, with 62% of Indian entrepreneurs rating technical assistance related to accessing government support and other relief mechanisms as extremely or very important (Figure 3). This indicates an evident gap in the market and an opportunity for support organizations to assist in raising awareness, both in knowledge of existing mechanisms and technical expertise to access them.

Figure 3: Types of technical assistance (TA) entrepreneurs find important during the crisis
Source: GALI India Entrepreneur Survey (N=57)



Interestingly, 82% of Indian entrepreneurs value technical assistance in pivoting their business model, which aligns with the approximately 70% who have already made a significant pivot or anticipate doing so soon.¹² This highlights another gap, related to providing relevant and urgent business strategy insights, that capacity development providers can step in to fill and support SGBs to tide the crisis.

Figure 4: Urgency of types of funding for Indian SGBs during COVID-19 crisis
Source: GALI India Entrepreneur Survey (N=57)



Regarding the kind of support entrepreneurs require, seven in ten SGBs require emergency grants. However, emergency debt financing and additional equity financing also emerge as top needs from the survey.

¹¹ ANDE (2020). [The SGB Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs.](#)

¹² GALI and India Women Entrepreneur Survey 2020.

Early hopes of recovery

Despite the challenges identified above, 40% of the Indian entrepreneurs surveyed remain very optimistic and another 26% fairly confident that their enterprises will eventually recover to pre-pandemic levels.¹³ Only one of the organizations surveyed was not expecting to return to normal operation levels after the crisis subsides. This general sentiment is supported by global GALI survey numbers, in which over 60% of the entrepreneurs think their ventures will succeed.¹⁴

This optimism should be encouraging to entrepreneur support organizations who can work with SGBs to pivot their models and increase their chances of survival and success.

Viewing the impact through a gender lens

Has the pandemic had any disproportionate impact on women entrepreneurs and their businesses? Data to date has been lacking on this front, although previous economic crises have proven to have a disproportionate effect on women.¹⁵

Strict lockdown measures in India have included prolonged school closures and more time for all household members at home; in a society where most of the childcare and home-keeping responsibility has traditionally fallen on women, this is bound to have an impact on workforce participation of women outside the home. Work-from-home schedules for working women who are able to do so now must accommodate school schedules, planning meals, caregiving for elderly, and more. As family members fall ill, women are more likely to be the ones providing care, putting themselves at greater risk from increased exposure.

As discussed earlier, while this health crisis is in the wake of triggering a more cataclysmic economic crisis, historically we've observed that the impact on women has been documented to be far worse in such times.¹⁶ One interviewee, whose core business was to provide health services to young women and girls, shared that "mandates focusing on improving gender equality might get pushed aside as funders look to finance immediate recovery from crisis." This has also been a recurring sentiment through other conversations at the regional level, where the immediate focus of funders has been on COVID-19 response, and existing funds are being redirected.

The broader context of female labor force participation in India is also important to consider. In 2019, the participation rate was estimated to be around 23%, the lowest in a decade.¹⁷ The latest estimates suggest that only 13.8% of Indian establishments are owned by women,¹⁸ the majority of which are microenterprises and mostly self-financed. India also ranks poorly in indices related to women entrepreneurs; it falls at 52 out of 58 countries in the Mastercard Index of Women Entrepreneurs, which

¹³ GALI and India Women Entrepreneur Survey 2020.

¹⁴ ANDE (2020). [The SGB Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs](#).

¹⁵ Tas.E. (2009). [The Impact of the Economic Crisis on Women's Economic Empowerment](#). World Bank

¹⁶ Tas.E. (2009). [The Impact of the Economic Crisis on Women's Economic Empowerment](#). World Bank

¹⁷ International Labour Organization, ILOSTAT database. Retrieved from the World Bank Data Bank.

¹⁸ Sixth Economic Census & [Sixth Economic Census Highlights](#), 2013-14.

measures women's advancement outcomes, knowledge assets and financial access, and supporting entrepreneurial conditions.¹⁹ The pandemic is likely to have significant effects on the next calculations.

As SGBs are pivoting their business models to handle the crises, there is another concern for the Indian entrepreneurial ecosystem to consider—digital inclusion. Only 21% of women are mobile internet users in the country, compared to 42% of men. Although more women are accessing the internet now than ever before, this gender disparity continues to pose a challenge.

Of the 57 Indian entrepreneurs surveyed, roughly one fifth represented businesses established by all-women teams, and 52% had mixed teams (men and women) as founders.²⁰ Looking at additional survey indicators on the basis of gender found several important differences:

- A similar percentage (between 70-80%) of both men-led and women-led²¹ enterprises surveyed reported experiencing a reduction in revenue.
- However, more women-led enterprises (67%) anticipated significantly pivoting their business models to deal with the crisis compare to all-male founding teams (35%).
- Although 11% of women foresee a temporary shutdown when compared to 12% of men-led enterprises, the percentage of women-led SGBs that are contemplating permanently shutting shop is nearly twice that of men (33% vs. 18%).
- Close to nine in ten women entrepreneurs surveyed valued technical assistance related to operations or human resources as important, compared to six in ten men.
- A majority of the entrepreneurs surveyed, both male and female, rated technical support related to accessing grant mechanisms as very important.

Although it is still early, evidence suggests that a high likelihood of the COVID-19 crisis having a disproportionate impact on women-led businesses, risking widening the existing gender gap in SGBs. In 2019, the number of funded startups with at least one female co-founder already stood at a low 12%.²²

Many women-led businesses can be found in sectors that are hit hardest by social distancing measures, such as tourism, education, and beauty or personal care. Women entrepreneurs are also, often, more at risk, as they have smaller businesses operating in lower margin industries that are more susceptible to supply chain disruptions.²³ Members who support gender-inclusive SGBs anticipate a higher risk of shutting down operations for themselves, as well.²⁴

¹⁹ [Mastercard Index of Women Entrepreneurs 2019](#).

²⁰ GALI and India Women Entrepreneur Survey 2020.

²¹ Women-led enterprises refer to enterprises with all-women founding teams.

²² Sharma.N (2020). [Why women entrepreneurs are missing from India's startup story](#). LiveMint

²³ Teleki. W. (2020). [Towards a gender-smart response in the COVID-19 \(coronavirus\) crisis](#). WeFi.

²⁴ ANDE Covid-19 Member Needs Survey.

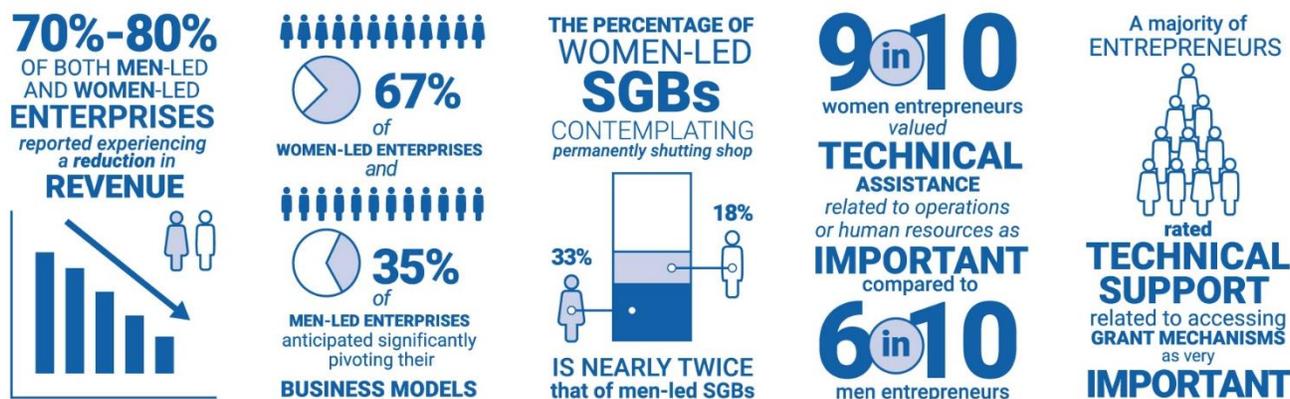


Figure 5: There is clear evidence that women-led SGBs are being affected disproportionately, and a gender-smart response is needed to navigate this crisis.

Women entrepreneurs will continue to experience long-term impacts of the crisis, due to decline in customer purchasing power and lasting disruptions to supply chains. In the words of one of the entrepreneurs interviewed, “We were just about to launch our seed equity round when the pandemic struck. The world of equity impact investing is hard to break into for a women entrepreneur, and this has definitely set us back even further.”

Impact on intermediaries – Supporting the supporters

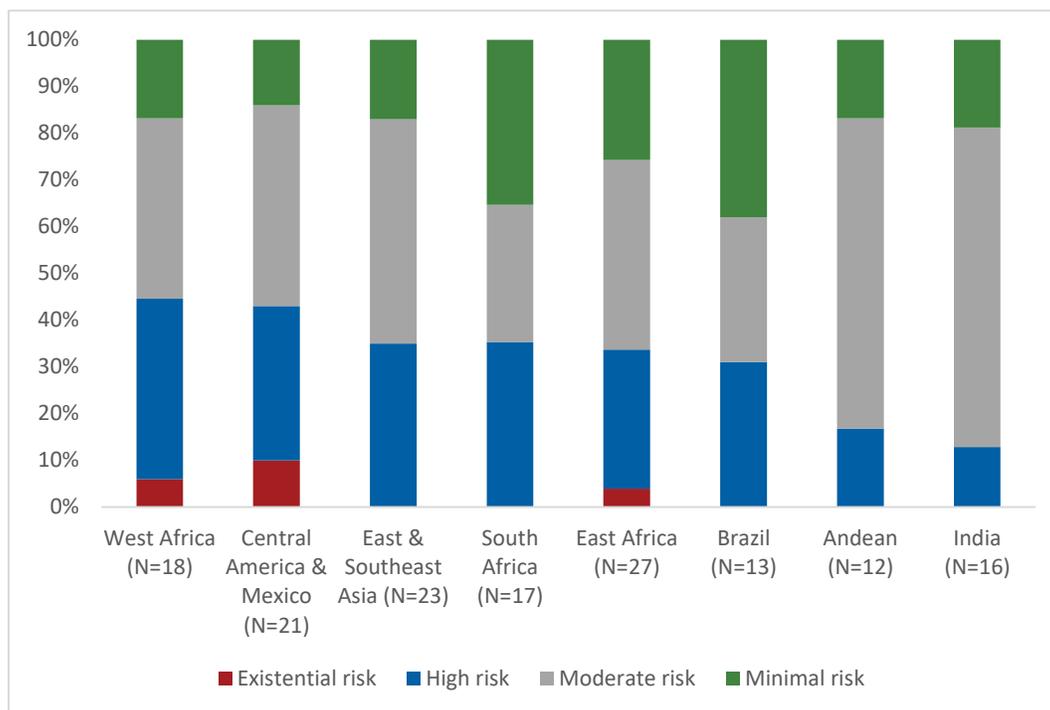
As challenging as the situation is for SGBs in the context of the coronavirus pandemic, SGB support organizations are also facing serious risks. Capacity development providers and research and advisory service organizations are among the hardest hit, according to the ANDE Global Member COVID-19 Needs Survey. Close to 45% of global ANDE members surveyed who provide research and advisory services see themselves at the risk of shutting down.²⁵

Of the 16 organizations in India that responded to the ANDE Members Needs survey, 13% indicated high risk of shutting down. Close to 70% foresaw moderate risk of closing operations.²⁶ It is also interesting to note that India-based members estimate a lower risk of shutting down while compared to their counterparts in other emerging markets from Africa and South America (Figure 6).

²⁵ ANDE Covid-19 Member Needs Survey

²⁶ ANDE Covid-19 Member Needs Survey

Figure 6: Estimates of ANDE Members at risk of shutting down across regions
 Source: ANDE COVID-19 Member Needs Survey



Most of the intermediaries in emerging markets like India depend on small, local networks of funders.²⁷ Their business models usually depend on fees from SGBs and specific grants for training to keep operations running. With all these cash flows in jeopardy, intermediaries that provide critical support and training services to entrepreneurs are at a risk of failure. If these intermediaries are impacted, then a budding entrepreneur looking for advice to weather this crisis has fewer options for their own support and will face a high level of risk with no guidance on how to navigate the uncertainty.

A recent survey by FSG shows that traditional corporate social responsibility (CSR) funding could be reduced by 30-60% during the crisis recovery phase; CSR funders shared that while they may honor their long-term commitments for funding, some of these commitments might have to be reduced.²⁸ This will impact the funding flows for local intermediaries who significantly depend on CSR grants for their operational costs.

²⁷ Guttentag. M. (2020) [Your pipeline of impact deals in emerging markets is at risk. Three things you can do about it.](#) ImpactAlpha.

²⁸ Rathi.S. (2020) [The Impact of COVID-19 on CSR Funding for Indian NGOs.](#) FSG.

In an April 2020 ANDE India member convening, members with an active presence in India shared the following concerns:

- There will be a lag on the impact of the funds mobilized for the development sector. The funds required for operations by bigger support entities were likely already raised in the months preceding the pandemic. The current lack of funds will affect future fundraising cycles, and that will in turn have a domino effect on the programmes and support offered to SGBs.
- There are a minimal number of platforms that perform the role of aggregators. Having access to information around funds being launched and made available to the sector, types of support available, etc. would be very helpful.
- CSR funds are being diverted for COVID-19 relief. Organizations and social enterprises that depend on CSR for operations will be heavily impacted.
- There will soon be a need for strategic thinking into programme redesign. How can intermediaries continue to support SGBs on the ground, while following social distancing norms? How can they leverage online tools for communication and content delivery?

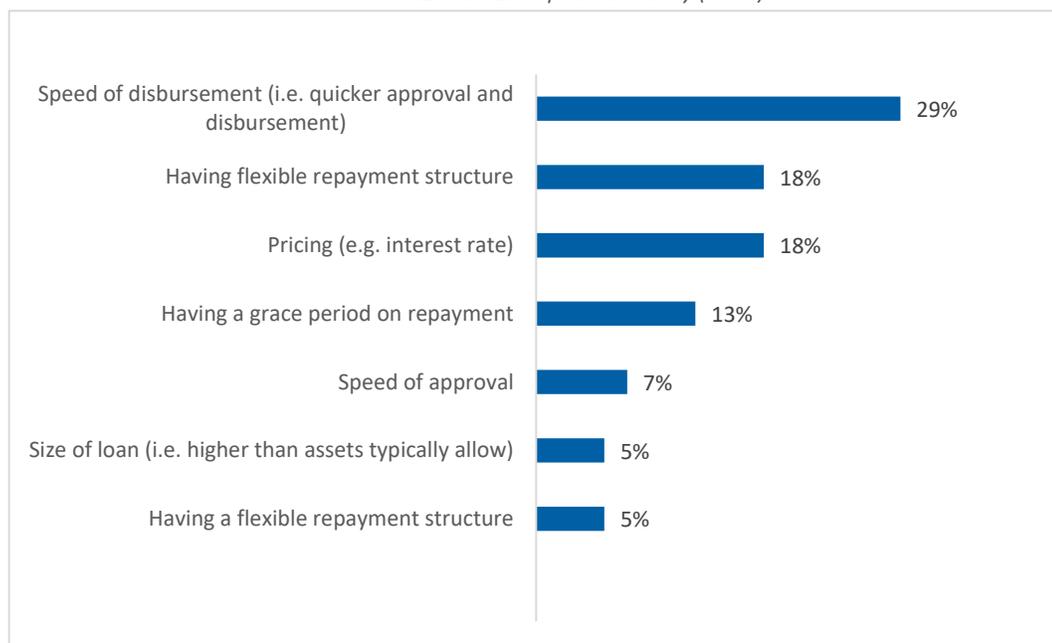
NEXT STEPS FOR THE ECOSYSTEM

Based on these preliminary findings, essential needs of the SGB ecosystem in India include:

- **Aggregation of funders and technical assistance information:** Both SGBs and intermediaries are in urgent need of a platform that helps aggregate information around various sources of funding available and different technical assistance options being provided by state and central governments and other private providers.
- **Access to direct and flexible financing:** SGBs need emergency funding to keep operations running. Many funders have recognized this need and have set up relief funds to support their portfolios. For example, the Omidyar Network India Rapid Response Funding has committed US\$1.4 million towards interventions to tackle challenges arisen due to COVID-19.

In addition to emergency grants, SGBs also require emergency debt financing (Figure 7). For new debt issuances, Indian SGBs place high value on the speed of disbursement, along with flexible repayment structures and appropriate interest rates. The absence of government mechanisms to provide this support in India leaves a gap for other donors to fill. This increase in access to debt financing has also helped catalyze the market for outcome-based financing models, such as impact bonds and social success notes, which are advantageous finance instruments that can be leveraged to raise funds in a post-crisis recovery.

Figure 7: Most important features of debt financing during COVID-19
Source: GALI India Entrepreneur Survey (N=55)



- **A gender-smart response to the crisis, before the impact has ripple effects:** Studies have shown that previous economic crises have disproportionate impacts on women. There must be a focus on supporting women-led businesses to help bridge their financing gaps. Women entrepreneurs require support through formal networks, technical assistance for business models and operations, among other needs.
- **Increased digital inclusion:** The “new normal” post-COVID-19 will be increasingly dependent on digital platforms. Before this becomes another source for inequality widening an existing gap in access to technology, etc., there must be a push for digital inclusion, with entrepreneurs regardless of gender enabled to leverage connectivity to further their businesses.
- **Adaptability of capacity development services:** Capacity development organizations (CDOs) provide valuable assistance to SGBs during a crisis but are also among the hardest hit. COVID-19 has made clear the need to strengthen online content delivery for CDOs. In the short term, CDOs will have to strategize on how to deliver effective support given social distancing norms, and in the medium term SGBs will require support on adjusting to disrupted supply chains, catering to a changed market with varying purchasing power, and altering their products and services. Quick adaptation will help CDOs serve an ecosystem getting back on its feet and ensure their continued relevance.
- **Inclusion of rural enterprises and supporters in support plans:** Rural SGBs are often absent from surveys and analysis. However, a significant portion of the population resides in rural India and is employed by and/or own rural SGBs. Intermediaries should start looking at ways to support the needs of these rural enterprises, to ensure their representation in analysis and COVID-19 response mechanisms, help source funding for operations, and raise awareness of technical assistance opportunities through government institutions and other ecosystem actors.



Figure 8: What are key next steps for the entrepreneurial ecosystem in India?

NEW RESOURCES AND SUPPORT INITIATIVES FOR SGBs

These are truly challenging times for the SGB sector. ANDE continues to curate relevant information to support the SGB sector in adapting to the crisis. Our comprehensive [COVID-19 resource page](#) is regularly updated with information and includes a dedicated page on [impact measurement and management in the context of coronavirus](#).

Other notable resources and initiatives for India-based entrepreneurs and intermediaries:

- [Startup India COVID Resource Section](#): Resource compilation by government of India to support entrepreneurs.
- [Devex map of COVID-19 funders](#): Funding dashboard to provide information on where funding is going, who is funding what and in which geographical region is funding being dispatched.
- [YourStory COVID 19 Resource Centre for Startups and SMBs](#): Resource centre curated by YourStory which includes videos, talks by mentors and more.
- [Omidyar Network India's Rapid Response Funding Initiative](#): Close to US\$ 1.4 million to help support organizations working on COVID-19 response.
- [Action COVID-19 Team](#): Grant of INR 100 Crore towards initial seed grants to help fight the spread of the pandemic.
- [SIDBI COVID-19 Startup Assistance Scheme](#): Providing quick working capital to startups that have shown the ability to adapt to the economic impact of COVID 19 and have ensured their employees' safety and financial stability.
- [Women Entrepreneurship Platform COVID-19 Resources](#): Platform created to support women entrepreneurs in the country, compiling relevant information to tackle the crisis.