

Quick Risk Evaluation Tool for Micro Small and Medium Scale Enterprises (MSMEs)

Introduction

The COVID-19 pandemic has resulted in severe economic losses calling for a sustained period of interventions from both governments and the private sector to respond and recover. Micro, Small and Medium Enterprises (MSMEs) on one hand are at a high risk of being severely impacted by the broader effects of the outbreak and on the other also the ones who are leading the fight to survival not only for their own business but also for the overall livelihood and well-being of their community.

Among the host of challenges faced by MSME, the most notable is a lack of access to credit. For example, in Southeast Asia 33% of MSMEs lack access to loans and a line of credit¹ and are thus more vulnerable to shocks compared to larger enterprises. In the event of bigger shocks, like COVID-19 the MSMEs face an existential risk due to their smaller set of – both financial and non-financial – resources.

Most MSMEs do not have enough in-house technical expertise, nor access to expertise in their area to help them develop a business continuity and recovery plans. In order to support MSMEs in aligning their thinking towards risk proofing their businesses, the proposed quick self-risk estimation tool aims to:

Scope of the tool

- To support business owners in identifying possible internal and external risks to their business from COVID-19.
- To provide a general evaluation of individual business risk (MSMEs) based on potential Impact (direct) and likelihood (possible indirect and wider impacts) of COVID-19.
- Strengthen risk awareness and communication between business owners.

Limitation of the tool

The tool does not undertake a comprehensive risk assessment of the MSME business, which requires more substantial analysis. Instead, this tool aims to provide a quick general evaluation of the current situation in which a business is operating. A business owner may use this tool to evaluate the temporal change in the conditions and how that impacts the overall business risk. Based on the general evaluation, the *UNDRR COVID-19 Small Business Continuity and Recovery Planning Toolkit* can then be used to look at specific risk management actions.

Target group

Business owners belonging to Micro Small and Medium Scale Enterprises (MSMEs) in Asia Pacific region.

Platform

Mobile, Tablet and Computer

¹ <https://www.thailand-business-news.com/banking/73331-how-fintech-is-setting-southeast-asias-smes-free.html>

Framework and Indicators

In the COVID-19 pandemic, a business would experience two broad risks. Risks due to both internal factors and external factors as shown in figure 1. There are 4 factors integral to a business namely: a) Human Resource, b) operation; c) finance and Technology & d) innovation. These factors are managed by the business and necessary changes be made to them based on the changing scenario. While in the external risk, there are three factors that influence the outcome of a business namely: a) Government policies; b) Change in Market and c) other natural hazards. The external risks are often beyond the control of an individual businesses to manage.

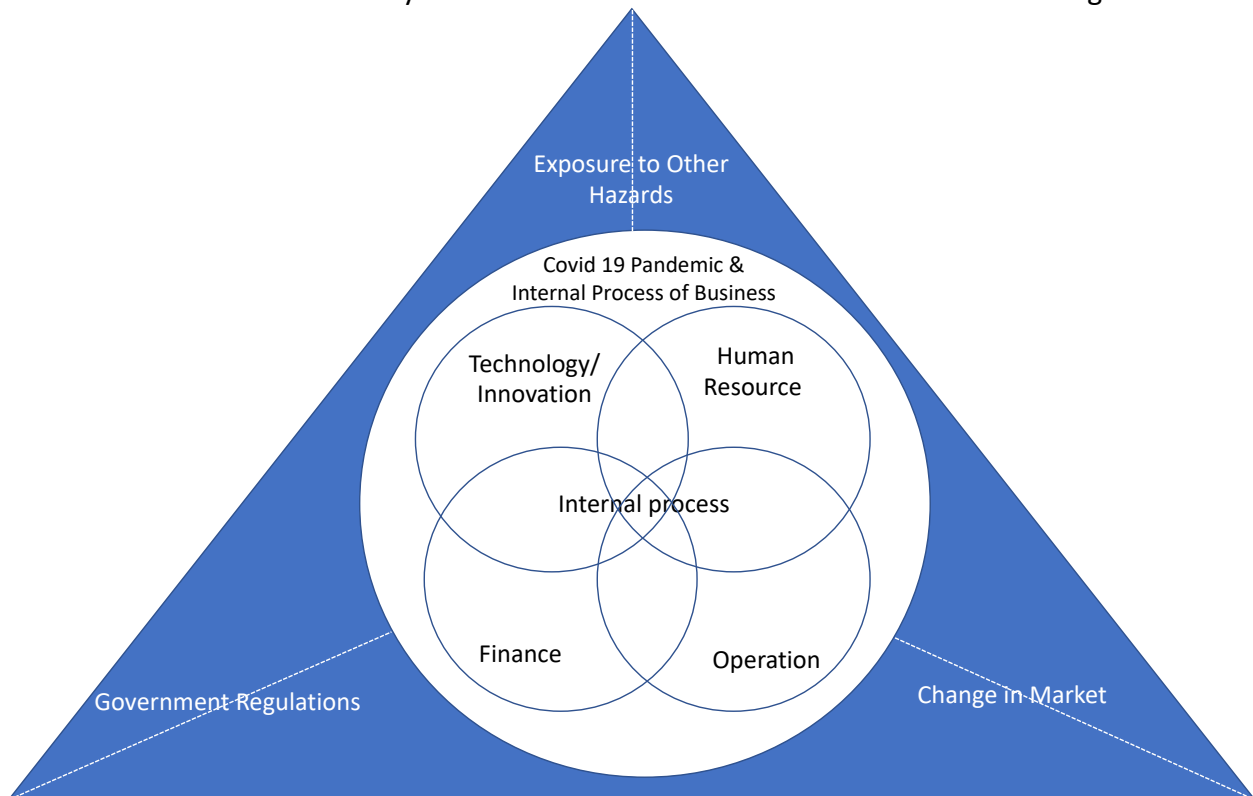


Figure 1. A Conceptual Framework for Business Risk in COVID-19 Pandemic

Table-1 Indicators considered for Internal Business Factors

Human Resource	Operations	Finance	Technology and Innovation
Employee Availability	Supply chain	Existing liabilities	Cyber Security
Employee Behaviour	Public utilities	Financial capacity	Innovation
Type of employment	Workplace safety	Insurance	Access to digital markets
Impact on Employees	Physical assets		

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