### Navigating through COVID-19:
A snapshot of how the pandemic affects MSMEs in Mali

**Middle East & Africa COVID-19 Business Impact Series: Note #7**

The COVID-19 pandemic is affecting businesses on a national and global scale. International and local restrictions to limit the spread of the virus have had severe economic impact as trade flows have been impeded, business operations restricted, and consumer spending reduced. Consequently, businesses, financial institutions, state agencies, associations, and other public and private enterprises have had to find new ways to operate.

This note focuses on how micro, small, and medium enterprises (MSMEs) in Mali have been affected by the pandemic and are dealing with its impact. It is part of a series of snapshots of the state of MSMEs and how such businesses are navigating the COVID-19 pandemic in countries across Africa and the Middle East. The assessments draw on data from a standardized survey of MSME clients of financial institutions throughout Africa and the Middle East. The assessments, therefore, primarily reflect the effect on banked enterprises.

The country surveys focus on three main aspects: First, the financial health and resilience of the MSME sector in the country; second, the crisis response and future plans of businesses; and third, business needs and required support from governments and financial institutions.

#### KEY RESULTS FROM MALI

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<th>Impact of COVID-19 on MSMEs in Mali</th>
<th>Business Needs</th>
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<td><strong>Business Operations</strong></td>
<td><strong>Sources of Business Advice</strong></td>
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<td>88% of MSMEs experienced adverse effects on turnover. Compared with their low-point in mid-2020, turnover values are slowly recovering yet remain at minus 33 percent compared with pre-crisis levels.</td>
<td>1/2 of interviewed businesses have made plans to mitigate the impact of future crises, primarily through the diversification of business activities.</td>
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<td>67% of companies report that they are currently experiencing cash flow problems. Yet, half of businesses plan to increase activity in the coming six months and another 29 percent plan to maintain current levels of business activity.</td>
<td>MSMEs rely on multiple sources for business advice, particularly family or friends and financial institutions.</td>
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<th>Digital Solutions</th>
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<td>56% of companies have benefited from the use of digital solutions, especially from using online payments and online marketing.</td>
<td>70% of MSMEs received support from their financial institution; 48 percent received (limited) support from the government.</td>
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<td>50% increase in usage of digital communication tools, thus representing the largest relative increase among digital tools used by businesses.</td>
<td>65% of companies seek support from financial institutions for non-financial services (NFS). Banks have yet to provide further support for long-term financing, restructuring loan terms and short-term working capital loans.</td>
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COVID-19 AND THE MSME SECTOR IN MALI

For this survey, business owners of 426 Malian MSMEs (38 percent women-led) were interviewed in June and July 2021 across six of the nine regions. A combined 80 percent of respondents were based in the Mopti and Bamako regions, followed by Ségou (10 percent) and Koulikoro (7 percent). A large share of the sample comprises micro enterprises (81 percent), while small (16 percent) and medium enterprises (2 percent) are less represented. The sectoral distribution shows a particular focus on wholesale and retail trade (48 percent), followed by agriculture and forestry (18 percent) and the hospitality sector (7 percent).

Mali registered the first case of COVID-19 in March 2020. Thereafter, the government took swift action, temporarily suspending flights and imposing a nationwide night-time curfew. When the survey was conducted a public state-of-health emergency was still in place, and most non-essential businesses remained officially closed. Markets and shops were open, as were borders for international travelers.

While the focus of the research survey is on the impact of the COVID-19 pandemic on businesses, the military coup in August 2020 also likely influenced the business environment and affected the survey responses presented in this note.

FINANCIAL HEALTH AND RESILIENCE: BUSINESSES ARE SLOWLY GETTING BACK ON TRACK

The survey shows that almost all Malian businesses were in some way affected by the pandemic, with a significant, negative impact on financial health and resilience.

Only 11 percent of businesses did not report an effect on turnover from the pandemic, 8 percent saw an increase, while the vast majority (81 percent) reported a lower turnover in 2021 compared with 2019. A slightly larger fraction of micro enterprises saw a reduction in turnover (83 percent) than small and medium firms (72 percent). By sector, the construction industry (91 percent) and hospitality sector (89 percent) were the most severely affected.

Figure 1 illustrates the detrimental impact on turnovers, showing the median monthly turnover values before the pandemic in 2019, during the lowest point of monthly turnover in 2020, and in July 2021, separated by business size and gender of the business owner. The presented percentages for the years 2020 and 2021 show the relative turnover differences compared with 2019. Regardless of business size and gender of the business owner, businesses reported a significant drop in turnover at their low point in 2020 compared with pre-pandemic levels. The drop ranged in magnitude from minus 33 percent to minus 51 percent depending on business size and/or gender.

Figure 1: Median monthly turnover values in 2020 and 2021 by business size, and the percentage differences to 2019

1 The remaining respondents were based in the regions Sikasso (2 percent) and Kayes (1 percent).
2 Enterprises are classified according to the IFC definition, based on the number of total employees including the owner. That is, an enterprise with >10 employees in total is considered micro, 11-50 as a small and 51-200 as a medium enterprise. The median number of employees in the sample is 3.
3 The remaining difference of 1 percent consists of businesses who did not provide the number of employees.
4 The turnover values are self-reported and were for past years, with potential for error in each case.
Between 2020 and 2021, businesses recovered slightly. However, turnovers remain at a significantly lower level compared with before COVID-19. In July 2021, the median monthly business turnover at $1,800 was still one third lower than in 2019. Survey responses further suggest that micro businesses, which already had considerably lower turnover values than small and medium businesses (SMEs) before the pandemic, suffered more during the crisis. In July 2021, monthly turnovers of micro businesses were at minus 39 percent compared with minus 24 percent for SMEs. Both male and female business owners reported 50 percent lower median turnover values in 2020 compared with 2019 with only a slight recovery in 2021 to minus 40 percent for women-led businesses and minus 47 percent for male owners.

The main reason for the reported declines in turnover is reduced demand. Almost half of the businesses stated that demand for their products or services decreased during the crisis. 64 percent of businesses in the construction sector and 60 percent of businesses in the hospitality sector reported lower demand, making these the most severely affected sectors. Only a small portion of businesses saw an increase in turnovers (8 percent) from 2019, mainly driven by higher demand in parts of the wholesale sector. At the same time, operating costs increased for 43 percent of businesses, primarily due to the increased costs of inputs and transportation as a result of the pandemic. 28 percent of businesses saw a decrease in operating costs, predominantly due to employee layoffs in response to reduced demand.

Figure 2 shows the loan repayment capacity of MSMEs before the crisis in 2019 and during the pandemic in July 2021, and underscores how most businesses were severely affected by the worsening economic situation. In 2019, 69 percent of businesses with a loan were always able to repay their loans on time. When the survey was conducted in July 2021, that proportion had reduced significantly to only 30 percent. By 2021, almost one third of surveyed businesses had overdue loans, every fifth business needed additional funding to maintain the current loan, and 11 percent were restructuring their loans with the lender. The overall loan repayment capacity thus deteriorated significantly – only 4 percent of businesses in the sample had strengthened the ability to repay on time compared with 2019.

Figure 2: Capacity to reimburse a loan before COVID-19 (left) and July 2021 (right)

| Yes, 69% | Loans overdue, 32% |
| No, 31% | Restructuring at the moment, 11% |
|          | Need access to additional funds, 19% |
|          | Cash flow sufficient to repay loan, 30% |
|          | No loan to repay, 8% |

Note: On the left, the answer to the question “If you were repaying a loan prior to the crisis in 2019, were you always able to repay on time?” is reported and to the right, the answer to the question “Have you had any overdue loans (delayed payments) since the outbreak of COVID-19?” Only businesses who had a loan in 2019 are included in this graph.

The surveyed businesses reported an average financial shortfall in 2021 of $11,7005 and a median of $1,800, equivalent of about 3 percent of the median yearly turnover of $54,000. The largest average shortfalls were reported in the financial and health sectors.

CRISIS RESPONSE AND FUTURE PLANNING: BUSINESS OUTLOOKS ARE PREDOMINANTLY POSITIVE

While companies experienced a difficult economic environment since the beginning of the pandemic, they are now looking to the future with some optimism. As shown in figure 3, at the time of the survey in July 2021, half of businesses planned to increase commercial activity over the next six months. Another 29 percent said plans were to maintain current levels of activity. Only one in five businesses planned to decrease business activity, to temporarily close, or to close indefinitely.

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5 At an exchange rate of 1 USD = 555.55 XOF on June 28th, 2021.
Figure 3: Business outlook for the next 6 months

The overall outlook is positive regardless of enterprise size and is driven primarily by businesses in the transportation, hospitality, and health sectors. A more negative outlook was reported in the agricultural sector, where 22 percent of businesses planned to decrease farming activity and 3 percent to halt activities temporarily. Among the wholesale and retail companies – the largest group in the sample – 52 percent planned to increase activity.

One way to handle the ongoing economic challenges is to seek additional financing, which 61 percent of interviewed businesses said they plan to do. However, when asked about anticipated difficulties during the loan application, 40 percent expected to meet challenges due to a lack of collateral. Female business owners were more pessimistic about loan prospects than male business owners, with half of all female business owners citing lack of collateral as a challenge compared with 35 percent for male business owners. About a third of all survey respondents, 30 percent, expected their poor financial situation to be a challenge during the loan process. Only 24 percent of businesses did not expect any difficulties applying for a loan.

To deal with the challenging business environment, 56 percent of survey respondents said they made use of one or more digital tools. The most cited application was the use of online payments by 36 percent of interviewed businesses, followed by online marketing (23 percent), and online sales (19 percent). A quarter of businesses increased their use of digital tools during the pandemic, driven mainly by online payments and marketing solutions. Digital communications tools, such as WhatsApp, Skype, Zoom and similar, saw the largest relative increase in use with a jump of 50 percent. One in 10 MSMEs now use such tools.

FINANCIAL AND NON-FINANCIAL NEEDS: BUSINESSES LOOK FOR ASSISTANCE

Support from governments and financial institutions is essential for businesses to weather the difficulties in times of crises. However, less than half of businesses in this sample said they had received government support since the outbreak of the pandemic. Of those that had received support from the government, such support was mainly in the form of subsidized payments of utility bills (28 percent), followed by information on the prevention and containment of COVID-19 (26 percent). Only one business reported that it had received wage subsidies to pay employees.

Support from financial institutions was more common, with 70 percent of surveyed businesses having received some sort of assistance. This support was mainly in the form of restructured loan conditions and short-term working capital loans, received by 38 percent and 37 percent of businesses respectively. The majority of businesses, however, stated that they had not received sufficient support from their financial institution.
Consequently, businesses expressed a need for further assistance from financial institutions to face current and future challenges. In particular, business owners seek long-term financing, restructured loan conditions, and short-term working capital loans. In addition, respondents expressed great interest in non-financial support from financial institutions. Over 60 percent stated an interest in learning more about topics such as access to credit and credit management, good governance, or business-plan development. They would prefer to receive such support in face-to-face (group) trainings (45 percent) and direct advice from field experts (18 percent).

The message from MSMEs in Mali is clear: businesses have received some much-needed support from financial institutions to navigate the challenges brought by the impact of the COVID-19 pandemic but would benefit greatly from more financial and non-financial support going forward.

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Authors: Niklas Murken, Sinja Buri and Sten te Vogt

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