PREPARING MSMEs FOR FUTURE CRISSES | LESSONS FROM COVID-19

1. Improve effectiveness of government support schemes to better assist MSMEs in future crises

2. Expand access to credit for MSMEs by offering products tailored to their needs

3. Support the digital adoption of MSMEs, especially for women.

Conducted a longitudinal survey of over 1,600 MSME owners from June 2020 to October 2021 over six waves. And conducted focus groups of 130 MSME owners from March to April 2022 in the following countries:

- Colombia
- India
- Indonesia
- Nigeria
- Bolivia

Women MSME owners struggled more than men

<table>
<thead>
<tr>
<th>BUSINESS CLOSED IN WAVE 1</th>
<th>BUSINESS REMAINED CLOSED IN WAVE 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men-owned 12%</td>
<td>Men-owned 8%</td>
</tr>
<tr>
<td>Women-owned 18%</td>
<td>Women-owned 8%</td>
</tr>
</tbody>
</table>

Men-owned businesses saw overall better profit trends, with 80% reporting that profits stayed the same or increased, compared to 67% for women-owned MSMEs

Higher Financial and Business Capabilities Associated with Better Business Outcomes

MSMEs with higher levels of financial and business capability successfully used a range of coping mechanisms to quickly adapt their activities to adjust for the circumstances.

4 Examples of Coping Strategies

- Shifted inventory and inputs approach to improve liquidity
- Introduced delivery to reach more customers and/or continue operating during movement restrictions
- Used social media for marketing
- Reduced workforce by Q3 2021, employments levels were just 50% of what they were pre-pandemic in Colombia and between 60-70% of pre-pandemic levels in India, Indonesia, and Nigeria

MSME owners used a variety of financial services but many needs remained unmet

Savings

When COVID hit, the number of MSMEs who reported saving dropped. By Q3 2021:

<table>
<thead>
<tr>
<th>Saved in a Bank Account</th>
<th>Saved with Mobile Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men 32%</td>
<td>Women 25%</td>
</tr>
<tr>
<td>Men 18%</td>
<td>Women 10%</td>
</tr>
</tbody>
</table>

Credit

As savings depleted, business owners turned to credit. Business owners with declining profits were more likely to prefer informal loans.

Insurance

Although many owners said that insurance was important, only a few reported having insurance coverage prior to the pandemic.

| Coverage before pandemic | Indonesia 3% | Colombia 5% | Nigeria 9% | India 22% |

Government Support

A low number of respondents received government cash transfer payments.

| Government cash transfer payments | Indonesia 31% | Colombia 13% | Nigeria 6% |

Center for Financial Inclusion

CfI conducted this work as part of our partnership with the Mastercard Center for Inclusive Growth.

Note: All data points refer to the # respondents who participated in CfI’s longitudinal survey conducted between June 2020 to October 2021 in Colombia, India, Indonesia, and Nigeria.