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1.

Learnings about MSEs

Strengthening the resilience of MSEs:
Learnings from the Strive program in Mexico

REPORT
DECEMBER 2024





About this document

This document is a tool designed to strengthen the ecosystem of organizations supporting micro and small enterprises (MSEs) by providing key concepts, strategies, and learnings to enhance their resilience in Mexico. It is structured into four comprehensive sections.

The Introduction presents the program's context, motivations, goals, and components. The second section, **What do we know about MSEs?**, analyzes the characteristics, needs, and vulnerabilities of MSEs identified before the program's implementation. It also highlights key learnings gained during the program and identifies areas requiring further exploration. The third section, **What do we know about the MSE support ecosystem?** examines the current state of the ecosystem, including coordination among stakeholders, intervention segmentation, observed outcomes, and opportunities for improvement. The fourth section, **What do we know about companies supporting MSEs?**, explores the strategies and approaches of companies working with MSEs, offering lessons on improving value propositions and building stronger relationships with these enterprises.



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We would also like to thank our allies [Nuup-Sirio](#), [Techreo](#), and [Tienda Red](#) for allowing us to accompany them on the journey to strengthen the resilience of the MSEs they serve. Their commitment to strengthening these businesses encourages us to work diligently alongside them. We also extend our gratitude to [Acreimex](#) for allowing us to conduct analyses on the resilience of MSEs with some form of credit. Additionally, we thank the MSEs who actively participated, sharing their experiences, challenges, and learnings and allowing us to adjust our strategies to better respond to their needs.

Our appreciation also goes to the collaborators, experts, and ecosystem actors whose dedication and knowledge enabled the design and execution of effective interventions to strengthen the resilience of MSEs. The teachings documented in this report were possible with their commitment and vision.

A special thanks to Valiullah Hashmi, the designer of this document and the creative force behind most of the visual aids in this project, for their outstanding work in enhancing clarity and engagement. We also thank Grace Akinyi, who skillfully led communications for this report and throughout the program, ensuring its message was effectively delivered to the right audiences.

01.

Knowledge about MSEs



→ 1.1

What did we know about MSEs before the Strive Mexico program?

Before implementing the Strive program, we detailedly diagnosed the main characteristics and challenges of MSEs in Mexico. The diagnosis revealed several key aspects:

- » **Impact of the pandemic and persistent vulnerability.** MSEs were one of the sectors most affected by the pandemic, as many needed more [financial or technological resources](#) to adapt quickly to market restrictions and demand changes. Although some managed to use digital channels or adjust their offerings, most struggled significantly to maintain their operations. One in four businesses had to close.
- » **Low digitalization and limited access to financial services.** The lack of access to digital tools and formal financial products is a structural challenge for MSEs in Mexico. This limits their ability to scale and efficiently manage their finances and implement more productive processes. It was noted that, in general, smaller MSEs are less likely to use technology due to barriers such as a lack of digital skills and adequate connectivity.
- » **Digitalization and access to financial services as a strategy.** Despite the lack of widespread adoption, [MSEs that managed to implement digital tools](#) and access financing showed a higher level of resilience, indicating that these two dimensions are crucial for their sustainability and capacity to recover from future crises.
- » **Limited income diversification.** Most MSEs focus on one or two primary products or services, limiting their ability to generate diversified income and cushion financial impacts. This lack of diversification increases their vulnerability to demand fluctuations and economic changes.
- » **Limited access to support networks and knowledge.** MSEs, especially smaller ones, need more access to support networks and knowledge that would allow them to improve their business practices and access financing and investment opportunities. This includes entrepreneur networks, mentoring programs, and technical advice.

→ 1.2

What did we learn about MSEs during the program?

Through the measurement of more than 6,000 MSEs, the Strive program yielded essential insights into the resilience and sustainability of MSEs in Mexico, offering clues on how to strengthen them:

- » **Emergency recurrence.** MSEs frequently face emergencies, such as unexpected expenses, inventory losses, or liquidity problems, putting their operations at risk. About half of the surveyed MSEs faced unexpected expenses or emergencies 12 months before the survey.
- » **Unexpected expenses and recovery capacity.** The most common expenses impacting MSEs' income include demand declines, health emergencies of owners or employees, crime, or increased competition. We also identified that around half of MSEs with an unexpected expense take at least a month to recover.
- » **Digital payment adoption.** MSEs that adopted digital payments reported higher income stability and improved capacity to manage their finances. Adopting these payment methods has proven to be a crucial factor in strengthening their financial resilience, enabling them to diversify sales channels and attract more customers.
- » **Demographic and business characteristics.** Business type, income level, and owner demographics influence MSEs' ability to adapt and survive crises. For example, artisan MSEs have less access to support services and resources than pharmacies or restaurants, affecting their resilience differently. Having higher daily sales income was a significant predictor of high resilience.
- » **Financial strategies.** MSEs use financial strategies such as savings or informal loans to cover emergencies. Savings are usually the first and most effective option, especially for emergencies with less severe financial implications.
- » **Transactional data.** Research with a financial partner company showed that more resilient MSEs tend to have healthier credit payment behaviors and more positive net balances (income minus expenses) than businesses with lower resilience.



MSE resilience measurement

Through the Strive program, BFA Global created a measurement framework to assess MSEs' capacity to cope with and recover from crises. The framework focuses on four key types of resilience capacities: financial, operational and digital, business, and psychosocial, aiming to identify strengths and areas for improvement.

We conducted nearly 6,000 surveys in collaboration with Techreo, Tienda Red, Acreimex, and a sample of MSEs in Hidalgo state through Noahui Soluciones. The surveyed businesses included grocery stores, pharmacies, restaurants, and others, with gender balance and predominantly small businesses (0-2 employees). Surveys were collected in person in Hidalgo or remotely (via WhatsApp) with allied companies. Participants were compensated with 100 pesos or allowed to enroll in the Shopkeeper Club in the case of Tienda Red.

The survey allowed allied organizations to gather information on their MSE clients' or partners' perceptions of how the services contributed to their resilience and were essential for their operations and income levels.

→ 1.3

Remaining questions

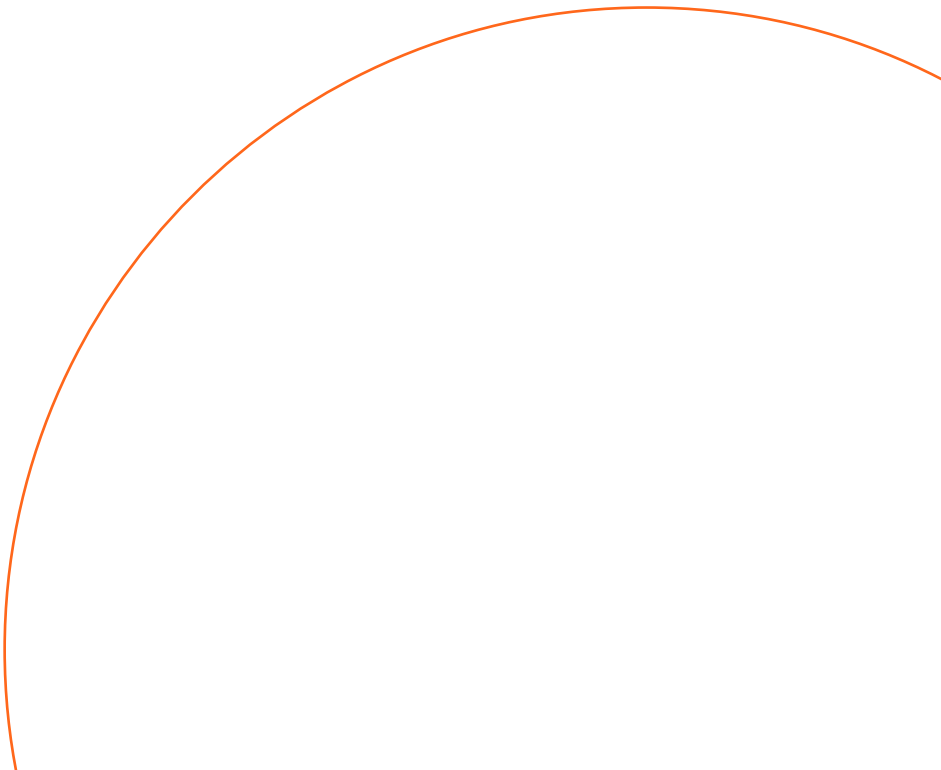
Despite the progress made, several questions remain to understand MSE needs better and determine how to adapt future interventions:

- » **How can resilience diagnostics be adapted to different MSE segments?** The heterogeneity of MSEs requires diagnostics differentiated by economic sector and company size to design more effective and specific interventions.
- » **Which administrative data (e.g., sociodemographic profiles) and transactional data (e.g., product and service usage) indicate low resilience, and how can they be integrated into intervention strategies?** Integrating administrative data could improve the precision of identifying vulnerable MSEs and guide interventions to areas of greatest need. This could further research the relationship between credit payment behaviors, net income, and resilience.
- » **How can income volatility in vulnerable MSEs be reduced?** It is necessary to understand better the causes of income volatility in sectors more susceptible to it, such as the artisan sector, as it is one of the main characteristics of less resilient MSEs. Developing strategies to help MSEs stabilize their cash flow more effectively is essential.

- » **Which digital tools are most effective for fostering resilience?** It is necessary to assess which types of digital tools have the most significant impact on resilience across different MSE subsegments and how they can be made more accessible. Data suggests that inventory tracking, digital payment acceptance, and e-commerce are often highly effective.
- » **How can technological adoption among smaller and less digitized MSEs be accelerated?** Technology adoption must be higher among smaller MSEs, limiting their ability to benefit from digitalization. One of the biggest challenges is scaling the business models of digital and financial service providers focused on the base of the pyramid, given their high dependency on human contact strategies (Touch) for the acquisition of digital services.



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Launched in November 2022, Strive Mexico is a program by the Mastercard Center for Inclusive Growth, with BFA Global and Fundación Capital as implementation partners. The program has supported small businesses and female micro-entrepreneurs in Mexico since 2022 to enhance their resilience through the right digital tools and resources. Under Strive Mexico, BFA Global operates the Strive Mexico Learning Network, while Fundación Capital is the partner for scaling digital tools and mentoring.

 [Strive Mexico](#)