SLICING THE SMALL BUSINESS PIE:
Opportunities and Challenges in Segmenting MSEs

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Moderators

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Meet The Speakers

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Copia Global

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MD & CEO, SUB-K

Greta Bull
Director, BMGF
Agenda

09:00 – 09:15
Introductions and housekeeping, CGAP frames discussions

09:15 – 10:15
Panelist presentations and Q&A
  - Timothy Ogden
  - Amee Parbhoo
  - Greta Bull
  - Sasidhar Thumuluri
  - Evelyn Wangari
Format

Round Robin styled discussion

1. Each panelist will have 5 minutes to make opening remarks
2. Audience will have 5 minutes for Q&A immediately following each panelist’s remarks
3. Please use the Q&A box to ask questions
Logistics

This is an audio broadcast. Attendee microphones will remain muted during the entire webinar session.

To ask questions during the webinar, please use the chat box on the right-hand side of the Webex session. Please submit your question at any time during the webinar presentation.

To ensure your question is seen by the moderator, select “All Participants” from the drop-down menu when sending your question.

The webinar recording will be emailed to all attendees and registrants.
MSEs are pathways to inclusive development

487M
MSEs in EMDEs

Despite decades of efforts, the MSE credit gap remains persistently high.

Aggregate unmet credit demand from MSEs in emerging markets:

- US$ 4.9 trillion
  - Estimated Global Micro and Small Enterprise Credit Gap (USD trillions)

Yet, MSEs persistently struggle to access the financing they need:

- US$ 3.1 trillion
  - Total MSE credit supply

Lack of access to finance threatens the stability and growth of MSEs.

Sources:
Dalberg (2019), Bridging the credit gap for micro and small enterprises through digitally enabled financing models; IFC (2017), MSME Finance Gap.
Part of the problem has been the tendency to look at MSEs as a monolith.

To serve MSEs better, we first need to understand them better.

CGAP conducted primary research, with ~400 MSEs in India, Kenya and Peru to better understand their financial and non-financial needs, segmenting them across 5 dimensions:

- **MSE Size**
  - < 5 employees
  - 5 - 19
  - > 19

- **Sector of Operation**
  - Retail
  - Manufacturing
  - Transport

- **Entrepreneurial Mindset**
  - Cautious Entrepreneurs
  - Determined Aspirants

- **MSE Growth Stage**
  - Startup & Early Stage
  - Stable Operations
  - Growth

- **Gender**
## Illustrative insights from segmenting by sector

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>Manufacturing</th>
<th>Transport</th>
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<tbody>
<tr>
<td><strong>Barriers to entry</strong></td>
<td>Low</td>
<td>High</td>
<td>Low</td>
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<tr>
<td><strong>Dominant type of MSE encountered</strong></td>
<td>Subsistence</td>
<td>Growth oriented</td>
<td>Growth oriented</td>
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<tr>
<td><strong>Share of women owned MSEs</strong></td>
<td>High</td>
<td>Low</td>
<td>Low</td>
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<tr>
<td><strong>Lifecycle capital needs</strong></td>
<td>Low upfront, High recurring</td>
<td>High (industrial), Low (artisanal), throughout</td>
<td>High upfront, Low recurring</td>
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<td><strong>Use of formal financial services</strong></td>
<td>Low at outset, Moderate recurring</td>
<td>High at outset, Moderate recurring</td>
<td>High at outset</td>
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<tr>
<td><strong>Use of formal credit</strong></td>
<td>Low</td>
<td>Low</td>
<td>High</td>
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<tr>
<td><strong>Adoption of digital payments</strong></td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
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<tr>
<td><strong>Attitudes towards digital credit</strong></td>
<td>Cautiously favorable (less so among WMSEs)</td>
<td>Cautiously favorable</td>
<td>Not favorable</td>
</tr>
<tr>
<td><strong>Digitization readiness</strong></td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
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Thank you

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