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Practical guide for assessing and strengthening MSE resilience

REPORT
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About this toolkit

This toolkit serves as a guide for organizations directly interacting with micro and small enterprises (MSEs) to evaluate and design initiatives that contribute to improving resilience in a targeted and intentional way. Through a simple and accessible evaluation, companies supporting MSEs can identify strengths and areas for improvement in their financial, operational, digital, business, and psychosocial practices. Applying this guide can establish a baseline to monitor progress. Here, the resilience of MSEs is understood as the company's capability to adapt, recover, and ultimately thrive amid adversity or crises.

About Strive Mexico

Strive Mexico is part of a global initiative to strengthen MSEs. The Mastercard Center for Inclusive Growth (MCIG) funds this initiative, which is implemented by BFA Global and Fundación Capital in Mexico.

About BFA Global

BFA Global is an impact innovation company that combines research, consulting, venture creation, and investment expertise to build a more inclusive, equitable, and resilient future for underserved people and the planet. We partner with leading global and local public, private, and philanthropic organizations to catalyze innovation ecosystems that create impact in emerging markets.

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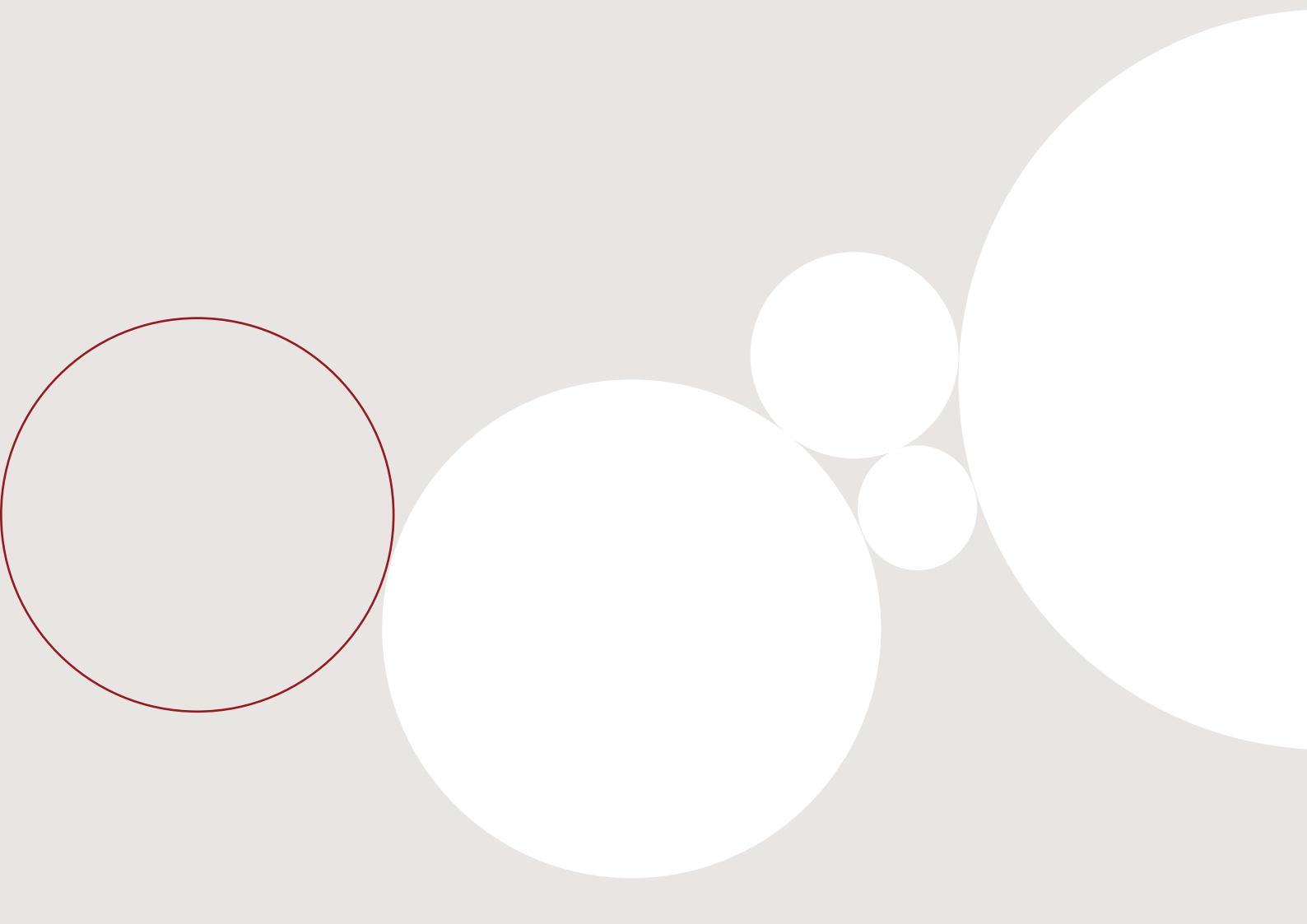
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01.

Resilience analysis framework

<u>Micro, small enterprises (MSEs) in Mexico face multiple challenges that can threaten their stability and growth</u>. Key factors include economic volatility, limited access to financial resources, market changes, and the growing need to adopt digital tools to remain competitive. The COVID-19 pandemic exposed significant vulnerabilities in the MSE sector, highlighting the urgency of implementing resilience strategies to face future emergencies.

Resilience in MSEs is defined as their ability to withstand, adapt to, and recover from adverse situations or external and internal crises, such as economic recessions, natural disasters, market fluctuations, or health issues. It is the company's ability to face adversity, improve, and continue operating sustainably and profitably over time.

This concept of resilience involves a combination of resources, skills, and strategies that enable the company to adapt to unexpected changes and minimize their negative impact. Resilient MSEs have a solid foundation in the following areas: financial, digital and operational, business, and psychosocial. The proposed resilience framework for MSEs focuses on four key dimensions covering the essential capacities for a company to face and overcome challenges:

Financial capability

This refers to how an MSE efficiently manages its economic resources, creates savings, accesses financing sources in emergencies, and adequately manages expenses. The frequency and consistency of saving and access to financing in emergencies (such as loans or credit) are key elements to assess.

Digital and operational capability

This includes using digital tools for business management, including online sales, digital payments, inventory management, and supplier relationships. Key elements to assess are the adoption of digital tools for key operations (sales, accounting, communication) and the existing flexibility in the supply chain to restore inventory or inputs quickly.

Business capability

This involves leadership, management, strategic planning, and data-driven decision-making skills. It includes business practices such as tracking financial records and implementing crisis management strategies. Key assessment elements are basic record-keeping (sales, expenses, debt) and evidence-based decision-making for facing challenges.

Psychosocial capability

This refers to the emotional and psychological well-being of MSE owners and employees, their sense of control over the business, and their social and business support network. Key elements to assess are access to support networks (contacts in the sector, advice), persistence in the face of challenges, and the perception of control over the business.

02.

Resilience diagnosis

In this section, MSEs can conduct a self-assessment to measure their resilience level in the four abovementioned capacities. Each company can identify its strengths and areas that need improvement through a series of specific questions and criteria. This diagnosis will serve as a foundation for defining concrete actions to strengthen the company's resilience in crises, which will be addressed in the third section of this document.

A. Financial capability

A1. In case of an urgent financial need, how many of the following sources could you obtain money from within a week for your business? Consider sources like family, friends, or acquaintances, banks, financial institutions or cooperatives, online loan providers, money lenders, pawnshops, and suppliers.

○	None	[0 points]
○	Only one	[1 points]
○	Two	[2 points]
○	Three	[3 points]
○	Four or more	[4 points]

A2. How often do you set aside money to cover unexpected business expenses?

○	I never have money left to save	[0 points]
○	Rarely: once every few months	[1 points]
○	Occasionally: once or twice a month	[2 points]
○	Frequently: several times a month	[3 points]
○	Very frequently: almost every week	[4 points]

B. Business capability

B1. For your business, how many of the following activities do you track consistently, such as in a notebook or digitally? Think of records like (a) who owes you money, (b) who you owe money to, (c) purchases from suppliers, (d) sales to customers, (e) the amount of money taken home, and (f) payment of bills or services.

○	None	[0 points]
○	Only one	[1 points]
○	Two	[2 points]
○	Three	[3 points]
○	Four or more	[4 points]

B2. When your business faces difficulties, what do you usually do?

    ○ I rely on my instincts   [0 points]

    ○ I use rules that almost always work   [1 points]

    ○ I seek advice from a trusted person   [2 points]

C. Operational and digital capability

C1. Considering the main suppliers for your business, please indicate how easily you could restore your supply of inputs or inventory in case they are lost.

    ○ Impossible to restore   [0 points]

    ○ With great difficulty   [1 points]

    ○ With some difficulty   [2 points]

    ○ Without difficulty   [3 points]

C2. How many of the following digital tools do you currently use in your business to manage operations, sales, or finances? Think of tools for receiving customer payments, receiving customer orders, paying suppliers, sending orders to suppliers, using social media for marketing or sales, inventory management, accounting, billing, and WhatsApp for promotions, sales, reminders, or customer service.

    ○ None   [0 points]

    ○ Only one   [1 points]

    ○ Two   [2 points]

    ○ Three   [3 points]

    ○ Four or more   [4 points]

D. Psychosocial capability

D1. How many people do you know who have a business similar to yours?

    ○ None   [0 points]

    ○ Few (less than 5)   [1 points]

    ○ Some (5 to 10)   [2 points]

    ○ Many (more than 10)   [2 points]

D2. Which of the following statements best describes you: "When I encounter a major obstacle while pursuing a goal, I usually…"

- ⭕ Give up on the goal — [0 points]
- ⭕ Shift to a more achievable goal — [1 points]
- ⭕ Try new approaches, but if they don't work, I tend to modify the goal to make it more achievable — [2 points]
- ⭕ I persist and try several approaches until I overcome the obstacle to achieve my original goal, even if there's a chance it won't work — [3 points]

D3. How much do you agree with the following statement: "I have a high degree of control over the current state of my business and believe it will remain so in the future."

- ⭕ Strongly disagree — [0 points]
- ⭕ Somewhat disagree — [1 points]
- ⭕ Neither agree nor disagree — [2 points]
- ⭕ Somewhat agree — [3 points]
- ⭕ Strongly agree — [4 points]

03.

Understanding the results

Resilience scoring

MSE resilience is measured through a scoring system to classify MSEs into three resilience types: **low, medium, or high**.

Points	Resilience Level	Description
0 to 13	Low resilience	MSEs in this category have limited capacities to handle crises and financial, operational, and business environment challenges. An emergency could seriously compromise their survival. They require intensive support to improve resilience in several key areas.
14 to 24	Medium resilience	MSEs with this score have moderate resilience, indicating some capability to face crises, but they still need improvement in specific aspects to ensure greater long-term sustainability.
25 to 32	High resilience	MSEs with high resilience are well-positioned to handle crises and adapt to market changes. However, they can still continue strengthening their resilience.

⟶ 3.2

Brief interpretation of results by capability type

To fully understand strengths and areas for improvement, it is recommended to review the scores obtained in each fundamental capability (financial, digital and operational, business, and psychosocial) according to the following guide:

Financial capability

» **Interpretation:** A high score in this capability indicates that the company has a solid financial foundation, with a good level of savings and access to financing sources in case of emergencies. A low score suggests a need to improve savings management and explore credit or financing options.

» **Recommendation:** Set regular savings goals, learn about and diversify available financing sources, and develop an expense control strategy.

Digital and operational capability

» **Interpretation:** A high score reflects that the company uses digital tools and has operational flexibility to respond to changes or disruptions in its supply chain. A low score suggests a need to adopt more digital tools (it's essential to determine the most relevant and cost-effective ones) and plan supply continuity strategies for inventory.

» **Recommendation:** Adopt essential technologies, such as electronic payments or inventory management tools, with proper training and support, and seek alternative suppliers to supply in situations.

Business capability

» **Interpretation:** A high score in this dimension shows that the MSE organizes its activities and makes informed decisions when facing difficulties. A low score indicates the importance of improving planning and the management of financial and sales records.

» **Recommendation:** Implement a basic record-keeping system to monitor sales, expenses, and accounts, and work on creating specific crisis strategies based on past experiences or advice.

Psychosocial capability

» **Interpretation:** A high score indicates that the company has strong psychosocial capital, such as support networks and a sense of control and persistence when facing obstacles. A low score may indicate a need to build support networks and develop skills to manage stress and adversity.

» **Recommendation:** Participate in networking events, join business associations, and attend stress management and personal resilience training programs. Foster a positive work environment that supports emotional well-being and promotes collaboration.

04.

Using the assessment

After evaluating and analyzing the results, the next step is to implement an action plan that enables companies or organizations working with MSEs to strengthen their services to address identified weak areas. Below are two hypothetical case studies illustrating how a company or organization providing products or services to MSEs can use this guide to undertake improvement actions. Techreo's experience is also presented as an additional example.

→ **4.1**

Case study 1: Financial services company

Context. FinanciaMX is a financial services company offering credit and savings products to microenterprises in Mexico.

Using the Measurement Tool: FinanciaMX applied the guide to 100 MSE clients, gathering data on their financial, operational, digital, business, and psychosocial resilience. The results indicated that 60% of the MSEs had low resilience, particularly in financial capacities (limited access to credit sources in emergencies and low frequency of savings) and psychosocial capacities (lack of support networks).

Actions taken: Based on the results, FinanciaMX designed two specific actions:

» **Financial capacities:** A pilot of an emergency credit line secured by MSE savings accounts, using savings as collateral to reduce default risk and encourage savings simultaneously, allowing MSEs to access larger credit at a preferential rate when needed.

» **Psychosocial capacities:** Creating a Q&A platform on WhatsApp through which MSEs can exchange information about suppliers, technological tools, and digital resources for their businesses, among other topics.

Complementing with administrative data: To improve intervention effectiveness, FinanciaMX integrated the tool results with transactional data on the MSEs, such as geographic location, size, sector, and the sociodemographic characteristics of the owner. This allowed FinanciaMX to identify that businesses in rural areas and those led by women were more likely to have low resilience, helping the company better tailor its support programs.

→ **4.2**

Case study 2: Digitalization company for small shops

Context: DigiTiendas is a company dedicated to digitalizing grocery store operations in Mexico, offering online sales platforms, inventory management systems, and digital payment tools.

Using the Measurement Tool: DigiTiendas used the guide with 50 small shops in its network, obtaining a diagnosis of these MSEs' resilience. The results showed that 70% of the small shops were in the medium resilience category but faced more significant challenges in technology adoption and essential financial management.

Actions taken: Based on the diagnosis, DigiTiendas implemented the following actions:

» **Digital and operational capacities:** Intensive support using the platform's functionalities, especially online sales and digital payments.

» **Business capacities:** Development of a new feature in the web application allowing small shops to record sales, costs, and daily net income.

Complementing with administrative data: DigiTiendas combined the tool results with administrative data about business size, location, owner's education level, and digital connectivity in the area. This revealed that small shops in areas with lower connectivity and led by entrepreneurs with less education faced more significant barriers to digitalization. DigiTiendas adjusted its intervention, prioritizing these characteristics to offer more personalized training.

Measuring resilience in Mexico: The Techreo case

Context: Techreo is a company that offers technological solutions to financial institutions to help them expand their services, such as savings and loans, to individuals and MSEs in Mexico. To better understand users' financial resilience needs and the impact of its services, Techreo surveyed a representative sample of end users of its platform.

Measurement: In December 2023, BFA Global and Techreo launched the resilience measurement survey for MSEs with active credit. Four thousand responses were received, providing a detailed view of MSEs' financial, business, digital, and psychosocial capacities.

Key findings: More than half of the MSEs faced unexpected expenses that reduced their income by at least 25% in the past year, with the leading causes being illnesses, price increases, and low demand. It was found that only one in four MSEs could access credit in emergencies, making savings even more critical. The data revealed that half of the MSEs saved little or nothing, limiting their response capability. Savings, the use of digital tools, and the ability to switch suppliers were central aspects of resilience. Additionally, two out of three respondents agreed or strongly agreed that Techreo's services enabled them to remain operational despite difficulties.

Support initiative: Based on these findings, Techreo, in collaboration with BFA Global, designed and implemented an initiative to promote savings and strengthen the financial resilience of its clients. This initiative was informed by behavioral science principles such as loss aversion and prominence bias. Techreo's MSEs received straightforward content on the high vulnerability of similar MSEs, those with a Techreo loan, along with a straightforward call to action (with a few clicks).

Different communication channels (WhatsApp, app, and email) were tested to evaluate the most effective mechanism. Instructions were also provided to simplify starting or increasing savings in the XAdela account, which offers automatic savings options starting from 50 pesos.

Preliminary results and learnings: Over 15,000 MSEs received messages about the importance of saving. One central learning was the importance of reducing the steps needed for clients to go from intention to action in desirable behaviors like saving.

05.

Final Comments

Resilience is an ongoing process, not just about overcoming a specific crisis but about maintaining and strengthening the capability to adapt to a changing environment. MSEs that consistently work to improve their financial, digital, operational, business, and psychosocial skills have a higher likelihood of thriving in the long term, regardless of the challenges they face. With this guide, each company has taken the first step toward building a resilience foundation that will enable them to adapt and grow sustainably over time.

MSE owners need to view resilience not as a static goal but as a set of skills and habits to cultivate. Thus, the evaluation and implementation of improvements should not be conducted only in times of crisis; on the contrary, they should become regular practices that keep the company prepared at all times. This strengthens the business and builds the confidence and well-being of entrepreneurs and their teams.

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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.

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