

Responding to COVID-19:

Small Business Assistance



TIME IS OF THE ESSENCE

According to a recent study by the National Federation of Independent Business (NFIB), 76% of small businesses are already negatively impacted by the COVID-19 outbreak. **Many small businesses operate on thin margins, and with the unknown duration of the COVID-19 crisis, they are placed in an incredibly vulnerable position.**

This paper highlights the challenges small businesses are facing today and the capabilities needed for recovery.

Since the crisis has unfolded, Mastercard has met with Federal, State, and local leaders including Small Business organizations. Those discussions have led us to identify:

- three common challenges faced by small businesses,
- a turn-key solution that once in place can be leveraged to deliver aid to small businesses in minutes vs. weeks
- data solutions that can be used by public, nonprofit, and private organizations to understand the impact of COVID-19 measures on small businesses and provide data driven recommendations to accelerate recovery.

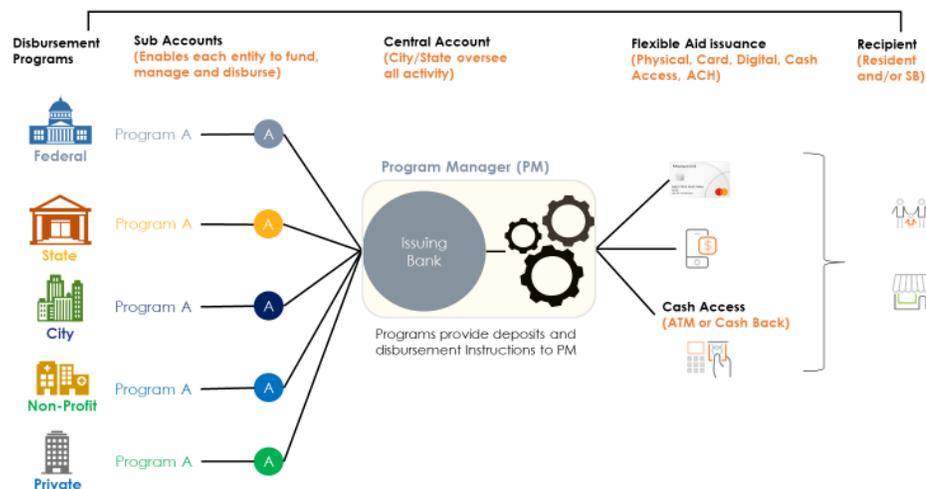
3 COMMON CHALLENGES:

1. **Urgency** – Small businesses need assistance now. In past disasters, it has typically taken the SBA two weeks to make loan decisions (not including the time to understand and complete the application)¹. The fact that many small businesses have an average of 27 days of cash in a normal environment, means small businesses will not survive without aid now².
2. **Orchestrating Multiple Sources of Aid** – Speed and management are perceived as mutually exclusive. Today, governments must change this paradigm by providing a solution that consolidates aid and provides a greater layer of visibility and orchestration to the local governments. Cities need a platform that allows aid to come from multiple sources in a simple, efficient and convenient process for both the recipient and the government.
3. **Recovery Tracking** – Spend data is a key indicator of the extent of the economic slowdown and the pace of recovery. Spend by industry and location provides a level of visibility for cities that can enable data driven recovery efforts for small businesses.

A TURNKEY DISBURSEMENT TOOL FOR SMALL BUSINESSES

Governments and nonprofits can leverage prepaid solutions to get aid into the hands of small businesses. Electronic payment companies can help governments gain the ability to **centralize aid from multiple sources and disburse that aid on physical and digital products.** As new sources of aid arrive, they can be added to this existing platform – saving time, as well as adding a new level of management, orchestration, and visibility while delivering convenience for both the government and small businesses. These solutions can be delivered in days, not weeks or months.

Multi-Stakeholder Disbursement Platform: Residents & Small Business



In addition, governments can see aggregated and anonymized spend activity on these prepaid cards, which can inform them on the immediate needs of these small businesses. This data can be a tool for effective policymaking.

THE POWER OF DATA

Using a central platform provides visibility for all parties, including public entities focused on economic development, non-profits, and the recipients. Flows of money can be viewed from a management and orchestration perspective and small businesses will be able to track and monitor spend. **With this information available, public officials will be able to communicate how much aid has been distributed to small businesses and the percentage of spend being utilized.** Data can also highlight broader economic trends. In general, conversations have focused on three core areas of data for short-term and longer-term recovery.

- Spend Data – how is spend trending by location (down to the block level) and industry (where are the most vulnerable businesses today?)
- Test & Learn – measure the impact of aid or other economic development policies in near-real-time to quickly evaluate and adjust for greatest impact
- Tourism Recovery – once the virus is controlled, data can be used to help increase tourism spend and direct it to small businesses and vulnerable economic zones

SUMMARY

Small Businesses need aid now in a form that is familiar, convenient, and easy for them to spend on their critical expenses to keep them afloat. Nonprofits and government entities can provide small business with what they need while gaining greater orchestration and management of aid across multiple funding sources. For more information regarding emergency aid disbursements and data insights and analysis, please contact Mastercard at publicsector@mastercard.com.

REFERENCES

1. "Small Businesses Seek a Crisis Lifeline Beyond Loans", New York Times, 2020.
2. "Businesses could need 3 years worth of cash to weather this recession – but a new study shows half of small businesses only have 27 days of cash in reserve", Business Insider, 2020.

©2020 Mastercard International Incorporated. This document is proprietary to Mastercard and shall not be disclosed or passed on to any person or be reproduced, copied, distributed, referenced, disclosed, or published in whole or in part without the prior written consent of Mastercard. This document is intended solely for information purposes and shall not be construed as a commercial proposal or any kind of offer by Mastercard and should not be relied upon, in whole or in part, as the basis for decision-making or other purposes. Any estimates, projections, and information contained herein have been obtained from public sources or are based upon estimates and projections and involve numerous and significant subjective determinations, and there is no assurance that such estimates and projections will be realized. No representation or warranty, express or implied, is made as to the accuracy and completeness of such information, and nothing contained herein is or shall be relied upon as a representation, whether as to the past, the present, or the future.