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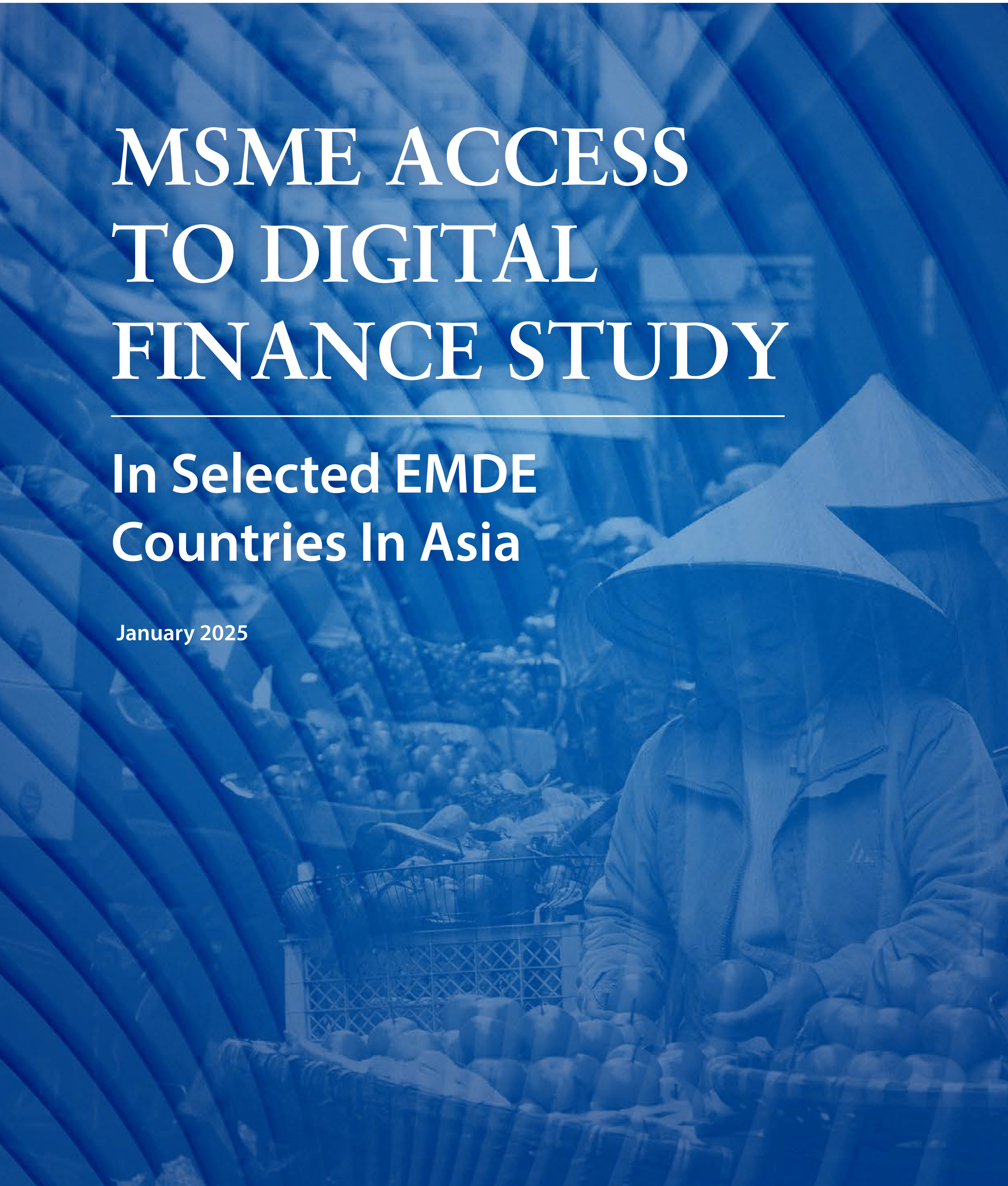
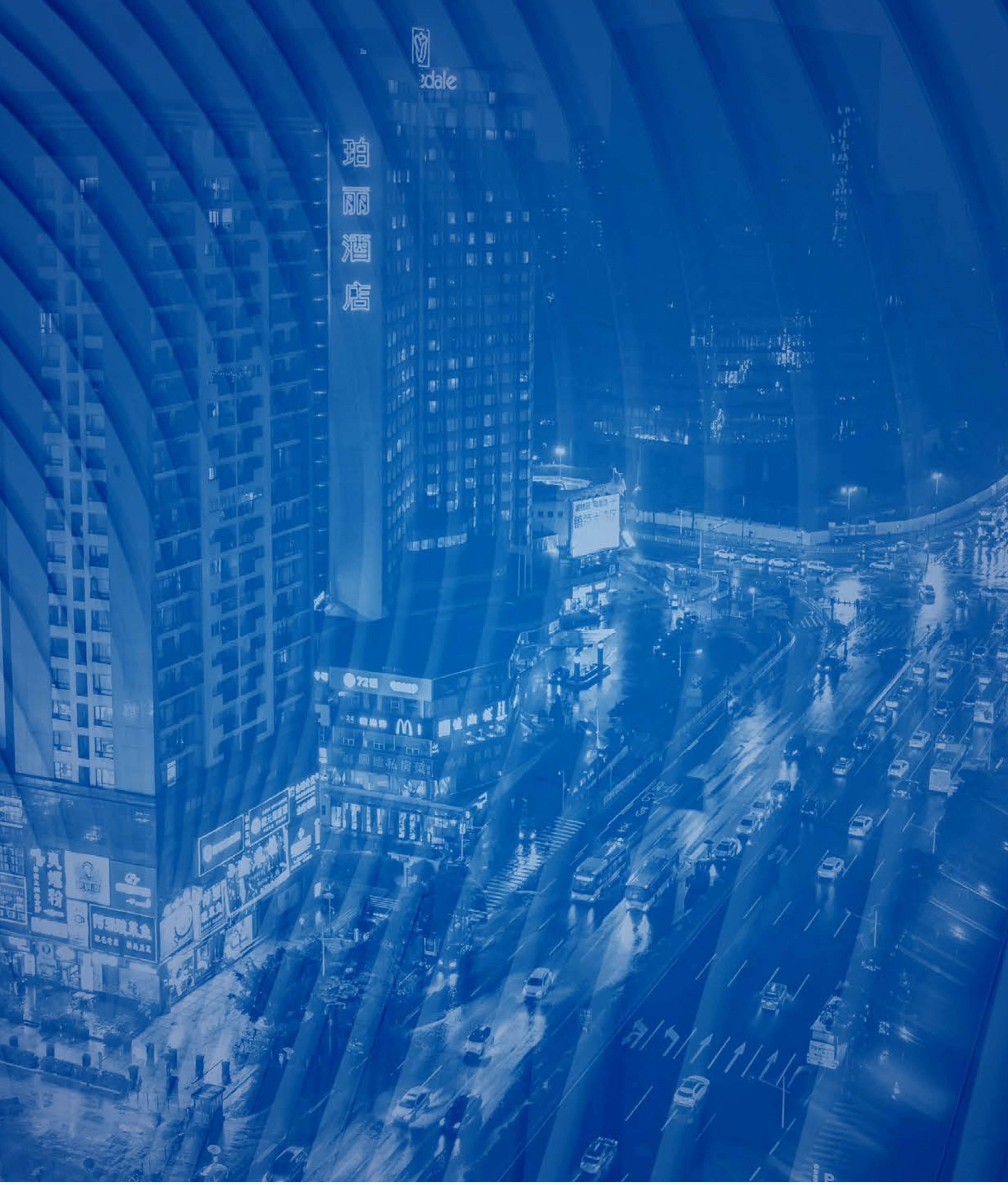


MSME ACCESS TO DIGITAL FINANCE STUDY

In Selected EMDE Countries In Asia

January 2025



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CCAF Foreword

This is the second edition of our *Access to Digital Finance* in the Asia-Pacific region. Building on our previous publication, the ASEAN Access to Digital Finance Study, the second edition explores the role of digital finance providers in supporting MSMEs, enhancing their access to credit and improving their financial health, in selected emerging markets and developing economies (EMDE) countries across Asia. The report focuses on seven countries, namely Bangladesh, the People's Republic of China, India, Kazakhstan, Mongolia, Pakistan and Viet Nam.

MSMEs play a crucial role in the socio-economic development of EMDEs by fostering entrepreneurship, creating employment opportunities, driving innovation, and advancing inclusive growth and sustainable development. However, despite their significance, many MSMEs face persistent challenges, particularly in accessing finance, which hinders them from realising their full potential. Amid the challenges, fintech companies have rapidly evolved to offer innovative solutions, providing credit and financial services to underserved customers and addressing credit constraints faced by MSMEs, especially in the EMDE countries.

This empirical study offers valuable insights into how MSME customers utilise digital finance channels to meet their financial needs, and how digital finance has empowered their financial journey. The research is based on the survey responses from 819 MSME users of digital finance platforms operating across seven surveyed countries.

The findings indicate that the majority of digital finance users were sole traders, followed by micro and small enterprises, primarily involved in retail and wholesale activities. The financing was primarily to meet short-term financing needs such as paying suppliers, purchasing raw materials and covering unexpected business cash flows. Further, most MSMEs surveyed reported enhanced business performance after obtaining financing through digital finance platforms, highlighting the importance of alternative finance in small businesses' financial health.

Despite more than half of MSMEs noting no significant concerns about using digital financing, there exists a need to promote adequate disclosure and digital finance literacy among such users. In addition, MSMEs could only partially meet the financing needs through digital financial providers, indicating a further gap in financing.

We hope that the insights from this study can support evolving regulations and policies and further enable the growth of the fintech ecosystem while protecting customers' interests. We would like to thank ADBI for its generous support and we are very grateful to our fintech research partners who collaborated on this study and ensured robust participation from MSMEs.

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ADBI Foreword

In recent years, the financial technology (fintech) sector has emerged as a transformative force, reshaping the landscape of financial services across the globe. Nowhere is this transformation more evident than in Asia, where micro, small and medium-size Enterprises (MSMEs) are increasingly leveraging fintech platforms to drive growth, enhance efficiency and navigate the complexities of the modern financial ecosystem.

MSMEs are the backbone of Asian economies, contributing significantly to employment, innovation and economic development. However, they often face substantial barriers to accessing traditional financial services, such as high costs, stringent requirements and limited reach. Fintech platforms, with their innovative solutions and user-friendly interfaces, are uniquely positioned to bridge this gap, offering MSMEs access to a range of financial services that were previously out of reach.

This report, developed with the Cambridge Centre for Alternative Finance, presents the findings of a comprehensive survey on the usage of fintech platforms for fund-raising by MSMEs in seven countries across Asia. Conducted across diverse markets and industries, this study provides valuable insights into how these enterprises are making use of fintech platforms to increase the efficiency of and expand their operations. The data collected contributes to our understanding of the benefits, challenges and future potential of fintech adoption among MSMEs in the region.

The findings of this survey highlight several key findings and trends that need to be addressed. First, respondents reported that financing through digital finance platforms improved their business performance in terms of revenue, net profits and customer base. However, average loan values were small and fully 80% of MSMEs could only raise less than half of needed funds through fintech platforms. Also, female respondents on average reported raising smaller amounts than males did. Finally, MSMEs face challenges such as cybersecurity risks, lack of digital literacy and regulatory uncertainties.

It is our hope that the insights gained will inform policymakers, financial institutions, and fintech providers, enabling them to better support the growth and development of MSMEs in Asia. By understanding the unique needs and challenges of these enterprises, stakeholders can work together to create a more inclusive and dynamic financial ecosystem. As such, it should become a valuable reference for identifying best practices to promote inclusive growth and development in the region. ADBI is delighted to have supported this project.

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Research team and Acknowledgements

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Photos: unsplash.com

Research partners

Fintech partners

Association and Industry partners

Executive summary

Building on the first edition of the *'Access to Digital Finance'* study in the ASEAN region, this study explores the role of digital finance providers in supporting MSMEs, enhancing their access to credit and improving their financial health, in selected EMDE countries across Asia. The report focuses on seven countries: Bangladesh, the People's Republic of China, India, Kazakhstan, Mongolia, Pakistan, and Viet Nam. This study has been jointly developed by the Cambridge Centre for Alternative Finance (CCAF) at Cambridge Judge Business School, University of Cambridge and the Asian Development Bank Institute (ADBI). This empirical study is based on the cleaned and verified data responses from 819 MSMEs operating across all seven surveyed countries. In particular, the study looks at the following key aspects of digital finance use: respondent/business owner profile/demographics and company structure, relationship with traditional finance channels, financing experience when using fintech-based financial services and post-financing outcomes.

The key findings are summarised below:

Millennials, aged 25-44, comprised the largest proportion of respondents (business owners), a trend observed consistently across all surveyed countries.

Of those surveyed, 77% are male and 22% female. Regarding their level of education, 37% hold an undergraduate degree, 29% completed secondary school education, and 6% did not attend school. Female business owners had a lower education level, with a much higher proportion of respondents who did not attend school compared to males.

Most of the MSMEs who responded are sole traders, primarily engaged in retail and wholesale activities, with business operations organised around conventional structures (i.e. using physical premises).

About 60% of the surveyed MSMEs are operating as sole traders, followed by micro (fewer than 10 employees) and small (10-49 employees) enterprises, representing 92% of the study sample. The majority of respondents' business activities are in retail or wholesale trade or agriculture, with nearly 60% indicating them as their primary activities. Most MSMEs operated primarily with conventional structures, i.e. retail stores (47%) and commercial premises (15%), 17% reported that they operate their business from their residence. This strongly influenced the financing value, with those in traditional structures receiving five to six times as much as those operating from residences.

Banks were the primary funding source for MSMEs before using fintechs, but only 57% reported successful financing.

When asked if MSMEs had approached other funding sources before turning to digital finance providers, banks were the most common source of funding. The second and third most popular sources were family and friends (53% success rate) and microfinance institutions (66% success rate). While banks were the primary funding source for medium and micro enterprises, microfinance institutions catered to sole traders. At a country level, overall, it was observed that MSMEs in countries with a higher financial development index (e.g.: PRC, India and Viet Nam) relied more on the banks as the main successful source of funding, while MSMEs in countries with a lower financial development index (e.g.: Bangladesh, Kazakhstan, Pakistan and Mongolia) relied more on microfinance institutions and non-bank financial institutions.

MSMEs considered better approval rates, better customer service, speed in disbursement, less complex applications and flexible terms as the important factors when financing through digital finance platforms.

Medium (92%) and small (93%) enterprises valued swift fund disbursement, whereas simplified application procedures and flexible payment terms were important to over 90% of micro businesses and sole traders. Notably, nearly half (48%) of the MSMEs reported using fintech platforms multiple times to finance their businesses.

Overall, loan values among MSMEs were low and, on average, businesses owned by females had smaller loan tickets than males, a trend that was seen across all business sizes.

The median amount borrowed across the surveyed countries was USD 1,412, while the average ticket was slightly higher than USD 5,400, when excluding outliers. Approximately 66% of businesses borrowed less than USD 5,000, with 45% borrowing less than USD 1,000. Primary reasons for financing were meeting business growth needs (43%) and working capital (36%). For women, in particular, obtaining finance was primarily used to initiate their business activity (27%) and purchase raw materials (25%). This shows that digital finance may therefore be among the important factors that support women in small businesses through their initial entrepreneurship phase, especially in EMDEs.

In general, most MSMEs (80%) noted that less than half of their financing needs were met through digital financing platforms.

Despite the inclusiveness of digital finance solutions, MSMEs still suffer from a large financing gap in Asia, suggesting a potential market opportunity for financial service providers. In contrast, the remaining 20% of MSMEs reported that more than half of their financing needs were met through online finance. Notably, 44% of respondents also reported their uncertainty or inability to get financing from any source other than a fintech provider, citing high interest rates, lack of collateral, credit history and/or business documents, and complex application procedures as key reasons. In general, digital lending platforms consider a broader range of data points than traditional credit scoring and prioritise cash-flow over asset-backed lending. They play a crucial role in enhancing the growth and resilience of MSMEs, particularly micro and small businesses, especially in the areas where traditional banking is less accessible.

Most MSMEs (around 80%) reported growth in their business performance (revenue, net profit and customer base) as a result of financing through digital finance platforms.

Most businesses reported that digital financing had a positive impact on their business, primarily through expansion, asset purchases, and increased inventory/raw materials. This emphasises the importance of access to finance for healthy business operations. Notably, the overall default rate of surveyed MSMEs, which was less than 1%, was much lower than the non-performing loans ratio of all surveyed countries (between 1.6% and 9.0%).

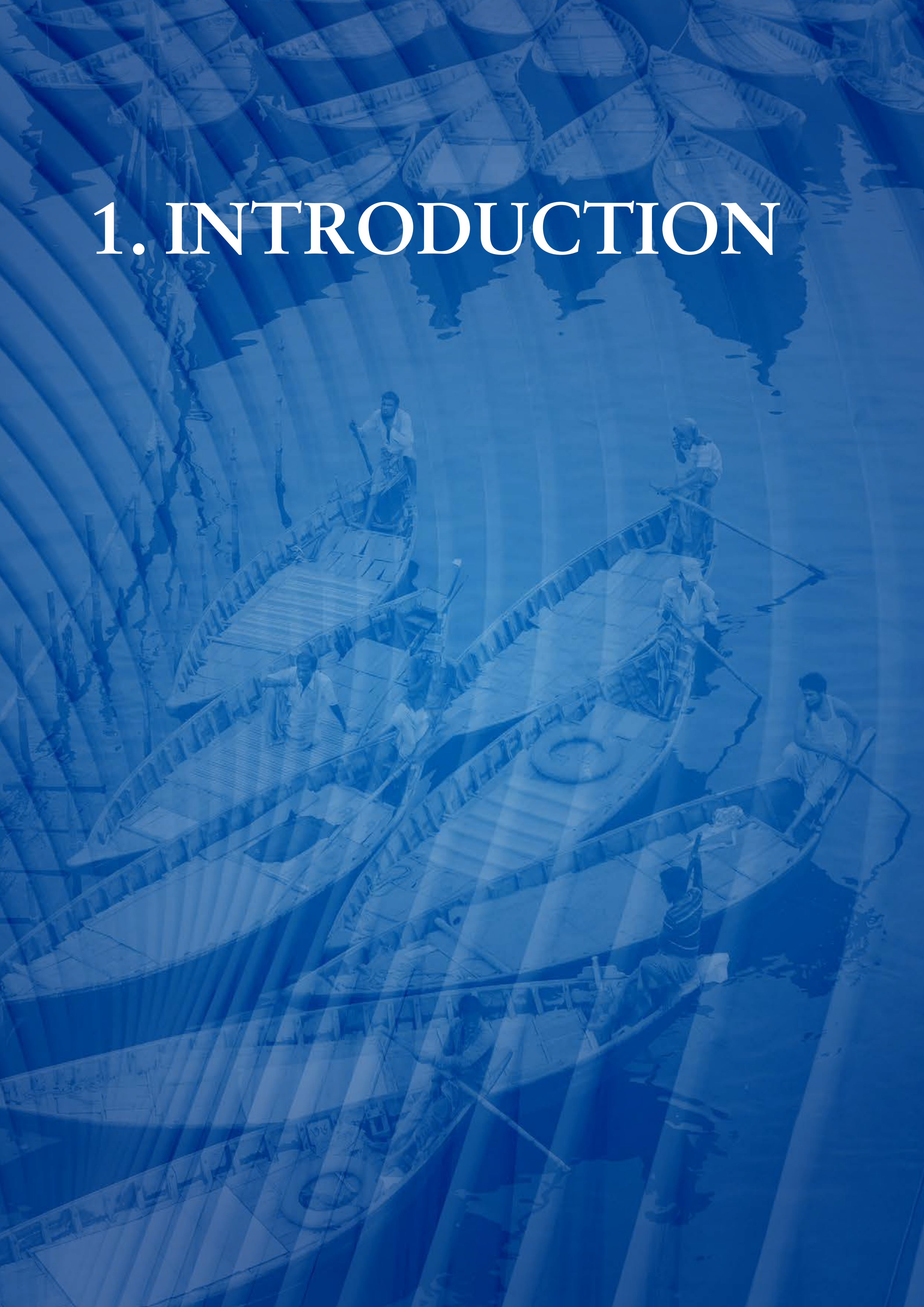
In general, the use of traditional finance products and services by MSMEs increased as a result of financing through fintech platforms.

Most businesses (60%) reported that they had started using, or increased their use of savings and checking accounts, a trend largely observed among micro and sole businesses. Additionally, MSMEs also noted an increase in the use of credit products (overdrafts, loan contracts) and payment products (cheques, debit/credit cards, PoS systems), particularly among small businesses and those operating in Bangladesh, India and Viet Nam. The results support the hypothesis that alternative finance platforms in developing economies complement traditional banking systems, by focusing their services on the underbanked and enabling financial inclusion.

There is a need to promote adequate disclosure and digital financial literacy among digital finance users.

More than half of the surveyed MSMEs (56%) that used digital finance platforms to finance their business reported no significant concerns about using them, but a few challenges exist. The top concerns reported were difficulty in operating devices (26%), such as reported by users in Bangladesh; lack of understanding about fintech products and services (19%), for example, users in Viet Nam and India; and lack of transparency in borrowing costs (12%), for example, users in India, Mongolia and PRC.

1. INTRODUCTION



This is the second edition of our *'Access to Digital Finance'* study in the Asia-Pacific (APAC) region. The ASEAN Access to Digital Finance Study was the first edition which provided valuable data and insights into how individual households and micro, medium and small enterprise (MSME) customers utilised digital alternative finance channels to access credit or raise funds across key jurisdictions in the Association of Southeast Asian Nations (ASEAN) region, i.e. Indonesia, Malaysia, the Philippines, Singapore and Thailand. This edition of the *Access to Digital Finance Study* focuses on MSMEs operating in selected emerging markets and developing economies (EMDEs) in Asia, namely Bangladesh, People's Republic of China (hereafter PRC), India, Kazakhstan, Mongolia, Pakistan and Viet Nam*.

1.1. Study rationale and research objectives

MSMEs are widely recognized as engines for growth and inclusion, particularly in EMDEs. They play a crucial role in fostering economic development by creating jobs, stimulating innovation, and driving competition. In most EMDEs, MSMEs constitute a significant portion of the economy, providing employment opportunities for a large segment of the population, including women and youth. This not only helps reduce poverty but also promotes social inclusion. However, in East Asia-Pacific and South Asia, about 45% and 38% of MSMEs, respectively, faced credit constraints, according to the International Finance Corporation (IFC) in the MSME finance forum.[i] For several reasons, MSMEs are less likely than larger firms to obtain credit from traditional finance sources, such as high-street banks. They typically lack collateral and adequate financial performance data, have shorter or no credit histories, and face higher interest rates compared to larger enterprises. These challenges arise because MSMEs are perceived as higher risk due to their smaller size and limited financial transparency. Consequently, this barrier in access to finance hinders economic growth.

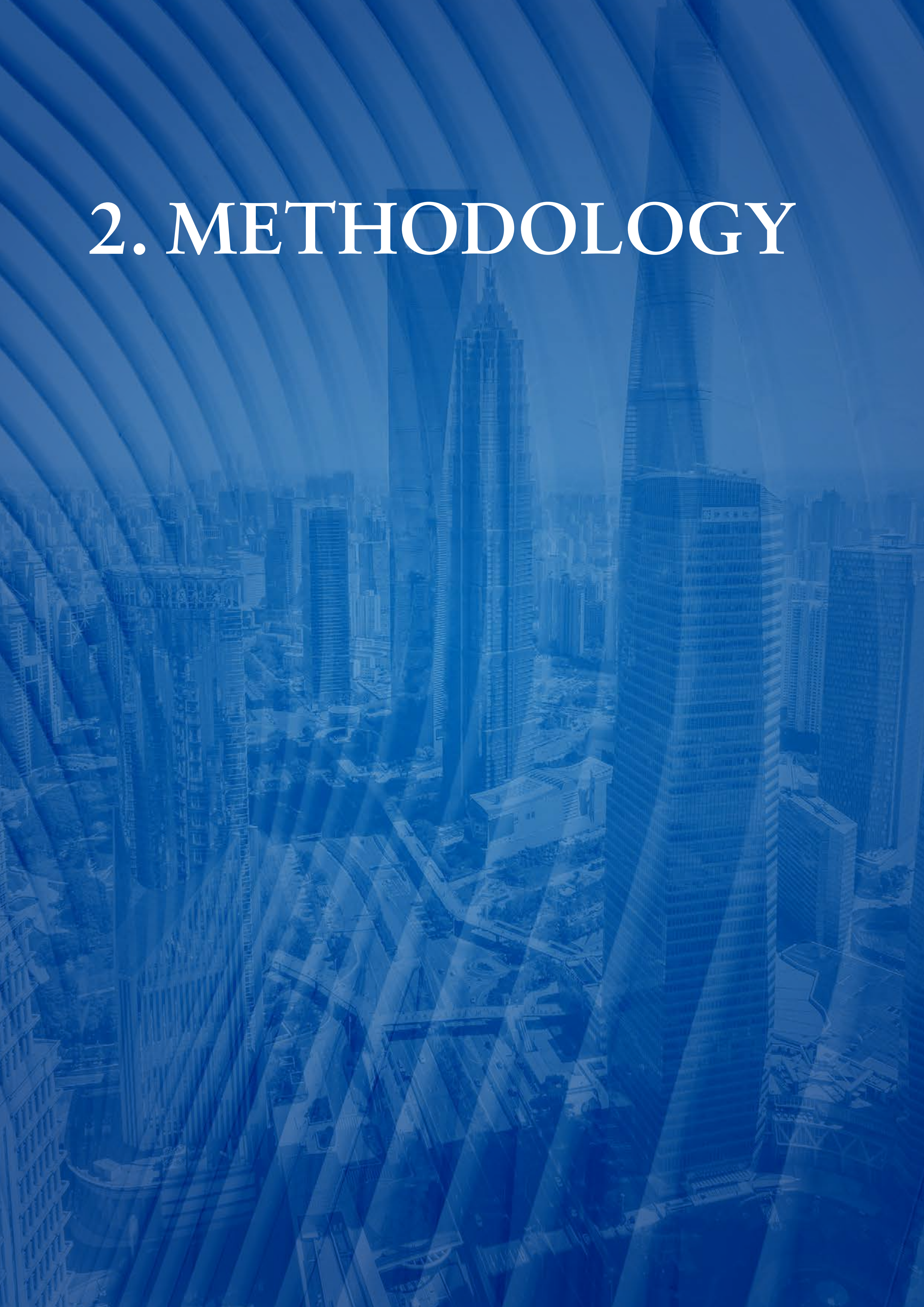
These challenges are particularly acute in EMDEs. According to the International Finance Corporation (2017),[ii] it is estimated that about 40% of formal MSMEs cannot meet their financial needs in EMDEs, with the financing shortfall amounting to over USD 5 trillion per year. Factors contributing to this include underdeveloped financial systems, a lack of credit information infrastructure, and regulatory environments that may not support MSME lending. Furthermore, the IMF (2023)[iii] reports that the macroeconomic effects of COVID-19 have exacerbated these challenges, leading to a reduction in commercial banks' outstanding loans to MSMEs as a share of GDP in many economies by 2022.

Amid these challenges, financial technologies and business models have rapidly evolved. Fintech companies have become crucial providers of innovative solutions tailored to offer credit and other financial services to underserved customers. With improved credit scoring techniques and channel partnerships,[iv] fintech companies are effectively addressing some of the credit constraints faced by MSMEs, especially those operating in EMDE countries. A global study on fintech companies[v] shows that nearly 56% reported providing specialised fintech products and services to MSMEs in EMDEs, compared to 39% in Advanced Economies (AEs). Specifically, digital lending and capital-raising fintech companies are focusing on closing the financing gap for MSMEs and are becoming a popular choice.

To this end, the Cambridge Centre for Alternative Finance (CCAF) at Cambridge Judge Business School, University of Cambridge and the Asian Development Bank Institute (ADBI) jointly conducted this study to assess how MSMEs use online digital finance (alternative finance or fintech) platforms to access credit or raise funds in the selected EMDE countries across Asia. The study explores how digital finance products and services are being used, how they complement consumers' existing banking activities, and how they can evolve to serve consumers' changing needs. It focuses on key opportunities and challenges faced by MSMEs, their financing needs, and concerns regarding the use of digital finance services. Finally, the report aims to provide valuable data and insights to aid regulators, policymakers, and stakeholders in supporting MSME development and economic growth.

* Use of country names 'Viet Nam' and 'People's Republic of China' as per ADB nomenclature (https://www.adb.org/where-we-work)

2. METHODOLOGY



2.1. Data source and collection

The primary dataset for this report was sourced from the *Asia MSME Access to Digital Finance Survey*, developed by the CCAF and ADBI. This online survey targeted sole traders and micro, small, and medium-sized businesses[1] that had utilised digital lending or digital capital raising fintech platforms throughout 2023. The data was collected between 19th February to 15th April 2024. Respondents were invited to answer up to 26 questions if they were digital lending users, and up to 24 questions if they were digital capital raising users. To ensure broad reach and accessibility in global fintech markets, the survey was translated from English into 11 languages: Bengali, Hindi, Kazakh, Khmer, Mandarin, Mongolian, Russian, Sinhala, Tamil, Urdu and Vietnamese.

After defining the scope of the report, a syndicate of research partners were built. Initially, this invitation-only initiative targeted a carefully selected group of digital lending and digital capital raising fintechs offering digital finance services to sole traders, micro, small and medium enterprises across 19 EMDEs in APAC. The final consortium of partners included 26 fintech partner firms[2] across nine countries: Bangladesh, Cambodia, the PRC, India, Kazakhstan, Mongolia, Pakistan, Sri Lanka and Viet Nam. The selection of countries was based on the acceptance of fintech research partners operating in these nine countries to participate in and contribute to the Study. Due to insufficient responses from Sri Lanka and Cambodia, the report focuses on the remaining seven countries for data analysis. This enables robust single-country analysis and cross-country comparisons, providing quality insights through empirical data. The partner firms were invited to collaborate with and assist the research team to refine and test the survey and provide substantial support in the data-collection process. The online survey was distributed in collaboration with these syndicate partners.

Participants were encouraged to respond to the online survey via a unique survey link (provided to the research partners by CCAF) for the fintech platform they were using. Although surveys were distributed through the syndicate partners, only the CCAF research team could access the raw data for data verification purposes, ensuring participants' anonymity throughout the process. The survey was distributed in a phased, multipronged outreach campaign. This included social media and other press activities to raise awareness of the study and direct outreach from the fintech research partners. In addition to the fintech platform partners, the study also benefitted from the assistance of three leading fintech industry associations[3] across Asia who served as research collaboration partners.

1. For the purposes of this study, sole traders and micro, small and medium enterprises are together termed as 'MSME's in the report.

2. Research partners comprised six companies in Bangladesh (Biniyog.io, Dana Fintech, ePolli, iFarmer, SupplyLine, WeGro) two in PRC (Micro Connect, Du Xiaoman Technology), five in India (Chqbook, ftcash, Fundfina, Rang De, Vayana), one in Kazakhstan (Swiss Capital), one in Mongolia (PayOn), six in Pakistan (CashNow, Finja, Haball, JazzCash, QisstPay, Seed Out) and three in Viet Nam (DragonLend, Funding Societies, Validus). (One partner each from Cambodia and Sri Lanka).

3. FinTech Association for Consumer Empowerment (FACE) (India); Pakistan Fintech Association and Karandaaz Pakistan (Pakistan).

2.2. Data cleaning and analysis

During the data collection phase, a comprehensive multi-stage verification process was implemented to scrutinize survey responses for anomalies and inconsistencies. The research team performed data cleansing and verification to ensure robust representation of fintech users and regions. Once the data was thoroughly cleaned and cross-verified, each firm was assigned a unique ID. In compliance with the EU General Data Protection Regulation (GDPR) and the University of Cambridge data protection rules, personal and firm-level identifiers were removed, and the raw data was transferred to a separate, secure database.

All analyses were conducted on the anonymised dataset, and results were reported at aggregate level, categorized by vertical or geographical jurisdiction. Only data from the anonymised and sanitised database were analysed, and entries that could not be verified or referenced activities outside the tested taxonomy were excluded from the study. Approximately 11% of the total responses received were discarded, producing a final dataset of 819 responses from the MSME clients of the syndicate research partners. Of the total dataset, 766 respondents were users of digital lending fintechs, and the remaining 53 were digital capital raising users.

2.3. Limitations

Limitations to this study include sample size and response distribution. Since the online survey was distributed through the fintech research partners, the research team had no control over the number of responses, which were not evenly distributed among the countries considered in this study, or the representativeness of the sample. Hence, we could not perform any cross-business-model, cross-country or randomised analysis.

In this study, we did not attempt to measure the quality, price and diversity of loan offers, neither was it our aim to measure the behaviour of MSMEs (such as herd behaviour and anchoring) in deciding between online financial products or services and traditional banking products or services. Thus, further research is needed to analyse these aspects of financial products and services.

It was not our intention to present precise or absolute figures for borrowed or fundraised amounts, or their overall performance, but rather to provide an assessment of how MSME borrowers and fundraisers experience and use fintech solutions for their financing needs in the countries surveyed.

2.4. Alternative finance taxonomy

This report focuses on online alternative finance models under the umbrella of the fintech industry verticals of digital lending and digital capital raising, according to the CCAF Alternative Finance Taxonomy, grouping them into debt and equity-based models. The alternative finance ecosystem comprises various lending, investment and non-investment models that enable individuals, businesses and other entities to raise funds via a digital marketplace. As the ecosystem has evolved, distinct model types have emerged. In this regard, the CCAF has developed a taxonomy of 16 business models, grouped into three categories: debt, equity and non-investment. For this study, we discuss only relevant debt-and equity-based model categories.

Debt-based models

Debt-based models, commonly associated with person-to-person (P2P) and marketplace lending activities, include online non-deposit-taking platforms from which individual lenders or institutional investors can extend credit to individuals, businesses, or other borrower entities. This debt can be in the form of a secured or unsecured loan, a bond or another type of debtor note. Table 1 summarises the debt-based models included in this study.

Table 1: Models included in the debt-based category

Fintech industry vertical	Business model	Stakeholder
Digital lending	P2P / marketplace business lending*	Individuals and/or institutional funders provide a loan to a business borrower
	Balance sheet business lending**	The platform entity provides an unsecured or secured loan directly to the business borrower
	Invoice trading***	Individuals and/or institutional funders purchase invoices or receivables from a business at a discount
	Crowd-led microfinance	Interests and/or other profits are re-invested (forgoing the interest by donating) or provides microcredit at lower rates
	Merchant cash-advance	A merchant cash advance provided via an electronic platform, typically with a retail and/or institutional investor counterpart receiving fixed payments or future payments based on sales.

Source: CCAF Taxonomy

*P2P lending: A group of individual or institutional investors that provide a loan (secured or unsecured) to a consumer or business borrower. In its most orthodox form, the P2P lending platform acts as a marketplace connecting the borrower and investor(s) so that the financial risk of the loan not being repaid lies with the investor and not the platform. This model is variously known across jurisdictions as loan-based crowdfunding, marketplace lending, collaborative financing or crowdlending.

**Balance sheet lending: A digital lending platform that directly retains consumer or business loans (either whole or partial) using funds from the platform operator's balance sheet. These platforms, therefore, function as more than just intermediaries, originating and actively funding loans so the financial risk of the loan not being repaid lies with the platform operator. In this respect, the platform operator acts more like a non-bank credit intermediary.

***Increasingly, invoice trading models are expanding into supply-chain finance activities. At present, this subset activity is too small to categorise as a separate model. This model may subsequently need further refinement.

Equity-based models

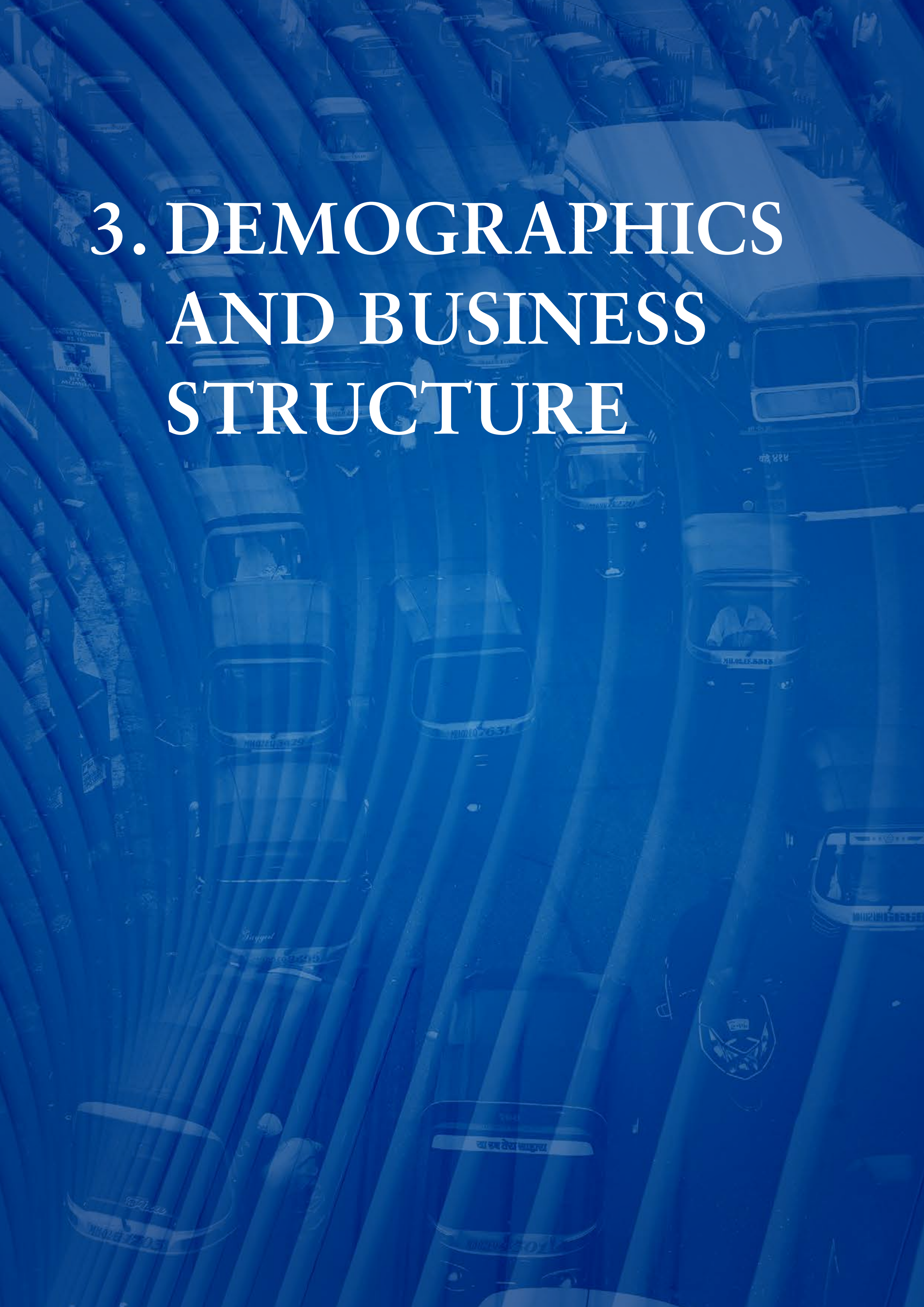
Equity-based models (including equity-based crowdfunding) involve activities where individuals or institutions invest in unlisted shares or securities issued by a business, typically a start-up. As equity-based models have advanced, sub-sets of the model, such as real estate and property-based crowdfunding, have flourished, allowing investors to fully or partially own a property asset by purchasing property shares. Table 2 summarises the equity-based models included in this study.

Table 2: Models included in the equity-based category

Fintech industry vertical	Business model	Stakeholder
Digital capital raising	Equity-based crowdfunding	Individuals and/or institutional funders purchase equity issued by a company
	Revenue / profit share crowdfunding	Individuals and/or institutions purchase securities from a company, such as shares, and share in the profits or royalties of the business

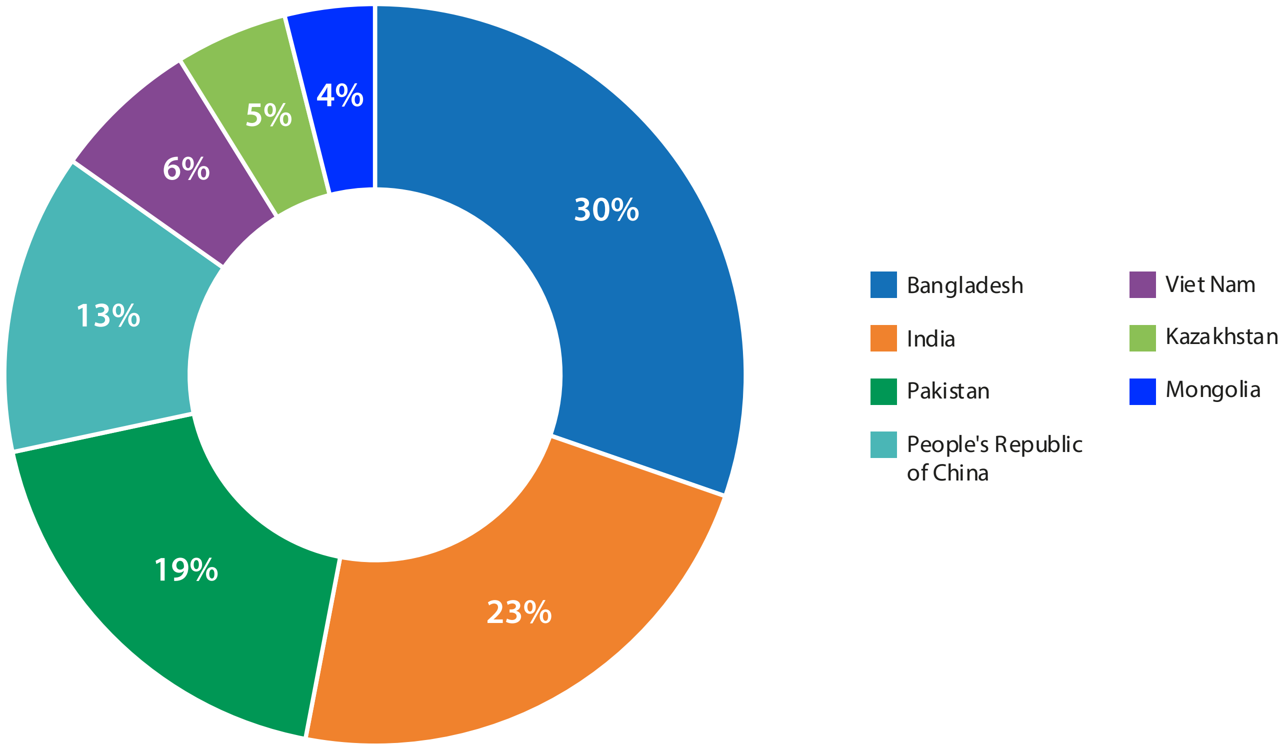
Source: CCAF Taxonomy

3. DEMOGRAPHICS AND BUSINESS STRUCTURE



3.1. Profile of respondents (business owners)

Figure 1: Distribution of respondents by country (n.819)



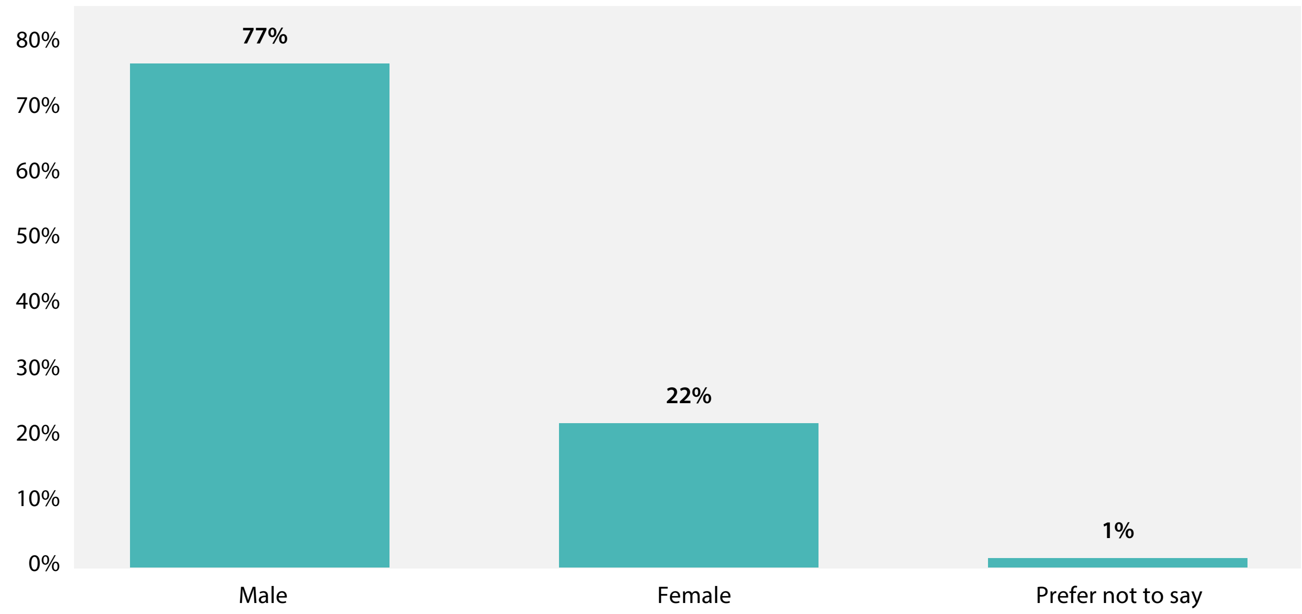
Source: Survey data

The data sample comprised responses from seven EMDE countries across Asia, which includes some of the emerging markets in the region.[vi] Most respondents were from Bangladesh (30%), India (23%), Pakistan (19%) and the PRC (13%), with smaller numbers of survey participants from Viet Nam (6%), Kazakhstan (5%), and Mongolia (4%) (Figure 1).[4]

Regardless of their economic development status, these countries have improved in certain financial indicators over the past few years with a rise in the number of account holders (both financial institution accounts and mobile money accounts), smartphone ownership, internet access, and mobile money accounts.[vii] In this trend, the improved infrastructure can lead to a proliferation of digital finance products and services, previously untapped channels, creation of new financial instruments, and can offer catalytic and innovative ways to support MSMEs' access to finance by developing alternative sources of capital to fill the existing MSME finance gap.

4. The number of responses is based on survey submissions from the MSMS clients of the partnering fintech firms. While the survey targeted multiple countries, the representation from each country is not evenly distributed, which may have generated country biases in the results. Additionally, entries that could not be verified or referenced against activities outside of the analysed alternative finance taxonomy were excluded from the study.

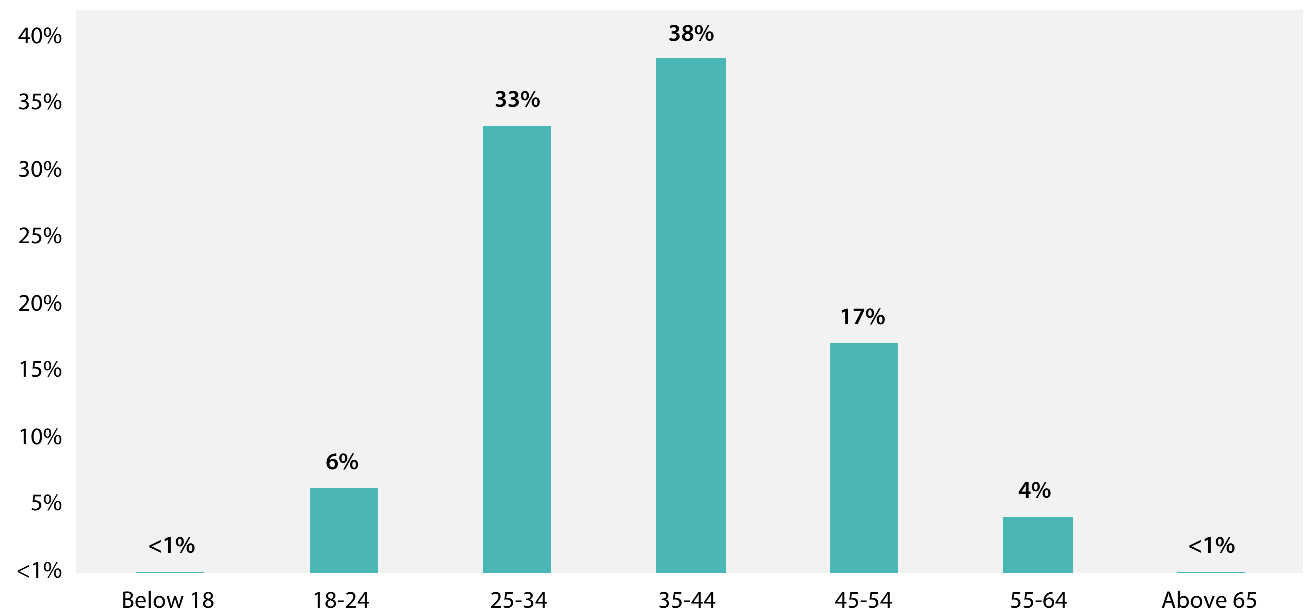
Figure 2: Distribution of respondents by gender (n.819)



Source: Survey data

Most respondents were male (77%), with relatively fewer female respondents (22%) (Figure 2). This trend was seen across all business sizes, with the percentage of male respondents ranging from 75% to over 82%. Bangladesh and India reported the highest numbers of male respondents, at 96% and 88%, respectively. Other studies have reported similar figures for India, where 93% of the customer base was composed of males.[viii] In contrast, nearly 45% of the surveyed MSME owners in Pakistan were females. Mongolia was the only country with a majority of female respondents (69%).

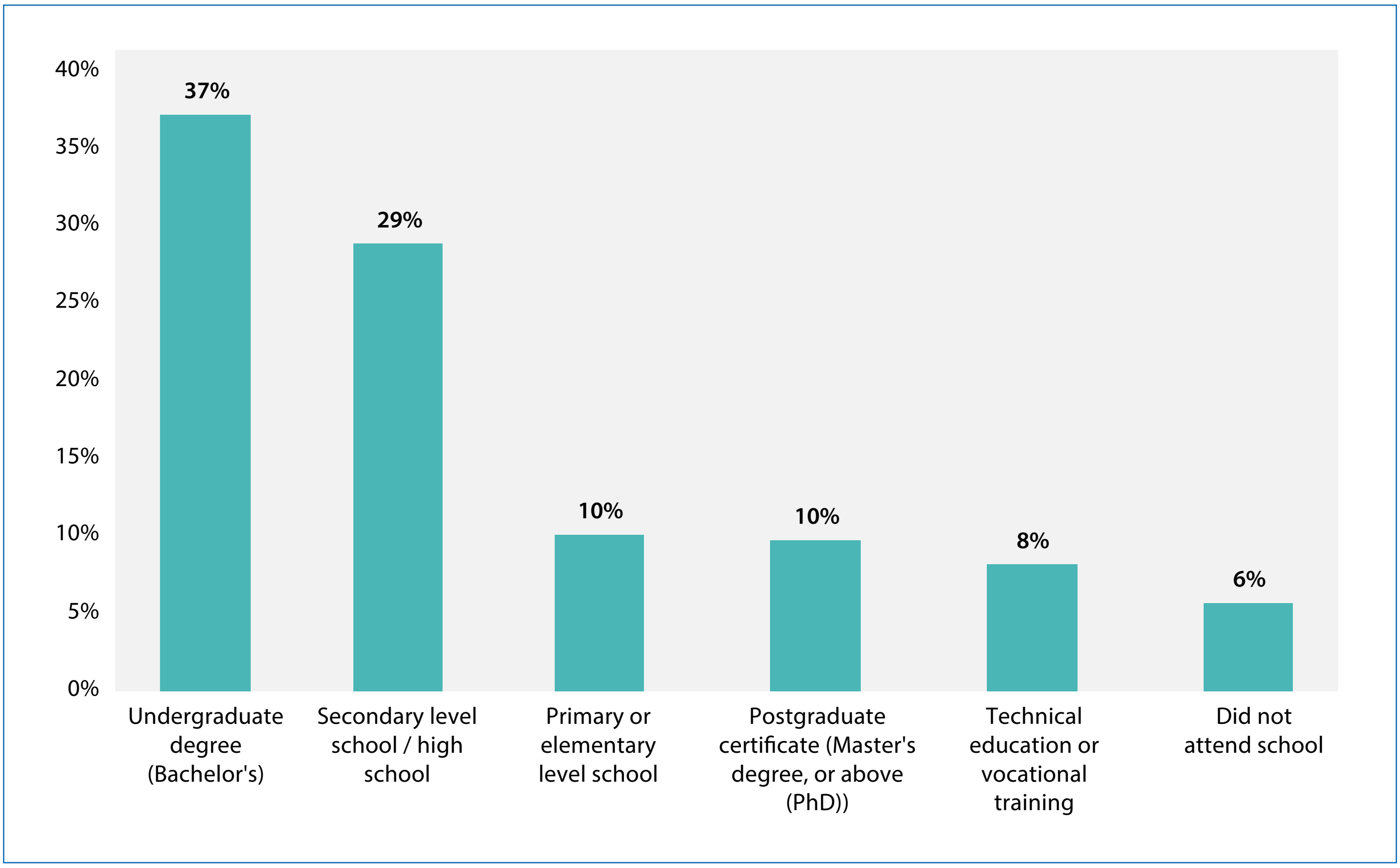
Figure 3: Distribution of respondents by age (n.819)



Source: Survey data

Over half the respondents were Millennials[ix] (aged 25-44, also known as 'Generation Y', a generational cohort typically defined as individuals born between 1981 and 1996), with 33% between 25 and 34 years of age and 38% between 35 and 44, a trend observed consistently across all surveyed countries (Figure 3). The Global Entrepreneurship Monitor (GEM) 2023/24 report notes that younger individuals, particularly those in the Millennial age group, are significantly more active in starting new businesses compared to older individuals.[x] Known for their use of technology, Millennials may be particularly receptive to digital finance services and their familiarity with technology suggests a greater likelihood of embracing and utilising fintech solutions.[xi]

Figure 4: Distribution of respondents by level of education[5] (n.819)



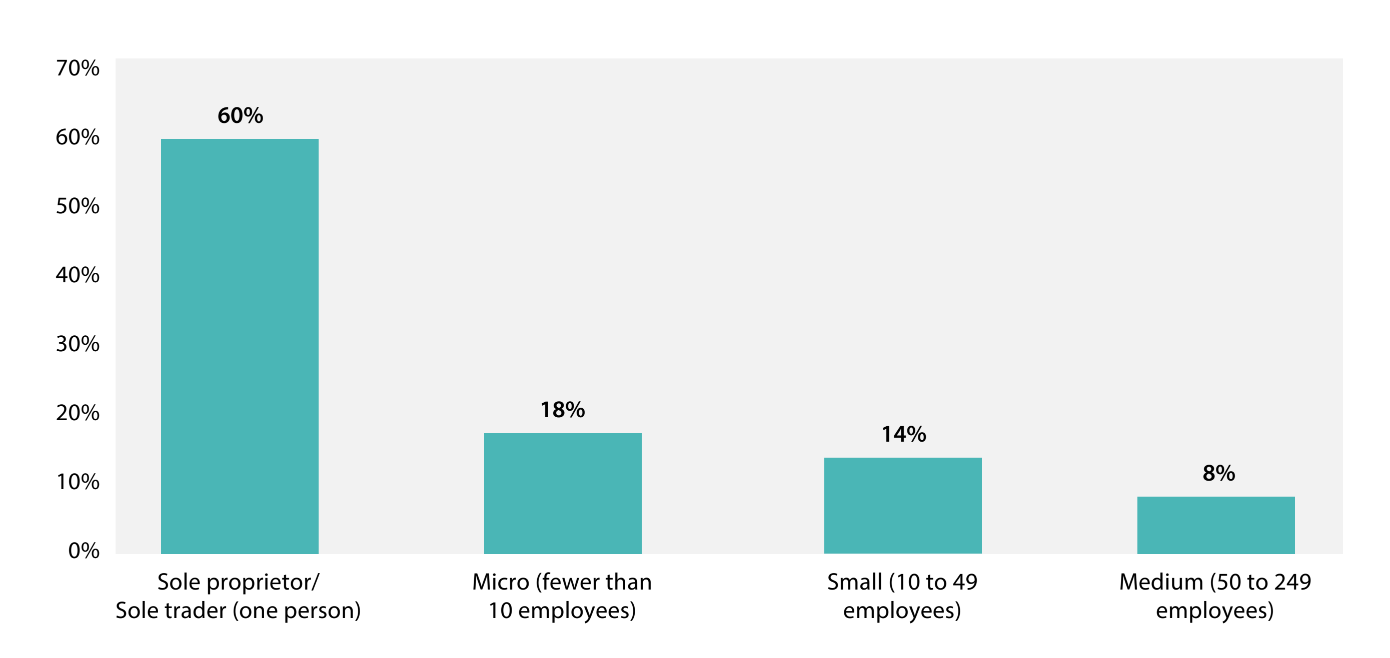
Source: Survey data

The distribution of MSME business owners by educational attainment reveals that 37% hold an undergraduate degree, 29% completed secondary school education and 6% did not attend school. The largest share of owners who did not attend school were from Pakistan (68%), followed by Bangladesh (23%). The vast majority of those businesses were sole traders (94%) (Figure 4).

5. For Kazakhstan, Primary or Elementary level school is equivalent to Pre-school/Primary General Education in other jurisdictions; Secondary level school / high school is equivalent to Basic General Education/Secondary General Education; Technical education or vocational training to Secondary Vocational Education; and Undergraduate degree (bachelors) is equivalent to Undergraduate degree/Higher education (bachelors).

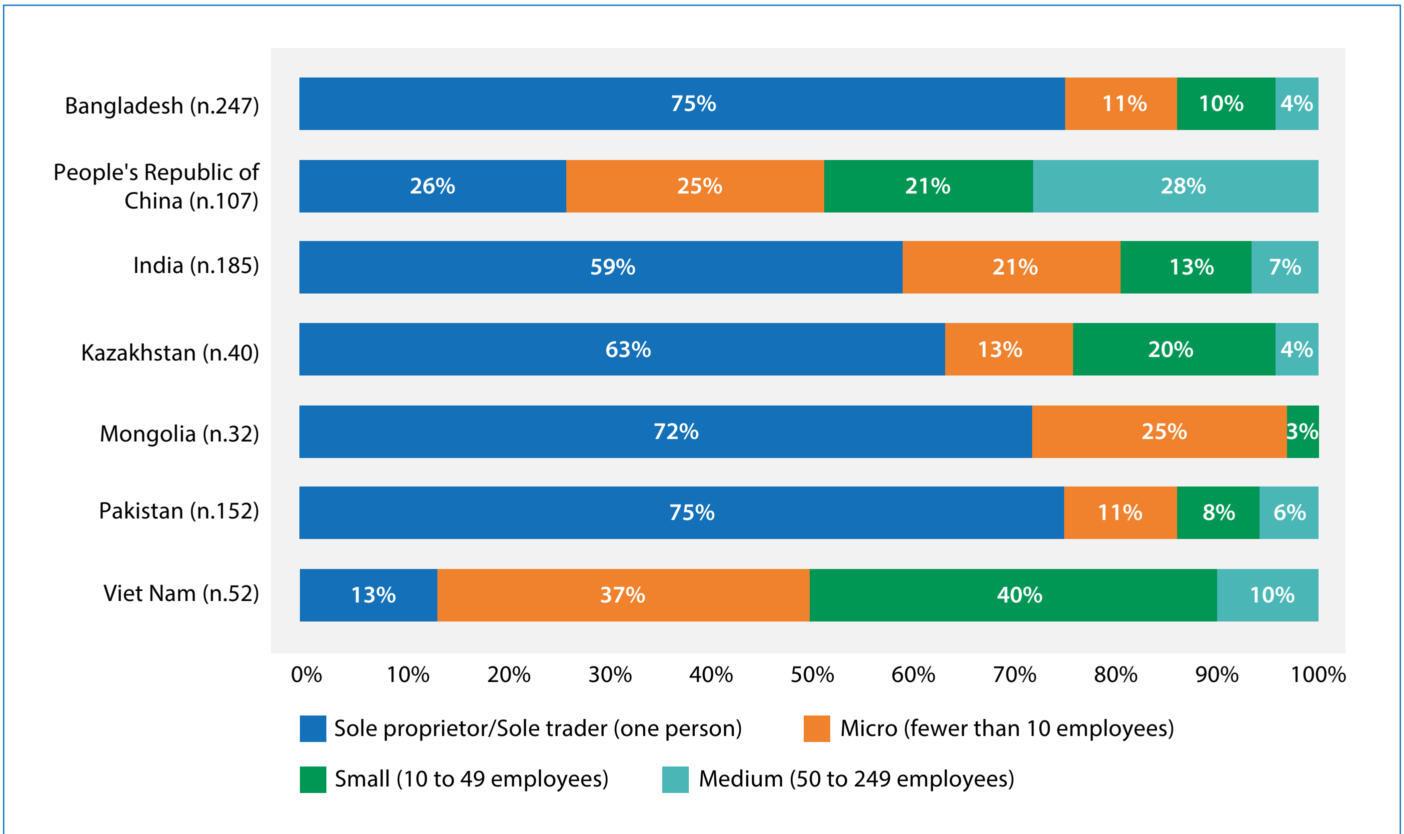
3.2. Nature and structure of business

Figure 5a: Distribution of respondents by business size (n.819)



Source: Survey data

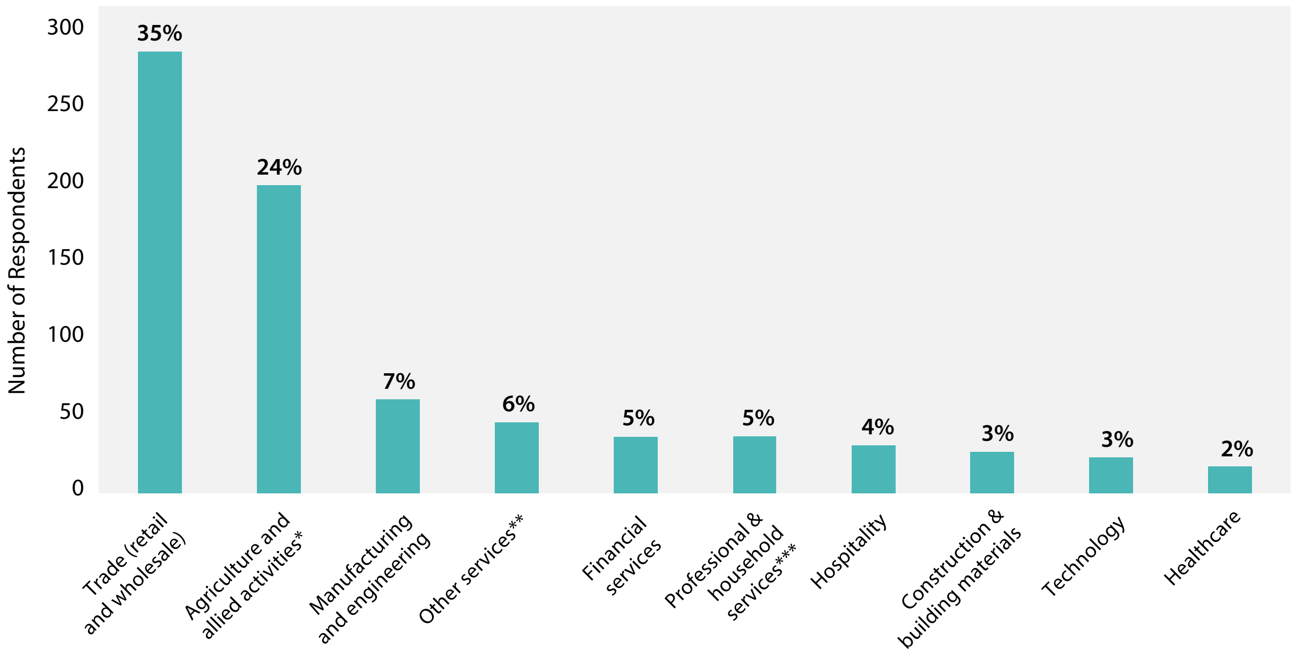
Figure 5b: Distribution of respondents by business size, by country (n.815)



Source: Survey data

Overall, the majority of respondents were operating as sole traders (60%), a distribution consistent across genders, with sole traders comprising 59% of male respondents and 63% of female respondents in this survey (Figure 5a). In most of the surveyed countries, a significant proportion of respondents identified as sole traders, ranging from 59% to 75% (Figure 5b). Notable exceptions include the PRC and Viet Nam, where only 26% and 13% of respondents, respectively, identified as such. The company size distribution of respondents from the PRC was relatively balanced. However, in Viet Nam, small enterprises (with 10 to 49 employees) accounted for the largest proportion, about 40%.

Figure 6: Distribution of respondents by business sectors – Top 10 (n.819)



Source: Survey data

* includes agribusinesses (such as agri input-retailers, traders), farming, animal husbandry etc.

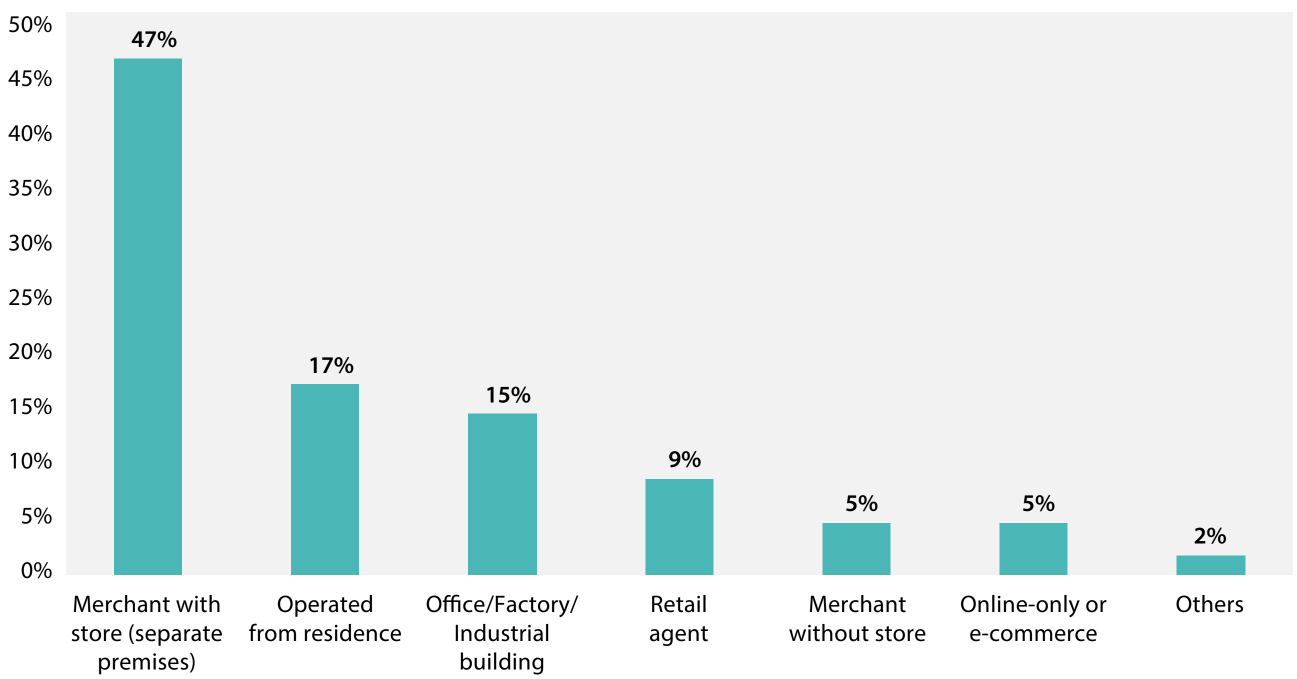
** includes freelancers and gig workers (e.g. delivery/rideshare drivers).

*** includes mechanics, electricians, hairdressers, cleaning services etc.

In general, traditional MSMEs across Asia primarily include wholesale and retail trade, agribusinesses, food processing, and other service-related businesses (Figure 6).[xii] In this survey, most participating businesses operated in the trade sector i.e. retail or wholesale (35%), with this proportion remaining consistent across gender, country, and business size. Trade sectors often employ a substantial workforce and are important economic drivers worldwide, as highlighted by the World Economic Forum.[xiii] Agriculture and allied activities accounted for the second-largest number of respondents (24%) (and of those, 68% were from Bangladesh). Only 4% of respondents in the agriculture sector were females. This aligns with findings that women in agriculture face numerous barriers, including limited access to resources and financing.[xiv] The only sector where females had a larger representation compared to males was Professional & Household Services (57% vs. 43%). This is indicative of global trends where women are more likely to be employed in service-oriented roles.[xv]

Notably, gig workers, classified under "other services",[6] account for 6% of the businesses that responded. CGAP (2023)[xvi] highlighted the growing importance of platform workers in sectors such as delivery and ride-hailing services. These workers, although tech-savvy, often find that traditional financial services are not designed to meet their specific needs. Traditional credit products typically assume regular income and comprehensive financial records, which gig workers often lack due to the irregular and varied nature of their work. These workers may face financial instability due to variable income streams, making it difficult for them to manage basic living expenses and qualify for loans.[xvii] This gap highlights a significant opportunity to develop tailored financial products that address these unique challenges.

Figure 7: Distribution of respondents by mode of operation (n.819)



Source: Survey data

Almost half of the respondents operated their business via a retail store (47%), followed by those who operated from their residences (17%) and those in commercial premises i.e. an office, factory or industrial building (15%) (Figure 7). Business modes of operation were generally equally distributed across genders, with notable exceptions: 37% of female respondents operated from their residences compared to 12% of male respondents. Furthermore, 10% of male respondents were retail agents compared to only 3% of female respondents. Home-based businesses were predominantly sole traders and female-owned, reflecting global trends that indicate women balancing their family responsibilities with entrepreneurship.[xviii] In general, such informal businesses, which tend to be self-operated and based out of residences, make up the larger proportion of under-served micro enterprises.[xix]

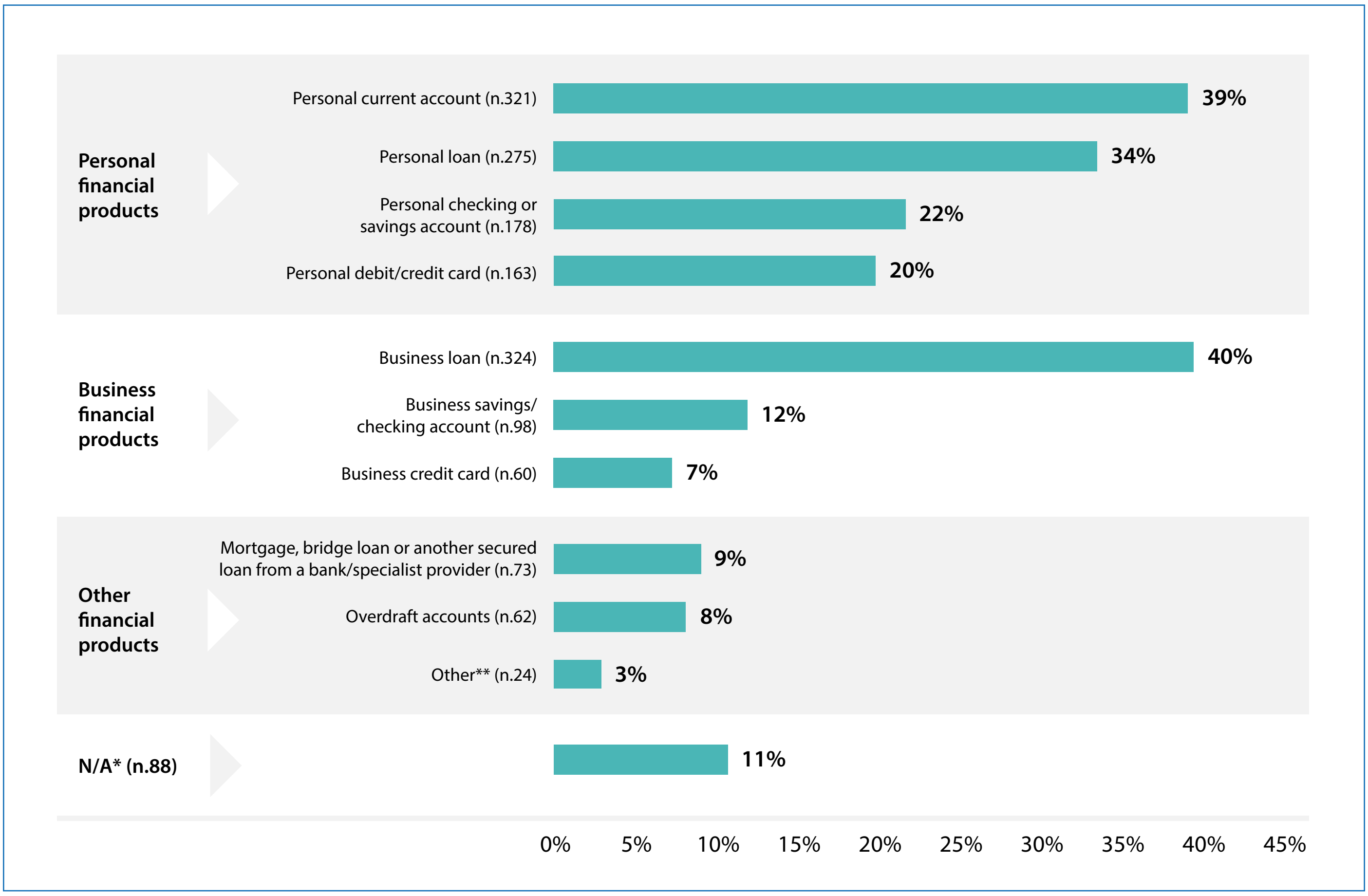
Micro, small and medium enterprises operated from formal premises, either commercial or separate. Online-only or e-commerce ventures were particularly prevalent among young entrepreneurs aged 18-24. Respondents from the 55 to 64 age group, as well as those from Pakistan, predominantly operated from their residences (45%).

6. Gig workers in Bangladesh, the PRC, India, Kazakhstan, Pakistan, and Viet Nam frequently operate within the informal sector, facing significant challenges related to their job security, social protections and fair treatment.

4. RELATIONSHIP WITH TRADITIONAL FINANCE

4.1. Use of traditional finance facilities

Figure 8: Forms of traditional finance products used in the past 12 months (2023) (n.819)



Source: Survey data

*N/A: respondent had not used any traditional finance products/ services in the past 12 months (or throughout 2023).

** Other financial products or instruments that may cater to businesses.

Respondents were asked about the various forms of traditional finance products and services they used for their business during the past 12 months (or throughout 2023). Respondents reported greater utilisation of traditional financing options such as business loans and personal current accounts, compared to flexible credit solutions and credit cards. A significant 40% of respondents indicated business loans as the main product used with traditional finance providers (Figure 8).

Personal current accounts followed closely, used by 39% of MSMEs. Personal loans were also notable, with 34% of MSMEs using them. Business credit cards and overdraft accounts were the least utilised, with only 7% and 8% of MSMEs indicating their use, respectively.

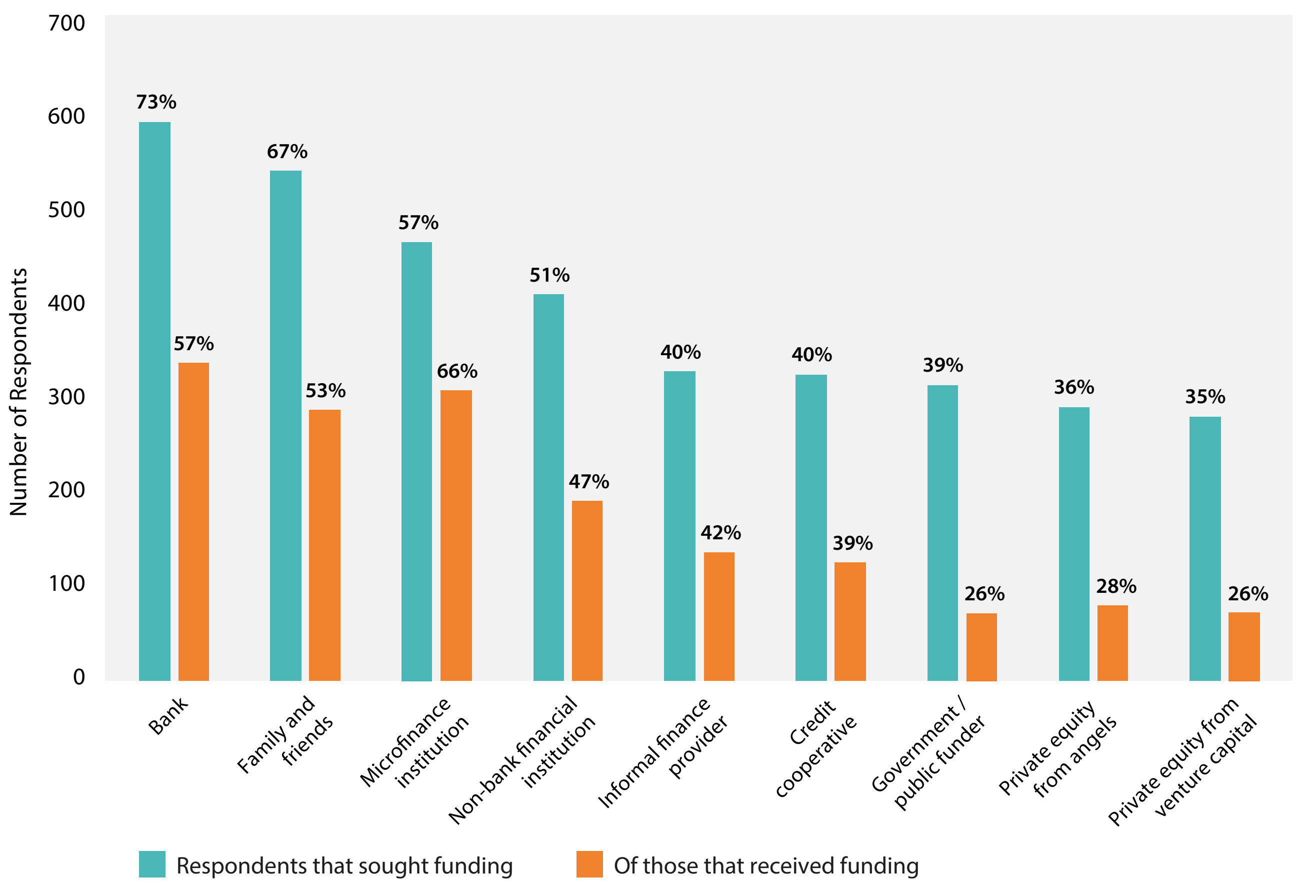
Notably, 11% of respondents indicated that they did not use any traditional finance products during the past 12 months (or throughout 2023).; of those, 91% are male; and 72% were aged between 25 and 44. Of the 11%, 64% had secondary level education or below, higher than the overall rate of 45% (see Figure 4). Most individuals who did not use traditional finance products were from Bangladesh (57%), with India and Pakistan together accounting for 35%.

Following the overall trend, analysis by the size of MSMEs showed that business loans were favoured across all categories with 18-20% indicating their use. In addition, around 20% of sole traders and micro businesses also showed a strong preference for personal current accounts, suggesting that these businesses often use personal financial products to meet their business needs.

4.2. Previous financing from other sources

Generally, businesses had approached various other funding sources before turning to a digital finance provider. We focus on the funding sources approached prior to using a digital finance service and explore the success rates of MSMEs in obtaining financing from these sources.

Figure 9: Previous financing applications from other sources (n.819)



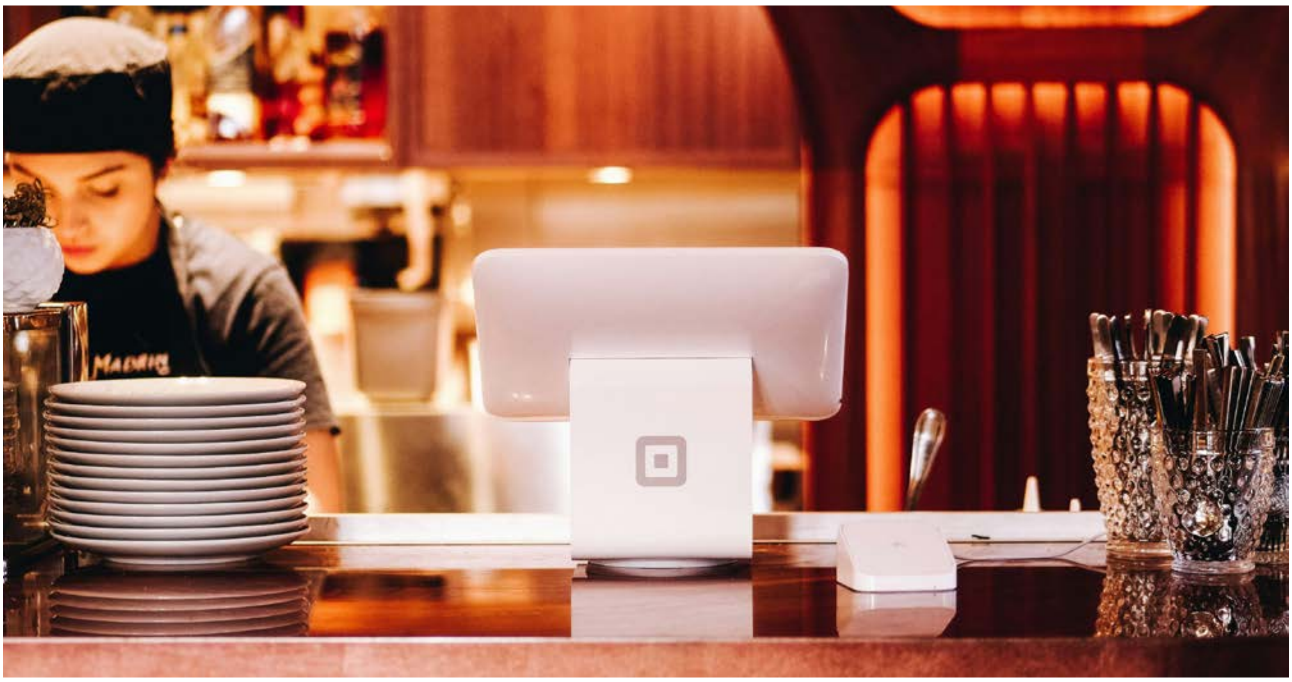
Source: Survey data

Banks were the most common source of funding for MSMEs, with 73% of respondents reporting seeking funds before using fintech providers (Figure 9). However, only 57% of those MSMEs indicated that they were able to successfully secure funding from the banks. The second and third most popular sources of funding were family and friends and microfinance institutions. Across all the sources, microfinance institutions had the highest successful rates, with 66% of MSMEs indicating that they successfully received funding from them. Family and friends were also common, with 53% of MSMEs successfully receiving funding. In contrast, the funding sources with the highest shares of unsuccessful applications were banks (32%), family and friends (31%) and government and public sources (29%).

MSMEs of all size categories most frequently sought funding from banks, with over 70% in each category. Larger firms were more likely to successfully obtain bank loans: 86% of successful applicants were medium size firms, 73% small and micro, and 42% sole traders. Similarly, over 60% of small, micro, and sole traders sought funding from family and friends, with size-related success rates of 80%, 70%, and 38% respectively, indicating this as the most successful source for small enterprises. Notably, over 60% of sole traders also sought funding from microfinance institutions, achieving a 64% success rate, making it the most successful source for these businesses.

Business owners who had attained lower levels of education used simpler and less complex sources of funding compared with owners with higher levels of education. Business owners without formal education and those with primary and secondary education were more successful in raising funds from microfinance institutions, at 83%, 64%, and 64%, respectively. Business owners with higher education, such as technical education and vocational skills (80%), undergraduate (66%) and postgraduate (69%), were more successful in getting bank loans.

Overall, business owners in countries with a higher financial development index (above 0.36, according to the World Bank Group[xx]) relied more on the banking system as the main successful source of funding, with the PRC, India, and Viet Nam recording funding success rates of 90%, 64%, and 88%, respectively. Business owners in countries with a lower financial development index (below 0.36) relied more on microfinance institutions (and non-bank financial institutions) with Bangladesh, Kazakhstan, Pakistan, and Mongolia indicating funding success rates of 47%, 87%, 81% (80%), and 71% (83%) respectively.



PARTNER CASE STUDY

Fintech Platform

Vayana

MSME

Naira Distributors

Country

India

Brief history of the company

Naira Distributors, run and managed by an ambitious first-generation entrepreneur, is a distributor of a renowned regional mass-market footwear brand in southern India. Located in one of the remotest towns in the state of Karnataka, Naira has collaborated with a supply-chain partner since 2016, catering to a network of around 100 micro entrepreneur retailers.

What obstacles had the company faced in obtaining finance from other sources, such as banks and other financial institutions?

While operating on a cash-and-carry basis with the supplier, Naira faced significant challenges due to demand from retailers for credit. Micro-businesses like Naira are often overlooked by larger financial entities due to their regional focus, limited scale and poor accessibility. The absence of structured supply chain financing (SCF) in the industry aggravates their challenges, as conventional lenders are hesitant to engage with industries lacking existing frameworks. Additionally, the industry's low margins and extensive distribution networks impose further barriers, making it nearly impossible for Naira Distributors to access credit at an affordable cost and reasonable terms.

Why did this company decide to seek financing through the fintech platform?

Vayana, India's largest SCF Infrastructure, was pivotal in facilitating the much-needed financing support for Naira. Vayana introduced Naira to its Distributor Financing Program in partnership with a prominent Non-Banking Financial Company (NBFC) catering to businesses in Southern India. It banked on Naira's long-term partnership with the supplier and strong consumer pull of the brand in southern India and developed a program with the NBFC enabling Naira to avail a much-needed, unsecured financing facility on favourable terms and at an affordable rate.

How has the received financing impacted the MSME business and operations?

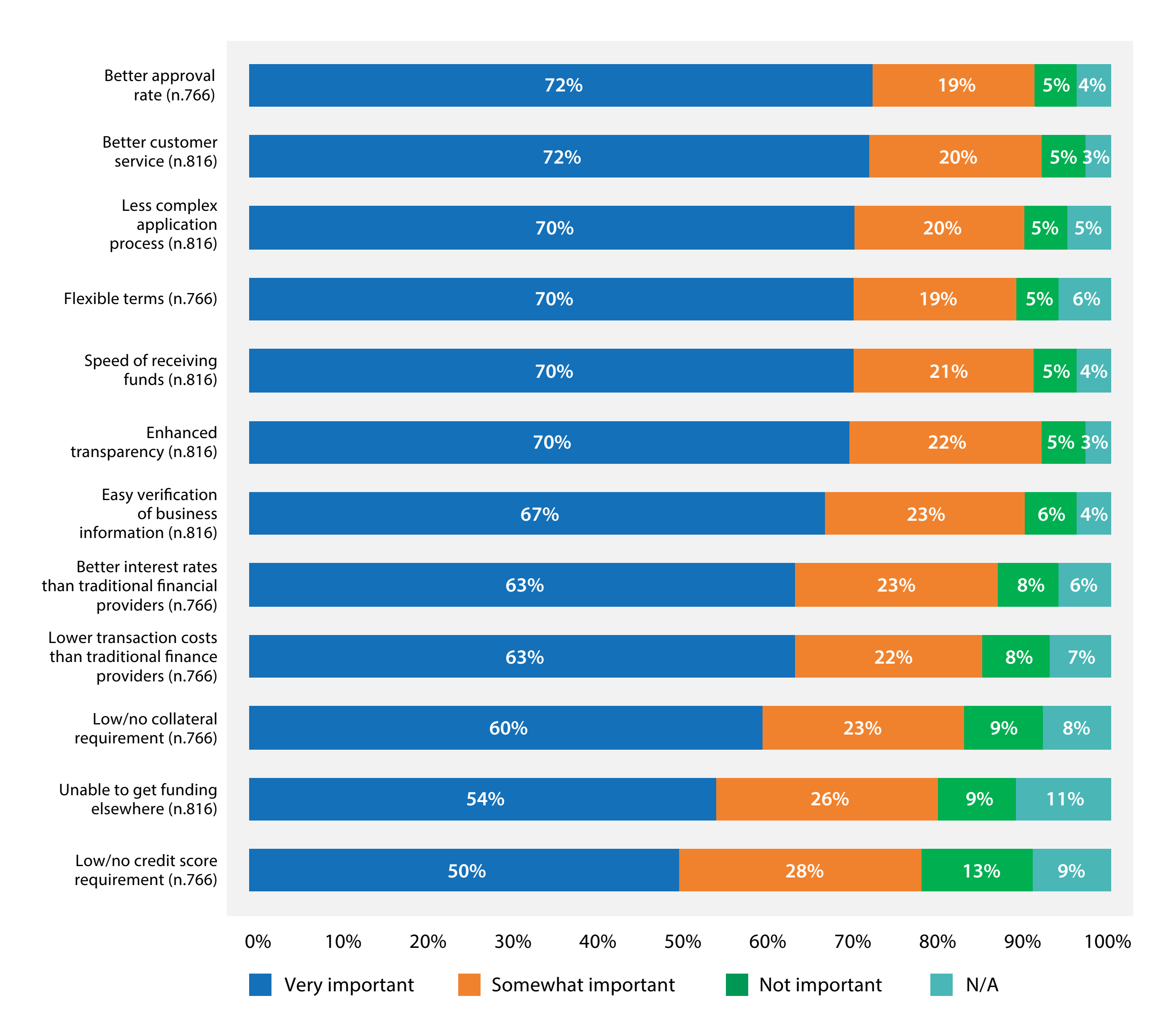
The strategic partnership with Vayana empowered Naira to overcome the financing challenges that were hindering its growth. Through Vayana's advanced credit appraisal framework and fully digital transaction platform, Naira received an unsecured credit limit of USD $30,000 in 2021. This infusion of capital helped Naira save 600 basis points on the interest payment and fueled its rapid growth. Furthermore, Naira benefits from a direct discount extended by the brand after their program enrolment. Capitalizing on their strengthened financial position, Naira Distributors experienced a remarkable 40% increase in annual turnover, soaring from USD $350,000 to $500,000 with increased market reach and better operational efficiency to operate on a more sustainable and profitable footing for continued success in their niche market segment.

5. FINTECH FINANCING EXPERIENCE

Following the COVID-19 pandemic, it has become more difficult for MSMEs to get financing, reflecting the end of years of low interest rates in many economies. MSMEs saw a sharp rise in the cost of finance, with median interest rates rising by 1.1 percentage points in 2022 compared to 2021, according to the OECD (2024)[xxi] - the highest rise ever registered globally. In this section, we explore the various aspects of MSME financing with fintech providers, seeking insights into their decision-making about using digital finance providers, the purpose of financing, amount borrowed, repayment status, frequency of use and proportion of financing needs met.

5.1. Decision-making factors for fintech financing

Figure 10: Decision-making factors for financing from fintech providers



Source: Survey data

In general, MSME users of digital finance were strongly influenced by platform usage or convenience factors when choosing digital finance platforms. More than 70% of MSMEs considered better customer service and better approval rates as the most important factors when financing through online financing platforms (Figure 10). Additionally, speed in receiving funds, increased transparency including eligibility checks, less complex application process and flexible terms (such as early repayment and debt rollover) were also deemed important decision-making criteria. This trend was consistent across all business sizes, with more than 90% of businesses considering these factors important in their decision-making process. Notably, medium and small enterprises placed significant importance on swift fund disbursement, whereas micro businesses and sole traders favoured simplified application procedures and flexible repayment terms.

Across all levels of education among survey respondents, better customer service, approval rates, and enhanced transparency were considered crucial. However, some nuances were noted in the decision-making process depending on the education level of respondents. Those with primary education or below were relatively strongly influenced by the simplified application process, easier verification of business information and limited access to alternative funding. Conversely, respondents with undergraduate degrees or higher valued the speed of fund disbursement.

Additionally, as noted earlier, 11% of respondents indicated that they did not use any traditional finance products during the past 12 months (or throughout 2023). (see Figure 8). When asked about their decision-making criteria, a similar trend to the overall population was observed, where over 50% indicated that all factors were very important. However, 55% indicated that a low/no credit score was a key factor, a value higher than that of an overall outcome of 50% (see Figure 10). Notably, the majority (46%) of such respondents also reported that they had no major concerns about using a fintech provider to access finance for their business, which was a similar observation in overall outcome where the majority reported no major concerns (see figure 22).

PARTNER CASE STUDY

Fintech Platform

Du Xiaoman Technology

MSME

Yunxiangdian Technology Co. Ltd

Country

People's Republic of China

Brief history of the company

Yunxiangdian Technology Co. Ltd., located in Yunnan Province, provides an electricity access service that enables farmers to use electricity for irrigation by scanning a QR code. In the rural and mountainous areas of the province, where extending power lines direct to fields is impractical, farmers typically use their own petrol-powered water pumps and some even illegally connect wires for irrigation, creating environmental, safety, and power grid management problems. Established by Tong Wei, a former employee of a local power supply company, the startup installs car charger-like devices to facilitate power supply for farming operations, improving efficiency, reducing cost for farmers and boosting the transformation of agriculture through electrification.

What obstacles had the company faced in obtaining finance from other sources, such as banks and other financial institutions?

Yunxiangdian faces financing difficulty owing to its small scale, lack of collateral (other than self-developed electricity access devices) and an unconvincing financial record since its establishment in 2020. The company found that expense recovery for device installation is about two years, while the profit prospect in the irrigation service appears modest. Although the project helps reduce carbon emissions, the firm has faced difficulties finding banks or investors interested in investing in their business in the region.

Why did this company decide to seek financing through the fintech platform?

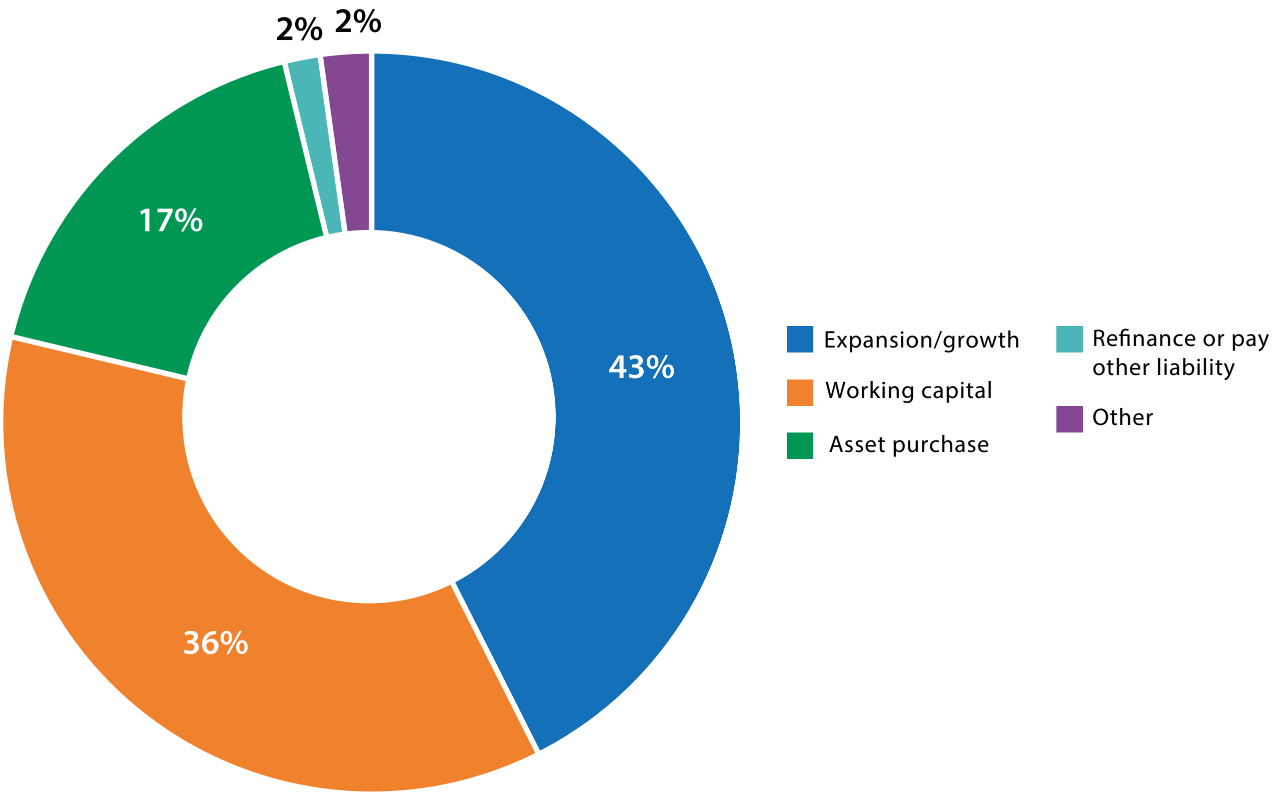
In March 2022, Yunxiangdian quickly secured a loan of 300,000 yuan (approximately US$42,000) from Du Xiaoman. The speed was attributed to Du Xiaoman's innovative and efficient credit scoring system, ease of onboarding compared with the challenging paperwork requirements by traditional financial institutions. Du Xiaoman's loans to MSMEs are collateral-free and the online application process is straightforward. The credit score system can complete analysis by examining more than 400,000 indicators, leveraging technologies such as NLP (Natural Language Processing).

How has the received financing impacted the MSME business and operations?

With the much-needed loans, Yunxiangdian successfully developed its second generation of electricity access device and produced about 3,000 units in 2022. As Yunxiangdian scaled up production and installation, the company also entered into agreement with Yuxi Power Supply Bureau to pilot a cooperation model for irrigation power use. It has become more active in marketing its network of devices for advertisements, such as those for agricultural machinery and fertiliser.

5.1.1. Primary purpose of borrowing

Figure 11: Primary purpose of borrowing (n.766)



Source: Survey data

Note: 'Expansion/growth' includes purchase of raw materials/increase in inventory, business expansion, new product/service development, hiring and recruitment, activities to start the business. 'Working capital' includes payment to suppliers, rent and bills, and covering unexpected business cash flow needs. 'Asset purchase' includes non-property asset purchase (for example, purchasing machinery), property asset purchase, and purchase of new software/technology. 'Refinance or Pay other liability" includes consolidate/refinance long-term debts and pay tax/settle a tax liability.

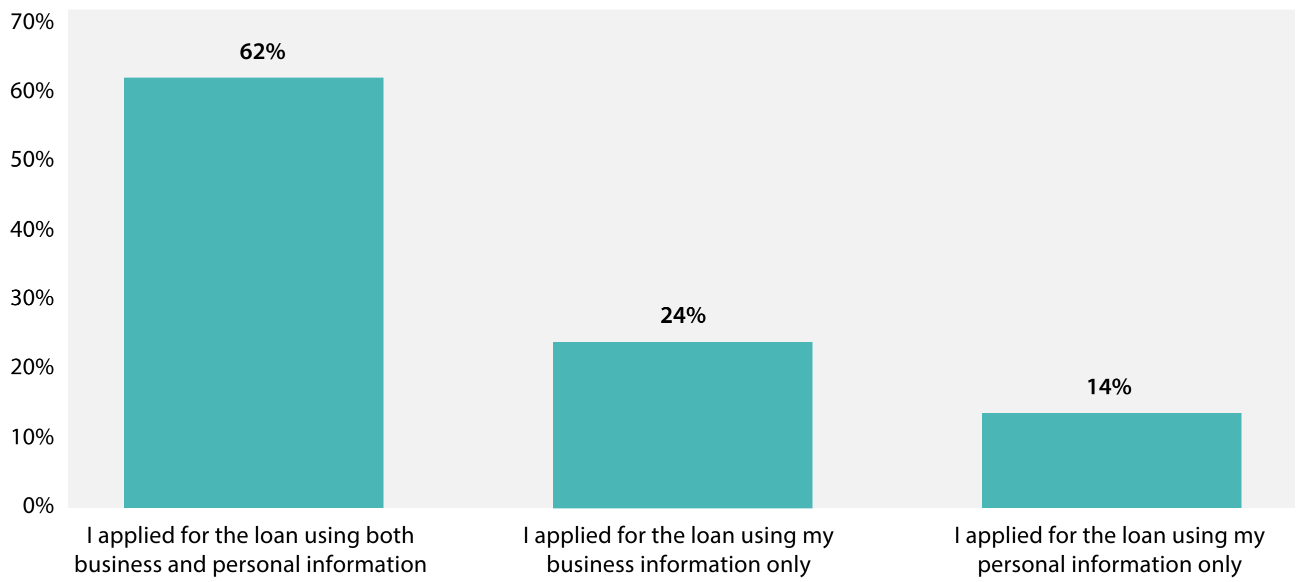
Businesses primarily borrowed from digital finance providers to meet their expansion/growth needs (43%) and working capital requirement (36%) (Figure 11). In particular, businesses used finance to pay suppliers (20%), purchase raw materials to increase inventory (15%), cover unexpected business cash flows (such as customer defaults) (9%) and for new product/service development (9%). These factors were consistent across businesses of various sizes. Sole traders and micro businesses used finance mainly to pay suppliers and purchase raw materials, whereas small enterprises prioritised asset purchases.

Moreover, approximately 9% of the businesses stated they used funds borrowed from fintech platforms to start the business they were currently running - a trend notably prevalent among sole traders and females.

5.2. Borrowing experience

5.2.1. Loan application process

Figure 12: Information provided during business loan application process (n.766)



Source: Survey data

Given the focus of this study is on EMDE countries with a large-scale presence of informal businesses, understanding the level of informality among prospective borrowers can reveal information about the ability of fintechs to serve these clients, who usually are underbanked or unbanked.

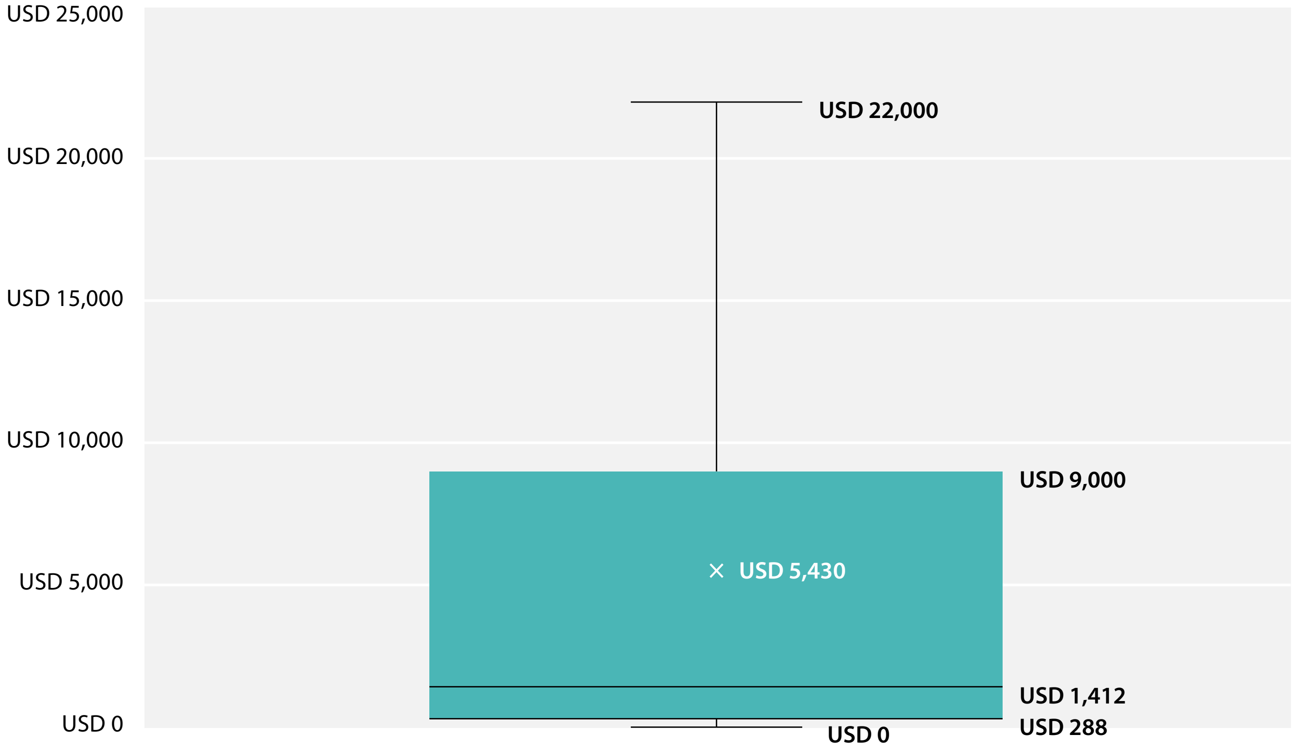
In general, most respondents used necessary business and personal information for their loan applications (Figure 12). However, nearly 14% of respondents used only their personal information when applying for business loans, with most of these respondents being sole traders. Further examination revealed that, among these respondents, the majority (30%) did not have all the documents required for a business application. Additionally, 25% of business owners perceived that using personal information resulted in faster loan approval than using business information.

Lack of business financial history or credit score (15%), lack of business collateral (13%) and unregistered business (13%) were other key reasons for using personal information in loan applications. Other studies also show that the lack of collateral and insufficient credit history was regarded as the primary financial hurdles faced by small businesses in this region.[xxii] Further, over half of the respondents considered these factors highly significant when making financing decisions from fintech platforms (see Figure 5.1).

Respondents who used personal information exclusively for business loan applications were largely from India and the PRC and typically possessed education levels at or above technical education. Additionally, these respondents largely perceived a faster approval process using personal information.

5.2.2. Amount borrowed

Figure 13: Amount borrowed through digital lending platforms in the past 12 months (2023) (n.604)



Source: Survey data

Note: *79 outliers (too far/extreme values) were excluded from the analysis. The calculation to find higher outliers was applied in the full dataset. Formula: Outliers = Quartile 3 + (1.5*Quartile 3 – Quartile 1).

** The figure 'X' in the boxplot[7] represents the mean.

***Although it was a mandatory open-text question, respondents could report "0" to skip the answer. Zero/nil values were also excluded from calculations.

**** Amounts that were reported in local currencies were converted into US dollars (USD) using an average rate quoted by Google Finance.

Respondents were asked how much they had borrowed in total in the past 12 months (or throughout 2023) from their primary fintech platform/lender. After excluding outliers, for MSMEs that used a digital lending platform to get financing, the median amount borrowed across the analysed countries was USD 1,412, while the average ticket was slightly over USD 5,400 (Figure 13). Approximately 45% of the businesses borrowed less than USD1,000, 21% borrowed between USD1,000 and USD5,000, and another 21% above USD10,000. As noted in the previous sections, MSMEs mainly used finance to meet their working capital (36%) and expansion (43%) needs. In particular, sole traders and micro businesses borrowed mainly to pay suppliers and purchase raw materials, while small and medium businesses focused on asset purchase.

7. A boxplot is a type of chart often used in explanatory data analysis. It shows the distribution of numerical data and skewness by displaying the data quartiles (or percentiles) and averages. Boxplots show the five-number summary of a dataset, including the minimum value, first (lower) quartile, median value, third (upper) quartile and maximum value.)

The amount borrowed varies depending on the size of the business and the mode of operation (Table 3). Businesses with formal premises, such as merchants with stores and commercial buildings, tend to secure higher financing amounts, with an average of USD 9,081 for stores and USD 10,709 for commercial buildings. Conversely, businesses operating from a residence or entirely online face challenges and typically secure lower borrowing amounts, at an average of USD 788 and USD 2,534, respectively. This discrepancy can be associated with the risk management decisions of traditional lenders that perceive physical premises as more stable and credible, which positively impacts their lending decisions.[xxiii]

The amount borrowed also depends on the financing purpose and is also influenced by the business categories/models of participating fintech platforms. For example, invoice trading fintech platforms offer loan sizes generally higher when compared to P2P or balance sheet business lending platforms (in this study, the average amount borrowed on P2P or balance sheet business lending was USD 5,551 vs. USD 13,131 on invoice trading platforms, see Table 4). This discrepancy could potentially affect the data on borrowed amounts, both at a country-specific level and overall.

Table 3: Amount borrowed, by business size and mode of operation in the past 12 months (2023)

Business size	Mode of operation	Amount borrowed	
		Median	Mean
Sole proprietor/Sole trader (one person)	Merchant with store (separate premises) (n.188)	USD 4,450	USD 6,173
	Merchant without store (n.21)	USD 1,200	USD 3,893
	Office/Factory/Industrial building (n.34)	USD 2,200	USD 6,731
	Online-only or e-commerce (n.16)	USD 750	USD 2,021
	Operated from residence (n.110)	USD 360	USD 536
	Retail agent (n.38)	USD 2,610	USD 6,050
Micro (fewer than 10 employees)	Merchant with store (separate premises) (n.57)	USD 3,150	USD 6,253
	Merchant without store (n.4)	USD 1,500	USD 6,275
	Office/Factory/Industrial building (n.14)	USD 704	USD 6,355
	Online-only or e-commerce (n.6)	USD 690	USD 1,560
	Operated from residence (n.11)	USD 252	USD 2,024
	Retail agent (n.8)	USD 7,620	USD 7,857
Small (10 to 49 employees)	Merchant with store (separate premises) (n.25)	USD 9,000	USD 9,386
	Merchant without store (n.5)	USD 3,600	USD 9,190
	Office/Factory/Industrial building (n.20)	USD 9,525	USD 11,475
	Online-only or e-commerce (n.3)	USD 8,100	USD 7,260
	Operated from residence (n.4)	USD 3,690	USD 7,256
	Retail agent (n.5)	USD 360	USD 4,829
Medium (50 to 249 employees)	Office/Factory/Industrial building (n.10)	USD 2,680	USD 6,608

Source: Survey data

Note: *Outliers and zero/nil values were excluded from calculations.
** Values with a low response rate (n<3) are not shown in the table.

Table 4: Amount borrowed, by fintech business models in the past 12 months (2023)

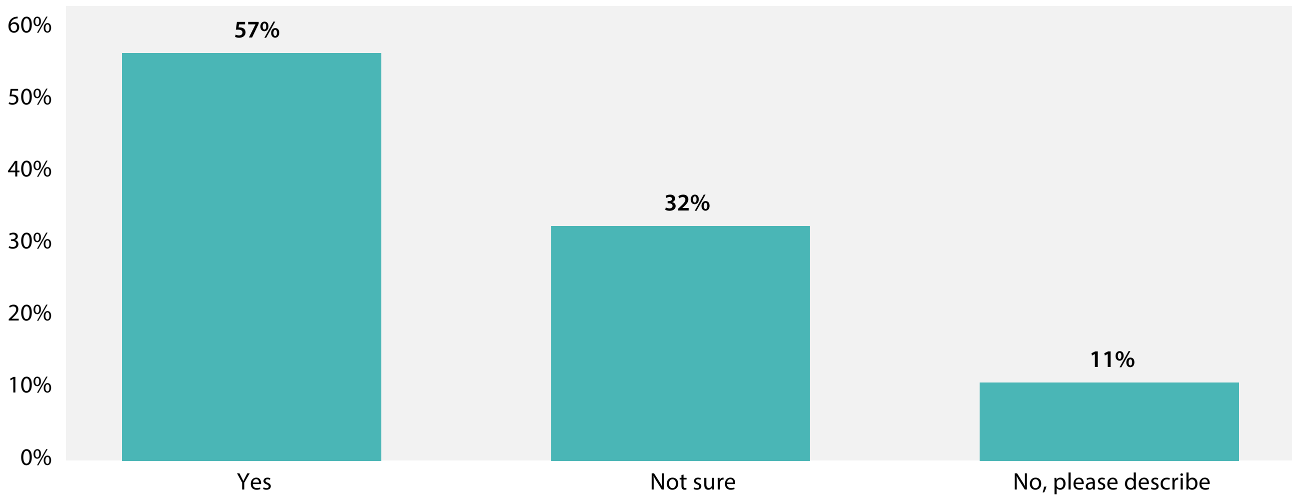
Fintech business models/amount borrowed	Median	Mean
Invoice trading (n.41)	USD 10,571	USD 13,131
P2P or balance sheet business lending (n.460)	USD 2,225	USD 5,771
Merchant cash-advance (n.29)	USD 1,200	USD 2,090
Crowd-led microfinance (n.74)	USD 306	USD 357

Source: Survey data

Note: *Outliers and zero/nil values were excluded from calculations.

5.3. Ability to get funding from another source

Figure 14: Ability to get funding from another source (n.766)



Source: Survey data

MSMEs were asked about their ability to raise the same amount (as borrowed with the fintech platform) from another source. Nearly one-third were unsure, while more than half of the respondents (57%) believed they could (Figure 14) - despite nearly 80% of respondents reporting that the inability to get funding elsewhere was an important decision-making factor in opting for fintech financing (see Figure 10).

Additionally, 11% believed they would not have been able to raise the amount elsewhere, other than through a fintech provider. Among those, 35% cited high interest rates, 33% mentioned various loan application issues (complexity, lack of documents, or collateral), and 14% pointed to the difficulty in getting a bank loan for their business. These businesses, mainly located in Pakistan and run by females with little formal education, were predominantly sole traders and/or micro enterprises. Furthermore, the effects of high interest rates can negatively impact MSME profit margins. As noted by OECD (2024),[xxiv] in 2022, the median loan interest rate for MSMEs increased by 1.1 percentage points, and for each percentage point increase, a decrease of 0.35 percentage points in profit margins was expected.

PARTNER CASE STUDY

Fintech Platform

Micro Connect

MSME

Mr. Judy

Country

People's Republic of China

Brief history of the company

Since its inception, Mr. Judy has been committed to providing high-quality scalp and hair care services, emphasizing a relaxed and enjoyable beautification experience. The brand now boasts over 300 stores across more than 12 first-tier cities in the PRC, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, and Hangzhou, and has become a leader in the beauty and wellness industry, committed to advancing hair care technology and driving industry transformation.

What obstacles had the company faced in obtaining finance from other sources, such as banks and other financial institutions?

In 2021, Mr. Judy encountered significant financial challenges due to the impact of the COVID-19 pandemic, which severely affected cash flow and hindered the company's ability to secure traditional financing. Banks were reluctant to extend loans to the company, particularly due to the high collateral requirements and the uncertain economic environment. Like so many other MSMEs affected by the pandemic, Mr. Judy struggled to sustain operations and continue expansion plans.

Why did this company decide to seek financing through the fintech platform?

In October 2021, Founder and CEO of Mr. Judy, Wang Jianlin, initiated discussions with Micro Connect, a global exchange platform for the revenue-sharing asset class, representing Macao's new endeavor to promote innovative finance. Micro Connect offered an innovative financing solution through revenue-based financing (RBF), specifically designed to meet the financing and development needs of micro and small businesses, particularly those with physical storefronts. This model provided Mr. Judy with a flexible, non-dilutive source of capital that did not require collateral or equity stakes.

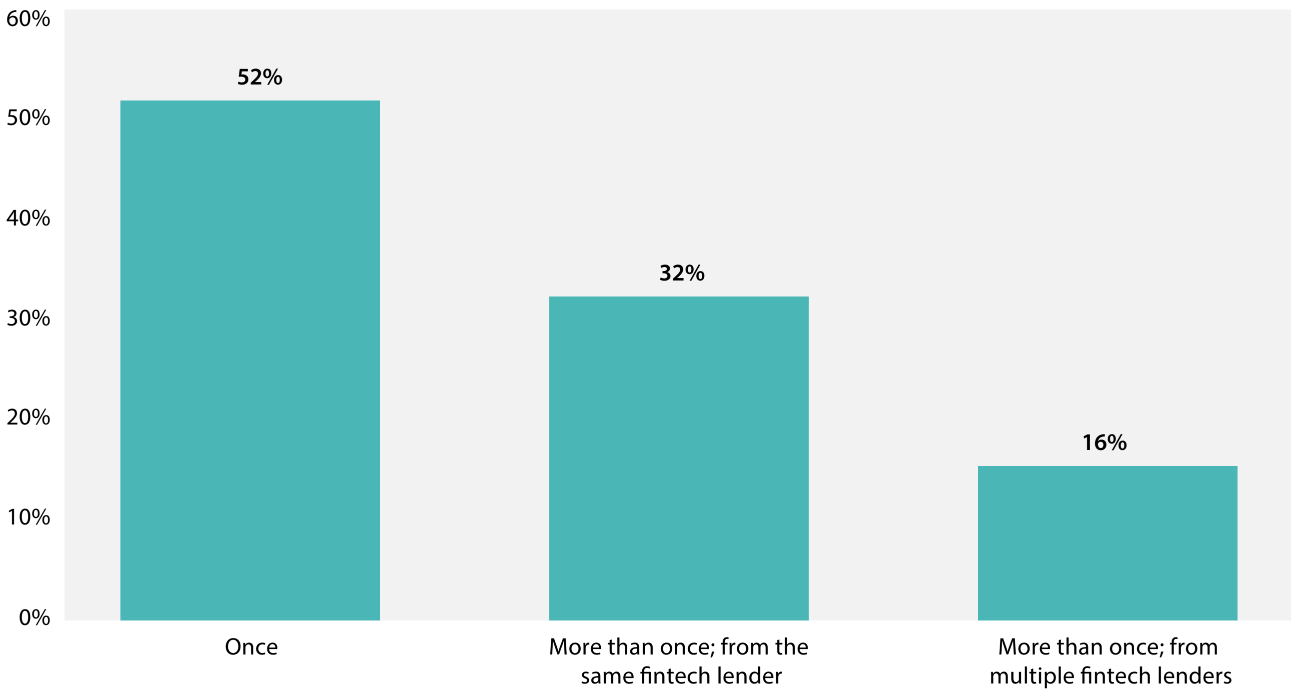
How has the received financing impacted the MSME business and operations?

The partnership with Micro Connect provided Mr. Judy with a total of 20 million yuan (approximately USD 2.74 million) in financing, across nearly 100 locations. This capital infusion enabled the company to navigate the economic challenges posed by the pandemic while continuing strategic expansion. The flexible repayment terms of the RBF model, which involved sharing a small percentage of daily revenues with Micro Connect, ensured that Mr. Judy could manage cash flow effectively.

The financing from Micro Connect also allowed Mr. Judy to innovate and refine its service offerings. Additionally, the rapid business expansion resulted in increasing employment opportunities, particularly for young people in remote areas and individuals with disabilities, further highlighting the social impact of this partnership.

5.4. Frequency of use of fintech platforms

Figure 15: Frequency of use of fintech platforms (n.749)



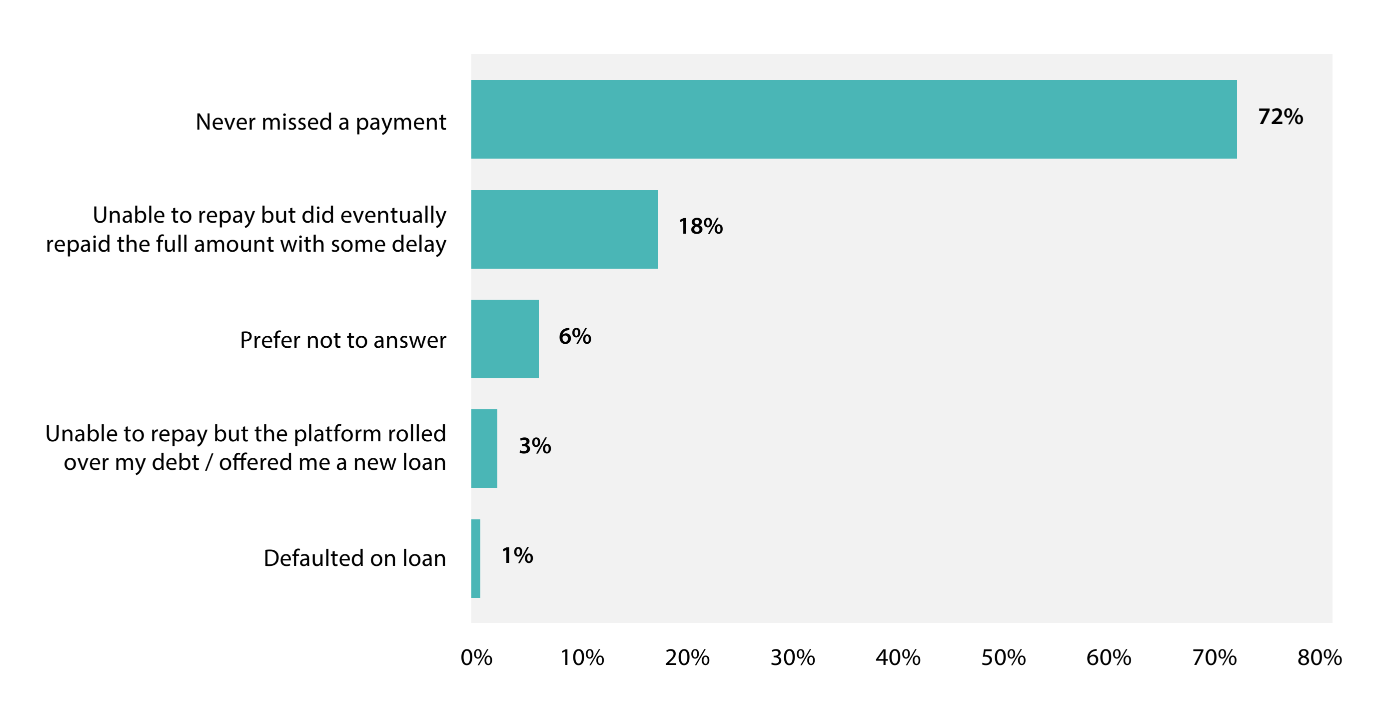
Source: Survey data

Half of the businesses (52%) reported financing from a digital lender only once in the last 12 months (or throughout 2023) (Figure 15). Another 48% used fintech platforms more than once to finance their businesses, with 32% of these businesses using the same fintech platform to do so and another 16% using multiple fintech lenders. Investigating business sizes, sole traders and small businesses tended to use the same fintech lender for multiple borrowings, whereas medium enterprises showed a preference for multiple fintech lenders. This distinction could be influenced by varying fund requirements relative to business size and considering a potential cap on the maximum amount that can be financed through fintech platforms.

Businesses operating in India and the PRC reported using multiple fintech lenders for financing their businesses, while repeated borrowings from single fintech lenders were prominent in Bangladesh, Viet Nam and Kazakhstan, reflecting the concentration of fintech lenders in these countries.

5.4.1. Loan Repayment Status

Figure 16: Loan repayment status (n. 766)



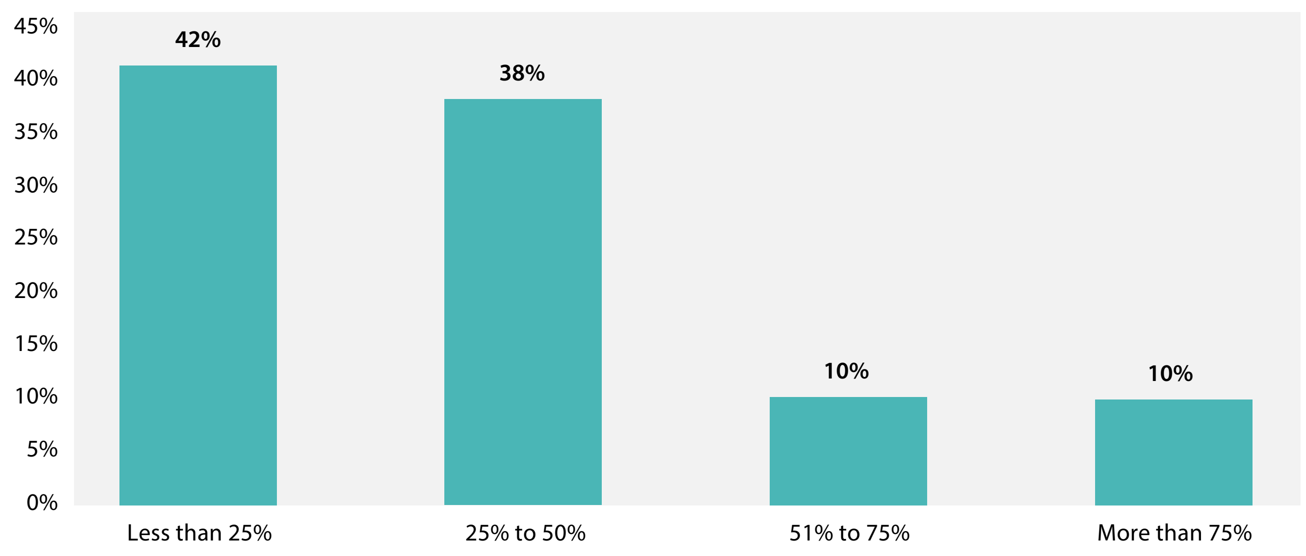
Source: Survey data

Most surveyed MSMEs were able to repay loans taken from digital finance providers. 68% never missed a payment, while 21% initially struggled but eventually repaid with some delay or lender support (debt rollover or a new loan to pay off the old one) (Figure 16). This was more evident in Bangladesh, India and Kazakhstan, where over 20% of entrepreneurs struggled to repay their debts initially and eventually did so with some support.

Notably, the overall default rate was less than 1%, primarily driven by small businesses rather than sole traders. For all countries, the overall default rate of surveyed MSMEs was lower than the countries' non-performing loans ratio.[xxv]

5.4.2. Business financing needs met through digital finance

Figure 17: Business financing needs met through digital finance in the past 12 months (2023) (n.754)



Source: Survey data

Most businesses (80%) noted that less than half of their financing needs came from digital finance platforms, with a larger proportion covering less than 25% (Figure 17). Conversely, the remaining 20% reported that more than half of their financing needs were met through online finance. This trend was predominantly observed among female-led businesses, sole traders and businesses located in Kazakhstan and Pakistan.

When looking at business size, almost 88% of micro-businesses indicated that 50% or less of their financing needs were met by digital finance providers. In contrast, 14% of sole traders reported that these providers were able to meet more than three-quarters of their business financing needs (Table 5).

Overall, digital finance providers partially fulfil the financing requirements of MSMEs, mostly supporting those businesses to cope with their short-term needs (i.e. pay suppliers and cover unexpected cash flows). This suggests that there is still a potential market opportunity for financial services providers to contribute in closing the financing gap.

Table 5: Business financing needs met through digital finance in the past 12 months (2023), by business size

Business size/Financing needs met	Less than 25%	25% to 50%	51% to 75%	More than 75%
Sole proprietor/Sole trader (n.489)	41%	37%	8%	14%
Micro (n.138)	47%	41%	9%	3%
Small (n.90)	35%	44%	18%	3%
Medium (n.37)	46%	32%	19%	3%

Source: Survey data

PARTNER CASE STUDY

Fintech Platform

iFarmer

Sole proprietor

Bayezid Bostami

Country

Bangladesh

Brief history of the entrepreneur

In the heart of Shahjahanpur, Bogra, a small agricultural retail shop named MasumTraders was struggling to survive. Bayezid Bostami, the owner, had seen countless days where his worries outweighed his hopes. The farmers he served were facing challenges, too – inadequate income, unpredictable weather, and limited access to quality agricultural inputs.

What obstacles had the business faced in obtaining finance from other sources, such as banks and other financial institutions?

One of the most significant challenges Bayezid faced was limited financial resources. He had a troubled history with loan sharks, who often resorted to extortion and intimidation to collect payments. This had a devastating effect on his business and emotional well-being.

Why did this business decide to seek financing through the fintech platform?

iFarmer stepped in with a tailored financial plan. They offered a line of credit that was not just a loan; it was an investment in his future. With this newfound financial freedom, he could expand his inventory, offer a wider range of products, and even hire additional staff to provide better customer service.

How has the received financing impacted the MSME business and operations?

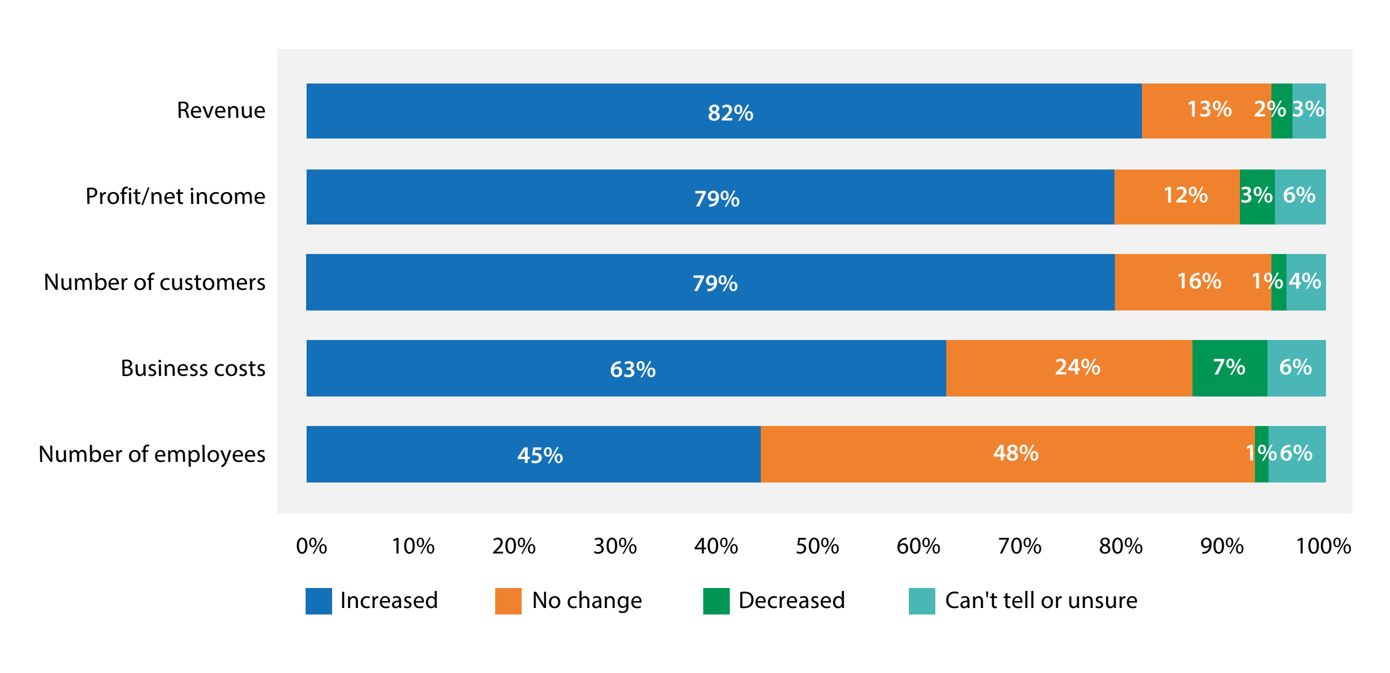
The impact was immediate. Farmers flocked to Masum Traders, drawn by the quality agri input products and the tailored advisory service that Bayezid offered. His business grew exponentially, and his stress was alleviated. Today, Masum Traders is more than just a shop; it is a community hub. Farmers come not just for supplies but also for advice and support. His story is a testament to the power of partnership and the transformative impact of financial support.

6. OUTCOME OF FINANCING

Analysing the impact of digital finance on various aspects of business is crucial to understanding the effects felt by MSMEs after receiving finance from fintechs. The direct effects of financing on business indicators such as revenue and costs signal the impact on the business operation and financial health. According to Adamek and Solarz (2023)[xxvi] in a study of Polish digital lending customers, a positive perception of the borrower's business financial health influences customers' attitude towards the use of digital lending services, improving the adoption of digital finance services. Likewise, the greater the use of digital finance products and services, the more support is expected in access to finance for MSMEs, which in turn, may also impact (positively) their relationship with traditional financial providers.

6.1. Impact on business indicators

Figure 18: Business change due to financing (n.819)



Source: Survey data

Overall, businesses reported an increase in their business performance as a result of financing through digital finance platforms. Access to finance through digital finance providers generated significant changes to MSMEs' business indicators; over three-quarters of businesses noted an increase in their revenue (82%), profit/net income (79%) and customer base (79%) (Figure 18). While this trend was particularly pronounced among sole traders, a significant majority of businesses (70%) across different sizes reported growth in these three metrics. The results for MSMEs that participated in this study were better for *'revenue'* and *'profit/net income'* compared to their peers from the ASEAN region who participated in the previous CCAF ASEAN *Access to Digital Finance Study* (2022),[xxvii] where most businesses also reported a positive impact in both indicators (about 60%).

Regarding employment, 48% of MSMEs reported no change in this indicator with another 6% (mainly sole traders and micro-entrepreneurs) unsure. However, more than half of medium and small businesses did report an increase in employment, highlighting varying workforce needs across different business sizes.

Conversely, most MSMEs reported an increase in their business costs due to digital financing, which was felt more by sole traders. The trend in increasing business costs was strongly related to the business size (sole trader: 70% increase; micro: 54% increase; small: 49% increase; medium-size: 46% increase). The smaller the business, the heavier the weight of the loan in these businesses' balance sheets.

PARTNER CASE STUDY

Fintech Platform

Funding Societies

MSME

Vinh Phat Company

Country

Viet Nam

Brief history of the entrepreneur

Nguyen Hai Thanh Binh launched his furniture business in 2014 with a vision to blend elegance with excellence in producing quality furniture. With a master's degree in finance and a career background in state-owned investment firms and water infrastructure, Binh's entry into the furniture world was initially a side project sparked by friends' encouragement. Begun in a modest 300m^2 factory for domestic clients, it quickly evolved by 2019 to become a sprawling 4,000m^2 facility.

What obstacles had the company faced in obtaining finance from other sources, such as banks and other financial institutions?

Vinh Phat Company navigated a turbulent financial landscape with resilience. Initially working with a financial institution, Nguyen Hai Thanh Binh transitioned to a traditional bank during the COVID-19 pandemic, seeking enhanced online services. Despite a long-standing relationship, the bank did not offer unsecured credit, and they also required collateral, specifically in the form of a family asset. Adding to the complexity, there was the relocation of the bank's branch manager, leaving Nguyen Hai Thanh Binh to forge a new connection with the bank from the ground up, transforming each challenge into an opportunity for reinvention.

Why did this company decide to seek financing through the fintech platform?

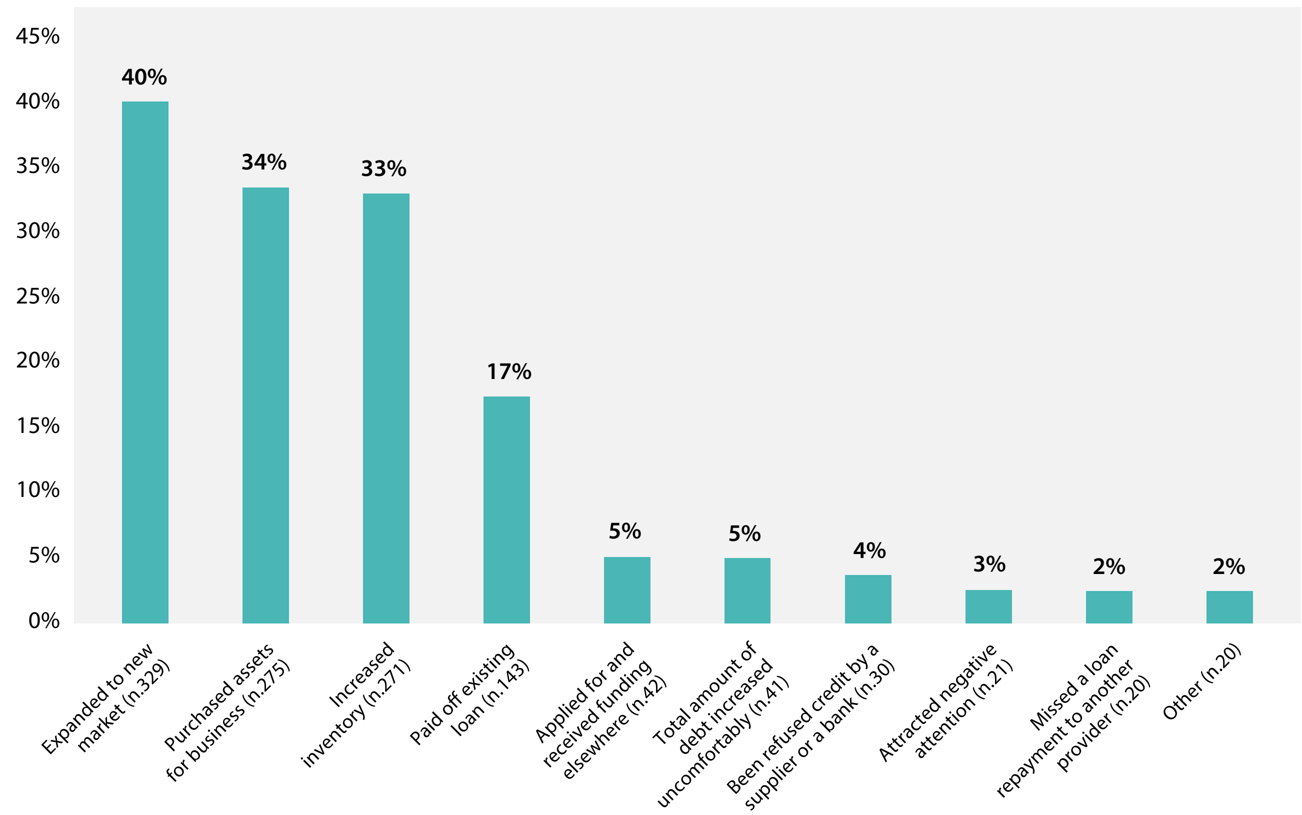
To overcome these hurdles in securing financial backing, Vinh Phat Company turned to Funding Societies, a game-changer in their quest for capital. Unlike a traditional bank, which required collateral and imposed stringent conditions on loans and credit facilities, Funding Societies stood out by offering unsecured credit with far more flexibility. The platform's user-friendly application process and adaptable terms provided Vinh Phat with a much-needed lifeline, perfectly tailored to meet the company's evolving financial needs and empower their continued growth.

How has the received financing impacted the MSME business and operations?

The infusion of funds from Funding Societies was a turning point for Vinh Phat Company, dramatically boosting its working capital. This surge in financial resources propelled the company's revenue from 18 billion VND in 2022, to a remarkable 34 billion VND in 2023. With enhanced cash flow, Vinh Phat was able to scale its operations, attracting more customers and efficiently managing the lengthy 120-150 day order cycle. This financial uplift not only spurred substantial revenue growth, but also fuelled significant business expansion. Vinh Phat Company had crossed international borders, marking its debut in the U.S. market. Today, Vinh Phat serves both locally and around the globe.

6.2. Direct effects of financing

Figure 19: Business impact due to financing



Source: Survey data

When asked about the consequences of financing from fintech providers, surveyed MSMEs reported more positive impacts than negative, highlighting the importance of access to finance for healthy business operations. The number one effect of financing was businesses expanding their operations (40%), particularly noted by medium and small enterprises (Figure 19). Further, about a third of surveyed MSMEs reported purchasing assets for their businesses and increasing their inventory/raw materials (34% and 33%, respectively), largely by small and micro businesses.

Additionally, 5% of respondents indicated that they 'applied for and received funding elsewhere' as a direct effect of fintech financing. A closer look at their subsequent financing sources shows that nearly half of these businesses obtained subsequent funding from traditional finance providers such as banks, a trend mainly observed among sole traders.

This aspect of fintech impact is significant, especially since businesses across Asia face challenges such as insufficient credit history and lack of collateral requirements when seeking financing from formal or traditional sources.[xxviii] Another 32% reported obtaining finance from other fintech platforms and smaller percentages from other sources such as private equity and government funds.

Fintech credit seems to have a positive effect on MSMEs' creditworthiness, as only 4% were refused credit by a supplier or a bank. This is significantly lower compared to their peers (reported 12% for the same indicator) in the ASEAN region, as described in the *ASEAN Access to Digital Finance Study* (2022).

Conversely, the top negative effects reported were that 5% of businesses experienced an uncomfortable increase in debt due to fintech financing and another 3% attracted negative attention.

PARTNER CASE STUDY

Fintech Platform

Validus

MSME

A Tuan Khang Joint Stock Company

Country

Viet Nam

Brief history of the company

A Tuan Khang Joint Stock Company, established in December 2003, with a factory located in Ben Tre, has laid a strong foundation for producing high-quality spice products. Overcoming numerous challenges, the company has positioned itself as a leading player in Viet Nam's traditional spice manufacturing and trading sector. The company offers a wide variety of products, including Ben Tre speciality coconut water, vinegars, satay preparations and other condiments that complement Vietnamese cuisine.

What obstacles had the company faced in obtaining finance from other sources, such as banks and other financial institutions?

A major challenge for MSMEs in Viet Nam is that most banks in Viet Nam require collateral for loan applications. Procedures are complex and involve lengthy pending periods for approvals, which stifle progress of MSME business operations who do not have the margin to sustain business while awaiting decisions.

Why did this company decide to seek financing through the fintech platform?

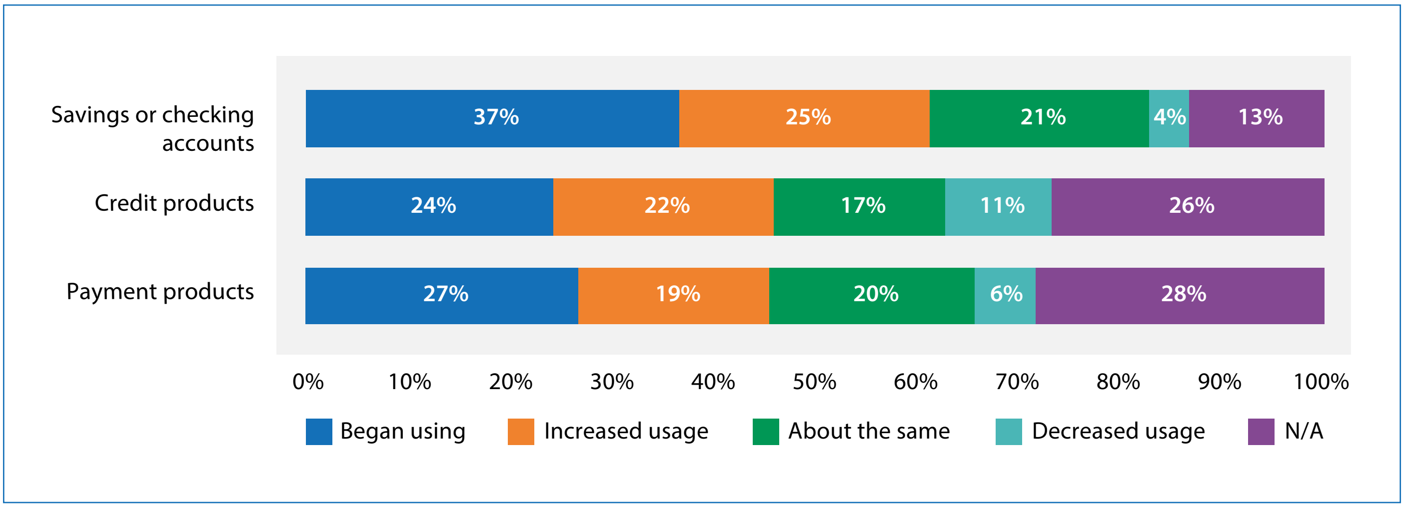
A Tuan Khang Joint Stock Company became aware of Validus through its invoice financing program in collaboration with Bach Hoa Xanh. In addition to providing prompt support, simple documentation procedures, and competitive interest rates, Validus offers a fully online onboarding and documentation process, facilitating easier access to capital. Validus also provides other solutions, including invoice financing and working capital loans, which help bridge capital shortfalls.

How has the received financing impacted the MSME business and operations?

Receiving funding enabled the company to expand its business and minimise cash flow for reinvestment in production and inventory procurement. This has resolved debt issues when supplying goods to supermarket chains, significantly increasing business revenue and helping the company navigate through economic challenges.

6.3. Impact on banking relationship

Figure 20: Traditional banking relationship impact (n.819)



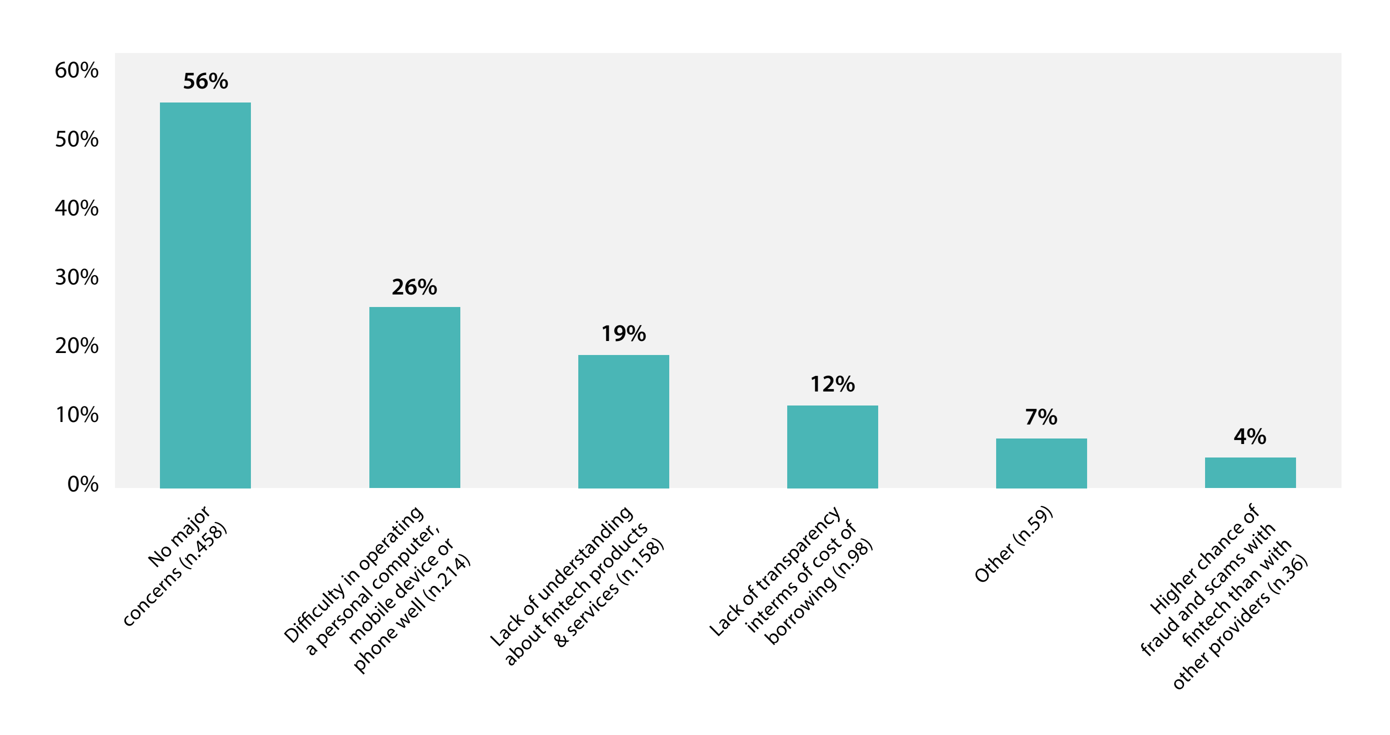
Source: Survey data

In general, MSMEs' relationships with traditional financial service providers such as banks increased as a result of financing through fintech platforms. Over 60% of businesses reported they began using or increased their usage of savings and checking accounts, a trend largely observed among micro and sole businesses (Figure 20). At the country level, more than 40% of MSMEs from Bangladesh and Pakistan reported that they had started to use savings and checking accounts, while one-third of respondents from India noted an increase in frequency of usage.

Further, more than 45% reported they began or increased their use of credit products (overdrafts, loan contracts) and payment products (cheques, debit/credit cards, PoS systems), particularly among small businesses. Many MSMEs operating in Bangladesh, India, Mongolia and Kazakhstan reported beginning to use credit and payment products, while a large number of businesses in Viet Nam reported an increase in their use of these products after financing through digital platforms. These results suggest that digital finance platforms are effectively enhancing financial inclusion and encouraging broader financial engagement and literacy among MSMEs, especially in Pakistan and Bangladesh, which, according to the World Bank Findex data (2021),[xxix] suffer more from low account ownership (21% and 53% respectively) and low credit/debit card ownership (8% and 5% respectively).

6.4. Concerns about using digital finance providers for business financing

Figure 21: Major concerns of business financing through digital finance providers



Source: Survey data

As noted in previous sections of this study, a negative user experience can lead to issues in the adoption of digital finance services, limiting financial inclusion and innovation. MSMEs were asked about their concerns toward using digital fintech providers in accessing finance for their businesses.

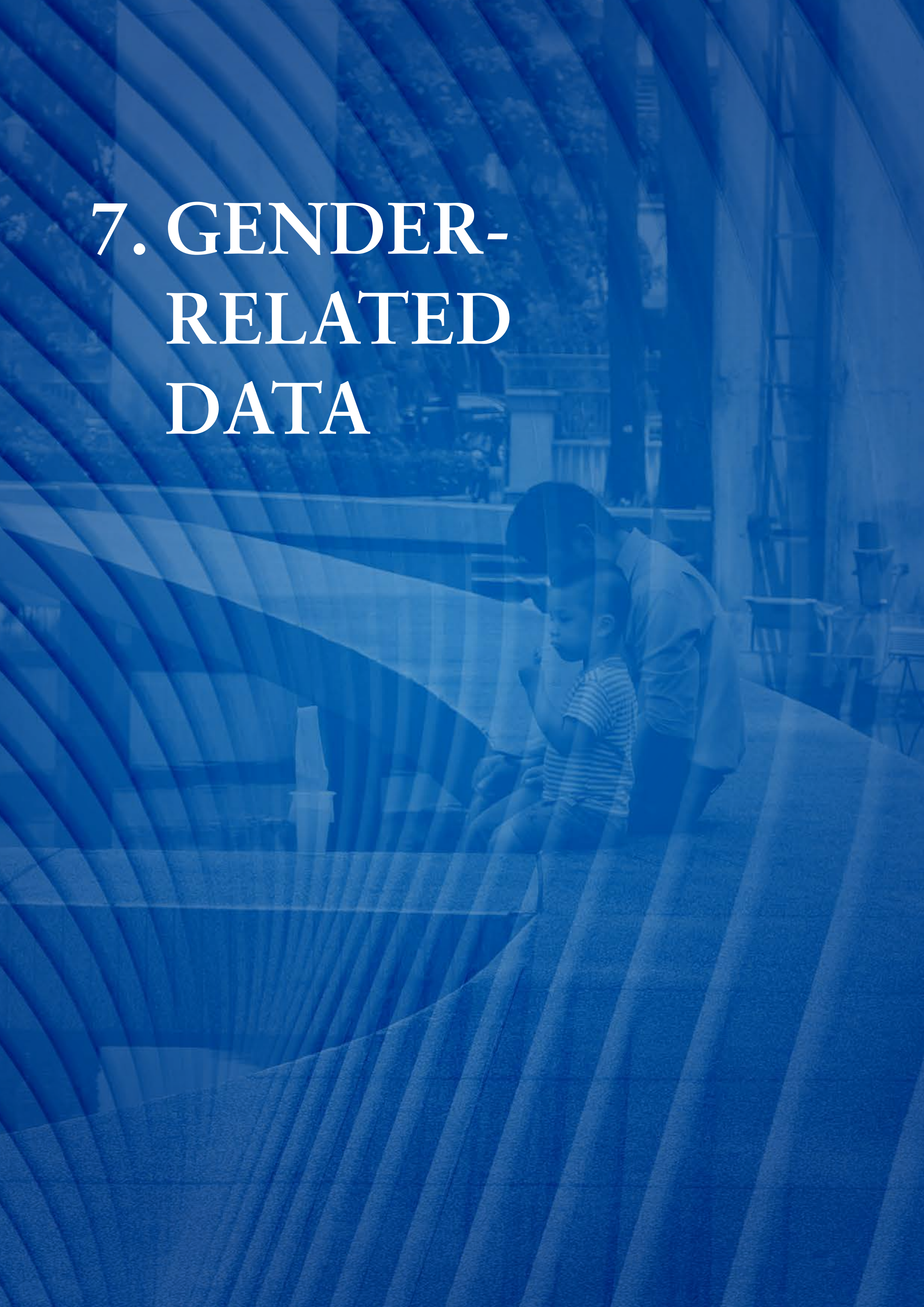
Over half of the surveyed MSMEs (56%) that financed their business through digital finance platforms reported no major concerns, indicating a strong positive perception and trust in fintech solutions (Figure 21). This suggests that fintech providers have successfully addressed major pain points for most users.

However, some challenges remain. Specifically, 26% of businesses cited difficulty in operating devices, which is particularly prevalent among respondents with lower education or below secondary level education. This highlights a need for user-friendly interfaces and better educational outreach for less tech-savvy users. More than half of the respondents from Bangladesh highlighted this issue.

Additionally, 19% of businesses reported a lack of understanding about fintech products and services, and 12% noted a lack of transparency in borrowing costs. These concerns were more common among those with undergraduate degrees and technical education, suggesting that even educated users need clearer information (transparency) and simpler terms from fintech providers. A relatively higher proportion of businesses from Viet Nam (35%) and India (24%) expressed concerns related to lack of understanding about fintech products and services. Similarly, around one-fifth of businesses in India, Mongolia and the PRC reported concerns about lack of transparency on borrowing costs.

Less than 5% of respondents felt there was a higher chance of fraud and scams with fintech providers compared to traditional finance providers. This indicates that overall trust in digital finance services is high among surveyed MSMEs in the Asia region.

7. GENDER-RELATED DATA



Globally, women-led businesses tend to encounter more barriers to accessing finance than their male peers. This is due to various factors, such as less asset ownership, smaller businesses, fewer employees, higher level of informality and more challenges in growing their business compared to male-led businesses.[xxx]

This results in a shorter credit history, widening the gender gap: according to the World Economic Forum (2024)[xxxi] today it would take 134 years to reach full gender parity. However, financial institutions can set gender-intentional strategies to improve womens' access to finance, such as gender-disaggregated data analysis to increase credit scores and lower financial risks, as evidence shows that women tend to have better loan repayment rates compared to men. Lenders can enlarge their portfolios by lowering risks and increasing the number of loans to female customers.

In this context, the study aims to provide a gender analysis that compares female-led and male-led businesses and an overview of the possible benefits of digital finance services towards financial inclusion - assuming that fintech firms are better positioned to offer innovative solutions to close gender gaps.

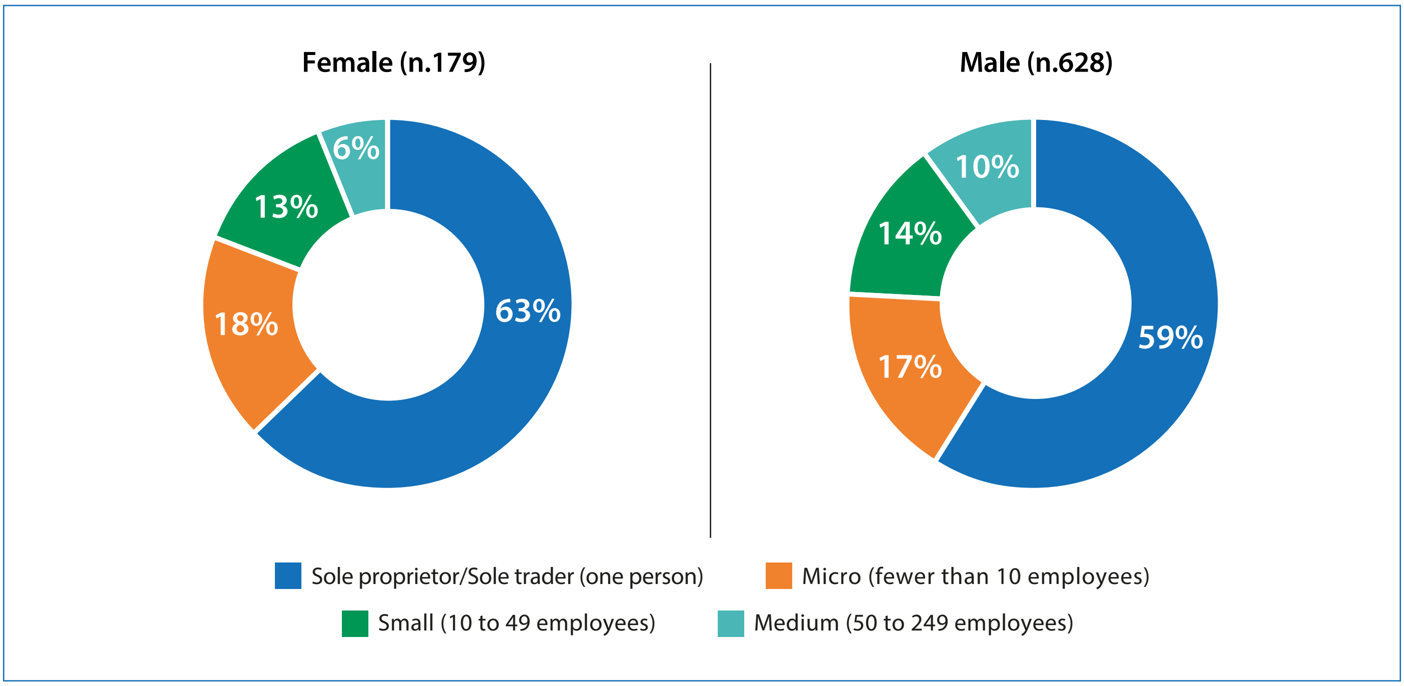
7.1. Demographics

The sample considered in this study has a high concentration of male respondents, which is to be expected given the market characteristics of many of the countries surveyed. For instance, South Asia has one of the lowest rates of female labour force participation (25.6%).[xxxii] Some of the economies we considered have a highly male-concentrated MSME market, as noted by the SME Finance Forum (2017), especially in Bangladesh, India and Pakistan (where 95%, 93%, and 92% of MSMEs were owned by males, respectively), along with Viet Nam (where 98% of MSMEs were owned by males).

Surveyed female owners tended to run smaller businesses. 81% of females reported they were sole traders or led micro enterprises, compared with 66% of males (Figure 22). This is in line with IFC (2023), which notes that female-led firms are smaller than the median size of MSMEs that look for traditional channels of financing. This characteristic sums up the financing constraints faced by women, who face significant challenges regarding collateral requirements.

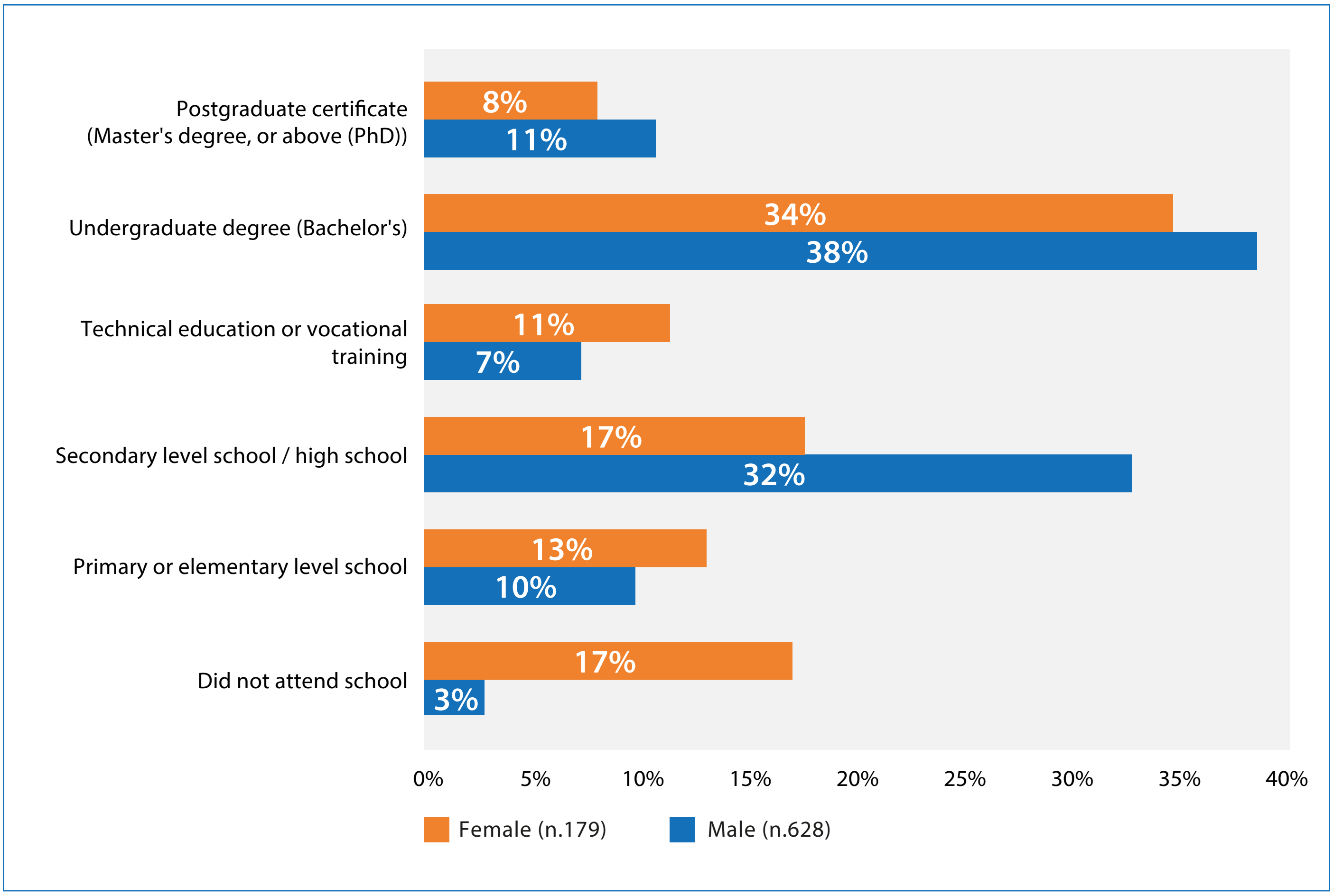
Additionally, in a similar trend, female owners had attained lower levels of education, with a much higher proportion (17%) of respondents who did not attend school, than males (3%). Conversely, there were more female owners with a technical education or vocational training (11%, compared with 7%) (Figure 23).

Figure 22: Gender-based demographics of survey distribution: business size



Source: Survey data

Figure 23: Gender-based demographics of survey distribution: education level



Source: Survey data

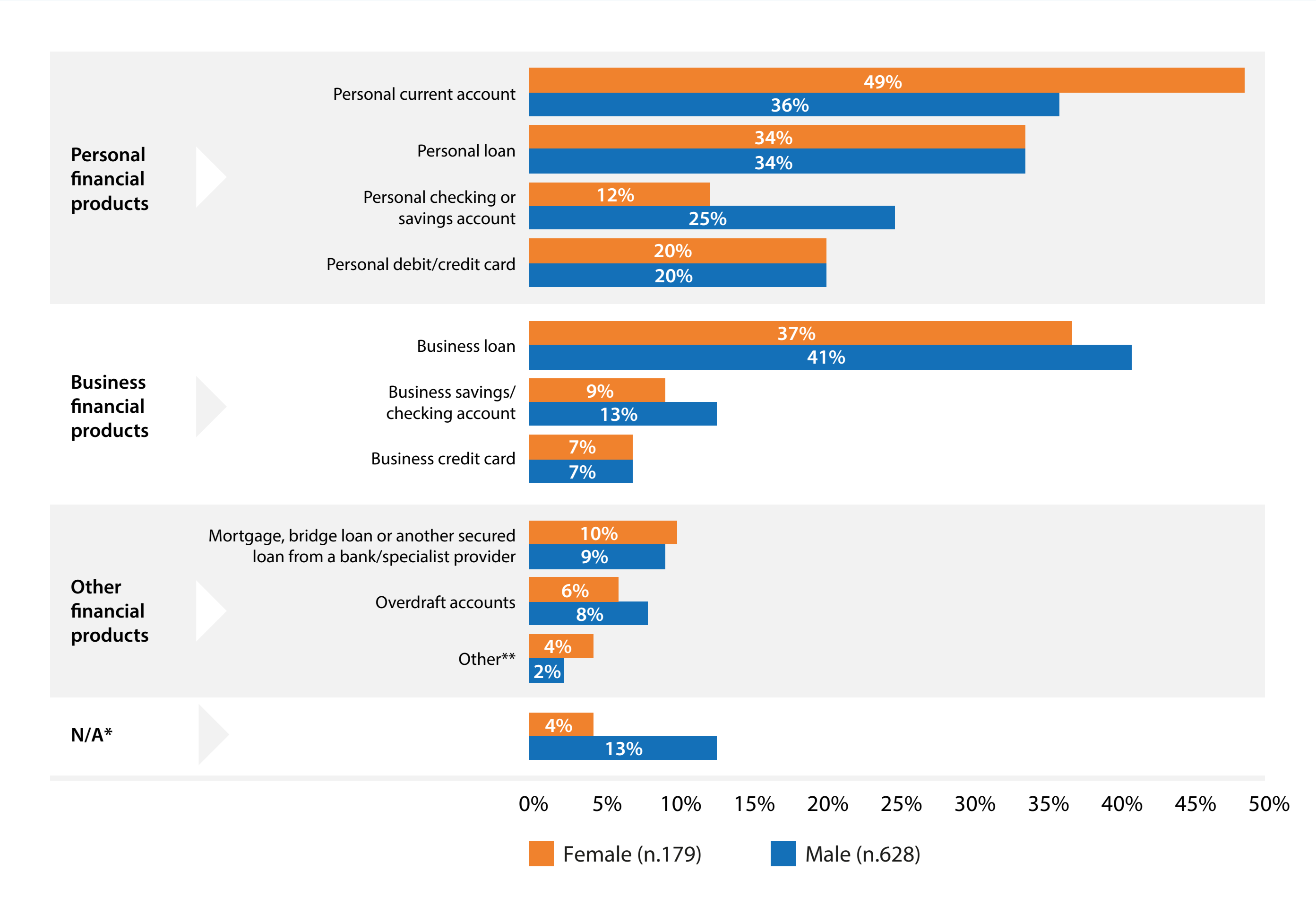
7.2. Use of traditional finance facilities

Measuring MSME owners' relationships with traditional finance provides an overview of the level of access to traditional financial products and reveals possible gaps. As highlighted by the IMF (2023), even with the rise in account ownership, the gender gap for this indicator is still substantial in many countries.[xxxiii]

Personal current accounts and personal and business loans were the most popular financial products among female and male entrepreneurs.

Gender analysis revealed that while 49% of female business owners had personal current accounts compared to 36% of male business owners, both genders equally had access to business loans (37-41%) and personal loans (34%). However, a notable disparity was observed in personal savings account ownership, with males twice as likely to have them (25% vs. 12%), suggesting potential gender differences in financial savings capacity (Figure 24).

Figure 24: Gender comparison: use of traditional finance in the past 12 months (2023)



Source: Survey data

*N/A: respondent had not used any traditional finance products/ services in the past 12 months (or throughout 2023).

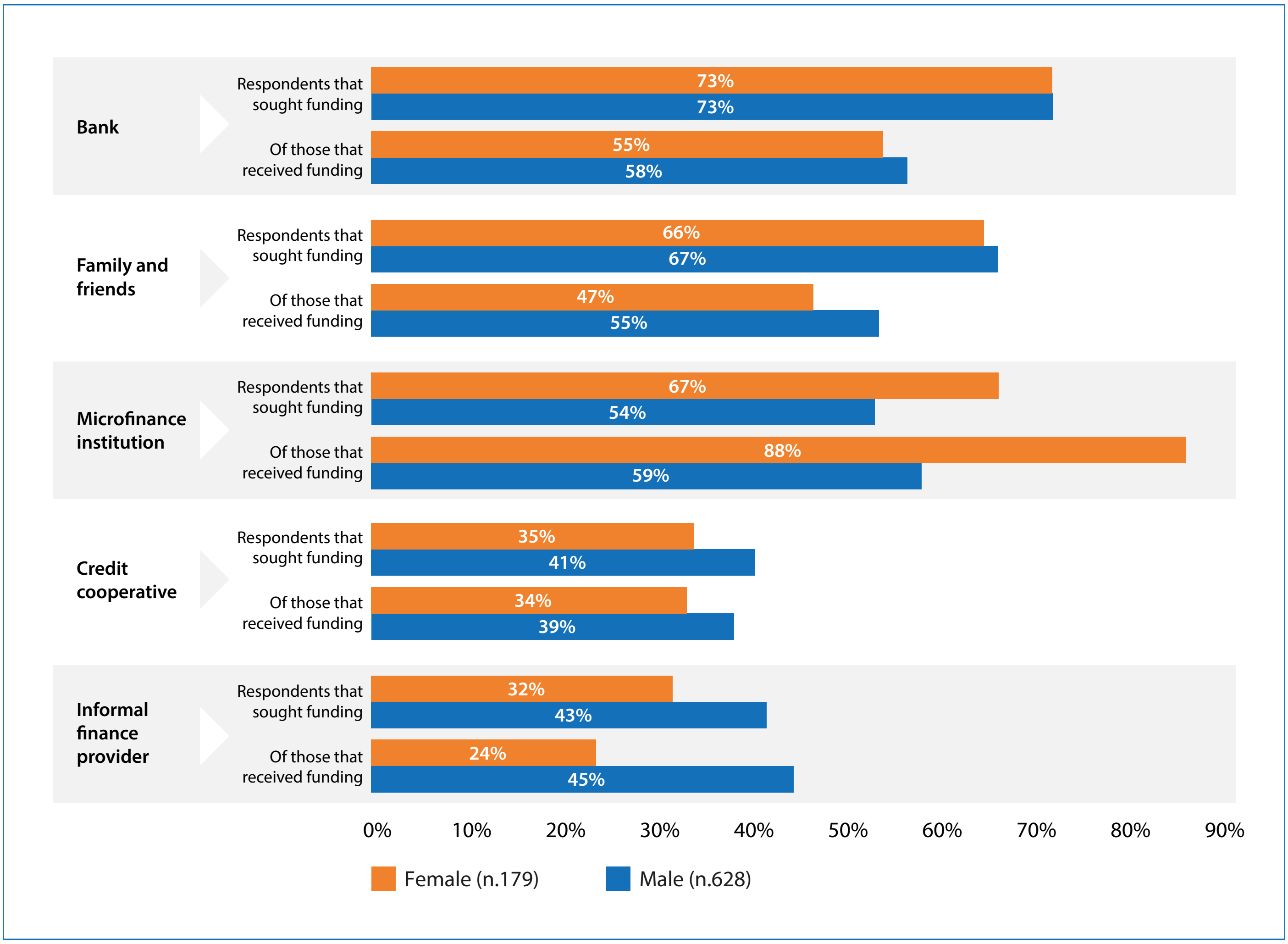
** Other financial products or instruments that may cater to businesses.

7.3. Previous financing from other sources

Before turning to a digital finance provider to support their business, females were less likely than males to have sought funding from other financial sources. For most sources, females tended to have a lower success rate than males.

Males were slightly more successful in receiving bank funding compared to females (55% vs. 58%), but females were significantly more successful in obtaining microfinance funding (88% vs. 59%), highlighting the role of microfinance in promoting gender equality. Research supports the role of microfinance in improving women's economic status, health, and education levels and highlights their higher repayment rates, indicating good credit risk.[xxxiv] Additionally, family and friends were slightly more supportive of males (55% vs. 47%) (Figure 25).

Figure 25: Gender comparison: previous financing applications from other sources



Source: Survey data

7.4. Amount borrowed

MSMEs owned by females had smaller loan tickets, on average, compared to males, with this trend seen across all business sizes. Female sole traders on average received a loan amounting to half the size of those given to males, and micro enterprises led by women received 13% less in comparison. However, female-run small businesses received, on average, a higher loan amount than males, suggesting that, once the business is more mature, the gender-gap tends to disappear (Table 6).

Table 6: Gender comparison: average amount borrowed in the past 12 months (2023)

Business size	Female	# observations	Male	# observations
Sole proprietor/Sole trader (one person)	USD 2,526	101	USD 5,059	307
Micro (fewer than 10 employees)	USD 4,752	21	USD 6,003	81
Small (10 to 49 employees)	USD 10,869	13	USD 9,558	54

Source: Survey data

Note: *Outliers and zero/nil values were excluded from calculations.

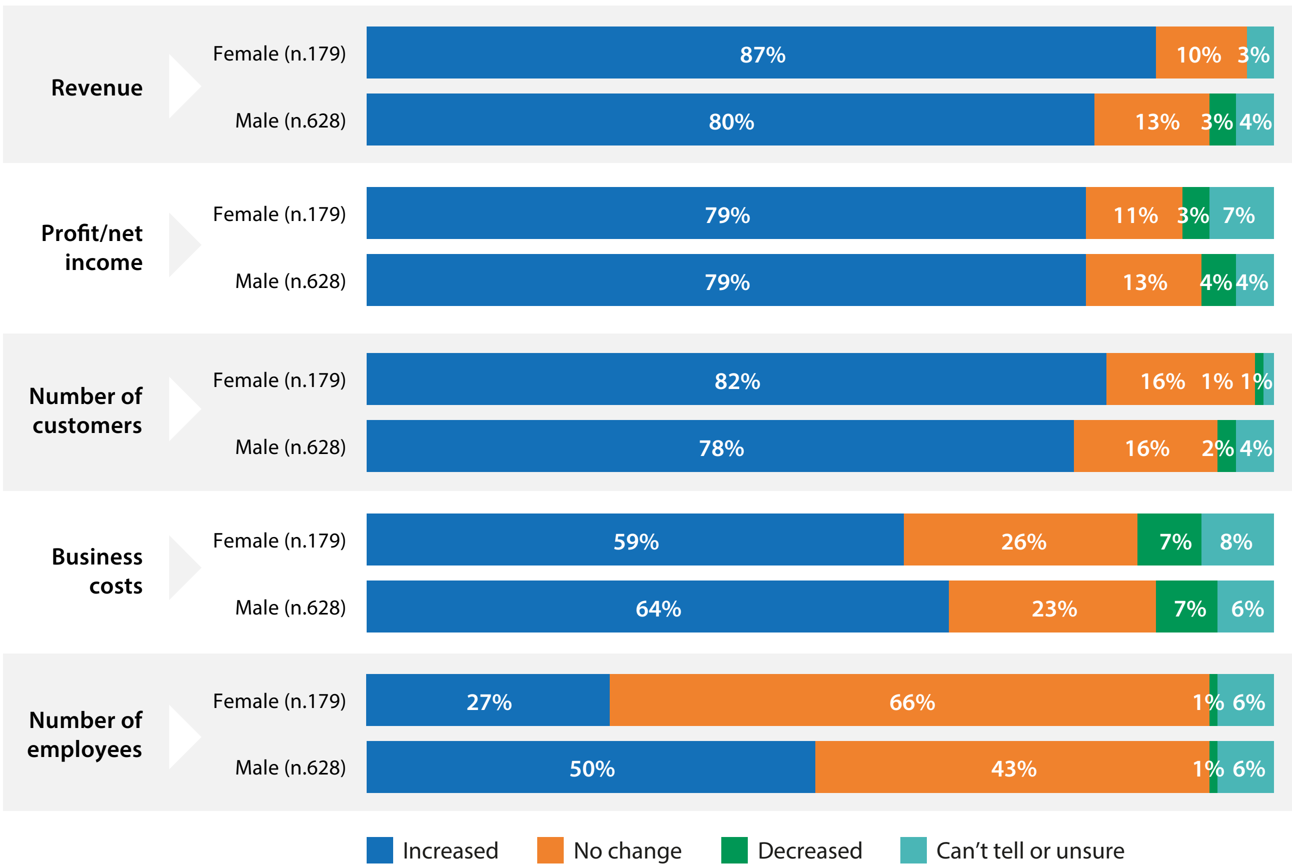
** Values for 'Medium' business size are not shown in the table due to low no. of observations for female respondents.

For female owners, the main purpose of financing was to start the business they were currently running (27%) or purchase raw materials to increase inventory (25%). This confirms a crucial feature of digital finance for female-led businesses: it is a catalytic factor for the initial steps of those entrepreneurs, who historically face more hardships in starting a business. This observation indicates that digital finance may contribute to enhancing financial inclusion and access to finance.

7.5. Outcome of financing

Female owners of MSMEs felt a more positive impact in some business indicators, reinforcing the potential of digital finance services for increasing financial inclusion. In general, positive outcomes were reported by both genders; however, proportionally, a greater share of females reported an increase in revenue and number of customers than males (87% vs 80% and 82% vs 78%, respectively). Additionally, proportionally slightly fewer females reported an increase in business costs than males (Figure 26).

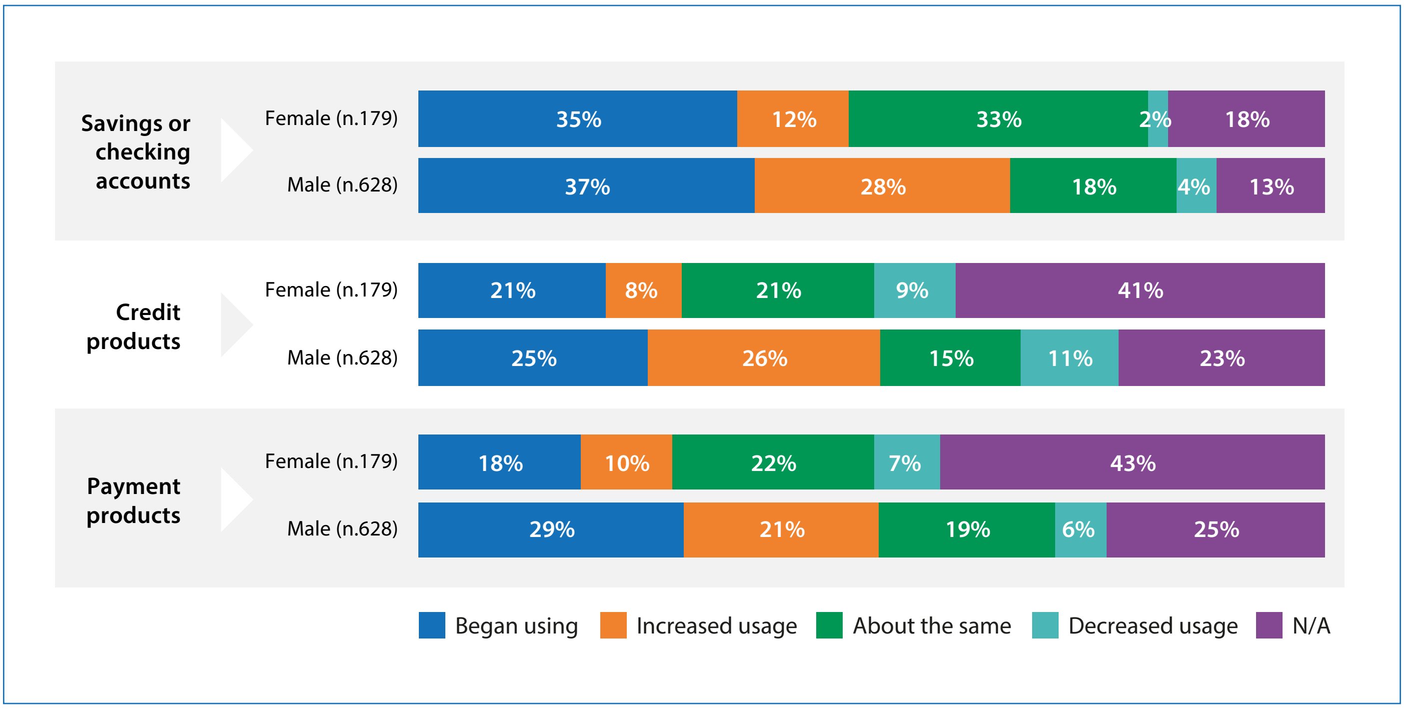
Figure 26: Gender comparison: business change due to financing



Source: Survey data

Lastly, when considering changes in the relationship with traditional finance (use of traditional finance products and services) after getting fintech funding, many surveyed female MSME owners reported positive results related to their use (began/increased usage) of different banking products such as savings/checking accounts, credit products, and payment products. However, compared to males, a relatively smaller proportion of female respondents reported they began using or increased usage across all indicators (Figure 27). These results show that, despite digital finance services improving overall financial inclusion, there is still potential for fintech firms to support closing the gender gap.

Figure 27: Gender comparison: change in traditional finance relationship



Source: Survey data

PARTNER CASE STUDY

Fintech Platform

Seed Out

MSME

Ms Razia Sultana

Country

Pakistan

Brief history of the entrepreneur & What obstacles had the business faced in obtaining finance from other sources, such as banks and other financial institutions?

Ms Razia Sultana is a single mother, who provides for her two daughters and two granddaughters who solely depend on her financially. She worked as a driving instructor for various companies but was paid below average. She reached out to various banks for loan to purchase a suitable car to enable her to work for herself, but was rejected.

Why did this business decide to seek financing through the fintech platform?

Looking for alternative ways, Ms Razia Sultana approached a digital finance provider in January 2018. Seed Out agreed to support her crowdfunding campaign and successfully raised an impressive PKR150,000 (USD $540), which coupled with her savings, enabled her to buy a car. Set in the context of the rising trend of female drivers in Pakistan, this moment marked a turning point for Ms Razia's enterprise and she was able to start offering driving lessons to women.

How has the received financing impacted the MSME business and operations?

Ms Razia was able to return the interest-free loan granted to her by Seed Out within two years and she now runs her own driving school that empowers women by supporting gender equality. The single successful moment of visionary support from Seed Out changed the outlook for Ms Razia's family and of those whom her enterprise helped to train. Seed Out approach to not lend money directly to the borrowers but rather to materials required for them to either start a business or power an already running setup, is driven by the motto to empower, with a mission that is not charity but micro-investments to raise entrepreneurs, educate children and ultimately eradicate poverty.

8. CONCLUSION

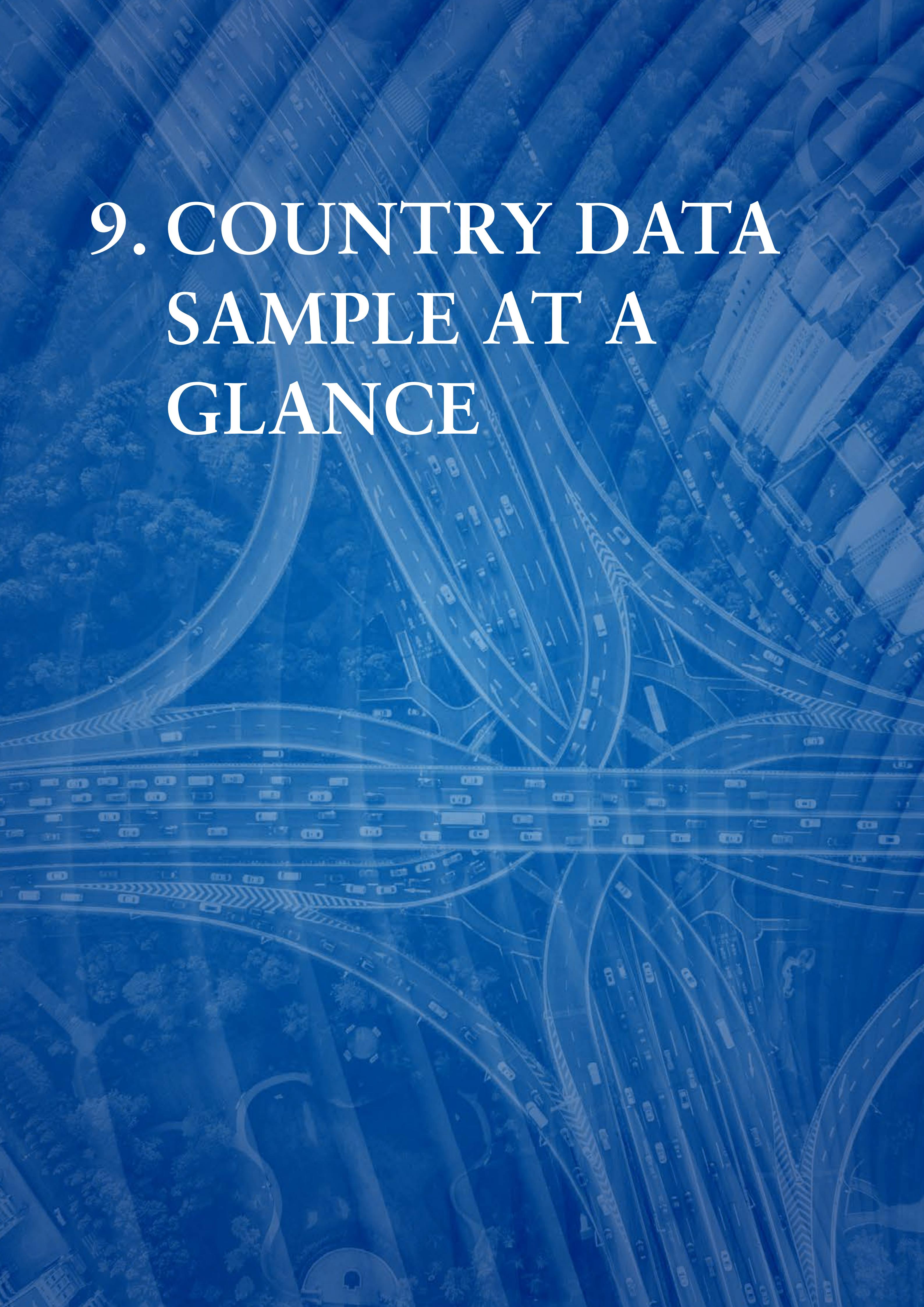
The empirical data and insights in this report illustrate how digital finance platforms fulfil the financing needs of MSMEs by offering access to finance and facilitating their financial growth. The report highlights the key aspects of MSME financing with digital finance providers, showcasing the positive outcomes of such financing for successful business operations. In addition, we have also seen how fintech providers' ability to offer quicker loans with flexible terms and better approval rates has been one of the most important factors in MSME's decision-making process.

For most MSMEs, the aim of the financing was to cope with short-term working capital requirements through small-ticket loans, however, these were only able to cover part of their business financing requirements. Despite fintech efforts to reach such underserved micro and small businesses, particularly in EMDEs, there is still a need for more collective and collaborative efforts among various financial ecosystem stakeholders in bridging the financing gap.

Furthermore, the study highlights the need for promoting adequate disclosure, about the terms of borrowing, and digital financial literacy among the users to facilitate more inclusive and sustainable development. The gender data shows that digital finance supports women in small businesses through their initial entrepreneurship phase, however, more comprehensive research is needed to understand the impact of digital finance on women entrepreneurship.

The report intends to be informative to financial service providers, businesses, regulators, policymakers and other key stakeholders in the financial services ecosystem. We hope that the insights from this study can support evolving regulations and policies and further enable the growth of the fintech ecosystem while protecting customers' interests.

9. COUNTRY DATA SAMPLE AT A GLANCE



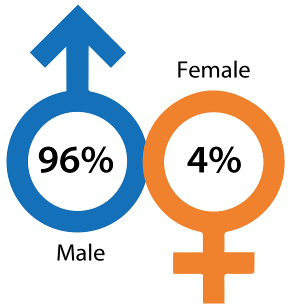
Bangladesh
(n.247)

DEMOGRAPHICS AND BUSINESS STRUCTURE

Distribution of respondents by age

4%	26%	42%	21%	7%
18-24	25-34	35-44	45-54	55-64

Gender



Distribution of respondents by level of education

4%	19%	41%	2%	24%	10%
Did not attend school	Primary or elementary level school	Secondary level school / high school	Technical education or vocational training	Undergraduate degree (bachelors)	Postgraduate certificate, master's degree, or above (PhD)

Distribution by business size

- 75% Sole proprietor/ Sole trader (one person)
- 11% Micro (fewer than 10 employees)
- 10% Small (10 to 49 employees)
- 4% Medium (50 to 249 employees)

Distribution by business sector – Top three

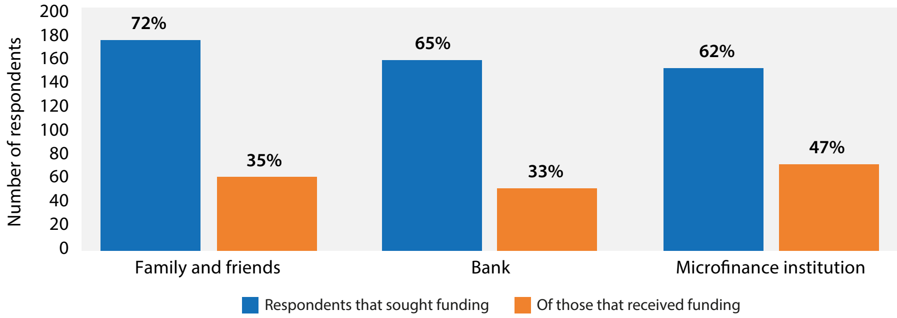
- 68% Agriculture and allied activities
- 25% Trade (retail and wholesale)
- 2% Manufacturing and engineering

Distribution by mode of operation – Top three

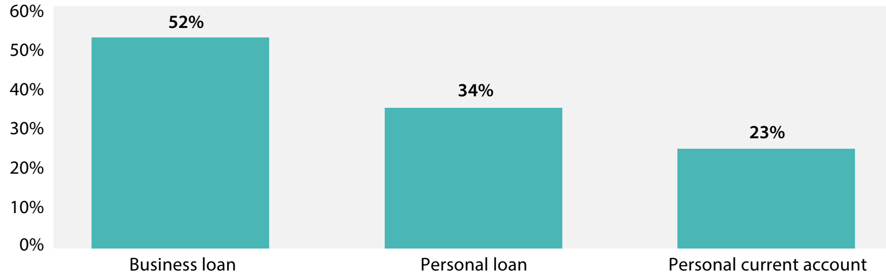
- 64% Merchant with store (separate premises)
- 18% Operated from residence
- 8% Retail agent

RELATIONSHIP WITH TRADITIONAL FINANCE

Top three sought after sources of funding before fintech

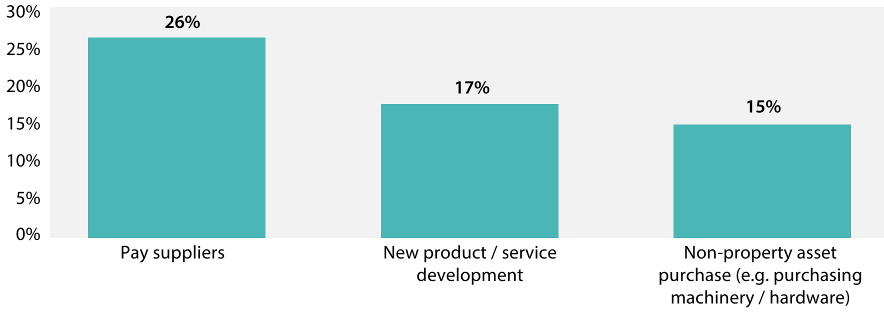


Top three traditional finance products used

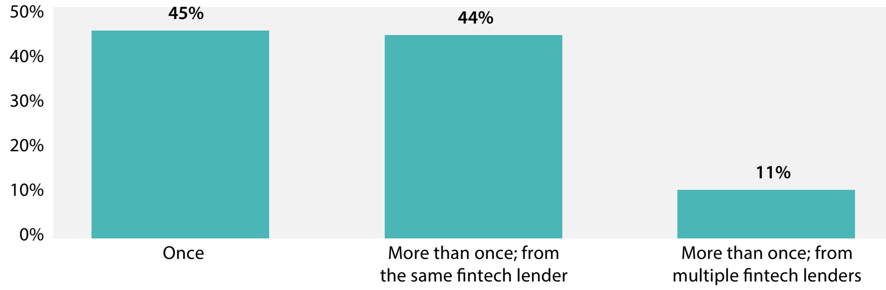


FINANCING EXPERIENCE

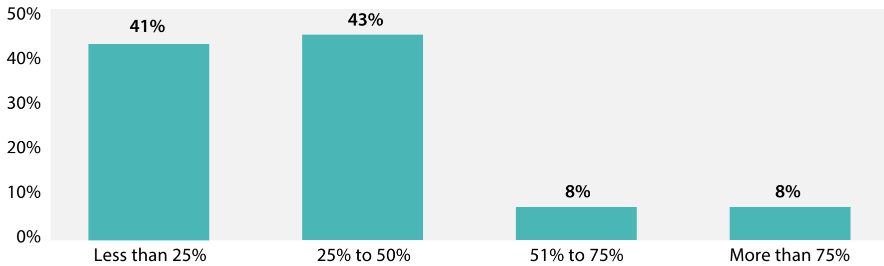
Top three main reasons for borrowing from fintech providers



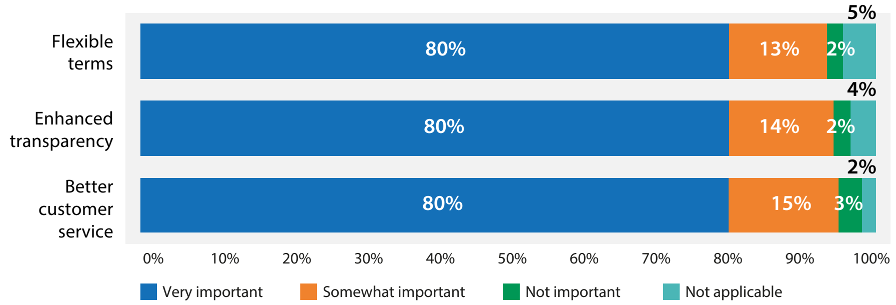
Frequency of use of fintech platforms



Business financing needs met through digital finance



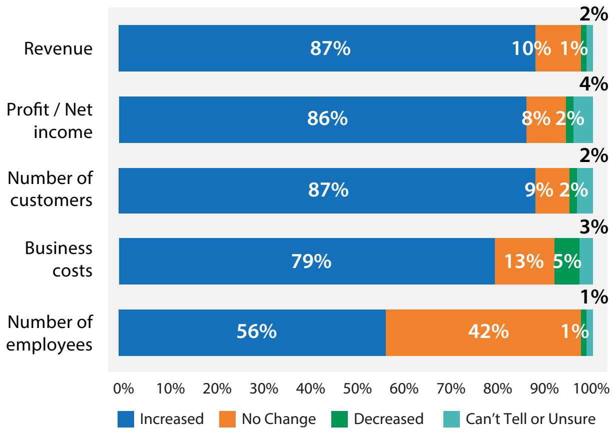
Top three decision making factors



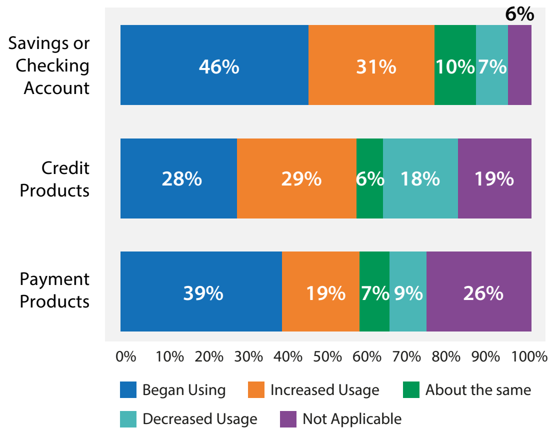
The median amount borrowed by MSME respondents was USD 4,860 and the average was USD 6,637 for the period of 12 months (or throughout 2023)

OUTCOME OF FINANCING

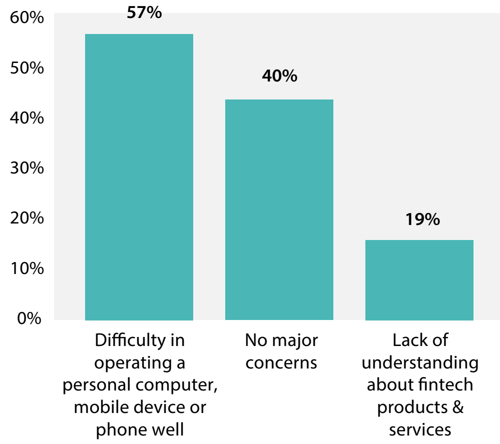
Business Indicators Impact



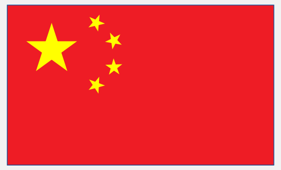
Impact on banking relationship



Top three concerns - business financing through digital finance providers



People's Republic of China (n.107)



DEMOGRAPHICS AND BUSINESS STRUCTURE

Distribution of respondents by age

- 27% — 25-34
- 50% — 35-44
- 23% — 45-54

Gender

- Male 68%
- Female 28%
- Prefer not to say 4%

Distribution of respondents by level of education

- 1% — Did not attend school
- 1% — Primary or elementary level school
- 36% — Secondary level school / high school
- 16% — Technical education or vocational training
- 37% — Undergraduate degree (bachelors)
- 9% — Postgraduate certificate, master's degree, or above (PhD)

Distribution by business size

- 26% — Sole proprietor/ Sole trader (one person)
- 25% — Micro (fewer than 10 employees)
- 21% — Small (10 to 49 employees)
- 28% — Medium (50 to 249 employees)

Distribution by business sector – Top three

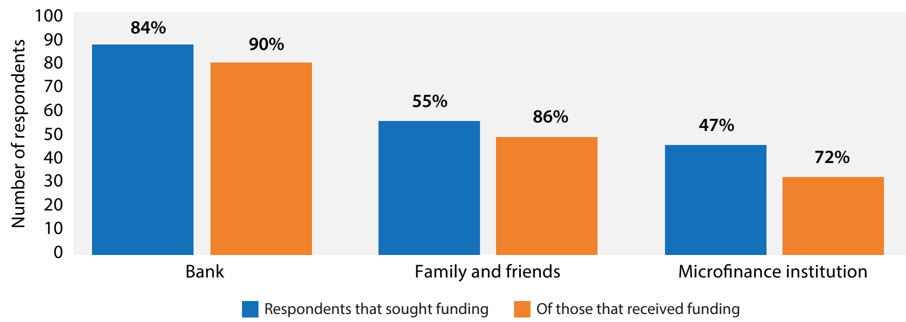
- 28% — Trade (retail and wholesale)
- 21% — Hospitality
- 10% — Agriculture and allied activities

Distribution by mode of operation – Top three

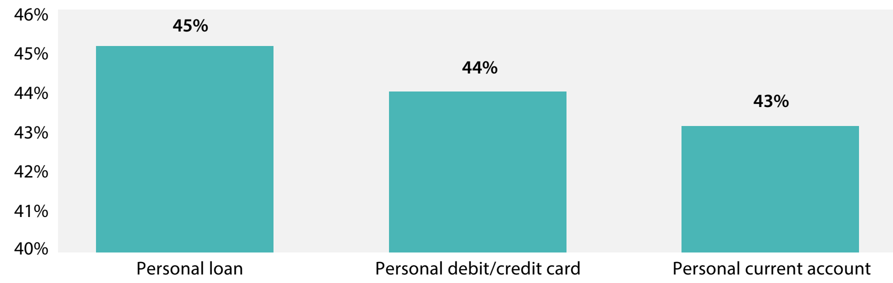
- 74% — Merchant with store (separate premises)
- 17% — Office/Factory/ Industrial building
- 3% — Merchant without store
- 3% — Retail agent

RELATIONSHIP WITH TRADITIONAL FINANCE

Top three sought after sources of funding before fintech

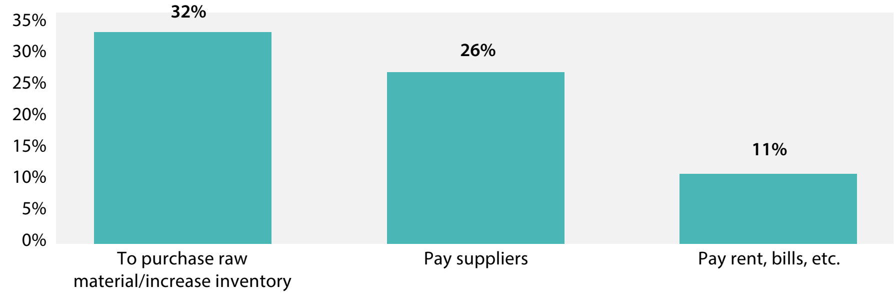


Top three traditional finance products used

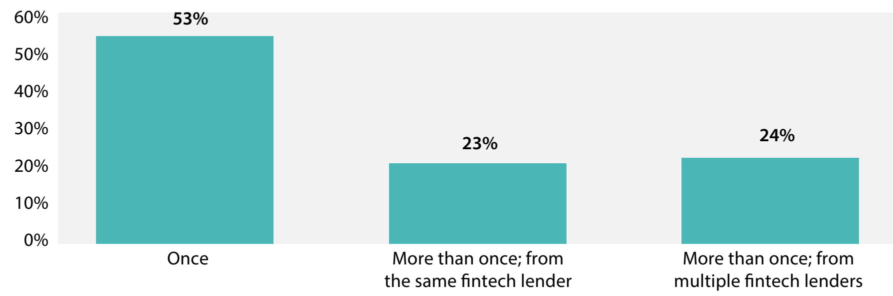


FINANCING EXPERIENCE

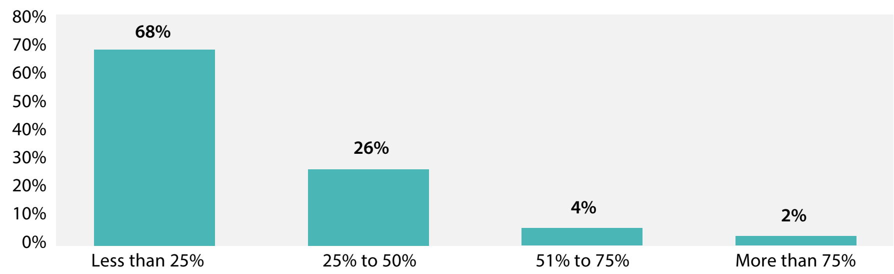
Top three main reasons for borrowing from fintech providers



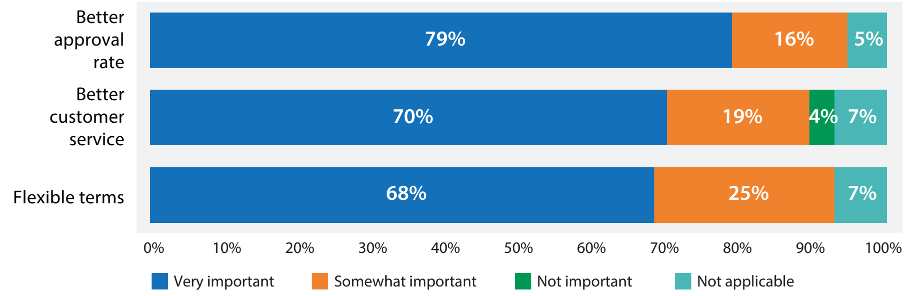
Frequency of use of fintech platforms



Business financing needs met through digital finance



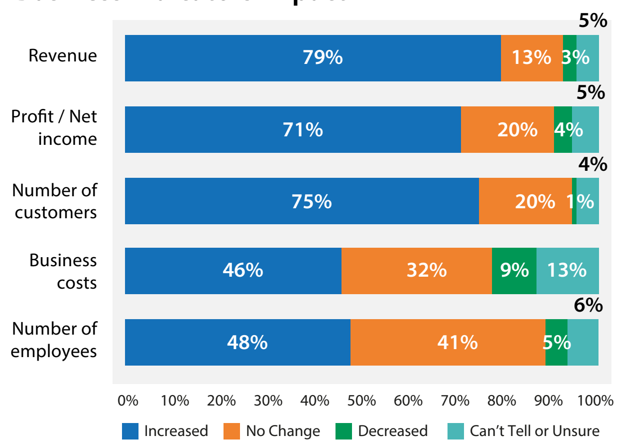
Top three decision making factors



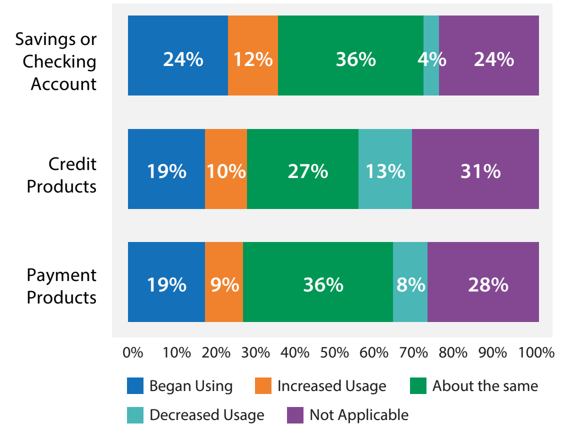
The median amount borrowed by MSME respondents was USD 14,020 and the average was USD 13,978 for the period of 12 months (or throughout 2023)

OUTCOME OF FINANCING

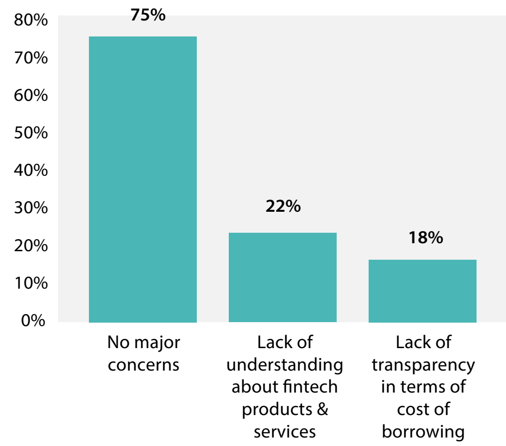
Business Indicators Impact



Impact on banking relationship



Top three concerns - business financing through digital finance providers



India
(n.185)

DEMOGRAPHICS AND BUSINESS STRUCTURE

Distribution of respondents by age

1%	16%	45%	27%	9%	2%
Below 18	18-24	25-34	35-44	45-54	55-64

Gender

Male 88%

Female 10%

Non-binary **1%**

Prefer not to say **1%**

Distribution of respondents by level of education

2%	4%	34%	8%	41%	11%
Did not attend school	Primary or elementary level school	Secondary level school / high school	Technical education or vocational training	Undergraduate degree (bachelors)	Postgraduate certificate, master's degree, or above (PhD)

Distribution by business size

59% Sole proprietor/ Sole trader (one person)

21% Micro (fewer than 10 employees)

13% Small (10 to 49 employees)

7% Medium (50 to 249 employees)

Distribution by business sector – Top three

43% Trade (retail and wholesale)

10% Financial services

9% Manufacturing and engineering

Distribution by mode of operation – Top three

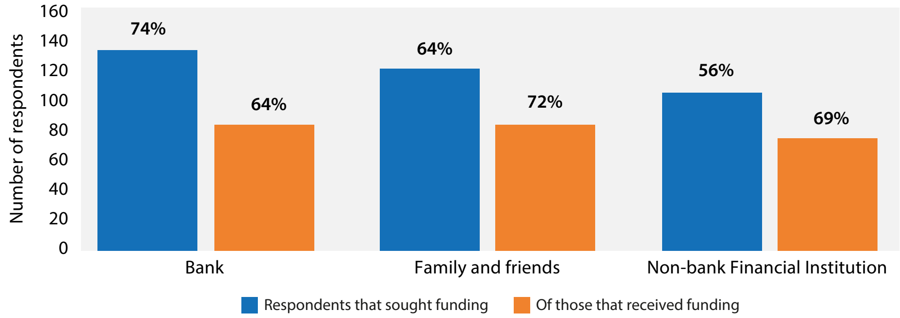
37% Merchant with store (separate premises)

15% Retail agent

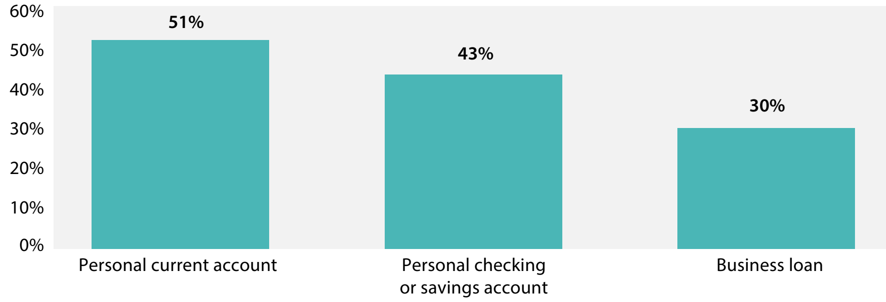
14% Office/Factory Industrial building

RELATIONSHIP WITH TRADITIONAL FINANCE

Top three sought after sources of funding before fintech

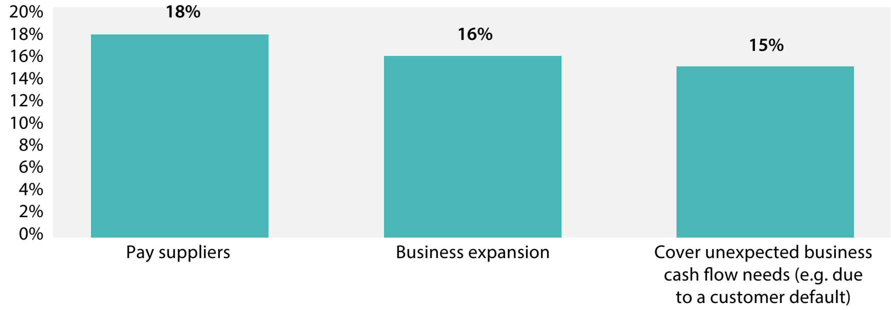


Top three traditional finance products used

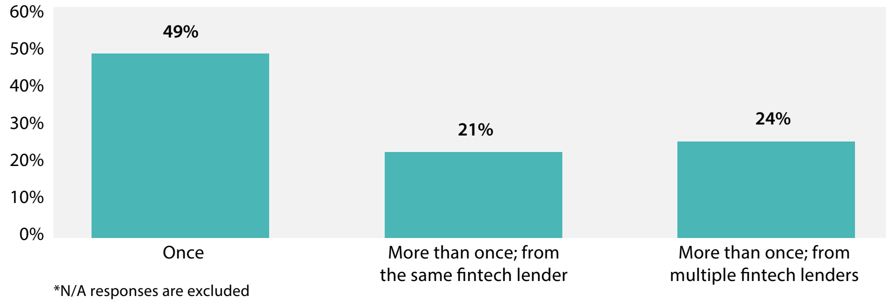


FINANCING EXPERIENCE

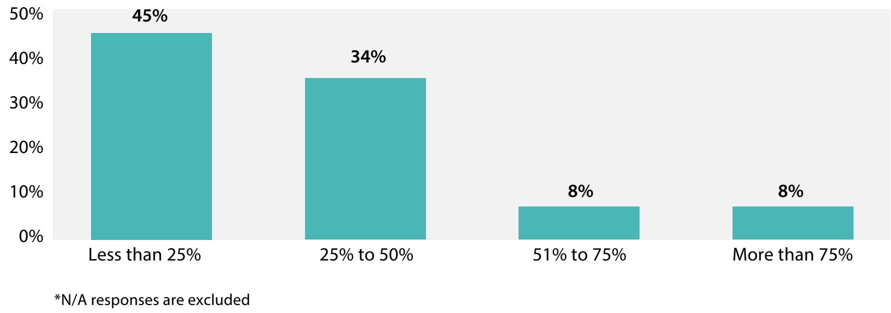
Top three main reasons for borrowing from fintech providers



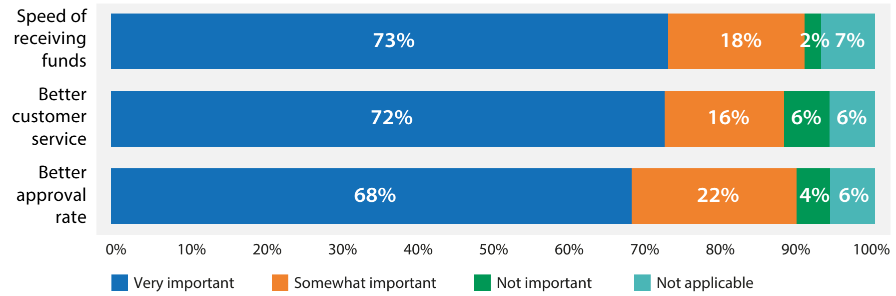
Frequency of use of fintech platforms



Business financing needs met through digital finance



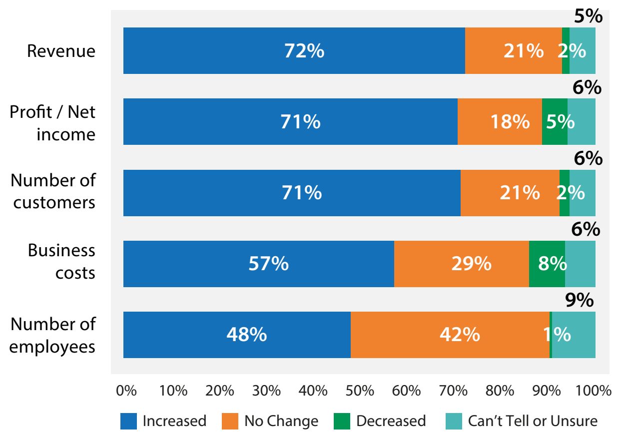
Top three decision making factors



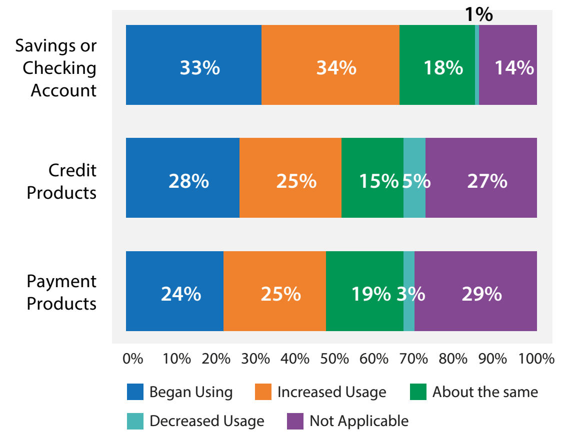
The median amount borrowed by MSME respondents was USD 1,200 and the average was USD 5,009 for the period of 12 months (or throughout 2023)

OUTCOME OF FINANCING

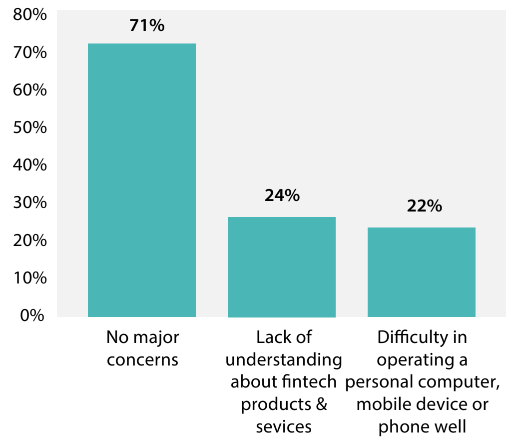
Business Indicators Impact



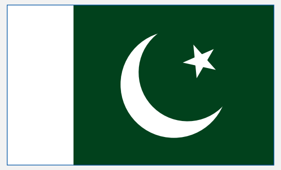
Impact on banking relationship



Top three concerns - business financing through digital finance providers

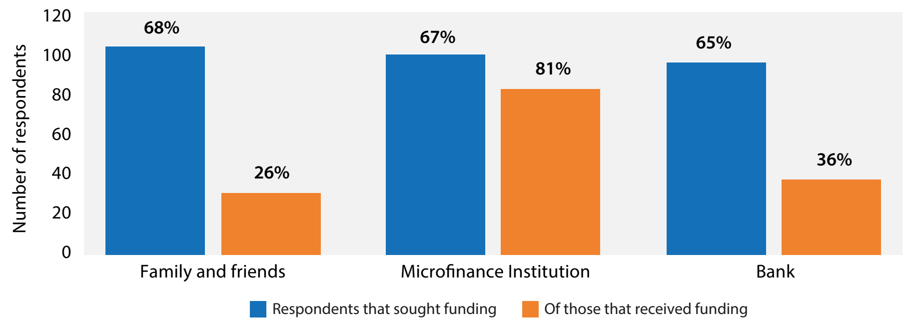


Pakistan
(n.152)

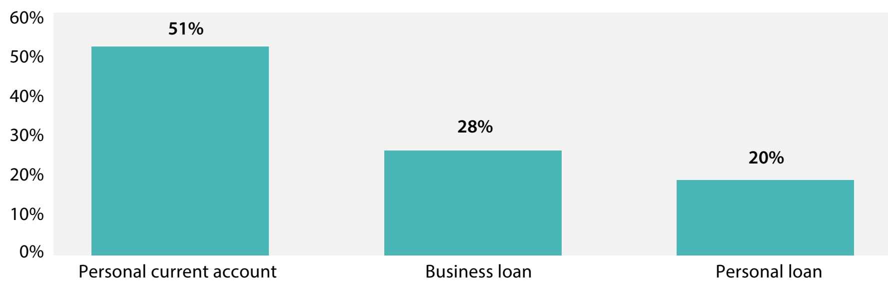


RELATIONSHIP WITH TRADITIONAL FINANCE

Top three sought after sources of funding before fintech



Top three traditional finance products used

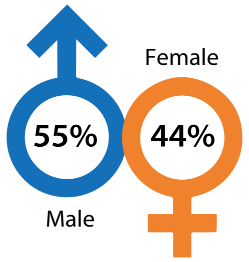


DEMOGRAPHICS AND BUSINESS STRUCTURE

Distribution of respondents by age

18-24	25-34	35-44	45-54	55-64	Above 65
5%	34%	37%	18%	5%	1%

Gender



Prefer not to say 1%

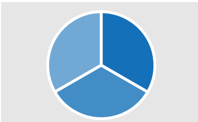
Distribution of respondents by level of education

Did not attend school	Primary or elementary level school	Secondary level school / high school	Technical education or vocational training	Undergraduate degree (bachelors)	Postgraduate certificate, master's degree, or above (PhD)
21%	18%	16%	6%	28%	11%

Distribution by business size

- 75% Sole proprietor/ Sole trader (one person)
- 11% Micro (fewer than 10 employees)
- 8% Small (10 to 49 employees)
- 6% Medium (50 to 249 employees)

Distribution by business sector – Top three



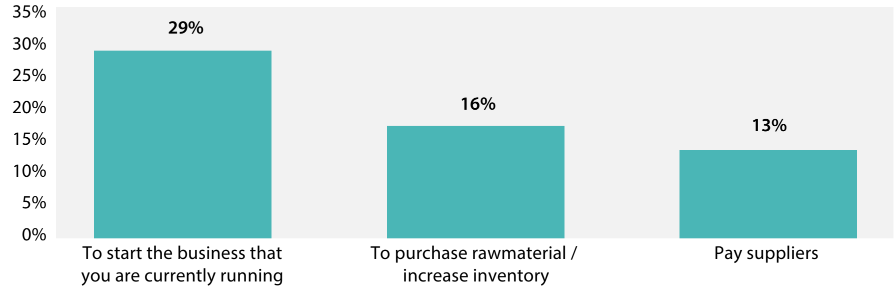
- 41% Trade (retail and wholesale)
- 13% Other services (freelancer or gig worker e.g. delivery/ rideshare driver)
- 12% Manufacturing and engineering

Distribution by mode of operation – Top three

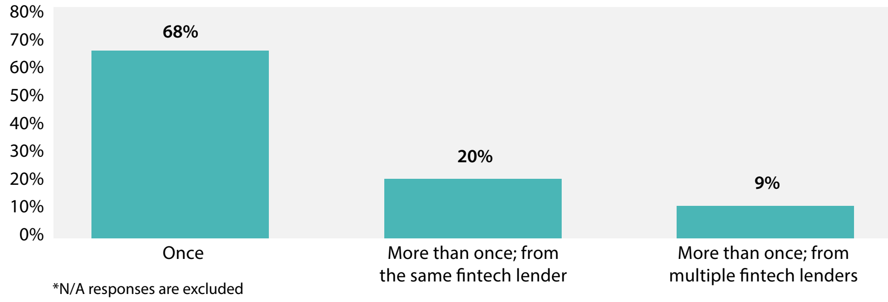
- 45% Operated from residence
- 21% Merchant with store (separate premises)
- 13% Office/Factory/ Industrial building

FINANCING EXPERIENCE

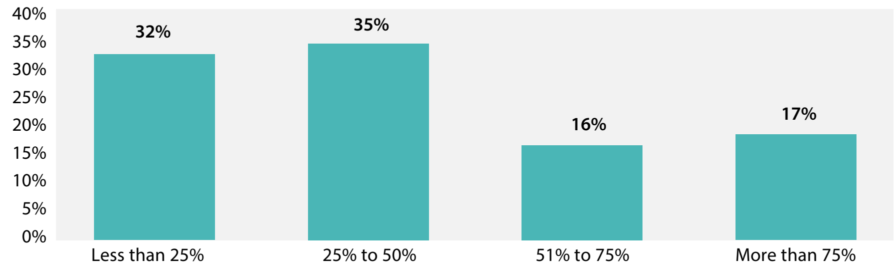
Top three main reasons for borrowing from fintech providers



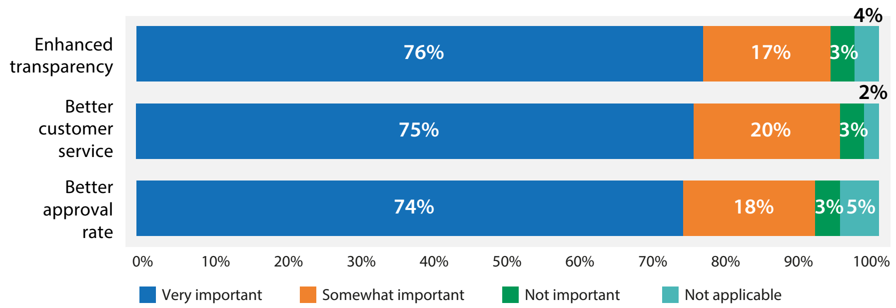
Frequency of use of fintech platforms



Business financing needs met through digital finance



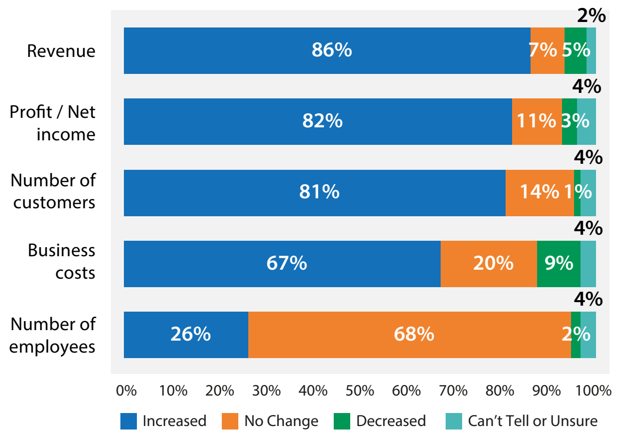
Top three decision making factors



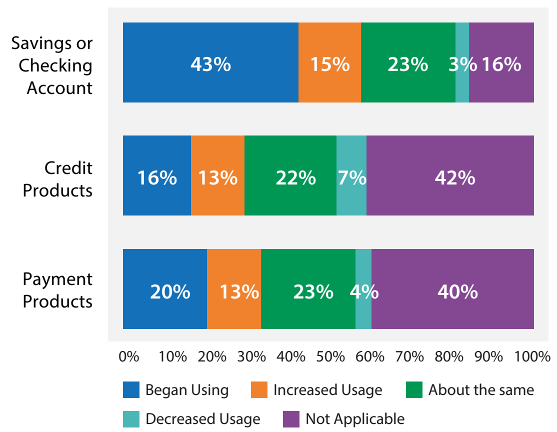
The median amount borrowed by MSME respondents was USD 360 and the average was USD 1,056 for the period of 12 months (or throughout 2023)

OUTCOME OF FINANCING

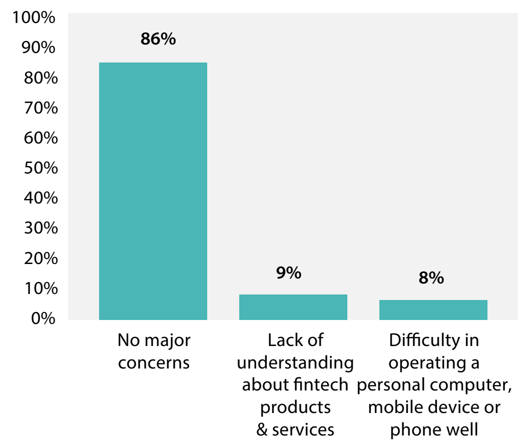
Business Indicators Impact



Impact on banking relationship



Top three concerns - business financing through digital finance providers



Viet Nam

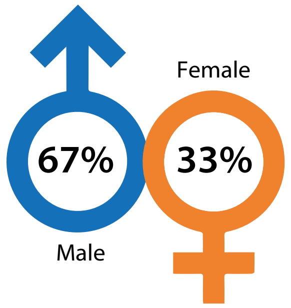
(n.52)

DEMOGRAPHICS AND BUSINESS STRUCTURE

Distribution of respondents by age

18-24	25-34	35-44	45-54
2%	29%	44%	25%

Gender



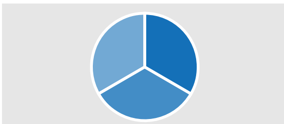
Distribution of respondents by level of education

- 4% Secondary level school / high school
- 13% Technical education or vocational training
- 81% Undergraduate degree (bachelors)
- 2% Postgraduate certificate, master's degree, or above (PhD)

Distribution by business size

- 13% Sole proprietor/ Sole trader (one person)
- 37% Micro (fewer than 10 employees)
- 40% Small (10 to 49 employees)
- 10% Medium (50 to 249 employees)

Distribution by business sector – Top three



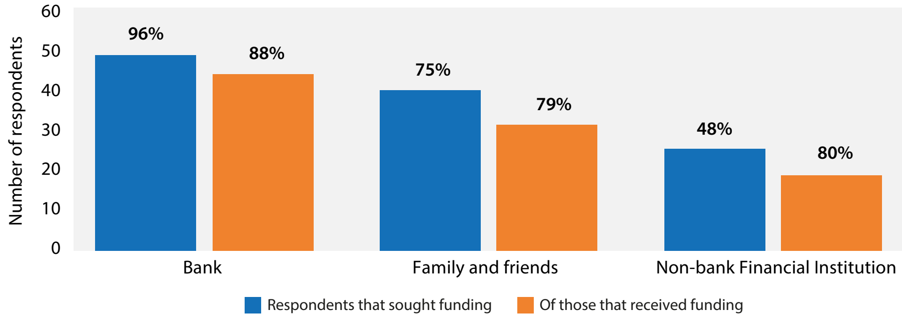
- Trade (retail and wholesale) 50%
- Manufacturing and engineering 21%
- Construction & building materials 6%
- Media, film and entertainment 6%

Distribution by mode of operation – Top three

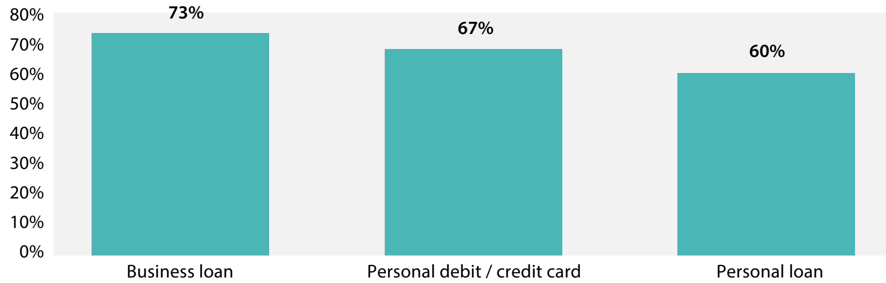
- 56% Merchant with store (separate premises)
- 27% Office/Factory/ Industrial building
- 6% Operated from residence

RELATIONSHIP WITH TRADITIONAL FINANCE

Top three sought after sources of funding before fintech

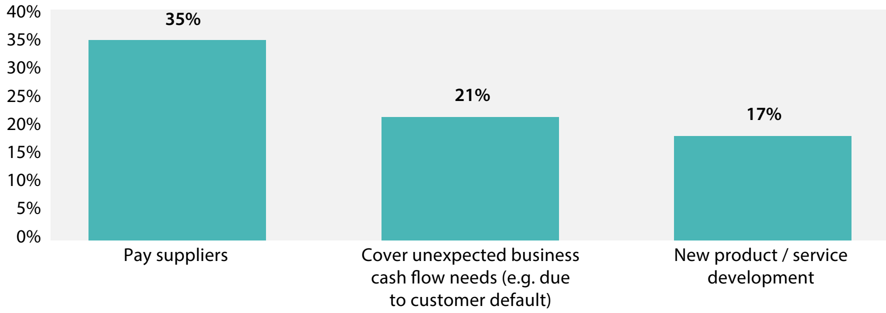


Top three traditional finance products used

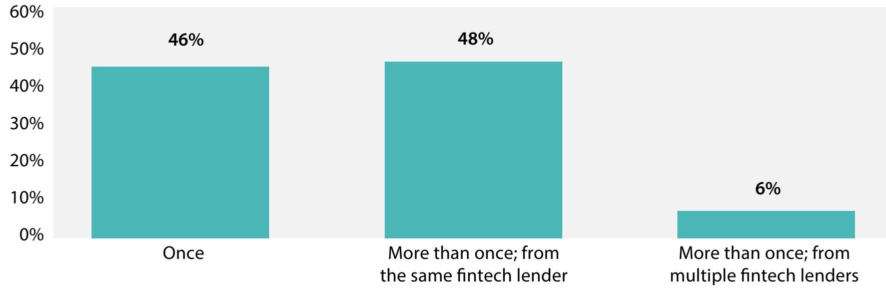


FINANCING EXPERIENCE

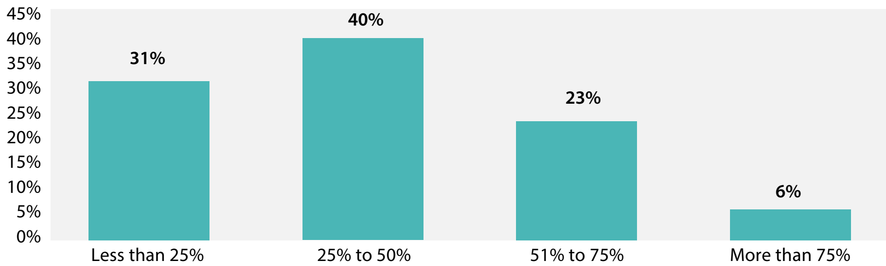
Top three main reasons for borrowing from fintech providers



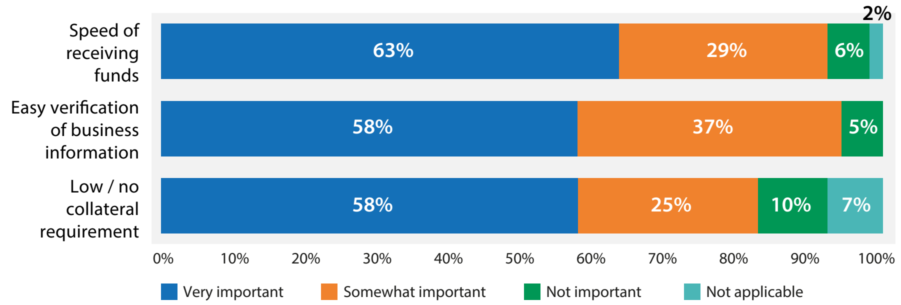
Frequency of use of fintech platforms



Business financing needs met through digital finance



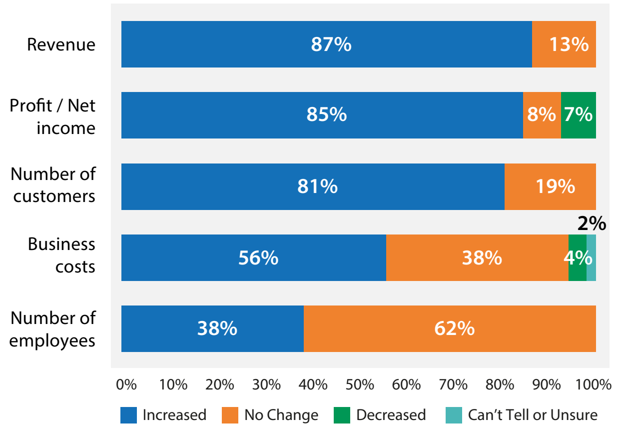
Top three decision making factors



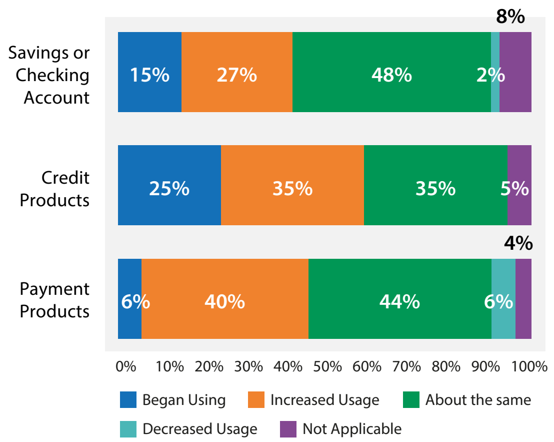
The median amount borrowed by MSME respondents was USD 22 and the average was USD 4,613 for the period of 12 months (or throughout 2023)

OUTCOME OF FINANCING

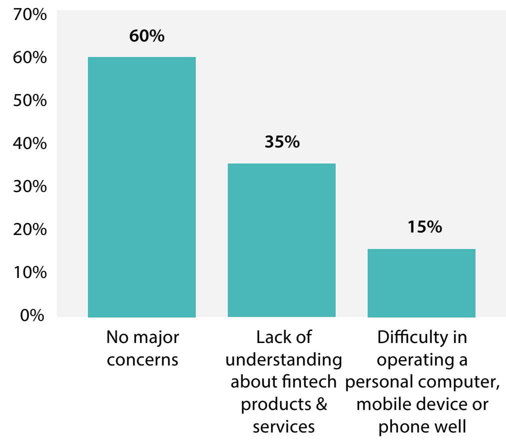
Business Indicators Impact



Impact on banking relationship



Top three concerns - business financing through digital finance providers



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