Impact of COVID-19 on Micro-Retail Businesses

PAYED III, MAY, 2020
Summary of Findings

**STATE OF THE BUSINESSES**

- **27%** of businesses had closed temporarily as a result of the crisis and **1.8%** closed permanently.

**EMPLOYEES**

- **23%** of businesses had suspended their employees.

**REVENUES**

- **-41%** decrease in daily revenues, comparing May 2020 to pre-COVID-19 figures.

**CUSTOMERS**

- **-38%** decrease in the number of daily customers frequenting the outlets, comparing May 2020 to pre-COVID-19 figures.

**CHALLENGES**

- **57%** reported low sales as the biggest challenge they were facing.

**CONCERNS**

- **28%** indicated that if the crisis continued, they are at risk of closing their businesses permanently.
Content

- About the PAYED program
- About the survey
- Overview and summary
- Methodology
- Summary of findings
- State of the businesses
- Employment
- Customers
- Revenues
- Fast moving products
- Cashless transactions
- Survival strategies
- Challenges
- Support required
- Concerns
- Conclusion
- Recommendations
About the PAYED Program

The PAYED program is being implemented in four African countries to reduce youth unemployment:

- Kenya
- Nigeria
- Tanzania
- Côte d’Ivoire

Working with the youth in the micro-retail sector, the program builds the capacity of these micro-enterprises by training them in financial management, marketing, supply chain, and inventory management.

The program supports linkages to finance, promotes adoption of digital technology for record keeping and inventory management, and builds sustainable linkages with key market actors in the ecosystem.

Since 2017, the program has worked with more than 3,600 micro-retailers.
About the Survey

As the impact of the COVID-19 pandemic grows, it is threatening the survival of micro and small businesses, especially in the developing countries.

Micro and small businesses form the backbone of emerging economies and, according to the International Labor Organization, generate approximately 90% of employment in Sub-Saharan Africa.

Furthermore, micro-retail outlets are an essential source of basic goods and services for vulnerable communities and serve as a vital link in food supply chains.

It’s against this backdrop that the PAYED program conducted a survey in order to gauge the impact of COVID-19 on micro-retailers, enable the program develop better strategies for supporting the micro-retailers, and spotlight the impact of the disruption on the micro-retail businesses.
Methodology

1. **The survey is to better understand** the challenges faced by micro-retailers during the COVID-19 crisis and how they are responding to growing economic uncertainties.

2. **The survey questions focus on** the impacts of COVID-19 on micro-retail enterprises in business operations, employment, customers, revenues, fast-moving products, cashless transactions, steps taken in response to the pandemic, challenges, and support required in the face of the crisis.
Impact of COVID-19 on Micro Retail Businesses

Methodology, cont.

1. Overall, 337 micro-retail program participants were interviewed in Nigeria (150), Kenya (82), Tanzania (54) and Côte d'Ivoire (51).

2. Structured questionnaire was administered by phone & entered into a mobile application (CommCare).

3. Data was compiled, coded, cleaned, and analyzed in MSEXCEL & SPSS statistical package.

4. Means, percentages, frequencies, graphs, and charts were used to help describe the findings illustratively.
# State of Businesses

27.3% of businesses are closed temporarily – and – 1.8% are closed permanently.

Nigeria is most affected with 54.7% of businesses closed, while Tanzania is least affected with 1.9% of businesses closed.

28% indicated that, if the crisis continued, they were at risk of closing their businesses permanently.

## State of the Businesses: Has Your Shop Closed?

<table>
<thead>
<tr>
<th></th>
<th>Summary</th>
<th>Cote D'Ivoire</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, operations still running</td>
<td>70.9%</td>
<td>84.3%</td>
<td>91.5%</td>
<td>45.3%</td>
<td>98.1%</td>
</tr>
<tr>
<td>Yes, temporarily stopped</td>
<td>27.3%</td>
<td>13.7%</td>
<td>4.9%</td>
<td>53.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Yes, permanently stopped</td>
<td>1.8%</td>
<td>2.0%</td>
<td>3.7%</td>
<td>1.3%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
Employment: Staff Suspended & Laid off

Share of businesses with paid workers who have laid off or suspended staff

- **30%** Kenya
- **28%** Nigeria
- **24%** Cote D'Ivoire
- **11%** Tanzania

23% of those businesses with employees had suspended their employees. This could create profound livelihoods challenges.

Sudden reductions in operating hours due to lockdown and restrictions reduced the enterprises’ business activities and labor requirements.

Without alternative income sources, employees will have no sustained livelihoods options.
There is a significant drop in the number of customers visiting micro-retailers each day.

Comparing data before February 2020 (before COVID-19) and May 2020, there was a 38% decrease in the number of daily customers.
Drop in Revenues

41% decrease in average daily revenue since COVID-19, from US $78.10 to US $45.90. This is largely due to measures put in place by governments to curb the spread of COVID-19.

These actions are likely to hurt the businesses, reducing their incomes and profitability and ultimately affecting the livelihoods of the retailers.
Accelerating Food Sales

61% of respondents indicated that the sale of food products accelerated the most during COVID-19 among items in the fast-moving-consumer-good category during COVID-19.

As many consumers stay and work from home, they are likely to increase spending on food items as they also spend more time on domestic tasks, including cooking and home improvement.
Introduction of Cashless Transactions

22% of respondents indicated that they had introduced cashless payments in their businesses, while 12% reported that they were in the process of introducing them.

Key payment tools are till number, pay bill number, direct phone payment, bank transfer, Masterpass, and post. The use of cashless transaction is rising as COVID-19 makes the use of physical cash less attractive.
Survival Strategies

In response to the disruption:

- **56%** of micro-retailers diversified sales channels
- **21%** diversified product offerings
- **4%** reduced number of employees
- **1%** rescheduled bank loans

Other steps taken to sustain businesses include reducing credit sales, lowering product prices, reducing purchases, and stocking FMCGs.
Challenges Faced by Micro-Retailers

The study revealed that micro-retailers are facing numerous challenges in keeping their businesses afloat, as 57% reported low sales as their major challenge. Other challenges include a shortage of supplies, lack of finance, increased product prices, high credit sales, loan repayment, and low customer traffic.

- Shortage of some supplies: 13%
- Other: 5%
- Low sales: 57%
- Loan repayment: 1%
- Lack of finance: 14%
- Increase in product prices: 8%
- High credit sales: 4%
The survey prompted retailers to share the type of support they would like to receive.

**The top answers were:**

- **40%** financial linkages
- **25%** business training
- **21%** COVID-19 awareness

37% indicated they considering engaging lenders to access credit, suggesting that additional business training, linkages, and technical support are required.

**Do you need to engage lenders?**

- **37% Yes**
- **63% No**

**Support Required**

- Advice on COVID-19
- Business training
- Creating awareness of COVID-19
- Financial linkages
- Supplier engagement
The study sought to identify the top concerns for micro-retailers if the crisis continues.

The most cited concerns are:

- **33%** Shortage of supplies
- **27%** Reduced number of customers
- **28%** Possibility that they will have to close their business
- **10%** High share of sales on credit

- Closing down the business
- High credit sales
- Other
- Reduce number of customers
- Shortage of supplies
Conclusion

This survey data provides evidence of how micro-retailers in Africa are impacted by COVID-19. It is evident that the COVID-19 pandemic has brought unprecedented uncertainty and challenges for these small business owners. The containment measures put in place by governments, which includes travel restrictions, states of emergency, and the dusk-to-dawn curfew, have led to supply-chain disruptions which directly affect the micro-retailers. The disruptions have led to reduced working hours and lower consumer demand, which have resulted in lower incomes for the retailers, posing a risk to their livelihoods.

Overall,

- 30% of the businesses are closed temporarily
- 23% of businesses with employees had suspended workers
- 41% of businesses reported a decrease in revenues

In response to the crisis, there is need to provide support that will address the challenges faced by the micro-retailers to ensure the survival of their businesses.
Recommendations

1. To address the immediate cash flow challenges, there is a need to provide credit to the micro-retailers. This will be critical in ensuring a reduction in layoffs and business closures.

2. Leveraging digital training platforms, such as the PAYED application, SMS, and WhatsApp groups, will be critical in disseminating information to entrepreneurs about how to keep their businesses afloat and how to prevent the spread of the virus in their shops and the communities they serve.

3. The disruption caused by the COVID-19 pandemic is dynamic and requires continuous monitoring in order to understand the local contexts, provide real-time information on the impacts, and assess what kind of support is most relevant for micro-retailers.
Impact of COVID-19 on Micro-Retail Businesses

PAYED III, MAY, 2020