COVID-19 and MSMEs: Data and Analysis to Understand Impact
METHODOLOGY NOTE

Project Overview

As COVID-19 spread across the globe in early 2020, it quickly became evident that government restrictions meant to limit the pandemic would cause a global economic slowdown. As consumer demand evaporated in response to government lockdowns, there was significant concern that the impact on micro, small, and medium enterprises (MSMEs) – one of the prime contributors to economic growth and employment in emerging markets – would be devastating. Unfortunately, in many emerging markets there were few systemized ways to collect data on MSMEs' experience in normal times let alone during a pandemic. Without data, it would be impossible to understand the extent to which COVD-19 had disrupted the livelihoods of MSME operators and how they were coping in response. In turn, it would be more difficult for financial service providers (FSPs), investors, governments, and other stakeholders to craft effective responses to the crisis.

The Center for Financial Inclusion's (CFI) research on the financial health of MSMEs during COVID-19 aims to fill that data gap and ensure these stakeholders have visibility on MSME wellbeing in order to address their needs. To that end, in May 2020, CFI launched a six wave, longitudinal survey in four countries: Colombia, India, Indonesia, and Nigeria. In each country, CFI is surveying MSME clients at one financial institution participating in Accion's partnership with Mastercard every other month for one year. This document describes the methodology being used throughout the six waves and includes notes about implementation for the first survey was specifically.

Methodology

Research Questions
CFI asked research questions that would allow it to validate hypotheses on business performance in the face of COVID-19, namely:

◊ How has business performance and practice changed since COVID-19 began?

◊ Which MSMEs are shuttering operations and why?

◊ What strategies are operational businesses using to cope with COVID-19?

◊ What financial services are MSMEs using? Can financial assistance be quickly delivered through these channels?

◊ How are changes in MSME owners' livelihoods impacting household well-being?

Survey Instrument
The first wave survey instrument aimed to establish a pre-pandemic baseline against which post-pandemic responses could be compared, allowing CFI to see the acute impact of COVID-19. For instance, the survey collected data on the largest number of individuals employed by an MSME, trends in profit, and financial tool use in the year before and months since COVID-19 reached each country.

Where possible, CFI adapted questions from vetted survey instruments, including the Global Findex, World Bank Enterprise Survey, and from CFI's MSME financial health framework. In addition, in some instances, CFI asked the same question in multiple ways in order to triangulate a response. For example, recognizing the low rate of formal record keeping among MSMEs, CFI asked entrepreneurs how they measured their success and to report on changes in that indicator in addition to changes in profit.

Business Description	Income and Profit	Resilience Strategies	Financial Tools	Household Well-Being	Business Closures
Primary business Number of employees (Pre vs Post COVID) Financial tools (Pre vs Post COVID)	Success indicator(s) and change (YOY, Pre vs Post COVID) Best estimate for profit and change (YOY, Pre vs Post COVID)	Inventory management Operations (hours, employment) Access to capital Switch to new channels (digital, delivery)	Savings Insurance Cash Transfers Borrowing	Meeting Expenses Available Funds Food Security	Closure reason Confidence in restart New business if any

Sampling

CFI balanced several competing elements when it developed its sampling approach: the need for a sample size that would yield estimates with a small margin of error; the resources available to conduct the survey; partners' ability to identify and sensitize respondents in a sample frame; and the potential for attrition during a remote, yearlong study during a pandemic.

To balance these elements, CFI's sampling strategy relied on creating a large, baseline cohort drawn randomly from a sample frame, described in detail below, within each country. The baseline sample for the first wave of surveys, ranging in size from 601 respondents in India to 801 respondents in Colombia, was large enough to account for attrition through subsequent waves. In the second wave, 400 randomly selected respondents from the first wave will be re-interviewed. In the third wave, those same 400 respondents will be contacted again; however, if a respondent drops out of the panel, enumerators will randomly select a replacement from the first wave. That individual would also be interviewed in subsequent survey rounds. This approach will continue through each of the six waves.

Sample Frame

The parameters for CFI's sample frame in each country were developed in conjunction with its FSP partners to develop a representative frame that was also practical for FSPs to provide. A summary of FSPs, their clientele, and the agreed upon sample frames can be found in Table 2.

TABLE 2

Sample Frame

	Colombia	India	Indonesia	Nigeria
FSP Partner	CÍVICO	Basix Sub-K	Bina Artha Ventures (BAV)	Accion Microfinance Bank (AMFB)
FSP Overview	CÍVICO provides MSMEs in Bogotá, Colombia; Mexico City, Mexico; and Santiago, Chile with a platform to connect with local customers as well as business information and payment services. CÍVICO also provides merchants with electronic payments, e-commerce, business education in digital marketing techniques, coupons and loyalty programs, as well as bookkeeping techniques.	Operating in 26 states across India, BASIX Sub-K's mission is to provide a technology-enabled financial platform for India's unbanked and underbanked populations. The company offers digital finance solutions (e.g., credit, savings, and payments) by partnering with 12 banks, nationwide, through an agent-assisted model.	BAV serves clients through an extensive network of 330 branches across peri-urban and rural regions of Java and Sulawesi. BAV offers micro-entrepreneurs, the majority of whom are women, with group and individual lending products meant to grow their businesses and improve their financial well-being.	AMFB provides loans and savings products to low-income customers, many of whom are microentrepreneurs running small businesses, such as retail shops, in urban and peri-urban settings. AMFB has 130 locations across the country with the bulk of its operations and headquartered in Lagos.
Client Base	~30,000	11,135 (MSME Clients Only)	386,495	50,000
Geographic Focus	Bogotá (Note: CÍVICO only has operations in major urban centers).	Andhra Pradesh New Delhi Rajasthan Telangana (Note: Roughly 83% of all Sub-K's MSME clients live in these states)	Java Sulawesi Sumatra	Lagos (Note: Roughly 67% of AMFB's clients are based in Lagos).
Inclusion Criteria	No specific inclusion criteria.	Sub-K opted to limit the sample frame to clients with at least 12 loan installments remaining.	No specific inclusion criteria.	AMFB opted to have loan officers go through their client lists and include clients that were actively engaged with the bank and willing to receive loan officers. This decision was made to help minimize the level of outreach needed by AMFB staff.

Sampling Method

The sampling method in each country followed approximately the same process:

1. FSP partners drew a randomly selected set of clients from the sample frame. The number of clients in the contact list was based on the targeted number of respondents in the first wave, the likely response rate, and projected attrition through the six waves.

2. FSPs sensitized each client on the randomly selected list. Sensitization methods varied between partners, with some opting for SMS messages and others using loan officers to make calls directly to clients (see Table 3).

3. After clients were sensitized, trained Kantar enumerators reached out to clients on these lists at random for phone interviews. Kantar attempted to contact each selected client three times before replacing that individual with another MSME owner from the contact lists.

TABLE 3

Sampling Method Summary

	Colombia	**India**	**Indonesia**	**Nigeria**
Sensitization Method	SMS	Loan officers called in conjunction with Kantar enumerators.	SMS	Accion Microfinance Bank (AMFB)
Size of Client Pool	3,302	623[1]	2,419	1,213
Sample Size	801	601	730	737

Survey Implementation

The surveys were led by trained enumerators in each country. Due to COVID-19, the survey was administered using computer-assisted telephone interviews (CATI). Prior to full deployment of the survey, enumerators conducted a pilot to screen for any necessary country-specific adaptations. Enumerators were able to offer several accommodations to interviewees to promote successful interviews, including scheduling an appointment to begin the interview and the ability to start the interview and finish it at a later, mutually agreed upon time. Additionally, enumerators offered a small incentive – typically an airtime credit – to respondents who successfully completed the survey. To limit attrition, enumerators also received permission to contact respondents in future waves and collected alternative contact information for them.

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[1] The size of the client pool is much smaller in India compared to the other markets because of the sensitization method used there. Rather than providing Kantar with a contact list in other markets, Sub-K loan officers used randomized client rolls to contact MSME owners; thus, there was not a defined client list as with other markets.