



COVID-19 Highlights

How SME can thrive with reliable data

August 2020

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ABSTRACT

Africa is currently experiencing accelerated growth in COVID-19 cases around the continent. The pandemic combined with lockdowns and restrictions have created a deadly combination for African businesses, specifically SMEs. Even in the best of times African SMEs struggle to secure financing for their growing ambitions. This means that banks do not have the relationships with community business owners necessary for the quick dispersion of government emergency funds for SMEs that are in immediate need of assistance. Another issue across most countries in Africa is a lack of high quality, readily available statistics and data. Missing this economic information negatively impacts SMEs that may find it useful in organizing their pandemic adaptation strategies. The Kasi Consumer Confidence Index (CCI), which provides monthly insights into consumer behaviour, could level the playing field for businesses that need to rely on themselves to adapt and act quickly.

Key Takeaways

- ✓ COVID-19 strikes the African economy and consumer fears rise which doesn't bode well for businesses.
- ✓ African SMEs, in the informal sector especially, are not able to borrow from financial institutions to grow their businesses.
- ✓ Financial institutions don't have the right connections with SMEs to partner with governments and facilitate dispersion of emergency funds during the pandemic.
- ✓ SMEs must be more reliant on themselves during a crisis therefore there is added value having access to available information that can assist small businesses in forming an adaptation plan.
- ✓ Economic indicator information is not easily accessible or reliable in Africa, but the Kasi CCI can level the playing field to help SMEs adapt and survive.
- ✓ E-Moto, a small Kenyan bio-fuel company used available information and their original facility to adapt very successfully.

COVID-19 – Impacting the way consumers interact with businesses

African businesses are the latest to feel the consequences brought by the global pandemic that is COVID-19. At the time of writing over 12.5 million individuals have been infected worldwide with the virus. In Africa this translates to more than 850,000 infections, with over 17,500 resulting deaths. The hardest hit country on the continent being South Africa with over 445,000 infections¹. Despite the Africa Centre for Disease Control and Prevention providing one million testing kits in April, it is important to note that testing levels are low in some areas and the actual number of cases is likely much greater. The virus has reached Africa late in comparison to other regions of the world and as the numbers grow so do the consequences.

While certain countries benefited from the late start and were able to make advanced preparations, if cases continue their rapid upward climb, there are more difficulties on the horizon.

In addition to regular consumer sentiment surveys, Kasi Insight has been surveying individuals monthly since February to better understand how COVID-19 is impacting consumers. These surveys are conducted in seven of the largest African economies: Ghana, Cameroon, Nigeria, South Africa, Kenya, Tanzania and the Ivory Coast. Consumers indicated how concerned they were about the coronavirus on a scale of 1 to 5, 5 being extremely concerned. The results from the latest survey in May show that overwhelmingly, more than 90% of individuals surveyed were moderately to extremely worried, with more than 35% of respondents selecting 5 to indicate extremely concerned. This spells quite a negative outlook for these economies moving forward in the era of COVID-19.

"Coronavirus Cases:" World meter, 26 July 2020, [Read More](#)

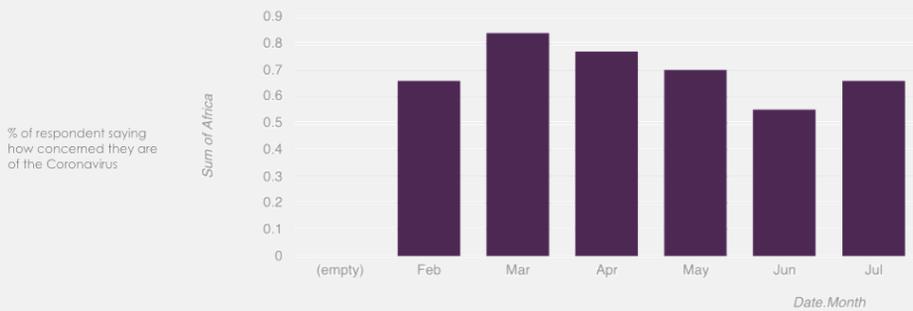
Kasi data shows that individuals were most concerned about struggling financially due to losing their job or business. Over half of survey respondents in May also indicated that they have changed their daily routine because of COVID-19. This includes avoiding social gatherings, public transportation and public places. Lockdowns have been coupled with this lifestyle change in Nigeria and Ghana's most populated areas as well as in all of Kenya and South Africa. Restrictions were put in place in Ivory Coast and Cameroon. The combination of lockdowns closing all non-essential businesses and lifestyle changes reducing the amount of time people spend shopping in public places puts stress on brick-and-mortar businesses and their employees who are now concerned for their livelihoods.

Without a doubt, COVID-19 has disrupted the daily operations of businesses, their supply chains and consumer behaviours around the world – including around Africa. Lockdowns and restrictions across the continent have stunted economic growth and largely impacted small business owners. Adaptation will be necessary to fit the needs of the current climate and consumers, but it will require financing and information – two things which aren't easy to come by for small businesses in Africa.

African SMEs Struggle in Crisis

Informal markets are made up of any economic activities that operate outside standard regulations. Some defining factors in informal spaces are a lack of adherence to tax systems and operation without formal agreements for things like social or employment benefits and safety standards. The informal sector plays a major part in the makeup of African economies. In 2018 a report from the International Labour Organization estimated that over 85.8% of employment in Africa is informal, excluding agriculture that figure decreases to 71.9%².

Covid-19 Fear Index



% of respondent saying how concerned they are of the Coronavirus



Kasi Insight Consumer Intelligence, "COVID-19 Tracking study including Kenya, Ghana, Nigeria, South Africa, Tanzania, Cameroon, Ivory Coast and Ethiopia, 2020

This figure communicates that it is not the minority but many workers on the continent that provide for themselves through informal employment. The exact economic size of the entire informal sector in Africa is harder to pinpoint but it is undoubtedly significant.

The African continent is home to many small and medium enterprises (SMEs), the International Finance Corporation (IFC) estimates over 90% of businesses in Sub Saharan Africa fit this category³. The informal sector is home to many of these SMEs. When drastic negative impacts shock a market, economy or country such as those brought by COVID-19, these SMEs only have a limited amount of time to assess, react, and adapt if they want to survive. Given the nature of businesses operating in the informal sector, it is even less probable that measures intended to mitigate the consequences of COVID-19 will reach them. Many of these small businesses were hit hard by long-lasting lockdowns and restrictions which saw their revenues seriously decreased or completely vanish. At the best of times there are struggles to remaining successful as a small business, which is a contributing factor to the strong feeling of job insecurity seen in the Kasi CCI sub-index.

The current challenge companies are facing, and the consequential revenue drops could be deadly unless they have enough assets and money saved to weather the COVID storm.

Generally, when SMEs are looking to start out or trying to move to the next level of their businesses, a common place to go is to a bank that can help finance their ambitions. In this way financial institutions can create relationships with the owners of companies in their communities. In Africa however, SMEs are often left behind by well-established financial institutions who favour larger corporate operations that are largely foreign⁴. Since the relationships between banks and SMEs hasn't been well established, even countries who are able to offer emergency stimulus plans for small businesses are not able to do it as rapidly or efficiently as countries that do have those connections. It also leaves the process of identifying the businesses in need of support to the government which is time-consuming at a time when SMEs don't have the luxury to wait. The result is that these SMEs are left more vulnerable in times of crisis.

²International Labour Organization. Women and Men in the Informal Economy: A Statistical Picture, 2018, [Read More](#)

³International Finance Corporation. SME Initiatives, [Read More](#)

²International Labour Organization. Women and Men in the Informal Economy: A Statistical Picture, 2018, [Read More](#)

³International Finance Corporation. SME Initiatives, [Read More](#)

⁴Andrianova, S., Baltagi, B., Demetriades, P. and Fielding, D. (2015), Why Do African Banks Lend So Little?. Oxf Bull Econ Stat, 77: 339-359. doi:10.1111/obes.12067

⁵<https://ceba-cuec.ca>

Canada has recently demonstrated how government and financial institutions can collaborate to rapidly distribute funds to businesses at a time of need. Canada's financial institutions have been an integral part of the federal government's plan to distribute funds and support to businesses across the country rapidly during the pandemic. One of the ways that the government is leveraging the relationships between financial institutions and businesses is through the Canada Emergency Business Account (CEBA) program. The CEBA program, worth 55 billion CAD, is providing loans of up to 40,000 CAD that are interest-free and can be used for operating costs. Businesses can submit requests to their primary financial institution which evaluates submissions according to a set of criteria defined by the federal government. The loans are then distributed by banks and credit unions to businesses who need the temporary assistance. If the loans are paid in full by the end of 2022, 25% of the amount borrowed will be forgiven⁵. This makes it an attractive option for businesses who need help now to stay afloat.

The lack of financing by African financial institutions to SMEs is not only problematic during a pandemic but certainly also a factor in starving these operations of the funds they need to grow. This financing concern is well documented by the IFC which estimates that in Sub-Saharan Africa SMEs have an unmet financing need of 245 billion USD⁶. Africa has another growing concern and that is their very youthful population. By 2035 the World Bank estimates that there will be an additional 430 million people in the workforce but only 100 million new jobs created⁷. That leaves a significant employment gap. SMEs offer a solution and if they are given opportunities to expand and grow beyond their local markets, they will be the solution that offers employment to bridge the gap.



Consumer Confidence Data Levels the Playing Field

Data can be persuasive and influential. Information can level the playing field and make the difference between companies in good situations and those in bad situations, between companies who survive and those who don't. In the current situation that African SMEs find themselves in, those with access to reliable, accurate data that can be utilized for tangible operations changes will have an advantage. Companies around the world use all kinds of internal and external data and analytics to select strategies and make better decisions. Generally, SMEs are well positioned to quickly employ changes their data may be suggesting as there are less organizational obstacles to overcome before change can be made.

In times of crisis more than ever, businesses need a reliable source of information. A problem for businesses that operate in Africa is that the data available in other parts of the world is harder to come by for most countries. When it is available it is usually unreliable. One factor that makes the search for data problematic is that national statistics offices are underfunded resulting in poor macroeconomic data quality and collection⁸ if it even exists. An economic indicator like GDP is disputed because many African countries calculating GDP are using outdated base years that don't allow for new sectors to be included in calculations.

Additionally, large informal sectors can not be included in GDP which contribute much to Africa's developing economies. Data also isn't produced and reported fast enough for businesses that are growing and changing rapidly. Waiting three months to a year for a report or statistic can be too long for a company that needs to adapt now, such is the case during the COVID-19 pandemic. COVID-19 underlines the need for a source of data that can provide those in need with timely, reliable information to give direction as to their next step.

Aside from national statistics offices or central banks there are additional sources that provide information, but which are not available fast enough to be useful when they are needed most. Large organizations and global consulting firms provide annual or in some cases biannual reports on African development like, for example, the UN's annual Economic Development in Africa report that has been published since 2000 and Deloitte's Africa Outlook Summary Report. These reports do share important information and facts, but the business owner who needs to adapt today can't wait until next year for the newest report. Large companies in Africa can afford to work with international consulting firms and benefit from those partnerships, however, the SMEs that make up most African business cannot.

The data provided by the KASI Insight Consumer Confidence Index (CCI) offers an inside look at consumer sentiment on several topics monthly. The information offered tells businesses how consumers are feeling about national and personal factors such as the economy, job prospects, and about spending household income among other items. This is information that larger macroeconomic data simply isn't designed to encapsulate. Africa has a rapid rate of growth and changing trends so there is high value in data that can be provided frequently that accurately forecasts where the economy is headed.

The CCI index can also be an indicator for businesses around consumer optimism and

future consumer spending allowing them to make changes accordingly as consumers change. Additional questions such as those being asked in the Kasi COVID survey that has been done monthly since February can offer insight such as how consumers are shopping, how frequently and what products they are prioritizing. For example, the COVID survey from May tells us that more consumers are avoiding public transit and therefore shopping closer to home. Most consumers are also preferring to shop at less busy times and are buying their items in bulk so that they don't have to go out as often. With access to this information business may choose to quickly adjust their hours and the types of products they're selling as a method of adaptation. The monthly data available to SMEs through the CCI can level the playing field for SMEs, especially during a crisis, who can't afford to work with a large consulting firm or wait for government assistance to shape their adaptation plan.

Kenyan Biofuel Business Adapts to Pandemic and Thrives

E-Moto celebrates one year of production next month. The CEO, Lorna Omuodo, is a sociologist with 25 years of experience. She focused her research on how system developments can change people's lives. It was this research that led her to form E-Moto, "E" for ethanol and "Moto" for fire. E-Moto's original product is a biofuel made from ethanol that comes from sugar cane waste from Kenyan sugar production. The biofuel is used in cooking stoves and burns clean. Indoor air pollution from cooking is a big health issue as well as an environmental issue in Kenya as firewood, charcoal and kerosene are popular cooking fuels that are smoky and produce air pollution. E-Moto's biofuel provides a solution for these problems. One litre of their biofuel-plus product has a burn time almost three-fold that of kerosene, making it long-lasting.

⁶The World Bank. "Small and Medium Enterprises Finance ." World Bank, [Read More](#)

⁷The World Bank. Creating Jobs for Africa's Growing Population. [Read](#)

⁸World Economics. African Economic Data: The Problems. [Read More](#)

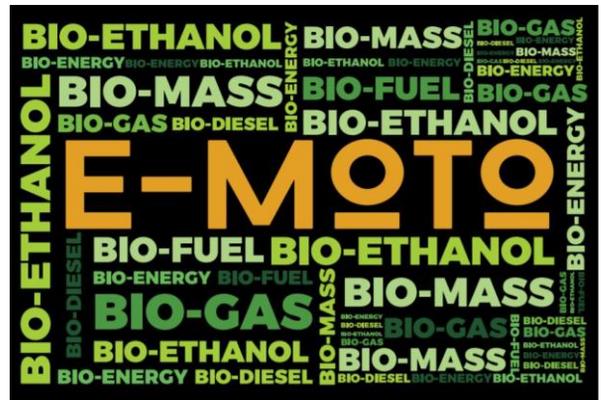
To contribute to land reforestation, which has been negatively impacted as forests have been a fuel source, Omuodo has pledged to put 10% of the company's profits into planting giant bamboo in communities and areas where it is needed.

When COVID-19 struck Kenya, Omuodo wasn't sure if E-Moto was going to survive. She had to sit down with her team and discuss what the path forward would be – if there even was a path.

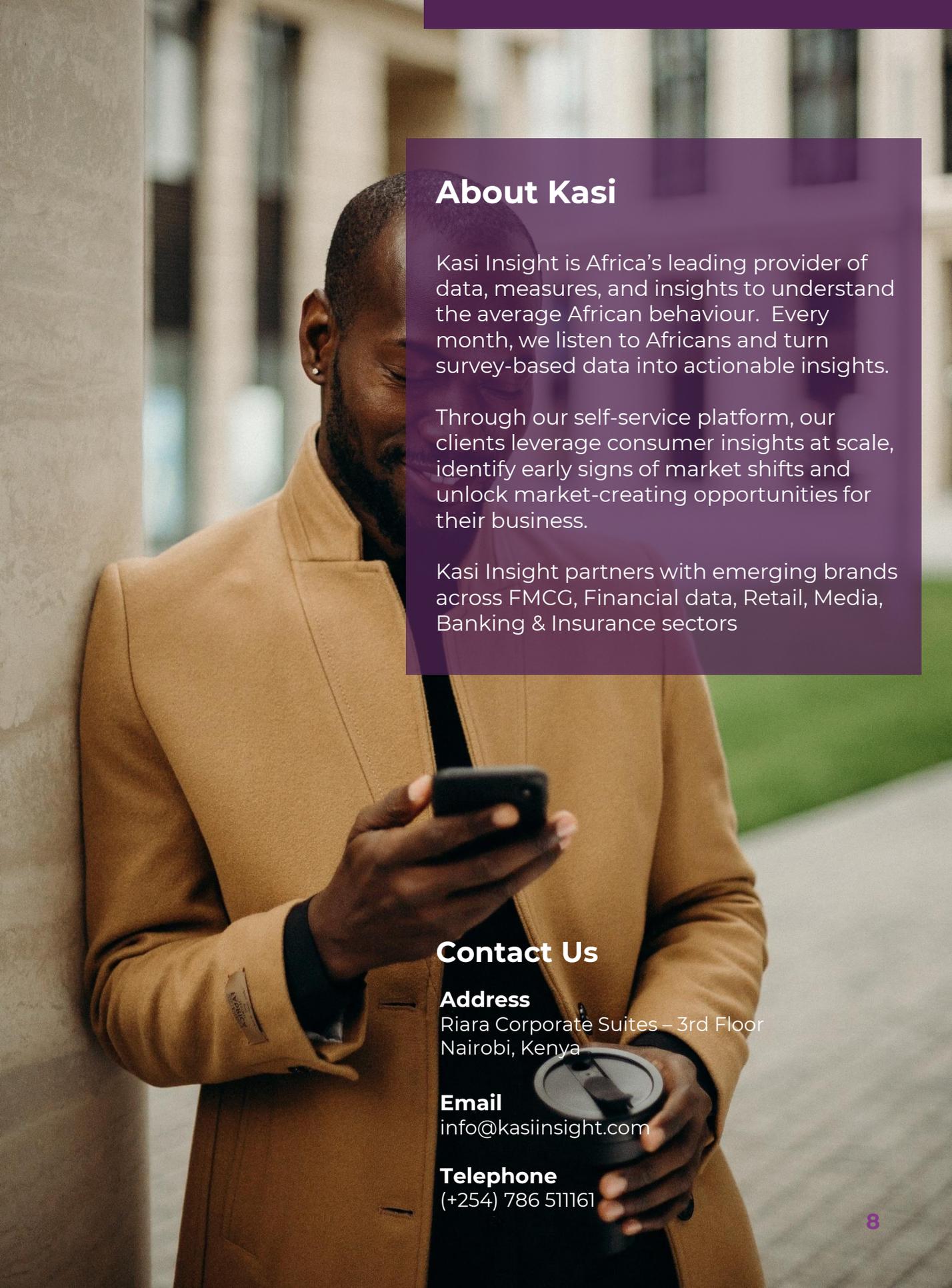
During that meeting the team realized the Africa CDC had identified the need for ethanol for sanitizers.

Given their biofuel production, they already had the right capabilities to produce the product for which demand was rising so they applied for an East Africa Standard for the use of ethanol, a controlled commodity, in sanitizer. It took eight weeks, but this means their product is certified to have between 78%-80% ethanol. This is well within even Health Canada's guidelines of 60-80% alcohol content for alcohol-based sanitizers. Omuodo began producing different sizes of hand sanitizers, multi-purpose sanitizers for household use as well as liquid soaps which are providing a means of protection from the virus to communities that are in need of it. This adaptation has allowed her ten employees to remain working and has also been good for business. Her revenues have increased from \$10,000 a month to \$25,000 over the course of the pandemic.

E-Moto was fortunate to have the right information at the right time and the production capabilities that allowed them to adapt. The company has also had the support from the beginning of the World Resources Institute, specifically their Land Accelerator program. Omuodo sees the value in monthly CCI data as a way for businesses to understand consumer needs and while she isn't currently using it, it isn't hard to reason that sanitizer is a necessary material during a pandemic.



After reading about E-Moto, it may be surprising to hear that their production “facility” is currently out of Omuodo's garage although she sees her company scaling up, and quickly. Given the new products and extremely high demand, Omuodo has quickly outgrown her 10,000-litre monthly government allocation of ethanol. She is requesting 50,000 litres for next month and planning to continue to increase her requests until she gets to 150,000 litres which is the limit. At that point she will be asking for an import license for South Africa, to receive up to three million litres of ethanol. The next step for Omuodo will be to have a sustained source of ethanol. For this she is looking to find an investor who can finance a small plant that will process sugarcane molasses, which is a by-product of ethanol production from sugarcane materials, into ethanol itself. Compared to where they were last year, E-Moto has certainly come a long way from their production start last year. Given E-Moto's driven leadership, if they are able to secure the financing they need and access reliable available data, perhaps also finding additional sources such as the CCI, then their future growth and success is promising.

A man in a tan jacket is looking at his phone. The background is a blurred outdoor setting with a building. A purple semi-transparent box is overlaid on the right side of the image, containing text.

About Kasi

Kasi Insight is Africa's leading provider of data, measures, and insights to understand the average African behaviour. Every month, we listen to Africans and turn survey-based data into actionable insights.

Through our self-service platform, our clients leverage consumer insights at scale, identify early signs of market shifts and unlock market-creating opportunities for their business.

Kasi Insight partners with emerging brands across FMCG, Financial data, Retail, Media, Banking & Insurance sectors

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