



## Reviving Nano and Micro Enterprises: Restoring Livelihoods for the Poor in a Post COVID World

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The COVID-19 lockdown has negatively affected the livelihoods of a very large number of mostly invisible poor people. These are the self-employed or very small entrepreneurs, who are not being considered in any relief packages of the government or private sector.

The Government of India has declared a generous package for MSMEs but the maximum number of people earn their livelihood in micro and nano enterprises, which are off the radar because they are not registered. There is fear that many of these enterprises, which support the informal sector, will fold by the end of the year due to the lockdown. The 73rd round of NSSO surveyed the Unincorporated Non-Agricultural Enterprises in India and estimated that there are around 6.3 crores such enterprises, with over 11 crore people working in them<sup>1</sup>. Nearly 20% of these are women-owned enterprises, mostly home-based. They cover a variety of work from weavers, garment makers, all types of artisans, food producers etc. These enterprises are just enough to ensure the survival of the family, the average annual gross value added of these enterprises is barely 2 lakhs, according to the NSS.

Within the SEWA membership large numbers of informal sector workers are either themselves nano-entrepreneurs or else they are part of a family enterprise. We work in a large number of states including Bengal, Bihar, Delhi, Gujarat, Kerala, Madhya Pradesh, Nagaland, Orissa, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh. In all these States, there are a variety of nano-entrepreneurs, such as:

- All types of Homebased workers whose market has collapsed due to both lack of demand and unavailability of raw materials, including rural weavers in Bengal and Bihar;

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<sup>1</sup> [NSSO Survey of Unincorporated Non-Agricultural Enterprises in India](#)

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shoemakers in Delhi and Punjab; Papad makers, lac product makers and Tie and Dye producers in Rajasthan; Women making garments and embellishments, necklaces, rakhis, food products etc. in all the states etc.

- Street Vendors in all States whose markets are closed down: This includes vegetable vendors, some of whom were able to sell but much of their stock was spoiled; old clothes vendors who have had to sell off their stock at throwaway prices to wholesalers as they needed the money for food; *thela* and small shop owners, whose demand has dried up and some of the stock spoiled
- Livestock Producers in rural areas have been affected as free grazing stopped and they had to use up their savings for buying feed. At the same time, the price of milk in the market fell.
- Small and marginal farmers who have been unable to sell their rabi crop now need capital to start planting for their Kharif crop before the monsoon.
- Horticulture producers like vegetables, fruit and spices were unable to sell their produce due to lack of transport.

Many of these nano-entrepreneurs cannot start their work because they have lost their capital. Others have lost their markets and, especially for artisanal products, the demand will not be picking up quickly.

### **Collective Enterprises**

In order to help the nano-entrepreneurs SEWA Bharat has helped to form many collectives which reach them for services of various kinds as well as create market linkages. These collectives include:

- Finance collectives such as Cooperatives to capitalise the nano entrepreneurs
- Marketing Companies to help them reach the market better
- Social Security collectives to reach health care, insurance and child care.
- Service Cooperatives where providers, such as home care workers, can collectively offer services

### **What needs to be done**

#### **Restoring Capital:**

The capital lost by the nano-entrepreneurs due to the crisis needs to be restored by a combination of grants and loans. We propose a cash transfer of Rs 10,000 to each entrepreneur

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to be supplemented by a loan product from a SEWA financial institution<sup>2</sup>. This will require a mixed financing fund.

### **Reaching Markets, Old and New:**

In many cases, as the economy opens and demand grows, some markets will be restored. This is especially true of agricultural and livestock products for example. Also, in urban areas services such as domestic work will revive. However, in all these cases women producers and service providers will need special hand-holding through marketing support. SEWA's marketing organisations can help with this support. Other workers such as weavers or embroiderers or garment makers will face dwindling markets as demand for 'luxury' goods will grow slower, and they may face unemployment over the year. In these cases, SEWA's marketing support can help them search such markets that exist, and perhaps find new markets. Street vendors may face difficulties as authorities may not allow vendor markets to operate as long as there is a health threat, maybe even for a whole year. They will need to think about marketing in a different, more individual way. For example, old clothes vendors may need to market online rather than through bazaars. The COVID 19 crisis has opened a new demand for goods such as masks, sanitizers, soaps and other PPE equipment. These are new markets that nano-entrepreneurs will need to access. Here SEWA can help them with getting orders and access to raw materials.

### **Reskilling and Training:**

In order to reach these new markets or these new ways of selling, the women nano-entrepreneurs will need reskilling and training. They will need to learn how to make PPE equipment, new designs in weaving to reach newer markets, new ways of selling which will be more digital. We propose that reskilling and training be an important component of the revival of livelihoods.

### **Digital Access and Digital Literacy:**

The lockdown due to COVID 19 created a new lifestyle of which some elements are sure to persist in a post-COVID 19 world. In particular, work from home, social distancing and less human contact will persist leading to a dependence on digital means of communication. However, women lag behind in digital access and digital literacy. Studies estimate that in India

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<sup>2</sup> SEWA has sponsored a number of financial institutions in each State. In Gujarat it is SEWA Bank as well as two co-operatives; in Bihar and Delhi there are finance co-operatives and in Uttarakhand and Punjab there is a Business Correspondent. In other States SEWA links with local Banks.

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34% men as compared to 15% women have a smartphone and the gap has widened by 10 points from what it was five years ago when 16% men and 7% women owned a smartphone<sup>3</sup>.

**If women micro-entrepreneurs are to remain in the market under these new circumstances they will need access to both smartphones and digital literacy. SEWA Bharat aims to reach out to 15,000 women nano/micro-entrepreneurs. At Rs 10,000 spend per entrepreneur, a Livelihood Restoration Fund of Rs 15 Crores would be required.**

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<sup>3</sup> [Unequal growth of smartphone ownership around the world](#)