A value-driven approach to MSME resilience

Panel discussion contribution I 25.04.2023

8th Eastern and Southern Africa Regional Conference on Inclusive Insurance

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MSMEs face high exposure to risks and are unable to cope

Access to finance	Fire and perils	Business interruption	Health risks	Loss of harvest/ livestock
• **28%** of SMEs in SSA are credit constrained • Over **51% of formal MSMES in SA** lack the necessary funding to expand their businesses. • **41%** of formal MSMEs in developing countries have unmet financing needs.	• Over **5,000 fires** were recorded in 2015/16 in Ghana, causing direct costs of +GHS6m (USD1.5m) • **31%** and **46%** of MSMEs in Malawi and Zimbabwe faced fires, droughts and floods	• Electrical outages have affected **89%** of enterprises in Ghana • **85%** of surveyed enterprises in South Africa lost revenues due to power outages	• **65%** of MSMEs faced health risks in Uganda • **32%** in Malawi faced illness and death of an owner as a risk	• **67%** of farming MSMEs in Uganda experienced harvest/crop failure • **40%** of African MSMEs faced productivity and revenue losses due to extreme weather

MSMEs often do **not have any strategies to cope** with these risks or strategies that might be unsustainable such as sell of assets. This **lack of resilience** also contributes to a **low survival rate** - two out of three start-ups in Uganda fail within their first year, while only 40% survive beyond five years in Ghana.

Sources: Dankwa (2020), Gray et al. (2021), Gray et al. (2021a), Gray (2021b), GCA (2021), Mefin (n/d).Alliances for Action (2016), Nutifafa (2017), Okyere et al, (2013), Oppong (2014), Thom et al. (2018), World Bank (2018), World Bank (2013), Businesstech (2019), IFC(2018); SME FINANCE FORUM

MSMEs' vulnerability is exacerbated, as they are underserved by insurance

Low levels of insurance penetration and uptake

- Overall **insurance penetration** in Sub-Saharan Africa is **only 3%**
- Only **4%** of MSMEs in Ghana and **2%** of MSMEs in Uganda, Malawi and Lesotho have insurance
- In Zimbabwe only **5%** of MSMEs were formally insured (2012)
- South Africa – **20%** of small businesses (but take up is dominated by funeral cover)

Demand barriers preventing uptake of insurance

Poor perception and understanding of insurance: in Zimbabwe 13% of MSMEs did not know how insurance works

Lack of awareness: 55% of MSMEs in Lesotho were unaware of insurance benefits, and how and where to access insurance

Lack of trust in insurance: 13% of Egyptian MSMEs claimed to not trust insurers to pay out in the event of a loss

High costs: 43% of MSMEs in Zimbabwe could not afford insurance

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Sources: EY (2021), Finmark trust (2016), Finmark trust (2017), Finmark trust (2012), Statista (2021), Finscope (2019), Atlas magazine (2021), Finscope (2010), Mckinsey (2020), Sahler et al.,(2020)

MSMEs are a hard market to reach for insurers using traditional business models

Lack of value proposition to MSMEs

Insurance products do not offer sufficient value to MSME customers, resulting in a lack of insurance culture

MSMEs are difficult to reach

High proportion of MSMEs are unbanked or inaccessible, which makes it difficult to reach this target market with products.

Lack of a homogenous risk pool

MSMEs differ vastly based on size, age, sector and a multiplicity of other factors
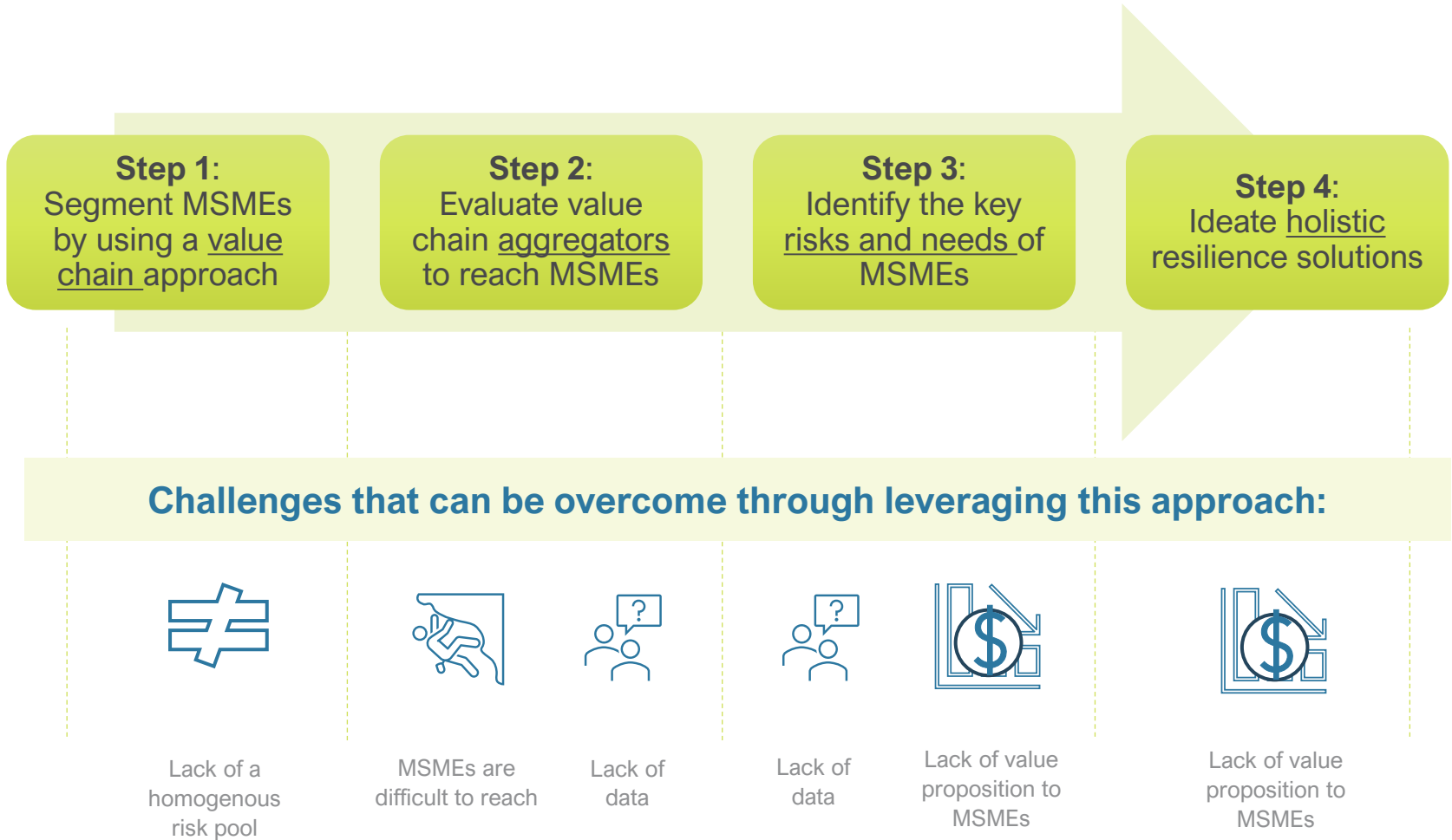
Lack of data

Limited data on MSMEs, which makes understanding the nature of risks faced and needs of MSMEs difficult

| Value | Distribution | Heterogeneity of known and unknown risks |

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A value-driven approach to holistic insurance and resilience

Step 1:
Segment MSMEs by using a value chain approach

Step 2:
Evaluate value chain aggregators to reach MSMEs

Step 3:
Identify the key risks and needs of MSMEs

Step 4:
Ideate holistic resilience solutions

Challenges that can be overcome through leveraging this approach:

Lack of a homogenous risk pool

MSMEs are difficult to reach

Lack of data

Lack of data

Lack of value proposition to MSMEs

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Thank you

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