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Small businesses, big impacts: a fair COVID-19 recovery for micro-, small and medium-sized enterprises in South Asia

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Introduction

Micro-, small, and medium-sized enterprises (MSMEs) are indispensable players in shaping South Asia's economic fabric. They contribute over a third of the region's gross domestic product (GDP) and provide employment for over three-fourths of the workforce (Asian Development Bank [ADB], 2021). Furthermore, MSMEs are crucial for driving inclusive development and stimulating market competition. They offer employment to marginalised populations, including women, youth, and rural residents, while simultaneously challenging established businesses and fostering innovation (United Nations Industrial Development Organisation, 2019; World Trade Organisation, 2020; Gries & Naudé, 2008).

The economic footprint of MSMEs in South Asia is extensive. They comprise 99.6% of all enterprises and employ 76.6% of the workforce, contributing to 33.9% of the region's GDP (ADB, 2021). India alone has 111 million people employed by MSMEs, accounting for 44.3% of the country's labour force; of this labour force, 97% are employed by micro-enterprises, while small enterprises employ 3% of the labour force (ADB, 2021). Moreover, India's MSMEs have experienced a twofold increase in gross value added since 2012, contributing to 30% of the national GDP (Ministry of Micro, Small, and Medium Enterprises, 2022). In Pakistan, MSMEs employ 61.7 million people, accounting for 75% of the respective labour force (Pakistan Bureau of Statistics, 2018). In Sri Lanka, MSMEs employ 2.3 million people, constituting 30% of the country's labour force (ADB, 2021). Furthermore, MSMEs contribute significantly to national GDPs: 30% in India, 40% in Pakistan, and 52% in Sri Lanka (ADB, 2021; Ministry of Industry and Commerce, 2017).

MSMEs are also vital for economic inclusion, particularly for vulnerable populations who are excluded from formal employment (United Nations Development Programme [UNDP], 2019). For example, 66% of MSMEs in India are owned by marginalised communities[1] and a significant 84% of those operate as own-account enterprises (ADB, 2021). This is crucial in a region where the informal sector is growing, such as in India, where 85% of workers are categorised as either "casual" or "self-employed"—both categories constitute informality in the workforce (Stuart et al., 2018).

Despite their role in economic inclusivity, MSMEs confront glaring inequalities when compared to larger enterprises. These inequalities manifest through various channels, from limited financial access and digital literacy to unequal government aid and raw material availability (UNDP, 2019). These disparities create productivity gaps, leading to income imbalances among employees (Organisation for Economic Co-operation and Development [OECD] & International Labour Organisation [ILO], 2022). Given that larger enterprises typically have more advanced business operations and greater access to financial resources, strategic investment in elevating the capabilities and competitiveness of MSMEs becomes crucial. This is particularly vital for achieving Sustainable Development Goal 10 (reduced inequalities), which focuses on reducing inequalities and bridging the gap between the formal and informal economic sectors.

1 Marginalised groups include 'backward groups.' Among these groups, 50% of MSMEs are owned by individuals belonging to 'other backward castes,' 12.5% are owned by individuals from 'scheduled castes,' and 4% are owned by individuals from 'scheduled tribes' (Ministry of Micro, Small, and Medium Enterprises, 2022). Backward groups, Other Backward Class, Scheduled Caste and Scheduled Tribes are terms used by the Government of India to classify the population of India. Backward Groups include castes that are economically and socially disadvantaged and face discrimination.

The issue of inequality also extends into the realm of gender, where women-owned businesses comprise just 18% of enterprises in the region (World Bank, 2018). This gender gap is not an isolated issue but is rooted in a complex web of challenges that include restrictive legal frameworks, entrenched cultural norms, patriarchal practices, and financial limitations (Hoekman et al., 2021; World Bank & International Finance Corporation, 2013). The Mobile Gender Gap Report (Butler, 2021) further emphasises this point, ranking Sri Lanka 116th, India 140th, and Pakistan 153rd out of 156 nations. The gender disparities in MSME ownership and employment not only hinder progress towards SDG 10 but also directly affect progress towards SDG 5, which focuses on gender equality and the empowerment of women and girls.

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The COVID-19 pandemic further exacerbated these challenges, pushing the subregion into an economic downturn (Rasul et al., 2021). It disrupted supply chains, crippled international trade and tourism, and hampered foreign remittances, leading to widespread closures of MSMEs and unprecedented job losses (United Nations Economic and Social Commission for Asia and the Pacific [UN ESCAP], 2020). According to the ILO, in 2021, only 22.8% of workers in South Asia were covered by social protection schemes. Given that 87% of South Asia's workforce is without formal social protection or safety nets, the risk of falling into extreme poverty becomes alarmingly high (ILO, 2021).

This chapter employs a comparative analysis of Pakistan, India, and Sri Lanka to investigate the widening economic and social disparities among Micro, Small, and Medium Enterprises (MSMEs) and between MSMEs and larger enterprises due to the COVID-19 pandemic. The research emphasises the complex interplay between enterprises, workers, and SDGs, with a targeted focus on SDG 10, which aims to reduce inequalities both within and among countries. It also incorporates insights from SDG 8 which addresses sustainable economic growth and equitable working conditions, to offer a comprehensive situational overview.

To achieve this, the chapter first contextualises differentiated job losses. Second, it documents the pandemic's impacts on MSME owners and their responses, and via a gender perspective examines the resulting effects on workers. Building upon these aspects, the chapter culminates in a thematic synthesis that analyses how MSMEs leveraged digital skills, social capital, resilience, and accessibility to overcome pandemic challenges. It also assesses the impact on employment and evaluates policy responses. Data collection methods include structured surveys, in-depth interviews, focus group discussions, and key informant interviews, ensuring a comprehensive understanding of the multifaceted effects of the pandemic on MSMEs, taken from the three country-level case studies.

The subsequent section of this chapter undertakes a literature review to explore the repercussions of the COVID-19 pandemic on MSMEs within the studied countries. It delves into the susceptibility of women-led businesses and informal sector workers to the pandemic's shocks, while also addressing the global ramifications on the job market and the broader economy. Subsequently, a comparative analysis is conducted using data and evidence collected by the country-level studies. The chapter then provides the implications of the data uncovered in the findings before moving on to discuss policy interventions strategically aimed at bolstering the sustainability of MSMEs while concurrently mitigating inequalities.

Literature review

In South Asia, MSMEs confronted a multitude of challenges exacerbated by the COVID-19 pandemic, ranging from difficulties in accessing finance (Madan, 2020) and navigating intricate regulatory barriers (World Bank, 2020b) to incurring high infrastructure costs (Kumar & Ayedee, 2021). Additionally, they suffered from a lack of adequate institutional support (Akpan et al., 2022). Their informal nature also resulted in their exclusion from labour policies, social protection, and other policy interventions implemented by the government to mitigate the effects of the pandemic (Rashid et al., 2022; Leap et al., 2022).

The pandemic also significantly impacted South Asian economies, particularly MSMEs from both the demand and supply side. On the supply side, key challenges included workforce reduction due to illness, family responsibilities, and travel and mobility constraints (McKibbin & Fernando, 2020). The implementation of lockdowns and quarantine measures also led to a sharp decline in capacity utilisation (McKibbin & Fernando, 2020). Moreover, disruptions in supply chains resulted in shortages of raw materials (Pu et al., 2021). MSMEs also faced a significant decline in both product demand and income, severely impacting their operational capacity and creating acute liquidity shortages (Rajagopal & Mahajan, 2021). This slump was exacerbated by consumer behaviour: reduced spending due to income loss, fear of infection, and heightened uncertainty (Rajagopal & Mahajan, 2021). The strain on enterprises increased significantly during the COVID-19 pandemic, as financial constraints forced many to resort to employee layoffs (Bartik et al., 2020). These job reductions were a direct consequence of reduced revenue, disrupted supply chains, and decreased consumer demand, all of which were exacerbated by lockdowns and social distancing measures (Bartik et al., 2020).

In the early stages of the pandemic, developing countries experienced diminished sales, limited access to information, and constrained funding options, all while grappling with scant financial reserves (Nordhagen et al., 2021). Among enterprises studied by these authors, in 17 low- and middle-income countries, many altered production volumes, while some completely halted operations. Notably, newer enterprises and those with fewer employees—adjusted for revenue—were less affected by the downturn in the study.

Export-oriented MSMEs confronted substantial order cancellations. For instance, India's lost export orders totalled approximately USD 25 billion, impacting sectors like apparel, leather, handicrafts, and carpets, which saw up to an 80% order cancellation between February and March 2020 (Mathew, 2020). Similarly, the gems and jewellery sector—a significant export category for India—experienced order cancellations of 25-30% (Ravichandran et al., 2020). In Pakistan, postponed or cancelled orders resulted in a 54% decline in exports, chiefly in the textile sector (Xinhua, 2020). Sri Lanka's apparel industry, comprising 52% of the country's merchandise exports, lost an estimated USD 15 billion worth of orders from March to June 2020 due to the pandemic (Weerasinghe, 2023).

The COVID-19 pandemic exacerbated short-term spikes in extreme poverty, particularly impacting vulnerable households and marginalised communities (UN ESCAP, 2020). These segments were largely ill-prepared to navigate the pandemic's challenges, resulting in substantial job and income losses that disproportionately burdened the labour class (Razavi, 2022). Individuals residing slightly above the extreme poverty threshold faced a heightened risk of descending into severe financial hardship. This vulnerability was intensified for marginalised individuals due to factors such as poor health, limited access to water and sanitation, inadequate medical care and testing, and the absence of universal healthcare (UN ESCAP, 2020).

The adverse effects endured by poor and marginalised groups not only broadened the existing inequalities but also arrested the significant progress South Asian countries had achieved in poverty reduction and advancing the SDGs (UNDP & Ministry of Economic Development, 2020). Workers on the social periphery—including migrant labourers and daily wage earners—found themselves exceptionally vulnerable. Devoid of any financial safety nets, these individuals were pushed into a state of relative poverty (Chen & Gan, 2022). Their plight was further complicated by an inability to fulfil basic needs like food, housing, and healthcare, which was exacerbated by limited access to social protection measures and digital platforms, engendering new dimensions of social and economic exclusion (Chen & Gan, 2022).

In Pakistan, restrictive measures like lockdowns and mobility controls served as critical obstacles to entrepreneurial initiatives. These conditions resulted in a stagnant market and decreased Çdemand, making it especially difficult for startups and smaller businesses to maintain or expand their operations (Nasar et al., 2022). Meanwhile, young people—often engaged in temporary, part-time, or gig economy jobs—found themselves without the safeguards of employment security and social benefits during this turbulent period (ILO, 2018). An alarming 96% of young workers in South Asia are employed under informal arrangements, leaving them bereft of essential protections such as sickness benefits, paid leave, or job stability (ILO, 2020). Furthermore, less-experienced and less-skilled young workers faced a higher likelihood of job loss, while young entrepreneurs encountered significant barriers in accessing the resources and networks necessary to sustain their businesses (UNDP & Ministry of Economic Development, 2020).

The existing literature highlights that female entrepreneurs within MSMEs were disproportionately sidelined in government welfare measures, such as bank loan payment extensions (Rodgers, 2020). The pandemic exacerbated gender inequality through four specific mechanisms, as elaborated by Yerkes et al., (2020). First, occupational gender discrimination played a role in the differing rates at which men and women lost their jobs. Specifically, women were highly concentrated in sectors like healthcare, education, and childcare, which were most affected by pandemic-related disruptions. Second, the pandemic intensified women's already substantial roles in childcare and household management, owing to the closure of schools and reduced availability of social services. Third, the widespread transition to remote work affected work-life balance, posing particular challenges for women. The shift often led to increased conflicts between professional duties and family responsibilities, as many women struggled to manage both while working from home. Lastly, the crisis magnified pre-existing gender disparities in the distribution of childcare and household duties. Women frequently assumed an even greater share of these responsibilities during lockdowns, thereby widening the gender gap even further (Yerkes et al., 2020; Carli, 2020).

In the context of the growing importance of digital technologies, the global digital divide presents a stark gender disparity, which particularly disadvantages women (Tyers-Chowdhury & Binder, 2021). According to International Telecommunication Union (ITU) data from 2020, only 63% of women worldwide had internet access, compared to 69% of men. The disparity is even more pronounced in the Asia-Pacific region, where only 61% of women have internet access. Women entrepreneurs—who juggle domestic responsibilities and business management—could particularly benefit from digital tools (Kamberidou, 2020). However, gender biases in the South Asian region limit women's utilisation of these resources. Research shows that women tend to use only those digital tools that are easily manageable and do not demand extensive time commitment (Kamberidou, 2020).

Many women entrepreneurs continue to operate informally, perpetuating their limited access to formal financial services.

Furthermore, family disapproval also presents a significant barrier to mobile internet usage among women in Pakistan, as reported by Butler (2021). Adding to these challenges, the high cost of internet-enabled phones exacerbates the issue. In South Asia, the affordability of such devices consumes about 25% of the average monthly GDP per capita, disproportionately impacting the poorest individuals, for whom this cost represents nearly two-thirds of their monthly income. This affordability gap further hinders women—among the most economically vulnerable groups—from seizing online opportunities.

Limited financial services owing to socioeconomic constraints, borrowing and investment behaviour, and perception of financial institutions and their credibility are highlighted reasons for the precarious dynamics women business owners face in the financial space (Liu et al., 2022; Eniola & Entebang, 2017; Sharafizad, 2018; Davidson et al., 2010). A report released by the International Finance Corporation (IFC) in 2020 corroborates the assertion that women-owned micro- and small enterprises encounter difficulties when seeking financial guidance and access to financing. One key reason is that such businesses are often deemed less profitable (Liu et al., 2022). Consequently, many women entrepreneurs continue to operate informally, perpetuating their limited access to formal financial services. Borrowing from family members remains the priority source for obtaining loans and only 2% of women used formal channels for their credit needs as compared to 10.3% of men (World Bank, 2018).

In conclusion, the COVID-19 pandemic presented significant hurdles for South Asian MSMEs, encompassing obstacles such as limited access to financing, intricate regulatory burdens, substantial infrastructure expenses, and inadequate support. The informal nature of many

MSMEs further exacerbated their exclusion from government aid, while on the supply side, issues like workforce reductions, supply chain disruptions, and reduced capacity utilisation compounded their difficulties. These challenges also disproportionately affected vulnerable populations, leading to heightened poverty levels and exacerbating gender disparities. Addressing this complex web of issues demands a holistic approach, including comprehensive policies that foster inclusivity, initiatives to bridge the digital gap, and improved access to financial services—essential elements for facilitating the economic recovery and resilience of the region.

Methodology

This chapter, centred on South Asia, presents a thorough investigation into the complex challenges and coping mechanisms faced by MSMEs, their owners, and employees in Pakistan, Sri Lanka, and India during the COVID-19 pandemic.[2]

The chapter employs a multi-faceted comparative approach that considers variables, such as age, migration status, and skill level for workers, as well as size, sector, and financial stability for entrepreneurs. These variables are instrumental in understanding the nuanced impacts of the pandemic across different MSME categories and their workforce. This comprehensive framework is organised around two primary themes. The first focuses on the pandemic's effects on MSME owners and their enterprises, exploring disruptions in supply chains, consumer demand, labour challenges, and sector-specific phenomena, among other aspects. The second theme hones in on the workers within these MSMEs, scrutinising the varied effects of the pandemic and policy interventions based on factors like gender, type of enterprise, industry sector, and age group.

In addition to these thematic analyses, the chapter deeply probes the mechanisms through which the pandemic and subsequent policy measures have either exacerbated existing inequalities or engendered new vulnerabilities within the MSME sector. It also assesses the impact of these accelerated policies on the aims of achieving SDGs 8 and 10. To further enrich the chapter's findings, we delve into 'primary abilities' such as digital skills, accessibility, and social networks. These abilities are examined to understand their role in enabling some MSME owners and workers to navigate pandemic-induced challenges and adapt to new policy landscapes. On the flip side, the chapter also identifies how a lack of such abilities has left specific groups more vulnerable, especially in the face of accelerated policy measures that exacerbated inequalities.

The chapter further examines the gender-specific effects of the pandemic, shedding light on how existing gender disparities may have been exacerbated or created new ones. It then explores two key ' primary abilities'—social networks and digital skills—and their role in enabling some MSME owners and workers to better navigate the challenges of the pandemic. The study notes how the presence or absence of these abilities has been a determining factor in the resilience or increased vulnerability of these enterprises and their workforces during both the pandemic and the rollout of policy measures.

2 Three stand-alone country level studies on the theme of "Small Businesses, Big Impacts: Covid, Enterprises and Fair Recovery" have been written for Pakistan, India, & Sri Lanka. For more details see the 'Additional publications of the State of the SDGs initiative' section.

The findings close with a detailed analysis of the effectiveness of government interventions across the case studies in Pakistan, India, and Sri Lanka. It highlights disparities in access to governmental support, indicating that these discrepancies have intensified existing inequalities among MSMEs. Specifically, larger enterprises and those in IT-based sectors have experienced a more straightforward path to governmental assistance, while smaller businesses and those in other sectors have faced hurdles. Subsequently, the analysis turns its attention to the economic repercussions of the pandemic on MSMEs, their owners, and their employees.

Data collection

This chapter leverages data exclusively gathered from three country-level case studies undertaken by Southern Voice, exploring the impact of the COVID-19 pandemic on MSMEs in Sri Lanka, Pakistan, and India. Aside from the authors' own literature and desk review, all other data components are sourced from these country-level case studies[3]. This rich and specialised dataset, aligned under key thematic pillars around the impact of the pandemic on MSMEs and the impact of the pandemic on workers in MSMEs, enabled a rigorous comparative analysis to better understand the pandemic's multifaceted impact on MSMEs across these specific contexts.

Table 3.1. Sampling frame for primary data collection

Tools/Countries	India	Pakistan	Sri Lanka	Total
Enterprises				
Phone/In-person surveys	60	60	60	180
In-depth interviews	10	10	10	30
Workers				
Focus group discussion (10 minutes each)	4	4	4	12 (minimum 120 workers)
Key expert interviews				
Interviews with government officials, experts and academics working on relevant issues	5	5	5	15

Note. Elaborated by the authors.

In summary, the number of respondents in all three countries for surveys were 180, and 30 in-depth interviews at the enterprise level. For workers, four focus group discussions were done in each country and 15 key expert interviews were conducted, where five were done from each country, respectively.

For the desk review, a thorough search of international databases with a large selection of scientific papers, such as ScienceDirect, EconBIZ, JSTOR, Google Scholar, EBSCO, Web of Science, and Scopus, was used to conduct the literature review. In order to ensure a focus on the chapter's target areas, the search employed a list of carefully

3 This includes structured questionnaires targeting MSME entrepreneurs and workers, secondary data analyses from labour force and Covid surveys, qualitative insights from in-depth interviews with entrepreneurs, focus group discussions with workers, and key informant interviews with stakeholders.

chosen keywords, including "micro-enterprise," "small enterprise," "enterprise," "sustainable development," "MSME and COVID-19", along with specific country names like "Pakistan," "Sri Lanka," and "India." Additionally, the reference lists of the identified studies were carefully examined using the 'snowball' search method to find any potentially overlooked but important research.

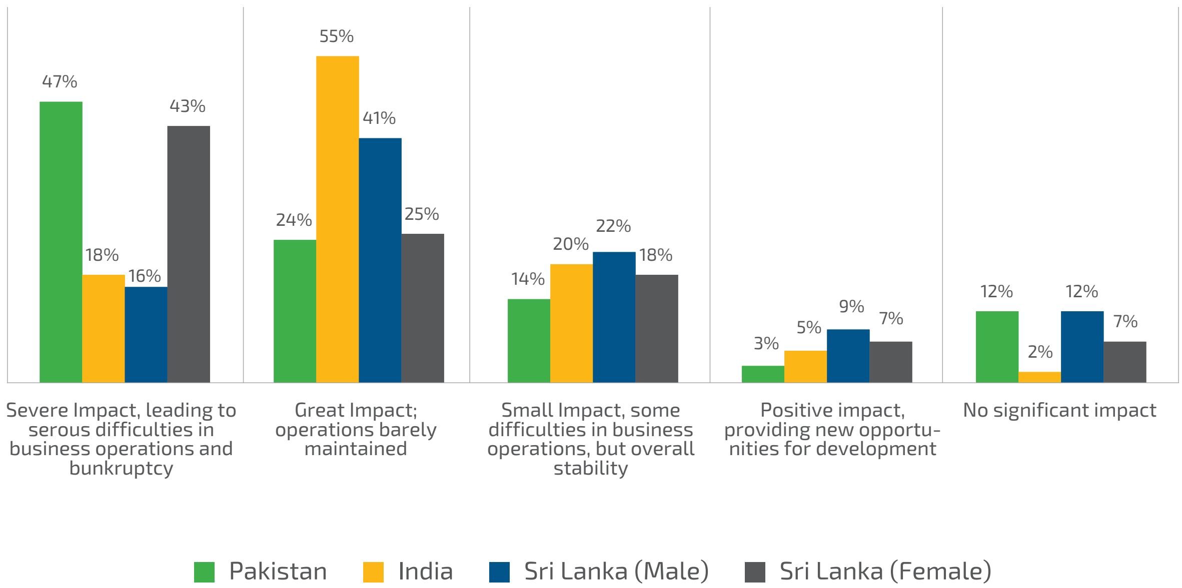
The review also included secondary data from prominent international organisations, such as the World Bank, IFC, ILO, and ADB. These databases are widely acknowledged by scholars for conducting systematic reviews. In total, the initial database searches using the aforementioned keywords yielded an extensive pool of 29,600 records for consideration.

Findings

Economic impact of the pandemic on MSMEs

The demography of micro-enterprises as a percentage of total establishments is identical across Pakistan, Sri Lanka, and India (Adil, 2023; Lokuge et al., 2023; Southern Voice, 2023). In Sri Lanka and India, such companies constitute 99.8% and 99% of total establishments in the economy, while MSMEs in Pakistan constitute 98% of all establishments (Gunawardana, 2020; ADB, 2021; IFC, 2020).

Figure 3.1. Impact of the COVID-19 pandemic on enterprises' production and operations

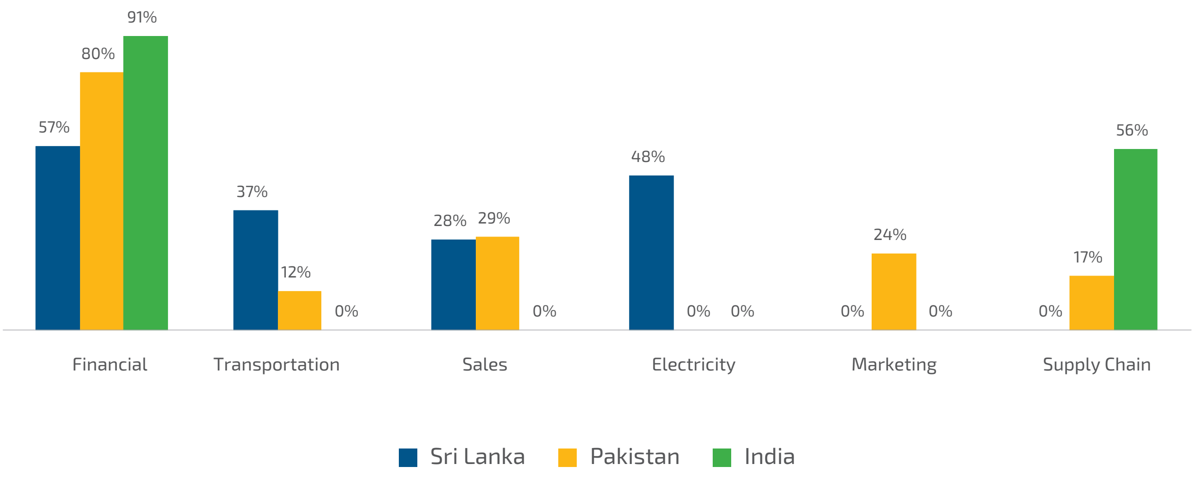


Note: Elaborated by the authors based on Adil (2023), Lokuge et al. (2023) and Southern Voice (2023).

As noted in Figure 3.1, during the pandemic, the production and operations of surveyed enterprises took a significant hit. 71% of enterprises in Pakistan and 73% in India, respectively, reported an adverse[4] impact. Whereas, the numbers for Sri Lanka show that 57% of male-owned MSMEs and 68% of female-owned MSMEs faced operational and production challenges due to the pandemic.

Financial challenges were a common thread in all three countries (Figure 3.2). 91% of enterprises in India reported facing financial challenges and only 56% reported supply chain challenges. 80% enterprises in Pakistan and 57% enterprises in Sri Lanka faced financial constraints.. Between March and June 2020, the lockdowns and corresponding low demand led to widespread revenue losses. As a result, 64% of businesses in Pakistan, 88% in Sri Lanka, and 11% in India negotiated with lenders for loan rollovers. In Pakistan, 37% of such businesses required loans just to cover their operating expenses. The immediate response for many was layoffs and wage cuts, the long-term implications of which depend on the government's debt response capacity.

Figure 3.2. Major challenges



Note. Elaborated by the authors based on Adil (2023), Lokuge et al. (2023) and Southern Voice (2023).

Corroborating these findings, a sample of 70 enterprises in India revealed monetary shocks as a pressing issue, particularly for MSMEs negotiating credit deals (Southern Voice, 2023). The decline in revenue for these enterprises was evident as early as 2018–2019 and was exacerbated during the pandemic. Notably, 14% of these Indian enterprises cited low working capital as a significant challenge. Sri Lanka faced similar issues, especially among rural and women-owned enterprises that were constrained by insufficient capital. The country's MSMEs suffered from a substantial finance gap of 69.85% (Small Medium Enterprise Finance Forum, 2021).

The lockdown in Sri Lanka resulted in revenue losses exceeding 75% across all industrial sectors from March to June 2020 (Development Asia, 2022). This included sectors like mining, quarrying, construction, and services (Development Asia, 2022). The apparel sector alone witnessed a 26% revenue loss in 2020 compared to the previous year (Sri Lanka Apparel Exporters Association, 2022). Additionally, 52%

4 Severe and great impacts combined.

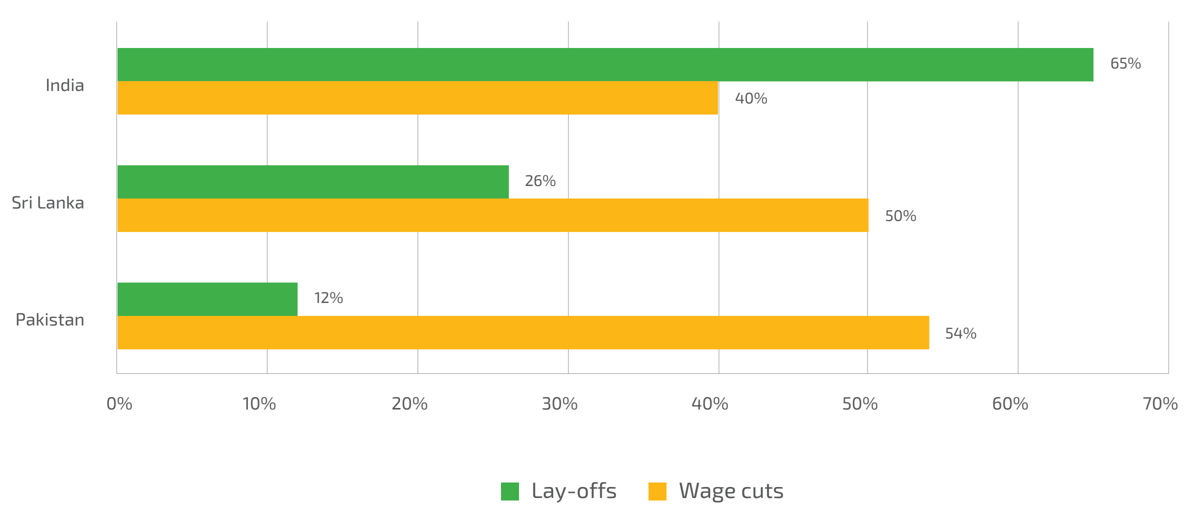
of enterprises surveyed in the Sri Lanka country-level case study attributed their financial challenges directly to the pandemic (Lokuge et al., 2023). Compounding the financial hurdles, 48% of enterprises in Sri Lanka encountered challenges with electricity supply, which impeded their ability to keep shops operational or maintain service delivery.

Regarding the economic impact on workers, the surge in employee layoffs had a direct impact on the unemployment rates in the region, further accentuating the existing inequalities between casual[5] and white-collar workers. A clear example was observed in India, where MSMEs reported the highest number of layoffs for casual workers who were hired for short-duration work, in contrast to white collar workers who had the security and benefits offered by full-time employment (Southern Voice, 2023). While it is important to note that there may be underreporting of the actual reduction in employment, a substantial 65% of the 70 Indian enterprises noted in the country case study that they resorted to layoffs to curtail expenses (Figure 3.3).

The impact of layoffs was glaringly evident in the large-scale migration of workers returning to their hometowns on foot. This exodus highlighted the extreme vulnerability of these migrant workers, who had no safety nets to rely on during crises. Similar trends were observed in Sri Lanka and Pakistan, where companies reduced their staff by 26% and 12%, respectively (Figure 3.3). These numbers highlight the heightened struggles and disparities faced by casual labourers compared to their white-collar peers. For instance, in India, a sizable e-commerce apparel enterprise was able to offer its workers accommodation on factory premises in exchange for a pay cut (Southern Voice, 2023). This arrangement was possible because the company had significant cash reserves, a luxury that most micro- and small enterprises lack.

5 Casual workers are often hired for short durations, specific tasks, or seasonal work and may not enjoy the same job security, benefits, or legal protections as regular or permanent employees. Casual workers are typically paid on a daily or hourly basis.

Figure 3.3. Lay-offs and wage cuts in MSMEs



Note. Elaborated by the authors based on Adil (2023), Lokuge et al. (2023) and Southern Voice (2023).

As noted across all three country case studies (Adil, 2023; Lokuge et al., 2023; Southern Voice, 2023), the disparity between white-collar and piece-rate workers[6] was further magnified by wage cuts and layoffs. Piece-rate workers—who had migrated to cities for better job opportunities—were hit particularly hard. Due to lockdowns and subsequent business closures, they found themselves abruptly unemployed. In contrast, while office workers also faced wage cuts, they were generally less severe than the job losses experienced by piece-rate workers.

In Sri Lanka, surveyed enterprise owners reported substantial financial challenges, particularly in meeting payroll obligations (Lokuge et al., 2023). A significant decline in profits and sales was observed, with 48.3% of enterprises experiencing more than a 50% drop in profits, and 47% noting a similar decline in sales compared to the pre-pandemic period (Figure 3.4). As a result of these severe financial challenges, 50% of MSME owners surveyed in Sri Lanka noted wage reduction efforts to deal with the financial impact of the pandemic (Lokuge et al., 2023).

Meanwhile, in India, business owners who made efforts to diversify and remained committed to paying employee salaries found themselves grappling with reduced income (Southern Voice, 2023). This income failed to reach pre-pandemic levels, forcing owners to use their personal savings to cover daily operational expenses. 40% of MSME owners surveyed noted having to reduce wages to cope with the financial impact of the pandemic.

Similarly, in Pakistan, a 31–50% decrease was reported by 48% of owners in net profit and by 54% of owners in sales (Figure 3.5). According to the survey, 44% of owners had to limit their planned investments for the year 2020–2021, with 50% of enterprises also reducing investments in employment (Adil, 2023). Moreover, 64% of businesses reported cash flow difficulties at the time of the survey, and 10% of those facing cash flow challenges opted for cost-cutting measures such as layoffs and salary cuts. 54% of surveyed MSME owners noted that they had to resort to wage reductions to deal with the pandemic-induced financial downturn (Adil, 2023). These financial difficulties, coupled with limited investments, created a cascade effect, impacting workers and making them more vulnerable.

Logistics and supply chain disruptions had a broad impact on small and micro-enterprises across Sri Lanka, Pakistan, and India. Factors such as transportation challenges and labour shortages led to material shortages and price volatility across sectors (Rasul et al., 2021). According to available data, 42% of enterprises in Sri Lanka, 60% in India, and 66% in Pakistan reported complete disruptions[7] in raw material access (Figure 3.6). While these disruptions were temporary, their long-term effects limited enterprises' ability to scale and invest (World Bank, 2021).

Regulatory obstacles further impede MSME growth, as evidenced by Sri Lanka's low ranking in ease-of-doing-business indices, particularly in enforcing contracts, paying taxes, and registering property (World Bank, 2020a). While countries like Pakistan and India implemented initiatives like the Ehsaas Emergency Cash Program and the Mahatma

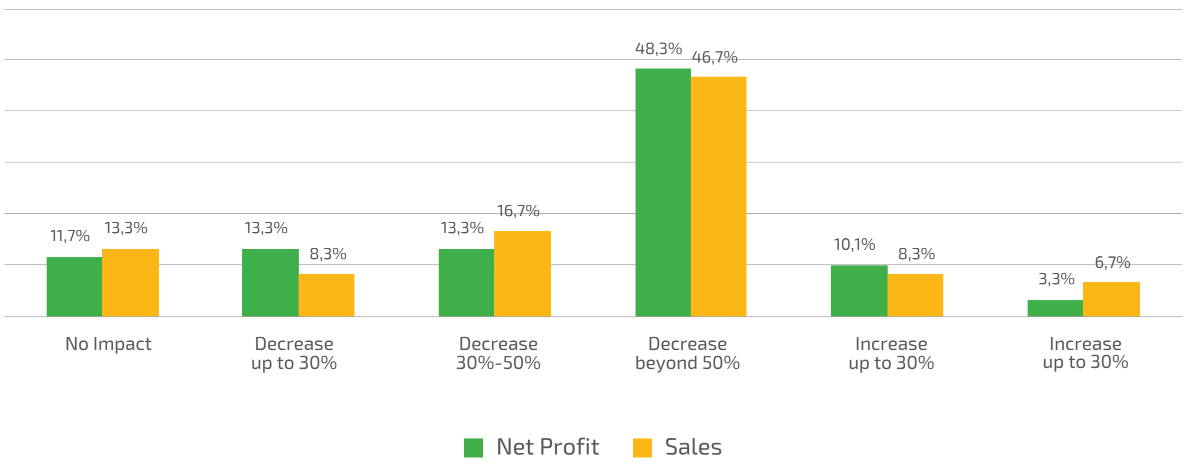
6 According to ILO, piece-rate workers are paid by the unit produced instead of time spent on the job. For example, the number of shirts or bricks produced.

7 Complete disruptions are where enterprises had no or extremely limited access to raw material.

Gandhi National Rural Employment Guarantee Act (MGNREGA), Sri Lanka took no such actions due to budgetary constraints. Consequently, 45% of micro-enterprises and 10% of small enterprises in Sri Lanka remain outside the realm of formal business networks and financial resources. This lack of formalisation is also prevalent in India—where only 17% of own-account enterprises[8] are registered—and in Pakistan, where 47% of the sample enterprises were informal or unregistered (Southern Voice, 2023; Adil, 2023). This state of informality perpetuates inequality between larger enterprises and their smaller counterparts.

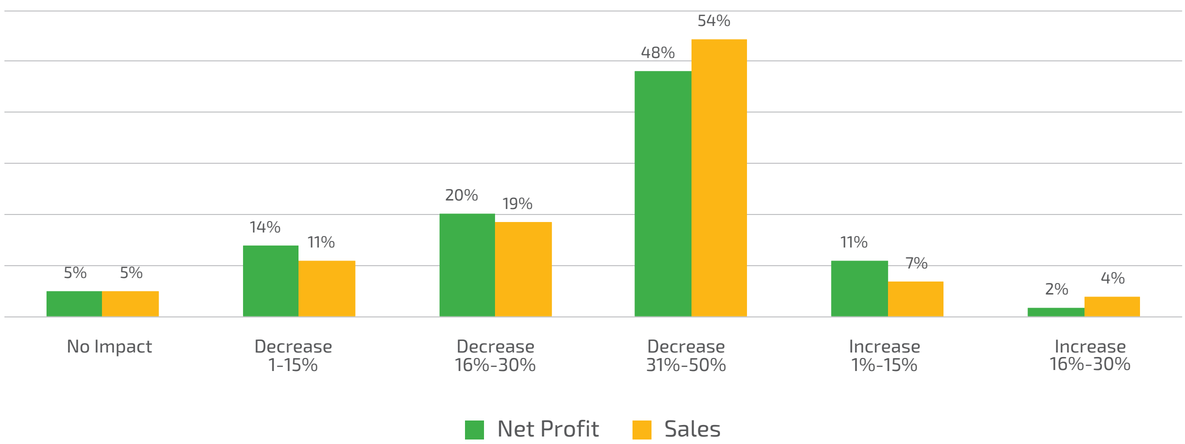
8 Own-account enterprises refer to businesses or economic activities where individuals or households are engaged in self-employment and operate without hiring paid labour, typically working for themselves to generate income.

Figure 3.4. Impact on sales and profits – Sri Lanka



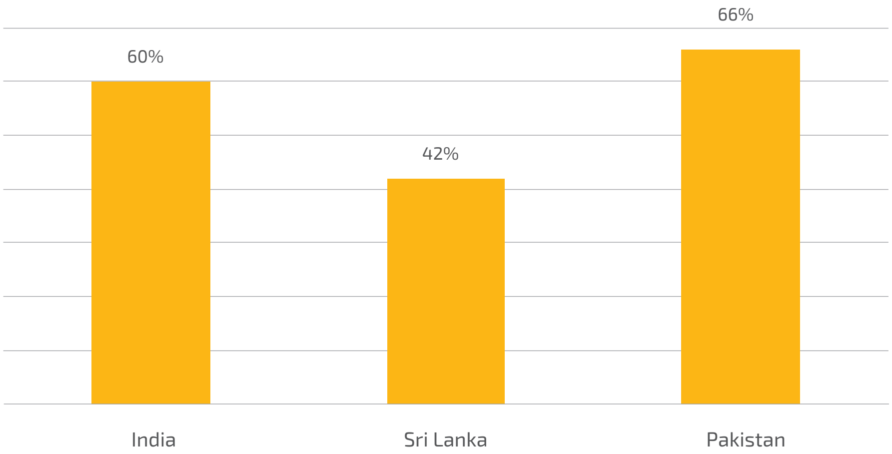
Note. Elaborated by the authors based on Lokuge et al. (2023).

Figure 3.5. Impact on sales and profits – Pakistan



Note. Elaborated by the authors based on Lokuge et al. (2023).

Figure 3.6. Complete disruption in access to raw material



Note. Elaborated by the authors based on Southern Voice (2023).

Gendered inequalities

In India, the pandemic disproportionately affected low-income women, intensifying their existing economic vulnerabilities. According to the Periodic Labour Force Survey, even though women constituted only 18.6% of India's labour force before the pandemic, they accounted for a significant 28% of job losses induced by the pandemic (Dalberg, 2021). The escalation in caregiving and domestic responsibilities, fueled by the pandemic, compelled a higher proportion of women compared to men to exit the workforce (Dalberg, 2021). Similarly, in Pakistan, the pandemic highlighted gender disparities in employment, with 23.8% of female workers unable to report to work, a concerning statistic given that 51% of businesses had no female employees at the onset of the pandemic (Adil, 2023). The findings of a study conducted in Sri Lanka between 2021 and 2022 revealed that 37% of enterprises downsized their staff, with women bearing the brunt of these job cuts (Lokuge et al., 2023). In India, the entrepreneurial landscape is notably skewed towards men, with 80% of MSMEs being male-owned, as opposed to a mere 20% owned by women (Ministry of Micro, Small, and Medium Enterprises, 2022). Furthermore, when women do venture into business ownership, a staggering 90% of their enterprises fall under the micro-business category (Ministry of Micro, Small, and Medium Enterprises, 2022).

In Sri Lanka, women-led ventures encountered heightened challenges in market and raw material access, business operations management, and obtaining information, financial services, and technical support compared to male-owned or jointly-owned businesses (Lokuge et al., 2023; IFC, 2020).

Data from the Sri Lanka country case study unveiled a disparity in the adoption and utilisation of digital platforms and social media, influenced by factors like enterprise size, owner's technical skills, and digital experience (Lokuge et al., 2023). For instance, a large food processing company in Colombo swiftly expanded its online presence, contrasting with a small rural female food producer who, despite successfully initiating social media marketing, struggled with demand and delivery. Similarly, micro-scale enterprises utilising social media for marketing faced transport challenges during lockdowns. The data also noted that international exposure and English proficiency were significant facilitators for micro-enterprises transitioning to digital marketing (Lokuge et al., 2023).

Parallel experiences of women-owned MSMEs in Pakistan during the pandemic mirrored those observed in Sri Lanka and India. These enterprises grappled with reduced business sales, diminished household income, lifestyle adjustments, and a decline in emotional well-being during lockdowns (Adil, 2023). The challenges were multifold, encompassing both operational hurdles and adverse effects on personal lives. Notwithstanding these difficulties, instances of resilience were evident, especially among educated female entrepreneurs. Striking examples included leveraging platforms like Facebook and WhatsApp groups to bolster business prospects, demonstrating resourceful adaptability within adversity. For example, Anila, an entrepreneur, used WhatsApp groups (named as 'Mangwa Lo') to start a service of delivering groceries and other household items to customers (Adil, 2023).

Adoption of digital tools to cope with the pandemic

To cope with the disruptions caused by the pandemic, MSMEs increasingly adopted digital strategies to ensure business continuity. Among surveyed MSMEs in the apparel sector across three countries—Pakistan, India, and Sri Lanka—an average of 42% reported that they had initiated the use of digital tools during the pandemic, despite never having engaged in online sales or delivery services before. Notably, in Sri Lanka, a striking 78% of MSMEs surveyed shifted to employing IT tools to sustain operations (Lokuge et al., 2023). This pivot led these enterprises to explore new revenue streams, such as online sales and delivery services, resulting in a significant uptick in digital tool adoption during this critical period.

As evident in the findings of the country-level case studies, sectors in India such as IT and design consulting successfully transitioned to a 100% remote work model, leveraging digital technologies to access new markets (Southern Voice, 2023). However, this shift widened the inequality gap, deeply impacting businesses that either could not afford the transition or lacked the necessary digital skills (Southern Voice, 2023). Similarly, in Pakistan, the adoption rate of technology among SMEs remained constrained due to the prohibitive costs of IT infrastructure (Adil, 2023). In Sri Lanka, one large-scale food processing company in Colombo adeptly expanded its digital marketing and delivery services (Lokuge et al., 2023). Conversely, a small-scale food business in rural Hambantota initially thrived on social media marketing but soon faced logistical challenges, including delivery delays and high courier costs.

As noted by data from the country-level case studies, while this strategic shift towards diversification and adoption of IT tools was seen as a necessary step for survival, it introduced significant costs for MSME owners. In Sri Lanka, business owners' savings were depleted as they strived to cover business-related costs, including rent and utilities (Lokuge et al., 2023). Furthermore, unlike larger enterprises that had access to formal avenues of financial support, MSME business owners often relied on informal means to secure financing (Lokuge et al., 2023). This reliance can be attributed to the complex and regressive regulatory structures prevalent in these countries (Central Bank of Sri Lanka, 2020). Such structures often require collateral and formal business registration, thereby hindering micro- and small enterprises from benefiting from government-announced support schemes and bank loans (Central Bank of Sri Lanka, 2020).

Amidst these adversities, digital marketing platforms and virtual entertainment emerged as partial lifelines, enabling select businesses to maintain operations (Adil, 2023; Lokuge et al., 2023., & Southern Voice, 2023). Remarkably, a significant proportion of the reviewed MSMEs across regions resorted to IT tools to navigate the pandemic's complexities. One consistent trend was the increased adoption of web-based services and online delivery options, features that became increasingly ubiquitous across all surveyed regions (Adil, 2023; Lokuge et al., 2023., & Southern Voice, 2023).

The strategies of MSMEs in Sri Lanka, India, and Pakistan in response to the challenges posed by the pandemic reflect their resilience and adaptability.

Network support and social capital

As evidenced from the three country-level case studies, social capital–including support from friends and family–played a crucial role in MSME owners' coping mechanisms during the crisis. In Sri Lanka, where formal financing options were hindered by complex regulations, business owners turned to informal means such as loans and gifts from their social networks to secure financing, highlighting the importance of social networks in sustaining operations (Lokuge et al., 2023).

In strategies employed to manage household finances, survey data in Sri Lanka reveals that savings are the primary resource used by most MSME owners, irrespective of gender. Notably, 25% of male owners did not require additional coping mechanisms, suggesting their business income sufficiently covered household expenses (Lokuge et al., 2023). In contrast, only 14% of female owners enjoyed this financial stability, showing that network support for women MSMEs was notably limited, with many relying on social capital, including borrowing from friends (21%), pawning jewellery (14%), and receiving assistance from family members (18%) to manage household finances (Lokuge et al., 2023). Findings from Pakistan show that in the provinces of Khyber Pakhtunkhwa and Punjab, strong family support systems played an essential role, which made it possible for MSME owners to avoid taking loans (Adil, 2023). In India, qualitative discussions with workers revealed that they had taken loans from their family and friends (Southern Voice, 2023).

The strategies of MSMEs in Sri Lanka, India, and Pakistan in response to the challenges posed by the pandemic reflect their resilience and adaptability. These businesses demonstrated their ability to adjust their production processes in the face of raw material shortages. For instance, in Sri Lanka, 26 enterprises faced these shortages, and 12 of them opted to reduce production, especially in serviceoriented sectors such as auto parts repair, construction, and printing (Lokuge et al., 2023). Similarly, in India, micro-enterprises, including automotive parts manufacturers, beauty services businesses, and textile manufacturers, adopted similar strategies of reducing production when confronted with raw material shortages (Southern Voice, 2023). In Pakistan, a substantial 66% of businesses reported a shortage of raw materials (Adil, 2023). The reported enterprises in these countries resorted to negotiating with vendors for credit as a financial strategy to address cash flow shortages. These adaptive strategies underscore the resilience displayed by MSMEs during the global health crisis.

Impact of government interventions

Government intervention was pivotal in sustaining the enterprise sector throughout the pandemic by being responsive to the needs of MSMEs. By promoting investments in digital infrastructure, and providing financial support, governments assisted enterprises in overcoming pandemic-related obstacles (OECD, 2020; International Monetary Fund, 2020).

Pakistan

To alleviate the financial strain on small and medium-sized enterprises (SMEs), the Pakistani government rolled out several initiatives. Notably, the State Bank of Pakistan introduced the 'Refinance scheme for payment of wages and salaries' to enable businesses to sustain wage and salary disbursements amidst the economic downturn triggered by the COVID-19 outbreak (The News International, 2020). On a provincial level, the Ehsaas Emergency Cash Program facilitated a cash assistance disbursement of 2,000 PKR to street vendors, alongside an additional aid of 12,000 PKR to other distressed workers (Government of Pakistan, 2020). Enhancing its support, Small and Medium Enterprise Development Authority (SMEDA), in partnership with the Ministry of Energy, inaugurated an electricity subsidy program, tailoring the subsidy amounts based on each enterprise's previous year's electricity consumption, capping at 75,000 PKR for industrial and 25,000 PKR for commercial connections during May and June 2020 (SMEDA, 2020). Additionally, SMEDA launched capacity-building initiatives aimed at fostering e-commerce awareness and digitalisation proficiency in both B2B and B2C commerce. These endeavours sought to equip MSMEs with the requisite skills for adeptly navigating the evolving business terrain, enabling them to leverage digital platforms for enduring growth (SMEDA, 2020). However, feedback from interviewed MSMEs in the Pakistan country case study indicated a program structure more favourable to larger enterprises, primarily due to their ability to fulfil documentation, financial, and registration requirements, thereby challenging smaller enterprises' participation and benefit from the support (Adil, 2023). Furthermore, many MSMEs noted that these support measures were out of reach due to their informal, non-registered status, hence they could not access funding or development initiatives (World Bank, 2020).

Moreover, the survey in the Pakistan country case study revealed that 41% of micro-businesses didn't maintain a bank account, significantly obstructing their access to formal financing schemes during the pandemic (Adil, 2023). While registered businesses with banking access could avail themselves of schemes like the Central Bank's refinance scheme and the wage loss protection program, unregistered entities were left unsupported. These schemes, designed to retain employees on payrolls through nearly zero-interest credit, often favoured larger businesses in loan disbursement, constraining small- and micro-enterprises from securing essential funding.

India

A parallel scenario unfolded in India. Despite various forms of government assistance, only five enterprises out of 57 firms surveyed in the India country-level case study reported benefiting from them. This was largely due to issues of informality and non-registration, giving large enterprises a distinct advantage in accessing support. Moreover, the rent moratoriums announced by local and central governments were poorly regulated and largely relied on landlords' willingness to provide relief.

Further compounding the inequality between large and small businesses, larger enterprises were better positioned to tap into state aid due to their visibility and resources for navigating available programmes. Among the few enterprises that did report accessing governmental assistance, three were small and two were micro, all within the manufacturing sector (Southern Voice, 2023).

Concerning workers within the MSME sector, the pandemic brought about disparities in accessing government aid. The government of India introduced multiple relief measures in March 2020, notably offering a monthly payment of INR 500 for three months to 200 million women holding 'Jan Dhan' bank accounts (Somanchi, 2020). While approximately half of the respondents were aware of this initiative, their families often received these payments only sporadically, either once or twice (Southern Voice, 2023). Predominantly, workers highlighted in the case study experienced substantial challenges in accessing government aid, attributing these difficulties either to their informal employment status or a lack of awareness regarding the availability of the aid and the procedures to obtain it.

Interestingly, rural workers found it easier to access governmental aid than their urban counterparts (Southern Voice, 2023). Programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), provided regular work opportunities in rural settings. Additionally, workers possessing ration cards could avail themselves of free monthly ration allotments when in their villages. Such benefits, however, were not extended to those who remained in urban locations.

Sri Lanka

In Sri Lanka, MSMEs were offered a variety of financial assistance, ranging from grants and business loans to interest subsidies, as well as support in marketing, raw materials, and technical consultation (Central Bank of Sri Lanka, 2020). However, disparities in access to these services from different organisations were apparent. For construction workers, the government rolled out relief packages worth LKR 5,000, but the distribution was limited to one-time or two-time payments (Lokuge et al., 2023). This limited outreach was attributed to Sri Lanka's constrained fiscal capacity, which led the government to depend heavily on monetary policy and debt finance instruments as crisis management tools (ADB, 2021; Hewage, 2020).

Among these financial instruments was the Saubhagya COVID-19 Renaissance Loan Scheme Facility (SCRF) launched by the Central Bank of Sri Lanka (CBSL). It offered working capital loans at a low-interest rate of 4% per annum, with a two-year repayment period (CBSL, 2020). Though a substantial amount—LKR179,280 million—was allocated under this scheme, the full benefits were not evenly distributed across all business scales. The risk-averse behaviour of banks in the face of economic uncertainty made them hesitant to lend to micro- and small-scale enterprises (Hewage, 2020).

The situation was further exacerbated by medium and large-scale enterprises, which borrowed up to the maximum limit, thereby constraining the availability of credit for smaller enterprises (Perera, 2021). Thus, despite well-intentioned policies, the implementation fell short, disproportionately benefiting larger enterprises and leaving smaller ones with limited access to much-needed financial resources.

Conclusions and implications

This chapter on micro-, small, and medium-sized enterprises (MSMEs) across South Asia unveils the pandemic-induced shifts across various sectors and sub-populations, shedding light on the coping mechanisms employed by different segments of the population. It reveals that certain abilities significantly contributed to how well various segments could navigate through the pandemic. Unfortunately, the accelerated implementation of government policies did not account for the absence of these abilities in other segments, rendering them more vulnerable and further exacerbating existing inequalities. This scenario underscores a pressing need for a thorough reassessment of current policies, developmental agendas, and social protection schemes in countries like India, Pakistan, and Sri Lanka, to foster a more supportive environment for the MSME landscape.

As a primary ability, the presence of digital skills emerged as a critical factor enabling certain MSMEs, particularly in sectors like apparel, to adapt swiftly to the crisis. For instance, in Sri Lanka, the rapid expansion of the apparel sector into digital marketplaces demonstrated how businesses with digital capabilities could pivot effectively. In India, the pandemic prompted a rapid shift towards digitalisation. Some MSMEs, particularly those in urban areas with existing digital capabilities, were able to adapt by embracing online platforms for sales and services. Small urban businesses in the technology and e-commerce sectors were better positioned to pivot quickly.

In contrast, many traditional, small-scale MSMEs in rural areas lacked digital skills and struggled to transition online. These businesses, such as those in artisanal crafts or traditional manufacturing, faced greater difficulties in adapting to the changing market dynamics. However, this adaptation highlighted the lack of preparedness of many businesses for digital commerce, underscoring the need for more comprehensive digital literacy and training programs to equip MSMEs for similar abrupt market changes in the future. The pandemic accelerated the importance of digital skills and highlighted the potential of digital tools for business survival. This also shows how certain sectors have adapted to the crisis by rapidly expanding into digital marketplaces. This sudden shift, although a positive adaptation, leads us to ponder about the unpreparedness of these businesses for digital commerce. It implies that there is a growing need to prepare MSMEs, both operationally and financially, to adapt to similar abrupt market changes in the future.

The findings of this chapter, and across the three country case studies, also underscored the significance of social capital as a pillar of support for MSMEs. In Sri Lanka, where readily accessible formal financial systems were limited, people leaned on their social networks for survival (Lokuge et al., 2023). This reliance on social capital was an asset during critical times, providing immediate relief. In Pakistan, the importance of social and family networks became evident in provinces like Khyber Pakhtunkhwa and Punjab, where these networks played a crucial role in providing a safety net for MSME workers during the crisis (Adil, 2023). This social capital served as a vital source of financial support when official policies faltered. However, it raised questions about the long-term sustainability and reliability of such informal support mechanisms, especially during prolonged crises. Furthermore, the gendered landscape of these support systems was evident, with a substantial gap between male and female MSME owners who were able to sustain their households without additional financial mechanisms (Adil, 2023; Lokuge et al., 2023., & Southern Voice, 2023). This gender disparity highlights not only a gender issue but also a significant economic concern that requires prompt attention from policymakers.

Smaller, informal businesses faced exclusion from vital financial assistance initiatives, leaving them with limited resources to weather the economic challenges.

Furthermore, accessibility to government support programs was a crucial ability in shaping the pandemic's impact on MSMEs. Disparities in the accessibility of these programs between larger and smaller enterprises intensified productivity discrepancies and income inequalities among workers. Informal businesses, often lacking registration, found themselves excluded from vital financial assistance initiatives. Limited tax exemptions and rental support for enterprises hindered their capacity to endure the crisis. For instance, in both India and Pakistan, disparities in the accessibility of government support programs were apparent (Adil, 2023; Southern Voice, 2023). Larger enterprises often had better access to these programs, including financial assistance and tax exemptions, compared to smaller MSMEs. Smaller, informal businesses faced exclusion from vital financial assistance initiatives, leaving them with limited resources to weather the economic challenges. This exclusion further widened productivity and income inequalities among workers.

In India, there was also a focus on supporting rural areas, leaving urban MSMEs with a sense of neglect (Southern Voice, 2023). This spotlight on rural priorities raised concerns about the equity of government policies and highlighted the need for more balanced, geographically-inclusive strategies. Gender disparities in the accessibility of government support programs were also evident, with female entrepreneurs facing prolonged recovery periods and greater reliance on informal financing mechanisms. These findings emphasise the importance of inclusive policies that bridge accessibility gaps and consider the unique needs of diverse MSME sub-groups.

Furthermore, the reliance on savings as a primary financial support among Sri Lankan MSME owners reveals the limitations of current financial systems and credit options (Lokuge et al., 2023). This limitation has broad implications for future crises, as it makes businesses and households extremely vulnerable to external shocks. Here, the need for more flexible and widely accessible formal financial support mechanisms becomes evident. This insight calls for a policy re-evaluation to make formal credit more appealing and accessible to MSME owners.

The data collected in our study serves as a mirror, reflecting both the resilience and vulnerabilities of MSMEs in South Asia. The variety of coping mechanisms deployed—from rapidly embracing digital tools to relying on social and family networks for financial support—offers a complex picture of how MSMEs have navigated the crisis. These intricacies demand multifaceted, context-specific policy interventions that consider the specific challenges and needs of diverse MSME sub-groups.

Impact of accelerated policies on MSMEs and owners

Accelerated policy responses were crucial in shaping the trajectory of MSMEs during the pandemic, often serving as both an aid and an obstacle. While government interventions were largely beneficial, our findings indicate nuances that require attention. For instance, the rapid move towards digitalisation was a direct consequence of policy directives to reduce in-person interactions. However, this acceleration was not uniformly beneficial across sectors. The apparel sector, which had largely been offline in countries like Sri Lanka, had to pivot quickly, experiencing a 42% increase in online selling (Lokuge et al., 2023). This indicates that while policies were effective in accelerating digital transition, they were perhaps not as effective in ensuring that all sectors were equally prepared for such a transition.

Moreover, the structural inequalities exposed during the pandemic suggest that accelerated policies did not adequately address the unique needs of various subgroups. Female entrepreneurs in Sri Lanka were a case in point. With limited financial coping mechanisms compared to their male counterparts, these women represent a demographic that is not adequately catered to by accelerated policies (Lokuge et al., 2023). The glaring disparity in the reliance on social capital between male and female entrepreneurs signifies a policy gap that needs to be filled urgently.

Impact of accelerated policies on MSME workers

The labour dimension within MSMEs, particularly in terms of employment stability and worker welfare, was heavily influenced by accelerated policies. Policy initiatives like wage subsidies or unemployment benefits were critical in preventing a complete collapse of the labour market within MSMEs. However, our study reveals that the effects of such policies were not uniformly distributed. For instance, in Sri Lanka, male MSME owners were less reliant on additional financial mechanisms, suggesting that their business income could sustain their household, including workers (Lokuge et al., 2023). This was not the case for female MSME owners, where the policies did not have a parallel impact, especially regarding worker retention and welfare (Lokuge et al., 2023).

Furthermore, data from Pakistan shows that the strong family support system in the provinces of Khyber Pakhtunkhwa and Punjab played an essential role in providing a safety net for workers (Adil, 2023). This reliance on social and family support systems to address the void left by official policy is a double-edged sword. While it provides immediate relief, it raises questions about the sustainability and long-term effectiveness of such ad hoc support systems in lieu of more targeted and inclusive government policies.

Policy recommendations

Firstly, governments in the region should craft policies that are explicitly tailored to MSMEs' unique profiles, incorporating variables like size, industry sector, and gender of the owner. This nuanced policy development is crucial not just for economic stability but also for aligning MSMEs more closely with the SDGs. This is particularly relevant to SDG 8 and SDG 10, which can guide an inclusive recovery from the pandemic while addressing sector-specific vulnerabilities and existing gender inequalities.

Secondly, the rapid pace of digitalisation has been both a challenge and an opportunity for MSMEs. Recognising the varying degrees of digital readiness among MSMEs, governments should introduce a comprehensive digital toolkit. This toolkit should offer assessments of digital capabilities alongside remedial programmes to fill in gaps, thereby fostering digital equity among MSMEs. Not only does this mitigate the risk of deepening inequalities, but it also accelerates the economic recovery by enhancing MSMEs' competitiveness in an increasingly digital world.

Thirdly, the value of community-based models and social capital cannot be overlooked. To facilitate recovery, governments should take proactive steps to cultivate social networks, peer interactions, and network literacy, particularly among marginalised communities. These initiatives align directly with economic growth objectives and further contribute to achieving SDG 1 (no poverty).

Fourthly, the divergent effects of the pandemic on different types of jobs require targeted policies. Specifically, white-collar and blue-collar workers face different sets of challenges and opportunities, with automation being a significant disruptor for blue-collar jobs. Policymakers should create frameworks that anticipate and mitigate the adverse impacts of these technological changes on blue-collar sectors.

Fifthly, the resilience exhibited by women-led businesses offers an untapped reservoir for sustainable growth. Governmental reform should aim to create an enabling environment for women entrepreneurs by reconsidering the burden of domestic responsibilities, often referred to as the 'care economy' (Gender in Latin America Working Group, 2022). Alongside these structural changes, the financial sector should be revamped to be more inclusive, offering products and services tailored specifically to women entrepreneurs. Such an approach not only addresses existing gaps but also incentivises increased economic participation from women.

Lastly, the efficacy of these policies depends on a collaborative spirit between public and private sectors. Engaging directly with financial institutions and industry associations allows governments to create an ecosystem conducive to MSME resilience and growth, thereby fortifying the broader economic landscape against future challenges.

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