

# Impact of COVID-19 on FWWB's Partner Organisations



Prepared by  
FRIENDS OF WOMEN'S WORLD BANKING, INDIA

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# LIST OF ABBREVIATIONS

<b>APMC</b>	<b>Agriculture Produce Marketing Committee</b>
<b>ATM</b>	<b>Automatic Teller Machine</b>
<b>BoD</b>	<b>Board of Directors</b>
<b>COVID</b>	<b>Novel Coronavirus Disease</b>
<b>CSR</b>	<b>Corporate Social Responsibility</b>
<b>DAC &amp; FW</b>	<b>Department of Agriculture Cooperation and Farmers Welfare</b>
<b>DFID</b>	<b>Department for International Development</b>
<b>eNAM</b>	<b>Electronic National Agriculture Market</b>
<b>FPC</b>	<b>Farmer Producer Company</b>
<b>FPO</b>	<b>Farmer Producer Organisation</b>
<b>FWWB</b>	<b>Friends of Women's World Banking India</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GVA</b>	<b>Gross Value Added</b>
<b>ICRA</b>	<b>Investment Information and Credit Rating Agency</b>
<b>ICT</b>	<b>Information &amp; Communication Technology</b>
<b>INR</b>	<b>Indian Rupee</b>
<b>MFI</b>	<b>Microfinance Institutions</b>
<b>MTs</b>	<b>Master Trainers</b>
<b>NGO</b>	<b>Non-Governmental Organisations</b>
<b>RBI</b>	<b>Reserve Bank of India</b>
<b>Rs.</b>	<b>Rupees</b>
<b>SRLM</b>	<b>State Rural Livelihood Mission</b>
<b>WDRA</b>	<b>Warehousing Development and Regulatory Authority</b>

# FOREWORD

The days post 22nd March 2020 have been very challenging owing to the lockdown imposed by the Govt to address the issue of COVID-19 pandemic. The lockdown has disrupted the business activity across affecting the livelihood of the community. The situation is even worse for the marginalised, majority of whom being primary producers, daily-wage earners and women especially in the developing countries. FWWB and its partner organisations across India have been facing myriad challenges in continuing the enabling work that we have been doing under all programs viz. Agriculture Credit and Capacity Building, Water and Sanitation, Solar, and Women Entrepreneurship. It is imperative to understand the contours of the impact as result of COVID-19 on our partners as well as the beneficiary community in order to design effective solutions to mitigate the adverse impact and proactively help them to reduce the hardship. This study was carried out with the aim of gauging the nuances of the affects and presenting the same for broader understanding of the ecosystem players.

The Financial Services Providers are majorly facing challenges of liquidity and limited interaction with their clients due to the lockdown. The repayments have taken a hit during this time as a consequence of reduced income at household level. Beneficiary communities not only need the support in terms of moratorium benefits for existing loans but also newer softer financial support to resume their livelihoods or alternative livelihood means in the emergence of the new normal. Similarly the women micro-entrepreneurs face challenges in reviving their business in addition to the burden of household care and increased domestic violence. Increased inputs in capacity building as well as credit will be required for the entrepreneurs majorly functioning in informal setup. Current situation has aggravated the challenges faced by Farmer Producer Organisations and their promoting institutions. The restrictions on movements have resulted in supply chain blockages and thus operational difficulties for the FPOs. This combined with the additional cost of hygiene norms, reduced price of the commodities and difficulty in access to capital have put the FPOs in a precarious state.

# FOREWORD

As a way forward, FWWB will be exploring possible linkages with various lenders and donors keeping in mind the pressing need to design and extend innovative support solutions that could build resilience of the beneficiaries and help them mitigate the impact of COVID-19. Equal emphasis will also be made on longer tenure, softer terms of financing, increased and relevant capacity building and facilitation support, introduction of socially embedded technology solutions etc.

I would like to thank all our partner organisations for continuing to put their trust in our efforts and enriching our learnings and findings under this study. The team of FWWB has done a commendable job in completing this work in a record time. Our efforts will continue in getting the incremental inputs so that we work in tandem with the field realities and needs. We hope the report will guide all of our efforts for building a society based on equity and prosperity for all.

S S Bhat  
CEO  
FWWB



# INTRODUCTION

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# ABOUT FWWB

Friends of Women's World Banking India, was promoted in 1981, as an affiliate of Women's World Banking, a global network created to envision a society based on equity and social justice where women are active partners in holistic development. FWWB works with a mission of providing financial and capacity building services to organizations promoting livelihoods and self-reliance of poor women

## FWWB's Programs



### **Agriculture Finance and Capacity Building Program**

Recognising the role it could play in providing access to Credit, FWWB's Agriculture Finance Program was initiated in 2007. The program is aimed at providing loan support to Farmer Producer Organisations (FPOs) of small and marginal farmers across India. The program nurtures the FPOs by providing them need-based credit and capacity building support with an aim to make them sustainable.

### **Water and Sanitation Program**

The program is a testament to the fact that availability of financial resources is a key to enabling poor households to invest in water and sanitation facilities. The program, in addition to providing credit facility to microfinance institutions for establishing water and sanitation facilities, also aims to raise awareness among donors and lending institutions about the role that sanitation plays in raising living standard and productivity levels of a household and especially women.



# ABOUT FWWB

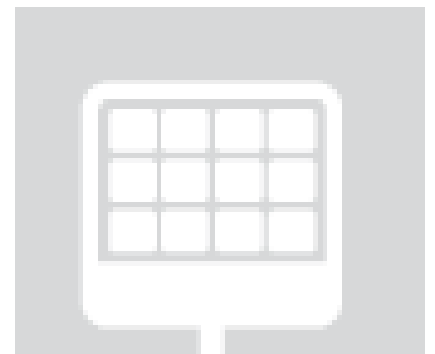


## **Women Entrepreneurship Program**

FWWB realised the need for concurrent approach focused on both access to credit and capacity-building requirements of women members for their empowerment. Recognising women entrepreneurship as an effective tool for increasing women's economic participation in the economy, FWWB's women entrepreneurship program provides financial education and business management skills to existing and prospective women entrepreneurs from the bottom of the pyramid.

## **Solar Energy Program**

As solar energy gets more advanced and cheap, more rural households are considering solar lamps and lighting systems as a way to harness abundant sunlight. Observing this trend, FWWB started the Solar Energy program with an aim of providing economical and sustainable solar lighting solutions to areas that have little or no access to electricity. The program focuses on providing credit support to microfinance institutions and also tries to generate awareness among the community.





# BACKDROP OF COVID-19 IN INDIA

COVID-19 cases have spread rapidly on a global and domestic scale, placing stress on healthcare systems and the economy. As of 22nd June 2020, there were 89,63,253 confirmed cases worldwide and 4,25,282 confirmed cases in India[1]. Estimates suggest that the true number of active cases may be even higher. Due to the COVID situation, a global slowdown / recession is expected which will economically affect the nations significantly. The forecasts of 2020 GDP have been revised downwards several times, with the latest demotion from ~3.5% to ~1.8% in India[2]. In response to accelerating domestic cases in India, the government has implemented a country-wide lockdown.

Based on different models the domestic recovery in India will vary depending on the severity and length of the pandemic. The best case and most likely scenario suggest a U-shaped or W-shaped recovery[3]. Although India has historically demonstrated resilience through V shaped recoveries, economists are increasingly skeptical of a V-shaped recovery due to uncertainty about whether COVID 19 will be cleared by end of 2nd quarter 2020. In this scenario, a U shaped recovery would mean full capacity recovery by end of 2023, and it assumes that the economy may be opened at different times for different sectors selectively.

[1] Coronavirus Resource Centre, John Hopkins University, (Data fetched on 22nd June 2020, 1:03:22 PM)

[2] S&P Global Ratings forecasts for India. GDP, Taken from Covid-19 impact: S&P slashes India's FY21 growth forecast to 1.8%, Business Standard, Date April 17th 2020.

[3] India Economic Times, U.S. Federal Reserve Board, JP Morgan Chase & Co analysis, BCG analysis

# PURPOSE OF DOCUMENT

COVID-19 and its aftermath have created a unique set of condition for each of us. The situation is even worse for the poor & marginalised majority of them being primary producers, daily-wage earners and women. We, FWWB, working in the impact space are facing challenges in continuing the enabling work that we have been doing. So is the case with our partner organisations, which are present at the forefront in field areas and are trying their best to deal with the critical challenges. The objective of this study is to understand various short & medium term impacts and implications of COVID-19 on FWWB's partner organisations/ Clients. This study would help us gauge the severity of situation, challenges and concerns of our partner organisations, learnings on how the organisations are adapting, and what further rigorous efforts to be put-in for achieving the Development Goals. We will be looking at various organisational parameters that might be affected due to COVID-19, the parameters would fall under categories viz. Business contingency or continuity plan, Operations (program and core functions) Disruptions, Employees concerns, Liquidity and finance, Community / Beneficiaries concerns, Strategies adopted by the organisation etc. In the end, few suggestions have been made to address the various challenges over the period of time. Telephonic discussions with organisations have been conducted to understand challenges and support requirements of the partners under FWWB's programs viz. Agri Credit and Capacity Building, Water and Sanitation, Solar Energy, and Women Entrepreneurship.

# FINANCIAL SERVICE PROVIDERS



In India, lockdown due to COVID-19 has affected the Indian economy and also created innumerable problems for the poor and unprivileged community. The Financial Services Providers (FSP) to the marginalized communities are also severely impacted. FWWB provides credit and capacity building support to many financial service provider (FSPs) including Micro-finance Institutions (MFIs) and nonprofits that facilitate financial services. The pandemic has affected the FSPs and their client beneficiaries. However this isn't the first time MFIs are facing crisis. In 2010, the Indian microfinance sector had faced a major crisis following a controversial legislation passed by the Andhra Pradesh government. About 35, 000 people lost jobs due to the crisis and significant chunk of money given by banks to MFIs turned bad. The sector never fully recovered from that crisis phase. Next was the demonetisation in 2016 that resulted in a similar drop in economic activity and restricted the abilities of borrowers to repay on-time. And now the COVID-19 pandemic has hit the sector again. If the coronavirus-induced crisis prolongs, these firms may see a return of the crisis.

RBI has announced provisions of moratorium on all term loans for a period of three months from March to May 2020 and further extension for three more months. This is a welcome step to reduce the burden on the MFIs as well as their clients. This might lead to a possibility of increased demand for new loans from the community for various purposes including repayment of the earlier loan, food security, restarting small enterprises, etc. With the evolving needs of MFI's beneficiaries, the nature of the loan demand might change to cater to consumption loans. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially the demand for non-essential goods and services. Three major components of aggregate demand- consumption, investment, and exports are likely to stay subdued for a prolonged period of time. Once unemployment goes up and the source of income disappears especially for those connected to the informal sector, they will find it difficult to repay existing loans, let alone make new expenditures. All these are unsecured loans which make the situation worse. This scenario would be a challenge for the microfinance institutions. Sa-Dhan, an association of Community Development Finance Institutions, has conducted study that has found out that almost half of the clients of MFIs will be experiencing total income loss from their primary source of income, and approximately 78% loss in income has been reported by MFI Clients in both rural and urban areas. It is noticeable that this number is even higher in urban areas, where the beneficiaries are getting less financial assistance from Government schemes. The MFIs with loan portfolio of less than Rs. 100 Crores are facing more liquidity stress, which has considerably weakened their capability to meet salaries and other administrative expenditures. Only 7% MFIs stated that they can meet these obligations beyond July 2020. MFIs need to account for all the factors that determine their sustainability. Also, continuing the touch with clients and encouraging them to be involved in livelihood generation activity is very significant for the MFIs.

Below is the summary of challenges faced & opportunities identified by FWFB's partners including MFIs and other financial service providers. Also, reflecting the impact on life and livelihood of their members

### **Loan defaults/Repayments:**

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The sudden lockdown has severely affected people in the low-income category in the society who are the major customers of MFIs. Repayments are the largest cash inflow for MFIs, followed by borrowings from financial institutions. Loan disbursement and collections have been adversely affected since MFIs' operations are field-intensive with high personal touch such as home visits, group meetings and physical collection of cash.

Over and above that the three-month government mandated moratorium on loan collections is being implemented, due to which most of the MFIs were able to repay only the interest amount to their funders. The majorities of MFIs have already discussed potential repayment challenges with their funders and are negotiating their loan repayments.

### **Funding and Liquidity:**

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There are operational fixed expenses, mandatory for the functioning of the institution. As these institutions, especially the small sized ones, depend heavily on timely repayments and deposits, they are experiencing huge liquidity crunch. As a result, they are unable to pay their employee salaries and meet the office related operation expenditures like rent, electricity bill etc. "The non-repayment of loans leads to a decrease in liquidity as well as it will be a barrier to disburse new loans", shared by one of the partner MFIs.

MFI leaders foresee a spike in the number of defaulters following the crisis, especially in urban and semi-urban areas. This is because the micro enterprises which are present in large numbers in cities and peri-urban areas are expected to bear the brunt of the negative economic consequences of the lockdown and any further restrictions to business activities that might follow.

On the other hand, the number of defaulters may not be as high in rural areas. Repayments from rural borrowers are mostly associated with the harvest of crops upon which the loan is generally settled; with a proportionally less dramatic yet significant impact on the agrarian sector. Following the resumption of economic activity, borrowers may tend to prioritise cash for their daily needs and savings over repaying MFIs. Moreover the impact on credit costs could be even higher if there is a permanent loss of livelihood or significant decline in income for a proportion of the borrowers, thereby impacting their repayment capacity.

According to the current scenario, the burden on dealing with the socio-economic condition of the communities is going to increase on the local organizations. The demand for new loans will increase, while the communities might need economic support to repay even earlier loans. With increase in poverty levels due to this crisis, the population of beneficiaries supported by MFIs might also increase. Some of the organizations also shared that they might have to start from the beginning with extending small loans support, encouraging small savings, and motivating individuals for investing in micro and small enterprises, etc. Majority of Institutions are anticipating difficulty in fundraising in near future. Many players have already started approaching funders to support liquidity requirements as well as the demand of soft loan for food security, working capital etc.

For grant support, the funders would be focusing on alternate delivery mechanism to mitigate the risk of coronavirus, assuming that social distancing would continue the possibility of utilizing technology through digital platforms. Hence in coming days, there might be reduction in funding from traditional CSR, with reduction in profitability of the corporates. Few partners also shared that, there is a possibility of funding dry ups in case of long-term CSR commitment of the corporates. In addition, the CSR funders would prefer to work with existing partners with higher inclination to support COVID-19 related efforts. Looking at this in the current situation, institutions are brainstorming on innovative approaches to ensure socio-economic growth of the underprivileged communities.

## Operational Processes

The FSPs have a culture based on in-person interactions and collection of repayments which helps them build loyalty with the clients. While this is normally seen as strength of the industry, it has become vulnerability in the current lockdown situation with restrictions on movements. With a sudden halt on field level activities, most organisations are unable to meet the target and deadline under various projects. Partner organisations in the states Madhya Pradesh, Maharashtra, and Gujarat have stated that it would be challenging to initiate the field activities for the next four-five months, especially in semi-urban areas.

During the lockdown, people and work management challenges were highlighted by most of the organization because of the hierarchy and different responsibilities in the roles of the field staff and office staff. Field staff is based out of community and are unable to do remote work due to lack of knowledge on usage of technology. And because of this limitation, the organisation is not able to provide work to them and pay them accordingly. Some of the organizations are already planning salary cuts for all staff. Some of them have shown inability to pay to the staff dependent on daily work based commissions. One of the crucial requirements of the organizations is to train the field staff for post lockdown field operations, setting timeline, prioritising program needs or pragmatic situational need of the target groups with the help from sector experts. Along with this, capacity building for adopting technology for various operations would also be required.

Movement in the operational area post the lockdown may be the biggest challenge for staff when they begin moving in their respective operational areas. The government has divided districts into different zones based on the prevalence of COVID cases. The restrictions on movement etc. will vary basis the zones and change in the spread of virus.

The following measures are being adopted by various partners in order to address the above challenges.

- In order to adapt to the current situation, some MFIs have started reaching out to their customers virtually, through calls, text messages, and group chats. Through these remote connections, some MFIs are checking on the status, health, and concerns of their customers.
- Staff virtual meetings are replacing the in-person meetings. This requires review and changes in more traditional management styles. Masks are mandatory in all the branches, Hand sanitizers and masks are provided to all the staff members. One of the institution had organized 3 day virtual training on social distance in field and process mapping post the lockdown for effective operations



- FSPs are helping ease the social impact of the current lockdown by using their extensive networks to distribute food, health supplies, and health information to members in remote, poor and other vulnerable communities. This voluntary contribution to the community and concern for consumer protection has long been a part of the ethos of MFIs generally and is again at the forefront of their activities

### **Technology:**

The MFIs traditionally transact with their clients during the group meetings or at the branch offices. Due to the restrictions on group gathering this means of interaction with the clients has stopped. And the branch offices are either closed or partially operating thus limiting the client transactions. Most of the microfinance organisations do not use digital channels to substitute group meeting procedures as well as financial transactions for disbursement or repayment.

### **Impact on the MFI Clients:**

Partners involved in financial services largely cater to women from low income households. The lockdown has put restrictions and close down of all non-essential activities including movements and gatherings. Such decisions have a direct impact on our partners' customers. The members are unable to repay and the situation will worsen post the lockdown as well. Few of the partner's observations are,

- A significant decline in income is seen
- Many customers rely on imports from other states for their business. Border closures and travel ban have affected the trading activities.
- The travel ban has strongly affected tourism. All activities relying on tourism & hospitality have faced severe problems
- Handloom and handicraft entrepreneurs are not able to sell their products due to reduced demand. This situation is likely to continue post the lockdown
- Few of the clients have diversified their livelihoods and initiated production of protective face masks, sanitizers etc.

Over the years, Microfinance institutions have reinvented themselves every time a crisis hits them. Below listed are few points which can be implemented to maintain operations, manage workforce and sustain the organisation during the COVID-19 pandemic and beyond.

## LOAN DEFAULTS/ REPAYMENTS

The current crisis could also be an opportunity to push changes in process and policies to increase the uptake and the ease of conducting transactions online. This could include facilitating online loan repayments, which hasn't been adopted by the major organisations in the MFI landscape.

## FUNDING AND LIQUIDITY

With repayments slowing down and probably getting worse in coming days, MFIs require liquidity to recover from the crisis and there is concern regarding the willingness of banking institutions and NBFCs to lend to MFIs during this crisis. Institutions may need to set aside specific funds for ensuring liquidity to handle pandemic-related additional expenses.

## GRANT FUNDING

NGOs will have to focus on significantly reducing the costs of reaching out to the communities; in case of less funding. For CSR funding related to covid response, organizations can leverage their long standing on-the-ground presence to identify the emerging needs and develop solutions to address them. For instance, a skills building organization, could work to identify sectors for which the demand is likely to increase after the lockdown and start planning intervention in those areas.

## TECHNOLOGY

Adaptation of technology for operations has to be a critical part of the business continuity plan. As embracing more digital solution, will decrease the need for physical interactions between employees and customers, and replacing cash transactions with mobile payment functionalities. There is a need to update the technology infrastructure in way that it can support remote operations. Additionally, it is also important for organizations to rethink on their mode of delivery to complete the work on the field, especially on adopting digital tools for implementing program.



## OPERATIONAL PROCESSES

A member centric response is crucial during these times, which requires restructuring operations.

- Optimum utilization of all the human resources of the organisation
- While developing the strategy for field activities, one must keep in mind the impact created in the rural areas and semi-urban areas.
- Changing meeting procedures to ensure social distancing and hygiene practices. This includes splitting into smaller groups, ensuring handwashing at the beginning and end of meetings, reducing the number of participants, limiting cash handling among members and other measures to make sure their members stay safe.
- Understand the community's situation on technical advancement and build appropriate programs for digital inclusion. Collect regular information to understand the situation and needs of clients, especially the most vulnerable. While it is clear that the impact of COVID will be devastating for many, not everyone will be affected in the same way. It is important to understand the specifics of who is affected and how, and in what way these affects will change over time, so that appropriate action can be taken
- Establish a help desk/hotline for clients and promote all available communication channels that comply with social distancing.
- For group lending, leverage group leaders for communication and to facilitate transactions while minimizing need for in-person meetings with large numbers of clients.

In light of COVID-19, organisations are keener on undertaking entrepreneurship development for their beneficiaries. Due to the extended lockdown, there is need for nurturing ecosystem to help these enterprises revive their position in the market, enable potential women to start their enterprise and to help entrepreneurs cope with economic stresses amid the pandemic.

In addition, embracing digital services will be a way forward; this will enable women's ability to engage in financial transactions without having to travel outside their communities, businesses, or homes, limiting usage of cash to reduce the spread of the coronavirus. This can be done by capacitating the women on digitalization to increase the use of digital tools for business and marketing. Further, this is opportune time to increase women's participation in the digital economy, including digital marketing and digital trade.

## SCOPE FOR ENTREPRENEURSHIP

# MICRO ENTERPRISES



Covid-19 pandemic has created unprecedented upheaval at all levels of society. Rarely has a situation called for a unified war cry and the need for collective effort, as the one humanity is facing now. The impact of the pandemic is borne most by those who can least afford it. Micro- entrepreneurs in India are coping with dying businesses and need dedicated attention to help them through this calamity. On March 24, the Indian government announced a nationwide lockdown to prevent transmission of the coronavirus. The impact has been felt sharply by the unorganized sector or informal economy in general and women in particular.

FWWB has been implementing Women Entrepreneurship Program, partnered with NGOs, cooperatives, MFIs etc. to provide life-changing support to micro entrepreneurs in a variety of settings. FWWB helps entrepreneurs to start new businesses and support established enterprises to accelerate their growth. A range of businesses including food processing, handloom/ handicrafts production, salon services, grocery shops and many more are being nurtured under entrepreneurship program. Our interventions focus on:

- Program design and implementation according to their socio economic milieu
- A market-driven approach
- Effective capacity development
- Continuous handholding and mentorship through locally based master trainers
- Rigorous measurement through in house mobile application and continuous learning

As COVID-19 spreads around the world, it is having a devastating economic impact. Social distancing, quarantines and other measures are leading to falling demand, mandatory store closings, labour shortages, disruptions to the supply chain and other challenges. Micro enterprises, with limited savings and access to financing, are often the most vulnerable firms in such situation.

Entrepreneurs in urban areas, such as street vendors, kirana shops owners, and in service area, have experienced severe loss of work and income due to reduced demand, lack of access to markets, and drastic reduction in prices. In rural areas of India, which are still predominantly cash-driven, people are running out of money. Most rural villages do not have banks or ATMs. Due to the lockdown there is no public transportation to travel to banks in nearby towns to withdraw cash. This season, the spring harvest, is usually a peak time for migrant worker employment. Instead, due to cash shortages and the fear of viral spread, migrant workers are jobless. Further, altered market conditions and customer demands have resulted in challenges in their operations. Additionally, in trades such as home-based work; weaving, tailoring and embroidery, it has become difficult to procure raw materials and hence work has almost come to a standstill.

Our partners shared below mentioned challenges faced by the women entrepreneurs in the informal sector

### **Household economy:**

Due to sudden halt in activities the household level cashflow has been affected, resulting in depletion of savings. Also the stored food or groceries in households are running out. On the plus side, governments and civil society has stepped in to meet the immediate food requirements of lower income households. The government has made groceries available through Public Distribution Systems, while the voluntary organisations and individuals are providing cooked food or ration at the doorsteps of the needy.

### **Liquidity Crunches and Impact on the MFI Clients:**

The entrepreneurs dealing in essential commodities are able to continue their business although at lower scale than earlier. However, their stock levels have been depleting and supplies remain unpredictable. And for other entrepreneurs who don't fall in this category, the income has come down to almost zero.

Most of these enterprises are comparatively more vulnerable because of limited cash reserves and the business cash flows are mutual with household cash flows and vice-versa. They have rents to pay, typically make a significant proportion of sales on credit, and rarely use formal financial products. With declined revenue it is difficult for women to meet ends.

*A women entrepreneur, Gracemei from Manipur who runs a kirana shop says "During this global challenge of COVID-19 pandemic, I have experienced low numbers in customers. I come from an area where the majority of the people have travelled to their villages for the fear of contracting the virus. Prices have also hiked due to low supply of products as a result of closure of wholesale markets and limited transportation facilities. Failure of some customers to clear their debts on time has started affecting me too".*

Most of the working capital and savings are used to purchase daily necessity items. Hence post the lockdown it will be difficult for the members to revive their business without financial support. Their expenditure has consistently been larger than income during the lockdown period, suggesting that household reserves are being eroded steadily.

In order to resume their business they need to ensure the safety of their customer by adopting mechanism like social distance, sanitizers at the shop, etc. Further creating this customer base would also be a challenge post lockdown due to change in demand from the customers; the economic condition of society will affect the marketing strategy of entrepreneurs.

This decline in economic activity and erosion of savings at the household level is likely to reduce demand, which will further have an impact on micro and small businesses that serve these low income households. Women are unable to repay their loans due to decline in their sales & income.

### Challenges to revive their business post lockdown

When restrictions are lifted, the market will be very tight and extremely cash-constrained. This will be largely due to extreme uncertainties with regard to demand for their products or services.

Also creating the customer base is a challenge for the women entrepreneurs post lockdown as needs of the customer might change. So, the economic condition of society may affect the marketing strategy of entrepreneurs.

The patriarchal nature of society might also become a hurdle for entrepreneurs to start individual enterprises again. Women's enterprises may see reduced allocation from the constrained resources of a household. In addition, women might get involved in other daily wage or job work that do not required initial investments in terms of finances.

### Government relief for enterprises

The government has announced various support for the micro, small and medium enterprises. However, majority of the entrepreneurs are informal in nature which makes access of relief and support measures even difficult.

### Rising violence

Increase in the cases of domestic violence has also been reported by various clients. This is yet another set of challenge that the grassroot level organisations have to deal in while working with women.



The world is being profoundly affected by the global virus pandemic. The crisis has already transformed into an economic and labour market shock, impacting all businesses. During this difficult times, it is important that micro enterprises remain sustainable and their families are protected. Below mentioned are some suggestions to support enterprises in dealing with the impacts of the Coronavirus pandemic.

## HOUSEHOLD ECONOMY

Organisations can provide small emergency funds to these members and can also link them with different central and state government welfare schemes.

## LIQUIDITY CRUNCHES

The liquidity crunch has severely affected microenterprises, particularly those managed by low-income families. Immediate cash assistance is needed to manage short-term cash flows. A loan support spread over three to six months will help these enterprises address the immediate shock in their cash flow. This is also required to address working capital constraints that could aid in sourcing raw materials for completing existing orders. Delay in completion might lead to order cancellations and further losses. Promoting the adoption of digital payments and the use of social media is required, as it helps social distancing even as business activities are carried out.

## LIQUIDATING INVENTORIES

Entrepreneurs are looking for wholesale buyers to liquidate their inventories that were stocked before the lockdown; this will generate some cash flow for the entrepreneurs. The institutions can also organize virtual buyer-seller meets.

## REVIVING BUSINESSES

Constant capacity building and mentoring support is required by members, to help understand the changed market, customers demand and to support in developing their business strategy accordingly. More focused efforts are required on encouraging women entrepreneurs to re-start their business or identify alternative livelihood options. The revenues earned will help them repay the existing loans. Training on technology-led marketing and digital payment mode is the need of the hour. More efforts should be made for facilitating legal compliances for the businesses, in order to receive aid from government schemes.

## REBUILD CAPABILITIES

Organisations can focus on capacity-building of entrepreneurs through market research, creating awareness, product development, value chain strengthening, discovering new and local markets, credit and market linkages along with hand-holding entrepreneurs in adopting digital marketing platform

# FARMER PRODUCER ORGANISATIONS

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Agriculture and allied sector is one of the pillars of Indian economy, which employs more than 50% of the workforce and contributes 16.5% to the country's Gross Value Added (GVA). Hurdles in agriculture sector created by COVID, has impacted overall economy in general and income & nutritional security of farmers in particular. The disruptions in agriculture has also adversely affected the institutions working in the sector, especially the community owned Farmer Producer Organisations.

## **A. Impact on Agri value chain**

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### **Inputs**

Availability of agricultural inputs (seeds, fertilizers, and pesticides), farm labour, machinery etc. are key factors to effective farming operations, crop productivity and hence farm income. The COVID and lockdown situation in the middle of Rabi harvest season has impacted access and availability of both consumable and capital inputs. The crisis is also glaring at the kharif crop production plans. Limited availability / accessibility of livestock feed has disturbed the animal husbandry activities.

### **Harvest and Post-harvest**

Indian agriculture is majorly conventional form of system where labour plays an important factor especially during harvest and post-harvest. The countrywide lockdown announced just during the Rabi harvesting season and the dearth of labour has left crops unharvested or delayed harvest using limited family labour. This, in addition to unavailability of farm-gate infrastructure for storage or processing, is leading to loss of revenue for farmers.

### **Value Addition**

Value addition plays a key role in enhancing the margins of the income of any value chain player. Due to Covid and subsequent countrywide lockdown, the spatial processing and transactional form of value addition have been affected significantly since there is a lack of procurement of resources, labour availability and access to working capital required for value addition. However the benefits of temporal value addition will be received by traders or dealers by storing the aggregate produce.

### **Marketing**

The disruptions caused in the agriculture supply chain have blocked the movement of goods at various levels. The demand linked supply, which has a dipolar effect by pushing the commodities under supply while a constant pull of commodities in market under consumer demand, keeps the overall market stable. The halted operations in terms of uptake from farm level and transaction at subsequent level have created both pull and push thrust deficit in the market. Also the deep linkages across the value chain that have potential to get all risks neutralized through risk transfer mechanism, have been ruptured resulting in dichotomized market with reduced capacity to absorb the risks.

### **Prices of Agriculture Produce**

Various bottlenecks in the supply and value chain have resulted in falling prices of a range of commodities in agriculture. Tomato growers in Maharashtra are reported to be receiving not even Rs 2 per kg. Wheat prices in Madhya Pradesh are reported to have fallen from Rs 2200/quintal to about Rs 1600/quintal. For many crops, these prices are also below the Minimum Support Prices announced.



In Tamil Nadu, egg prices are reported to have fallen from Rs 4/egg to Rs 1.95/egg in the last one and a half months. As the lockdown proceeds, these prices can be expected to rise majorly driven by panic buying and hoarding. Despite that the producers are unlikely to benefit and most benefits will flow to wholesale / retail traders and other middlemen.

## **B. Impact on FPO-Producers Ecosystem**

### **Community Participation**

Community participation is an important part of FPO framework. Due to the restrictions on movement and social distancing norms, the community participation has come to a grinding halt which could result in breakdown of institutional structure of the FPO. Almost all of the Producer Group / Farmer Interest Group and Board meetings, training/ capacity building activities have stopped in the field area. This has also aggravated the issue of low involvement of board of directors as well as shareholders in day to day decision making or in carrying out various activities of the producer organisations.

There's a huge requirement of socially embedded and disruptive technology solution to meet the requirements of community participation. Simpler technologies like dial-in tele-conferences if promoted as a regular means of adoption, can be a great enabler in such a time of crisis. Technology based approaches to capacity building would also be required for the sector.

### **Business Operations**

Business activities of FPOs could be classified as input/output collectivisation and trading, micro-credit for farmers, value addition / processing, and other income enhancement activities. Movement restrictions due to lockdown have caused significant disruptions in primary produce's supply chain as well as their demand, affecting one or more business activities of FPOs. Unavailability of working capital, travel restrictions, low level of agri supply chain activities, and partial functioning of Market yards have caused problems for produce procurement from members and its selling. Inputs' trading for next season is assumed to be more or less affected in the scenario of extended lockdown, with added burden of unavailability of working capital. The intensity and scale of disruptions caused vary across different geographies, commodities and stages of the value chain.

Few FWB's partner FPOs in southern Gujarat and Madhya Pradesh, that are dealing in cotton have faced a big plunge in demand of cotton since textile industry is seeing one of the biggest hit due to COVID. Many FPOs have lost their buying contracts from industries and huge stock is piled up in storage. The prices have started to drop and the FPOs are looking at losses not only due to price falling but also from quality degradation, and increased storage and loan interest costs. Some sales in range of 25-30% as compared to previous years have been realised. Procurement in market yards have started but scale remains low due to registration based operational mechanism adopted to avoid congestion.

Our partner FPOs working with tribal population based in Tamilnadu & Maharashtra and dealing in forest based produce have shown inability to harvest the produce at the beginning of the lockdown and inability to sell the produce after harvesting because of unavailability of traders.

Some value added products like fruit pulps for which summers would be a peak season of demand for marriages functions, restaurants etc. are either stored up awaiting rise in demand, or rotting due to inability to process during lockdown and unavailability of traders for purchase of raw fruits. One of our agribusiness partners which is engaged in non-pesticide based primary produce procurement from FPOs, processing and selling in retail and wholesale, shared that procurement was slightly affected due to sudden lockdown restrictions and has now almost resumed normalcy. While the processing activities took a hit in the month of April, due to travel restrictions faced by its staff and permissions to operate at limited human resources capacity. This has also affected the sales of their products, approximately 45% of sales have been realised for April as against last years' sales in same month.

A Bangalore based Handicrafts Producer Company, which produces craft products such as Banana leaf basket etc., has halted its operations due to many challenges including artisans unable to travel to production units, inaccessibility of raw material and inability to adapt to infrastructure requirements in alignment with social distancing and hygiene norms.

Many FPOs that deal in perishable commodities like milk, fruits & vegetables, and also non-perishable like essential food grains are directly selling such produce directly to consumers in nearby urban markets where there's huge demand for such produce. Various government departments including Horticulture and SRLMs have aided such FPOs with easy access to permissions and vehicle arrangements.

### **Financial requirements of FPOs**

In case of existing ongoing loan of FPOs, the repayments are seen to be affected due to low economic activity at farmers and FPOs levels. The FPOs dealing in on-lending activities have also seen significant decline in repayment from the members in the last months due to various reasons including travel restrictions to reserving cash during this uncertain time. Most of the partner organisations have availed moratorium benefits from lenders including FWB, and have demanded extension of the moratorium tenure. New working capital requirements of FPOs after the lockdown announcement are not being met by the players in the industry. The lending institutions have turned risk averse due to uncertainty in cash-flow of their clients as well as their own and the travel restrictions are adding to the plight of FPOs.

One of the state level federations of FPOs shared their inability to undertake the business operations due to unavailability of the working capital. Although some funds were facilitated by a leading NBFC, it was not sufficient to meet their requirements considering the large scale. One of federation's member FPO from Guna, Madhyapradesh had procured 7000 quintal of wheat worth INR 1.25 Crore from their farmers with expectation of paying farmers out of sales revenue. Due to sudden lockdown announcement the produce couldn't be sold immediately and now the prices are not remunerative enough for the farmers. The stock had to be kept in storage facility which caused additional expenses for the FPC. The working capital sanction received from one of the lender was kept on hold after lockdown announcement. Timely availability of working capital would have helped the FPC pay its dues to farmers in time and also buy some time for itself to get better prices of produce later on.

For FPCs supplying essential commodities, Govt. of Tamilnadu has introduced Mezzanine Capital Assistance of of INR 10 Lakh per FPC. Almost all FPO partners based in Tamilnadu have applied for availing this facility. However, qantum of the support is inadequate and there's a need for more clarity on the terms. In wake of reduced business activities, resultant losses and looming uncertainty over funding due to global recession as well as changes in sectoral priorities of funders, some promoting institutions and FPOs are anticipating distress in ability to retain staff and sustain their compensation.

### **Operational Difficulties**

Although agriculture based operations are relaxed under lockdown situation, reduced operations capacity of APMCs, inability or difficulty in availing approvals or passes for movements etc. have become a huge hindrance as shared by most of the FPO partners. There's some confusion regarding zone wise restrictions and allowance of various activities and other requirements. While individual farmers are able to carry out various activities, the FPOs are being questioned while carrying out agriculture value chain activities.

Many partners are also facing different challenges while running limited operations as well. For Example one of the famous women owned FPC based in Madhya Pradesh, ran out of cheque book during the lockdown and was unable to operate due to this for few days. Now with the support from their Bank, debit vouchers are being used temporarily since issuing new cheque book during this time is difficult. An organisation which has its processing centre in Hyderabad, reported protest from localites in surrounding area regarding continuing work and contributing to virus spread due to travel and contact movements.

### **COVID -19 Response**

Most of the organisations working in social impact sector including our partner organisations with whom we interacted, have responded to the crisis by initiating relief related work for their beneficiary community as well as the other marginalised in the region. While immediate relief work like provision of grocery kits to the needy have been undertaken by many, some have helped farmers market their produce directly to consumers and some have planned for providing subsidized or free input kits for the upcoming kharif season to build economic resilience of the farmers.



The existential crisis that COVID has posed for humans, has also significantly affected the existence of producer owned enterprises. The lack of vision, professionalism, technical knowledge and competency, technology, finance and marketability has been further aggravated. The situation demands for each ecosystem player's contribution in terms of tangible measures customized to the strength of each FPO and suggesting innovative but plausible solution to address the distressed needs of agrarian society.

## **PARTICIPATION**

Though the community gathering and participation in such times is difficult, but interactions could be enhanced through usage of various digital platforms ranging from- Google hangouts, Zoom to WhatsApp etc. which provides a virtual participation network. The discussion of the meeting could be further communicated to the community level through each BoD in their respective regions. Social media platforms with relatively better penetration can be utilised for information sharing with larger set of population.

## **FINANCIAL PRODUCTS**

To meet the diverse finance requirements of the FPOs, there's a great need to modify the existing financial products and also introduce innovative instruments by the lending institutions. The cost of the existing financial products remains significantly high, the impact investors and commercial bankers play a huge role in reducing the same. Also innovations like long term debts, post-harvest financial products like warehouse receipt financing, impact bonds and increased credit guarantee support should be further promoted.

## **INFRASTRUCTURE**

The FPOs in rural and interior areas face the challenge of unavailability of infrastructures such as storage and processing facilities etc. nearby the farms. Private investments in such infrastructure must be promoted and all such infrastructure including government supported facilities like WDRA accredited warehouses must be brought closer to FPO operational areas.

## **LOCAL MARKET AND PARTNERSHIP**

Most of the FPOs are dependent on external market based businesses. FPOs should establish and leverage linkages with already available local resources such as- millers, processors, retailers, company led input suppliers, distributors etc. for optimum operations. Strengthening more local value chains has the potential to not only improve farmer incomes due to less spoilage and less transport cost, but also improve nutritional outcomes for the consumers.

## POLICY

Adoption of some changes in the ongoing agricultural, companies, transport and market policies of the Centre and State can strengthen the efforts in building resilient and sustainable FPOs. For example exempting or lightening stringency of certain compliances related to Companies, and relaxations on marketing act could significantly benefit the FPOs. The government's latest announcement on various reforms and other schemes such as infrastructure creation etc. is a significant step towards strengthening the ecosystem.

## PROMOTION

The current funding support for promotion and handholding of the FPOs available under government schemes and from other funders is required to be topped up in terms of increased quantum and tenure of support. The philanthropy and other funding organisations have an opportunity to contribute in building resilience of smallholder farmers during such crisis situation.

## CONVERGENCE

Rather than creating different stream for reaching various welfare related benefits to farmers, FPO networks must be converged with other schemes in order to impart synergistic benefits to the small and marginal farmers efficiently.

## TECHNOLOGY

There are many Agtech and Fintech solutions which are continuously evolving and trying to add value to the ecosystem. Such solutions must be harnessed for building livelihoods and resilience of smallholder farmers and FPOs.



# FWWB- COVID RESPONSE AND WAY FORWARD



Women members from Chanura Microfin Manipur.

FWWB has been supporting pan India network of grassroots partner organisations by providing Covid-relief and trying to ease the suffering of families caught up the pandemic storm, using own and donors' resources. Within six weeks of our work during this difficult situation, we were able to reach out to around two lakh members from the underprivileged vulnerable community with the support from our network partners.

Below is a summary of what we have been able to achieved so far,

- Since the national lockdown was announced, distressing stories of hunger and despair have been emerging from across the country, FWWB has been actively involved in providing ration and hygiene kits to the migrant workers stranded due to lockdown, widow, destitute, transgender and other deprived communities.
- A need was felt for sharing critical information and guidance on preventive methods, identification and care for COVID-19 patients. To address this need various helplines & support is provided by the government and non-government organizations. FWWB also initiated its awareness generation campaigns with support from its partner organizations at grassroots level. Content in regional languages was developed and shared with various partner organizations. With the help from our Master trainers under women entrepreneurship program, we were able to reach out to more than 1 lakh individuals across four states viz. Manipur, Madhya Pradesh, Maharashtra and Gujarat. Over and above this, it is encouraging to know that many other organizations (MFIs, Producer Collectives and Promoting Institutions) have also initiated awareness and other support mechanisms for their staff and members at their individual capacity.
- Various means including text messages through group messaging, Whatsapp, audio and video calls etc. have been adopted for disseminating information at the community level. Also, in some states, women entrepreneurs who have been trained and supported by FWWB, have taken up manufacturing of much required products like masks, soaps, and sanitizers. The partner organizations have played an active role by working closely with local government authorities and the women entrepreneurs. This has also helped the women to sustain their livelihoods in these difficult times.
- FWWB was able to quickly adapt to the changing situations to reach our members at the grass root as fast as possible. For example, due to lockdown restrictions, we initiated skill based trainings on virtual mode for our entrepreneurs, encouraging women to take up digital payments and also trained field staff on usage of digital platforms to enable field operations.



FPO members from Center for Indian Knowledge Systems, Tamilnadu

- It is also an economic crisis — taking away the livelihoods of low income households, with the implications of lost income will cascade from households to communities to whole societies, through our capacity building interventions we are making efforts to rebuild their livelihood. For instance, we encouraged our trained women entrepreneurs to make effective cloth face masks, and sanitizers to cater to the immediate hygiene requirements in their local communities. Along with this, special guidance is being provided to these entrepreneurs on precautions to be followed before mask making. These include using hand sanitizer before starting the work on manufacturing the mask and wearing masks while maintaining social distance with fellow workers.
- Since our partner's operations are field-intensive, we provided safety kits consisting of gloves, masks, hand wash, antiseptic liquid and sanitizers to the field staff.
- COVID has been causing disruption in transportation of produce for the farmers; we supported the farmers by providing support towards transportation vehicle to procure and market their produce of vegetable and groundnuts.
- FWWB has proactively provided loan support to meet the working capital requirement for production of reusable fabric face masks that are significant to combat COVID-19 pandemic, in order to assist them to execute government orders without any capital crunch during the crisis time.
- FWWB also provided good quality reusable and washable cotton masks sourced from community women to our women entrepreneurs, this support will provide basic protection against the virus at their business and market locations.

To help survive the impact of the pandemic and to gradually return to normalcy, in the coming times, FWWB will continue to closely review the situation at the institutional and member level and will bring out possible solutions to address the same. FWWB will aim to play a crucial role of providing credit support. FWWB's capacity building programs would be focusing on reviving the collapsed livelihoods, increase women's access to digital financial services and skill building with an aim to revive the livelihoods of the underserved communities.



Ration kit distribution to migrants by Prayas Organization for Sustainable Development, Madhya Pradesh



Entrepreneurs from Priyasakhi Mahila Sangh Producing Masks, Madhya Pradesh



# ANNEXURE 1

## QUESTIONNAIRE

1. What are the challenges faced by the organisation?
2. What areas of operation are the most affected?
3. What steps have you taken to mitigate the impact of the areas mentioned above in order to ensure continuity of business? Has your organisation made any changes to normal working routines as a result of Covid-19? How are you managing the day to day operations during Lockdown?
4. What is the impact on beneficiaries of the organisation?
5. For Women Entrepreneurs: Sector wise issues and beneficiaries overcoming the situation - Handloom, service Sector, food processing, animal husbandry, farming labours, enterprise labours
6. What relief activities your organisation has undertaken in response to COVID-19?
7. How are you planning to initiate field activities ensuring social distancing?
8. What challenges do you forecast in the coming months and what can be its possible solutions?
9. Do you think technology adaptation in operations would be crucial in coming days?
10. What support would you require from different organisation?

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