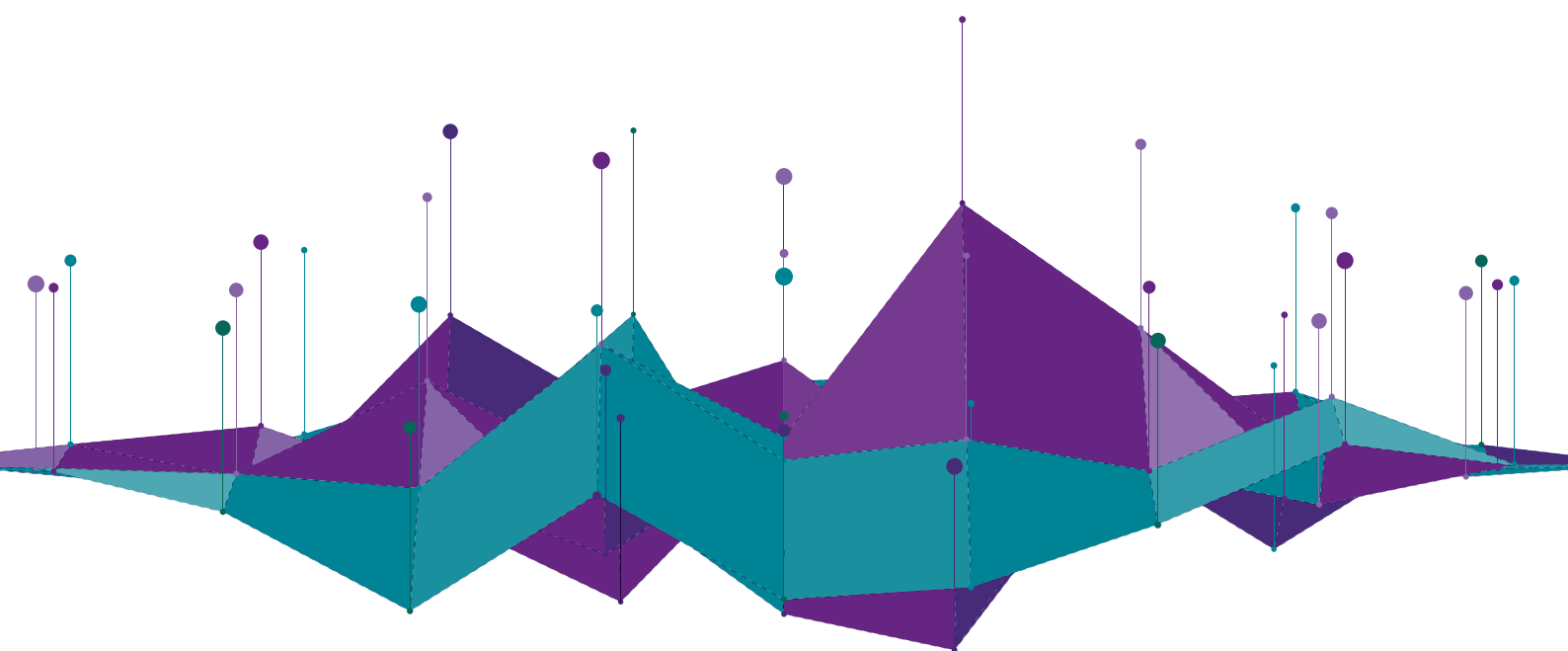




POLICY FRAMEWORK ON MSME DATA COLLECTION: A GUIDE FOR GENDER INCLUSIVE FINANCE



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ACKNOWLEDGMENTS

This policy framework is a product of AFI member institutions through a fully member-driven process in accordance with AFI's mandate as an independent, member-owned institution.

This product provides policy guidance based on implementation across the AFI network as well as on financial inclusion impact. AFI members have full ownership of this report, which also serves as a public good for the global financial inclusion community.

We would like to thank the Swedish International Development Cooperation Agency (Sida) as well as partners who generously contributed to the development of this policy framework.

EXECUTIVE SUMMARY

In many economies, micro, small and medium enterprises (MSMEs) are seen as the “engines of growth”, especially as many are planning their post-COVID-19 economic recovery. At the same time, the lack of gender transformative policies and financial services provisioning in the MSME sector are inhibiting women’s participation. These issues still need to be addressed in a holistic and informed manner to ensure transformative outcomes.

Thus, drafting a comprehensive and gender inclusive policy framework for MSME data collection will add significantly to financial policy makers and regulators’ ability to address the MSME sector with a gender inclusive intent.

This knowledge product establishes such a policy framework for the Alliance for Financial Inclusion (AFI) network. Indeed, it takes the substantial knowledge base in AFI on MSME finance and gender inclusive finance (GIF) data and indicators forward. The objective of the Framework is to provide data collection guidance for MSME finance and GIF, define an extended set of MSME finance indicators, and share best practices as well as lessons on indicators use to advance MSMEs financial inclusion.

This Framework is developed in the context of the complex ecosystem within which MSMEs operate and takes cognisance of developments outside the AFI network on MSMEs finance and GIF data collection, including the increasing importance of digital financial services (DFS) and alternative finance mechanisms for MSMEs.

The Framework consists of five pillars that have to be addressed to enable informed policies and develop needs-driven financial services:

- > Policy objectives
- > Designing and executing MSME data collection
- > MSMEs indicators
- > Data analysis
- > Dissemination of insights

The extended set of indicators are defined, using the AFI’s SME Financial Inclusion Indicators Base Set¹ as the starting point, but with the following changes and additions:

- > Adapting the physical access indicators to closely reflect the MSMEs experience.
- > Introducing sex-disaggregated indicators and “mainstreaming” this in the set.
- > Recognising the increasing usage of digital financial services.
- > Introducing far more proxy indicators to give regulators choice.

Best practices within the AFI network are shared through case studies from Eswatini, Fiji, Ghana, Mexico, Morocco and the Philippines, highlighting national approaches to specific pillars.

The Framework concludes with a comprehensive set of recommendations for AFI members to move forward to a more complete MSME Finance and GIF data and indicators set. These include:

1. Promoting an inclusive and participatory approach to MSME data collection.
2. Establishing a sex-disaggregated data culture amongst service providers.
3. Defining indicators that reflect policy objectives and can be used to assess the MSMEs landscape.
4. Planning data collection and analysis processes, including the harmonisation of definitions in the MSMEs space on a national basis.
5. Ensuring the capacity and ability to collect, manage and analyze data on a sex-disaggregated basis are implemented.
6. Establishing platforms to disseminate insights.

By using the policy framework and taking the extended set of MSME financial inclusion indicators into account, policymakers and regulators can advance their ability to effectively support the MSMEs sector and embed a gender transformative approach to policies and financial product development.

1 AFI. September 2015. SME financial inclusion indicators base set (SME finance base set), Guideline Note No. 16. Available at: https://www.afi-global.org/wp-content/uploads/publications/afi_smefwg_wg_guideline_note_stg2.pdf.

1. INTRODUCTION

The Alliance for Financial Inclusion (AFI) is committed to supporting the development of MSMEs access to finance and gender inclusive finance, as expressed in the 2015 Maputo Accord on SME support and in the 2016 Denarau Action Plan to close the financial inclusion gender gap.

In addition, AFI continues to back the approach of evidence-based policy formulation within its network through stronger data collection practices following the 2010 Sasana Accord on evidence- and data-based results.

The commitment to advance MSME finance has been taken forward through the work of:

- > the **SME Finance Working Group (SMEFWG)** which promotes MSMEs access to finance in the network;
- > the **Financial Inclusion Data Working Group (FIDWG)** on the use of data to develop policies; and
- > the high-level **Gender Inclusive Finance (GIF) Committee** which provides leadership on advancing and promoting women's financial inclusion across the AFI Network.

The GIF is represented in each of the Working Groups mentioned above through a designated gender focal point. This policy framework builds on the substantial and intersectional set of knowledge products already developed and shared within the AFI network relating to the use of data to promote gender-inclusive MSMEs access to finance. With this knowledge product, the aim is to provide guidance and share good practices from the AFI network on MSMEs data collection and use, as a continuation of the evidence-based policy formulation approach within AFI. This will enable more informed and impactful policies and policy interventions.

2. CONTEXT AND OBJECTIVES

A. DEVELOPMENT CONTEXT OF THIS POLICY FRAMEWORK

The MSMEs sector makes a major contribution to the economies of most countries, particularly in developing economies where they are often viewed as the “engines of growth” with a up to 40 percent contribution to gross domestic product (GDP) and employing more than 50 percent of the workforce.

Furthermore, in many countries, employment growth comes primarily from the MSMEs sector, with 70 percent of formal new job opportunities being created by MSMEs in emerging markets.²

Women-owned and women-led MSMEs make a substantial contribution to the MSMEs economy, constituting about a third of all formal MSMEs.³

In most AFI network countries, the informal economy (including informal MSMEs) plays a major role, contributing about 36-37 percent of GDP and providing employment to about 39 percent of the total workforce in emerging and developing countries.⁴

The nature of the informal economy makes it difficult to quantify women's role⁵, but it is fair to assume that women's participation in this segment is larger than their participation in formal MSMEs.



- 2 See, for example, World Bank Group, Small and Medium Enterprises (SMEs) Finance. Available at: <https://www.worldbank.org/en/topic/sme/finance>.
- 3 See, for example, IFC 2011, Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, p. 6. Available at: <https://documents1.worldbank.org/curated/en/101351468156252909/pdf/667610WP00PUBL065805B0Strengthening.pdf>.
- 4 See, for example, Franziska Ohnsorge and Shu Yu, eds. 2021. The Long Shadow of Informality: Challenges and Policies. Advance edition. The World Bank Group. p. 57. Available at: <https://www.sme/financeforum.org/post/the-long-shadow-of-informality-challenges-and-policies>.
- 5 See, for example, Medina, L. and Schneider F. “Shedding Light on the Shadow Economy: A Global Database and the Interaction with the Official One.” CESifo Working Paper No. 7981. A first version of this paper was presented at the 7th IMF Statistical Forum “Measuring the Informal Economy”, IMF-Headquarters, Washington, D.C., 14-15 November 2019. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3502028.

The sector's economic contribution is constrained by a number of factors, with access to finance and to other financial services being one of the major constraints.

Women are especially disadvantaged in this regard, more so than men. The MSME finance gap in developing countries⁶ for formal MSMEs is estimated at USD 5.2 trillion of the estimated total demand of USD 8.9 trillion, implying that 59 percent of the MSMEs finance demand is not being met.⁷

\$2.9_{tn}

The total finance demand for informal MSMEs is estimated at USD 2.9 trillion, with this demand being largely unmet by formal credit providers.

As could be expected, microenterprises, where women are primarily concentrated, have a larger credit gap than small and medium enterprises (SME), reaching 81 percent (of potential demand) in developing countries compared to 56 percent for SME.⁸

Within the credit gap, there is a large gender disparity. Women-owned MSMEs comprise 28 percent of enterprises but account for 32 percent of the MSME finance gap, meaning that women-owned MSMEs are far more likely to be credit constrained than men-owned MSMEs.⁹ These constraints consist of several factors, such as the lack of opportunity to own assets, to gain higher levels of education and less opportunity to be socially mobile.

The figures also highlight the gender disparity in enterprise formation and ownership, with most enterprises being male-owned. This is in part due to the gender disparity in accessing to finance, the dual role that women are often expected to fulfil (looking after the household in addition to running a small enterprise), and cultural factors that inhibit women from working as providers for their families.

MSMEs operate in a complex ecosystem, and understanding both MSMEs finance and GIF landscapes requires to assess this ecosystem, particularly the policy environment impacting MSMEs development – from national development policies, sectoral policies to MSMEs finance policies. The financial services landscape itself keeps evolving, with digitalization changing existing business models and new classes of providers, like financial technology (FinTech) companies and providers of alternative finance, playing an increasingly important role. The impact of this changing financial

service provider (FSP) landscape on MSMEs in general and on women-owned MSMEs in particular need to be taken into account in data collection strategies.

COVID-19 has had and will continue to have a long-lasting impact on the MSME landscape. The AFI knowledge product Why the economic response to COVID-19 needs to be financially inclusive and gender-sensitive has described the asymmetrical gender impact and highlighted the importance of regulatory frameworks to address it, particularly through sex-disaggregated data in MSME data collection plans.

B. THE OBJECTIVES OF THIS POLICY FRAMEWORK

The objectives of this knowledge product are to:

- > Provide guidance on MSMEs finance data collection, with a specific focus on gender issues and disaggregated data for women-led MSMEs. The dissemination of best practices via case studies form an inherent part of this objective.
- > Define an extended MSMEs finance set of indicators (with the AFI's Base Set as the core component), and identify gender-sensitive indicators where relevant.
- > Share lessons on the use of indicators to inform policies and policy interventions, including an understanding of different genders needs.

⁶ The MSMEs finance gap is defined as the difference between the overall demand for credit in the sector and the level at which that demand is met.

⁷ IFC. 2017. MSME Finance Gap. Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets. Available at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwaQA>.

⁸ Ibid, page 28.

⁹ Ibid, page 36.

3. CURRENT STATE OF MSME AND GENDER INCLUSIVE DATA COLLECTION

A. THE AFI KNOWLEDGE BASE

AFI has already developed a large knowledge base relating to MSMEs measurement and gender inclusive finance.

It is clear that much is already available within the AFI network and this document builds on this in terms of specific indicators and data collection for MSMEs finance and GIF. Nevertheless, there are no real available international templates for gender-focused MSMEs finance indicators. This policy framework thus represents a major step forward for gender-inclusive MSMEs measurement frameworks in developing countries.

B. OTHER GENDER-FOCUSED INITIATIVES

Several international agencies, associations and alliances are actively advancing the knowledge base and awareness of the importance of gender-sensitive MSMEs finance data collection and indicators.

The World Bank and the International Monetary Fund (IMF) include sex-disaggregated data in their global financial inclusion databases.

As such, the World Bank's demand-side Global Findex collects and reports on sex-disaggregated data for account ownership, savings, digital and other payments, loans, borrowing to start or grow an enterprise, remittances and mobile access.¹⁰

The IMF includes sex-disaggregated data in its supply-side Financial Access Survey (FAS), when such data is supplied by central banks. This disaggregation covers deposits and loans. SMEs are also separately included, again for both loans and deposits.¹¹

These databases can be used to perform selected cross-country comparisons on the variables with sex-disaggregation.

The Organisation for Economic Co-operation and Development (OECD) has been involved in developing

tools to assess and monitor the level of financial literacy amongst financial services users. They have extended this work to include the financial literacy of MSMEs as well and published a survey template, with an analysis framework to measure MSMEs financial literacy. This survey can be adapted to countries' specific requirements.¹²

The United Kingdom's government through Her Majesty's Treasury (HMT) has launched the Investing in Women Code initiative¹³, aimed at not only holistically and nationally improving the women MSMEs entrepreneurial ecosystem, but also striving to get FSPs financing entrepreneurs to commit to the Code. This initiative entails "promoting female entrepreneurship by:

- > having a nominated member of the senior leadership team who will be responsible for supporting equality in access to finance;
- > increasing the transparency of financial services firms' data concerning support for female entrepreneurs; and
- > adopting internal practices to improve the outlook for female entrepreneurs".

Women's World Banking is an organisation with FSPs as members, aimed at improving financial services for women globally. They design and invest in financial solutions, institutions, and policy environments in emerging markets to improve women's economic inclusion. They have also developed a wide set of indicators to measure the level of women's financial inclusion (see Annexure 6). Although these indicators are primarily aimed at the retail market, some can be adapted to the MSMEs environment.

In 2014, Data2X an initiative from the United Nations Foundation, the Global Banking Alliance for Women (GBA)¹⁴ and the Inter-American Development Bank (IDB) jointly created the Women's Financial Inclusion Data Partnership (WFID). The Alliance for Financial Inclusion (AFI), the International Finance Corporation (IFC), the International Monetary Fund, the Organisation for Economic Co-operation and Development (OECD), and the World Bank Group later joined the Partnership.

¹⁰ World Bank, various years. The Global Findex. Available at: <https://globalfindex.worldbank.org/>

¹¹ International Monetary Fund, various years. Financial Access Survey (FAS). Available at: <https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>

¹² OECD. 2019. OECD/INFE Survey Instrument to Measure the Financial Literacy of MSMEs. Available at: <https://www.oecd.org/financial/education/2019-survey-to-measure-msme-financial-literacy.pdf>.

¹³ United Kingdom Government. 2019 and updated in 2021. Investing in Women Code. Available at: <https://www.gov.uk/government/publications/investing-in-women-code>

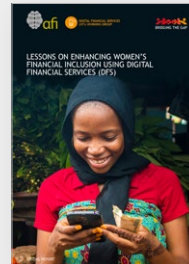
¹⁴ Now the Financial Alliance for Women.

KNOWLEDGE PRODUCTS



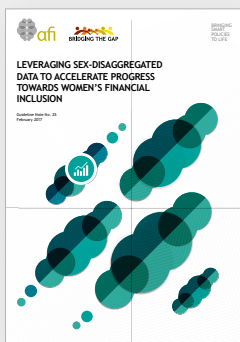
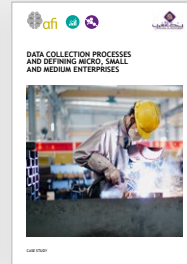
FOCUS: The use of data and establishment of indicators for MSMEs.

KEY TAKEAWAY: A description of the MSMEs Financial Inclusion Indicators Base Set, while the 2019 product also specifies DFS indicators.



FOCUS: Lessons from the AFI network.

KEY TAKEAWAY: The Moroccan case study deals in detail with the establishment and operation of the single point of coordination for MSMEs data in Morocco.



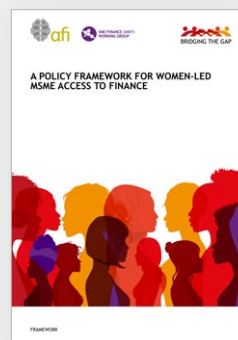
FOCUS: The importance and use of sex-disaggregated data.

KEY TAKEAWAY: These knowledge products deal primarily with the retail market, but there are lessons from these that can be applied to the MSMEs environment.



FOCUS: A comprehensive overview of MSME finance.

KEY TAKEAWAY: The importance of data to inform policies and the imperative for a gender-sensitive approach.



FOCUS: MSME policy environment.

KEY TAKEAWAY: The issues to deal with in policy formulation, the policy process itself and the importance of a data and gender-sensitive approach are common themes described in these products.

The Partnership is based on the principle that “high-quality sex-disaggregated data is a key component for understanding who is served, un-served, and under-served in the financial system, and for developing and monitoring policies to support women’s financial inclusion”.¹⁵



The Partnership’s objectives are to promote, support and disseminate information on sex-disaggregated data.

For example, it supports policymakers and regulators to develop national demand-side sex-disaggregated surveys and encourages the collection, analysis, and reporting of supply-side sex-disaggregated data. It also engages in coordination efforts, including the harmonizing of definitions and indicators among key data producers.

There are other initiatives that deal with specific aspects of women MSMEs.

For instance, the Global Entrepreneurship Monitor (GEM) focuses on female entrepreneurs and the level of entrepreneurial activity. Women Entrepreneurs Finance Initiative (We-Fi) is a collaborative partnership among 14 governments and eight multilateral development banks (MDBs), aimed at supporting women entrepreneurs by scaling up access to financial products and services.

C. CONSTRAINTS IN MSME DATA COLLECTION

MSMEs data collection initiatives face major hurdles and constraints due to several factors. Some of the most important issues to be kept in mind during the data collection planning and execution are the following:

1. The difficulties linked to different and non-aligned MSME definitions, both globally and in-country. In-country definitions need to be aligned to collect comparable data.
2. Different MSMEs definitions relating to women’s ownership, management, control and some of the initiatives addressing this. Similar to the point above, in-country definitions need to be consistent.
3. The importance of stratifying the MSMEs sector into micro-, small- and medium enterprises. These definitions have to be agreed in-country as well. If a country has additional sub-strata, these also have to be agreed and formalized.
4. Financial service providers (FSPs) are not always geared to hold customer’s gender information,

including enterprises’ customers. It is important that the regulator or policymaker has a communication plan to convince FSPs that it is also in their interest to hold this data and urge them to make the necessary investments to achieve this over time.

5. Disparate data collection efforts from different government agencies, including different regulators overseeing different classes of service providers. A coordinating platform, if it does not already exist, could be established to align data collection processes. Such a platform should also be used to ensure that the definition of financial inclusion indicators, along with the data to be used in determining such indicators, are agreed upon and harmonized.
6. Comprehensive data collection and analysis require adequate data infrastructure at the regulators level, with appropriate data management and analysis capacity.
7. The need for, but the cost of, demand-side surveys. This point is further elaborated in section 6.b, where alternatives are also referred to.
8. Micro-enterprises are typically not in a position to provide the same level of detailed information than SME, particularly as it relates to financial information, but the information gathered across the different types should still be comparable at some level.
9. The issue of gathering informal sector related information, including the role of women in this sector. As stated in section 2.a above, quantified information on the informal sector is not readily available. Demand-side surveys can play a major role in gathering information about the informal sector, including the use of informal FSPs.
10. Women’s enterprises limited access to reliable and affordable information as well as communication technology complicates getting information directly from such enterprises and this has to be factored into survey designs.

¹⁵ Women’s Financial Inclusion Data (WFID) partnership. 2020. Partnership Principles. Available at: https://www.findevgateway.org/sites/default/files/2020-04/WFID%20Partnership%20Principles_FINAL.pdf.

4. FIVE PILLARS FOR MSMEs DATA COLLECTION AND GENDER INCLUSIVE FINANCE

The policy framework is best described in terms of the main components to be taken into account when considering data collection for MSMEs and GIF. There are five pillars, dealing with most salient aspects of the process.

1. POLICY OBJECTIVES

MSME and GIF data collection must be designed to measure and monitor policy objectives and support the development of suitable products and services to meet the needs of the women's market sectors and subsectors.



4. DATA ANALYSIS

Data collected must be analysed through a clear gender lens to assess the current situation and to inform next steps and policy interventions for regulators and policymakers, including identifying gender sensitive and gender transformative interventions.



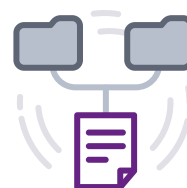
2. DESIGNING AND EXECUTING MSME DATA COLLECTION

Data collection should be planned with the indicators and areas of specific interest in mind. Variables required for disaggregation must be included when designing the data collection process.



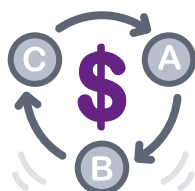
5. DISSEMINATION OF INSIGHTS

The insights gained from the analyses should be shared with all stakeholders, including how women can be further included into the formal financial system.



3. MSME INDICATORS

Indicators that best depict the MSME landscape and the state of MSMEs and GIF financial inclusion must be identified.



FIVE PILLARS FOR MSME DATA COLLECTION AND GENDER INCLUSIVE FINANCE

1. POLICY OBJECTIVES



MSME and GIF data collection must be designed to measure and monitor policy objectives and support the development of suitable products and services to meet the needs of the women's market sectors and subsectors.

This is done by defining appropriate indicators to be derived from the data collection efforts. The policy objectives should include all pertinent elements of all relevant policies, from national development policies to MSMEs finance policies. This pillar has a foundational layer of aligned policies and harmonized definitions and indicators in the MSME space, including alignment with the country's financial inclusion objectives and other gender policies in support of MSME development.

2. DESIGNING AND EXECUTING MSME DATA COLLECTION



Data collection should be planned with the indicators and areas of specific interest in mind. Variables required for disaggregation must be included when designing the data collection process. Consideration should be given to all variables that can aid in understanding the landscape dynamics and should include factors like age, race, religion, ethnicity, geographic location and disability, if relevant. In most cases, this will require both supply-side data (i.e. the view from financial services suppliers) and demand-side data (i.e. the view from financial services users).

This pillar requires coordination between all stakeholders involved in MSMEs data collection, including all relevant policymakers and regulators, FSPs through representation, including the national statistical office. Ensuring data quality at all points in the process is a prerequisite.



3. MSME INDICATORS

Indicators that best depict the MSMEs landscape and the state of MSMEs and GIF financial inclusion must be identified. These indicators must be selected to reflect policy objectives and address areas requiring monitoring. Demographic, economic and financial indicators are necessary to reflect the MSMEs landscape, while financial inclusion indicators should cover the access, usage and quality dimensions, with consideration to be given to impact or outcome indicators that reflect an understanding of the gender roles, norms and structural inequalities in society as well.

4. DATA ANALYSIS



Data collected must be analysed through a clear gender lens to assess the current situation and to inform next steps and policy interventions for regulators and policymakers, including identifying gender sensitive¹⁶ and gender transformative interventions¹⁷. This requires the involvement of data analysts who are knowledgeable and experienced in gender analyses. Key to the analyses will be the population of the indicators, the determination of trends in the level of the indicators over time and comparison of indicators with other countries. Due consideration should be given to disaggregated analyses across all available variables to determine specific insights for the various identifiable groups. The analyses should specifically include an assessment of the access to finance situation in priority areas of the MSMEs population.



5. DISSEMINATION OF INSIGHTS

The insights gained from the analyses should be shared with all stakeholders, including how women can be further included into the formal financial system. This will enable a joint understanding of the situation and an appreciation of the policy options and interventions. This is particularly important regarding interventions that will help close both the overall gender gap in access to finance and particularly the gender gap in credit access.

The dissemination should be used not only to make particular stakeholders aware of the opportunities available to them and the expectations to address particular situations, but also to support those from MSME population's vulnerable segments.

16 The gender sensitive approach refers to the approach where gender is explicitly recognised as a means to achieve the set development goals. Addressing gender norms, roles and access to resources is crucial to achieve goals.

17 In a gender-transformative approach, gender is considered as the primary element to promote gender equality and achieve positive development outcomes. The goal is to transform unequal gender relations to promote shared power and control of resources, shared decision making, and support for women's empowerment. Overcoming structural and social barriers to women's inclusion are also key to gender transformative approach.

5. POLICY OBJECTIVES



MSME and GIF data collection efforts are undertaken within the context of national interconnected and intersectional policies as well as programs. These include national development policies, gender policies, MSMEs development policies and financial sector development policies, with the National Financial Inclusion Strategy (NFIS) being either a subset or a direct alignment of this policy. MSME finance and GIF policies are often embedded in the NFIS.

At a policy development level, it requires that policies are aligned with and supportive of other policy objectives. Targets included in these policies and strategies, as well as any Maya Declaration commitments made by AFI member institutions, must also inform data collection efforts. This has implications for MSME finance and GIF data collection:

- > The data collection for MSME finance and GIF, and the subsequent assessment based on the collected data, need to be comprehensive and sufficiently holistic to inform the various policy objectives. Data collected must help to understand the MSME landscape as well as MSME financial inclusion and how it intersects with gender. This point will be further explored under the “MSME Finance Indicators” section below.
- > Defining the indicators and aspects to be measured need to precede any data collection effort. What should be measured and what the purpose of that measurement is should be known to ensure that data collection efforts are at the same time targeted and sufficient for the indicators. This allows data collection and gender lens analysis to directly monitor and inform policy objectives.
- > Ensure that data collection is designed keeping disaggregation in mind. This includes the ability to perform sex-disaggregation but should also include factors like the business owners’ age, geographic location (region, urban versus rural), the enterprise size, the enterprise’s sector (or where it predominantly operates) and its legal structure.
- > Supporting the monitoring of policy objectives through data collection requires standardized, or at least aligned MSMEs definitions. This includes MSME definitions, the different classes (sizes) of MSMEs,

what constitutes women MSMEs (in terms of ownership and management) and which sectors classifications should be used. It also refers to the agreement as to which accounting standards should be used in the financial reporting of MSMEs, to ensure consistency and comparability within the country context.



CASE STUDY 1: ALIGNING POLICIES IN THE PHILIPPINES¹⁸

The Philippines’ MSMEs data collection efforts are informed by national policies such as the Gender Equality and Women’s Empowerment (GEWE) Plan 2019-2025, led by the Philippine Commission on Women (PCW), and the MSME Development (MSMED) Plan 2017-2022 under the Department of Trade and Industry (DTI).

The GEWE Plan contains strategic actions that serve as the government’s guidepost in formulating Gender and Development plans and budgets. The MSMED Plan serves as the blueprint for the integration and collaboration of relevant government and private sector institutions for MSMEs development. It has three focus areas, namely business environment, business capacity, and business opportunities, with corresponding strategic goals:

- > improved business climate
- > improved access to finance
- > enhanced management and labor capacities
- > improved access to technology and innovation
- > improved access to market.

The MSMED Plan also includes cross-cutting strategies and institutional support to promote long-term viability of the MSMEs sector.¹⁹ The MSMED Council is tasked to coordinate efforts and ensure the implementation of the MSMED Plan.

As reflected in the sectoral plan, some suggested indicators for which data should be collected are:

- > Number of special financing facilities [e.g. Micro Disaster Risk Insurance (MicroDRI) financing, green finance, financing for women entrepreneurs, startups];
- > Number of training programs provided to MSMEs (including women and youth); and
- > Number of MSMEs trained (including women and youth).

¹⁸ Case study 1 as well as the policy papers referred to in the case study are based on an interview conducted on 2 August 2021 with officials from Bangko Sentral ng Pilipinas. The staff members interviewed are listed in Annexure 1.

¹⁹ Cross-cutting strategies include the following: (a) Expand MSMEs assistance centers (e.g. Negosyo Center, etc.); (b) strengthen role of local government units (LGUs); (c) promote green growth; (d) promote women and entrepreneurship; and (e) maximize opportunities in the digital and internet economy.



CASE STUDY 1: *continued*

This approach will inform the policy areas but requires coordination to achieve the desired data collection and reporting system. In line with this, the Financial Inclusion Steering Committee (FISC), an interagency body that provides strategic guidance in the implementation of the National Strategy for Financial Inclusion, welcomed the PCW as its newest member to further enrich discussions and deepen multisectoral collaboration toward promoting the access to appropriate and beneficial financial services and economic opportunities for women, especially those in the informal and marginalized population, as well as small business sector.²⁰

In addition, the Asian Development Bank (ADB) launched a gender focused survey in March 2021 which aims to build data on women MSMEs and to understand the patterns on access to finance and entrepreneurship. This survey received technical inputs from the Bangko Sentral ng Pilipinas (BSP), J.P. Morgan Chase and other partner agencies, namely the Frankfurt School and Kadence, particularly on the survey design and questionnaire. The initiative is envisioned to support evidence-based policymaking and provide deeper market insights for FSPs to strategically serve the MSMEs sector. It is expected that results will be released by the end of 2021.²¹

Regulators should consider the following steps when considering this component of MSMEs data collection:

1. Document the policy environment – Which policies and programs are in place, who is the custodian, what are the policy objectives?
2. Determine which data sources can be used to monitor the policy or its impact.
3. Ensure that data collection is a coordinated effort from all sources and by all potential data users, with appropriate and agreed levels of disaggregation.
4. Ensure data harmonization and agreements to provide access to data as required, within a framework of shareable data and agreed definitions and indicators.
5. Ensure that technical capacities and abilities to manage and analyze all data exist and are professionally managed.
6. Ensure that collected data and assessments are shared with all relevant stakeholders.
7. Ensure that all data collected is adequately and carefully protected, and used for the intended purpose only.



CASE STUDY 2: RESERVE BANK OF FIJI²²

The Reserve Bank of Fiji (RBF) plays an integral part in ensuring that there is policy congruency in Fiji's MSMEs and GIF policies.

Fiji's socio-economic and transformational development is guided by a national development plan (NDP).²³

All sectoral policies reference the NDP to ensure alignment with national objectives. Fiji has both a National Gender Policy led by the Fiji Ministry of Women, Children and Poverty Alleviation and a MSME Policy Framework led by the MSMEs Fiji Agency under the Ministry of Commerce, Trade, Tourism and Transport. The RBF is responsible for the Financial Sector Development Plan.

The 2022-2026 National Financial Inclusion Strategy (NFIS) is part of the broader financial sector plan, as aspects are related to MSMEs access to finance. The NFIS currently being developed is a revision of the previous NFIS and is informed by the recently completed national demand-side survey.

The RBF forms the National Financial Inclusion Taskforce Secretariat (NFIT) and is part of the MSMEs Forum, which coordinates the implementation of the MSMEs Policy Framework and also includes representatives of the different financial sector industries. This structure ensures that there is alignment from the broad-based national priorities through to MSMEs finance and GIF policies. It also enables the various policy revisions to be undertaken holistically, taking due cognisance of the policy objectives of all related policy areas.

20 Bangko Sentral ng Pilipinas (BSP). 2020. 2020BSP Financial Inclusion Initiatives. Available at: https://www.bsp.gov.ph/Media_And_Research/Year-end Reports on BSP Financial Inclusion Initiatives/2020/microfinance_2020.pdf.

21 Bangko Sentral ng Pilipinas (BSP). "Gender-Focused MSME Demand-Side Survey of the Philippines Launched." Press Release, 29 March 2021. Available at: <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5727>.

22 Case study 2 as well as the policy papers referred to in the case study are based on an interview conducted on 29 July 2021 with officials of the Reserve Bank of Fiji. The officials interviewed are listed in Annexure 1.

23 See Republic of Fiji. 2017. 5-Year & 20-Year National Development Plan. Transforming Fiji. Ministry of Economy. November 2017. Available at: <https://www.fiji.gov.fj/getattachment/15b0ba03-825e-47f7-bf69-094ad33004dd/5-Year-20-Year-NATIONAL-DEVELOPMENT-PLAN.aspx>.

6. MSME DATA COLLECTION



As mentioned in the previous section, the collection of MSME and GIF data requires a thorough assessment of the required indicators to evaluate the state of the MSME landscape and financial inclusion, as well as the data required for those indicators.

In determining the data source, a distinction should be made between supply-side data (i.e. data from financial services suppliers) and demand-side data (i.e. data from financial services users and potential users). To gain a complete understanding of the MSME situation and financial inclusion, both sex-disaggregated demand-side and supply-side data sources are required.

As stated, implementing harmonized definitions is crucial to obtain data that can be combined in a manner that yields quality insights.

The IFC definition of what constitutes an MSME is based on the number of employees, total assets and total sales, with an enterprise having to meet two of the three criteria to qualify as an MSME.

Meanwhile, the OECD (and European) definition only relies on the number of employees, which is simpler to administer, but may hide enterprises with large market presence as an MSME.

The intention here is not to propose or advocate for harmonized definitions for all members of the AFI network. Definitions should rather be established and formalized at the national level, taking into account each country's unique context and nuances of women's entrepreneurship. Regulators and policymakers are thus encouraged to take the available global definitions into consideration before determining the most important elements to consider when developing their own national definitions.

The definition of women enterprises is more involved and less evolved, with differences between women-led and women-owned still prevalent, but also relevant. The IFC addressed this by adopting two definitions, one dealing with majority ownership and the other with lesser ownership but a woman or women in senior management or well represented on the board.

Moreover, there are some initiatives aimed at reaching an agreement on a unified definition, with an International Trade Centre (ITC) publication giving an overview of the situation, to inform an international consultative process organised by the ITC, the Swedish Institute of Standards (SIS), and the International Standardisation Organisation (ISO), leading to the development of an International Workshop Agreement on the definition(s) of a “woman-owned business”. The ISO itself has also advanced its definitions relating to women entrepreneurs.

It is important that authorities ensure that metadata (i.e. data about the data being collected) is also centrally maintained and publicly available. This includes descriptions of the indicators, which data to be used in the indicators calculation, the sources of the various datasets, the frequency of the availability of new dataset versions, etc.

A. SUPPLY-SIDE DATA

Regulators have been collecting data from FSPs relating to the state of financial inclusion for some time, in much the same manner as data has been collected relating to assessing the stability of the financial system. In some cases, some of the data required from a stability perspective is also applicable to the understanding of financial inclusion. Taking this effort forward to get to a deeper and gender-nuanced understanding requires additional focus, as it is only more recently that sex-disaggregated data is being collected and analyzed.

The regulator's data management capability needs to be at a level to efficiently and timely handle data from all regulated institutions. This should include performing quality control checks in an informed and, where possible, automated fashion. The use of regulatory technology (RegTech) and/or supervisory technology (SupTech) offerings can play a major role in improving regulatory data management capabilities, as evidenced in the Ghana case study included below.

Moving to a digitized data exchange does require allowing FSPs time to adopt their capabilities to use the new technology and to ensure that support is available to those FSPs where in-house capability may be limited. This approach has also been adopted by the BSP, to enable all FSPs to adapt over time. Building capacity on the gender dimension is also likely to be required so that FSPs understand the specific needs for this type of data to be collected, as well as the market potential in providing targeted products meeting the needs of specific market segments. In this context, it is also

important to include data from service providers in credit information, especially credit registries, credit bureaus and credit risk information providers.

Recent developments like alternative finance mechanisms for MSMEs and the increasing availability and use of FinTech solutions mean that MSMEs have access to and use financial services from providers who are not necessarily regulated. Many of the solutions offered in these environments are specifically targeting “excluded” enterprises and women entrepreneurs.

Consideration should therefore be given to extend the regulatory reach, at least in terms of data collection, to include these new type of service providers and to form a more complete view of financial inclusion. This is also required from a stability perspective, since some services (e.g. crowd-funding) are growing in use as enterprises become more comfortable with using non-traditional financial service providers.

At the same time, the use of digital financial services (DFS), from traditional and non-traditional service providers, have been growing rapidly, with the effects of the COVID-19 pandemic adding to this already impressive growth, although this growth is not even across genders.



Collecting data on the uptake and use of DFS is therefore important, especially as it could help close the gender gap in access to finance and increase women's overall inclusion in the formal financial system.

In considering extending the data to be collected, it is important to only collect necessary data in terms of the identified indicators and areas, and not to overburden FSPs with excessive data requirements. From a regulatory and policymaker perspective, collecting supply-side data is typically cheaper than demand-side data, but care should be taken not to rely too much on data from FSPs at the expense of getting the greater behavioural insights available from demand-side data.

Data disaggregation is required to obtain a more insightful view of the state of financial inclusion, particularly for, but not limited to sex. Age, geographic location, enterprise size and the sector in which the enterprise operate are required in this context as well. It is important not to extend the capability of FSPs beyond what they are capable of providing, else the data collection becomes an exercise of dubious quality,

simply incurring additional costs for FSPs. FSPs should be engaged to inform them of the advantages, not only to national policies but also to their ability to shape products and strategies for specific market segments. This can be developed into a sustainable business case for FSPs, rather than being approached as a corporate social responsibility (CSR) initiative, as such CSR initiatives often lack corporate commitment.

The IFC publication Women-Owned SMEs: A Business Opportunity for Financial Institutions could be a useful tool when considering interactions with FSPs to inform them of the need for and advantages of sex-disaggregated data. A growing number of AFI members are collecting or are planning to collect sex-disaggregated data. Among the AFI member institutions interviewed for this Framework, Fiji, Ghana and Morocco are already doing so, while Eswatini and the Philippines are planning to do so.

In countries where there are more than one financial services regulator, e.g. different regulators for banks and non-bank financial institutions (NBFI), regulators should work together to ensure that collected datasets are consistent and can be combined to create a unified view on the state of MSMEs financial inclusion. There may well be differences in the capability of smaller FSPs to provide the same data granularity than larger FSPs could provide, but this should not detract from the need to collect consistent data, i.e. datasets that can be used jointly at some level, if not at all detailed levels.



CASE STUDY 3: BANK OF GHANA²⁴

The Bank of Ghana (BoG) regulates and supervises all banks, savings and loans institutions, microfinance institutions (MFIs), community banks, non-bank financial institutions dealing with leasing, mortgage and remittance services, foreign exchange bureaus and payment service providers, including e-money issuers and FinTech companies.

The Bank has acquired, developed and implemented an online regulatory analytics surveillance system (ORASS), provided by a SupTech vendor called “Vizor”. The system is used to collect data from all the regulated institutions and became operational in 2021. The data collection is done using an application programming interface (API) that the institutions use to upload data to the Bank. The system is still being improved. Data quality is managed within the system through the application of multiple rule-based checks, ensuring the data provided by the FSPs is consistent. FSPs had time to adjust to the new system during the development phase, with smaller institutions requiring technical support to adjust to using the system. The API approach provides flexibility to institutions where their core systems are not yet able to upload data directly.

The Bank uses the system to collect disaggregated data (including sex-disaggregated ones), MSMEs data, survey data (from FSPs) focusing on customers, including individuals and MSMEs. These supply-side surveys are done on a monthly basis and are used to inform the Monetary Policy Committee (MPC).

This approach enables the Bank to establish a rich source of disaggregated supply-side data, allowing informed supervisory oversight and directly informing policy formulation for MSMEs, with a gender-specific intent.

B. DEMAND-SIDE DATA

Demand-side data provide information about financial services users gathered through surveys among MSMEs. This data helps in understanding MSMEs’:

- > range and depth of financial services currently being used;
- > financial needs (both met and unmet);
- > barriers encountered when seeking or using formal financial services and products as well as attitudes toward the formal financial system;
- > MSME demographic characteristics (e.g. degree of financial inclusion by income, occupation, age or

gender groups) and the nature of financial inclusion between the identifiable groups; and

- > level of informality in the MSME sector, in terms of informal enterprises and the use of informal and non-regulated financial services.

Incorporating demand-side data into the MSME finance and GIF data collection therefore adds significant insight into the dynamics of financial inclusion. It is the most direct way to get disaggregated data since it does not rely on FSPs having the necessary attributes available in their data systems. It is also the easiest way to obtain the now standard basic financial inclusion indicator, namely the percentage of MSMEs with access to finance or having a basic bank account. It is important that the same definitions used for supply-side data are also used for demand-side surveys to ensure consistency.

Demand-side surveys require all stakeholders’ involvement to achieve a successful survey. The 2019 FinScope MSME survey undertaken in Malawi by FinMark Trust provides an informative example for conducting such a survey. Some of the most salient points in this survey were as follows:

- > The survey was managed through a Steering Committee chaired by the Ministry of Finance, Economic Planning and Development through the Pensions and Financial Sector Policy Division. The members of the Steering Committee included all major stakeholders who were also responsible for the questionnaire design.
- > The Statistical Office provided a sampling framework based on the previous national census. Since the survey also had to estimate the number of MSMEs (89 percent of enterprises are informal and therefore there are no public details of such enterprises), geospatial modelling was used to categorise all enumeration areas (EAs) into low, medium and high probability of having MSMEs prior to actual sampling.
- > A nationally representative sample of 2,993 MSMEs, in 281 out of the 2,020 enumeration areas, was used for the survey.

²⁴ Case study 3 is based on an interview conducted on 11 August 2021 with officials from the Bank of Ghana. The officials interviewed are listed in Annexure 1.

- > The survey results were enhanced with a complementary qualitative research component of six focus groups, following the analysis of the findings. Women-led enterprises comprised one of these focus groups.

The survey was completed successfully and used to:

- > describe the levels and landscape of access to financial products and services (both formal and informal);
- > identify the drivers and barriers to financial access for MSMEs;
- > identify the most binding constraints to MSME development and growth with a focus on access to financial services; and
- > segment the MSME sector into market segments and identify the needs of different segments to stimulate related product innovation, including women-led MSMEs.



Demand-side surveys are the primary source for information about the informal sector and surveys should be designed keeping this in mind.

As there is typically no reference set for informal enterprises, a two-stage process is typically required, as was done through the geospatial modelling in the case of Malawi. The objective of the first stage is to estimate the size and likely locations of informal enterprises, with the second phase being the survey itself. The interaction with potential survey respondents from the informal sector should take into account that many respondents might be reluctant to share information about their involvement in informal activities.

In understanding the realities of women MSMEs, it is necessary to not only design surveys for sex-disaggregated data, but also to take into account specific issues faced by women before designing the survey questionnaire to include such issues.

For example, questionnaires should explicitly take into account the various roles that women play in their families and communities as well as any cultural barriers that they may face, such as a lack of assets and restricted abilities to market their small enterprises.

This does not imply that issues faced by men will not be addressed adequately, but it advocates for a gender-sensitive way of designing surveys and will aid in facilitating a gender analysis.

The survey design should also take into account the different stages of the MSME business cycle, as the financial needs change over the life cycle of enterprises. The financing needs of women enterprises are specific to such enterprises, especially at the inception phases, and this should also be reflected in the design.

Nationally representative surveys involving individual interactions with respondents, even if it is digitally enabled, are relatively expensive. Indeed, there are alternative techniques that can be used to get to some level of understanding, but they do not necessarily have the same level of statistical validity than a “full survey”. These alternative techniques include:

- > **Mobile surveys** to get insight into a limited set of questions and issues.
- > **Self-reporting by MSMEs**, either in conjunction with their normal compliance processes or through a convenient digital portal. This could cover a wider set of questions, but there is no real guarantee that the responses will not display bias.
- > **Focus groups** (as mentioned above in the case of Malawi) resulting in qualitative insights, but it could be quite useful in certain situations.
- > **FSPs feedback** as to the state of the MSMEs and GIF situation. This can relatively easily be facilitated by the regulator (as is the case in Eswatini and Ghana) and can yield useful results, but is based on the impression of the FSPs, not of the MSMEs.



CASE STUDY 4: MEXICO'S DEMAND-SIDE DATA COLLECTION FRAMEWORK²⁵

In Mexico, demand-side information on MSMEs is obtained in a structured and regular basis. The information is later used to inform the financial sector development plans and the National Financial Inclusion Strategy, coordinated by the Ministry of Finance. The NFIS incorporates policies aimed at improving MSMEs access to financial services as well as gender-inclusive policies. The banking and securities regulator known as the Comisión Nacional Bancaria y de Valores (CNBV) plays a key role as the Secretariat for National Council for Financial Inclusion, which oversees the development and implementation of the NFIS.

Demand-side information on MSMEs is collected by the National Institute of Statistics and Geography (INEGI), through a quinquennial National Economic Census and a triennial National Survey of Enterprise Financing (ENAFIN).

On the one hand, the National Economic Census is conducted to collect basic statistical information amongst approximately five million enterprises producing goods, providing services and merchandising goods. This generates national economic indicators, with geographical, sectoral and thematic details. The census also collects data on enterprise demographics, sales, sector, details of the owner(s), exportation involvement in exporting, the IT usage, level of record-keeping and access to finance, including access to credit, deposit accounts and digital payments.

On the other hand, the ENAFIN uses a nationally representative sample of about 4,000 enterprises, using the latest available census to provide a sampling frame for the survey.

It seeks to collect information that allows to identify the needs, sources and conditions of access to financing of private enterprises in Mexico, as well as their use of financing and financial services, to inform public policies aimed at sustainably increasing financing of the private sector.

The survey explores access to formal financial services in details, and deals with issues ranging from what type of financial intermediaries enterprises use, to their use of alternative financing mechanisms and their awareness of digital person-to-person (P2P) lending. It also gathers economic and financial data as well as demographic information, including gender data.

A questionnaire completed by the enterprises is used, before being collated and reported upon by the National Institute of Statistics and Geography.



CASE STUDY 5: USING DEMAND-SIDE SURVEYS IN ESWATINI²⁶

Eswatini has used demand-side surveys on individuals and MSMEs to inform financial inclusion strategies and policy interventions. The South African advisory group FinMark Trust has been involved in the design and execution of FinScope Consumer Surveys (latest survey conducted in 2018) and FinScope MSME Surveys, with the latest completed MSME survey done in 2018 and a new MSME Survey currently in planning. The surveys are conducted under the supervision of the Centre for Financial Inclusion (CFI) within the Ministry of Finance.

The 2017 MSME survey included attributes on MSMEs size, sector and geographic distribution, omitting sex-disaggregation and financial capability. The design for the next MSME survey is informed by a number of factors:

- > Using the FinScope Consumer Survey to determine gender-specific issues for inclusion in the MSME surveys, as the next survey will enable sex-disaggregated results. This could include issues around the awareness and use of business support services, the availability of financing options, the ability of women to meet the traditional credit providers requirements and the level of financial literacy.
- > Conducting a small survey among FSPs to determine if and for what purpose the last MSME survey results were used.
- > Including key aspects of financial capability in the survey questionnaire.

The CFI is also planning to use the survey in a Making Access Possible (MAP) program, thereby including supply-side information and determining possible areas of intervention to advance MSMEs access to financial services, with a gender lens to ensure that issues disproportionately affecting women are appropriately addressed.

²⁵ Case study 4 as well as the documents papers referred to in the case study are based on interviews conducted on 6-20 August 2021 with officials of the CNBV. The officials interviewed are listed in Annexure 1.

²⁶ Case study 2 as well as the paper referred to in the case study are based on interviews conducted on 10-16 August 2021 with officials from the Central Bank of Eswatini and the Ministry of Finance of Eswatini. Representatives of FinMark Trust were consulted regarding the survey design. The officials interviewed are listed in Annexure 1.

C. THE NEED FOR A COLLABORATIVE DATA COLLECTION APPROACH

MSME data is collected by different government agencies as well as financial and non-financial regulators. Moreover, development agencies and other market participants often engage in gathering MSMEs data for specific programs or research studies. The level of coordination amongst actors will have an impact on:

- > the quality of collected data;
- > the ability to combine data to yield greater insight into the MSME landscape;
- > the ability to use already available data, rather than gathering similar data again;
- > the ability to make consistent data available to market participants so as to determine opportunities; and
- > the ability of financial and non-financial regulators to effectively use data.



Financial sector regulators and policymakers are encouraged to seek wider collaboration, not only among other regulators, but also across the MSMEs ecosystem.

The Moroccan case study below describes the unique approach taken in the country to achieve a high level of coordination leading to positive results.



CASE STUDY 6: MOROCCAN SMES OBSERVATORY²⁷

With a view to improve the availability and the scope of information relating to in-country MSMEs, the Moroccan SMEs Observatory was established with the participation of all ministries and government agencies involved in MSMEs development, including the Professional Group of Banks of Morocco (GPBM) and the General Confederation of Moroccan Enterprises (CGEM). The latter two organisations represent the private sector's banks and the enterprises in the country.

The Observatory established data exchange agreements with the central bank Bank Al-Maghrib, the General Tax Directorate, the National Social Security Fund (CNSS) and the Moroccan Industrial and Commercial Property Office (OMPIC) to enable its work.

The Observatory forms part of Bank Al-Maghrib and is entrusted with the main objectives of not

CASE STUDY 6: *continued*

only providing both public and private sectors with statistical indicators regarding MSMEs, but also conducting general and thematic studies about these enterprises.

This Observatory's mandate includes:

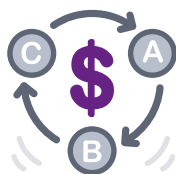
- > Making statistical data on the MSME landscape available and establishing quantitative and qualitative indicators on the conditions of access to bank financing and support mechanisms. This information directly assists the government to establish evidence-based policies and informs banks and other financial services institutions about the state of MSMEs access to finance, enabling such institutions to formulate market engagement strategies.
- > Carrying out thematic or general studies and analyses on MSME to inform public and private sector actors about the state of development of and the issues facing the sector. Segmentation of the MSMEs is mainly based on sector, size, sex, age, region, urban versus rural.
- > Analyzing the impact of government policies aimed at supporting MSMEs and making recommendations based on these assessments.

Not all data collected by the Observatory is obtained electronically. However, the Observatory has established the foundations for a comprehensive digital information system, thus enabling it to have the technological capability for industrialising its activities and enabling future development. The Observatory has implemented standardised and uniformed data structures, which has enabled MSMEs to have unique representation in the database, with no redundancies.

The Observatory is a unique facility, acting as a single point of coordination, enabling role players in the MSMEs space to have access to comprehensive MSMEs data and insights. Demand-side data for MSMEs have not been collected on a national basis yet and this is an area to develop in the future, as is sex-disaggregated data across all data sources.

²⁷ The case study is partially based on the written responses received from Bank Al-Maghrib following the AFI survey for this knowledge product, as well as on the materials used for the AFI Moroccan case study entitled "Data Collection Process and MSME Definition" (to be published 2021).

7. MSME FINANCE INDICATORS



A. INTRODUCTION

The greater availability of MSMEs data and the ability to share such data has given impetus to an approach where MSME data is viewed through the demographic, economic and financial dimensions. The Moroccan SMEs Observatory, part of Bank Al-Maghrib in Morocco, uses this approach and has identified the following as indicators:

Demographic indicators	Economical and financial indicators
Size of MSMEs	Turnover and added value
New business/business failure or closure	Exportation
Region (geographic)	Employees
Sector	Investment (planned)
Legal form of MSMEs	Financing and lending
Gender (planned)	

These indicators yield an understanding of the MSME landscape in terms of an MSME Development Policy and are therefore important to consider. From a MSMEs access to finance perspective, the access, usage and quality dimensions remain relevant.

In the rest of this section, the focus will be on MSME access to finance and other financial services.

B. AFI'S MSME INDICATOR BASE SET

The AFI's base set of MSME financial inclusion indicators is the starting point for the financial indicators in this policy framework. Those indicators were defined in 2016, and since then, there have been major changes in market drivers and the structure of financial service provisioning, some amendments and additions to that set are being proposed in section d) below.

The details of the SME Financial Inclusion Indicators Base Set are given in Annexure 2.

C. OTHER INDICATORS THAT COULD BE CONSIDERED

There are a number of other MSME Finance indicators sets that could be considered.

The Global Partnership for Financial Inclusion (GPFI)'s Group of Twenty (G20) Set of Financial Inclusion Indicators and the World Bank's Enterprise Surveys (first two listed below) are similar in nature to the AFI set. The European Investment Fund (EIF) set emanates from Europe and therefore reflects a more mature market for MSMEs Finance.

- > **The GPFI's G20 Financial Inclusion Indicators (the "Enterprise" portion of the set) are given in Annexure 3.** These indicators cover access to finance, bank accounts and payment services and are based on publicly available global datasets. These are useful for high-level comparative purposes.
- > **The finance indicators from the World Bank Enterprise Surveys are given in Annexure 4.** As the name suggest, these are based on the surveys undertaken by the World Bank from time to time and are therefore practically dependent on such surveys being done in a country. These are relatively infrequent.
- > **The OECD has provided an analysis framework to their OECD/INFE Survey Instrument to Measure the Financial Literacy of MSMEs.** This leads to three basic indicators of MSMEs financial literacy: financial knowledge, financial behaviour and financial attitude. These are very useful, but are not included in the extended AFI set, as it is probably more important to focus efforts on getting the basic indicators right first.
- > **The European Investment Fund (EIF) set of indicators are based on the EIF SME Access to Finance Index - September 2020 update.** These are shown in Annexure 5. The indicators give a comprehensive assessment of the access to finance landscape across four components: loans, equity, credit and leasing, and macro factors. Developed for the European market, some developing countries might experience some challenges in collecting all the required data for these indicators.

There are no complete women MSME finance indicators sets, although there are indicators for issues like entrepreneurial activity and the legal environment within which women MSMEs operate.

- > **Women's World Banking proposed an indicator set entitled Gender Performance Indicators 2.0:** How well are we serving women? (see Annexure 6) which is aimed at individuals, but some of the indicators can be adapted to the MSMEs space.

D. THE RECOMMENDED MSMEs INDICATOR SET

The AFI's Base Set of MSME Finance Indicators have been used by many AFI members to good effect and serves as the basis for the suggested extended set of indicators.

When compared to the base set, there are four areas of change in the extended set:

- > The Base Set used the indicators for physical access directly from the AFI's Core Set. This has been amended to be more MSMEs-oriented and to recognise that greater digital access to services is possible.
- > There is far more emphasis on sex-disaggregation. Rather than viewing gender issues only in the quality component, it should be part of all dimensions of the MSMEs finance indicators.

- > The increasing usage of digital financial services have been recognised with relevant additional indicators for this aspect.
- > There are more proxy indicators when it is not possible to obtain data for the primary indicators. This should make the set more practical to populate and use.

AFI members are encouraged to use this set of indicators with the available data and work toward a full set over time. In future iterations of the indicator set, additional aspects should be incorporated, primarily related to impact and outcomes for MSMEs, as well as financial literacy and market conduct matters.

TABLE 1: SUGGESTED EXTENDED SET OF MSMEs FINANCE AND GIF INDICATORS

 Denotes new or changed indicators Denotes indicators contained in the Base Set				
Dimension	Indicator	Note	Measuring	Primary source
ACCESS	Time required to lodge a credit application		Ease of accessing credit	Demand-side
	Proxy: Number of loan application offices/1,000 MSMEs	By location		Supply-side
ACCESS	Percentage of MSMEs submitting digital loan applications		Ease of accessing credit digitally	Demand-side
	Proxy: Digital MSME loan applications/Total MSME loan applications	By location		Supply-side
ACCESS	Time required to deposit cash		Ease of accessing transactional services	Demand-side
	Proxy: Number of cash-deposit points/1,000 MSMEs	By location		Supply-side
ACCESS	Percentage of enterprises with access to digital financial services	Sex-disaggregated	DFS access	Demand-side
	Proxy: MSMEs making digital payments/1,000 MSME	Sex-disaggregated		Supply-side
	Proxy: MSMEs receiving digital payments in the course of business/1,000 MSMEs	Sex-disaggregated		Supply-side
ACCESS	Percentage of SMEs required to provide collateral on any existing loan	Sex-disaggregated	Credit access	Demand-side
ACCESS	Percentage of declined MSME loan applications *	Sex-disaggregated	Credit access	Demand-side
	Proxy: Percentage of declined MSME loan applications	Sex-disaggregated		Supply-side
USAGE	Percentage of SMEs with a deposit account at a regulated financial institution	Sex-disaggregated	Usage of deposit accounts	Demand-side
	Proxy: Number of MSME deposit accounts/1,000 MSMEs	Sex-disaggregated		Supply-side

TABLE 1: SUGGESTED EXTENDED SET OF MSMEs FINANCE AND GIF INDICATORS

■ Denotes new or changed indicators ■ Denotes indicators contained in the Base Set

Dimension	Indicator	Note	Measuring	Primary source
USAGE	Percentage of MSMEs with an outstanding loan or line of credit at a regulated financial institution	Sex-disaggregated		
	Proxy: Number of MSME credit agreements/1,000 MSMEs	Sex-disaggregated		Supply-side
USAGE	Percentage of MSMEs using alternative finance mechanisms	Sex-disaggregated	Usage of alternative finance	Demand-side
	Proxy: Alternative finance agreements for MSMEs/ Total MSME finance agreements	Sex-disaggregated		Supply-side
USAGE	Percentage of MSMEs with formal asset insurance	Sex-disaggregated, sector-disaggregated	Use of insurance	Demand-side
QUALITY	SME loan guarantees as a percentage of SME loan (in terms of value)	Sex-disaggregated	Extent of public support for SME finance	Supply-side
QUALITY	Difference between the average SME loan rate and average corporate loan rate	Sex-disaggregated	Relative cost of credit	Supply-side
QUALITY	Percentage of non-performing loans (MSME loan agreements in arrears - volume and value)	Sex-disaggregated	Non-performing loans	Supply-side
QUALITY	Percent of MSMEs accessing two or more distinct types of financial products	Sex-disaggregated	Product diversity - meeting needs	Demand-side
QUALITY	Complaint incidence - Percentage of service interactions resulting in registered complaints	Sex-disaggregated	Quality of service provisioning, including quality of product information sharing	Supply-side
	Proxy: Percentage of active clients who registered a complaint	Sex-disaggregated		Demand-side

* The percentage of MSMEs loans declined, or the MSMEs loan rejection rate, can be used as a proxy indicator for the MSMEs finance gap. As mentioned earlier, the finance gap measures the total unmet demand for MSMEs finance, while the MSMEs loan rejection rate only measures the unmet demand in terms of loans actually applied for. Even so, the trends for the two indicators should be very similar and the MSMEs loan rejection rate is easier to determine, as it can be obtained directly from FSPs.

* The digital MSME loan applications refer to instances where the MSME can submit the loan application remotely through digital means, i.e. access to a branch or loan officer is not required to initiate the loan. This can take many forms, from virtually a completely automated process where the MSME will submit the request and client authentication and credit assessment is done digitally (e.g. using payments data that the loan assessment process has access to) to simply submitting all necessary documentation and authorisations (to access additional information where such information exists) digitally to a loan provider.

* MSME credit agreements refer to all contracts where access to credit or alternative credit resulted in an agreement or contract governing regular servicing of the agreement. This will include all loans, lines of credit, leasing and factoring, supply-chain finance and the like, but will exclude grant funding and equity funding. In essence, whenever there is an agreement between the MSME and a regulated provider for some form of finance it would fall in this category.

* Non-Performing Loans are loans that are generally either more than 90 days or 180 days past due (the specified period varies, depending on the industry and the type of loan) or that are unlikely to be fully repaid without recourse to collateral.

8. DATA ANALYSIS: USING DATA TO SUSTAINABLY ADVANCE MSME AND GENDER INCLUSIVE FINANCE



Using the collected data optimally is crucial. The overarching aim of the analysis is to inform policies and policy interventions on a quantified evidence basis.

At the same time, other market participants should be enabled and encouraged to use data toward more responsive, sustainable and gender-sensitive service provisioning.

It is important to analyze data and interpret the findings in a gender-sensitive manner to establish gender transformative service provisioning. Thus, the capacity of analysts needs to be developed in this areas so that key considerations affecting the women's market are fully unpacked and understood.

Obtaining policy and product design insights from MSMEs is not a linear process and requires an iterative approach, involving people that are knowledgeable about MSMEs, gender-specific issues and FSP products and services. Often additional or further data analyses may prove useful, as might comparisons with other countries in similar development situations.

The basic steps in conducting the analysis are:

1. Use data to create or populate the indicators and proxy indicators.
2. Observe the change in the level of the indicators against the last determination and, if more data is available, observe the trend in the level of the indicators.
3. Map any market changes and policy interventions against the trends to try and ascertain what caused the changes.
4. Compare the indicator levels (and trends) with similar countries, where such data is available. This may shed more light on the reasons for any changes in the level of indicators.
5. Take into account any developments in the financial infrastructure, e.g. changes in the credit information system.
6. Determine objectives for the ensuing period, using

the observed level of the indicators and the trend. To convert the objectives to targets, the approval of the involved service providers will have to be obtained.

7. Explore observed differences in sex-disaggregated indicators. Understanding this may involve using focus groups to get a qualitative understanding.
8. Enable and encourage FSPs to use data to inform their product design and their market engagement strategies.
9. Viewing the indicators as a whole, determine if there are necessary drivers for a change to the financial sector development policy.



CASE STUDY 7²⁸: DATA USE TO INFORM PRODUCT DESIGN IN CHILE^{29,30}

Superintendencia de Bancos e Instituciones Financieras de Chile (SBIF), the financial sector regulator in Chile, started to collect sex-disaggregated data from FSPs nearly two decades ago, in a program that expanded over time.

This supply-side data was used to produce the annual Gender in the Financial System report. This has assisted FSPs in creating programs aimed specifically at women through the identification of gender gaps, gaining insights on unbanked or underserved women and designing products and service propositions specifically for the women's market. The state-owned bank BancoEstado used data from the SBIF report to develop and launch its "CuentaRUT" basic bank account for women.

After its own additional research into the issues faced by women entrepreneurs and combining this insight with the SBIF report, the bank developed the "Crece Mujer Emprendedora" program ("Grow Entrepreneur Woman" program). This programme targets women entrepreneurs and consists of access to capital, education and networking. The annual report will be one of the monitoring tools used by the bank, and is also being used to highlight market opportunities.

The Chilean Banks and Financial Institutions Association A.G. (ABIF) has produced research notes on women's banking trends, emphasizing the growth opportunities in increasing women entrepreneurs' participation in credit markets, based in part on the lower default rates associated with women.

28 Case study 7 is based on the publications listed below.

29 See OECD. 2020. Evolution and Trends in SME Finance Policies since the Global Financial Crisis. Available at: <https://www.oecd.org/industry/smes/Trends-SME-Finance-Policy-July-2020.pdf>.

30 See Financial Alliance for Women. The Case of Chile. What 14 Years of Women's Banking Data Can Tell Us. Available at: https://financialallianceforwomen.org/summit_panel/the-case-of-chile/.

9. DISSEMINATION OF INSIGHTS



It is important that the regulator engages all MSME ecosystem participants to share the insights gained, the plans to use the insights and what the market can expect from regulators and policymakers.

This has to cover all relevant stakeholders:

1. Other regulators and government agencies to inform their policies and keep them informed.
2. FSPs and FinTechs (preferably through their representative bodies or associations) to point to market opportunities and market gaps.
3. MSMEs to keep them informed and to enable them to prepare for any changes.
4. Other MSMEs development organisations to keep them informed and aligned with policy development.
5. Academic institutions to prompt further research based on available data.
6. Women business associations and representative bodies from both formal and informal sectors.



CASE STUDY 7: ESWATINI'S DISSEMINATION OF MSMEs FINANCE INSIGHTS

The Centre for Financial Inclusion (CFI) under the Ministry of Finance in Eswatini coordinates the dissemination of insights in the MSMEs market with all stakeholders, including all involved government departments and agencies, FSPs and MSMEs.

A technical committee, with membership from all sectors, reviews findings and recommendations prior to making them publicly available.

With demand-side surveys, a national workshop is convened, with a view to raise awareness of the findings, share the information and set up relevant working committees to address identified challenges and issues. The workshop is held under the auspices of the Ministry of Finance and includes all regulators, FSPs' chief executives, agencies involved with MSMEs, such as the registration agency, the statistical agency as well as regional and international development agencies.

MSMEs representative organisations are involved in the technical committee and are also engaged prior to the launch to ascertain whether all the issues that they are aware of have been addressed in the study.

Research reports and findings are made available through published information booklets, with the basic available data ("raw data") being shared on request to organisations interested in carrying out further analyses.



10. MSME DATA COLLECTION PROCESS: SUMMARIZED RECOMMENDATIONS FOR REGULATORS

Regulators and policymakers are encouraged to:

1. ESTABLISH COMMON DEFINITIONS AT A NATIONAL LEVEL ON MSMES

Formal and informal enterprises, women-owned, women-led and women-managed MSMEs, as well as their meanings for disaggregated data collection.

2. ENSURE THEY INCLUDE AS MANY FSPs AS POSSIBLE IN THE MSME DATA COLLECTION PROCESS

FSPs that are currently outside the regulatory framework should ideally be included in the data collection process, even if they are not moved to regulation and oversight. In the case of foreign-based FSPs, especially in the FinTech and DFS space, establish a working relationship with the regulator in the country of origin.

3. ESTABLISH A CULTURE OF SEX-DISAGGREGATED DATA AMONGST BOTH FINANCIAL AND NON-FINANCIAL SERVICE PROVIDERS

A well-constructed and gender-sensitive outreach campaign, including making the business case for the FSPs will be required, as well as working with local and international organisations promoting GIF. Capacity building at FSPs' level, to develop their understanding and appreciation for a gender-specific approach in product and service development, is likely to be required.

4. DETERMINE WHICH INDICATORS ARE BEST SUITED TO MEASURE MSMES FINANCIAL INCLUSION AND GIF

This will be best achieved by working with other stakeholders in the policy environment, to determine which policy objectives to include and what the emerging issues are, both in the MSME market and the evolving financial services space.

5. PLAN THE DATA COLLECTION PROCESS IN DETAIL

Based on the indicators and the emerging issues. Decide what is best collected from the demand-side, the supply-side and other sources, if available. Ensure that all data requirements are addressed, but make sure that FSPs can reasonably be expected to meet the additional data requirements and start with what is available.

6. ENSURE THAT THE DATA MANAGEMENT INFRASTRUCTURE IS ROBUST ENOUGH TO HANDLE THE EXPECTED DATA

As digitally enabled as possible and that digital data exchange agreements are in place with other data regulators and providers. Appropriate data protection and security controls need to be agreed upon and implemented at all points in the data collection system.

7. ADVOCATE AND, IF NECESSARY AND POSSIBLE, ASSIST FSPs TO SIMILARLY HAVE A WELL-FUNCTIONING DATA MANAGEMENT SYSTEM

Capable of digitally exchanging data with regulators and enabling data analyses by FSPs. To this end, the use of data portals and APIs should be encouraged.

8. ESTABLISH ONE OR SEVERAL PLATFORMS THAT CAN BE USED

Not only to coordinate data collection activities, but also to disseminate insights and findings through support such as forums with a portal database where all public data can be made available.

ACRONYMS

ABIF	Chilean Banks and Financial Institutions Association A.G.
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
API	Application programming interface
BoG	Bank of Ghana
BSP	Bangko Sentral ng Pilipinas
CFI	Centre for Financial Inclusion (Eswatini)
CGEM	General Confederation of Moroccan Enterprises
CNBV	Comisión Nacional Bancaria y de Valores
CNSS	National Social Security Fund
COVID-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
DFS	Digital financial services
DTI	Department of Trade and Industry (Philippines)
EA	Enumeration Area
EIF	European Investment Fund
ENAFIN	National Survey of Enterprise Financing (Mexico)
FAS	Financial Access Survey
FIDWG	Financial Inclusion Data Working Group
FinTech	Financial technology
FISC	Financial Inclusion Steering Committee
FSP	Financial service provider
G20	Group of Twenty
GBA	Global Banking Alliance for Women
GDP	Gross domestic product
GEM	Global Entrepreneurship Monitor
GIF	Gender Inclusive Finance
GPBM	Professional Group of Banks of Morocco
GPFI	Global Partnership for Financial Inclusion
HMT	Her Majesty's Treasury
IDB	Inter-American Development Bank
IFC	International Finance Corporation (part of the World Bank Group)
IMF	International Monetary Fund
ISO	International Organization for Standardization
MAP	Making Access Possible
MDB	Multilateral development bank
MFI	Microfinance institution

MicroDRI	Micro Disaster Risk Insurance
MPC	Monetary Policy Committee
MSME	Micro, small and medium enterprises
MSMED	Micro, Small, and Medium Enterprise Development
NBFI	Non-bank financial institutions
NDP	National Development Plan
NFIS	National Financial Inclusion Strategy
NFIT	National Financial Inclusion Taskforce (Fiji)
OECD	Organisation for Economic Co-operation and Development
OMPIC	Moroccan Industrial and Commercial Property Office
ORASS	Online regulatory analytics surveillance system
P2P	Person-to-person
PCW	Philippine Commission on Women
PSA	Philippine Statistics Authority
RBF	Reserve Bank of Fiji
RegTech	Regulatory technology
SBIF	Superintendencia de Bancos e Instituciones Financieras de Chile
Sida	Swedish International Development Cooperation Agency
SIS	Swedish Institute of Standards
SME	Small and medium enterprises
SMEFWG	SME Finance Working Group
SupTech	Supervisory technology
We-Fi	Women Entrepreneurs Finance Initiative
WFID	Women's Financial Inclusion Data Partnership

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ANNEXURE 1: LIST OF AFI MEMBERS INTERVIEWED

Country	Institution	Official interviewed
ESWATINI	Central Bank of Eswatini	Gcina Patrick Nxumalo Vuyiswa Vilakati Hlengiwe Gumedze
ESWATINI	Centre for Financial Inclusion (CFI)	Phumzile Nhleko-Mtetwa Susan Nonhlanh
FIJI	Reserve Bank of Fiji (RBF)	Swastika Singh Sakiusa Nabou
GHANA	Bank of Ghana (BoG)	Elsie Addo Awadzi Clarissa Kudowor Dr. Naa Akofio-Sowah
MEXICO	Comisión Nacional Bancaria y de Valores (CNBV)	Marco Antonio Del Río Chivardi Christopher Edmundo Castro Solares
MOROCCO	Bank Al-Maghrib/SME Observatory	Dr. Amal Idrissi
THE PHILIPPINES	Bangko Sentral ng Pilipinas (BSP)	Mynard Bryan Mojica Golda P. Cainglet May Valdez Amelia Bernardo-Damian Maria Cynthia M. Sison

ANNEXURE 2: THE AFI'S SME FINANCIAL INCLUSION INDICATORS BASE SET³¹

Dimension	Category	# Note	Indicator	Measurement	
ACCESS	Digital financial access	4	Percentage of enterprises with access to digital financial services	Extent of access to digital financial services	
		4.1x	Percentage of population with access to digital financial services		
	Credit access	5	Percentage of SMEs required to provide collateral on any existing loan	Tightness of credit conditions	This indicator is based on an OECD indicator
USAGE	Formally banked enterprises	1	Percentage of SMEs with a deposit account at a regulated financial institution	Usage of deposit accounts	GPFI indicator
		1.1x	$\frac{\text{Number of SMEs with deposit accounts}}{\text{Number of deposits accounts}}$		
		1.2x	$\frac{\text{Number of SMEs depositors}}{\text{Number of depositors}}$		
	Enterprises with outstanding loan or line of credit facilities	2	Percentage of SMEs with an out-standing loan or line of credit at a regulated financial institution	Usage of loan facilities	GPFI indicator
		2.1x	$\frac{\text{Number of SMEs with outstanding loans}}{\text{Number of outstanding loans}}$		
		2.2x	$\frac{\text{Number of SMEs with outstanding loans}}{\text{Number of outstanding loans}}$		
QUALITY	SME loan guarantees	1	SME loan guarantees as a percentage of SME loan (in terms of value)	Extend of public support for SME	OECD indicator
		1.1x finance	$\frac{\text{Number of SME loans with guarantees}}{\text{Number SME loans}}$		

Source: AFI. September 2015. SME financial inclusion indicators base set (SME finance base set), Guideline Note No. 16.

31 See Alliance for Financial Inclusion Data Working Group (FIDWG). 2019. Alliance For Financial Inclusion Policy Model: AFI Core Set of Financial Inclusion Indicators. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/AFI_PM_Core%20Set_FINAL_digital.pdf.

ANNEXURE 2: *continued*

AFI SME FINANCIAL INCLUSION INDICATORS BASE SET

Category	#	Indicator	Measurement	Note
Relative cost of credit	2	Difference between the average SME loan rate and average corporate loan rate	Risk premium charged on SMEs loans	Based on OECD indicator
Women-owned SME accounts	3	Percentage of women-owned SMEs with a deposit account at a regulated institution	Gender equality in SME access to financial services	
	3.1x	$\frac{\text{Number of women-owned SMEs with deposit accounts}}{\text{Number of deposit accounts}}$		
Women-owned SME loans	4	Percentage of women-owned SMEs with an outstanding loan or line of credit at a regulated institution	Gender equality in SME access to financial services	
	4.1x	$\frac{\text{Number of women - owned SMEs with outstanding loans}}{\text{Number of outstanding loans}}$		
Non-performing loans	5	Percentage of non-performing loans: to total loans to SME loans		Based on OECD indicator

Source: AFI. September 2015. SME financial inclusion indicators base set (SME finance base set), Guideline Note No. 16.

ANNEXURE 3: THE GPFI SET³²

G20 FINANCIAL INCLUSION INDICATORS

USAGE INDICATORS: ENTERPRISES				
8A ^G	Formally banked enterprises	SMEs with an account at a formal financial institution (%) <i>Percentage of Small or Medium Sized Enterprises (SMEs) with an account at a bank or other formal financial institution</i>	WB Enterprise Surveys	3-5 years**
8B		SME deposit accounts (as a % of non-financial corporation borrowers) <i>Number of SME deposit accounts (as a % of non-financial corporation borrowers)</i>	IMF Financial Access Surveys	Annual
9A ^G	Enterprises with outstanding loan or line of credit at regulated institutions	SMEs with an outstanding loan or line of credit (%) <i>Percentage of SME with outstanding loan or line of credit from a bank or other formal financial institution</i>	WB Enterprise Surveys	3-5 years**
9B		SME loan accounts (as a % of non-financial corporation borrowers) <i>Number of SME loan accounts (as a % of non-financial corporation borrowers)</i>	IMF Financial Access Surveys	Annual
10 ^G	Digital payments to or from enterprises	SMEs that send or receive digital payments from an account (%) <i>Percentage of SMEs that send or receive digital payments from an account</i>	WB Enterprise Surveys (Aspirational)	3-5 years**
QUALITY INDICATORS: BARRIERS TO USE				
19 ^G	Credit Barriers	Percentage of SMEs required to provide collateral on their last bank loan (reflects the tightness of credit conditions)	WB Enterprise Surveys and OECD SME Scoreboard	3-5 years**
		Getting credit: the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. Measured as "Distance to frontier" <i>The "distance to frontier" score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. This allows users both to see the gap between a particular economy's performance and the best performance at any point in time and to assess the absolute change in the economy's regulatory environment over time as measured by Doing Business. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in DB 2015 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.</i>	WB Doing Business	Annual

³² See GPFI. 2016. G20 Financial Inclusion Indicators (2016 Update). Available at: <https://www.gpfi.org/sites/gpfi/files/documents/G20%20Financial%20Inclusion%20Indicators%20%282016%20Update%29.pdf>.

ANNEXURE 4: THE WORLD BANK ENTERPRISE SURVEY³³

- 1 Percent of firms with a checking or savings account
- 2 Percent of firms with a bank loan/line of credit
- 3 Proportion of loans requiring collateral (%)
- 4 Value of collateral needed for a loan (% of the loan amount)
- 5 Percent of firms not needing a loan
- 6 Percent of firms whose recent loan application was rejected
- 7 Percent of firms using banks to finance investments
- 8 Proportion of investments financed by internal funds (%)
- 9 Proportion of investments financed by banks (%)
- 10 Percent of firms using banks to finance working capital
- 11 Percent of firms using supplier/customer credit to finance working capital
- 12 Proportion of working capital financed by banks (%)
- 13 Percent of firms identifying access to finance as a major constraint

ANNEXURE 5: THE EUROPEAN INVESTMENT FUND (EIF) INDICATOR SET³⁴

BOX 1: THE FOUR ESAF SUBINDICES AND THEIR RESPECTIVE SME ACCESS TO FINANCE INDICATORS

LOANS:

- > Percentage of SMEs using bank loans in the last 6 months
- > Percentage of SMEs using grants or subsidised bank loans in the last 6 months
- > Percentage of SMEs not applying for a bank loan because of possible rejection in the last 6 months
- > Interest rate for loans under EUR 250k (floating rate with IRF up to 1 year)
- > Interest rate spread (under EUR 250k vs over EUR 1m for floating rate with IRF up to 1 year)

EQUITY:

- > Venture Capital Investments / GDP
- > Value of IPO market / GDP
- > Percentage of SMEs using equity capital in last 6 months

CREDIT AND LEASING:

- > Percentage of SMEs using bank overdraft, credit line, or credit card overdraft in last the 6 months
- > Percentage of SMEs not applying for the above because of possible rejection in last the 6 months
- > Percentage of SMEs using leasing or hire-purchase in the last 6 months
- > Median interest rate charged to SMEs for credit line or bank overdraft application in the last 6 months

MACRO FACTORS:

- > Gap between actual and potential GDP
- > Bank non-performing loans to total gross loans 3
- > Percentage of SMEs "feeling that there are no financing obstacles"

33 See World Bank. Enterprise Surveys. Available at: <https://www.enterprisesurveys.org/en/enterprisesurveys>.

34 See Torfs, Wouter. 2020. The EIF SME Access to Finance Index - September 2020 update. EIF Working Paper 2020/68. September 2020. Available at: https://www.eif.org/news_centre/publications/eif_working_paper_2020_68.pdf.

ANNEXURE 6: THE WOMEN'S WORLD BANKING SET³⁵

Advancing women	Staff promotion rate, by gender Staff retention rate, by gender
Client satisfaction	Client satisfaction score, by gender
Depth of outreach to women	Percent of women clients below a defined poverty threshold Average initial loan balance as a percent of per capita Gross National Income (GNI), by gender
Economic improvement	Average percent change in net business income or assets, by gender Average percent change in household income or assets, by gender
Educating women	Percent of women clients who attend financial education programs Percent women board members, staff, senior management, middle management, and front-line staff
Family well-being	Percent of women clients with school-aged children in school Percent women clients that show improvement in housing conditions
Gender diversity	Percent women board members, staff, senior management, middle management, and front-line staff
Product diversity	Percent of women clients accessing two or more distinct types of voluntary financial products
Retaining women borrowers	Borrower retention rate, by gender Percent of women borrowers, by loan cycle or by join year
Self-determination	Percent of women who use their loan for their own economic activity
Understanding women's needs	Percent of clients analyzed through market research, by gender
Women as an asset base	Percent of loan portfolio and average loan balance, by gender
Women borrowers	Women borrowers as a percent of total borrowers New women borrowers as a percent of total new borrowers
Women savers	Women's savings accounts as a percent of total savings accounts Women savers as a percent of total savers New women savers as a percent of total new savers
Women's assets	Percent of savings portfolio, by gender Average savings account balance, by gender
Women's feedback	Percent of clients with inquiries or complaints, by gender
Women's market penetration	Women clients as a percent of addressable market
Women's market share	Women clients as a percent of total women served by comparable providers in the market
Women's repayment capacity	Portfolio at risk > 30 days, by gender
Women's saving activity	Percent of active and dormant savings accounts, by gender Average number of transactions (deposits/withdrawals) per month, by gender Average transaction amount (deposits/withdrawals), by gender

³⁵ See Women's World Banking. 2015. Gender Performance Indicators 2.0: How well are we serving women? Available at: http://www.womensworldbanking.org/wp-content/uploads/2013/06/GenderPerformanceIndicators_2015_WomensWorldBanking.pdf.

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