

BFP-BANGLADESH

“PRO-POOR RELEVANCE STUDY”

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**Business Finance for the
Poor in Bangladesh (BFP-B)**

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Pro-poor Relevance Study

Business Finance for The Poor in Bangladesh

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Acronyms

BDS	Business Development Services
BDT	Bangladeshi Taka
BFCF	Business Finance Challenge Fund
BFP	Business Finance for Poor
BSCCL	Bangladesh SME Corporation Limited
DBBL	Dutch Bangla Bank Limited
DFID	Department for International Development
FI	Financial Institutions
GBP	British Pound
GDIC	Green Delta Insurance Company Ltd.
HH	Household
HIES	Household Income and Expenditure Survey
IDI	In-Depth Interview
LMA	Last-Mile Agent
MFI	Micro Finance Institute
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise

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Executive Summary

Business Finance for the Poor in Bangladesh (BFP-B) Programme is managed by Nathan Associates London Inc. with funding from DFID (Department for International Development). BFP-B manages around 36 interventions (termed as the projects) under the Business Finance Challenge Fund (BFCF), a component under BFP-B along with two other components Policy and Microfinance CIB. The Challenge Fund projects were designed to provide micro, small and medium enterprises (MSMEs) access to insurance coverage and affordable business finance, especially from formal sources. In order to ensure access to finance, the program enables MSMEs to avail Business Development Services (BDS), such as financial literacy, access to financial information, technological solutions etc. According to the program mandate, BFP-B aims to provide Challenge Fund-supported BDS, insurance coverage, and improved financial services to 180,000 MSMEs among which 88,150 will get first-time access to the formal financial sector.

This study intended to evaluate, in the endline period, the incidence of poverty persisting among the beneficiaries of the BFP-B programme. To determine the likelihood of beneficiaries living under the poverty line, the study used metadata analysis by using all the endline database of BFP-B that contained PPI questionnaire. Taking the samples of the endlines, this pro-poor relevance study used 2,475 as its sample. The study also used inferential analysis along with descriptive analysis to highlight any association between the incidence of poverty and socio-demographic factors. Alongside, quantitative data analysis, the study team also collected qualitative data from project implementers (guarantees) and MSEs (beneficiaries), to validate the study finds and the overall impact on the poor (details are described in Annex 1: Project Wise benefits for the MSEs and its relevance for the poor).

Among the 2,475 sample project beneficiaries, **23% were female**. Female beneficiaries in only two projects surpassed the men beneficiaries in number (ACACIA – 58% women, HISHAB – 91% women). In the case of the rest of the projects, men involvement was far ahead, ranging from 72% to 100%.

The incidence of poverty is measured by using the PPI score and compared against \$1.25, \$1.75, \$2.00 and \$2.50 per person per day expense standard. From the study's result, it was observed that **11% of the BFP-B project beneficiaries were likely to be poor at the endline as per the \$1.25 standard**. Besides, when compared against \$1.75, 34% of the targeted group was found to be poor. Additionally, 43% of the beneficiaries were found to be poor under \$2.00 standard and 58% of the beneficiaries were found to be poor as per the \$2.50 standard. This means that 11% of the beneficiaries are likely to earn less \$1.25 per day per person basis. Similarly, 34%, 43% and 58% of the beneficiaries are earning less than \$1.75, \$2.00 and \$2.50 per day per person basis.

The endline studies either took a representative sample or a population survey; therefore, the sample of the study reflect a true representation of the project population. The studied 10 projects benefited a total of 1,208,147 MSEs/persons. Given that, we deduced that around 132,906 number of beneficiaries have the probability of falling under the extreme poverty line of \$1.25 while 700,778 number of beneficiaries have the probability of falling under the upper poverty line of \$2.50.

Although, we cannot deduce the number of beneficiaries falling under the poverty threshold from the total beneficiary pool (1,415,262 benefited by 25 projects), we took our effort to deduce a calculated-approximation. If we would have collected the PPI information from all the 25 BFCF projects or took a statistically representative sample of the total beneficiary pool, **155,679** beneficiaries would have the likelihood of falling under the extreme poverty line of \$1.25 and **820,852** number of beneficiaries would have the likelihood of falling under the upper poverty line of \$2.50.

Chi-square test was used to see whether the variables were associated and to analyse the strength of their association. From the test, a significant relationship was observed (might be because of the large sample size) between socio-demographic variables and the PPI score but the relationship was found to be weak or very weak. That means that the socio-demographic variables under consideration do not influence the PPI score in any considerable extent.

The study categorised the programme benefits into three different thematic areas of intervention to evaluate the impact of the programme on its beneficiaries. The categorisation was based on the output level targets of different projects falling under the umbrella of BFP-B programme. The categorisation was done to provide a systematic analysis of the areas of involvement, by the different projects under the whole programme.

The different thematic areas of intervention are as follows:

i) **Digitalising MSE's financial transactions** - To facilitate the financial convenience for the MSEs, BFP-B along with its partners, developed different software, which recorded the bookkeeping accounts and financial transaction of the MSEs. Under this thematic area, the programme used different mechanisms under different projects to digitalise the transaction and financial records of MSEs.

Some of the applications developed to digitalize online database are: Hishab, DANA, Orjon, Sheba.xyz, Farmer's E-hub and ShopUp.

Overall, the projects that provided service for digitalising MSE's financial history, 8% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 30%, 39% and 54% of the beneficiaries respectively were found to be poor.

ii) **Optimising MSE's business operations** - Under the programme, several projects offered business development services (BDS) to the MSEs. The BDS varied from project to project. Broadly, the programme aided the MSEs to develop their: Financial literacy, Acquisition of legal documents, Accounting system, Marketing strategies, Corporate governance and Technical and product knowledge.

Overall, the projects that provided service for optimising MSE's business operations, 17% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 41%, 49% and 63% of the beneficiaries respectively were found to be poor.

iii) **Reaching the unreachable MSEs** – To facilitate financial availability for the beneficiaries, BFP-B collaborated with several financial institutions to develop last-mile agents in hard to reach geographic zones. To achieve this, a couple of projects were concentrated on establishing new agent banks in those previously untouched areas. Other projects focused on collaborating with local NGOs and utilising them to extend the programme's reach. Financial institutions also tried to reach the unreachable by collaborating with manufacturers of FMCGs and then provided funds to the MSEs that were affiliated with the manufacturers.

Overall, the projects that provided service for reaching the unreachable, 15% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 41%, 50% and 65% of the beneficiaries respectively were found to be poor.

During the project implementation, different project partners faced diverse challenges to facilitate the funding to the poor. Some of the problems faced are:

- i) The reluctance of FIs to fund floating or informal-sector MSEs due to their potential flight risk
- ii) Informal MSE segments are mostly rigid to technological take-up that poses the FIs challenges to groom-up with newer technologies. Moreover, the blue-collar job holders often by-pass the service provider that demotivates the service providers in designing newer solutions.
- iii) The cottage industries established in rural Bangladesh often keep restriction in getting a trade license. The complicated and lengthy process of getting a trade license is also responsible for the lower take-up of trade license. However, formal financing requires its potential borrowers to have a trade license which either lingers the loan application process (by back and forth feedback from FI) or causes a loan rejection.
- iv) Moreover, during the study team's interviews with the MSEs owners, investigators found a negative perception about the loan; a few were because of the complexity of the loan processing while the others included the religious bindings.

Overall, the study found that the BFP-B has indeed touched the poorer strata of the population (Table 9). On average, 11% of the surveyed beneficiaries were lying under the extreme poverty line who had an

expenditure below \$ 1.25 on a per person per day basis. On average, more than half of the respondents (58%) of the endline studies can be categorised as "poor," i.e. having per day income less than \$ 2.5.

The study could not analyse whether the programme has contributed in uplifting the living standards of the poor as due to lack of concrete poverty measurement indicator in the baseline studies. Furthermore, from the quantitative findings, the study team found that a significant relationship was observed (might be because of large sample size) between socio-demographic variables and the PPI score though the relationship was weak or very weak. That means the socio-demographic variables under consideration could not influence the PPI score or poverty in any considerable extent.

The research team found from the in-depth interviews that the projects grantees were not necessarily targeting the marginalised society. Nevertheless, the BFP-B projects did have an impact on its beneficiaries positively. They were benefitted from three dimensions, employment generation, obtaining convenient access to finance and spillover benefits from the direct beneficiaries.

Chapter 1: Introduction

1.1 Background of the Project

The Business Finance for the Poor in Bangladesh (BFP-B) Programme is managed by Nathan Associates London Inc. with funding from DFID (Department for International Development). BFP-B manages around 36 interventions (termed as the projects) under the Business Finance Challenge Fund (BFCF), a component under BFP-B along with two other components Policy and Microfinance CIB. Challenge Fund component catalyses private sector investment in developing new prototypes and bring to scale viable business models that serve small businesses based on understanding the challenges small businesses face in accessing and using financial services. Policy component aims to improve the policy and regulatory environment for financial institutions, incentivising them to make long-term investments in growing their small business portfolio. Microfinance CIB aims to improve the creditworthiness of small businesses, which enables financial institutions to reduce the cost of risk assessment and improve the risk-adjusted returns of lending and investing in small businesses.

The Challenge Fund projects were designed to provide micro, small and medium enterprises (MSMEs) access to insurance coverage and affordable business finance, especially from formal sources. In order to ensure access to finance, the program enables MSMEs to avail Business Development Services (BDS), such as financial preparedness, access to financial information, technological solutions etc. that would enable these MSMEs to access formal finance at a size that is appropriate to these businesses cash flow and commercially affordable rates. The provisions of information, business process development was also ensured to the MSMEs to make them attractive to the formal financial sector. As the final goal, BFP-B facilitates access to formal finance for MSMEs that was expected to spur further growth in these businesses and support employment.

According to the program mandate, BFP-B aims to provide Challenge Fund-supported BDS, insurance coverage, and improved financial services to 180,000 MSMEs among which 88,150 will get first-time access to the formal financial sector. The volume of program supported loan was targeted to reach GBP 24,700,000.

1.2 Background of the Study

The BFP-B program is in its final year of operation when it intends to assess its intervention's relevance to the development of poor within the program scope and targeted program participants- MSME owners. The program participants are the owners of the micro, small and medium enterprises (MSMEs) in different industries which were intervened to be facilitated to access to formal finance, insurance coverage and BDS. As one of BFP-B's mandate was to facilitate access to finance for the poor and a major criterion of the Challenge Fund project selection was whether the business models facilitates access to finance for the poor and underserved, this "Pro-poor Relevance Study" is being conducted to assess whether the BFP-B projects impacted the poor group of program participants as well as to illustrate how specific projects impacted them that would enable those poor to come out of poverty. In a nutshell, the research objective of this evaluation is to understand and/or estimate the likelihood of being poor of the project beneficiaries at their individual level.

The key research questions of this study are the following –

- What is the likelihood/ probability that the beneficiaries of the BFP-B are living under the \$1.25/day, \$1.75/day, \$2.00/day or \$2.50/day standard?
- What were the benefits MSMEs received from BFP-B projects?
- What were the challenges in implementing the projects here in Bangladesh?
- What lessons are learned from the implementation of BFP-B in Bangladesh?

“Poverty Probability Index-PPI (detailed out in the Methodology section)¹” was used as the primary indicator to measure the incidence of poverty among the BFP-B beneficiaries. The PPI questions were added to 10 endline evaluation questionnaire along with the standard project questionnaires to put an emphasis on the analysis of poverty prevalence among the program’s beneficiaries. Consequently, this Pro-poor study has been a cross-sectional study with multivariate metadata analysis with the endline data consisting of the PPI information.

1.3 The log-frame of the Business Finance for the Poor in Bangladesh (BFP-B)

The program logframe is portrayed below. The logframe guides the programme to create economic benefits for the poor men and women, which generates the need for this Pro-poor relevance study.

Table 1 Logframe of the program BFP-B

INPUT/ ACTIVITIES	OUTPUT	OUTCOME	IMPACT
<ul style="list-style-type: none"> • Fund • Staff • Technical expertise • Liaison & collaboration with govt. and local people • Project management 	<p>Policy</p> <ul style="list-style-type: none"> • Improved policy and regulatory environment for MSE finance in Bangladesh <p>CIB-MF</p> <ul style="list-style-type: none"> • Improved knowledge of microfinance borrowers in terms of cash flow management and credit history to help the integration with commercial banks and NBFIs <p>CF</p> <ul style="list-style-type: none"> • Increased capacity of FIs to offer financial services to MSEs using innovative products, services and delivery channels • Increased capacity of MSEs to use financial services. 	<p>Improved access to financial services to Micro and Small Enterprises (MSEs) in Bangladesh</p>	<p>Promote inclusive economic growth; improve income and livelihood opportunities for poor men and women</p>

¹ PPI is a standardized and statistically sound survey tool for measuring poverty. The PPI seeks the answers to 10 questions about a household’s characteristics and asset ownership that are scored to compute the likelihood that the household is living below a set poverty line. For more information: <https://www.povertyindex.org/about-us>

1.4 BFP-B Project Implementation Partners/Grantees

Under BFCF component, BFP-B undertook 36 projects among which 14 went into the endline evaluation (Innovision: 7 projects; Consiglieri: 7 projects). This “Pro-poor Relevance Study” was conducted based on the PPI questions and impact information that we collected during the endline evaluations. However, the endline evaluations of 4 projects were conducted in 2018 prior to the decision of collecting PPI information hence were excluded from this study scope (Annex-6, for detail). The list below shows the projects that were included in this Pro-poor Relevance study-

Table 2 Programme partners

Project	Implementer/ Lead Organization	Type of organization
1. Project Impact MSE	ACACIA SR Financing Ltd.	Financial institution (investment firms)
2. Diganta	Bank Asia Ltd.	Financial institution (bank)
3. HISHAB	HISHAB Ltd.	Software developer
4. LMA	Dutch-Bangla Banking Limited (DBBL)	Financial institution (bank)
5. Sheba xyz	Sheba XYZ	Software service provider
6. ShopUp	ShopUp	Online marketing
7. Agro-Business Booster	Truvalu Enterprises Limited	Investment company
8. Project SmartCap	VIPB Asset Management Company Ltd.	Asset management
9. Retailer financing	IPDC Finance Ltd.	Financial institution (investment firms)
10. Orjon	IPDC Finance Ltd.	Financial institution (investment firms)

1.5 Areas where BFP-B Interventions Benefited the MSEs

As stated in the previous sections that this study extrapolated the probability of incidence of poverty by the PPI method, it illustrated the benefits and services rendered by different BFP-B projects from the qualitative primary data. To explain the benefits of the programme delivered to the target population, the study team have divided the benefits under three different thematic areas. The mechanism of delivery of the benefits is elaborated in Section 3.2 Services facilitated under the BFP-B Programme. The following table shows the list of projects falling under the thematic areas:

Table 3 Thematic areas of discussion

Project	Thematic Areas		
	Digitalising MSE's financial history	Optimising MSE's business operations	Reaching the unreachable
1. Project Impact MSE			√
2. Diganta			√
3. Agro-Business Booster	√		
4. LMA			√
5. Sheba xyz	√	√	
6. ShopUp	√	√	
7. Truvalu		√	√
8. Project SmartCap	√	√	
9. Retailer financing	√		√
10. Orjon	√		√

Chapter 2: Methodology for the Study

2.1 Operational Definitions

The study started with a review of secondary literature and project documents to come up with the definition of the terminologies critical to this study. The research team put efforts to establish a few working definitions of the key concepts. These are described below-

Measuring Poverty: In this study, the Poverty Probability Index (PPI)² is used to measure the poverty incidences among the program participants. To make it more elaborate, PPI is a poverty measurement tool to compute "the likelihood that a household is living below the poverty line – or above by only a narrow margin." The tool seeks answers to 10 questions about a household's characteristics and asset ownership. Then the answers to the questions are scored with the PPI-scorecard to understand who are most likely to be poor in line with per person per day expenditure threshold.³

The PPI scorecard is shown below-

Table 4 PPI scores to the poverty likelihoods for Bangladesh.

PPI Score	\$1.25 2005 PPP (%)	\$1.75 2005 PPP (%)	\$2.00 2005 PPP (%)	\$2.50 2005 PPP (%)
0-4	97.9	98.8	100.0	100.0
5-9	89.3	98.2	98.7	99.7
10-14	88.8	98.2	98.7	99.7
15-19	81.6	96.9	98.6	99.7
20-24	78.0	96.3	98.4	99.7
25-29	65.8	91.6	95.3	98.7
30-34	57.0	87.9	93.5	98.2
35-39	50.3	83.6	90.7	96.9
40-44	40.8	79.6	87.4	94.9
45-49	33.5	68.8	79.6	91.5
50-54	24.2	60.3	74.2	87.9
55-59	14.5	50.4	65.2	84.3
60-64	10.9	40.4	54.6	73.2
65-69	8.7	32.2	44.5	63.3
70-74	5.6	31.5	42.9	60.4
75-79	4.3	25.8	34.0	50.7
80-84	2.7	19.7	26.7	40.9
85-89	0.0	10.7	14.6	33.3
90-94	0.0	5.1	6.6	12.3
95-100	0.0	0.0	0.0	0.0

This PPI was created in March 2013, based on data from 2010 Household Income and Expenditure Survey (HIES).

Source: <https://www.povertyindex.org/country/bangladesh>

All points in the scorecard are non-negative integers, and total scores range from 0 (most likely below a poverty line) to 100 (least likely below a poverty line).

² <https://www.povertyindex.org/>

³ Retrieved from <https://www.povertyindex.org/faq-page>

The PPI scorecard that the team used takes the following poverty lines in consideration to measure the poverty likelihoods-

- \$1.25/day 2005 PPP
- \$1.75/day 2005 PPP
- \$2.00/day 2005 PPP
- \$2.50/day 2005 PPP

This Poverty Scoring is used to measure the share of a BFP-B participant who is below a given poverty line, for example, the Millennium Development Goals' \$1.25/day line at 2005 purchase-power parity (PPP). In all these cases, the poverty scorecard provides an expenditure-based, objective tool with known accuracy.

Pro-poor growth: Pro-poor growth focuses attention on the extent to which poor women and men are able to participate in, contribute to, and benefit from growth induced by the project, as measured by changes in the incomes of the households in which they live and the assets they and their children acquire to earn higher incomes in the future⁴.

Benefit/Impact: By benefits, study team thought of primarily the "Improved access to financial services" denoted by the BDS, insurance coverage, access, and usage of improved financial services that the specific projects under BFP-B provided through intervening. Although, economic benefits (secured through capacity and knowledge level development, access to products etc.) are the one that induced BFP-B interventions; the BFP-B logframe limits its scope of impact to MSME's access to the BDS, insurance coverage and improved financial services only. However, illustrating and documenting economic benefits is valuable to the program stakeholders that this Pro-poor Relevance Study took into its scope. The team aggregated the project benefits that have been captured by the endline evaluations and also illustrating the same through the collection of primary qualitative data through interviewing selected program participants.

Poor Program Participants: In conducting this pro-poor relevance study, the study team measured the poverty incidence in program participant level those were the intervened MSME-owners. The team cannot measure poverty incidence in MSME-level since there is no available credible poverty measurement standard for the MSMEs. Moreover, the PPI scoring technique that investigators adopted, measures poverty incidence in the individual/ household level. Although, research team could classify the MSMEs as Micro, Small and Medium enterprises (according to Bangladesh Bank definition) or can classify them according to size (turnover, number of employees) and location (remoteness, extent of underserved communities) and illustrate how they were benefitted; however, that has been already done by specific project's endlines.

The Key-research questions have been designed from the objectives and the discussions above; this study should answer the same to achieve the study objectives (see Annex 2).

⁴ "Promoting pro-poor growth, policy guidance for donors (2007)", DAC Guidelines and Reference Series; Organisation for Economic Co-Operation and Development- OECD

2.2 Sample Size:

To understand the likelihood of poverty, the study analysed PPI data from the respondents of the projects of which an endline data were collected. All the endline evaluations data were collected by ensuring a statistically representative sample considering a 0.05 level of significance (or, 95% confidence level) and 5% error margin. The endline sample for the projects of BFP-B program is illustrated in table below.

Table 5 Quantitative sample size from endline studies

Name of the projects	Endline Sample Size
1. Project Impact MSE	370
2. Project HISAB	400
3. Project Truvalu	115
4. Project Diganta	374
5. Project Retailer Finance	55
6. Project Orjon	235
7. Project DBBL LMA	369
8. Project ShopUp	290
9. Project Sheba xyz	370
10. Project SmartCap	60
Total Sample Size	2,475

As stated, the study collected qualitative data that provided insights into the programs' delivered benefits and contribute to cross-check the quantitative evidence. To collect qualitative data, the MSMEs was categorised according to the type of participants worked with, e.g. the agricultural farmers, MFI borrowers, rural traders etc. A total of 30 IDIs were conducted to collect qualitative information. Besides, one case study from each of the projects was conducted. The case studies were used in showcasing the evidence of the benefits. A total of 10 case studies was furnished. The number of IDIs with MSMEs is shown in the table below-

Table 6 Number of IDIs conducted with MSMEs

	Types of project participants					
	Agricultural farmers	MFI Borrowers	Rural Traders	e-commerce	Supply Chain Borrowers	Informal service providers
Name of the projects	Truvalu	Project Impact MSE	Project Diganta Project SmartCap	Project ShopUp	IPDC Retailer financing IPDC Orjon	Project Sheba xyz
Number of IDI	3	6	9	3	6	3
Total	30					

Briefly, the number of qualitative activities is shown in the table below-

Table 7 Distribution of qualitative sample

Qualitative study	Number of studies
IDI and Case study with MSME	30 IDIs 10 Case Studies (one from each project)
IDI with grantee	10

2.2.1 Tools Development:

Although the study team are not collecting any quantitative information from primary sources, however, researchers are aggregating the PPI information from the endline database according to the PPI questions given in Annex 3. Investigators also designed the semi-structured question guides (in Annex 4 & 5) for collecting primary qualitative data. The tools that were used for a different type of respondents is shown in below table-

Table 8 Qualitative data collection tools

Type	Respondents	Tool
IDI/Case Study- MSME	Impacted poor MSME owners	Semi-structured question guide/ checklist
IDI- Grantees	Project Partners/grantees	Semi-structured question guide/ checklist

2.2.2 Data Analysis Plan:

Before analysis, all the data was edited and cleaned appropriately to make it uniform. Excel and SPSS software were used for analysing the quantitative data. In most of the cases, PPI was the centre of quantitative analysis. Besides, measures of central tendency (mean/median/ mode) and percentage measure (or proportion) were performed as per requirements. On the other hand, the qualitative analysis was performed following the thematic analysis techniques.

2.3 Limitations of the study

This study encountered a number of limitations narrated in the following –

- A comparison of poverty incidence between baseline and endline could not be explored and contribution of the programme to alleviate the poor's standard of living could not be deduced because of the unavailability of the PPI information in the baseline stage.
- Another limitation of the study includes the design of PPI itself e.g., respondents lost PPI scores due to their unavailability of cultivable lands. PPI is not considering the ownership of commercial infrastructures or lands, which provides income through rents. Thus, PPI is overstating the fact of poverty prevalence.
- The PPI also ignores the valuation aspect of the lands. Lands in urban sphere tend to have higher value than its rural counter-parts. Even if a beneficiary does not own 51 decimal of cultivable land, they can still be well off through owning smaller area in a more developed hemisphere. Nevertheless, they still lose scores and are included in the poverty incidence, as they do not own 51 decimal of agricultural lands.
- The PPI also displayed inflated incidence because the study is not considering expensive household durables and applications. E.g., the score does not include expensive household appliances such as washing machine, fridges, etc. The score is also giving equal marks to motorcars, motorbikes and bicycles. The marks allocation is not a true reflection of the price valuation and thereby, shows a misguided score.

Chapter 3: Findings and Discussion

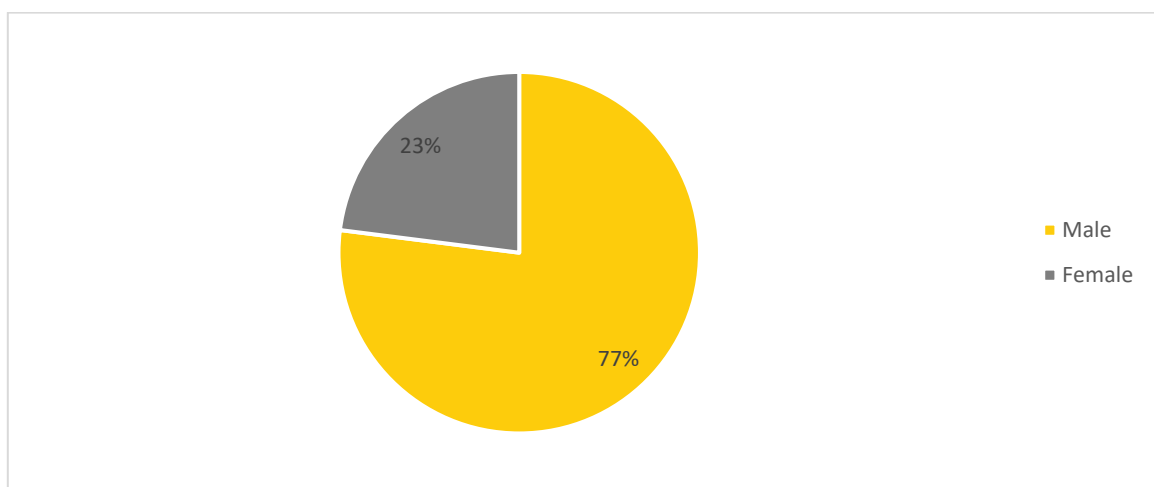
3.1 Incidence of poverty through meta-data analysis

This segment conducted a meta-data analysis from all the BFP-B's endline dataset, which contained a PPI questionnaire. Using this data, this section conducted a multivariate analysis to highlight any association between the incidence of poverty and socio-demographic data. The descriptive analysis is shown in section 3.1.3.

3.1.1 Respondents' Socio-demography obtained from the combined data

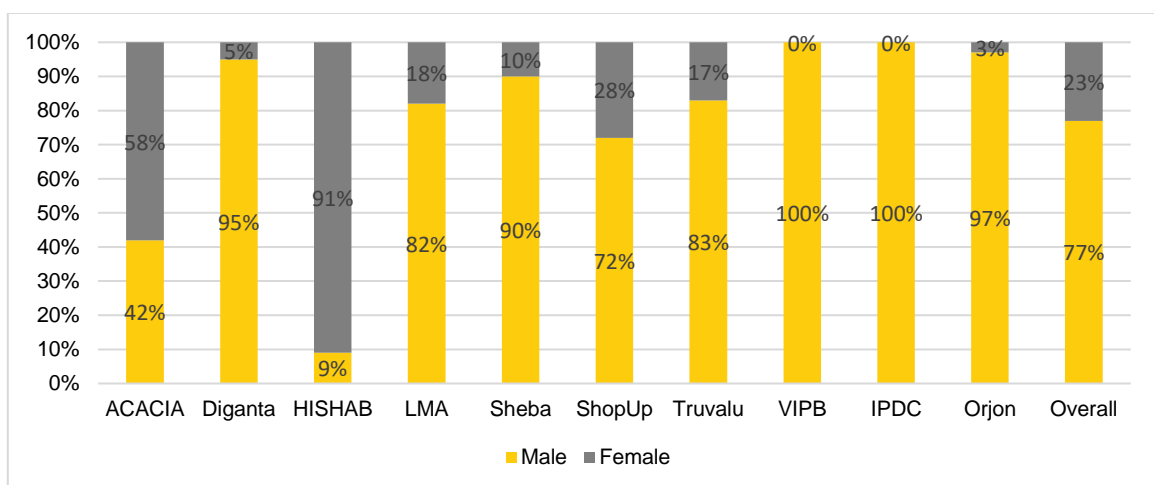
Overall, data from ten (10) projects were combined to understand the overall situation as observed at the endline. The combined endline data shows that 2,475 project beneficiaries were interviewed where, only 23% of the beneficiaries were women. This is shown in the chart below-

Figure 1 Gender distribution of the beneficiaries (aggregated)



However, female beneficiaries surpassed the male beneficiaries in number in two of the projects such as the ACACIA – 58% female and HISHAB – 91% female. In the case of the rest of the projects, men involvement was far ahead, ranging from 72% to 100% as shown in the below figure-

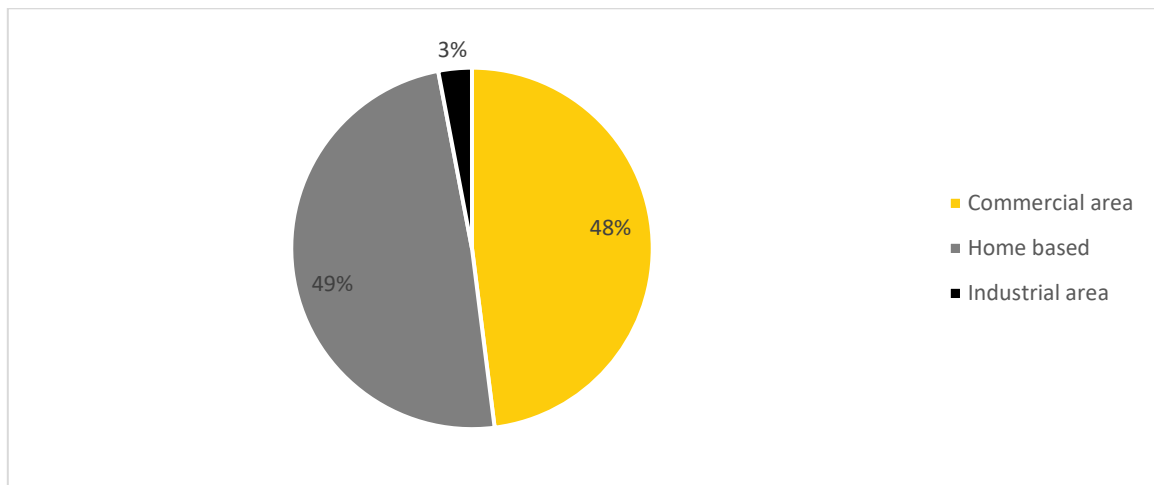
Figure 2 Gender distribution of BFP-B project beneficiaries



Projects' beneficiary's business set up location were also explored. It was found that businesses were set up in commercial space, industrial areas and in home-based facilities. Overall, nearly half or the beneficiaries (49%) interviewed at the endline had home-based setup followed by the setup in

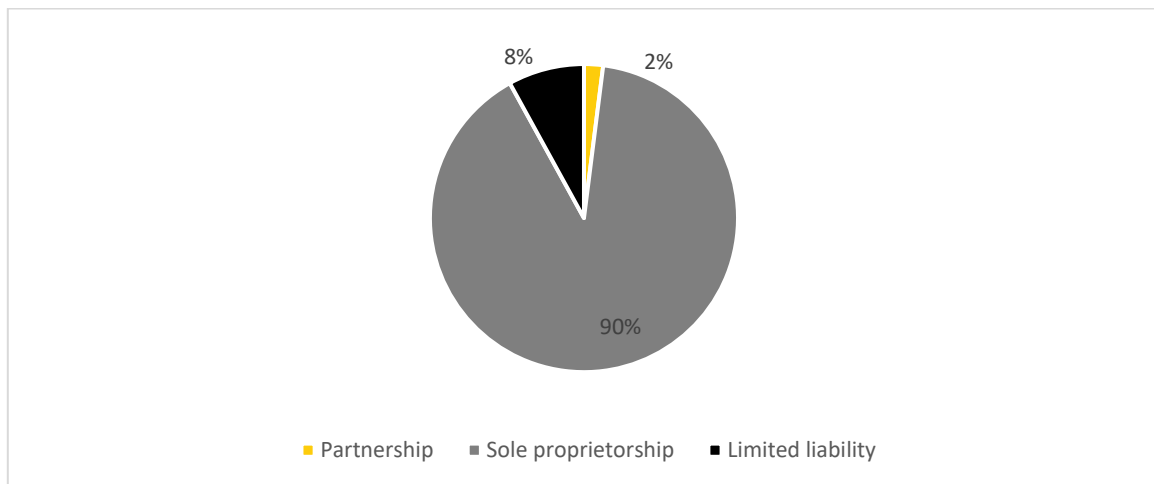
commercial space (48%). However, only 3% of the beneficiaries had setup in any industrial space. The location of the business setup of all the projects is illustrated in the Figure below.

Figure 3 Location of the BFP-B projects- aggregated



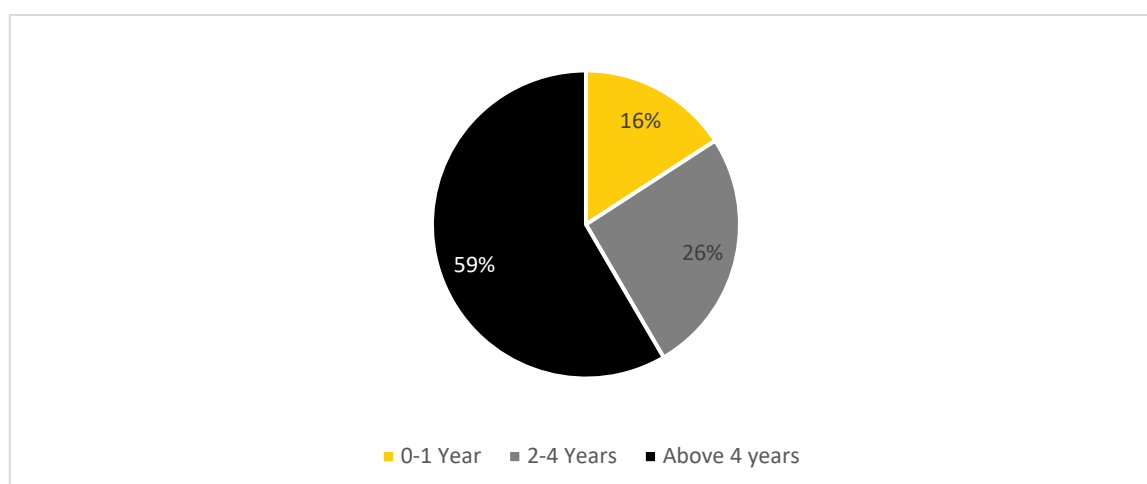
Most of the beneficiaries' business was owned by themselves (90%) or had a sole proprietorship. In the case of 8% of the beneficiaries, the business had limited liability. In addition, 2% of the business was run on partnership whereas another 1% was not registered. Detail breakdown of business ownership by the beneficiaries are depicted in the figure below-**Error! Reference source not found.**

Figure 4 Business ownership by the beneficiaries- aggregated



Now, if the time duration of beneficiary business setup is considered it becomes evident that more than half (59%) of the beneficiaries' business was set more than four years before. Besides, a little over one quarter (26%) of the beneficiaries set up business in between 2 to 4 years whereas 16% of the beneficiaries set up their business within the last year. The time duration of the business set up by the beneficiaries of BFP-B projects is illustrated in Figure 5 Time duration of the business setup of the projects' beneficiaries.

Figure 5 Time duration of the business setup of the projects' beneficiaries- aggregated



3.1.2 Incidence of poverty reported from PPI scores

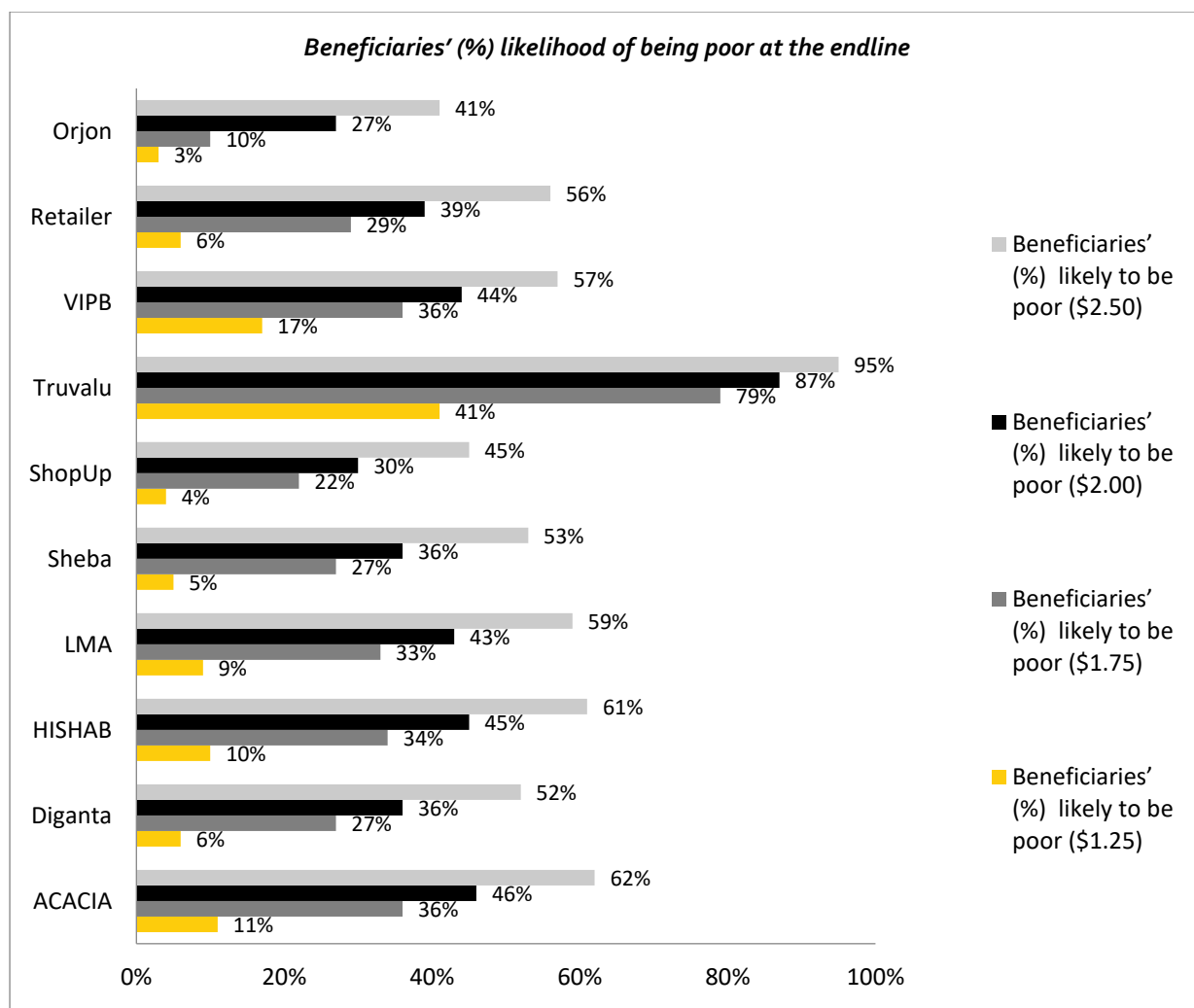
The incidence of poverty is measured by using the PPI score and compared against \$1.25, \$1.75, \$2.00 and \$2.50 per person per day expense standard. Overall, 11% of the BFP-B project beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 34%, 43% and 58% of the beneficiaries respectively were found to be poor. However, in terms of poverty incidence, the best possible scenario was observed among Orjon beneficiaries – among all the beneficiaries of BFP-B, participants in Orjon project had the lowest likelihood of being poor. Only 3% for \$1.25 standard, 10% for \$1.75 standard, 27% for \$2.00 standard and 41% for \$2.50 standard. On the contrary, the opposite situation was noticed among the beneficiaries from Truvalu. Beneficiaries of Truvalu projects had the highest likelihood of being poor. More than two in every five beneficiaries (41%) had the likelihood of being poor (for \$1.25 standard. Besides, 79% of the Truvalu beneficiaries had the likelihood of being poor for \$1.75 standard, 87% for \$2.00 standard and 95% for \$2.50 standard as shown in the table below.

Table 9 Beneficiaries' (%) likelihood of being poor at the endline

Project	Beneficiaries' (%) likely to be poor (\$1.25)	Beneficiaries' (%) likely to be poor (\$1.75)	Beneficiaries' (%) likely to be poor (\$2.00)	Beneficiaries' (%) likely to be poor (\$2.50)	n
ACACIA	11%	36%	46%	62%	272
Diganta	6%	27%	36%	52%	374
HISHAB	10%	34%	45%	61%	400
LMA	9%	33%	43%	59%	317
Sheba	5%	27%	36%	53%	353
ShopUp	4%	22%	30%	45%	290
Truvalu	41%	79%	87%	95%	115
VIPB	17%	36%	44%	57%	60
Retailer	6%	29%	39%	56%	59
Orjon	3%	10%	27%	41%	235
TOTAL/ Overall	11%	34%	43%	58%	2475

The probability of the incidence of poverty can better be portrayed in the graph below-

Figure 6 Overall percentage of poverty incidence across the studied projects



Incidence of Poverty in the Absolute Number

Given that the endline studies took either representative sample or conducted a population survey (when the population was small enough to conduct a sample survey), the endline respondents are the true representation of the project population. The number of beneficiaries reached by the studied projects (10 projects) was 1,208,147 while the number in all the BFCF projects was 1,415,262⁵ (a detail calculation is shown in Annex 8). Provided the population size, we can provide an approximation of the number of beneficiaries falling under a poverty line. We can deduce that around 132,906 number of beneficiaries have the probability of falling under the extreme poverty line of \$1.25 while 700,778 number of beneficiaries have the probability of falling under the upper poverty line of \$2.50 (as shown in the table below).

Nevertheless, BFP-B might intend to know the number of beneficiaries falling under a poverty line derived from the total beneficiary pool benefited by all the BFCF projects (1,415,262 number of beneficiaries benefited by 25 projects). However, we cannot reach to that deduction because-

- a) We have not collected PPI information for all the BFCF projects (25 projects)

⁵ BFP-B undertook 36 projects in its program period; however, 25 projects reached and benefitted the project participants.

- b) We have not taken statistically representative samples of the total population (1,415,262 beneficiaries reached by 25 BFCF projects)

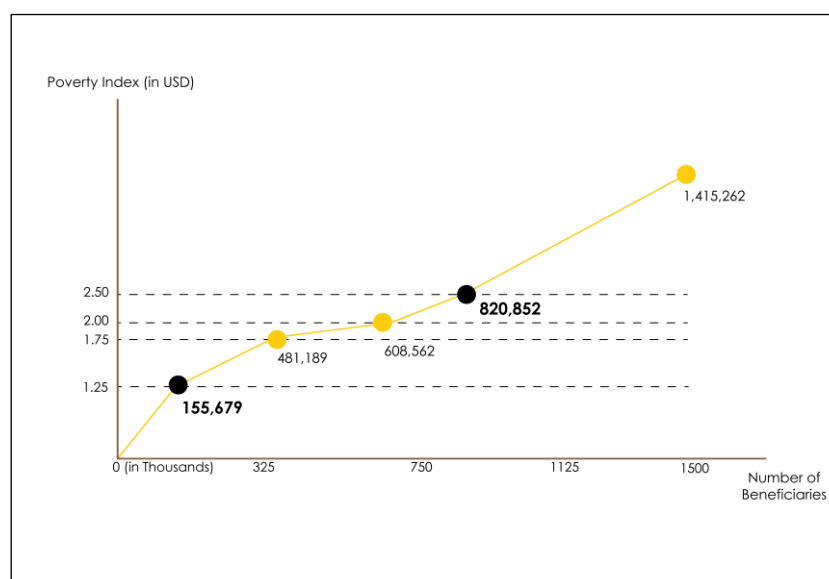
However, if we think of a scenario, where we would collect PPI information from all the BFCF projects or would collect PPI information from a statistically representative sample of the total number of beneficiaries reached by BFCF projects, we would deduce the number of beneficiaries falling under each poverty line. In that scenario, a total of 155,679 beneficiaries would have the likelihood of falling under the extreme poverty line of \$1.25 while 820,852 number of beneficiaries would have the likelihood of falling under the upper poverty line of \$2.50 (as shown in the last row of the table below).

Table 10 Poverty incidence in absolute figure

	Beneficiaries' likely to be poor (\$1.25)	Beneficiaries' likely to be poor (\$1.75)	Beneficiaries' likely to be poor (\$2.00)	Beneficiaries' likely to be poor (\$2.50)
Poverty incidence among overall beneficiaries of the studied projects	11%	34%	43%	58%
Total number of beneficiaries reached by studied projects	1,208,147			
Poverty incidence in absolute number (among studied project's beneficiaries)	132,896	410,770	519,503	700,725
Total number of beneficiaries reached by all the BFP-B projects	1,415,262			
Approximate poverty incidence in absolute number (among all project's beneficiaries)	155,679	481,189	608,563	820,852

The poverty incidence shown in the table above can be portrayed in the figure below-

Figure 7 Incidence of poverty in BFP-B beneficiaries



3.1.3 Association between socio-demographic variables and PPI scores

When the team explored the association between two sets of data and any of the two variables is, categorical correlation does not function appropriately because correlation measures the increase or decrease of the values in one variable due to the changes of values in the other variable. As categorical data cannot increase in that way, in case of a minimum of one categorical variable, instead of correlation, chi-square is used to see whether the variables are associated with each other. In addition, if it is so then the strength/ degree of their association is measured with various coefficients depending

on the nature of the variables (i.e., whether those are nominal or ordinal). In case of association between a nominal (taken as an independent variable) and an interval/ratio scale variable (taken as the dependent variable), eta is used. In this particular study, all the socio-demographic variables under consideration are nominal and the PPI score is scale variable in nature. Therefore, eta is estimated to understand their association as shown in Table 11 below.

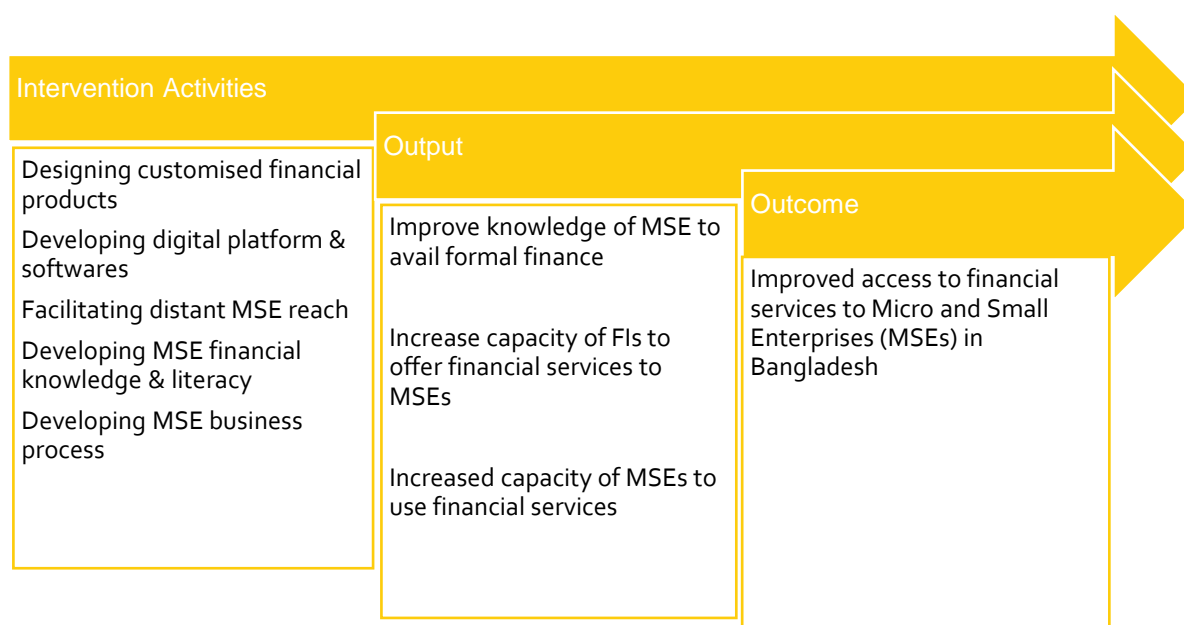
Table 11 Association between socio-demographic variables and PPI scores

Socio-demographic variables (and their categories)	ETA (η) ⁶	p-value	Degree of association
Gender (Male/ Female)	0.124	<0.05	Very weak
Business type (Sole proprietorship/ Partnership/ Limited Liability Company/ Unregistered)	0.392	<0.05	Weak
Year of running the business (0-1 year/ 2-4 years/ more than 4 years)	0.223	<0.05	Very weak
Business location (home based/ commercial areas/ industrial areas)	0.187	<0.05	Very weak
COMMENTS: Although the significant relationship was observed (might be because of the large sample size) between socio-demographic variables and the PPI score the relationship was weak or very weak. That means the socio-demographic variables under consideration were not able to influence the PPI score in any considerable extent.			

3.2 Services facilitated under the BFP-B Programme

The primary objective of the programme was to facilitate access to finance to micro and small enterprises in a more convenient manner. To achieve this objective, BFP-B collaborated with several financial institutions and financial technology firms (Table 2) to facilitate various types of business development and financial services to the MSEs and households. Under the programme, the study deduced that several “poor” MSEs and households received various interventions, as evident from Figure 8: Process-flow of BFP-B benefits. Therefore, the study is assuming that beneficiaries that are more indigent also received similar benefits from the services facilitated by BFP-B.

Figure 8: Process-flow of BFP-B benefits-



⁶ Eta-squared is a descriptive measure of the strength of association between independent and dependent variables in the sample

The study categorised the programme benefits into three different thematic areas of intervention to evaluate the impact of the programme on its beneficiaries. The categorisation was based on the output level targets of different projects falling under the umbrella of BFP-B programme. The categorisation was done to provide a systematic analysis of the areas of involvement, by the different projects under the whole programme.

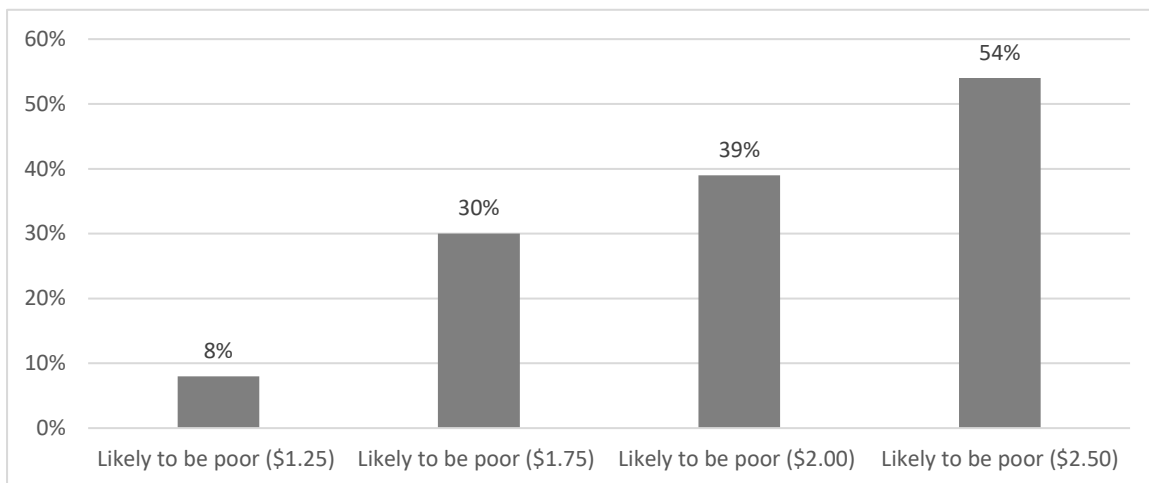
The different thematic areas of intervention are as follows:

- a. Digitalising MSE's financial transactions
- b. Optimising MSE's business operations
- c. Reaching the unreachable MSEs

3.2.1 Digitalising MSE's financial transactions

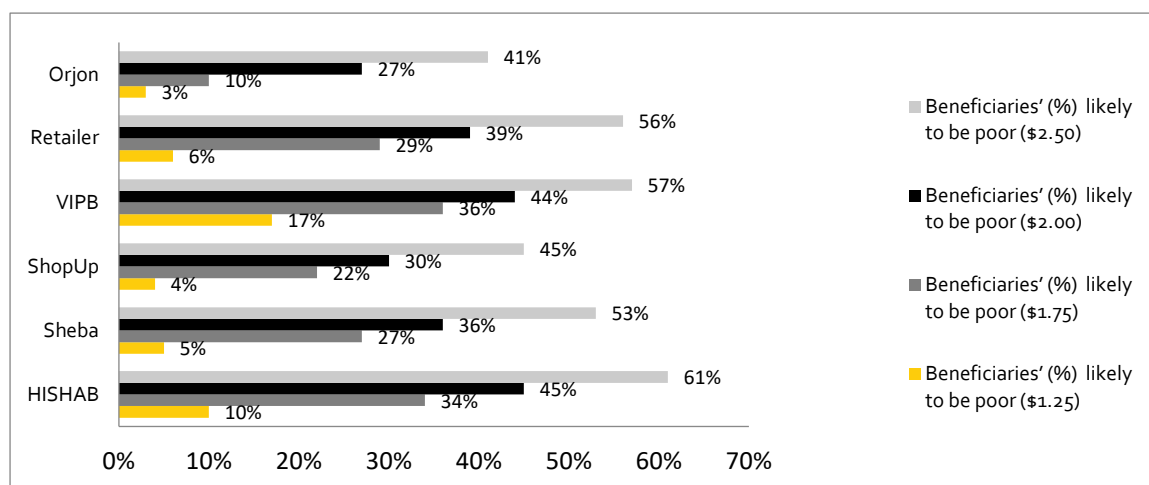
Thematically ten (10) of the BFP-B projects are categorized into three different thematic areas depending on their nature of services. It would be worthy to note that this categorization is not mutually exclusive. That is, any particular project provided services in more than one thematic areas and thus those are put into more than one categories. Six projects provided services in **Digitalising MSE's financial history**. Overall, the projects that provided service for Digitalising MSE's financial history, 8% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 30%, 39% and 54% of the beneficiaries respectively were found to be poor as shown in the figure below-

Figure 9 Distribution of poverty incidence thematically - Digitalising MSE's financial history



The poverty incidence can be shown in the below figure according to the projects that belongs to this theme-

Figure 10 Poverty incidence under the theme- Digitalizing MSEs



We can further calculate the number of beneficiaries that have the likelihood of falling under a poverty line; this is shown in the table below-

Table 12 Number of beneficiaries under the theme that have the likelihood of falling under poverty lines

Digitalising MSE's financial transactions				
Project	Beneficiaries' likely to be poor (\$1.25)	Beneficiaries' likely to be poor (\$1.75)	Beneficiaries' likely to be poor (\$2.00)	Beneficiaries' likely to be poor (\$2.50)
Orjon	75	251	677	1,029
Retailer	9	44	59	84
VIPB	10	22	26	34
Sheba	641	3,464	4,618	6,799
ShopUp	3,295	18,125	24,716	37,074
HISHAB	13,500	45,900	60,750	82,350
Total	17,531	67,805	90,847	127,370

However, as we stated, the projects under the three themes are not mutually exclusive. Therefore, the number of beneficiaries calculated in different thematic areas are the result of double-counting.

To facilitate the financial convenience for the MSEs, BFP-B along with its partners, developed different software, which recorded the bookkeeping accounts and financial transaction of the MSEs. Under this thematic area, the programme used different mechanisms under different projects to digitalise the transaction and financial records of MSEs.

Some of the applications developed under the different projects to develop an online database are –

- Hishab
- DANA
- Orjon
- Sheba.xyz
- E-hub
- ShopUp

Through "Hishab app", MSEs were able to record their daily transactions in their phones by using their voice. The command is then converted into text and saved accordingly. This intervention was crucial for illiterate proprietors as they were no longer handicapped by their inability to write.

"DANA" and "ORJON" used block-chain technology to record live data and monitor the volume of goods ordered, and transferred across the distributors/manufacturers, wholesale suppliers and retailers

of Fast-Moving Consumer (FMCG) goods. The sales transaction history is then recorded in the app used by the grass-root level merchants and the aggregated data is recorded in the centralised system of the distributors/manufacturers. Thus; a digitalised business dataset was generated for all the market actors involved.

Sheba.xyz was another platform that recorded the business transactions of the service providers. Unlike previous applications, the data of the MSEs are stored with the app develop organisation (In this case, Sheba Ltd). Similarly, the financial institutions to provide loans to the MSEs at a lower cost than using the data.

ShopUp is a self-learning credit appraisal platform that assesses Facebook's small businesses by utilising data from 25 different sources. ShopUp's shop management tool accumulates the data from the MSE's and using this data, the tool creates a loan offer for the shops. The offer is then forwarded to formal financial institutions so that the MSEs can avail funds from the formal financial institutions.

Typically, poor households lack literacy or the need to maintain an account with an FI. Therefore, the researchers observed that many MSEs were rejected from availing loans from formal financial institutions because they lack the required financial transaction history and documentation. The below table is the aggregated percentage of the MSEs was rejected with a bank loan and the reasons for that. The lack of transaction history is one of the significant (60%) among the reasons.

Table 13 Reasons for loan rejection

Percentage of MSEs rejected with a loan application in their lifetime	1% (n=646)
Reasons for loan rejections	Percentage
Lack of business documents (trade license, TIN etc.)	20%
Lack of collateral	30%
Lack of bank transaction history	60%
Unavailability of any guarantor	60%

Note: This information was aggregated from 3 projects that asked the question (Retailer Finance, ACACIA, Diganta) where the sample size was 646.

However, the challenges were solved by the BFP-B project intervention that we tried to show through the stories below collected from the MSEs during our qualitative study-

Retailer financing – A crucial intervention for the Pally Dut

Problem: The small-retailers and micro-merchants lack of access to adequate capital investment and financial support. This results in their inability to purchase high number of products from the FMCG product distributors and meet the growing customer demand.

Solution: The project developed a unique digital platform binding the IPDC, distributors of large corporates (MNCs and LLCs) and the retailers, in order to facilitate access to finance for retailers. This digital platform enabled the FIs to offer retailer financing products to FMCG retailers with lower interest rates and easier terms. Acquiring financial supports, the retailers will be able to source more products from the distributors to meet the growing demand of the customers.



Md. Altaf Hossain was among the few to be selected for Unilever's Pally Dut program. Before the invention by BFP-B, he earned Tk 300,000 per annum and had a profit margin of 120,000 per year. He lost potential profit margin because of his financial handicap. Due to limited financial ability, he could not purchase the required amount of products from the distributors. Also, he could not borrow from the banks because he did not have any formal records of his transactions with his business partners.

As part of the programme, Altaf's distributors collaborated with an NBFi in developing a financial application. The application recorded Altaf's demand for goods and his number of items sold; thus, the system created his business transaction database on a central server. The FI then utilised that aggregated figure to determine his financial solvency and capability. Later, FI used that knowledge to determine his loan limit under retailer financing program.

As a result of this program, he received a loan from a formal financial institution for the first time. Moreover, he had an extremely high level of satisfaction from the loan, because the loan was not only provided under easy terms but also, was custom-tailored to meet his specific needs.

During the intervention period, his total revenue increased to Tk 600,000 per year and his profit level incremented by Tk 24,000 per year. With his increased profit margin, he was able to repair his home, something he could not do in the beginning as he had no surplus money left. His expectation and ambitions have grown bigger now that he can avail credits with lower cost and larger volumes.

"Previously, I did not have the required funds to purchase all the demanded goods, but now, I can get all the products within a day, through DANA"

Sohoj Hishab - Enabling the MSE's to create online accounting system

Market constraint: Typically, MSEs' do not keep any business and transaction records. As a result, they fail to show any transaction history to the financial institutions during the loan application. This causes their application to be rejected.

Solution: Hishab Ltd. developed an app, which recorded the business transactions through voice command. The app records the voice and converts it into a text record. This system prepares the transaction record that is placed as the transaction credibility information for availing a loan from a bank.



Sakhawat has been running his tea stall and general store business for 8 years. He used to work in a newspaper firm but then he decided to start his own venture. After using Hishab's service, Sakhawat was able to record his business transactions regularly. He would verbally put his daily information on the phone and record his transactions. This helped him to have a proper financial record of his business and prepare a final account. This provides him with the necessary information to create a credit scoring file with the information provided by voice report. The microfinance institution gets all the details and this reduces the loan processing time drastically. This service can be availed by a monthly subscription of BDT 30 through any mobile phone network.

He received the loan from Pidim Foundation and paid a monthly instalment of BDT 2,700. He never applied for a loan at the bank because he thought he did not need a loan and considered the application process complex. He said-

"Taking loan from a bank is a hassle, it requires a number of days in communication. I would rather rely on the my own capital since my business does not allow me to get out of it for long time."

He was unaware of the benefits or the simplified methods of taking loans as an MSE, and now he is happy that he was able to utilise this opportunity. He took a 'Krishi Loan' before through his wife who is a member of the local committee.

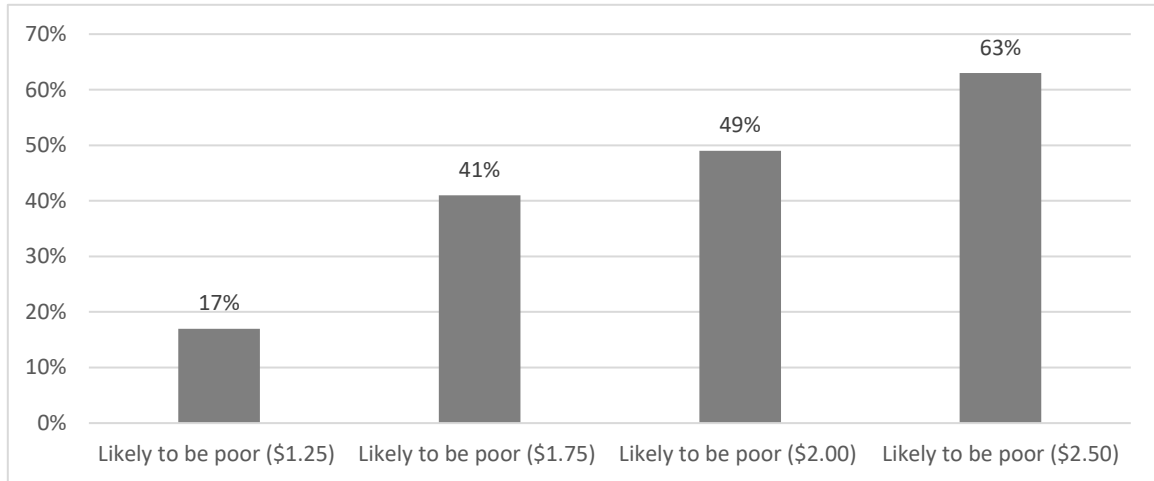
After availing loan easily with his new financial knowledge, Sakhawat wants to increase his store inventory. Since he has access to financial services, he does not consider the lack of cash as an issue anymore.

"I received a loan from a bank and have paid back successfully. Considering my requirement for further loan, I will opt for that again in the future."

3.2.2 Optimising MSE's business operations

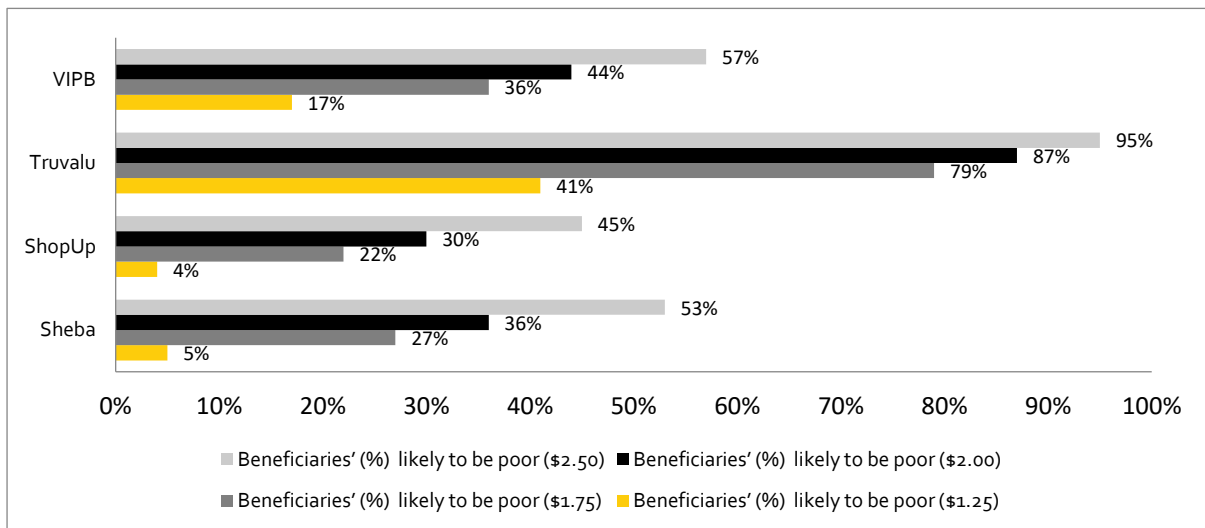
Thematically four (4) BFP-B projects are categorized here that intervened in **Optimising MSE's business operations**. Overall, the 4 projects that provided service for Optimising MSE's business operations, 17% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 41%, 49% and 63% of the beneficiaries respectively were found to be poor as shown in the figure below-

Figure 11 Distribution of poverty incidence thematically- aggregated



The poverty incidence can be shown in the below figure according to the projects that belongs to this theme-

Figure 12 Distribution of poverty incidence thematically - Optimising MSE's business operations



We can further calculate the number of beneficiaries that have the likelihood of falling under a poverty line; this is shown in the table below-

Table 14 Number of beneficiaries under the theme that have the likelihood of falling under poverty lines

Optimising MSE's business operations				
Project	Beneficiaries' likely to be poor (\$1.25)	Beneficiaries' likely to be poor (\$1.75)	Beneficiaries' likely to be poor (\$2.00)	Beneficiaries' likely to be poor (\$2.50)
VIPB	10	22	26	34
Sheba	641	3,464	4,618	6,799
ShopUp	3,295	18,125	24,716	37,074
Truvalu	78	150	166	181
Total	4,025	21,761	29,527	44,089

Under this theme, the mentioned projects offered different business development services (BDS) to the MSEs that facilitated them to have access to finance and be alleviated from poverty. The BDS varied from project to project; broadly, the projects aided the MSEs to develop their –

- Financial literacy
- Acquisition of legal documents
- Accounting system
- Marketing strategies
- Corporate governance
- Technical and product knowledge

Out of the different BDS, financial literacy and acquisition of legal documents were crucial components for the MSEs to avail loans. During the qualitative study, the respondents reported that they prefer not to approach banks and NBFIs for loans because of complicated terms and conditions, paper works. The interventions mitigated the problem by teaching the beneficiaries regarding the documents to avail loans from banks and NBFIs. Furthermore, some of the projects helped the beneficiaries to get legal business documents by linking the MSEs with the concerned authorities. Moreover, the projects were able to encourage the MSEs in keeping payslips and other business receipts.

According to representatives of financial institutions, the stated documents are mandatory for the MSEs to avail loans from the financial institutions. The documents not only fulfil policy requirement but also enables the FIs to assess the capabilities of the enterprises.

Additionally, financial literacy alleviated the fear of loans from banks among the MSEs. Currently, most of the surveyed MSEs in the paper's qualitative study, mentioned that they are more confident in availing loans from the financial institutions.

Apart from financial literacy and acquisition of legal documents, some of the projects also helped the enterprises to enhance their business management capabilities. Having been exposed to technical training, new marketing strategies, and management styles, the surveyed MSEs stated that they were more confident at the endline in expanding their business. Theoretically, better business practices lead to increased efficiency and productivity, which in turn lead to higher profitability and access to a higher volume of loans. However, a few projects in the endline study did not see a significant increase in revenue, might be, due to the short duration of the project or the respondents acquired the impact fund only recently (within 6 months). Nevertheless, all the MSEs in the endline period stated that they enjoyed higher turnover compared to the baseline period.

Smart Capital – Creating a hub for the poor farmers

Problem: Typically, the financing from banks are on a short-term basis which does not support for long-term growth process. Therefore, the growth of newly established farmer's hub would stagnate unless there is a long-term growth prospect.

Solution: VIPB aimed to tackle this problem by providing equity funding to the entrepreneurs.



Shazahan Islam was a vegetable retailer operating in a bazaar in Domar. He was among the 60 entrepreneurs to be selected for seed funding. The funding was used to establish farmer's hub. Farmer's hub was an innovative business idea, which aimed to provide poor local farmers with quality inputs such as seeds, saplings, fertilizer, agro-machineries etc.. The hub is also used as a collection point for the poor farmers where the agricultural produces is accumulated and sold in bulk.

Before becoming an entrepreneur, Shazahan received training session from VIPB (a financial institution) to enhance their business capability. Under the incubation program, Shazahan along with others received training on marketing, accounting system, plantation culture and other technical aspects.

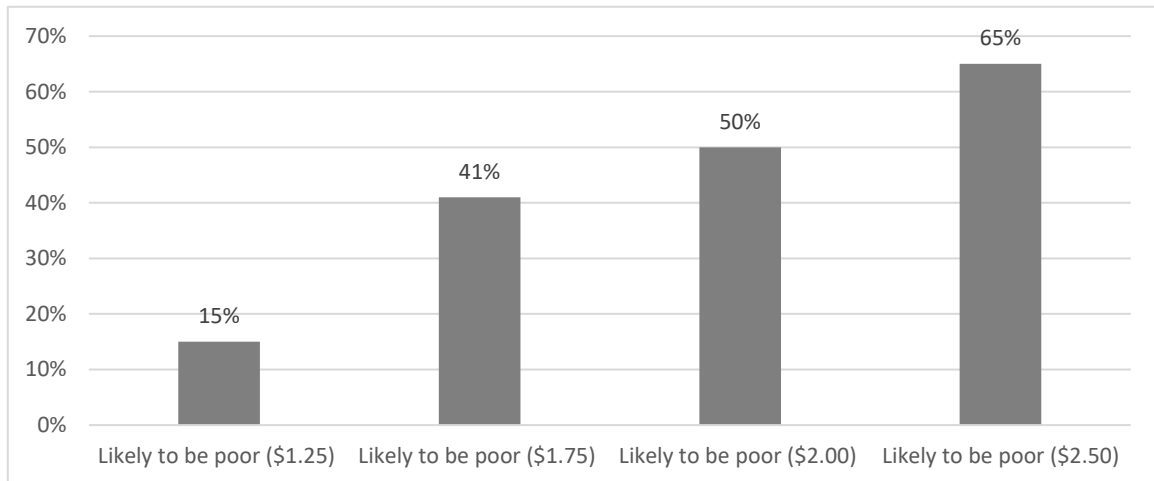
Through receiving this training, the respondent stated that his customers have increased, which in turn, increased his sales volume and profit margin. Moreover, the respondent further stated that he can now grow the better quality of inputs and rent machinery to the nearby farmers. Consequently, their productivity and profit levels were boosted as well.

"In the past I was not aware of the different market strategies to attract new customers. Thanks to VIPB, I learnt new techniques and now I earn more than Tk 30,000 because of my expansion in new products and increased customer base."

3.2.3 Reaching the unreachable MSEs

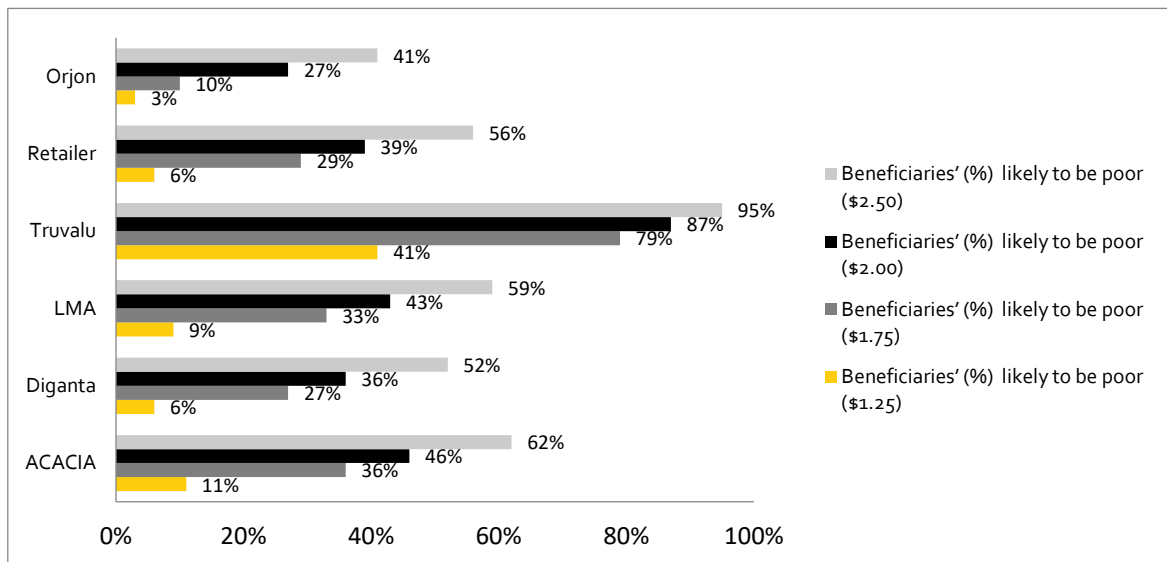
Thematically six (6) BFP-B projects are categorized in this thematic area that were intervened in **Reaching the unreachable**. Overall, the projects that provided service for Reaching the unreachable, 15% of the beneficiaries were likely to be poor at the endline as per the \$1.25 standard. Besides, when compared against \$1.75, \$2.00 and \$2.50 standard 41%, 50% and 65% of the beneficiaries respectively were found to be poor as shown in below figure.

Figure 13 Poverty incidence in Reaching the unreachable- aggregated



The poverty incidence can be shown in the below figure according to the projects that belongs to this theme-

Figure 14 Distribution of poverty incidence- Reaching the unreachable- project-wise



We can further calculate the number of beneficiaries that have the likelihood of falling under a poverty line; this is shown in the table below-

Table 15 Number of beneficiaries under the theme that have the likelihood of falling under poverty lines

Reaching the unreachable MSEs				
Project	Beneficiaries' likely to be poor (\$1.25)	Beneficiaries' likely to be poor (\$1.75)	Beneficiaries' likely to be poor (\$2.00)	Beneficiaries' likely to be poor (\$2.50)
Orjon	75	251	677	1,029
Retailer	9	44	59	84
Truvalu	78	150	166	181
LMA	86659	317752	414041	568102
Diganta	684	3,076	4,101	5,924
ACACIA	91.85	300	384	517
Total	87,598	321,574	419,428	575,838

The mentioned projects under this theme catalysed the access to finance for the hard-to-reach MSEs that often excluded from the traditional formal financial sector's focus. Due to difficulty in physical monitoring of the branches, the operational cost increases for the financial instructions that make the formal financial institutions reluctant to invest and cater to the needs of the hard to reach population.

To mitigate the problem of the beneficiaries in the hard to reach areas and to increase their financial accessibility, BFP-B collaborated with several financial institutions to develop last-mile agents in those geographic zones.

A couple of projects were concentrated on establishing new agent banks in those previously untouched areas. Other projects focused on collaborating with local NGOs and utilising them to extend the programme's reach. Financial institutions also tried to reach the unreachable by partnering with manufacturers of FMCGs and then provided funds to the MSEs that were affiliated with the manufacturers.

Correspondingly, because of these interventions, the FI representatives stated that employment was generated among the power strata of the population from two dimensions. Establishment of agent banks generated at least two employees in each agent point. These agent bankers were recruited to aid the population to make loan applications, create accounts, and conduct loan recoveries and to attend yard meetings. Furthermore, from the endline studies of the BFP-B projects, this study observed that due to having greater financial access, some of the employees hired both full-time and part-time workers. According to the MSEs and FIs, the majority of the newly recruited employees came from lower-income or lower-middle-income background. Therefore, the project not only created financial access in remote areas but also contributed to employment generation among the lower socio-economic strata of the country.

Last-Mile Agents – Reaching the remote populace by deploying active door-to-door services

Problem: Affordable financial services that meet the requirement of MSEs often do not reach millions of small businesses due to geographical dispersion, poor infrastructure, and complex institutional processes.

Solution: Different bank institutions set up agent banks in remote places to provide formal financial access by deploying active door-to-door services.



Mr Rashed-Ul-Islam always aspired to be an entrepreneur and contribute to society by generating employment. He achieved that dream when he started his metal workshop in 2016. Despite his existing venture, he wanted to invest in a new business area. His locality (Mithapukur) was specialised in growing potatoes and he wanted to use that opportunity to expand his portfolio.

The nearby banks and financial hubs were far from his home and business centre. Moreover, the terms and conditions were hard on him to fulfil. Given that, he availed loans from an MFI. However, microcredit could not fulfil his credit requirement since the volume of microcredit was lower than his requirement for agricultural investment. Moreover, the interest rate charged by the MFI was quite high and only increased his profitability slightly from agricultural farming. Nevertheless, the microcredit required him to repay in weekly instalment, which was not in line with his cash flow that comes after harvesting at end of the crop cycle.

After the establishment of Bank Asia agent bank, he was able to get fast access to loan in a very convenient manner. Due to OCAS system, he received the loan within a very short period (7 days).

Besides, he received an agricultural loan, which he had to pay back after six months under a single payment. This customised loan system helped in his potato business as he required a large sum of money to invest during the plantation process. Also, he would not get any revenue unless he sells his products. He found this repayment schedule appropriate given his agricultural cash flow.

These schemes and facilities are not available under MFIs or informal loans. Such facilitation of loans by Bank Asia increased his profits and his interest in formal loans.

"Thanks to Bank Asia's Agent Bank, I have access to loans from a bank for the very first time. It cost less compared to the microcredit"

3.2.4 Access to Insurance

BFP-B projects also intervened in the area of insurance by which agricultural farmers and the MSEs availed access to the crop insurance, cattle insurance, insurance-covered loan etc. This is also a service that BFP-B facilitated. The projects were-

- i. "Weather Insurance" implemented by Green Delta Insurance Ltd.;
- ii. "An Insurance Shield Model" implemented by a consortium led by Pragati Insurance Ltd.
- iii. Cattle Shield- Livestock Credit with Cattle Insurance implemented by a consortium led by Brac Bank with Green Delta Insurance

However, the first project did not collect PPI information during the endline while the rest two did not go through an endline evaluation. Apparently, we were not able to analyse the pro-poor relevance of those projects and discarded the area of insurance services from the scope of our analysis.

Chapter 4: Challenges and Lessons Learned

Although not targeted explicitly, the BFP-B projects impacted the lives of the MSEs and MSE led poor households positively throughout their interventions. Respondents from those households increased their access to finance through different alternative channels. Despite the progress seen, there were still plenty of challenges and takeaways in reaching and benefitting the poor that are described below-

4.1 Challenges

Among the several barriers, many FIs highlighted floating or informal-sector MSEs as potential risks to the investment. When the financial institutions do not know the roots of floating households and do not have any guarantors, they become very risky customers increasing the operational and loan monitoring cost. Despite their potential, occasionally these floating households are rejected from formal loans. So, despite the intervention, the MSEs had to resort to the informal sector or institutions charging higher interest rates for finance while the FIs had to keep pursuing the medium and large companies.

Few of the projects such as Sheba XYZ, Retailer Finance, ACACIA, SmartCap are working with the informal MSE segments. Informal MSE segments are mostly rigid to technological take-up that poses the FIs challenges to groom-up with newer technologies. Moreover, the blue-collar job holders (for Sheba XYZ) often by-pass the service provider (the Sheba XYZ) that demotivates the service providers in designing newer solutions.

The cottage industries established in rural Bangladesh often keep restriction in getting a trade license. The complicated and long process of getting a trade license is also responsible for the lower take-up of trade license. However, formal financing requires its potential borrowers to have a trade license which either lingers the loan application process (by back and forth feedback from FI) or causes a loan rejection.

Moreover, during the study team's interviews with the MSEs owners, investigators found a negative perception about the loan; a few were because of the complexity of the loan processing while the others included the religious bindings. For example, MSEs the team interviewed reported that they will not take further loan after repaying the current outstanding one.

4.2 Lessons Learned

The key lessons learned through the implementation of the BFP-B projects are the following –

I. **Digitalizing the process of providing loans to the MSEs**

Many projects adopted the use of different software and applications to digitalise the application process and the account keeping of MSEs. The creation of an extensive database was beneficial for all the market actors involved as the creation of the database enabled the MSEs to get access to finance from FI more conveniently. FIs had been able to check the progress of their clients and analyse potential clients more accurately. Distributors of FMCG also had live data to understand their market, which helped them to respond faster and in a more efficient manner. Moreover, the use of application increased efficiency among all the different MFIs and FIs and increased the transparency between them. Therefore, FI and policymakers should prioritise the development and implementation of central accounting database for MSEs along with account application management system.

II. **Promoting customised loan and saving products**

It was found that there was a high demand for short-term loan facilities (such as CC loans) among the MSEs, especially among those who were engaged as retailers/suppliers in the FMCG market and were operating in the rural regions. There were very few options to cater to their needs, and it is still an untapped market. FIs should develop a platform where they can

incorporate these MSEs under their system and get mutually benefitted. The MFI and agent banks should bring customised loan and saving products so that they can cater to the different needs of rural households and MSEs operating in different sectors.

III. Policy modifications to give access to the homestead manufacturers

At the policy level, FIs found it hard to cater loans to the cottage level firms. They lacked the required documents to avail loans from banks and NBFI and thus resort to MFIs and informal sources to get loans. The problem here is that the non-FI sector provides a limited amount of funds, which does not fulfil the need of the MSEs, and the duration is very short. Moreover, the interest rate is higher compared to FI. As such, policy change is required so that the cottage and homestead manufacturers can borrow from FIs through agent banks.

Chapter 5: Conclusion

Overall, the study found that the BFP-B has indeed touched the poorer strata of the population (Table 9). On average, 11% of the surveyed beneficiaries were lying under the extreme poverty line who had an expenditure below \$ 1.25 on a per person per day basis. On average, more than half of the respondents (58%) of the endline studies can be categorised as "poor," i.e. having per day income less than \$ 2.5.

The study could not analyse whether the programme has contributed in uplifting the living standards of the poor as due to lack of concrete poverty measurement indicator in the baseline studies. Furthermore, from the quantitative findings, the study team found that a significant relationship was observed (might be because of large sample size) between socio-demographic variables and the PPI score though the relationship was weak or very weak. That means the socio-demographic variables under consideration could not influence the PPI score or poverty in any considerable extent.

The research team found from the in-depth interviews that the projects grantees were not necessarily targeting the marginalised society. Nevertheless, the BFP-B projects did have an impact on its beneficiaries positively. They were benefitted from three dimensions:

i) **Employment generation from creation and growth of MSEs** – Bank Asia, Dutch-Bangla Bank Ltd and NGOs established new agent banks and branches respectively as part of the problem. According to them and agent bank proprietors, they recruited new employees for these centres and most of the newly recruited employees came from the lower or lower-middle-income background.

ii) **Poor MSEs receiving direct interventions as part of the beneficiaries** – Several projects were specifically designed to cater the needs of the poor MSEs such as Project Impact MSE, Retailer Finance since both the projects targeted micro enterprises (MFI borrowers and Pallidyut respectively).

iii) **Poor MSEs receiving spillover benefits from the direct beneficiaries** – Some of the projects focused on establishing collection points, financial centres or farmers' hub. The proprietors of these centres were recruited from financially solvent entrepreneurs, e.g. Agent banks, farmer's hub, etc. Due to the establishment of these centres, many poor MSEs and farmers got access to formal financing, quality inputs and output market. So, indirectly they became benefitted from the different interventions.

Moreover, from the qualitative information, the constraints that limited the financial access for the poor were identified. Some of the constraints were related to the general perception of poor households regarding the banking system and loans. Many beneficiaries did not prefer taking loans as they didn't want to be in debt. Moreover, FI representatives also stated that policy implications limited the loan accessibility for the poor. Among the policy limitations, the requirement of trade license eliminated the prospect of cottage industries getting loans from agent banks or NBFIs. Cottage industries did not have any trade license and were not willing to avail it; thus, they chose MFIs as an alternative source of finance. Additionally, high processing costs also increases the cost of availing loan for poor households.

Annex 1: Project Wise benefits for the MSEs and its relevance for the poor

Impacts of BFP-B on the poor beneficiaries (Project-wise)

For the qualitative data, we looked for information from two approaches – implementing partner's and MSE's perspective. By analysing implementing partner's data, we deduced whether the project was targeting the poor as its beneficiaries and the challenges they faced during the implementation of the project. Through evaluating the information from the MSEs (PPI information), we analysed whether the MSEs were "poor" in economic and purchasing power terms. Furthermore, we assessed the impact of the project on the MSEs and the margin of that impact.

Through our discussion with the MSE, we also highlighted the success stories from the programme and found out the constraints in the programme. The constraints were focused on the limitation of both the policy and implementation sector. The constraints highlighted the issues that were hampering the project's benefits to the more indigent beneficiaries.

IPDC – Retailer Financing

Background and objectives of the project

IPDC Retailer Financing was a 13-month project intended to provide retailers/micro-merchants with access to easy & low-cost credit in the form of retailer financing. For this project, IPDC collaborated with Unilever's Palli Dut initiative.

For the Palli Dut project, Unilever selected moderately educated villagers who acted as the last mile agent for Unilever's distributors and local grocery shops in hard-to-reach areas. The Palli Dut agents were from low-income families seeking employment opportunities. Through Unilever's support, the Palli Dut developed their businesses and increased the volume of their sales. They procured goods from Unilever distributors and sold them to the local retailers or even directly to the customers. Some of the Palli Dut even sold Fast Moving Consumer Goods (FMCG) from other companies (as long as they were not Unilever's competitor).

Milestones and project impact

From our qualitative data, we found out that the average profit margin for the MSEs was between Tk 6,000 to Tk 10,000 per month which is equivalent to £ 54 to £ 90 per month. Furthermore, we observed that most of the respondents had semi-concentrate home i.e. walls were from bricks but the top was made from tins. Given the price of the necessary commodities in Bangladesh, it was tough for them to avail luxuries found in metropolitans. From quantitative analysis, it was found that 6% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard as shown in the table below.

Table 16 Percentage of respondents under different poverty line Project IPDC Retailer Financing

Project	Retailer Financing
Beneficiaries under \$1.25	6%
Beneficiaries under \$1.75	29%
Beneficiaries under \$2.00	39%
Beneficiaries under \$2.50	56%
Total beneficiaries interviewed (n)	59

After the project intervention, the surveyed MSEs reported that on average, their income increased by 20%. Many reinvested their profits in their business in hope for higher returns; some even used their surplus income to repair their home.

While talking to IPDC's officials, they stated that this was an untapped market in Bangladesh and was a precarious sector as there is no formal policy or market structure for this kind of MSE. Without BFP-B's fund, IPDC would not have taken the initiative to invest in this sector and develop the app "dana". Now, after observing the success and warm response of the project, IPDC is willing to expand its program across several geographical regions in Bangladesh and is willing to invest in other FMCG sectors. There is no doubt that this investment will benefit micro-entrepreneurs like the Palli Duts. Moreover, IPDC mentioned that they have the database of the total sales and revenue figures of the Palli Duts. This will help the Palli Duts to avail formal loans from the formal institutions very smoothly in the future.

Limitation of the project

Despite the positives, there are still many scopes for the stakeholders involved. Palli Duts were crying out for similar financial service for other FMCG goods or disposable goods such as stationery items, edible oils, saline, etc. There is much demand for such items in their locality and they want to bank on that demand. By expanding their portfolio, they can finally break through the low-income category and achieve their ambition. It was a short-term project; thus, any significant change in the standard of living among the beneficiaries was yet to be observed. Nevertheless, with time and expansion of the project, the Palli Duts will surely grow and a significant change in their standard of living and future planning can be seen.

Overall, the project was a pro-poor one as they targeted low-income earning men in hard to reach regions. Additionally, the project has given confidence to financial institutions such as IPDC to invest in this sector. This will open up further opportunities for many poor MSEs in the future across different sectors and industries such as agriculture, processed foods, stationery items, medicines, etc.

DBBL Last Mile Agent

Background and objectives of the project

The Dutch-Bangla Bank Limited Last-Mile Agent (DBBL LMA) project was conducted in two phases. During the different phases, the project aimed to set up new agent banks, sub-agents in hard to reach areas, create bank accounts with MSEs & households and disburse loans to MSEs & households. To get a comprehensive understanding of the projects, the study team conducted interviews with the project manager of DBBL, with the agent bank and the beneficiaries.

Milestones and impact of the project

According to the project manager of DBBL, 70% of their agent banks and sub-agents had been set up in the rural areas. Traditionally, in those areas, there is a lack of formal banks thus limiting the access of formal finance for the local populace. The agents of DBBL had been travelling to different villages to convince the locals to save in banks, use MFS such as rocket for the transaction during the yard meetings. Through this project, DBBL was trying to increase formal financing for the rural poor. Also, they were encouraging the local poor to save in the formal institutions, use the formal channels to pay bills and transfer money. This is helping the beneficiaries to protect the value of their savings from inflation along with the development of bank transaction history; the latter is required for formal loan application. Through this project, DBBL expanded their awareness campaign of formal financial borrowing & savings and its benefits. Furthermore, the cost was mitigated for the MSEs to avail loans as the distance between the institution and their business was reduced significantly.

Under this project 1,500 agent bank outlets (each agent banks employs at least two employees) were developed, and 2,156 sub-agents were created. The locals were recruited for assistance; thus, the project contributed to employment generation from the low-income communities. Moreover, 14,000+ MSE created financial accounts under this project according to the system generated data. This showed that the project successfully incorporated many small and poor households in the formal financial sector. On top of that DBBL had identified and provided female-headed MSE loans and this helped them to expand their businesses.

As part of the project, we interviewed the agent bank in College Market, Mithapukur, Rangpur. He started the operation at the beginning of 2016 and was among the initial phrase of the project DBBL LMA. He started the MSE with three employees and currently, he has four employees. According to the respondent, his employees were from low to lower-middle-income group. The respondent also reported that seven new sub-agent banks were created in the last year. Their average wage between BDT12,000-30,000.

Consequently, the projects have contributed to employment generation among the lower economic strata. Moreover, the agent banker mentioned that within the last year, 40,000+ accounts had been created in their territory. This indicated that many MSEs had been incorporated in the formal financing system.

From quantitative analysis, it was found that 9.2% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard as shown in table below.

Table 17 Percentage of respondents under different poverty line in Project DBBL LMA

Project	DBBL LMA
Beneficiaries under \$1.25	9.2%
Beneficiaries under \$1.75	33.1%
Beneficiaries under \$2.00	43.0%
Beneficiaries under \$2.50	55.6%
Total beneficiaries interviewed (n)	317

Limitation of the project

On a negative note, the project manager reported that due to the central bank's policy, many MSEs could not avail loans as they did not have the necessary document or creditworthiness. For formal banks and non-banking institutions (NBFIs), they have to operate within certain limits and barriers. This creates difficulty for them to cater needs to poor MSEs. Typically, the MSEs from low-income background lack the financial history, business licenses and collaterals to avail formal loans. As a result, from our observation, the firms that availed loans from the banks or NBFIs were better-off compared to others.

Diqanta by Bank Asia

Background and objectives of the project

Bank Asia was the pioneer in developing agent banks in Bangladesh. Through the establishment of agent banks, they were able to provide formal banking services to the poor in the hard-to-reach areas. Through the development and the implementation of OCAS in their agent banks, they have been able to shorten the Turn Around Time (TAT) for loans, reduce the cost of loan applications and increase transparency and efficiency in the application process.

Milestones and impact of the project

The project benefitted the poor from two angles. First of all, it created employment through the establishment of agent banks and secondly, through financing unbanked rural poor. The employees of agent banks were youths and were mostly from low or lower-middle-income families. Overall, under this project, 800 youth were recruited as agent bankers. In total, approximately 5,300 employees were recruited (across different sectors such as loan recovery, SME lending, etc) in the agent banks from the lower economic strata under this project. As for the MSEs, 10,563 MSEs received loans. Therefore, a significant impact can be seen among the poorer segment of the population.

Bank Asia's project manager stated that previously, the distance of the local branch and the household location was a considerable barrier for MSEs to access finance from formal banks. With agent banks and OCAS system, they were able to mitigate several complications associated with the local application

process such as photocopies of business documents, photographs, etc. Moreover, time and cost were saved from couriating the hard copies to headquarters and central banks. Hitherto, the delay in loan application due to frequent back and forth travelling and delayed loan processing process would make the MSEs disinterested in taking loans even though they had the need. All these factors combined increased the access to finance for the poor.

For businesses to grow, external funding is required, especially for MSEs or marginalised households. Typically, they lack the resources or the profit margin to reinvest in their business or livelihood. By having financial access, they were able to save in a formal channel and get loans at a lower cost compared to other informal sources. Moreover, from Bank Asia, they availed relatively large funds under different schemes which were suited to their needs. From our study, we found that agricultural farmers benefitted from seasonal loans, retailers benefitted from CC loans, and monthly instalments that were not possible under the MFI schemes. All this contributed to an increase in revenue and business size of MSEs. In addition to the stated benefits, Bank Asia also helped the MSEs to collect business documents and develop an accounting process.

Additionally, to encourage women entrepreneurship and growth of MSEs, the bank is offering relatively lower interest to women and clusters. Moreover, they are inviting them to different fairs so that they can market and sell their products. With BFP-B fund, Bank Asia revamped their agent bank policy and increased their target to set up 3,500 agent points from an initial target of 200 agent points within the project period. With this expansion of agent points, the indirect benefits' (as stated above) coverage also increased.

From quantitative analysis, it was found that 5.9% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard as shown in table below.

Table 18 Percentage of respondents under different poverty line in Project Diganta

Project	Diganta
Beneficiaries under \$1.25	5.9 %
Beneficiaries under \$1.75	27.3 %
Beneficiaries under \$2.00	36.4 %
Beneficiaries under \$2.50	52.3%
Total beneficiaries interviewed (n)	374

Hishab

Background and objectives of the project

Hishab project was initiated to develop the accounting system of MSEs. During our previous studies, we discovered that many MSEs were rejected from availing loans from formal sources due to the lack of organised accounting systems. With the funding from BFP-B, Hishab was able to identify and sell their application to the MSEs. The application can be used in any phone and the user's voice is translated to text and sent to the data hub. The application increased the convenience of the MSEs in keeping an account and business records.

Milestones and impact of the project

From our studies, we found that Hishab maintained liaison with different MFIs and those MFI used the dataset from Hishab to analyse the MSEs and determine the loan limit for them. Additionally, MSEs reported that they can now track their business transactions better, and as a result, they became better entrepreneurs.

From quantitative analysis, it was found that 9.6% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard as shown in table below.

Table 19 Percentage of respondents under different poverty line in Project Hishab

Project	Hishab
Beneficiaries under \$1.25	9.6 %
Beneficiaries under \$1.75	34.3 %
Beneficiaries under \$2.00	44.8 %
Beneficiaries under \$2.50	60.9 %
Total beneficiaries interviewed (n)	400

Limitation of the project

Hishab shared that they face difficulty convincing MSEs the importance and benefits of using the voice user interface. Even if they agree to use the interface, not too many of them are keen to apply for loans as their perception and need for loan is not fitting. Many MSEs are unaware of updated record-keeping facilities or digital financial services. In case of loan guarantors, women mostly take loans on behalf of their husbands. It convenient if the person taking the loan is the business operator then there will a proper exchange of transparent information.

Sheba

Background and objectives of the project

Sheba.xyz is a service providing online platform that recruits individuals and MSEs as service providers. The service providers are mostly from an underprivileged environment with low levels of income and lack access to formal finance. The blue-collar workers are from a marginalised background; there are also many single women or single mothers who offer their services to Sheba. Due to lack of proper financial credentials, knowledge and collateral, these MSEs miss out on the opportunity to avail loans and are unable to grow their business. Sheba.xyz along with BFP-B and financial institutions (FI) facilitated the small entrepreneurs to get access to loans. The funds from BFP-B were primarily used to facilitate the training and marketing of blue-collar workers that were engaged in Sheba's operations.

Milestones and impact of the project

These blue-collar workers have their own enterprise and offer their services to the consumers through Sheba.xyz's mobile application. Through this project, the blue collars received different kinds of training and exposure to formal financing. Their income had increased because of exposure to these kinds of grooming, technical, and behavioural training.

Sheba is also educating the MSEs on financial literacy so that they can avail funds from formal financial institutions. They are establishing channels among the MSEs with financial institutions such as BRAC Bank, BRAC NGO, IPDC through their platform. Sheba has the business data of all these MSEs, they are using these data on behalf of the MSE so that the financial organisations can analyse this data and provide funds accordingly. Consequently, 43 MSEs even took loans from formal financial institutions after getting exposure from this platform within the last year and out of them **40 MSE had their first time access to finance.**

Apart from establishing networks, Sheba is providing 50% credit on instruments required for certain services (e.g. makeup kits, service equipment, tools, etc.). They also provide business cards and support MSEs with marketing needs.

The benefits of this initiative include lower interest rates from FIs and reduced documentation, which helps in going paperless. The MSEs do not have to forgo business growth opportunities. The challenges include damage or loss of property. Financially Sheba does not bear any risk. Even if MSEs try to float with money

or materials, Sheba has both the temporary and permanent address of the MSE owners along with a contact of guarantors/relatives to track them down or give it to the bank to track it down.

Under the project, as of December, 2019, 9,281 MSEs registered under the platform, 2,395 had access to basic Sheba ERP, 1,107 training resources were provided, 7,817 jobs were created and \$17k were disbursed.

From quantitative analysis, it was found that 5.4% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard, as shown in table below.

Table 20 Percentage of respondents under different poverty line in Project Sheba

Project	Sheba
Beneficiaries under \$1.25	5.4 %
Beneficiaries under \$1.75	27.0 %
Beneficiaries under \$2.00	36.4 %
Beneficiaries under \$2.50	53.0 %
Total beneficiaries interviewed (n)	353

Limitation of the project

Sheba.xyz faced some challenges while running this programme. There were property loss and loan defaults for which the organization had to bear the costs and be liable. There were also cases of bypasses as mentioned earlier. Other limitations include that sometimes FIs would be hesitant to give loans to service providers if they came from slums despite their credit record. Sheba had to vouch for those service providers and give instruction to reduce rejection rate.

ShopUp

Background and objectives of the project

ShopUp is working with Facebook pages and give them a platform to get access to loans. Online shops who operate through Facebook do not have any formal business transactions, thus limiting their capability to access formal finances. ShopUp's tool uses its algorithm to develop loan offers for the MSEs and sends them to the formal financial institutions. Along with increasing financial access, ShopUp helps the MSEs to maintain a list of inventories, providing links to wholesale products, allowing to pay Facebook ads through bKash instead of dollar, observing trends and patterns of the business such as customer repeats, popular products, area of operation, etc. All this helps to create a business profile and a financial score card.

Milestones and impact of the project

Under this project 1,067 MSEs had access to finance, GBP 1.08 million funds were disbursed and the MSEs recorded 82% increase in growth. However, the project's intervention was untouched for the marginalised society. The project primarily revolved around online shops and most of them were part of educated and digitalised society. Therefore, in other words it was not a pro-poor project. The stated is reflected from the (Table 21) that shows only 4% of MSEs were living under \$1.25 per day per person which is the lowest among all the MSEs.

From quantitative analysis, it was found that 4% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard, as shown in Table 21. The project helped to provide a platform for many home-grown businesses. The access to finance and the source of certain products at wholesale price via ShopUp's link gave those businesses an upper hand at business operation. The loans are disbursed quite fast within 2 working days and till date around 3,000 MSEs have availed loans through Shop-Up's score card. A total of \$3 million has been disbursed as loans.

Table 21 Percentage of respondents under different poverty line in Project ShopUp

Project	ShopUp
Beneficiaries under \$1.25	4%
Beneficiaries under \$1.75	22%
Beneficiaries under \$2.00	30%
Beneficiaries under \$2.50	45%
Total beneficiaries interviewed (n)	353

Limitation

There is knowledge gap in using digital services by the MSEs. The loan repayment becomes a hassle for some as they are uncomfortable to physical pay instalments or hesitate to use mobile banking due to knowledge gap. Small scale entrepreneurs who do business through Facebook are reportedly mostly women. Female entrepreneurs are often described as indecisive because they do not know how much loan would be suitable to expand their business. They often take small amounts where as a lump sum amount can expand her business and profits by three-fold. Low capital often stifles their business growth.

Agri Business Booster (AbB).

Background and objectives of the project

AbB worked with pre-growth agri-SMEs through a tailor-made set of investments and business development services. These companies were grown to become of a sufficient maturity to deliver social impact. The implementing of the project is Truvalu, they are working with firms that are considered not to be 'investable' for banks and investors. Under this project, Truvalu is financing equity through the unique 'Co-entrepreneurship' model that abled the firms to improve economic viability of SMEs through technical assistance, training, and the use of financial services.

Milestones and impact of the project

Under this project, 191 MSEs had access to BDS under the project. 156 utilised BDS project 12 MSEs utilised the investments. Truvalu are working with established and ambitious entrepreneurs by providing them with equity and BDS, such as marketing network and linkage, corporate governance, packaging, production process, financial literacy, bookkeeping and taxation process. As they are providing equity, Truvalu selects slightly experienced and solvent firms as investment areas but they need are required to have a social impact.

Thus, the project is not directly contributing in alleviating the lives of poor households but rather indirectly. Their invested firms tend to hire employees from marginalised households and connect them with value chain actors from poor households. So, the lives of the marginalised are improved through increased economic activity and employment generation. Furthermore, the investments were done in rural areas where the scope of formal financing is limited.

From quantitative analysis, it was found that 41% of MSEs were living under \$1.25 per day per person expense standard. Quantitative analysis also compares the situation of poverty against \$1.75, \$2.00 and \$2.75 expense standard, as shown in table below.

Table 22 Percentage of respondents under different poverty line in Project Agri-Business Booster

Project	Agri Business Booster
Beneficiaries under \$1.25	41%
Beneficiaries under \$1.75	79%
Beneficiaries under \$2.00	87%

Beneficiaries under \$2.50	95%
Total beneficiaries interviewed (n)	115

Limitation

According to Truvalu project manager, equity funding is an alien concept for the MSEs and they are reluctant to share their profit margin with a third organisation, hindering the progress of the project. Furthermore, once the stated constraint is addressed, government policy and regulatory framework further disincentives the MSEs to maintain legal protocol. Many MSEs are wary of paying taxation due to its complicated nature; hence, they averse away from equity fund as VAT & TAX registration are complex process for them.

Annex 2: Study Design

Throughout this study, investigators gathered the answers to the following key research question to achieve the study objectives. The sources of information and data collection methods are also been depicted below-

Table 23 Key-research questions and source of information

Key-research Questions	Source/ Respondents	Means of attainment
<ul style="list-style-type: none"> ▪ What percentage of the program participants (MSME owners intervened by the projects) was likely to be poor (according to the PPI)? 	<ul style="list-style-type: none"> ▪ MSMEs 	<ul style="list-style-type: none"> ▪ Analysis of answers to the PPI questions
<ul style="list-style-type: none"> ▪ Was the intervention targeted to the poor? If so, which class of program participants? ▪ What progress has been made in implementing the BFP-B funded projects and what has been achieved in terms of pro-poor development? ▪ What challenges were encountered during the program? To what extent have the barriers been overcome and how? ▪ How has the project evolved or adapted to poor program participants' needs? 	<ul style="list-style-type: none"> ▪ Program partners/ grantees 	<ul style="list-style-type: none"> ▪ Review of regular monitoring data ▪ In-depth interview (IDI)
<ul style="list-style-type: none"> ▪ What are the benefits delivered to the program participant (BDS, insurance coverage, access to finance)? ▪ How MSME's developed with access to formal finance/insurance? ▪ What economic benefits were achieved by the poor MSMEs <ul style="list-style-type: none"> ○ Capacity and knowledge development ○ Access to products and services ▪ What impacts are evident to the poor MSME group so far? <ul style="list-style-type: none"> ○ Revenue/profit increase ○ Household income increase ▪ What business development was achieved by the poor MSMEs? <ul style="list-style-type: none"> ○ MSMEs business process and its efficiency development ○ Business capability development 	<ul style="list-style-type: none"> ▪ MSMEs 	<ul style="list-style-type: none"> ▪ IDI with the MSME owners ▪ Case study

Technical Design

Innovision used a cross-sectional study design where data are gathered by following a mixed-method approach, with both the qualitative and quantitative nature. That is, in any cross-sectional study data are collected at a particular time period. However, in the case of this study, the quantitative data are already collected and qualitative data are planned to collect. The information obtained from both the qualitative and quantitative study generated answers to the key research questions derived (Table 23). The quantitative information is extracted from the PPI information that was collected through the endline evaluations of the BFP-B interventions. All the endline evaluations conducted sample surveys or population survey (where the number of populations was trivial to draw a sample) with the MSME group.

As stated, this quantitative study took 10 projects in its scope and conducted a meta-data analysis of the PPI questions. The list of projects is mentioned and the number of samples researchers worked with is shown in Annex 6: The projects that collected household income and PPI information.

The qualitative data generated information on opinion-based descriptive evidence of benefits that the project delivered, collected from the program partners as well as from the benefited MSMEs. The program partnered with different financial institutions that were interviewed in this regard. Moreover, case studies were conducted to generate and document evidence of impacts. The qualitative data also contributed to understanding the challenges to implement the projects and thereby capture the lessons learned. Therefore, the qualitative data collection methods included the in-depth interviews (IDI) and case studies with the MSMEs and as well as with the program implementing partners.

Table 24 Source of information in the study

Type of information	Source of information	Respondents
Quantitative information	PPI questions asked to the MSMEs	MSMEs owners
Qualitative information	Primary data collected through IDIs and Case study	MSMEs owners and Project implementing partners

Description of Activities

The study initiated with a review of project documents, regular monitoring data and endline database whereas, primary data collection was conducted for the qualitative information. The study activities are described below:

Endline Database Review for Analysis of Answers to the PPI Questions: To analyse quantitative data, investigators adopted the method of analysing the PPI questions that are provided in the Annex-3. Both Innovision and Consigliari conducted endline evaluations were taken into consideration that collected the PPI information.

The research team analysed the answers to the PPI questions to generate the PPI scorecard for every endline respondents. The analysis resulted in the likelihood of an MSME owner to fall within the poverty definition (poverty line) adopted from the HIES 2010. The research team also studied the relevant programme documents such as the logframe, all the Project Guides, beneficiary database and all the endline study database etc. This review informed us of the percentage of MSMEs impacted, evidence of benefit delivered etc.

In-depth Interviews with the MSME Owners: IDIs were conducted with the MSME owners to collect qualitative information on the benefit the projects delivered to them. IDIs was one-on-one consultative meeting conducted by Innovisions core staff following a semi-structured question guide. Each of the IDI took around 45-60 minutes. The information collected from the IDI were also analyzed to develop case studies to showcase program benefits.

Case Study: As stated, the case studies were developed from the information generated from the IDIs. Case studies documented and illustrated the impact and gave the impacts a human face. Case studies were generated from the in-depth interviews with the impacted poor MSME owners or the employees following semi-structured IDI question guide. Verbatim quotations and photos were collected for each of the case studies with sought consent of the respondents.

In-depth Interview with the Grantees: This method was employed on officials of partner agencies that managed the projects. This IDIs was a semi-structured question guide based individual face-to-face interview. Each of the interviews took about 30-35 minutes depending on the questionnaire. This is to be noted that, the research team took each of the projects as a unit where all the implementing partners and the co-partners were interviewed.

Annex 3: Poverty Probability Index Questionnaire

Indicators	Values	Points
1. How many household members are 12-years- old or younger?	A. Three or more B. Two C. One D. None	0 10 16 29
2. Do all household members aged 6-to-12 currently attend a school/educational institution?	A. No B. No one in the household within 6-to-12 age bracket. C. Yes	0 3 6
3. In the past year, did any household member ever do work for which he/she was paid on a daily basis?	A. Yes B. No	0 8
4. How many rooms does your household occupy (excluding rooms used for business)?	A. One B. Two C. Three or more	0 3 5
5. What is the main construction material of the walls of the main room?	A. Hemp/hay/bamboo, or other (than options 'B' and 'C') B. Mud brick, or C.I. sheet/wood C. Brick/cement	0 2 9
6. Does the household own any televisions?	A. Yes B. No	7 0
7. How many fans does the household own?	A. None B. One C. Two or more	0 4 7
8. How many mobile phones does the household own?	A. None B. One C. Two or more	0 8 15
9. Does the household own any bicycles, motorcycles/scooters, or motor cars etc.?	A. Yes B. No	4 0
10. Does the household own (or rent/sharecrop/mortgage in or out) 51 or more decimals of cultivable agricultural land (excluding uncultivable land and dwelling house/homestead land)?	A. Yes B. No	7 0
Total Score		

Annex 4: IDI Guideline

Question Guide: IDI- Partners		
Respondent:	Occupation/Designation:	
Institution Name:		
Address:		
Contact:		
Interviewer:	Date:	Location:
Information to be collected		
<ul style="list-style-type: none"> <input type="checkbox"/> Was the project that you implemented targeted to the poor? Which group/class of poor program participants were impacted by the project? What is their profile? <input type="checkbox"/> What progress has been made in implementing the BFP-B program and what has been achieved in terms of pro-poor development? <input type="checkbox"/> What kind of Business Development services are you providing to poor MSMEs? How those impacted the poor program participant group? <input type="checkbox"/> Are you providing any financing support to the poor MSMEs? In which form (credit sale/loan)? How those impacted the poor program participant group? <input type="checkbox"/> How the source of financing to the MSMEs changed (from informal to formal financing)? Do the finance/sources serve their need for financing for growth? How are MSMEs satisfied with the source of financing? <input type="checkbox"/> What is the time and cost associated with availing financing from your organization (if the partner is a financial institution)? <input type="checkbox"/> How often MSME's get rejected for availing financing from your consortium? What restricts them to avail financing? <input type="checkbox"/> Do you see any risk associated with the investment in MSMEs? What is the strategy of your organization? 		

Annex 5: IDI/Case Study Guideline- MSME Owner

Respondent Name:				
Business Name:				
Project name (with which the respondent is tagged):				
Project partner (financial institution or others) name:				
Contact number:				
Detail Address:				
Consent of interview given:	Yes		No	
Consent of taking photo:	Yes		No	

1. Demographics of the Respondent and business:
 - a. Owner's year in business?
 - b. Enterprise's year in business?
 - c. Nature (product) of business?
 - d. Total size of the enterprise (Fixed asset size, current assets, total assets, source of investment (own, loan, partner), revenue/profitability)
 - e. What is your household size (number of family member) and HH yearly income now? How many of the family members are income earning and how many are dependent?
2. Project implementation and MSE's perceived benefits:
 - a. What was the need for outsourced finance/loan/business development services?
 - b. What business development services you received from the project (specify project name.....)?
 - c. How the project (specify.....) impacted your business revenue, net income and HH income?
 - d. How many employments you created since working with the project? What is the average wage (in BDT)?
 - e. How the service/project affected your access to finance?
 - f. Which benefit you would like to mention specifically? Do you think that benefit would come to you anyway regardless of the project implementation (specify name.....)?
 - g. How are you satisfied with the project?
3. MSME's previous loan history:
 - a. Where from you used to take loan before the project (from MFI)? Name and detail of the institute (MFI)?
 - b. What was the amount and loan schedule? What was the requirement (documentation/security)?
 - c. What were the constraints with that loan that forced you to avail loan from Bank?
 - d. What were your requirement that not met by the pervious source?

4. What were the constraints on availing loan from a bank/formal financial institution?
 - a. What restricted you from accessing loan from a bank or formal sources?
 - b. How many times you were rejected for a loan application?
 - c. What were the reasons for rejection? What were required by the bank that was not met up by respondents?
 - d. Why the constraint was not addressed by you?
5. What the project (name) did to solve the constraint?
 - a. How did you learn about the project?
 - b. What were the intervention activities taken by the project?
 - c. What was the process of intervention implementation and how the project helped with that?
 - d. What were the outcomes of intervention activities?
6. Detail of current loan (from bank):
 - a. Where from you used to take loan? (from bank?)? Name and detail of the institute? When?
 - b. What was the amount and loan schedule (repayment instalment)?
 - c. What was the requirement (documentation/security)?
 - d. How did you use that loan?
7. Is the solution sustainable?
 - a. How your future activities affected by project intervention?
 - b. What is your future plan on business development?
 - c. What is your future plan on availing loans/insurance?
8. Quote (**check**)
 - a. Verbatim quote the problem respondent were facing
 - b. Verbatim quote the solution respondent received
 - c. Verbatim quote the future plan (about sustainability, about scaling-up etc.)
9. Photo of the Respondent (**check**)

Annex 6: The projects that collected household income and PPI information

Name of the project	Household income	PPI information
Innovision Consulting		
Weather Index Insurance- Green Delta Insurance Ltd.	Not collected	Not collected
Project iSME- BSCL and the consortium	Collected	Not collected
Project Impact MSE- ACACIA and the Consortium	Collected	Collected
Project Diganta- Bank Asia Ltd.	Collected	Collected
Project Orjon- IPDC Finance	Collected	Collected
Project SmartCap- VIPB Finance and the consortium	Collected	Collected
Project Retailer Finance- IPDC Finance Ltd.	Collected	Collected
Consiglieri Private Limited		
Project DBBL Agent Banking- Dutch Bangla Bank Ltd.	Not collected	Not collected
Project HISAB- Hisab	Not collected	Collected
Project Truvalu	Not collected	Collected
Project DBBL-LMA	Not collected	Collected
ShopUp	Not collected	Collected
Swosti	Not collected	Not collected
Sheba xyz	Not collected	Collected

Annex 7: List of the IDI participants (Project Grantee level)

Name of the project and Implementing Partner	Lead Partner and the consortium	Co-partner/Local Partner
Innovision Consulting		
Project iSME- BSCL and the consortium	BSCL, EDCL, DataSoft Systems Bangladesh Ltd	SUPPORT for Rural Advancement Society
Project Impact MSE- ACACIA and the Consortium	Alternative IM of STEPs Ltd; DataSoft Systems Bangladesh Ltd; Bangladesh SME Corporation Ltd; Enterprise Development Company Ltd.;; RACE Management Pvt. Co. Ltd.	SUPPORT for Rural Advancement Society
Project Diganta- Bank Asia Ltd.	Bank Asia Ltd.	N/A
Project Orjon- IPDC Finance	IPDC Finance	N/A
Project SmartCap- VIPB Finance and the consortium	VIPB investments	Syngenta, Lightcastle
Project Retailer Finance- IPDC Finance	IPDC Finance	Unilever
Consiglieri Private Limited		
Project HISAB- Hisab	Hisab Ltd.	MFI co-partner
Project DBBL-LMA	DBBL	N/A
ShopUp	Shopfront Ltd.	N/A
Sheba xyz	Sheba Platform Ltd.	N/A
Truvalu	Truvalu	N/A

Annex 8: Poverty incidence in absolute figure

Project	Beneficiaries' (%) likely to be poor (\$1.25)	Beneficiaries' (%) likely to be poor (\$1.75)	Beneficiaries' (%) likely to be poor (\$2.00)	Beneficiaries' (%) likely to be poor (\$2.50)	Sample size	Beneficiaries' likely to be poor (\$1.25)	Beneficiaries' likely to be poor (\$1.75)	Beneficiaries' likely to be poor (\$2.00)	Beneficiaries' likely to be poor (\$2.50)	Total beneficiary size ⁷
ACACIA	11%	36%	46%	62%	272.00	92	301	384	518	835
Diganta	6%	27%	36%	52%	374.00	684	3076	4101	5924	11392
HISHAB	10%	34%	45%	61%	400.00	13500	45900	60750	82350	135000
LMA	9%	33%	43%	59%	317.00	86660	317752	414041	568103	962886
Sheba	5%	27%	36%	53%	353.00	641	3464	4618	6799	12829
ShopUp	4%	22%	30%	45%	290.00	3295	18125	24716	37074	82386
Truvalu	41%	79%	87%	95%	115.00	78	151	166	181	191
VIPB	17%	36%	44%	57%	60.00	10	22	26	34	60
Retailer	6%	29%	39%	56%	59.00	4	17	23	33	59
Orjon	3%	10%	27%	41%	235	75	251	677	1029	2509
Total beneficiaries of the selected project	11%	34%	43%	58%	2,475	105,039	389,058	509,503	702,045	1,208,147
Total beneficiaries of the programme (taken from BRAS)	1,415,262									
Total beneficiaries of the programme (Outside the study scope)	207,115									

⁷ Source of numbers: BRAS- the aggregated data file maintained by BFP-B