



Market Bite COVID-19

Impact on MSMEs in six African countries

February 2022



Content

Executive Summary: A Critical Time for Financial Institutions to Partner with MSMEs	1	Conclusion & Recommendations	9
Infographic 1: Key Survey Insights	2	How the Research Was Done	11
Financial Health and Resilience:		Acknowledgements	12
Sectoral Differences Reveal Impact of Lockdown Restrictions.....	3	Acronyms	12
Business Turnover: Sales Slashed in Education, Entertainment, and Hospitality Sectors.....	3		
Financial Shortfalls: Pandemic Caused Fall in Loan Repayment Capacity.....	4		
Crisis Response and Future Planning: Changing How Business Is Done	5		
Digital Tools and Solutions: East Africa Continues to Lead in Digital Adaptation	5		
Risk Mitigation: Crisis Raises Risk Awareness and Fosters Contingency Planning.....	6		
Business Advice: Financial Institutions Play a Key Role	6		
Spotlight: COVID-19 and Business Outlook over Time, Kenya	7		
Financial and Non-Financial Needs: More to Do Going Forward	8		
Support During COVID-19: Type of Support Varies by Business Size	8		
Future Support Required: MSMEs Require Both Financial and Non-Financial Services.....	8		

01

Executive Summary

A Critical Time for Financial Institutions to Partner with MSMEs

When countries in Sub-Saharan Africa confirmed the first cases of COVID-19 in March 2020, governments across the region imposed restrictions to contain the spread of the virus. These efforts often had severe economic impact as trade flows were impeded, business operations restricted, and consumer spending reduced. In this setting, the micro, small and medium sized enterprises (MSMEs) that form the backbone of most African economies have had to find new measures to cope with the pandemic and beyond.

From early on in the pandemic, IFC has been assessing the impact on MSMEs in Africa and the Middle East with a particular focus on access to finance and support from the region's financial institutions. In a series of country snapshots, IFC has surveyed the state of MSME business operations and how businesses have been navigating the challenges wrought by the pandemic¹. This report compares the findings from Côte d'Ivoire, Gambia, Guinea, Kenya, Sierra Leone and Uganda to analyze trends, similarities and differences.

The assessments draw on data from a standardized survey of MSME clients of financial institutions and, therefore, primarily reflect the impact of the pandemic on banked enterprises. The survey focused on three main aspects of the impact of COVID-19 on MSMEs: financial health and resilience, crisis response and plans, and business needs and demand for support from governments and financial institutions.

The extent to which MSMEs have been affected depends on factors such as the magnitude of the pandemic, the stringency of government response, and the characteristics of enterprises. Overall, they have seen marked downturns in demand and turnovers, with three quarters of all MSMEs in the six countries also experiencing cash-flow problems.

Most MSMEs have had to rethink operations and plans to adapt to this new reality. The silver lining is that these measures may build stronger businesses as the majority of surveyed MSMEs have leveraged digital tools and solutions to a greater extent than before the pandemic, and almost all businesses reported to have implemented risk-mitigation mechanisms for the future.

Even so, the vast majority of the surveyed MSMEs (86 percent) stated that they need additional support from their financial institutions going forward. This can either be financial support in terms of restructured loans or short-term capital, or non-financial support in terms of business advice as they continue to navigate a shaky reality and an uncertain future in the wake of the pandemic.

The pandemic is not over yet. With the discovery of the omicron COVID-19 virus variant towards the end of 2021, international travel restrictions were once again enforced, particularly affecting African countries. Although the surveys for this report were conducted earlier in the pandemic, subsequent IFC surveys show that the pandemic continues to affect MSMEs in the region.

The message from Africa's small-scale entrepreneurs is clear: the pandemic has drastically altered their operating environment and they require support to cope and build for the future. For financial institutions this is a critical time to partner with MSMEs, and to explore innovative channels, products and services to serve MSMEs through and beyond the pandemic.

¹ *Navigating through COVID-19: Country snapshots on how the pandemic affected MSMEs in the Middle East and Africa, IFC, 2020 & 2021*

Key Survey Insights

Infographic 1

Impact of COVID-19 on MSMEs' Financial Health

Business Operations



2/3

of MSMEs experienced a **lower demand** for their products and services as a consequence of the pandemic.



75%

of MSMEs reported **cash-flow problems**.



The proportion of firms reporting **no problems repaying** their loans went from **71% before the pandemic** to **17% during the pandemic**.

Business Needs

Future Risk Mitigation



Almost all businesses reported to have plans to **implement risk-mitigation mechanisms**.



43%

of MSME owners **explicitly request support** in the form of non-financial services.

Help Received & Primary Needs



Around half of MSMEs **have received support from their financial institution**. Medium-sized enterprises were more likely to receive financial support and micro-sized enterprises were more likely to receive non-financial support.



86%

The majority of MSMEs report the need for **(additional) support from their financial institution**.

Digital Solutions



53%

of business benefitted from using **digital solutions**, particularly from online payments services and online marketing.



2.0

The **proportion of sales generated online increased** on average by 2 percentage points from 9% to 11%, but large differences exist between countries.

02

Financial Health and Resilience

Sectoral Differences Reveal Impact of Lockdown Restrictions

Table 1. Changes in Monthly Turnover before COVID-19 (average 2019) vs. during the pandemic, among surveyed MSMEs in Côte d'Ivoire, Kenya and Uganda

	Increase in Turnover	No Change in Turnover	Decrease in Turnover
Agriculture	20 %	10 %	70 %
Construction	1 %	14 %	85 %
Culture and Entertainment	0 %	0 %	100 %
Education	1 %	5 %	94 %
Financial Services	12 %	16 %	72 %
Health	28 %	10 %	62 %
Hospitality	7 %	1 %	92 %
IT	17 %	21 %	62 %
Manufacturing	16 %	1 %	83 %
Transport	10 %	7 %	83 %
Wholesale	9 %	15 %	76 %

The COVID-19 pandemic has considerably impacted the business operations of MSMEs in Sub-Saharan Africa. Businesses have had to change their modes of operation, supply chains have been interrupted, costs of inputs have changed, and customer interactions have had to be adapted. However, across all six countries surveyed for this report, the biggest impact on MSMEs has been a reduction in the demand for products and services. Consequently, a substantial majority of surveyed businesses were faced with lower turnovers than before the pandemic.

Business Turnover: Sales Slashed in Education, Entertainment, and Hospitality Sectors

The extent to which MSMEs were affected is not homogenous across or within countries. Survey results on changes in turnover among MSMEs in Côte d'Ivoire, Kenya and Uganda suggest that businesses located in the capital region of a country were more likely to experience decreases in turnover than businesses in other regions. A potential explanation might be that capital regions were often a hotspot for COVID-19 infections, and lockdowns and other restrictions may have been stricter there.

The proportion of businesses in these three countries that reported a reduction in turnover compared with pre-COVID levels increases by business size. Yet, the sectoral dimension seems to be the most important determinant of changes in turnover. While businesses across all sectors

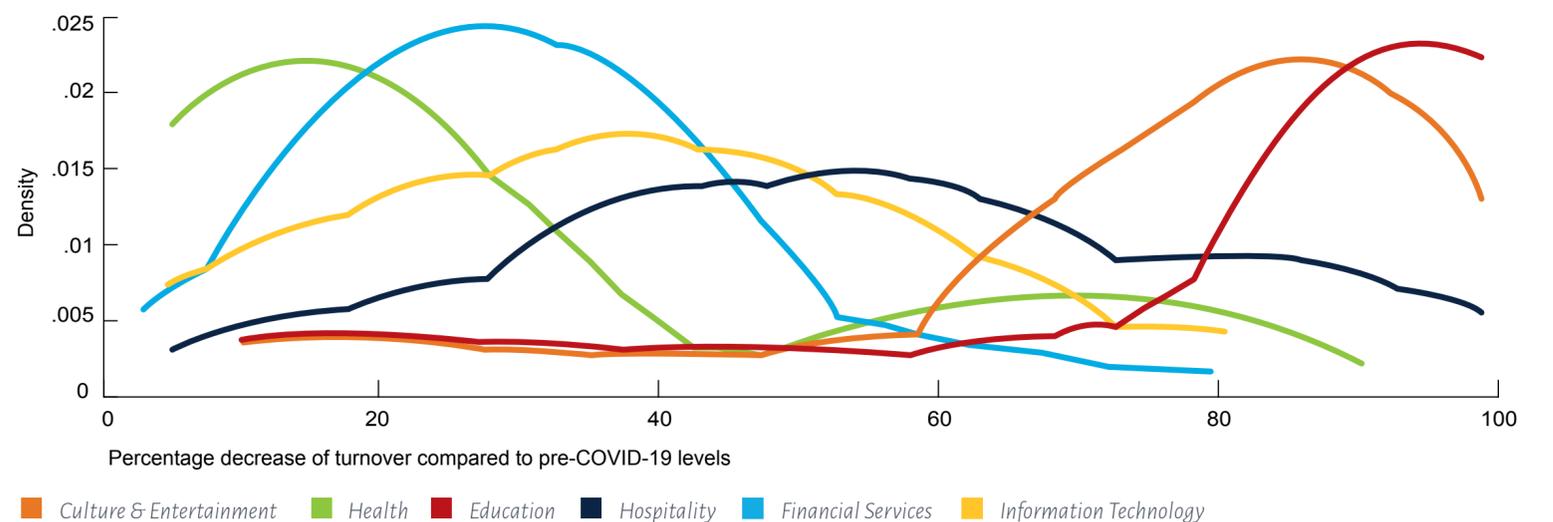
encountered a decrease in turnover, some sectors were more affected than others (Table 1). The health and IT sectors saw opportunities emerge due to the need for medical supplies and services as well as a shift towards digital tools and solutions during the pandemic.

Even though most businesses were negatively affected, an in-depth analysis reveals strong differences in the magnitude of the decrease in turnover across sectors. The density functions in Figure 1 visualize the distribution of reported decreases in turnover by sector². Each colored line represents a sector, while the height of the line shows the density, or frequency, of observations around certain turnover decrease percentages.

For example, a line that peaks around 50 on the horizontal axis shows that most businesses in that sector reported a 50 percent decrease in turnover compared with the pre-COVID-19 situation. More generally, businesses in sectors that peak towards the left side of the scale (meaning that observations are clustered around low percentage turnover decreases) were less strongly affected than sectors that peak on the right side of the scale, which represents clusters of MSMEs with high percentage turnover decreases.

Overall, the results confirm that sectors with proportionally more negatively affected businesses also experience more significant decreases in turnover.

Figure 1. Sectoral Dimension of the Decrease in Turnover in Côte d'Ivoire, Kenya and Uganda²



² Data points were only reported for Côte d'Ivoire, Kenya and Uganda, and only businesses that reported a shortfall were included to gauge the strengths of these reductions. Figure 1 depicts the distribution of the decrease in turnover for key large sectors. The remaining sectors were excluded from this graph for better visibility.

For example, the strength of decreases in turnovers was relatively modest for businesses in the health and financial services sectors, where most businesses report decreases in turnover of around 20 to 40 percent.

The reduction in sales was far more severe in the entertainment and education sectors where the largest proportion of businesses reported decreases of more than 70 and 80 percent compared with 2019. These results can be explained by the extent to which certain sectors were affected by government interventions, for example through closures of educational facilities and bans on public gatherings that prevented businesses from operating at high capacity.

The IT and hospitality sectors are both somewhere in the middle. In the IT sector, most businesses experienced lower turnovers of 20 to 60 percent, and in the hospitality sector turnovers generally decreased by 30 to 70 percent.

Financial Shortfalls: Pandemic Caused Fall in Loan-Repayment Capacity

Regarding liquidity, the impact is more uniform across countries. Three quarters of all surveyed businesses reported that they faced problems with financial liquidity at the time of the survey. The numbers barely differ by gender of business owner, formality of the enterprise, or location, and remain within bounds of +/- 10 percentage points of 75 percent across country samples.

The largest differences can be found when analyzing the sectorial dimension, where findings are mostly aligned with changes in turnover. Sectors with more businesses experiencing a decrease in turnover since the beginning of the crisis are also more likely to have more businesses reporting financial shortfalls.

Decreases in turnover not only resulted in immediate financial shortfalls for MSMEs, but affected their ability

to repay loans. In 2019, 59 percent of surveyed MSMEs reported having a loan. Of this group, 71 percent of enterprises were always able to repay their loans. In Figure 2, the ability to repay loans on time before the pandemic is compared with the situation during the pandemic when interviews were conducted.

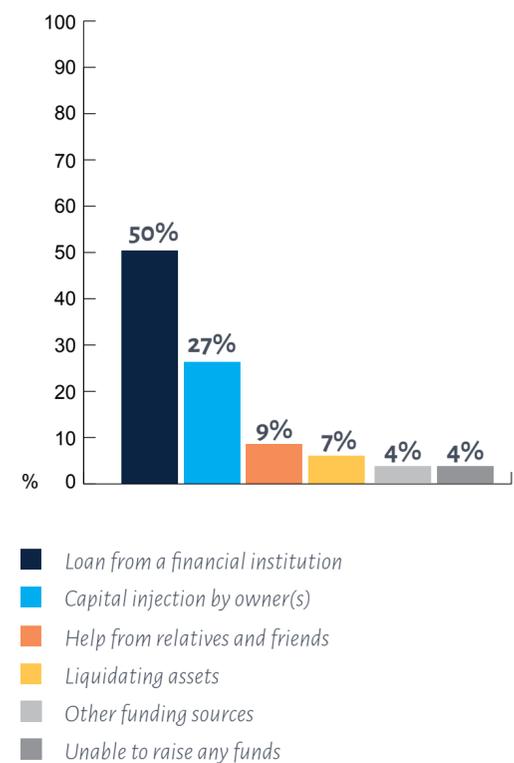
As the graph shows, only a subset (17 percent) of the group was always able to repay on time in 2019 and still had sufficient cash flow to repay loans during the pandemic. During the pandemic, a majority of MSMEs indicate that their loan was either overdue, being restructured, or that they needed access to additional funding. The graph also shows that almost all of the MSMEs that sometimes repaid late before the pandemic, were also experiencing insufficient cash flows to repay their loans during the pandemic³.

Of all MSMEs with a loan before COVID-19, 17 percent of enterprises said they had sufficient cash flow to repay loans during the pandemic (compared to 71 percent prior

to the pandemic). However, repayment capacity differed by sector. It stands out that relatively large proportions of MSMEs in the IT (36 percent) and agricultural sectors (32 percent) reported sufficient cash flow, whereas this proportion is lowest for enterprises in the education sector (4 percent). Almost two thirds (63 percent) of the firms in the health sector did not have a loan to repay.

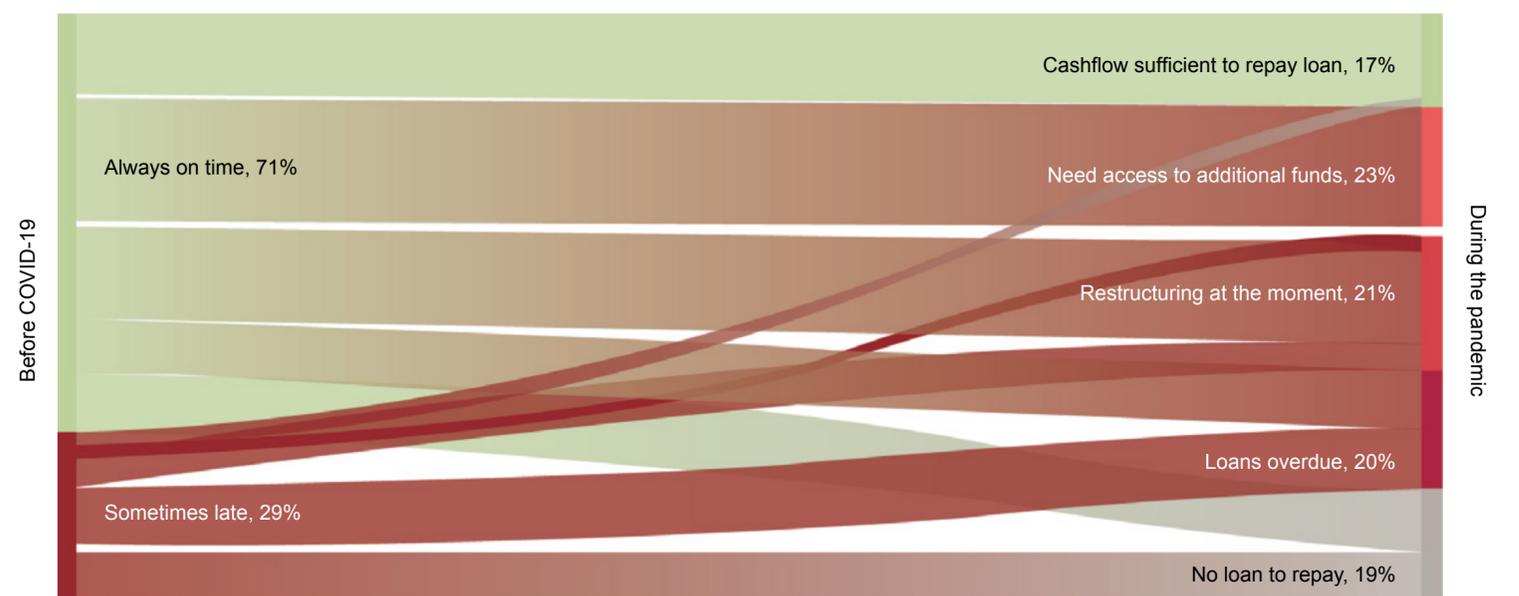
Overall, surveyed MSMEs sourced funding either from financial institutions or through capital injections from the business owner (Figure 3). While the proportion of businesses receiving bank loans increases by business size, the trend is reversed across businesses drawing on their owners' capital injections. Moreover, registered businesses are far more likely to draw on bank loans while informal businesses reported drawing more on family and friends, or being unable to raise funds.

Figure 3. Sources of funding, (% of MSMEs)



³ MSMEs that did not have a loan in 2019 have been excluded from this graph.

Figure 2. Repayment capacity before COVID-19 vs. during the pandemic³, (% of MSMEs)



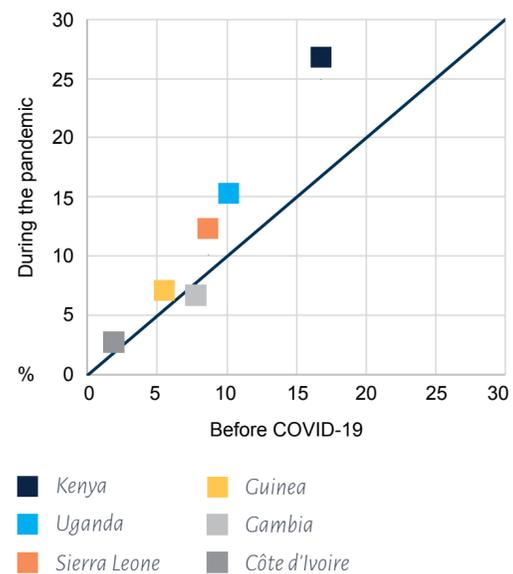
03

Crisis Response and Future Planning Changing How Business Is Done

Figure 4. Usage of digital tools and solutions by country

Country	Proportion of digital users	Most used for
Kenya	84%	Payments (59%)
Uganda	66%	Payments (33%)
Sierra Leone	52%	Marketing (45%)
Guinea	43%	Payments (19%)
Côte d'Ivoire	38%	Marketing (14%)
Gambia	36%	Marketing (26%)

Figure 5. Sales generated online: before COVID-19 and during the pandemic by country



The impact of the pandemic has forced businesses to change how they operate in many ways, both temporarily and permanently, across all six countries. One visible change has been the physical location of business activities. Around 70 percent of the surveyed MSMEs describe themselves as customer-facing, and only a few enterprises work exclusively online. However, the pandemic required 18 percent of MSMEs to change to home-based work and a small group of businesses (6 percent) was forced to change the premises in which they work.

Digital Tools and Solutions: East Africa Continues to Lead in Digital Adaptation

One of the strategies adopted by MSMEs in response to lockdown restrictions, that limited physical and geographical movements, has been to increase the usage of digital channels in business operations. Figure 4 shows that the usage of digital solutions differs greatly between countries, and a West Africa vs. East Africa divide can be observed. Across countries, digital channels are mostly used for (online) payments and (online) marketing.

A large proportion of MSMEs have already integrated digital channels in their business operations, and it is likely that adoption of technology was further stimulated by COVID-19. However, 47 percent of respondents across the six countries said they did not use digital solutions in response to the challenges brought by the pandemic. So, there is still a large potential for growth.

The level and growth rates for sales generated online also differ per country. Figure 5 shows that interviewed MSMEs from Kenya generate a substantially higher proportion of sales online than enterprises from the five other countries. In addition, Kenyan enterprises reported stronger growth rates compared with their counterparts in other countries. The growth rate was positive for most other countries, but much smaller.

On average, the survey findings show that the percentage of sales generated online is low in absolute terms both before and during the pandemic. Before the pandemic, this sample's MSMEs generated 9 percent of all sales online. During the pandemic, the percentage increased to 11 percent on average, which represents a growth of 32.7 percent. The levels of digital sales are higher in the two East African countries (Kenya, Uganda) than in West Africa.

The level and growth rates of sales generated online differ greatly by sector, as shown in Figure 6. The proportion of sales generated online increased in all sectors during the pandemic, except for the education and entertainment sectors – both of which were largely forced to close operations, at least temporarily⁴.

The IT-sector, perhaps unsurprisingly, was best able to digitally leverage the pandemic with an increase in online-generated sales of 89 percent. Other sectors with strong online growth were the hospitality (56 percent) and agriculture (52 percent) sectors. When considering business size, it appears that medium-sized enterprises sell more online than smaller-sized enterprises both before and during the pandemic.

Figure 6. Sales generated online: before COVID-19 and during the pandemic by sector



Risk Mitigation: Crisis Raises Risk Awareness and Fosters Contingency Planning

The survey asked the MSMEs what risk-mitigation mechanisms they use to deal with the consequences of the pandemic and to better prepare for future crises. Almost all MSMEs reported a plan to act, and for 55 percent of enterprises a first step is to create a business continuity plan. Secondly, 42 percent of all MSMEs plan to diversify business activities. One third of businesses also strive for improved cash-flow management (Figure 7).

Hence, a majority of surveyed MSMEs are planning to strengthen, expand and improve businesses as a result of the pandemic. They are, however, often reliant on external advice, whether formal or informal, on how to better operate their businesses.

Business Advice: Financial Institutions Play a Key Role

For all surveyed MSMEs, financial institutions are the primary source of business advice. Financial institutions are followed by family and friends, entrepreneurial networks, and business associations (Figure 8). There are, however, stark differences between male and female business owners and between the sizes of enterprises.

Figure 9 shows that overall, male-owned businesses turn to fewer sources of business advice than female business owners. Second, it stands out that women-led MSMEs turn more often to family, friends or entrepreneurial networks for advice than male-led MSMEs. The latter might be driven by the size of enterprises since larger businesses, to a greater extent, turn to financial institutions for business advice, while smaller businesses primarily rely on family or friends. Women-owned businesses are generally smaller in size than male-owned businesses.

Figure 7. Top 4 planned risk mitigation actions by MSMEs, (% of MSMEs)

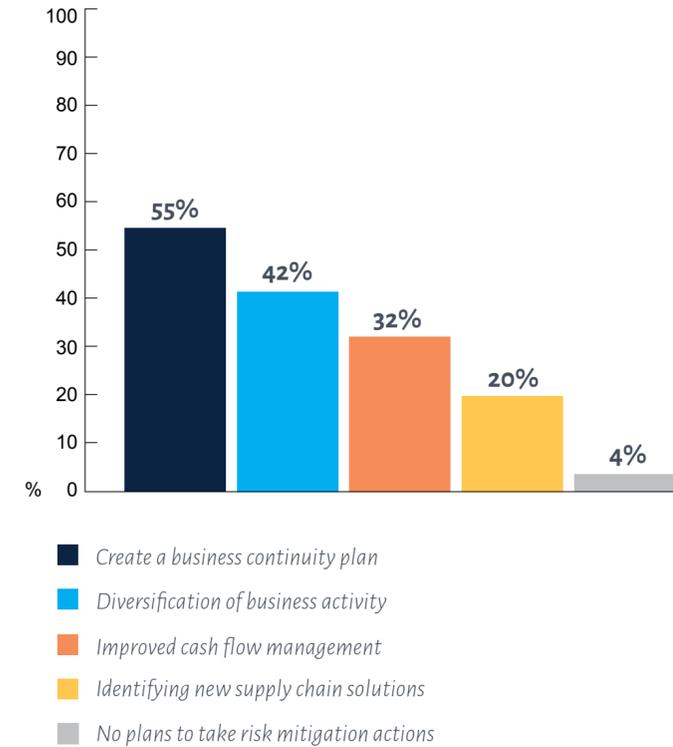


Figure 8. Sources of business advice for MSMEs, (% of MSMEs)

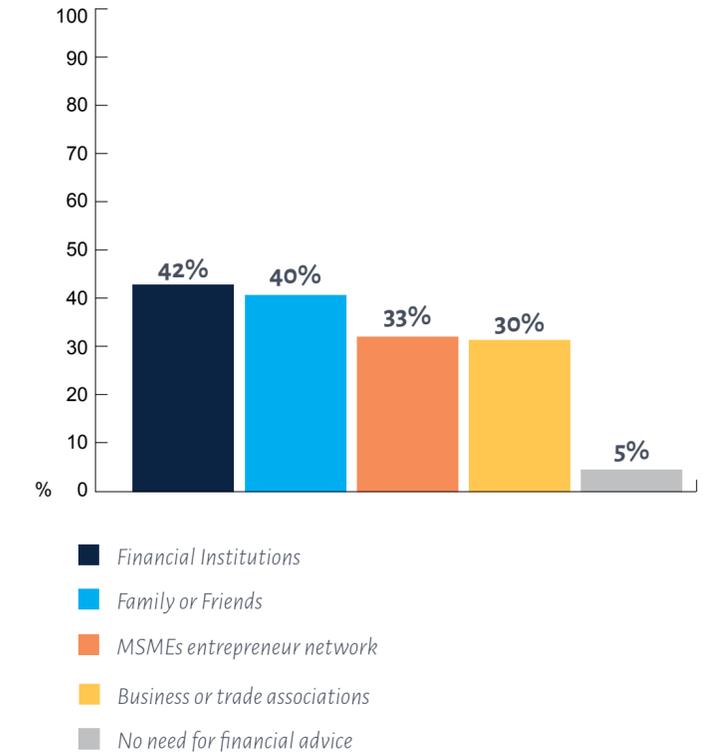
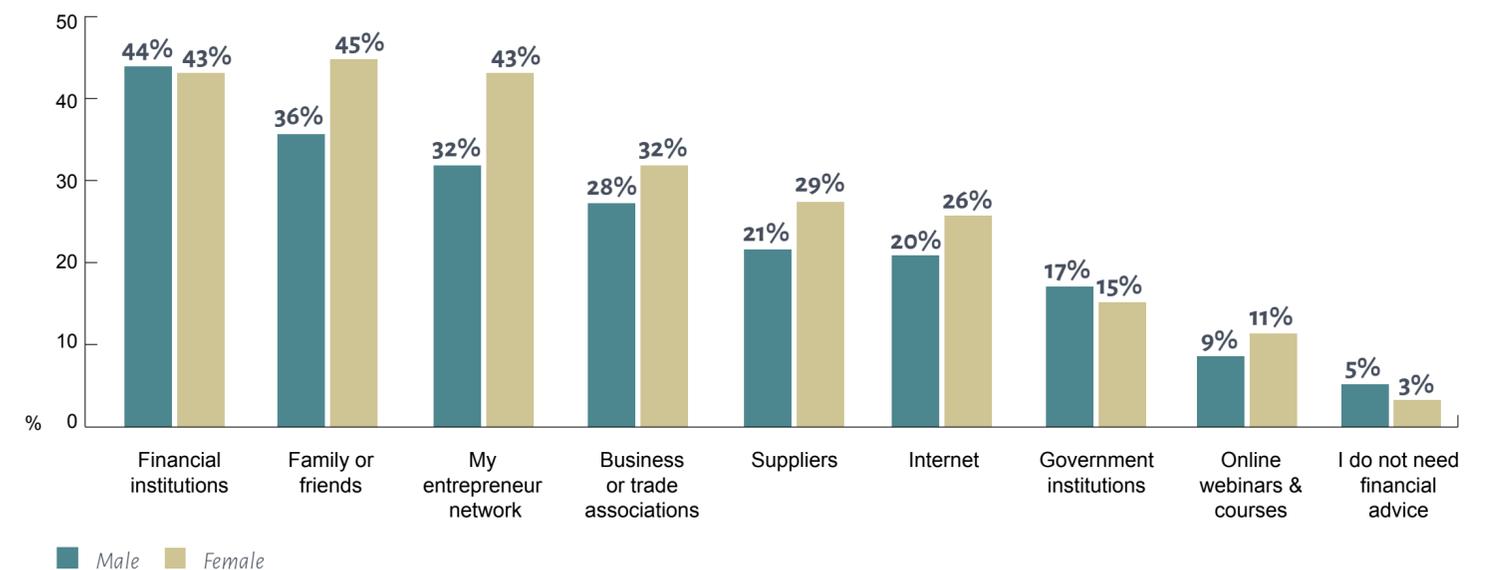


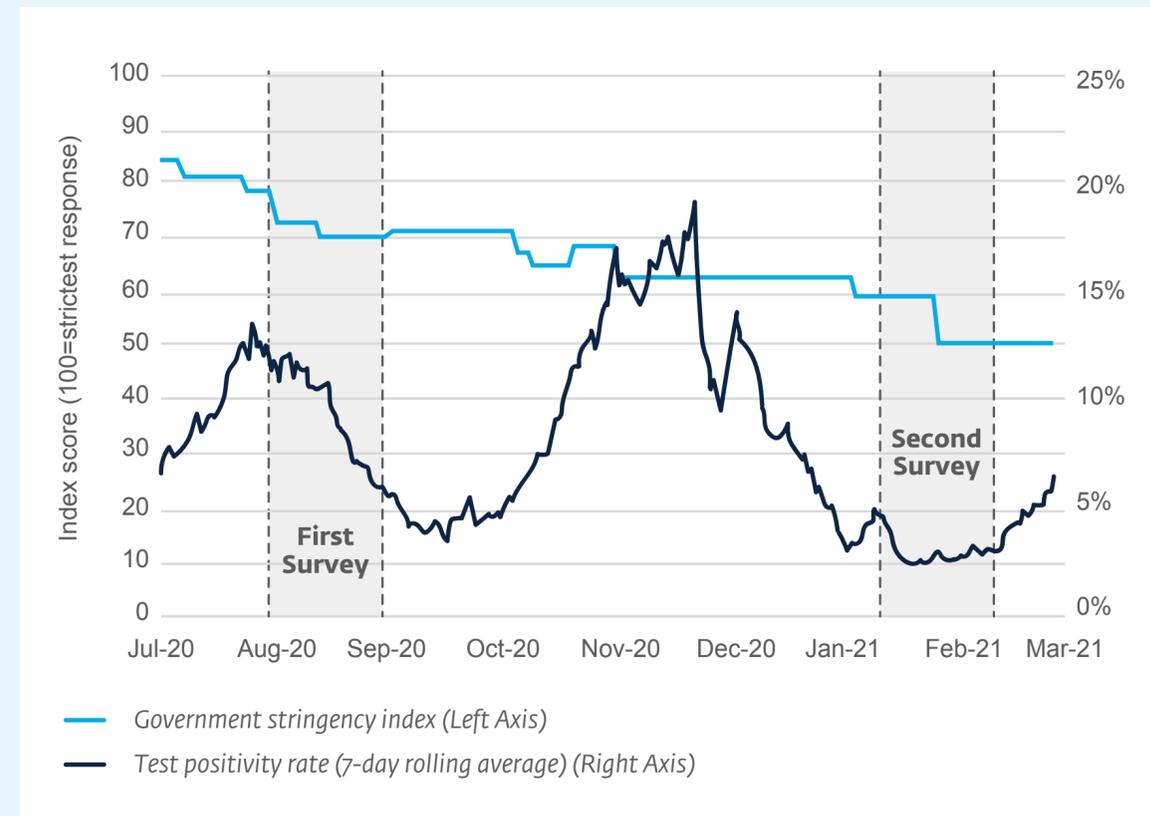
Figure 9. Sources of business advice by gender of business owner (% of MSMEs)



Spotlight:

COVID-19 and Business Outlook over Time, Kenya

Figure 10. COVID-19 in Kenya: COVID test positivity rate⁶ and government restrictions⁷



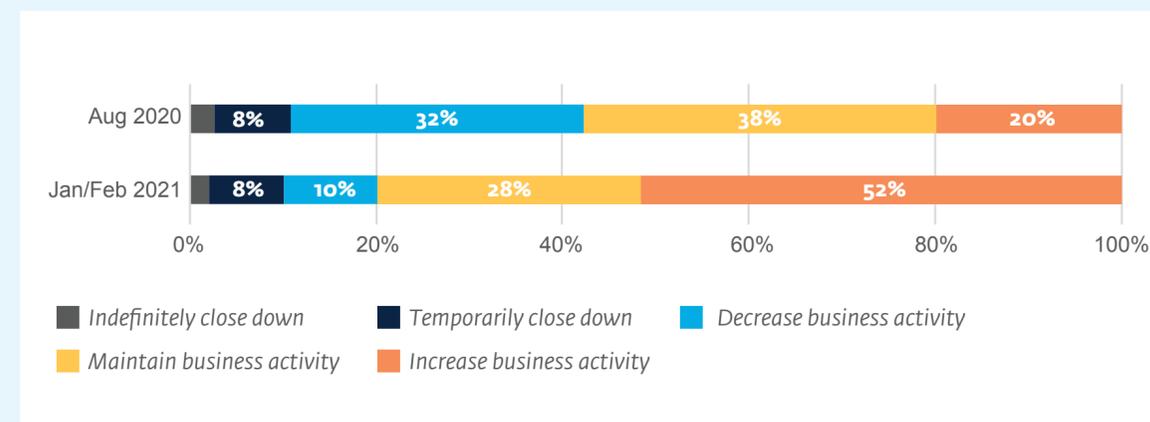
Data from two survey rounds conducted by IFC in Kenya shed light on how business expectations of MSMEs have changed over the course of the pandemic. While a first round of interviews was conducted in August 2020, starting at the peak of the first wave of COVID-19 cases in the country, a second round was conducted in January and early February 2021, when the number of daily confirmed cases was comparatively low after the end of Kenya’s second wave.

Figure 10 shows the percentage of positive tests⁶ as an indicator of the severeness of the COVID-19 situation (dark blue line) as well as the Government Stringency Index⁷ that proxies the restrictiveness of government policies in reaction to the pandemic with a value of 100 being the strictest response (light blue line).

Comparing the results of the two surveys suggests that the severeness of the COVID-19 situation influences business expectations. The upper panel in Figure 11 shows data from the first survey, conducted in a period of a comparatively bad COVID-19 situation and more restrictive government policies. Business owners then reported a relatively pessimistic business outlook. More than 40 percent expected to be forced to further decrease volumes or even close over the next three months. Only 20 percent expected an increase in business activity.

The lower panel shows results from the second survey. Though only five months apart, the differences in outlook are stark. More than half the business owners expected to increase business volumes over the upcoming three months, and the majority of the remaining businesses reported to be at least able to maintain volumes. These findings of a more optimistic business outlook are persistent across all interviewed sectors when comparing results from the two survey rounds.

Figure 11. Business expectations over time in Kenya



⁶ Note: Data retrieved from ourworldindata.org.

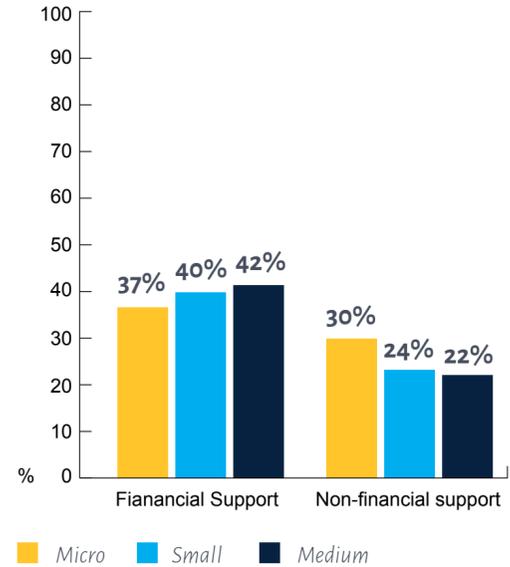
⁷ Thomas Hale, Noam Angrist, Rafael Goldszmidt, Beatriz Kira, Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). “A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker).” *Nature Human Behaviour*.

04

Financial and Non-Financial Needs

More to Do Going Forward

Figure 12. Support received by business size



Confronted by the challenges of dealing with the impact of the pandemic, MSMEs needed support. In the survey countries, governments have generally employed some extra measures to limit the damaging impact of the pandemic on the economy and, in at least some of the countries, governments have put in place measures specifically to support MSMEs through the crisis. The survey shows that MSMEs have also turned to their financial institutions for rescue and guidance.

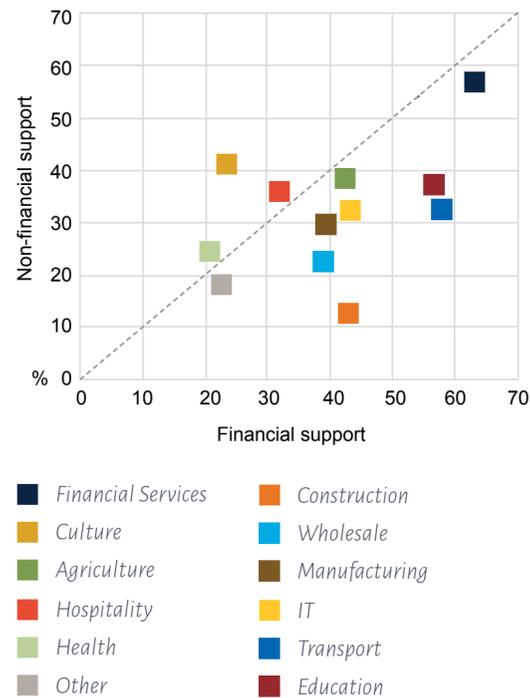
Secondly, there are two trends with regards to the size of businesses that received support or not. Figure 12 shows that larger enterprises were more likely to receive financial support, while smaller enterprises were more likely to receive non-financial support. A potential reason for the former is that the proportion of businesses with loans also increases by business size. The latter may be because smaller businesses have lower internal capacity for areas typically covered by non-financial support than medium-sized enterprises, and therefore have a higher demand for this.

Future Support: MSMEs Require Both Financial and Non-Financial Services

A large majority of surveyed MSMEs, 86 percent, indicate that they require (further) support from their financial institutions as they navigate the continued pandemic. Of the enterprises that already receive support from a financial institution, nearly all indicated that they need further support (96 percent).

It appears, however, that there are significant differences between sectors in terms of support required. For example, the proportion of businesses in the health sector requiring financial support is lower than many other sectors. In general, the levels of non-financial support required are considerably lower than for financial support.

Figure 13. Type of support received by business sector, % of MSMEs that received support



Support During COVID-19: Type of Support Varies by Business Size

Around half of the interviewed MSMEs (51 percent) had received support from their financial institution at the time of the survey. Of these, 39 percent received financial support, and 26 percent received non-financial support. This means that a substantial number of businesses had also not received support from their financial institution yet.

Thirdly, the data shows that a higher proportion of MSMEs with female business ownership received both financial (43 percent) and non-financial support (42 percent) than male business owners (38 and 23 percent, respectively). The difference in non-financial support could be the result of efforts of financial institutions to target women-owned MSMEs specifically or linked to business size.

Which enterprises received support, and which did not? Firstly, a strong country effect can be observed. MSMEs in Kenya and Uganda were much more likely to have received support from a financial institution than their counterparts in Western Africa. This could potentially be explained by the ability of financial institutions to support their clients, but it could also be the case that certain economies were hit harder than others by the pandemic, creating a more urgent need for support.

The level and type of support received by MSMEs during the pandemic also differed by sector, as shown in Figure 13. MSMEs in the financial sector were most likely to receive support of either kind, while for most sectors financial support has been more common than non-financial support. The health sector received the least amount of financial support, and MSMEs in the construction industry the least amount of non-financial support.

05

Conclusion & Recommendations

The countries surveyed by IFC for this study all have vibrant entrepreneurial business communities with micro, small and medium sized enterprises driving innovation, economic growth, and employment.

While the series of COVID-19 business impact surveys conducted by IFC show that MSMEs are remarkably resilient to the impact of the crisis in many ways, it is equally clear that a majority of such businesses require support to recover and rebuild for the future. Government rescue programs are crucial in these circumstances, but there is also much that financial institutions can do to support their clients and potential clients.

For many financial institutions, now is a good time to review the MSME business to strengthen current portfolios and to explore the future. Financial institutions that most successfully serve MSMEs offer well designed and appropriately priced products and services tailored to the needs of different segments. They include a degree of automation to run efficient operations and introduce new digital channels to reach MSMEs where its most convenient. Such providers also build strong credit underwriting skills to ensure portfolio quality, including the use of data-driven, alternative credit scoring methodologies.

Some key recommendations include:

i. Addressing the quality and accessibility of credit information will support the ability of financiers to assess MSME's creditworthiness.

Lack of traditional and alternative credit information makes scoring of credit applicants difficult, which adds to the real and perceived risk of lending to MSMEs. Similarly, collateral is a key barrier for MSMEs to access financing. Finding alternatives to traditional lending based on fixed collateral opens new possibilities for financial institutions to expand the segment.

- Adopt and use alternative data for credit decision making and portfolio performance monitoring through the digitization of MSMEs and development of alternative data scoring models.
- Develop asset-based lending products such as invoice discounting and leasing.
- Work with central banks and the credit information infrastructure actors to increase awareness and usage of credit bureaus and collateral registries among existing and potential MSME clients.
- Support the implementation of cash-flow-linked agriculture risk assessment solutions for efficient assessment of agriculture lending risks that enable expedited lending decisions.
- Leverage fintech and innovative technology tools to support the development or deepening of secondary markets for movable assets (i.e. marketplace platform - mobile and web application); capacity building; marketing and consumer awareness.

ii. Increasing innovation and efficiency in MSME delivery models will reduce cost of serving the MSME sector.

High operational costs and inefficiencies prevent financial institutions from effectively serving the MSME market. Inefficiencies can be addressed along the customer journey, from marketing to loan repayments.

- Explore non-traditional delivery channels and distribution arrangements and look at reaching MSME market through agent, electronic and mobile banking. This may include collaboration or partnerships with fintechs or other non-traditional market actors.

iii. Developing tailored financing products for MSME market segments can improve reach and sustainability.

MSME product offerings are generally still quite standard with limited segmentation, particularly for women entrepreneurs and the agricultural sector. There is a need to design and implement new products based on market needs.

- Develop tailored products and offerings for MSMEs, for both assets and liabilities offerings, as per the needs of key segments.

iv. Addressing informality will support access to finance for MSMEs as well as revenue collection for the government.

The large number of informal enterprises in the MSME sector are often not banked and do not keep proper record-keeping processes in the form of financial accounts or audited financial statements. As a result, loan origination and assessment processes are costly or unviable. This is especially true with micro-entrepreneurs.

- Work with public authorities, business associations and other relevant stakeholders to inform existing and potential MSME clients on the benefits of formalization.

v. Improving offerings of non-financial services is crucial for MSMEs to access funding to grow their businesses.

While many African markets have vibrant entrepreneurial business communities, there is a need for quality business services to support small-scale entrepreneurs to the next level. There is generally scope to improve the quality and depth of business development services available to MSMEs.

- Design appropriate non-financial services packages that will help to secure portfolios by building capacity of clients as well as serve as important marketing tools for financial products targeted at MSMEs.

06

How the Research Was Done

For this study, IFC conducted a standardized survey in collaboration with 20 financial institutions across six countries in Sub-Saharan Africa: Côte d'Ivoire, Gambia, Guinea, Kenya, Sierra Leone, and Uganda. The purpose of the survey was to gauge the impact of the pandemic on banked MSMEs. Surveys were conducted through financial institutions, with relationship managers interviewing MSME customers in person or via phone. Data was collected between July 2020 and September 2020.

A total of 1,454 MSMEs were surveyed. All were clients of banks participating in the survey, and the sample therefore represents a sub-group of selected banked MSMEs that are not representative of all MSMEs per country. For all statistics presented in this note (in the text, tables and figures) weights were used to adjust for imbalances in sample sizes across the six study countries.

Based on the IFC definition of MSMEs, in which size is defined by the total number of employees, 43 percent of businesses in the sample were micro enterprises, 43 percent were small enterprises, and 12 percent were medium-sized enterprises (Table 2). The remaining 2 percent were large enterprises. Most businesses were male-owned (80 percent), and the percentage of female business owners decreased by business size.

Most surveyed MSMEs were in the wholesale and retail trade sector, representing one third of the sample. The second largest sector was the construction industry, with the remaining half of the sample split between a number of sectors. The variety of sectors represented in the sample allowed for a sector analysis of the survey results.

IFC definition of MSMEs

An enterprise qualifies as a micro, small or medium enterprise if it meets two out of three criteria of the IFC MSME Definition (employees, assets and sales), OR if the loan to it falls within the relevant MSME loan size proxy.

Table 2. The IFC definition of MSMEs

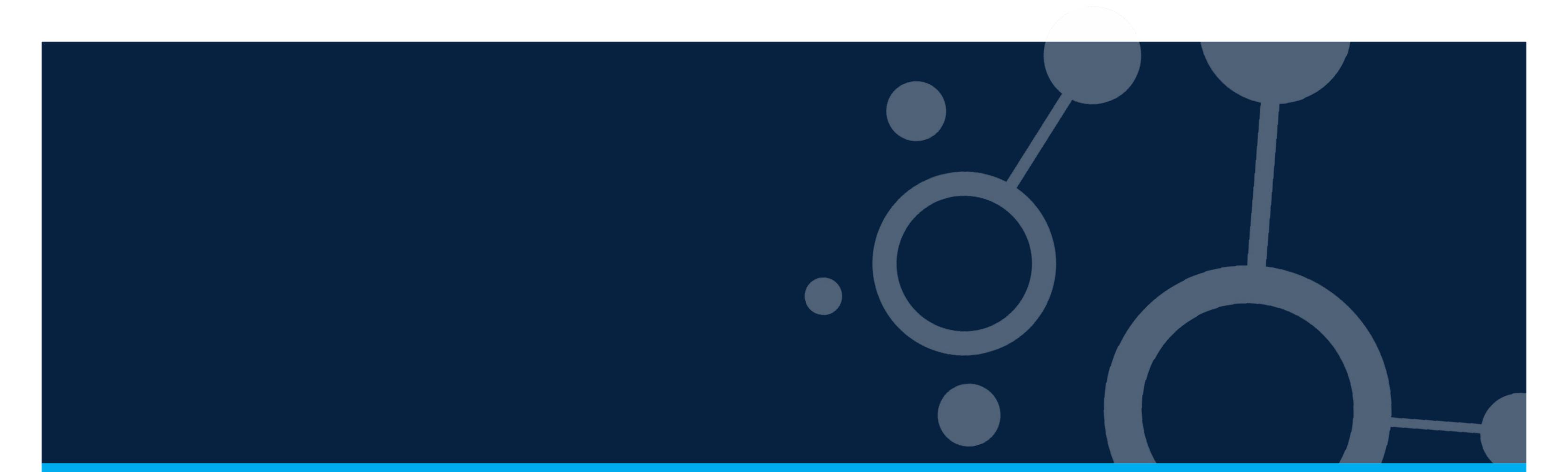
Indicator/Size of Enterprise	Micro Enterprises	Small Enterprises	Medium-size Enterprises
Employees	<10	10<50	50-300
Annual turn-over (USD)	<100K	100K-3M	3M-15M
Total Assets (USD)	<100K	100K<3M	3M-15M
MSME loan size proxy	<10K	10K-100K	100K-1M or 2M

Acknowledgements

This research study was supported by the Foreign, Commonwealth & Development Office (FCDO). The research was conducted by Sten te Vogt, Tim Ferber, Sinja Buri and Soren Heitmann of IFC's Applied Research and Learning team, a part of IFC's Financial Institutions Group Africa. The team would like to extend special thanks to Amena Arif, Alexandra Celestin, Charlotte Ndaw, Dan Kasirye, Jose Gnanon, Wael Makki, Vivian Owuor, Sanjay Kalpage, Serge Guy, Haggai Ogega, Winnie Mengech, Niklas Murken, Anna Koblanck, Lisa Johnston and Elena Franchi at IFC for their valuable input and feedback during the project and for this publication.

Acronyms

	DEFINITION
COVID-19	Coronavirus disease 2019
IFC	International Finance Corporation
IT	Information Technology
MSMEs	Micro, Small and Medium Enterprises



IFC Market Bites

Market Bites is a series of reports based on comprehensive market assessments conducted by IFC's Financial Institutions Group to provide market knowledge and support financial inclusion in Africa. This particular report is also part of a series of research reports on the impact of COVID-19 on MSMEs in a number of African countries, the Navigating through COVID-19: Country Snapshots on how the pandemic affected MSMEs in the Middle East and Africa. Separate country reports on each of the countries mentioned in this report are available [online](#).

www.ifc.org

Contact

IFC Financial Institutions Group

Sanjay Kalpage
Senior SME finance specialist
skalpage@ifc.org

IFC Applied Research & Learning

Soren Heitmann
Program Lead
sheitmann@ifc.org