G20 SME Research Agenda: An Update

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IFC continues to be actively engaged in the G20 global financial inclusion agenda

IFC is one of the three Implementing Partners of the Global Partnership for Financial Inclusion (GPFI), announced at the G20 Seoul Summit

G20 Financial Inclusion Sub-Groups

1. Principles and Standard Setting Bodies (SSBs)
   - Implementation of G20 Principles for Innovative Financial Inclusion: including Country Case Studies
   - Engagement with SSBs to integrate financial inclusion goals within SSB mandates

2. SME Finance
   - Platforms for implementation: SME Finance Forum, SME Finance Compact
   - SME Finance Policy Framework (recommendations)
   - Research reports, focused on SME Finance for (i) Women Entrepreneurs; (ii) SMEs in the Agricultural sector.

3. Data and Measurement
   - Surveying the data landscape (stocktaking and gap analysis)
   - Identification and development of common financial inclusion guiding frameworks
   - Defining financial inclusion target-setting roadmaps

Focus of today’s presentation is on research areas emerging from these two Sub-Groups
The G20-commissioned deep dives indicate that the data gap is among the greatest research needs / imperatives

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  • Measurement of the agriculture finance gap, along with quantification of the opportunities for growth, is paramount to setting, evaluating, and improving agricultural finance policies. Policymakers can require banks and financial institutions to report data on agricultural lending, such as the amount, term, loan purpose, and repayment performance. Such data from FIs, together with census and other survey research, contributes to the on-going diagnostics and strategic reviews of agricultural finance within each country and leads to sound policy. |
| Strengthening Access to Finance for Women-Owned SMEs in Developing Countries  | Need #1: collection of gender disaggregated data on SME finance in a coordinated way  
  • Establishing a platform to consistently collect cross-country data and gender disaggregated data with a clear definition of a women-owned business and an ability to monitor drivers of gender-specific differences in enterprise growth and access to finance. Such data should also allow to determine whether policy interventions are warranted and if so, how best to design them.  
  
  Need #2: Expand research into effective ways to combine access to finance and business training |

* Reports will be publicly available in the Fall 2011
The G20-commissioned data report indicates that financial inclusion indicators need further research and development

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| Financial Inclusion Data - Assessing Landscape and Country- level Target Approaches | Need #1: indicator development and survey methodologies for financial inclusion dimensions  
• More research and analysis (either regional or global, including survey methodologies) needs to be conducted in order to facilitate the development of indicators that are currently not being consistently tracked, i.e. (i) indicators on quality of financial services, financial literacy, barriers to access; (ii) access and usage indicators for informal and non-bank providers; (iii) indicators on key enabling environment; (iv) differentiation of active users; (v) access to finance by women-owned SMEs, agricultural SMEs, and informal businesses; and (vi) frequency of measurement of usage by enterprises  

Need #2: establishing monitoring & evaluation methodology for tracking potential financial inclusion targets / goals  
• While this area is in an early thinking stage, it will be beneficial to focus selected research on the impacts of target-setting and on the M&E framework for potential financial inclusion targets, in particular related to enterprises |

* Reports will be publicly available in the Fall 2011
In addition, the following research areas are of high interest and need, with the highest priority for job creation (1/2)

OVERVIEW OF HIGH PRIORITY SME RESEARCH AGENDA TOPICS

1. Measuring the number of jobs created as a result of greater access to finance is one of the priority topics on the research agenda of several Ministries of Finance, Central Banks and Development Institutions
2. There is no clear methodology to capture the change in employment
3. IFC is currently looking for better access to data and is working with other departments such as the Results Measurement Unit to identify a methodology to determine the impact of greater financial services on levels of employment and job creation

• IFC is undergoing a review / testing of the SME definition and the loan size proxies, by testing: (1) if the loan amounts correspond to the firm size in terms of number of employees, total assets, and firm revenue; (2) if the number of loans correspond to the number of SME clients that the financial intermediaries have.
• Key testing channels / deliverables: (i) gender Baseline Survey-the survey to be conducted in 32 countries with 38 IFC clients; (ii) consulting firm conducting research and analysis, to deliver a global report consisting of an executive summary and the findings from the Survey- (research, overview of methodology, discussion on the SME definitions used, overview of SME and women-owned SME market, availability of financing to women entrepreneurs around the World); (iii) regional reports with country specific findings
• More outside research on the linkage between the loan amount and firm size is desirable
In addition, the following research areas are of high interest and need, with the highest priority for job creation (2/2)

OVERVIEW OF HIGH PRIORITY SME RESEARCH AGENDA TOPICS

3 IMPACT ASSESSMENT

(i) Measuring impact of MSME Finance, in particular on employment creation, growth, labor standards, poverty reduction and the link to non-financial interventions, the impact of financial infrastructure, different financial instruments such as equity, debt, leasing, and the impact of different public interventions, including guarantees. (ii) Demonstrating the link to stability, both on the demand and the supply side

4 PUBLIC PROCUREMENT PATTERNS

Currently, there is limited data and research on assessing and benchmarking the relative importance of public procurement to SMEs - what is of particular interest is data and research per country covering trend data on government payment terms (i.e. efficiency, amount) to SMEs
### The “SME Finance Forum” will be a particularly relevant platform for aggregating and identifying SME finance research

PLANNED AHEAD OF THE G20 SUMMIT - NOT YET CONFIRMED

#### Design principles

- Active collaboration among public and private sector players
- Multi-stakeholder engagement approach
- Governments (G-20 and non-G-20) leading efforts in partnership with other stakeholders
- Promote knowledge, network, and sharing of expertise among industry players; between private and public sector players
- Core support to supply side, but also some high-level support to demand side (SMEs) through involvement of SME dev. agencies, associations and chambers of commerce

### SME Finance Forum

**Value Proposition**

Serve as virtual platform for knowledge sharing and to further identify and promote best practices across countries and institutions and establish baselines. The platform is intended for broad use of SME Finance stakeholders.