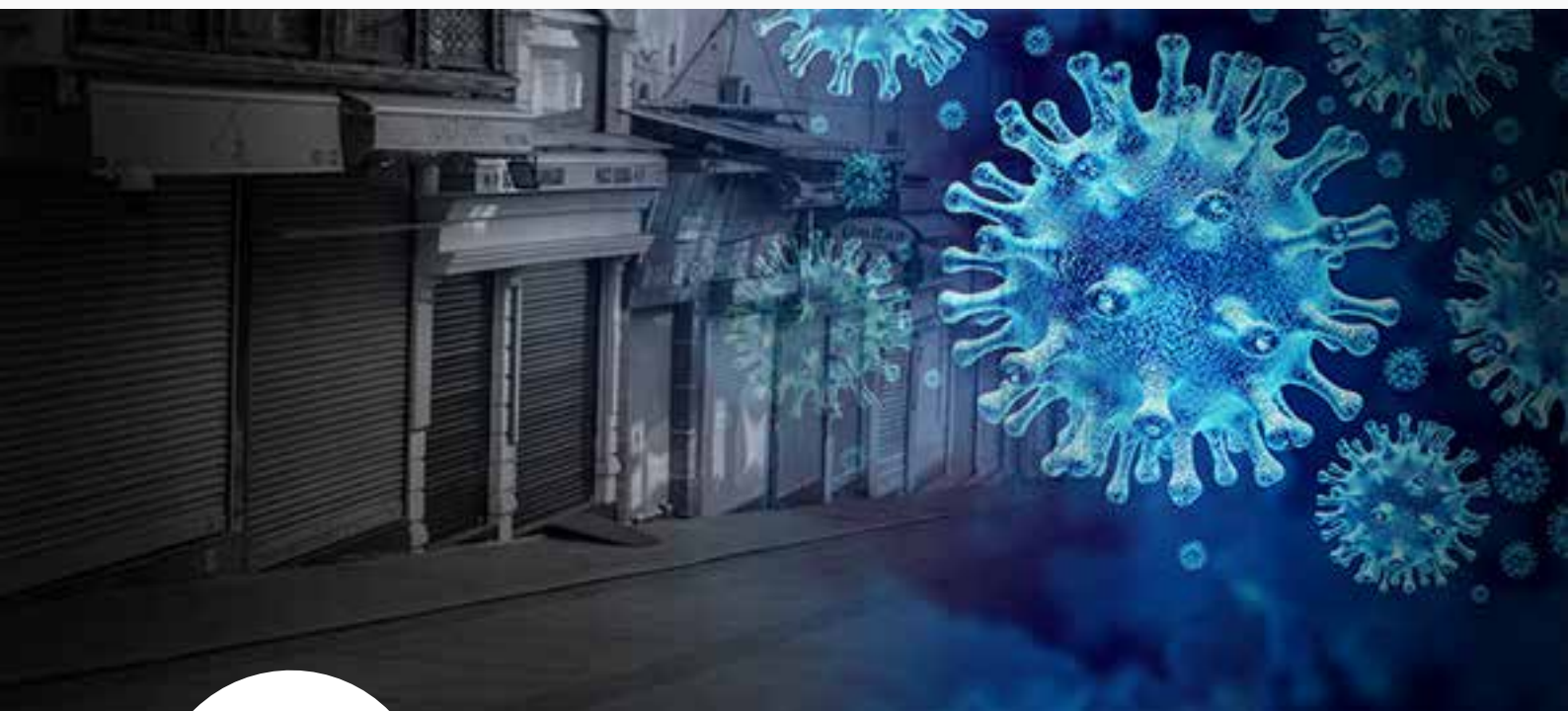


WHITEPAPER

# Impact of COVID-19 on Small Businesses in India and the Way Ahead



APRIL 2021

# EXECUTIVE SUMMARY

In the last quarter of 2020, we reached out to 250 randomly selected owners of Small Businesses with annual revenue between INR 1 bn and INR 3 bn across 7 big cities in India to learn the impact of COVID-19 on their businesses. We found that more than 82% of the businesses had a negative impact and 70% of them believe that it will take them almost a year to achieve the pre-COVID-19 level of demand. Around 60% of surveyed businesses expect more measures and support including government interventions. Findings from the survey further reveal that three topmost challenges that might impede Small Businesses to scale up their businesses are Market Access (42%), Improving the Overall Productivity (37%) and Having Access to More Finance (34%).

Countries are witnessing the 2nd and 3rd wave of the pandemic amidst battling the deepest recession since the World War II. Small Businesses are the worst affected across countries, sectors and segments and India is no exception. In India, more than 99% of businesses belong to Micro, Small and Medium category and 94% of them are unorganized. This provided the background for our survey to understand about Small Businesses on:

1. How deeply they have been impacted by the pandemic?
2. When will pre-COVID-19 level of demand return?
3. What challenges will they face and what are the support measures needed for revival?
4. What is the role of digitization during the pandemic and in the post pandemic scenario?
5. What are their future plans regarding adoption of Next-Gen Technologies?

This report provides insights on the above five questions. The outcome of this report will also help in understanding how Small Businesses are using marketing and digital solutions/tools to overcome their biggest challenges and how the government and the private service providers can help them to recover.



# KEY TAKEAWAYS



## COVID-19 POSED UNPRECEDENTED IMPACT ON SMALL BUSINESSES

- More than 82% of surveyed Small Businesses were negatively impacted by COVID-19, with manufacturing sector at 87% and services sector at 78%



## CHALLENGES THAT SMALL BUSINESSES WILL FACE AND SUPPORT MEASURES THEY NEED TO REVIVE

- The three top challenges that might impede them to scale up their businesses: Market Access (42%), Improving the Overall Productivity (37%) and Having Access to More Finance (34%)
- Three most important support measures that are needed to revive their businesses: Better Credit Facility (59%), Better Marketing Support (48%) and Adoption of Technology (35%)



## BETTER CREDIT SCORE

- Emphasis on Credit Score is the key challenge for accessing credit as stated by 35% of the respondents and collateral requirements cited by 32%
- Around 50% of the respondents believe that a credit score by a third party on their credit worthiness and capabilities will benefit them



## MARKET INTELLIGENCE AND MARKET ENTRY SUPPORT

- More than 40% of surveyed Small Businesses use some type of market intelligence sales tools. Also, more than 50% of Small Businesses who do not use any market intelligence sales tools, have plans to use it in the future
- More than 40% amongst Small Businesses who use some type of market intelligence sales tools are cited to have taken help from third party to connect with global prospects



## ROLE OF DIGITIZATION - DURING AND POST PANDEMIC

- 82% of surveyed Small Businesses digitized their daily operations during this pandemic
- Reduction in Cost (54%), Enhancing Competitiveness (51%) and Better Understanding of Customer Behaviour (45%) are the foremost benefits derived through digitization
- Leveraging on digitization, Small Businesses will be able to address their key traditional problems faced over the years i.e. More focus on Customer Base (62%), Data Security (43%), Evolution of Products and Services (40%)



## FUTURE PLANS OF SMALL BUSINESSES REGARDING ADOPTION OF NEXT-GEN TECHNOLOGIES

- 66% of the respondents are planning to leverage Next Generation Technologies like Artificial Intelligence (AI), Machine Learning (ML) and Industrial Internet of Things (IoT) for their business operations

# TABLE OF CONTENTS

## Chapter 1

COVID-19 posed unprecedented impact on Small Businesses	5
---	---

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## Chapter 2

Access to finance: challenges cited, and support needed	9
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## Chapter 3

Market intelligence and market entry: Important support needed by Small Businesses	12
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## Chapter 4

Role of digitization during and in the post pandemic scenario. Future plans of Small Businesses regarding adoption of Next-Gen Technologies	16
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Methodology	20
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## CHAPTER 1

### COVID-19 POSED UNPRECEDENTED IMPACT ON SMALL BUSINESSES

More than 82% of the Small Businesses were negatively impacted by COVID-19, with manufacturing sector at 87% and services sector at 78%

It has been more than a year; the pandemic has still not abated. Data from The World Health Organisation (WHO) suggests that most of the countries are witnessing the 2nd and 3rd wave of the pandemic. India is no exception. The granular firm level data captured through the Dun & Bradstreet Commercial Disruption Tracker (which monitors the level of disruption that businesses face owing to government restrictions or changes in consumer behaviour and workplace practices) showed around 95% of firms were impacted in April 2020 when the national lockdown was imposed. Even with progressive unlocking, 70% of businesses remained disrupted till August 2020 and 40% till end of February 2021.

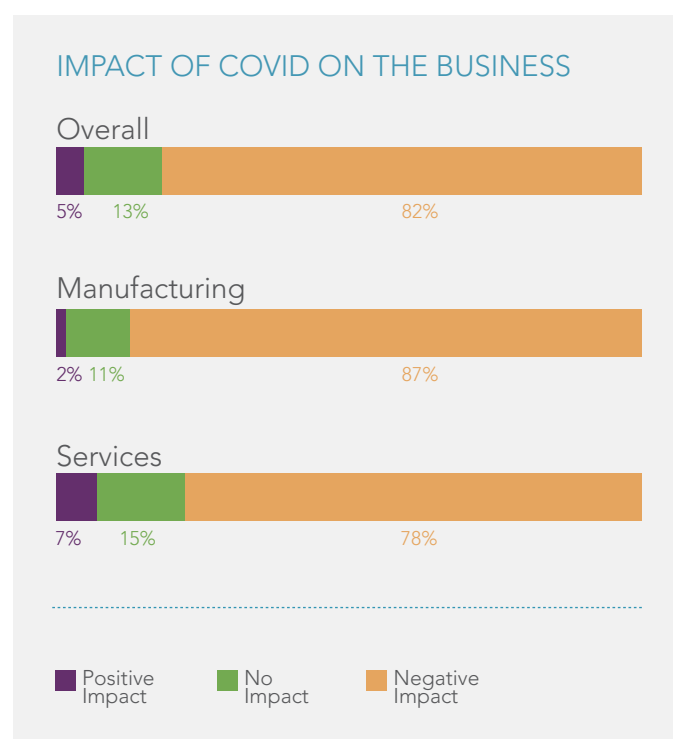
In India, since more than 94% of Micro, Small and Medium Enterprises operate in the unorganised sector, the impact of COVID-19 has been severe. The Dun & Bradstreet survey on Small Businesses validates the data and insights on the impact of COVID-19 on Small Businesses in the country.

## 1.1] IMPACT ON SMALL BUSINESSES DURING PANDEMIC

Some of the key findings from Dun & Bradstreet Survey

- More than 82% of the Small Businesses were negatively impacted
- On sectoral level, manufacturing firms were largely impacted, around 90% compared to 78% firms in the services sector
- Out of total impacted Small Businesses, 70% expect demand to be back within 12 months

With the national lockdown, reverse migration of labour, restrictions of people movement and social distancing guidelines in place, supply chain continued to remain disrupted. Moreover, the manufacturing and services activities came to a near halt during April – May 2020, thereby impacting their cash flows and ability to adopt to the new normal scenario.



## 1.2] CHALLENGES THAT SMALL BUSINESSES FACE FOR SCALING UP DURING THE PANDEMIC ERA

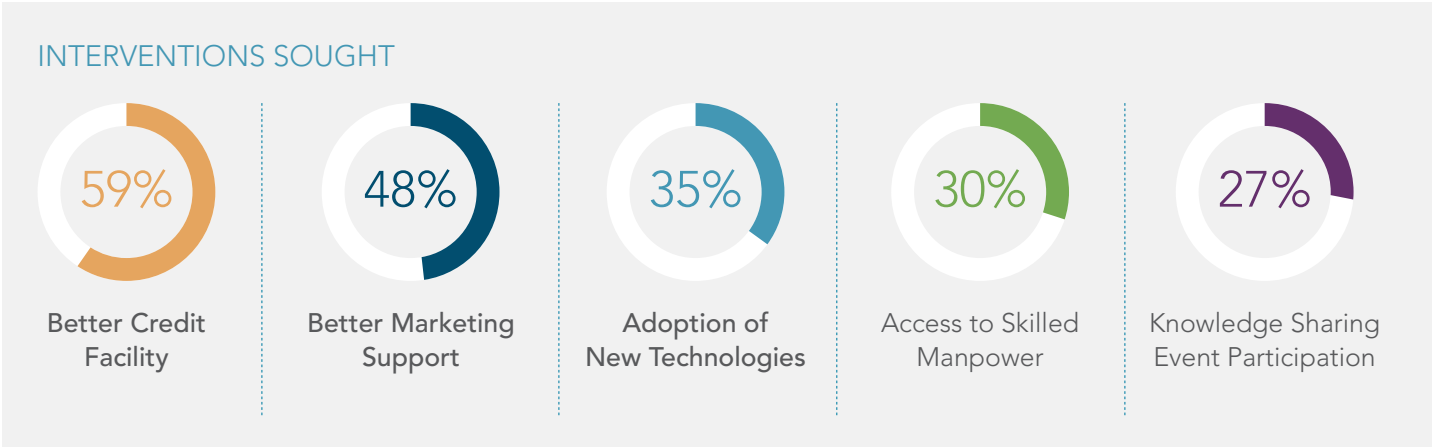
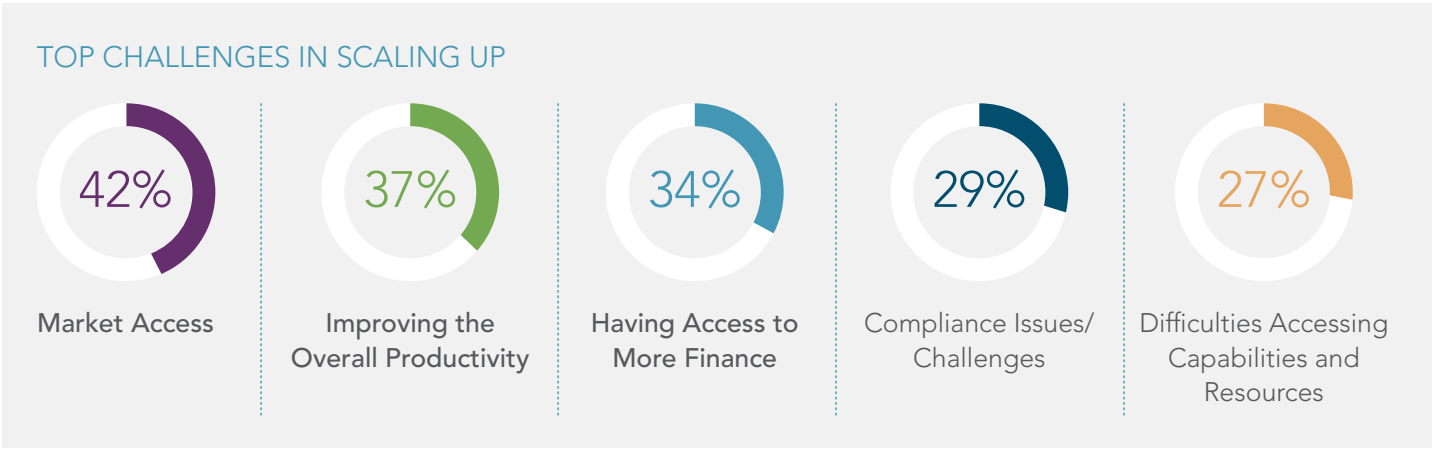
The findings on the current survey are below:

- Around 42% of surveyed businesses cited market access as one of the biggest challenges followed by Improving Productivity (37%) and Access to Credit (34%)

- 31% of the respondents from manufacturing industry cited issues related to compliance and around 30% of the respondents from services industry stated unfavorable domestic market conditions

Dun & Bradstreet's library of surveys on Small Businesses suggest that some of the challenges have remained constant for many years. The pandemic has elevated some of those challenges and created further hurdles in scaling up the business operations. Given the depth and length of disruption caused by the pandemic, these challenges are likely to continue in near future. It is the strength of recovery of the Small Businesses that would determine the pace of recovery of the commercial businesses in India and in turn the economy. Not only do Small Businesses contribute to significant share in the India's GDP, they also play an important role in generating employment, especially for unskilled workers.

- More than 70% of Small Businesses did not have disaster recovery framework in place when Covid-19 struck
- The three topmost challenges that might impede Small Businesses to scale up are Market Access (42%), Improving the Overall Productivity (37%) and Having Access to More Finance (34%)
- Three most important support measures that Small Businesses need to revive their businesses are Better Credit Facility (59%), Better Marketing Support (48%) and Adoption of Technology (35%)



SOURCE: DUN & BRADSTREET SURVEY

1.3] INTERVENTIONS THAT SMALL BUSINESSES NEED TO SCALE UP THEIR OPERATION

It is important that Small Businesses be given support in areas that they perceive to be most important to scale up their business from the depth of the crisis caused by the pandemic

- The three topmost important support measures that Small Businesses need to revive their business are Better Credit Facility (59%), Better Marketing Support (48%) and Adoption of Technology (35%)

- At sectoral level, around 77% of Small Businesses in the manufacturing sector cited the need for credit facility against 52% in services sector
- Only 30% cited access to skilled manpower

% share of Small Businesses

	Manufacturing	Services
Better Credit Facility	77%	52%
Better Marketing Support	40%	51%
Adoption of New Technologies	47%	30%
Access to Skilled Manpower	33%	29%
Networking Through Different Industry Association	20%	23%

IMPLICATIONS FOR SMALL BUSINESSES

Inability to scale up has been one the most pressing issues of the Small Businesses community. The pandemic has further alleviated this problem. Difficulties in accessing new markets and financing facilities will further widen the productivity gap of Indian Small Businesses against their counterparts in peer nations.

HOW CAN DUN & BRADSTREET HELP?

The core reasons for limited access to markets and finance is information asymmetry. Small Businesses can boost their credibility and increase their visibility by getting their business vetted by a neutral third party. Small Businesses whose credibility was rated by Dun & Bradstreet have found it easier to expand their business overseas, obtain favorable credit terms, and on average, have doubled their net sales growth from 11% to 22% within three years of their engagement with Dun & Bradstreet.



The background of the slide is a composite image. At the top, there is a bar chart with several vertical bars of varying heights. Below the chart, on the right side, is a close-up of a calculator's LCD screen showing numbers like 65.32, 16,308.35, and 12.14. At the bottom of the slide, there are several coins scattered on a dark, reflective surface. A purple semi-transparent rectangle is overlaid on the right side of the slide, containing the chapter title and list.

## CHAPTER 2

### ACCESS TO FINANCE: CHALLENGES CITED, AND SUPPORT NEEDED

- Banks are still the dominant mode of financing for Small Businesses, stated by nearly 50% of respondents
- Credit Score is the key challenge for accessing credit by Small Businesses as stated by 35% of the respondents, even higher than collateral requirements cited by 32%
- Around 50% of the Small Businesses believe that a credit score by a third party on their creditworthiness and capabilities will benefit them

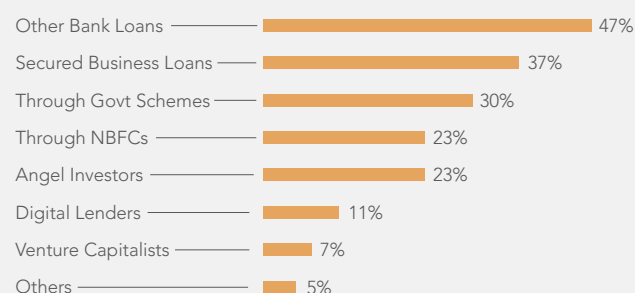
The Dun & Bradstreet survey captures the challenges faced by Small Businesses to meet their financing needs from their key sources of financing. The survey outcome will help government and private sector to understand the perspective of Small Businesses and thereby help to design the support measures accordingly.

Access to better credit facility was cited by 34% of Small Businesses as one of the major impediments to scale up their operation while 59% stated it to be the most important support measure that they need.

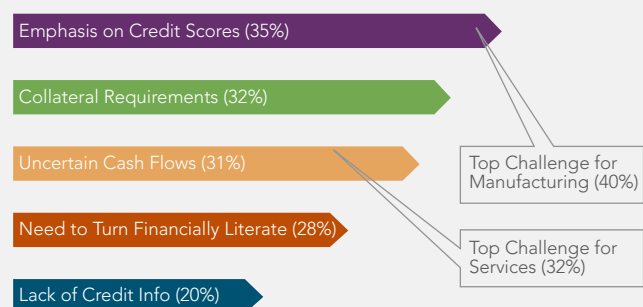
## 2.1] SOURCES OF FINANCING BY SMALL BUSINESSES

- Dun & Bradstreet found that around 50% of surveyed companies use other bank loans (like unsecured loan, working capital, etc.) to fund their businesses. 37% use secure bank loans, while a good 30% seek finances through government schemes. Interestingly, for both manufacturing and the services sector, the sources of funds are almost same
- Notably, the survey also reveals that only 23% of Small Businesses reach out to NBFCs for funding
- Only 11% of Small Businesses source their financial requirements from digital lenders, suggesting digital lenders/fintechs are yet to make in-roads in the Small Businesses lending market

### TOP SOURCES OF FUNDING



### TOP CHALLENGES WITH FUNDING (OVERALL)



SOURCE: DUN & BRADSTREET SURVEY

## 2.2] THE IMPORTANT CHALLENGES THAT SMALL BUSINESSES FACE TO ACCESS FINANCE

- 35% of Small Businesses stated '**emphasis on credit scores**' by lenders as their top funding challenge
- For Small Businesses in the manufacturing sector, 40% cited emphasis on credit scores was a key challenge to access finance, followed by Uncertainty in Cash Flows (35%) and Collateral Requirements (32%)
- While for Small Businesses in the services sector, emphasis on credit score was the third biggest challenge
- Interestingly, as against the prevailing notions, factors like Lack of Credit Information (20%) and Cumbersome Disbursement Process (19%) are not significant impediments to access to finance

## 2.3] THIRD PARTY VALIDATION OF CAPABILITY AND CREDITWORTHINESS OF SMALL BUSINESSES

- The survey found that 50% of the respondents believe that a credit score by a third party on their creditworthiness and capabilities will help them access credit. As per the survey, manufacturing sector (55%) expressed greater need for third party products than the services sector (46%)



SOURCE: DUN & BRADSTREET SURVEY

### IMPLICATIONS FOR SMALL BUSINESSES

Significant percentage of surveyed companies stated 'emphasis on credit scores' by lenders as their top funding challenge and an equally large number of them believe that the credit score by a third party will be beneficial. Therefore, Small Businesses need to leverage the expertise offered by third party private players in this space. Their tailor-made products help companies to establish the credibility in the market, both domestic and international.

### HOW CAN DUN & BRADSTREET HELP?

Dun & Bradstreet's Credibility Reports allow clients to proactively get their company assessed by Dun & Bradstreet. This helps them to establish legitimacy, ownership, creditworthiness, overall standing against industry standards, and business viability. With the Credibility Reports, companies can showcase their credibility, not only in the domestic space, but also on a global platform.

Dun & Bradstreet, the world's leading provider of business decisioning data and analytical insights, offers clients an opportunity to enhance their stakeholders' trust and confidence in their business credentials by displaying verified and validated information through Dun & Bradstreet's D-U-N-S® Registered Solutions.





## CHAPTER 3

### MARKET INTELLIGENCE AND MARKET ENTRY: IMPORTANT SUPPORT NEEDED BY SMALL BUSINESSES

- 60% of Small Businesses do not use any market intelligence sales tools. Out of them 50% plan to use sales intelligence tools in the future
- 70% find access to global markets to be difficult
- Difficulty to access global markets and current focus on domestic markets has been the primary reason for unwillingness to connect with third parties to get an entry into the global markets
- Small Businesses who connect with third parties do so for informed business expansion globally, to gain reputation, to increase sales and revenue and for winning more global partners



Access to markets has been consistently cited by Small Businesses as one of the major challenges in scaling up their operations – as per Dun & Bradstreet’s several interactions with Small Businesses during the last two decades. This has been corroborated with the recent findings, wherein around 42% of surveyed companies cited market access as one of the top challenges to revive during the post pandemic period. The major obstacle in expanding market access for Small Businesses is information asymmetry. Dun & Bradstreet’s research and data from the World Bank shows that less than 1% of MSMEs in India are engaged in direct exports compared to 17% in Rapid Reformers (Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia), suggesting that Small Businesses in India have a low level of participation in global trade. Understandably, this has emerged as a significant challenge given the financial and legal risks involved in partnering with other businesses.

To present insights from the survey, this chapter has been divided into three sub-sections:

A

Use and need of marketing and sales intelligence tools

B

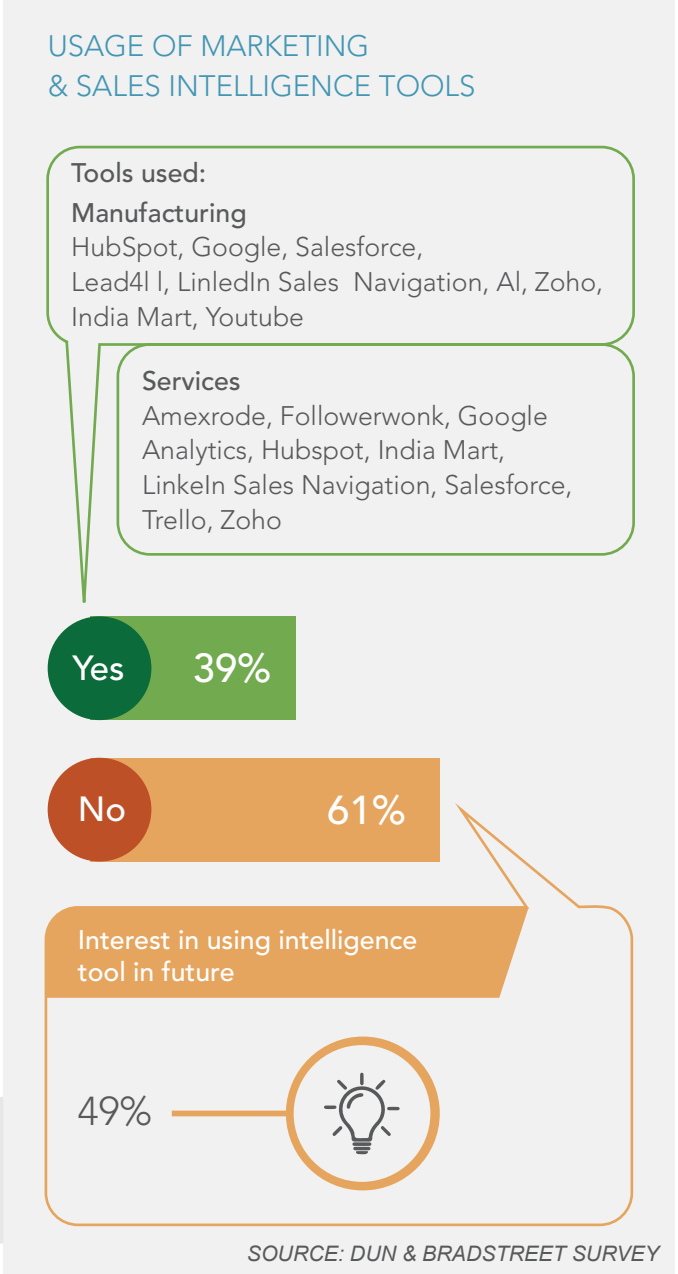
Ease of global and domestic market access

C

Connect with any third parties to assess global markets

A. MARKETING AND SALES INTELLIGENCE TOOL

- Around 40% of surveyed companies are using marketing/sales intelligence tools for prospecting
- Around 50% of Small Businesses, who are currently not using marketing/sales intelligence tools, have cited to use in near future. From the list of companies who are planning to use tools in the near future, 55% belong to the manufacturing sector and remaining 45% are from the services sector



Most demanding digital marketing tools used by Small Businesses are Google analytics, SEMrush, Rebrandly, Wordpress, Kissmetrics

## DUN & BRADSTREET BUSINESS GUIDANCE

A sales intelligence tool can help Small Businesses identify and focus on the best opportunities available to them, provide them intelligence on their prospective customers, the overall market and their competition. It also helps to align the sales and marketing teams to accelerate their sales.

It is in this context, that D&B Hoovers and D&B iAccess can be used by companies to:

- Intelligently target their customers more strategically
- Enable informed conversations
- Enhance sales productivity leveraging data and analytics

With higher quality sales leads and deeper company intelligence at their fingertips, Small Businesses will be empowered to spend less time searching and more time selling.



## DUN & BRADSTREET BUSINESS GUIDANCE

Dun & Bradstreet recognizes that scaling up has always been a challenge for Small Businesses in India. The pandemic has made this journey even more difficult. It is important for various stakeholders, the government and private service providers, to remove the barriers to entry, help businesses grow, compete and thrive through strategic collaboration and co-innovation. Small Businesses must focus on increasing opportunities by discovering new markets and expanding the existing ones. D&B DataVision's unique proposition helps companies to profile, visualize and segment data by leveraging more than 120M+ business records to identify the right targets for growth.

## B. EASE OF MARKET ACCESS FOR DOMESTIC AND GLOBAL MARKET

- More than 30% of Small Businesses find access to global markets challenging, whereas, only around 13% find access to domestic markets difficult
- On sectoral fronts, interestingly, from the total companies who find global access to be difficult, more than 68% belong to the services sector

C. CONNECT WITH THIRD PARTY TO GET SUPPORT TO ENTER GLOBAL MARKETS

- More than 70% of surveyed Small Businesses do not connect with third parties to get support to enter global markets
- Difficulty to access global markets and business focus only on domestic market has been the primary reason for not connecting with third parties to access global markets
- On the other hand, Small Businesses who connect with third parties for entering global markets have cited various reasons, ranging from business development to helping in customer acquisition to expanding businesses

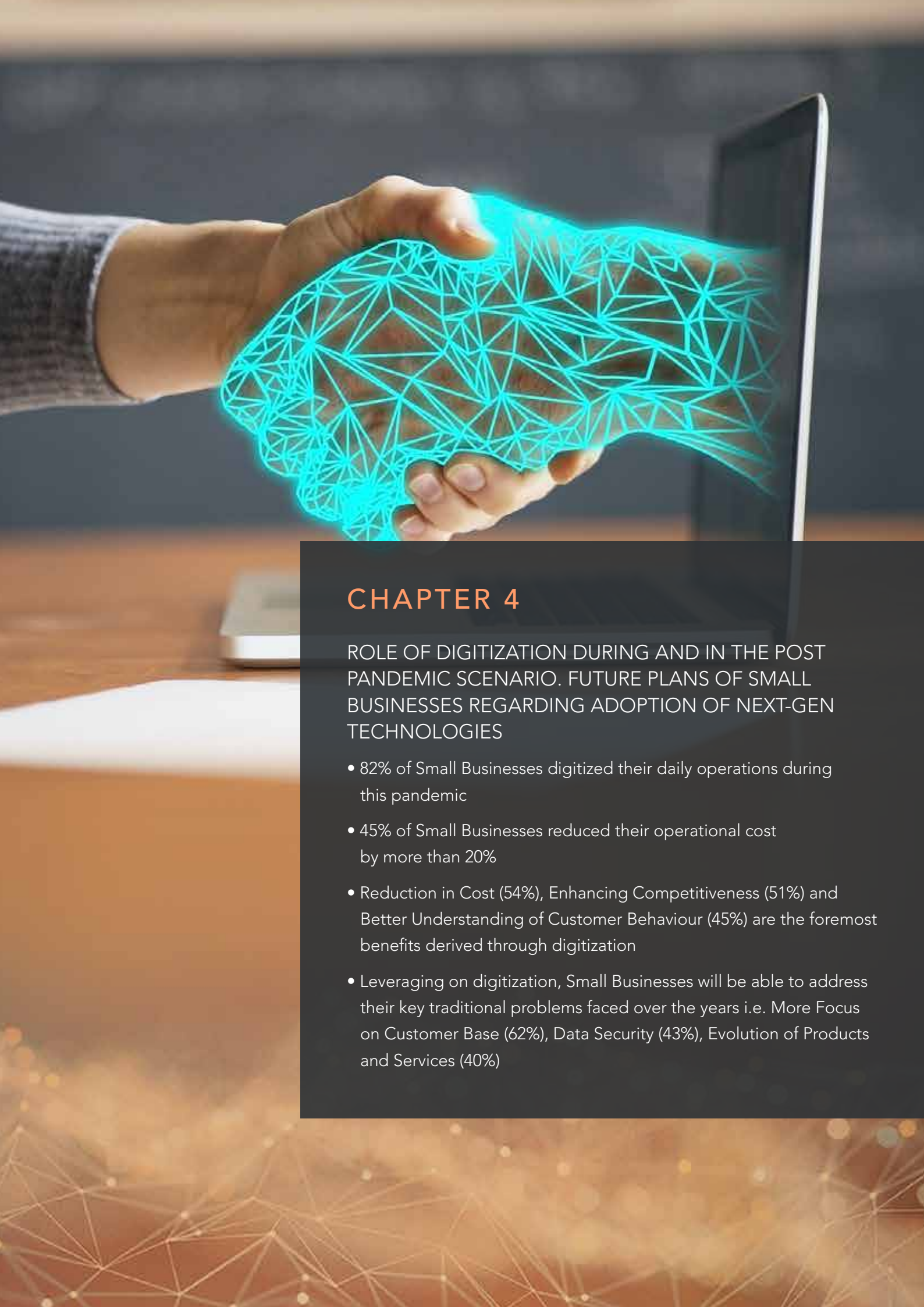


SOURCE: DUN & BRADSTREET SURVEY

DUN & BRADSTREET BUSINESS GUIDANCE

Dun & Bradstreet recognizes that even for Small Businesses who do business in the domestic markets or in one geography today, it is likely that they will grow across borders or engage with stakeholders in other regions. This makes access to global data and analytics an essential component for high performing businesses of all sizes. Connecting with third parties (business information providers) can provide Small Businesses unrivalled access to information to take more intelligent actions that provide a competitive edge. The key to successful globalization is to harness technology and data to achieve the 'single customer view' needed to expand a business while mitigating compliance risks. Business linkage data helps in staying on the right side of corporate compliance, strengthening the understanding of a target market, and opening up cross-selling and upselling opportunities.

Use the Dun & Bradstreet Datacloud to improve the sales and marketing ROI. Dun & Bradstreet has the most comprehensive business records that will help Small Businesses zero in on their prospects more effectively and efficiently. Further, Dun & Bradstreet's proprietary suite of reports help position small business and act as a catalyst in generating interest among existing and potential business partners. Small Businesses can get the advantage of Dun & Bradstreet's outlook to establish the legitimacy, ownership, creditworthiness, overall standing against industry standards and business viability.



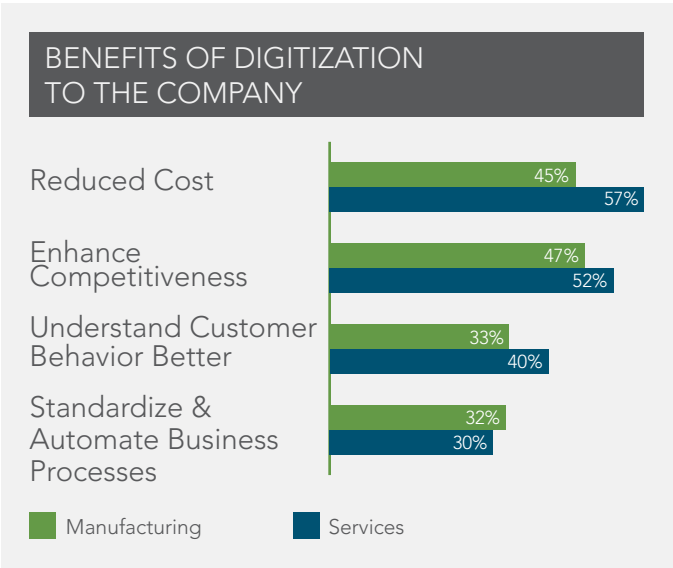
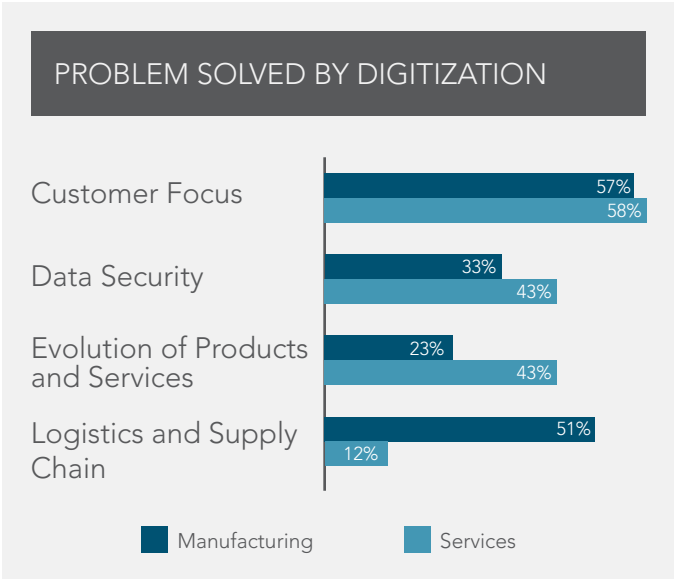
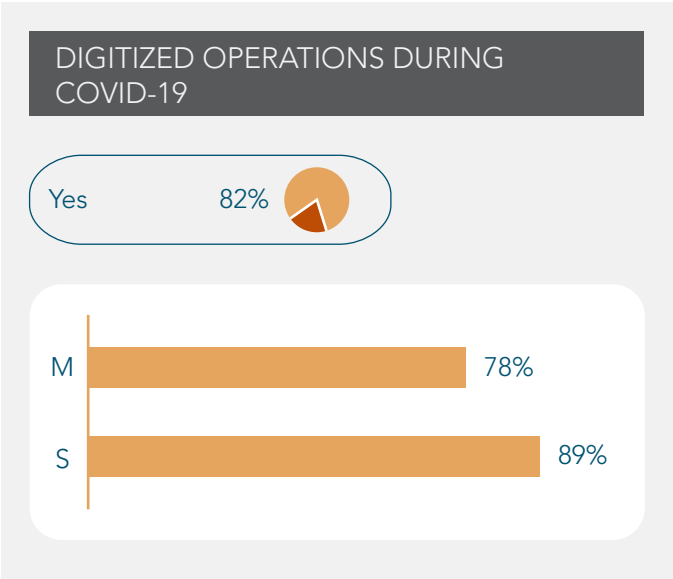
## CHAPTER 4

ROLE OF DIGITIZATION DURING AND IN THE POST PANDEMIC SCENARIO. FUTURE PLANS OF SMALL BUSINESSES REGARDING ADOPTION OF NEXT-GEN TECHNOLOGIES

- 82% of Small Businesses digitized their daily operations during this pandemic
- 45% of Small Businesses reduced their operational cost by more than 20%
- Reduction in Cost (54%), Enhancing Competitiveness (51%) and Better Understanding of Customer Behaviour (45%) are the foremost benefits derived through digitization
- Leveraging on digitization, Small Businesses will be able to address their key traditional problems faced over the years i.e. More Focus on Customer Base (62%), Data Security (43%), Evolution of Products and Services (40%)



Digitization has proved critical to ensuring continuity of essential services and to reach out to customers and conduct businesses, during the pandemic. The pandemic has accelerated the pace of digitization by several years across the globe. The average share of products and/or services that are partially or fully digitized have doubled or tripled in various regions of the world.



### DIGITIZATION OF DAILY OPERATIONS DURING THE PANDEMIC

- Around 82% of surveyed Small Businesses have digitized their daily operations during the pandemic. Interestingly, almost equal numbers of companies from both services and manufacturing sector have adopted digitization



## DIGITIZATION HAS HELPED SMALL BUSINESSES SOLVE THEIR TRADITIONAL ISSUES IN THE POST PANDEMIC PERIOD

- Digitization is expected to not only help Small Businesses to gain various advantages but also help them to address some of the foremost traditional problems faced over the years
- Surveyed companies consider that Focus on Customer Base (62%) and Data Security (43%) are the top two longstanding issues that can be addressed through digitization followed by Evolution of Products and Services (40%), Logistics and Supply Chain (39%) and Technology Decisions (36%)
- Customer centricity will lead to higher customer satisfaction which in turn will lead to higher retention thereby increasing business performance. This statement resonated with the findings of survey. Equal number of respondents from both the sectors, services and manufacturing, have cited digitization has helped them to focus on customers
- The research findings suggest that customer experience and customer delight are prime focus areas for Small Businesses. Digitization is expected to help them to understand customer requirements and align their product and services accordingly. Around 43% of Small Businesses from the services sector consider digitization will help them develop their products and services
- The pandemic has disrupted supply chain across countries, industries and companies. In the era of the “next normal”, digitizing supply chain is of paramount importance. In the current survey, more than 50% of companies in manufacturing sector considered that digitization will be able to solve their logistics and supply chain issues

- Around 43% of Small Businesses from the services sector cited that digitization would help them to address their data security issues, whereas for the manufacturing sector, that number was 33%

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## BENEFITS DERIVED BY SMALL BUSINESSES THROUGH DIGITIZATION

- While the benefits derived by Small Businesses from adopting digitization has been many, the top two benefits have been ‘reducing cost’ and ‘enhancing competitiveness’
- Around 52% of surveyed Small Businesses have cited reduction in cost as one of the top benefits derived through digitization. More than 50% of Small Businesses cited enhanced competitiveness as another benefits
- Around 45% of Small Businesses cited better understanding of customer behavior as another benefit

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## FUTURE PLANS OF SMALL BUSINESSES REGARDING ADOPTION OF NEXT-GEN TECHNOLOGIES

During mid-18th century, India played a pivotal role in the global economy. There were six significant economies at that time that were considered as India’s peers: Germany, France, United States, Great Britain, Japan and China. Two among these – Great Britain and France – were ahead of India in terms of real gross domestic product (GDP) per capita. India slipped from third to the fourth position globally during the Industry 1.0 and further slipped to sixth position during Industry 2.0. After Industry 3.0, India’s rank hit the bottom. We are now at the threshold of Industry 4.0, which is being driven by Artificial Intelligence (AI), the Internet of Things (IoT), Cloud Computing, 3D Printing, Robotics, and other similar technologies. This is the first industrial revolution that has been anticipated and the first one for which mankind has been able to plan.

The pandemic has quickened the progress towards Industry 4.0 across many economies and India is one of them. Various research presented that there are various reasons cited by Small Businesses for adopting Industry 4.0, but businesses are gradually understanding the need and benefit of adopting Industry 4.0

- Dun & Bradstreet's survey found that around 70% of Small Businesses in India are willing to leverage Next-Gen Technologies like Artificial Intelligence (AI), Machine Learning (ML), Industrial IoT etc. to their business operations
- Most preferred technologies are smart business models for services industry and smart manufacturing for manufacturers

#### DUN & BRADSTREET BUSINESS GUIDANCE

Post pandemic and in the era of next normal, digitization is going to play a critical and important role. Digitization within the organization needs to be aligned with the business priorities to achieve sustainable growth. In order to successfully ride the Industry 4.0, Small Businesses need to be agile in their responses to the demanding market changes. For that they must develop an overarching digitization strategy to remain competitive and relevant. Dun & Bradstreet understands that growth can be achieved if data with analytics is used to create foresight into business opportunities. In the complex business environment posed by the pandemic, using digital and analytical tools can offer Small Businesses various advantages by helping them to adapt to the ever-changing market, circumnavigate risk, identify growth opportunities, and improve customer relationships.

**D&B Analytics Studio** built on digital platforms can help Small Businesses focus on their customers through Acquisition, Retention and Expansion. It also helps businesses to add value to their sales and marketing initiatives to enhance their competitiveness. **D&B Master Data Solution** can help Small Businesses to focus on their customers and understand customer behaviour, standardize and automate business process or evolve products and services.

# METHODOLOGY

Dun & Bradstreet's team of analytics experts and economists have come together to provide insights. This report is based on a survey covering responses from more than 250 Small Businesses (50% each in manufacturing and services sectors) with annual revenue between INR 100 and INR 300 crores across major cities in India.

The cities included are Bangalore, Delhi, Hyderabad, Chennai, Mumbai, Kolkata, Ahmedabad.

This information is supplemented by primary data from national and international sources, and secondary data from the International multilateral organisations, to allow our team to provide a unique perspective.







## ABOUT DUN & BRADSTREET

Dun & Bradstreet, a leading global provider of B2B data, insights and AI-driven platforms, helps organizations around the world grow and thrive. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to grow revenue, increase margins, build stronger relationships, and help stay compliant – even in changing times. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Dun & Bradstreet is publicly traded on the New York Stock Exchange (NYSE: DNB).

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