

Impact of the COVID-19 pandemic on low- and moderate-income (LMIs) populations and micro, small, and medium enterprises (MSMEs)

Comparative report

January, 2021



LMI and MSMEs during COVID-19

Comparative report

Authors:

Anup Singh, Diana Siddiqui, Graham A. N. Wright



Comparative report

This report provides an overview of the impact of COVID-19 on low- and moderate-income (LMIs) populations, and micro, small, and medium enterprises (MSMEs), and cash-in and cash-out (CICO) agents, their coping strategies, and recommendations for policymakers and financial service providers to support them. We developed this report from MSC's research in several countries (Kenya, Uganda, Bangladesh, India, Indonesia, and the Philippines). We are thankful to our generous donors, the Bill & Melinda Gates Foundation, Swiss Capacity Building Facility, Mastercard Foundation, and MetLife Foundation for their support.

- 01 Recommendations
- 02 Awareness and knowledge of COVID-19 and measures to mitigate the risk of infection
- 03 Impact on income and expenses of LMIs, MSMEs, and CICO agents
- 04 Coping strategies used by MSMEs and CICO agents
- 05 Context and background for the research

Recommendations



Low- and moderate-income (LMI) households need support to enhance awareness and knowledge and take precautionary measures to protect themselves and their families

Measures to enhance awareness and knowledge

Key insights

- Governments have managed to enhance awareness and knowledge through various initiatives. Although not widespread, several misconceptions remain.
- LMI households have understood the symptoms of COVID-19, key precautionary measures to take, and when to go for tests through several sources of information on the pandemic. These sources include television, radio, and social media, as well as community officials. Respondents showed a high level of awareness of the top-two symptoms of COVID-19.

Recommendations

- 01 Governments should demystify and disprove conspiracy theories being spread through social media by laying out the facts on the transmission, management, and status of the pandemic. Such misinformation is likely to be an issue for vaccine uptake as well and therefore warrants urgent attention.
- 02 To dispel the myths and misinformation, governments should empower local influencers, such as local administration officials and community leaders to disseminate accurate information on COVID-19. [Two-way conversations](#) are important to explain complex issues and resolve misgivings.
- 03 Governments should disseminate tailored messaging on the spread, prevention, and management of COVID-19 to complement existing electronic media campaigns and strengthen messaging on community transmission. They should use local languages for better reach and craft messages to respond to emerging behaviors (such as not wearing masks) and to promote vaccination as the vaccine becomes available for the masses.

Measures to adopt preventative action

Key insights

- People have increasingly adopted precautionary measures. However, improper implementation of such measures could hinder positive changes in their adoption. People's fear of the diseases has reduced, the state of panic has subdued, and people are returning to a new normal.
- Respondents reported practicing social distancing to curb the spread of the pandemic. Moreover, the number of people who wear masks regularly has risen.

Recommendations

- 01 Governments should encourage continued adherence to preventive measures among the populace to contain the spread of COVID-19 till the time all people in the higher-risk categories have received vaccines. In addition to radio and TV, timely mobile message campaigns, pre-call ringtone-reminder by celebrities, and strategically located posters will help.
- 02 Governments should increase the involvement of youth through different government and donor programs to support sensitization campaigns on COVID-19. The [World Bank](#) reports that the youth have emerged as champions in the fight against the virus through individual and often innovative initiatives, such as programs that promote handwashing in slum areas.
- 03 Despite gains made in the fight against the virus, governments need to ensure the availability and quality of preventive supplies, such as sanitizers and face masks. Governments should enhance access to sanitary services, particularly in slums and other low-income settlements, to mitigate the challenges of social distancing.

Governments will need to support LMI households, especially women, to cope with the economic impact of the pandemic

Measures to cope with the economic impact

Key insights

- LMI populations reported a significant drop in income throughout the pandemic. Three-fourths of LMI households still earn lower incomes, as compared to the pre-COVID-19 situation.
- LMI households have innovated ways, such as diversifying businesses and using social media to enhance sales and maintain business operations.

Recommendations

- 01 Governments must strengthen existing relief programs to build optimism among the LMI segment and support those who have lost livelihoods and face hunger. Governments must [communicate](#) such relief programs effectively to ensure optimal reach and uptake.
- 02 Concerted efforts are needed to cushion the LMI population from the adverse effects of the pandemic. Together with the private sector and humanitarian organizations, governments may provide essentials to the LMI population to survive the pandemic.
- 03 The rebuilding strategy must focus on micro-businesses that have struggled to reopen or continue smooth business operations. Access to affordable credit will help micro-businesses restock, which is a primary bottleneck, and stimulate sales.

Measures for women to mitigate the risks

Key insights

- Women from LMI households reported higher economic hardship, increased burden of household work, less access to health care, and higher instances of domestic violence, as compared to men.
- Economic adversity was more pronounced among female respondents. 69% of women, compared to 58% of men, said their income decreased.
- On average, women did three times as much unpaid care-based work as men at home even before COVID-19. 34% of women reported that domestic work increased the most for women.

Recommendations

- 01 Develop local economies by arranging for working capital to revive businesses, particularly for women. Provide women with access to digital platforms to use and hone their skills and earn a living for themselves and their families.
- 02 Ensure [gender centrality](#) in the cash transfers and assistance programs to ensure that existing gender issues do not exclude women from receiving and using the benefits.
- 03 Women need gender-sensitive responses to ease the burden on them during the pandemic. The public and private sectors need to encourage labor market measures, such as flexible working hours, wage subsidies, and even preference for women in employment opportunities to address women's needs.

MSMEs need support from the public and private sectors to boost their income and manage expenses

Measures to support the income of MSMEs

Key insights

- On the demand side, the income of businesses declined due to reduced footfall, low customer demand, and reduced purchasing power of customers.
- On the supply side, the factors contributing to the decline in income included disruptions in the supply chain and limited operating hours for the businesses effected by the lockdowns and restrictions on movement.
- Uncertainty around future income due to the spread of the pandemic has endangered the survival of MSMEs.

Recommendations

- 01 Governments may extend emergency cash benefit transfers to informal nano- and micro-enterprises to support them to meet their basic expenses. Governments may offer an opportunity to informal nano- and micro-enterprises to formalize, which would allow them to access these cash benefits and additional support in the future. This is an opportunity to bring much of the informal sector into the formal economy to support nano- and micro-enterprises better.
- 02 Governments may prefer formalized MSMEs for all public procurement. To do this, governments should implement enabling policies and a conducive environment to ensure adequate participation from MSMEs in the bidding process for contracts. Also, the bid assessment framework should prioritize MSMEs, particularly those owned by women.
- 03 The public and private sectors may establish a multi-agency platform jointly to support MSMEs to access digital technologies. Such a platform may support MSMEs to use e-commerce, social commerce, and digital payments.

Measures to reduce the burden of expenses

Key insights

- Businesses have seen their operational costs rise. As the supply chains were disrupted, enterprises had to pick up goods from their suppliers and pay for the transportation. As the enterprises experienced higher bad debts and paid for the sanitation of the premises, their operational costs increased further.
- At the household level, MSMEs have to cater to increased household expenses for basic goods, electricity, and the education of children. MSMEs report challenges in managing household expenses due to adverse cash flows.

Recommendations

- 01 As the economy reopens, governments should formulate forward-looking policies to revive sectors impacted most by the restrictions. Such policies may have provisions for incentives and tax-reliefs to reduce the overall operating cost and provide much-needed revenue and liquidity.
- 02 To reduce the challenges around liquidity, governments can expedite the payment of pending bills and refunds.
- 03 MSMEs, especially women-owned enterprises, need support to manage expenses in the short term. Governments may consider a short-term waiver of fees for utilities for businesses or defer payment on utilities, such as electricity and water, particularly for those in the manufacturing and food processing business. Such measures would support MSMEs to adapt to the changing economic situation and market demand.

The recovery process for MSMEs may require enhanced access to suitable financial services and support to formalize the informal enterprises

Measures to boost access to finance

Key insights

- With a decrease in income and reduced access to credit, MSMEs are struggling to manage liquidity in the wake of rising household and business expenses. MSMEs have begun tapping into their savings to meet expenses. A decline in the availability of credit from suppliers has further aggravated the situation.
- MSMEs find it more difficult to borrow from formal financial institutions as they encounter more stringent terms, such as higher costs of credit and requests for hard collateral. MSMEs have resorted to borrowing from their social network to smoothen their cash flow requirements.

Recommendations

- 01 Governments can revive credit guarantee programs to unlock more funding from financial institutions to MSMEs to ease the liquidity challenges. Financial institutions may benefit from local and international guarantee initiatives to offer additional loan funds to MSMEs to aid their recovery.
- 02 Financial institutions may provide concessionary loans to facilitate the business continuity of MSMEs. Financial institutions may continue to offer the loan moratorium on a case-to-case basis for at least another six months to provide MSMEs some liquidity in the short term.
- 03 Donors may support financial service providers to design and deliver suitable products and services to the MSMEs. Financial institutions may digitize to enhance the efficiency of processes and better assess credit-worthiness using alternative data.

Measures to benefit enterprises in the informal sector

Key insights

- In the countries where we conducted our research, informal enterprises comprise 60-80% of the enterprise sector. Owing to their informality, such enterprises cannot benefit from the stimulus packages of governments.
- Enterprises in the informal sector require support for business continuity and recovery in the aftermath of the pandemic, including addressing areas of financial planning and risk management.

Recommendations

- 01 Governments may set up a low-cost digital platform to verify, register, identify, and formalize informal nano- and micro-enterprise. Such a platform should have simple processes for registration. Key incentives for informal enterprises to register could be the COVID-specific cash transfers, access to government procurement as well as credit facilities, and support for digitization. Governments may use this opportunity to formalize informal nano- and micro-enterprises.
- 02 Besides providing direct support to informal enterprises, governments should ensure that measures, such as credit guarantee initiatives should target enterprises in sectors that benefit informal enterprises.

MSMEs need to protect their staff and their customers from the risk of infection and use digitization as an opportunity to expand the business and enhance efficiency

Measures to enhance the awareness and preparedness



Key insights

- The three most common precautions followed by enterprises to protect their staff from getting infected include physical distancing, washing or sanitizing of hands, and wearing of masks.
- MSMEs incur additional expenses to maintain hygiene and safety. These include the costs to arrange for hand wash facilities, masks, and sanitizer, among others.



Recommendations

01 Work with institutions, such as MFIs and NGOs that work directly with micro and small enterprises to design and implement low-cost, [innovative communication collaterals](#) to increase awareness about COVID-19. Increasing the awareness of MSMEs on the threat of COVID-19 will help them further understand the importance of following health protocols, such as observing physical distancing, washing hands, and using a face mask.

02 Informal enterprises require additional support to combat the COVID-19 pandemic. To ensure the safety of workers, hygiene support measures may include providing water for washing at the worksite and supplying personal protective gear.

Measures to promote digitization and digital payments



Key insights

- MSMEs still have significantly low adoption of technology, such as the use of social media and other online channels for business communication. Only one-fifth of MSMEs have established partnerships with e-commerce platforms or have started their online portal or social media channel.
- More urban enterprises have adopted digital channels to boost their business and adapt to the changing business environment.
- The private sector and donor-driven initiatives to build the digital skills of MSMEs are limited in scale and scope.



Recommendations

01 Donors and other stakeholders may support the development and implementation of capacity-building programs. Such programs may help MSMEs adopt digital communication, marketing, and payment technologies and participate in e-commerce and social-commerce platforms. In the long run, MSMEs will develop digital footprints, based on which financial service providers can make better-informed decisions on lending to enterprises.

CICO agents require immediate support to enhance income, optimize the efficiency of operations, access affordable credit, and ensure health safety in agency banking operations

Measures to continue operating their business



Key insights

- Cash-in / cash-out (CICO) agents have seen a drastic reduction in customer footfall and income. However, government subsidy transfers increased the footfall at the CICO agents and temporarily boosted incomes for most agents.
- The cost of operations increased as CICO agents used private vehicles to rebalance and incurred hygiene-related expenses.
- Fraud continues to increase in many markets.



Recommendations

01 Service providers may focus on re-defining business models and processes to ensure the realities of COVID-19 are adequately embedded and addressed in agency operations. It may require additional commissions and proactive support for the additional expenditure on liquidity rebalancing and safety protocols for at least the next six months.

02 Providers could innovatively design facilities for agents that offer some flexibility on collateral requirements. For instance, providers could offer short-term or daily unsecured credit based on the level of operations or transactions of an agent.

03 Service providers should develop a [three-pronged approach to help agents](#) mitigate the risks of fraud by training agents, monitoring fraud trends, and establishing clear guidelines and frameworks to identify, report, and manage fraud. Providers need a system to alert agents about incidents of fraud and activate a rapid response mechanism to deal with them.

Measures to maintain hygiene and safety



Key insights

- The fear of contracting COVID-19 forced CICO agents to limit their interaction with customers. CICO agents reported that they did not receive any training on managing the risks of COVID-19 from the service providers, even as they continued to operate.
- As CICO agents face multiple challenges around crowd control and hygiene management, they incurred additional expenses to maintain safety measures, such as arranging hand wash, masks, and sanitizer, among others.
- Client authentication, either through a keypad on devices or logbooks, also requires physical contact and thus increases the risk of infection.



Recommendations

01 Service providers may look at technological interventions that enable alternative modes of authentication. Instead of having to punch in a PIN, authentication can be enabled through contactless one-time password (OTP), QR-based authentication, or near-field communication (NFC).

02 Service providers may make their guidelines and communication materials for agents and customers on safety measures more user-friendly and easy to understand. See here for an [example](#) of materials designed for CICO agents in Africa—similar materials are available in French, and for agents in Asia.

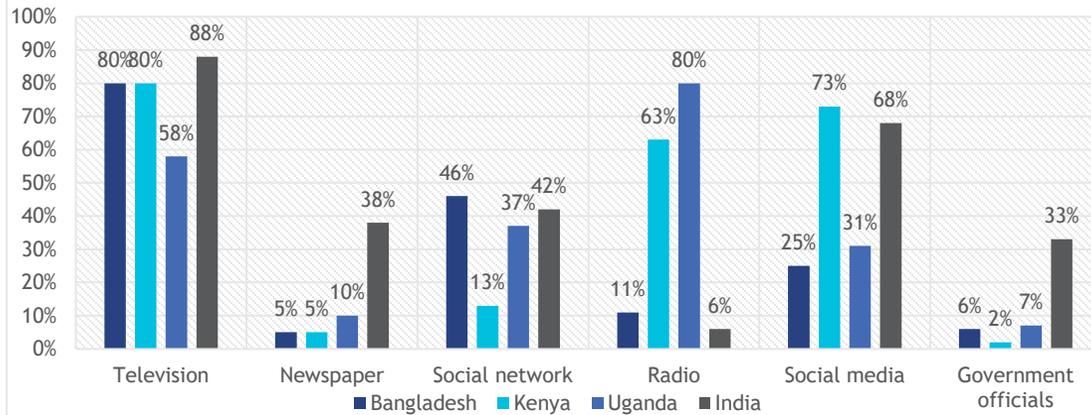
03 Service providers should consider providing enhanced risk management tools for CICO agents. This can include insurance cover for a combination of life, hospitalization, and business continuity to ensure agent confidence and enhance business continuity amid the pandemic.

**Awareness and knowledge
of COVID-19 and measures
to mitigate the risk of
infection**



Governments have been winning the battle against COVID-19 on the knowledge and awareness front; however, misconceptions, though not widespread, persist

Sources of information on COVID-19



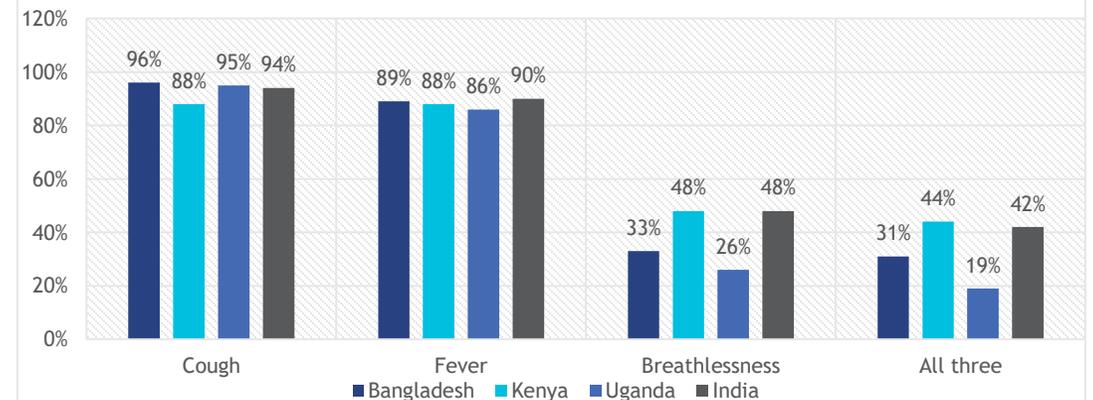
People have increasingly relied on television, radio, and social media as sources of information on the pandemic

- More than 70% of LMI people are aware of key pieces of information regarding COVID-19. However, misconceptions still exist; many people now believe that COVID-19 is not risky. They feel that people are overreacting.
- Women have relied increasingly on the proximal local influencers, friends, and family to obtain information on COVID-19. Almost 60% of women mentioned that they gathered information about the pandemic from local influencers. People's increased reliance on local influencers calls for efforts to mitigate misinformation.

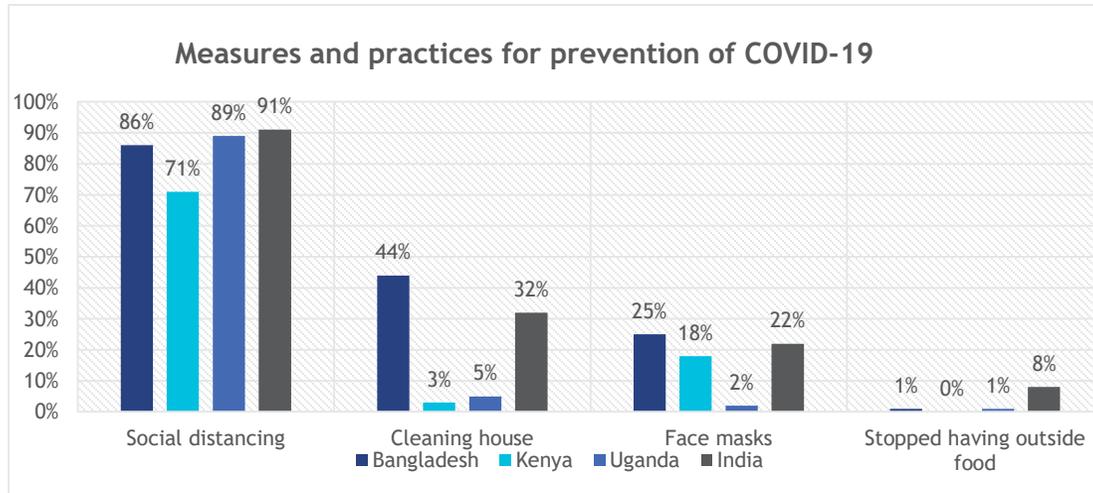
Respondents showed a high degree of awareness of the top-two symptoms of COVID-19

- More than 80% respondents (men=80%, women=83%) know about the two most common symptoms of COVID-19 (cough and fever).
- 74% (men=73%, women=75%) of respondents know that a COVID-19 patient can be asymptomatic too.
- 85% of respondents mentioned "contacting infected persons or objects" contributing to the infection.
- The next challenge will be communication and responding to misinformation to ensure the mass uptake of vaccines as they become available.

Symptoms of COVID-19



People have increasingly adopted precautionary measures, though improper implementation of these could hinder positive changes; people's fear of the disease has reduced, the state of panic has subdued, and people are moving to a new normal



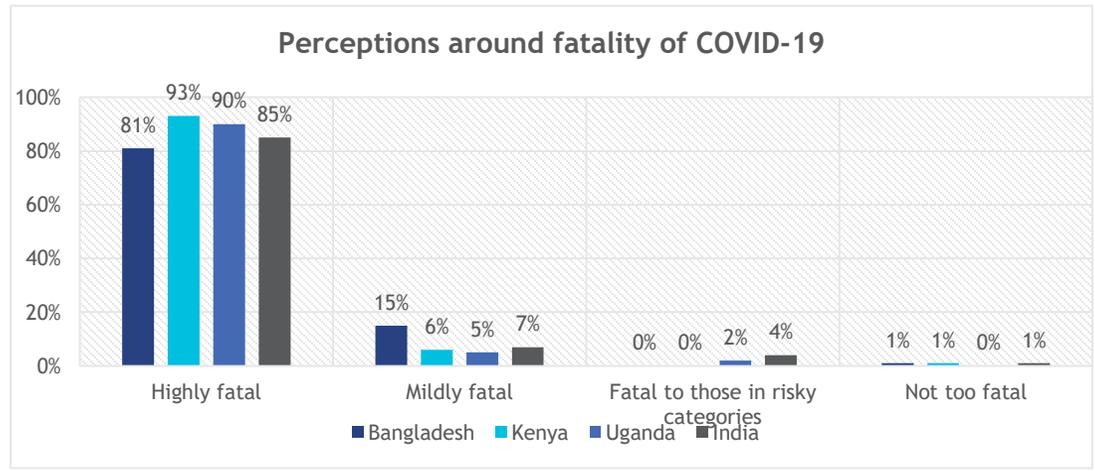
Respondents reported practicing social distancing to curb the spread of the pandemic

- 92% reported that they have been following some form of social distancing even after containment measures were lifted. Though most respondents mentioned that they have been practicing social distancing, it is practically impossible to maintain social distancing in many situations, such as in densely populated areas in the focus countries.
- People have not only bought masks for family members but have been using them too. However, people often do not wear masks properly or they take them off while speaking. Not wearing a mask properly is as good as having no mask on.

The number of people who think the disease is highly fatal has reduced from our initial research in May-June 2020

Respondents reported a reduced fear of the disease and reduced use of the helpline number largely due to:

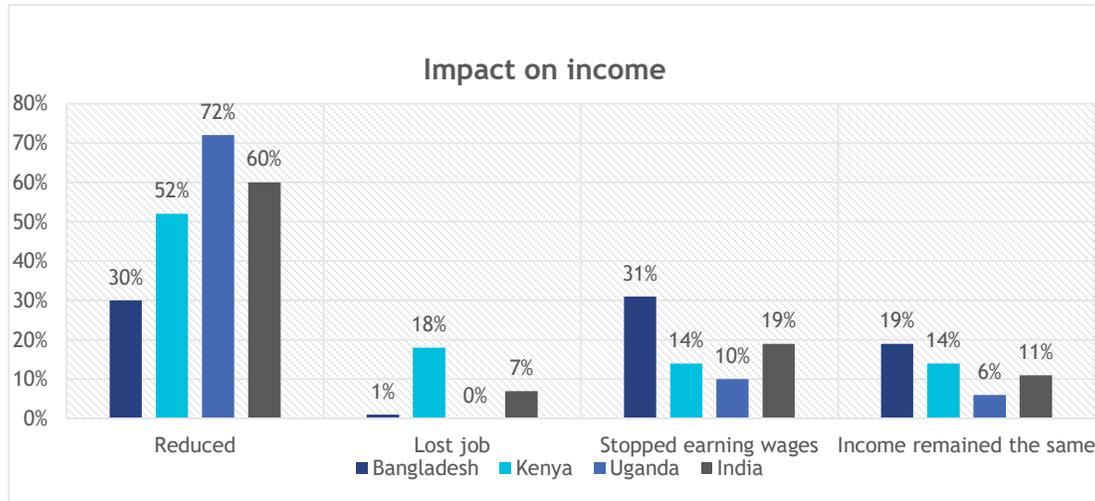
- The higher proportion of people who have been following the correct practices now (at least that is what they believe and report!) and hence feel less scared
- The fear of economic plight is more severe compared to the fear of the disease itself. 76% of respondents feel worried about the pandemic situation
- Recent media reports that have highlighted the high recovery rate of COVID-19
- Better access to healthcare, as containment measures are lifted partially or fully in most countries





**Impact on income
and expenses of LMIs,
MSMEs, and CICO agents**

LMI populations report reduced income throughout the pandemic. However, they have innovated ways to maintain and drive business, such as diversification and the use of social media to sell more

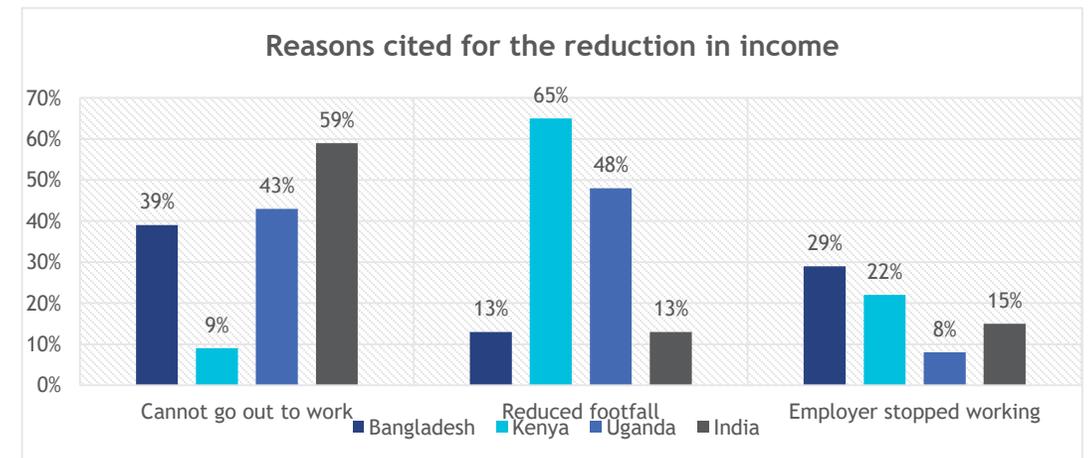


Three-quarters of LMI households still report lower incomes

- Almost 80% of business owners of non-essential goods and services reported that sales had come to a standstill. This is attributed to customers spending less on luxury goods and concentrating on meeting basic needs.
- Also, respondents mentioned a significant increase in the cost of basic goods, electricity, and education of children.
- LMI households reported a median income of 50% in July, 2020 compared to before COVID-19. They have adopted different strategies to respond to this challenge and survive. The key strategies include controlling expenses (75%), borrowing from shopkeepers and suppliers (18%), and opting for new sources of income (16%). Of the respondents, 89% feel that the decrease in income is temporary.

However, there are signs of economic recovery

- True to their resilient lifestyle, LMI households have adopted new ways to earn money, which include diversifying businesses to sell essential items, increasing the stock of items that sell more, using digital platforms to sell, among others.
- The relaxation of lockdown and other containment measures also helped these populations to start or restart income-generating activities.
- Concerns about decreasing income and adverse impact among the LMI households have receded over time.



Women reported higher economic hardship, increased burden of household work, less access to health care, and higher instances of domestic violence compared to men

Adversities around economic activities were more pronounced among female respondents

- ▶ The economic slowdown has had the most disproportionately adverse impact on women, particularly on women-owned businesses. Most women-owned businesses are in the service sector, which has been hit the hardest.
- ▶ Adversities have affected the income of women more than men, with 69% of women reporting a decrease in their income compared to 58% of men

The pandemic resulted in less access to healthcare by women

- ▶ Marie Stopes International estimates that the pandemic prevented 9.5 million women and girls from using their services, such as contraception and safe abortion globally.
- ▶ An inquiry into the healthcare-seeking behavior of LMI households in Indonesia found that more women (9%) compared to men (1%) reported that as a result of the pandemic, they could not access healthcare as needed due to a lack of good doctors or reliable healthcare providers.

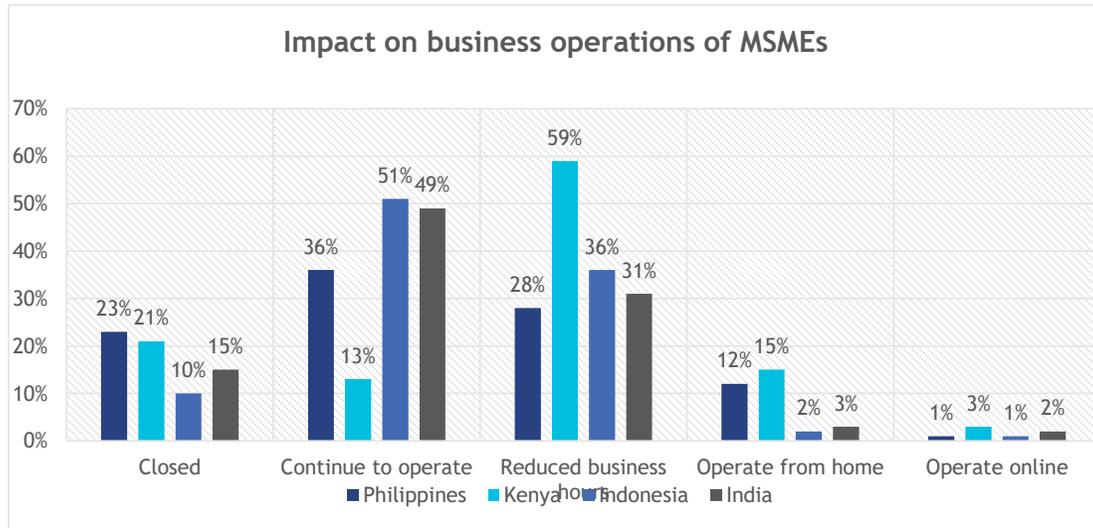
Compared to before COVID-19, domestic work has increased for women the most

- ▶ Women typically shoulder a greater burden of care. On average, women did three times as much unpaid care-based work as men at home even before COVID-19 (Source: World Bank).
- ▶ Our study found that 34% of women reported that domestic work has increased the most for women, compared to before COVID-19.
- ▶ We find that cleaning followed by helping children with their studies are the major drivers of increased domestic work.

Further, instances of domestic violence increased for women

- ▶ Since containment measures were imposed in countries, the incidence of domestic violence has increased worldwide as many women are trapped in their homes with their abuser.
- ▶ Research on the impact of COVID-19 on women's collectives members in India reveals that 13% of members have experienced domestic violence themselves or in their neighborhood during the lockdowns, while 8% said that the incidence of domestic violence has increased during the time.

The income of MSMEs has reduced substantially due to lower customer footfall, lower average customer demand, and restrictions on the number of hours the businesses could operate

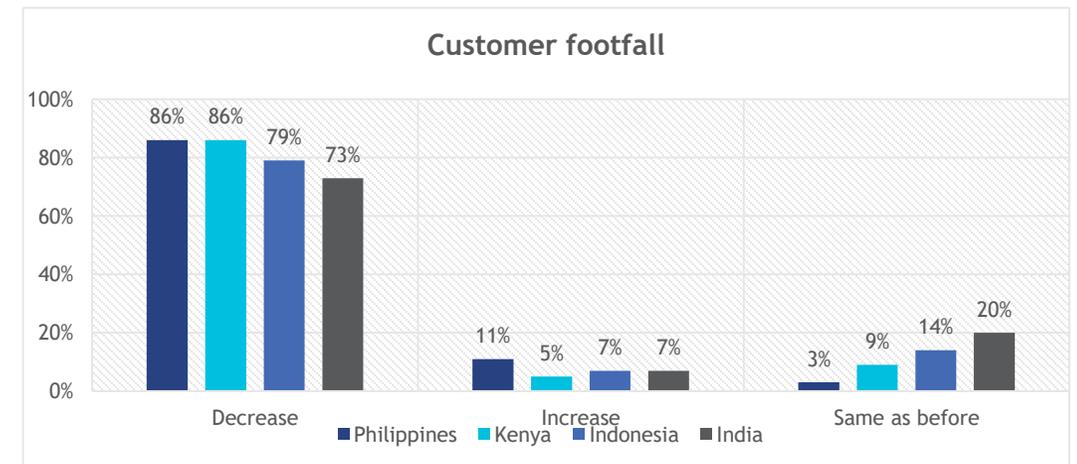


About 17% of businesses surveyed in the focus countries closed due to local restrictions and low demand

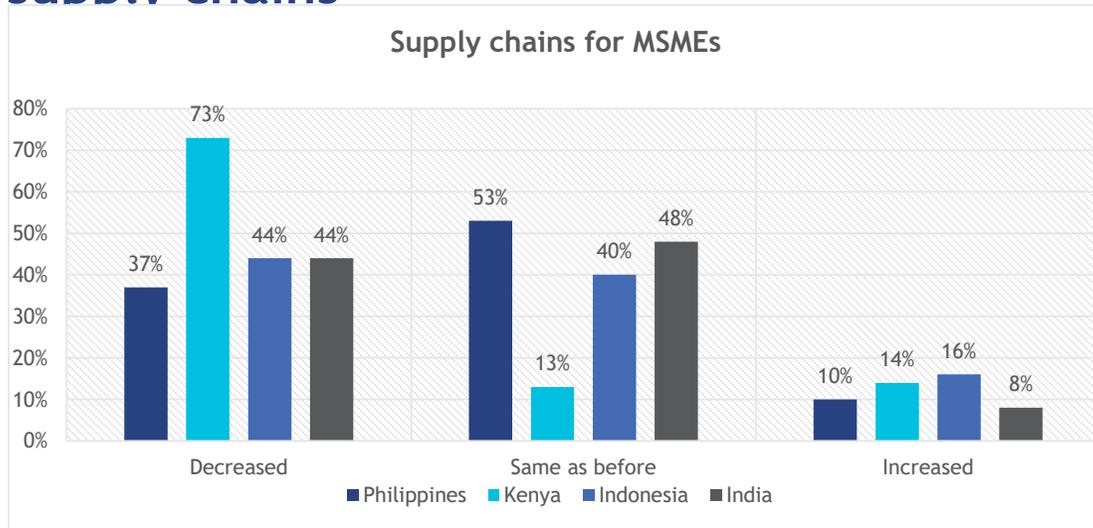
- Local restrictions forced enterprises to reduce their hours of operation or to close their business. Businesses that have closed include restaurants, travel agencies, tourism operators, and educational institutions, which have suffered the most during the pandemic due to directives to restrict movement and closure orders.
- Urban areas have seen greater social restrictions, layoffs, and large-scale exodus of the working population to their home towns and villages. This has affected the sales of urban enterprises more compared to their counterparts in semi-urban and rural areas.

Customer footfall reduced significantly amid lockdowns, which further exacerbated the situation for enterprises

- Enterprises had to close during their peak business hours due to local pandemic restrictions. Reduced operating hours coupled with low footfall resulted in significant reduction of the income of MSMEs.
- Although economic activities have resumed and restrictions relaxed, the adverse economic impact has reduced the purchasing power of customers significantly, and forced them to spend with greater caution, typically on basic essentials alone.
- As a result of lockdown provisions that exclusively permitted businesses that offer essential goods and services to open, coupled with consumer spending patterns, businesses that deal in non-essential sectors were more severely impacted than those that deal in essential sectors.



MSMEs experienced significant disruptions in supply chains and a sharp rise in business costs. With the relaxation of restrictions, they hope for easier flow of goods and an improvement in supply chains

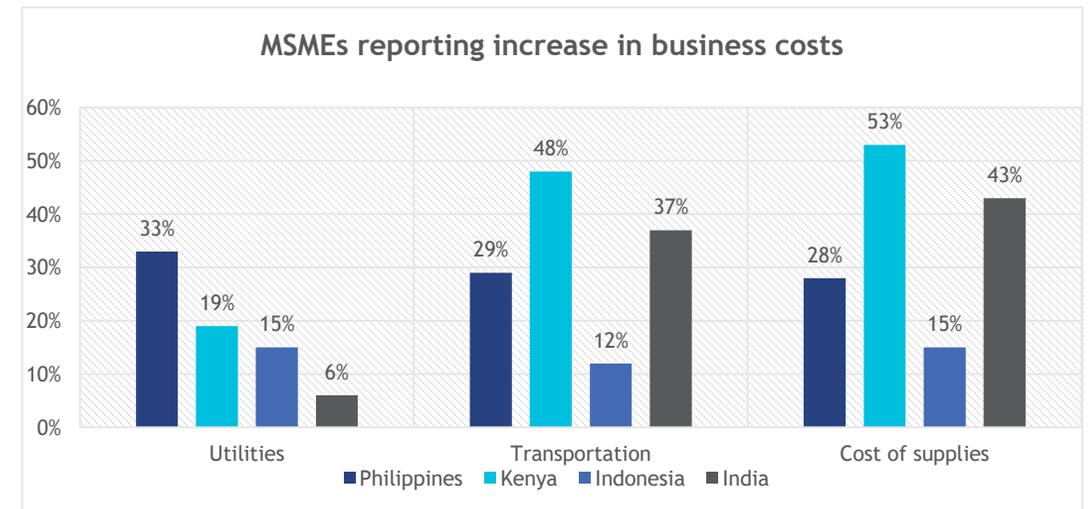


Disruptions in the supply chain resulted in difficulties faced by enterprises to replenish their stocks

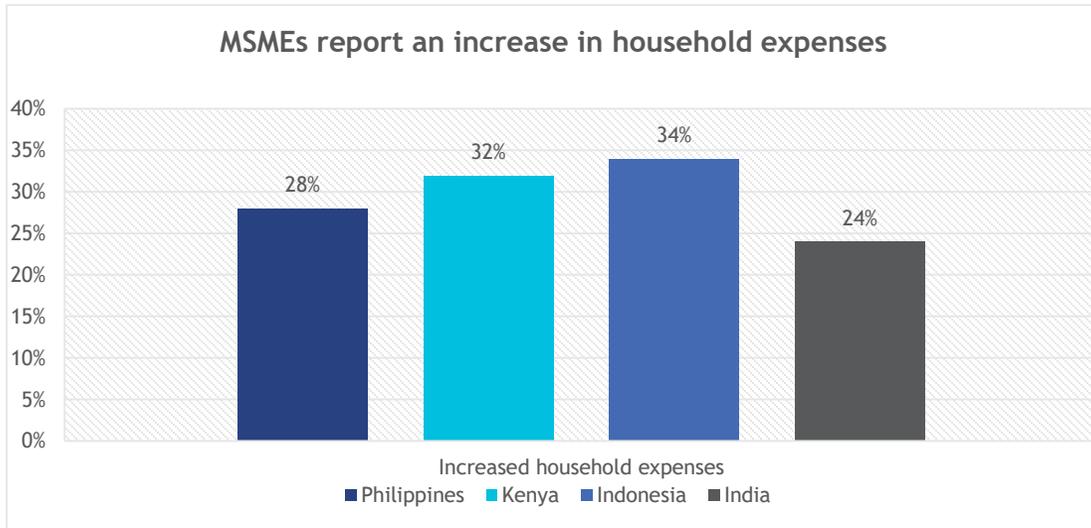
- MSMEs continue to face greater disruptions in the supply chain and rising price of supplies. The production and delivery cycle of goods produced locally is disrupted on account of fewer workers turning up at the factories to adhere to the social distancing norms. MSMEs face difficulties in replenishing stock because of such disruptions in the supply chain.
- Enterprises in essential sectors faced high demand and low supply, which created a scarcity of certain products in the market.

Higher expenses in times of low business have stressed entrepreneurs

- Enterprises continue to incur additional transportation costs to get supplies on time. Furthermore, more than 70% of enterprises reported that the distributors ask the entrepreneurs to pick up all their supplies from the warehouse, which adds to their transportation costs. Entrepreneurs who stock a variety of products had to travel to several suppliers.
- Declining income and rising expenses is a double whammy for enterprises in such trying times. A decline in the availability of supplier credit alongside pending receivables and an increase in the cost of supplies has constrained the cash-flows of the enterprises significantly.



As MSMEs continue to struggle with a decline in business revenues, increased household expenses add to their worries. MSMEs have been trying creative approaches to recover

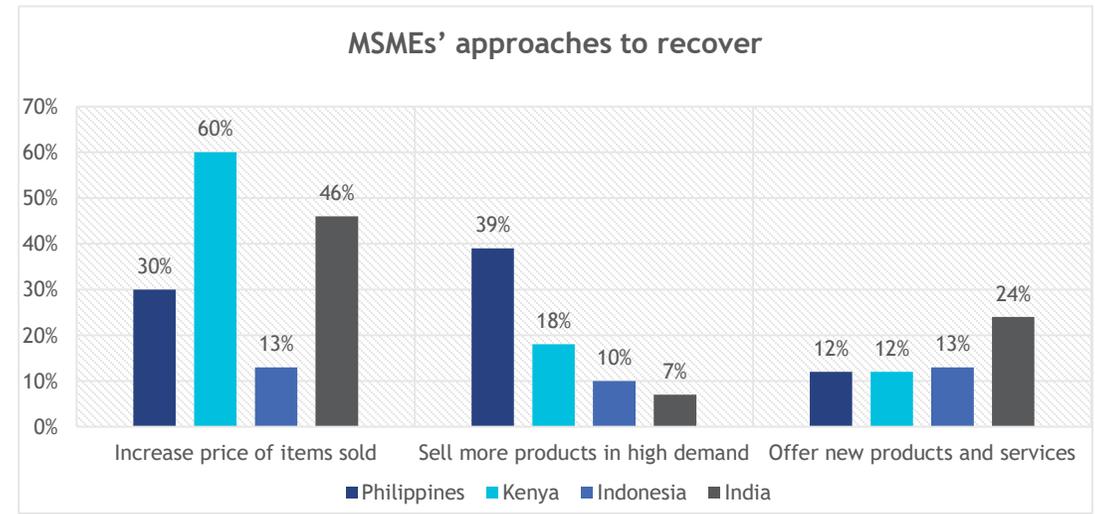


Household expenses have increased

- Expenses for food, health, and sanitation supplies for families that have had to stay at home for longer contributed to the increase in household expenses.
- With a significant decline in income, increasing household expenses, and reduced availability of credit, MSMEs face an impending liquidity crisis on both household and business fronts.
- Many have been drawing on their limited savings.

MSMEs have explored new approaches to recover

- MSMEs continue to grapple with long-term business disruption amid a fragile support system. Most MSMEs have had to increase the price of the items they sell to recover some of the additional expenses incurred on transportation and utility costs.
- Several enterprises reduced the volume and variety of goods they sell to cope with uncertain demand and challenges with supply. This has helped them to cut costs. Now, they are focused on selling more of the products that are in high demand.
- Some MSMEs have been exploring new opportunities, such as diversifying their businesses to sell products that are in high demand.



Cash-in cash-out (CICO) agents faced reduced income due to lower transactions and increased expenses to address hygiene and safety concerns

Cash-in cash-out (CICO) agents have seen a drastic reduction in customer footfall and income

- Lockdowns and curfews from March to July, 2020 disrupted the operations of CICO agents. Due to the fear of contracting COVID-19, some CICO agents limited their interactions with customers.
- Many agents could only operate for a limited number of hours to comply with the curfew restrictions.
- Agents witnessed a sharp drop in the number of transactions as people became aware of the outbreak and feared the risk of infection spreading through banknotes. As the economic situation of customers deteriorated, they carried out [fewer transactions](#).

However, government subsidy transfers helped some CICO agents improve their incomes marginally

- Government subsidy transfers increased the footfall at the CICO agents and temporarily boosted incomes for most agents.
- CICO agents were not prepared to handle the rush of users coming to cash-out the government benefits transferred to their account or wallet. The agents faced challenges in securing liquidity and were not well equipped to ensure the hygiene and safety of large crowds.
- During the travel restrictions, most CICO agents struggled to rebalance often enough to meet the demand for cash-out of government support payments.

The cost of operations for CICO agents increased significantly

- To manage liquidity, most CICO agents had to use private vehicles as public transport was not available to travel to the bank branch or any other rebalancing point. The unavailability of public transport increased their transportation costs.
- CICO agents incurred additional expenses to maintain hygiene and safety. These include the costs of setting up barriers, arranging handwashing facilities, masks, and sanitizer, among others.

Service providers offered limited support to the CICO agents

- The agents are not well equipped on safety aspects, which aggravated the risk of transmission. Masks and gloves were in short supply in the market. CICO agents did not have the money to buy these supplies and in most focus countries, the service providers did not provide these to the CICO agents.
- Most service providers did not provide any kind of training to the CICO agents on processes to be followed and measures to be taken during the COVID-19 pandemic. Also, monitoring and support visits from provider staff reduced significantly, particularly in rural areas.

Coping strategies used by LMIs, MSMEs, and CICO agents



LMI people have been managing the health and safety of their households while reducing expenses and diversifying income sources to manage economic conditions

1

Adopted precautionary measures



- Respondents reported practicing regular handwashing and using facemasks to curb the spread of the pandemic. In the focus countries where we conducted research, 82% of respondents reported practicing social distancing and 77% of respondents reported practicing regular handwashing.

2

Reduced expenses



- In our focus countries, 75% of respondents (74% men and 77% women) reported controlling expenses to cope with the economic impact of the pandemic. The respondents reduced the purchase of discretionary items and limited their consumption to basic, essential items.

3

Received support from the government



- 56% of respondents in India reported that they received government benefits. The nature of government benefits received included cash (48%), food grains (90%), and waiver of utility fees (23%).
- In Bangladesh, only 22% of respondents mentioned that they received government benefits, which indicates high levels of exclusion. However, 71% of respondents in Bangladesh have received food grains from the government.

4

Increased their use of digital payments



- In the focus countries where we conducted research, 38% of respondents (43% of men and 31% of women) reported a change in their behavior around digital payments and increased its use. The new users of digital payments reported installing new digital payment applications.

5

Diversified sources of income



- 16% of respondents (25% men and 14% women) reported diversifying income sources and opting for a new source of income. In Kenya, women respondents mentioned that they continued to earn an income by working in informal businesses while balancing other household responsibilities.

MSMEs continue to adopt multiple strategies to deal with the impact of the pandemic on business

1

Optimized staff or adjusted their benefits, or both



- Around 26% of enterprises in India have reported a reduction in staff to almost zero to minimize cost. 90% of entrepreneurs in India mentioned that if they continued to pay staff salaries without taking their services, they may have to lay them off.
- In Kenya, more than 30% of MSMEs resorted to reducing staff complement to cope with the impact of the pandemic on their businesses.

2

Diversified their products and services



- 12% of the businesses surveyed in the Philippines diversified their business and starting offering new products and services.
- Around one-fourth of the entrepreneurs in India have started selling new products and services to cope with the crisis.

3

Received financial support from the public and private sector



- 32% of enterprises surveyed in the Philippines reported that they received financial support from the government through government-to-person (G2P) programs, such as Conditional Cash Transfers (CCT) and from their social network (relatives, friends, neighbors, and suppliers).

4

Borrowed from financial institutions or sold household assets



- 30% of the entrepreneurs surveyed in the Philippines reported that they borrowed money to sustain their enterprise. In a few cases, entrepreneurs had to sell off assets early due to uncertainties in the market during the pandemic.
- Around 36% of all enterprises in Kenya have adopted strategies, such as borrowing and freeing up cash from inventory to manage the immediate shock to the cash flow.

5

Utilized digital technology and applications



- Almost a third of enterprises in India have started using social media, such as WhatsApp and Facebook to communicate and accept business orders.
- 10% of the enterprises in India, most of which are headed by men in urban areas, have already established partnerships with e-commerce players.

6

Reduced business costs or increased prices of goods



- 30% of the businesses surveyed in the Philippines increased the price of items sold. The median increase in the prices of the items was about 34%.
- 46% of enterprises in India reported increasing the price of goods they sold.
- In Kenya, 15% of enterprises reported increasing the price of goods they sold.

CICO agents have taken several steps to ensure business continuity and health and safety for their customers

1

Continued to manage the agency business



- Agents continue with their business and open their establishments daily, despite uncertainty and low business volumes. Non-dedicated agents have been redirecting funds from their other businesses to the agency business to continue operating and manage liquidity demands, even as they had to decapitalize to feed their families.
- Some agents also reported borrowing from financial institutions to top up float, especially during peak demand periods, such as during the disbursement of government social protection payments to beneficiaries.

2

Maintained liquidity and e-float



- Despite the challenges agents face, most of them maintain both cash and e-float to satisfactorily serve their limited number of core customers. Some face competing demands for working capital from their other businesses or demands for money from their families. The latter is likely to increase over time as the economic impact of the pandemic worsens.

3

Managed expenses



- Most CICO agents have reduced household and business expenses while businesses have switched gears to survival mode. As a temporary coping strategy, many agents have dipped into their savings to meet their current expenses for household and business needs.

4

Continued to comply with health and safety guidelines



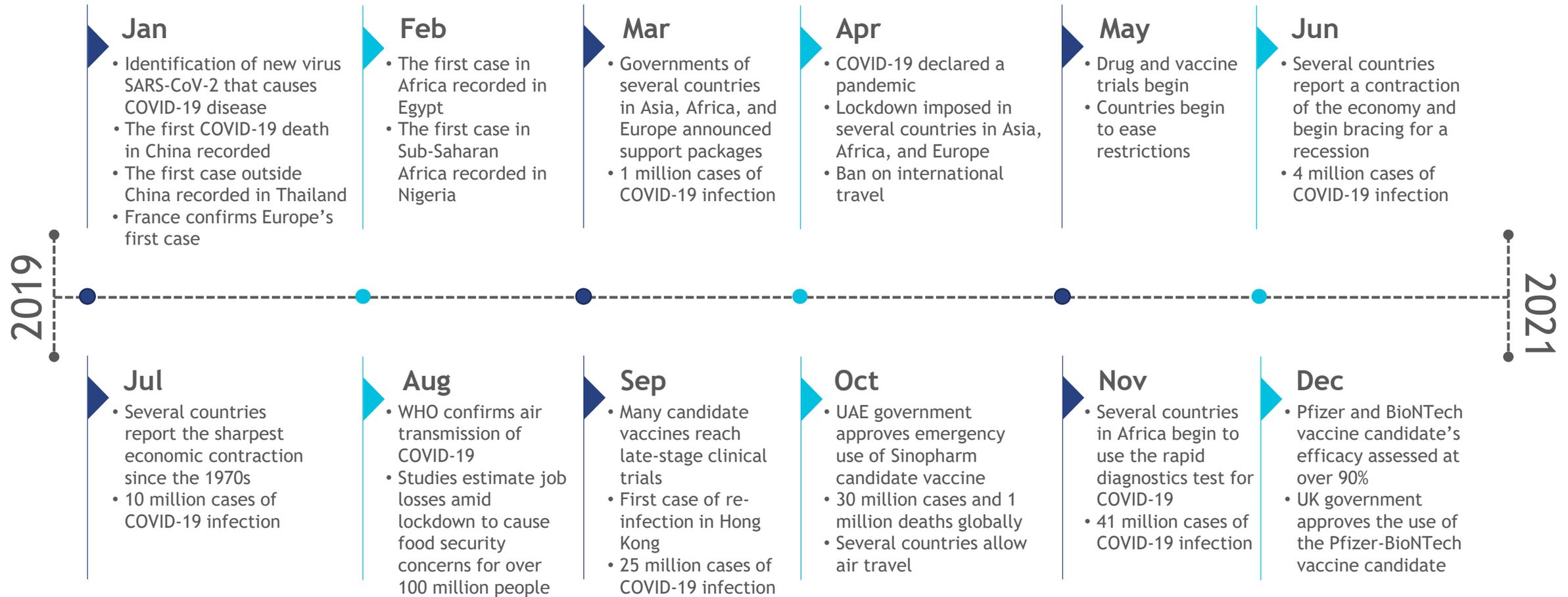
- Compliance with health and safety guidelines is a key coping strategy that most agents have adopted. Though an additional cost for the business, agents view these measures as an essential requirement to ensure safety and continue the business.

Context and background for the research



COVID-19 was declared a pandemic on 12th March, 2020. Several countries tried measures, such as lockdowns and curfews that hurt the economy

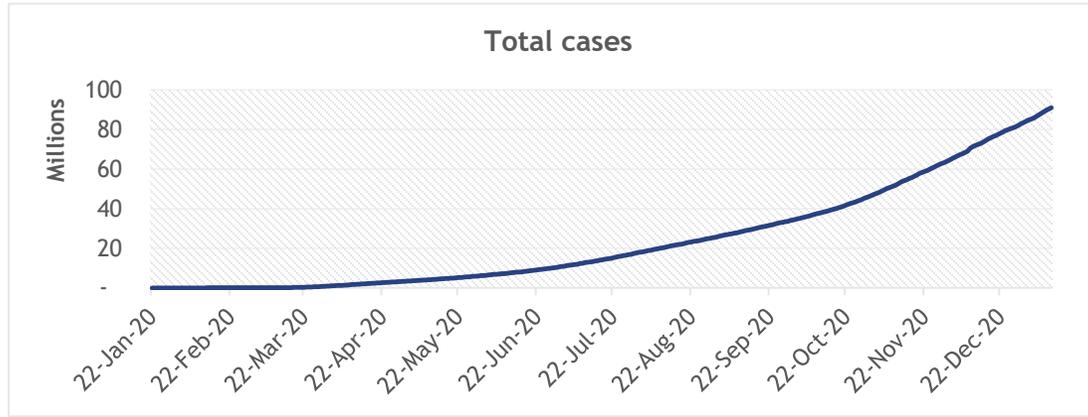
Timeline of COVID-19 outbreak and its impact



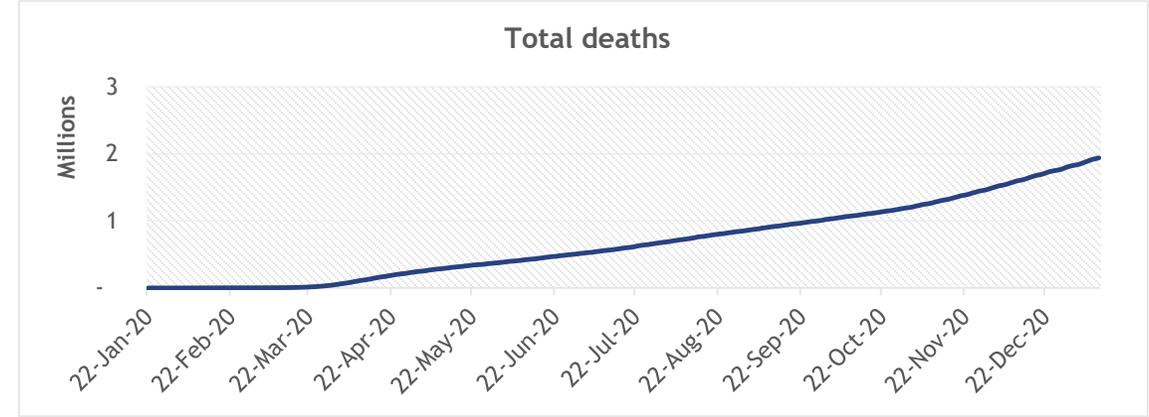
Source: Data and insights from [Devex](#), [BBC](#), and [WHO](#)

Globally, COVID-19 has infected more than 90 million people and killed around 1.9 million lives; however, the rollout of vaccines offers hope

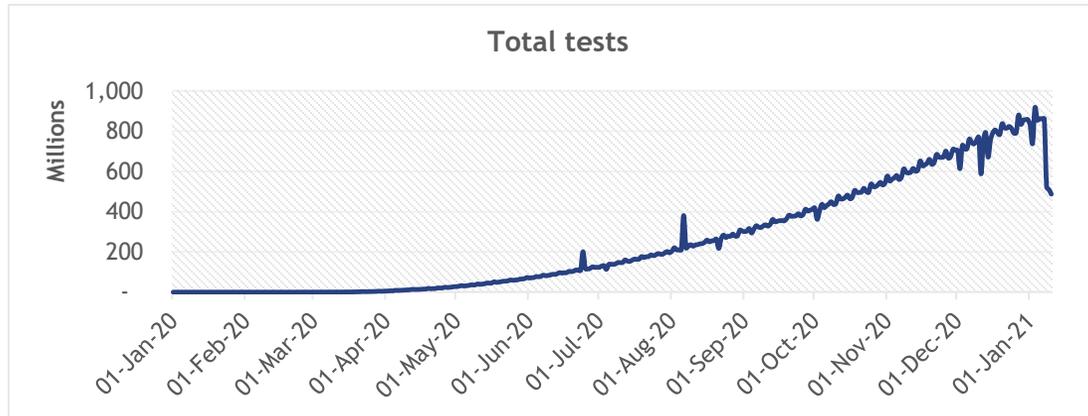
Around 90 million people have been infected by the COVID-19 virus



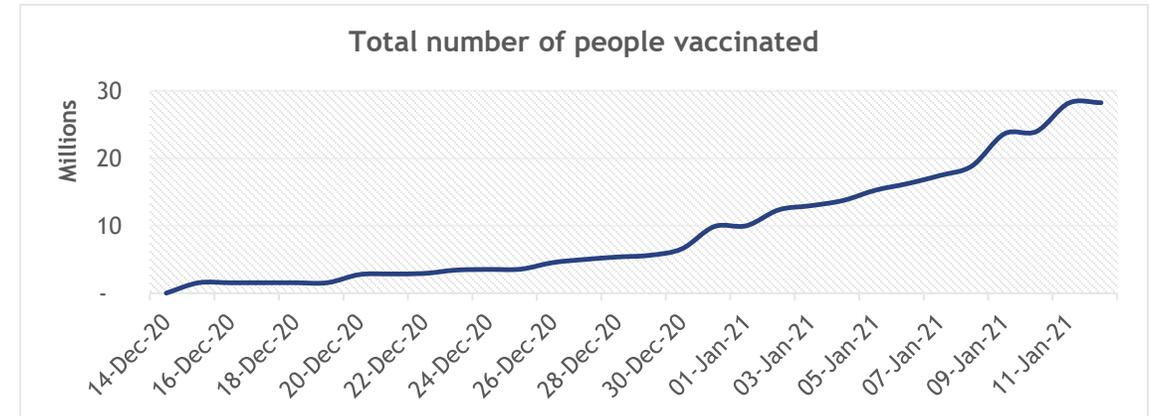
Around 1.9 million people have lost their lives to the virus



Over 900 million tests for COVID-19 infections have been carried out globally

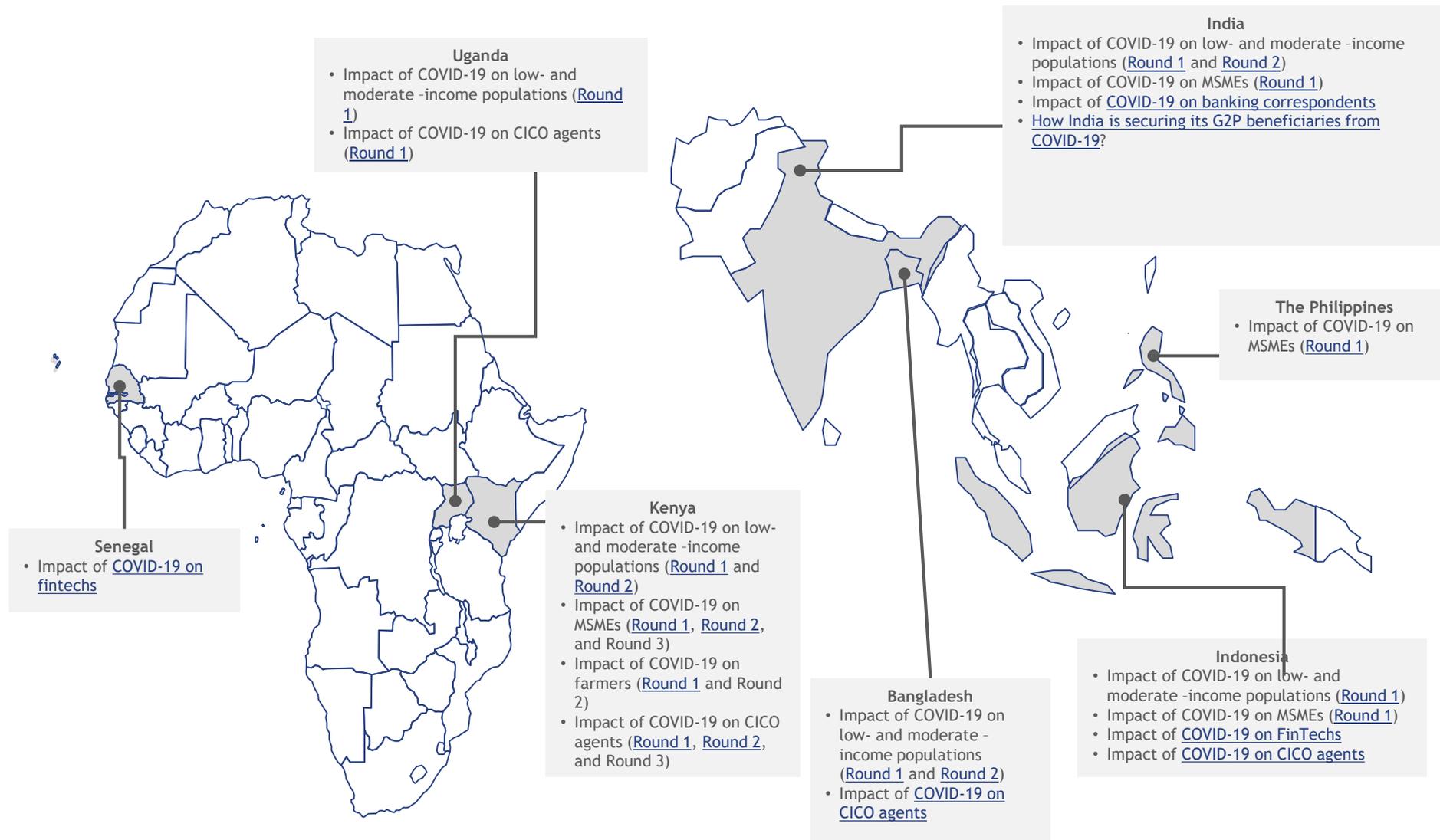


Around 29 million people have been administered vaccines in 43 countries



Source: Data and insights from [Our World in Data](#)

MSC conducted research studies in seven countries in Asia and Africa to assess the impact of COVID-19 on the LMI populations, MSMEs, farmers, CICO agents, fintechs, and others



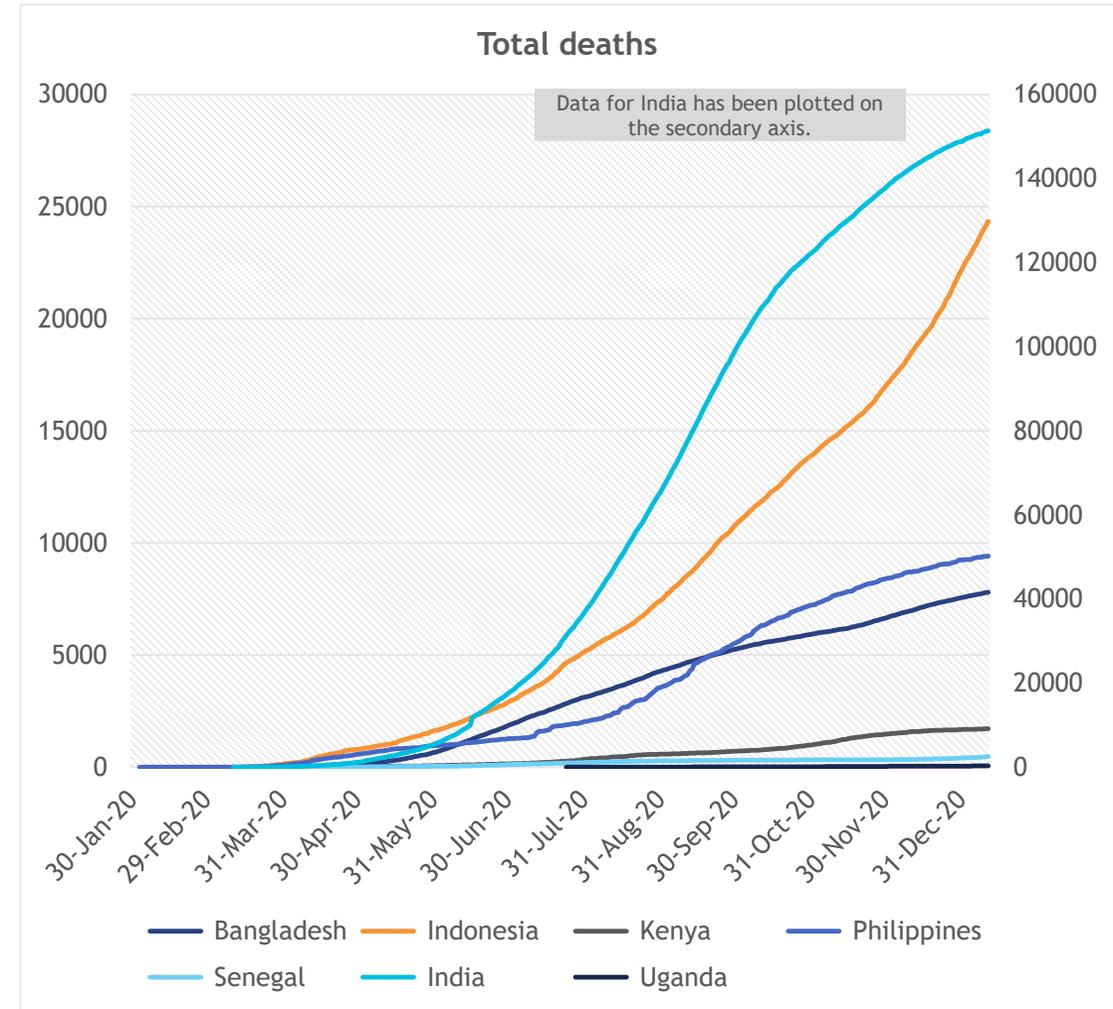
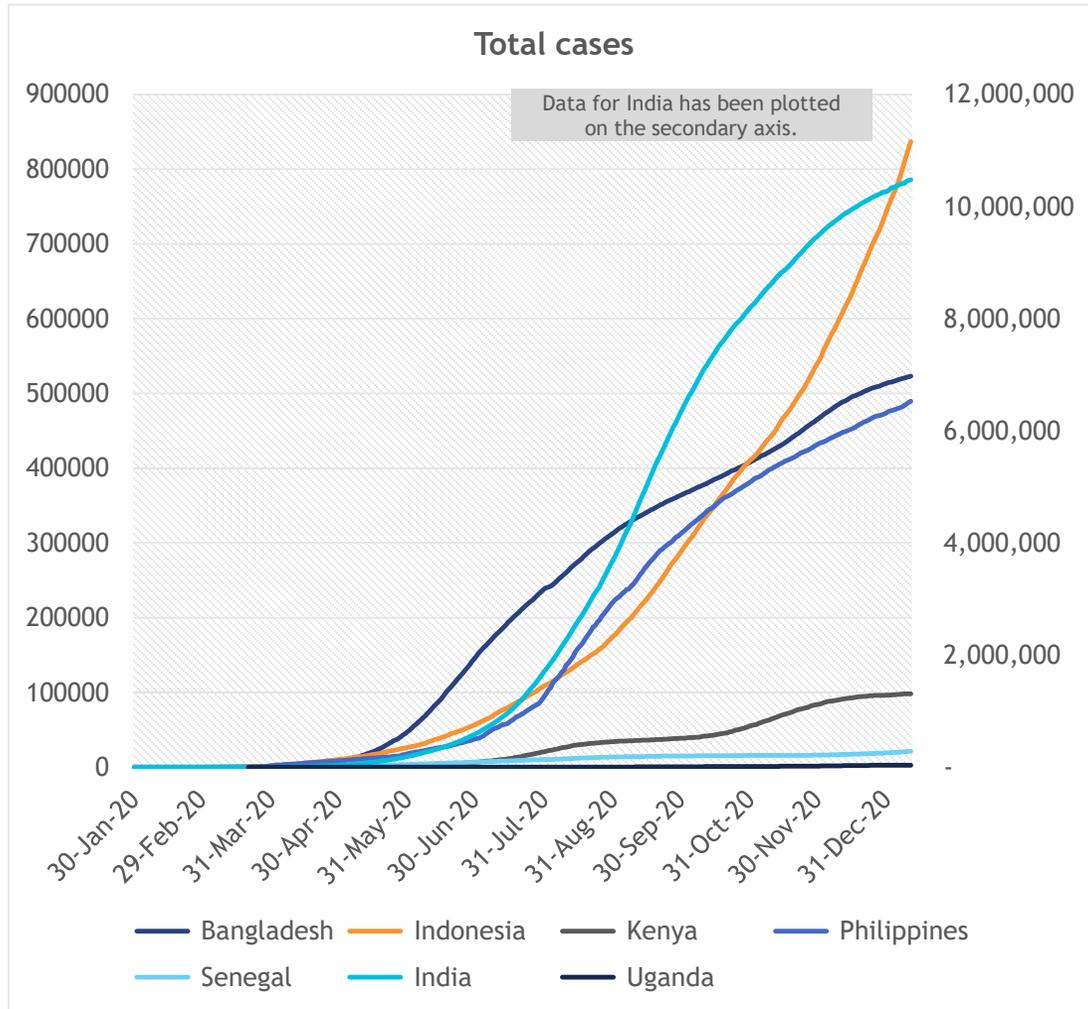
With support from



BILL & MELINDA GATES foundation



In our research focus countries, more than 12.5 million people have been infected by the coronavirus and 195,000 people have lost their lives to COVID-19



Source: Data and insights from [Our World in Data](https://ourworldindata.org/)

MSC's research studies assessed the impact of COVID-19 and focused on awareness, knowledge and behavior, impact on income and expenses, coping strategies, and digitization



The objective of the research

General objectives of the research

- Understand and to the extent possible, quantify the impact of the COVID-19. Assess gender implications for businesses and households
- Assess low- and moderate-income (LMIs) populations' and micro, small, and medium enterprises' (MSMEs) current experience with private and public sector support services
- Inform policy and support subsequent efforts to help rebuild the LMI populations, micro, small, and medium enterprises, farmers, CICO agents, fintechs, and others

Specific focus for the LMI population

- Knowledge, awareness, and attitudes toward COVID-19
- Practices adopted to prevent COVID-19
- Impact on social behavior, gender roles, digital life, and household economics
- The government's response and its impact on the LMI populations

Specific focus for the MSMEs, farmers, CICO agents, fintechs, and others

- Assess the impact of COVID-19 on revenues and costs (including for inputs), supply chains, business activities and product ranges, and liquidity management.
- Understand the usage of different communication channels and how these might be utilized.
- Understand the role of and impact on networks.
- Assess the use of the digital ecosystem for payments, credit, and marketing.



Research methodology

Research approach and methodology

- Our research was designed as a quick dipstick as statistical research is costly and consumes a lot of time. Also, we considered that by the time we have results from a statistical study, the situation might have changed significantly, thus rendering study findings irrelevant. A quick dipstick approach helped us to rapidly assess the evolving situation and formulate quick responses.
- The research design incorporated the use of both qualitative and quantitative approaches to make the research insightful, meaningful, and cost-effective.
- For the research on the LMI population, we adopted quantitative telephonic survey to speak to about 200 respondents in each country.
- For the research on micro, small, and medium enterprises, farmers, CICO agents, fintechs, and others, we adopted a two-pronged approach, namely: a quantitative survey of 100-150 enterprise owners in each country in two-three rounds (immediate, intermediate, and as lockdowns are lifted); and a qualitative panel of 30 enterprise owners in each country interviewed every two months.
- Respondents were carefully selected so that the sample is representative in nature. Respondents were sourced from rural, urban, and peri-urban areas.
- For quantitative surveys, enumerators were trained in detail about how to ask questions, where to probe, how to record responses, etc. We used computer-assisted telephonic interview (CATI) for data collection. We carried out concurrent checks of data quality (completeness, consistency, the plausibility of values) collation, and analysis throughout the surveys.
- To enable a gender focus, 50% of our sample comprised women respondents from across the urban, peri-urban, and rural locations. Assessing the impact of the pandemic on women helped us establish the gender dynamics of the crisis as well.

MSC is recognized as the world's local expert in economic, social, and financial inclusion



International financial, social, and economic inclusion consulting firm with **20+** years of experience



180+ staff in **11** offices around the world



Projects in **~65** developing countries

Our impact so far

550+
clients

>850
publications

Assisted development of digital G2P services used by **875 million+** people

Implemented **>850 DFS projects**

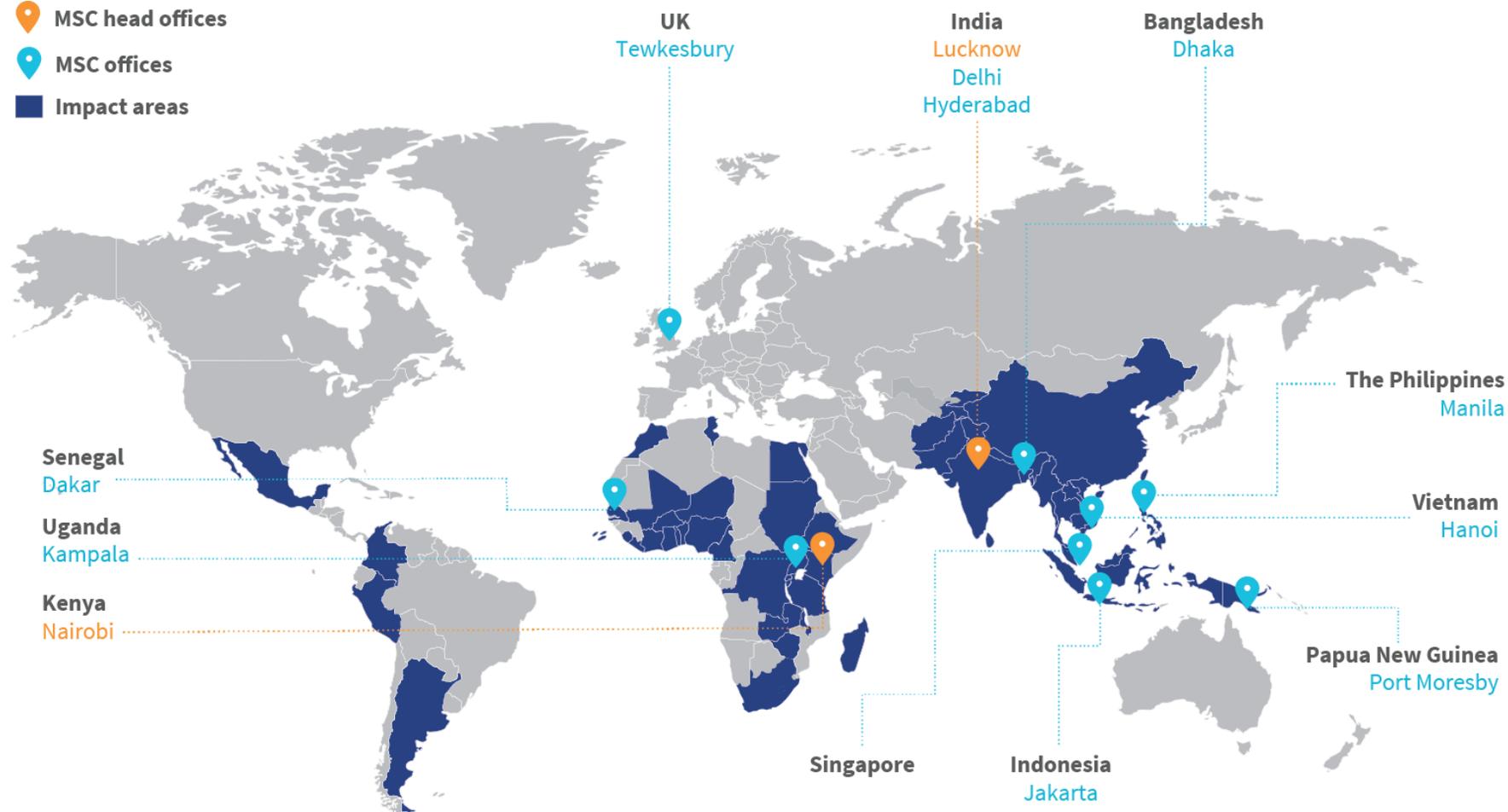
Developed **275+ FI products** and channels now used by **55 million+** people

Trained 9,900+ leading FI specialists globally

Some of our partners and clients



-  MSC head offices
-  MSC offices
-  Impact areas



MSC corporate brochure | Contact us at info@microsave.net

Asia head office

28/35, Ground Floor, Princeton Business Park,
16 Ashok Marg, Lucknow, Uttar Pradesh, India 226001
Tel: +91-522-228-8783 | Fax: +91-522-406-3773 | Email: manoj@microsave.net

Africa head office

Shelter Afrique House, Mamlaka Road,
P.O. Box 76436, Yaya 00508, Nairobi, Kenya
Tel: +25-420-272-4801 | Fax: +25-420-272-0133 | Email: anup@microsave.net

