Small Enterprise Impact Investing

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Foreword by Alan Doran, Oxfam GB

Exploring the “Missing Middle” beyond Microfinance
SMALL ENTERPRISE IMPACT INVESTING

Exploring the “Missing Middle” beyond Microfinance
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Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>vi</td>
</tr>
<tr>
<td>Preface</td>
<td>viii</td>
</tr>
<tr>
<td>Glossary</td>
<td>x</td>
</tr>
<tr>
<td>Acronyms</td>
<td>xii</td>
</tr>
<tr>
<td>Figures</td>
<td>xiii</td>
</tr>
<tr>
<td>Boxes</td>
<td>xiv</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>1. Small Enterprise Impact Investing</td>
<td>9</td>
</tr>
<tr>
<td>2. Small Enterprise Capital Needs</td>
<td>17</td>
</tr>
<tr>
<td>3. Small Enterprise Financing Intermediaries</td>
<td>25</td>
</tr>
<tr>
<td>3.1 Upscaling MFIs</td>
<td>26</td>
</tr>
<tr>
<td>3.2 SME banks</td>
<td>34</td>
</tr>
<tr>
<td>3.3 SME funds</td>
<td>40</td>
</tr>
<tr>
<td>3.4 Other sources of funding</td>
<td>48</td>
</tr>
<tr>
<td>4. Social Responsibility Ratings</td>
<td>51</td>
</tr>
<tr>
<td>5. Impact Measurement</td>
<td>57</td>
</tr>
<tr>
<td>Conclusion</td>
<td>61</td>
</tr>
</tbody>
</table>
Foreword

By Alan Doran, Small Business Adviser, Oxfam GB

Oxfam GB is delighted to be partnering with Symbiotics, as well as with the City of London Corporation, in a joint initiative on small enterprise impact investing, launched in 2012. We recognise that small and medium-sized businesses are the lifeblood of all successful economies, typically taking the biggest share of economic activity, and interacting in multiple ways with both large corporates and micro-enterprises, as well as with other small businesses, in the dynamic ecological system formed by every business population.

Their range of activity is huge: farms, shops, manufacturers, hairdressers, builders, recording studios, garages, software companies are just a few examples from a very long list. A healthy economy needs a vigorous birth rate of new businesses, especially innovative ones, but not all businesses have to be fast growers on a path to become medium-sized or large concerns – the majority will stay small and be sustained at moderate growth or at a steady state and will still be making a very valuable contribution to the economy, including the tax base for government.

We should also be relaxed about small businesses ceasing operations or being taken over if they have become inefficient or uncompetitive. The ebb and flow within the small business population is an important channel for resources, physical and human, to move and regroup in response to both innovative and competitive owner-managers, and to changing patterns of demand and taste among households.

In the countries and regions where Oxfam GB focuses its mission to find lasting solutions to poverty, what women and men want above all is sustainable paid employment. This is the royal road out of the condition of poverty, with its constant fragility of income, vulnerability to all kinds of adverse circumstances, and accompanying lack of confidence to assert personal and civil rights.
Analysis of these economies, from which much of future global economic growth is expected, shows clearly that there is a missing middle in the structure of private-sector employment – far too few formal-sector small and medium-sized businesses. Of course, not all employment is on fair terms, and small businesses as well as large can be exploitative, though owner-managed small businesses tend to be more responsive to the needs of the communities in which they operate. That is why the idea of impact investing in small and medium-sized businesses is so important.

A key constraint on the expansion of this sector is shortage of capital, especially credit, in appropriate amounts, and on suitable terms. Impact investing means deploying capital to make, and measure, social and well as financial returns. Sustainable and fair employment creation, especially for women, and for those who have not previously held a formal-sector job, represents a large and measurable social return. The mass of ordinary businesses can contribute to this, though those few that aim to scale-up rapidly, by producing goods or services designed to radically transform an aspect of the economy of a poor community, may have even greater social impact.

In the places where Oxfam works, profitable and resilient business models will typically be those that take advantage of all the resources available locally, including natural and human capital. By investing in SMEs directly, or indirectly via local financial intermediaries, impact investors are making a vital contribution to the reduction of poverty while making a solid financial return. Within the segment, there is a range of risk-return profiles on offer to suit various investor appetites.

This well-researched and clearly presented publication by Symbiotics on small enterprise impact investing makes a major contribution to deepening our understanding of this important and growing activity.
Preface

This book was written as an introductory research guide to small enterprise impact investing, with the objective of defining this new investment theme and mapping its universe. The text interchangeably refers to small enterprises or small and medium enterprises (SMEs) for the purpose of analyzing the market segments beyond microfinance.

Emerging economies, which have experienced strong and steady economic growth in the past decades, offer increasingly relevant and promising investment opportunities to SME impact investors. Indeed, the majority of their populations are working in small enterprises, for example, small farms, shops or trading companies. Surprisingly, too little information or research is available to date for investors who are interested in this space; hopefully this book will help to provide further transparency and understanding of this topic.

The origin of this book goes back to a market study performed by Jérôme Audran at Symbiotics in 2011 on emerging market SME funds to test the feasibility of an SME fund of funds, co-initiated by the City of London Corporation and Oxfam GB. During the same year, it was further updated with data from an SME banking study carried out by Symbiotics consultants Elitsa Georgieva and Mariano Larena. Kristina Povilaityte updated the part on SME funds and Marina Parashkevova Holmegaard the part on SME banks in 2012. Finally, the same year, Julia Minici, heading the Symbiotics market research unit, wrote a new version of the text aggregating all the previous research and adding a piece on MFIs upscaling to the "missing middle". Roland Dominicé reviewed, completed and edited the text in early 2013, with the support of Claire Dorey and Marina Parashkevova Holmegaard.

Most of the data and definitions come directly from practices of Symbiotics in this field. Market figures and statistics come from the aggregation of data from over 500 specialized small enterprise financing intermediaries. They were selected from a broader data set of over 1,000 financial intermediaries active in emerging and frontier markets through the application of the following criteria: 1) to have a specialized subdivision providing debt, mezzanine or equity financing to SMEs; 2) to consider SMEs as a strategic clientele to the business; and 3) to be committed to creating positive and sustainable impact beyond traditional financial returns. They were in turn classified into three categories, using different data sources:
1. **Upscaling MFIs.** This category is composed of microfinance institutions (MFIs) that have a significant portion of their portfolio invested in SMEs, based on the data collected by Symbiotics analysts over a five-year period and reported on syminvest.com its business intelligence platform, using a broad diversification among regions and business models.

2. **SME banks.** This category includes a selection of banks that consider SMEs as strategic for their growth or have at least one international investor promoting SME programs. The sample is primarily based on proprietary Symbiotics research, but also includes some public research from development banks, primarily from the World Bank and its private sector branch, the International Finance Corporation (IFC).

3. **SME funds.** This category is composed of investment funds targeting SMEs in emerging markets (representing at least 50% of their assets and that put a specific emphasis on adopting clear impact measurement metrics). The data was compiled from a mix of proprietary Symbiotics research and public research from both the South African Chamber of Commerce in America (SACCA) and the Global Impact Investing Network (GIIN).

Other types of SME finance, in particular the more conventional financing from commercial banks, leasing companies or mainstream private capital providers, were intentionally excluded from the study, due to a lack of both comprehensive data sources and explicit commitment to impact investing, as well as a primary focus which tends to be more on medium sized companies than on smaller ones.
Glossary

This glossary lists the terms, expressions and vocabulary typical to impact investors which appear throughout this book and may not be familiar to those outside this arena.

+ **Base of the pyramid population** refers to low- and middle-income households in underserved economies.

+ **Emerging and markets** refer to countries which broadly speaking are classified by the World Bank as low- and middle-income countries.\(^1\)

+ **Impact investing** is defined as investments made into companies, organizations and funds with the intention of generating measurable social and environmental impact alongside a financial return.\(^2\)

+ **Low- and middle-income households** are defined as households with a net disposable income that is average or below average, ranging from extremely poor to moderately poor and vulnerable non-poor levels, as defined by the World Bank.

+ **Micro-credit** refers to financing solutions offered to micro-enterprises, limited to lending instruments, as opposed to SME financing which refers to a wider array of financial solutions and concerns a greater span of enterprises, also bigger in size and usually formally registered.

+ **Microfinance** is the provision of financial services to micro-enterprises and low income households, whether through credit, savings, insurance or payments/remittances.

+ **Microfinance institutions (MFIs)** are financial intermediaries which are specialized and dedicated to micro-enterprises and low income households.

+ **"Missing Middle"** is defined as the gap in capital in emerging and frontier markets needed to accelerate the growth of SMEs,\(^3\) beyond microfinance and below larger domestic and multinational corporations.

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2. As defined by the Global Impact Investing Network (GIIN).
3. As defined by the World Economic Forum (WEF).
Small and medium enterprises (SMEs) are defined by various metrics in different markets. These include employment figures, revenue turnover, total asset levels or loan sizes. Given the difficulty of comparing monetary benchmarks across various purchasing power parity levels, small enterprise impact investing primarily focuses on employment measures. SMEs are considered bigger than micro-enterprises, which are typically referred to as businesses with 1 (including the owner) to 5, sometimes up to 10 employees. Broadly speaking, small enterprises are referred to as employing 5-10 to 50-100 people. Medium enterprise employment levels are usually capped at 250 employees. Formal SMEs are those that are declared to the government and pay taxes.

Small enterprise financing intermediaries (SEFIs) are defined as financial intermediaries providing access to capital and financial services to SMEs. These financial intermediaries can be banks, financial institutions or other financial services providers, such as cooperatives, investment funds and other financing vehicles. They can be specialized institutions focusing primarily or solely on SMEs, or broader institutions focusing partially on this market, such as upscaling microfinance institutions, downscaling commercial banks or leasing companies. SEFIs vary in their level of commitment to impact investing, and are for that matter increasingly rated by investors not only according to their creditworthiness or financial profitability, but also for their commitment to creating lasting and measurable social and environmental impact alongside a financial return. In this book, they are primarily split between three categories: upscaling MFIs, SME banks and SME funds, as further defined in the text.

Small enterprise impact investing is defined as deploying capital to small and medium enterprises in underserved economies with the aim of generating jobs and wealth creation and contributing to sustainable economic development and positive social change, while generating a financial return.

Underserved economies are defined as low-income economies at the base of the pyramid where capital demand exceeds capital supply. Although they sometimes also refer to regions in more developed nations, the term is normally applied to emerging and frontier markets.

The European Commission has formally defined micro-enterprises as businesses with less than 10 employees, small enterprises as businesses with less than 50 employees, and medium enterprise as businesses with less than 250 employees.
Acronyms

ANDE  Aspen Network for Development Entrepreneurs
CAGR  compounded annual growth rate
DFI   development finance institution
EBRD  European Bank for Reconstruction and Development
ESG   environmental, social and corporate governance
EUR   euro
IFC   International Finance Corporation
IMF   International Monetary Fund
IRIS  Impact Reporting and Investment Standards
IRR   internal rate of return
GB    Great Britain
GDP   gross domestic product
GLP   gross loan portfolio
GNP   gross national product
GIIN  Global Impact Investing Network
MFI   microfinance institution
NBFI  non-bank financial institution
NGO   non-governmental organization
SACCA South African Chamber of Commerce in America
SEFI  small enterprise financing intermediary
SEAF  Small Enterprise Assistance Funds
SMEs  small and medium enterprises
SRI   socially responsible investing
USD   U.S. dollar
Figures

Figure 1: Small and medium-sized financing intermediaries (SEFIs) ........................................ 2
Figure 2: SEFI Survey Results and Market Estimates ............................................................. 4
Figure 3: «Missing Middle» in low-income economies ............................................................ 10
Figure 4: The small enterprise impact investing value chain .................................................. 14
Figure 5: The “SME financing gap” ....................................................................................... 17
Figure 6: The SME financing life cycle ................................................................................... 20
Figure 7: SMEs lack formal third-party financing ................................................................. 21
Figure 8: The “Missing Middle”, SME financing needs ............................................................ 22
Figure 9: Small enterprise financing intermediaries ............................................................... 25
Figure 10: MFI portfolios, by client type (2008-2011) ............................................................. 27
Figure 11: MFI portfolios, by type of loan (2011) ................................................................. 29
Figure 12: MFI SME portfolios, by size and growth (2008-2011) .......................................... 30
Figure 13: MFI SME portfolios, by number of SME clients and loan size (2011) .................... 31
Figure 14: MFI SME portfolios, regional breakdown by type of activity financed ............... 31
Figure 15: Hattha Kaksekar Limited’s SME portfolio growth (2010-2012) ............................ 33
Figure 16: SME bank regional breakdown ............................................................................ 35
Figure 17: SME bank asset structure and concentration ....................................................... 36
Figure 18: SME bank average SME portfolio, regional breakdown ....................................... 37
Figure 19: Center-Invest Bank’s shareholding structure (Dec. 2011) ..................................... 39
Figure 20: SME fund by strategy type and asset class ............................................................. 41
Figure 21: SME fund breakdown, by inception date and strategy type ................................. 41
Figure 22: SME fund breakdown, by target size (% of total funds) ........................................ 42
Figure 23: SME fund breakdown, by main activity financed ................................................... 43
Figure 24: SME fund breakdown, by target region (% of funds) ............................................. 44
Figure 25: SME fund breakdown, by main characteristics and target return ........................ 45
Figure 26: Symbiotics social responsibility rating ................................................................. 52
Figure 27: SME impact indicators ........................................................................................ 58
Boxes

Box 1: International Policy: Putting the “Missing Middle” on the Agenda ........................... 22
Box 2: Hattha Kaksekar Limited, Cambodia ........................................................................... 32
Box 3: Center-Invest Bank, Russia ........................................................................................... 38
Box 4: Pyme Capital and Injaro Fund ..................................................................................... 46
A fundamental socio-economic function

More than 95% of registered businesses in the world are small in size. Together, they constitute the largest employer in any given private-sector economy, whether of high-, middle- or low-income levels. Today, more than two-thirds of the world's GDP growth is taking place in emerging and frontier markets and, since 2013, emerging and frontier markets have already been producing more goods and services than developed markets. This trend will continue in the coming decades, as the global population reaches 9 billion by 2050. This population growth represents a net increase of about 150,000 people every day, the bulk of which is taking place in low- and middle-income economies. Most probably, emerging and frontier markets will produce about three-quarters of global output by 2050, and their small enterprise sectors will grow proportionately. As a matter of fact, lower income countries tend to have a much higher concentration of micro-enterprises than SMEs, contrary to higher income countries which have many more SMEs than micro-enterprises – a gap referred to as the "missing middle" in the low income SME markets. The current growth they face will gradually bridge this gap. But ultimately, the pace at which they will grow will depend on the sources of financing they can access, and the quality of their growth will depend on regulation and behavioral standards that guide their expansion. Addressing the needs of the SME market segment in low-income economies represents both a necessity and an important opportunity in mitigating the social consequences of this continued population growth. It also represents an important value creation opportunity for impact investors.

A large unmet access to finance demand

Today access to finance is still by far the largest obstacle to growth for micro, small and medium enterprises alike, particularly in low- and middle-income markets. They largely depend on self-financing or informal financing solutions, as mainstream commercial banks and financial institutions continue to under serve their needs. In order to have access to the economic development taking place in their markets, and consequently provide income opportunities to their managers and employees, small enterprises would thus largely benefit from more specialized financing intermediaries, and investors would largely benefit from supporting this underserved market segment. As a matter of fact, the small enterprise financing intermediaries sector has started to grow

\[5 \text{ Whether classified as micro, small or medium but below 250 employees.}\]
EXECUTIVE SUMMARY

Figure 1: Small and medium-sized financing intermediaries (SEFIs), number of SEFIs by type and region
rapidly in recent years. Microfinance has set the stage for this trend in the past two or three decades by creating hundreds of specialized financial institutions and by attracting a growing number of specialized banks to downscale their operations into the population at the base of the pyramid. A new market segment of upscaling MFIs and SME banks is emerging as a consequence. More recently, investors have also tried to tap more directly in this space through dedicated SME investment funds. Together they represent this new, growing and specialized small enterprise financing intermediaries (SEFI) sector.

A diverse and growing financing intermediation sector
A total of over 550 SEFIs were surveyed, split between almost 200 upscaling MFIs, over 100 SME banks and over 250 SME funds:

1) **Upscaling MFIs** constitute the first most logical financing partner for much of the small enterprise market. These typically position themselves in the lower segments of the SME market, proposing loans of about USD 15 to 20 thousand on average. They typically have about a quarter to a third of their loan portfolio with SME clients, or about USD 20 million on average and median of about USD 4 million. By aggregating the sample surveyed, we reach a total portfolio of USD 4.1 billion. By extrapolating this result to the entire MFI market, we estimate the actual SME portfolio held by MFIs to be between USD 8 and 12 billion.

2) **SME banks** constitute another growing niche, as some MFIs morph into (SME) banks or as some commercial banks downscale strategically and give priority to the SME sector. Their average SME financing size has a much broader span, from a couple of thousand to a several million U.S. dollars, but medians are around USD 100 to 150 thousand on average. The sample surveyed showed quite diverse balance sheet sizes and structures, as well as an array of strategies and positioning in the market. On average their portfolio sizes were of USD 180 million, and aggregate to a market size of USD 19.5 billion today, which as for upscaling MFIs represented on average a quarter to a third of their total lending activity. By extrapolating this result to the entire population identified, we can cautiously estimate a market size of
**Figure 2: SEFI Survey Results and Market Estimates**

<table>
<thead>
<tr>
<th>SEFI survey results</th>
<th>Upscaling MFIs</th>
<th>SME banks</th>
<th>SME funds</th>
<th>Total</th>
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<td>Sample (number)</td>
<td>190</td>
<td>109</td>
<td>258</td>
<td>557</td>
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<tr>
<td>Average SME deal (USD thousand)</td>
<td>15-20</td>
<td>100-150</td>
<td>1000</td>
<td></td>
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<tr>
<td>Total SME portfolio (USD billion)</td>
<td>4.1</td>
<td>19.6</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SEFI market estimates as of 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SME portfolio (USD billion)</td>
</tr>
<tr>
<td>Total number of SMEs financed (thousand)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SEFI market projections for 2020</th>
</tr>
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<tr>
<td>Total SME portfolio (USD billion)</td>
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<td>Total number of SMEs (thousand)</td>
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about USD 25 to 30 billion of SME portfolios within specialized banks for whom this activity have become their top strategic priority.

3) **SME funds** constitute a third growing source of financing, particularly for equity and more long-term debt investments. With an average deal size per SME of USD 1 million, they position themselves slightly higher up in the market than upscaling MFIs and specialized SME banks. The SME fund survey is believed to have had a more exhaustive coverage of the market sub-segment than for the other two categories, although they are much younger in age, with many just being created or not having invested yet. Their median SME portfolios reached USD 36.4 million, making up an aggregate portfolio of USD 9.4 billion today. By extrapolating the remaining funds further, we could estimate a probable market size of USD 10 to 12 billion today.

By aggregating market segment estimates, a total small enterprise financing intermediary (SEFI) market of USD 40 to 50 billion is reached today. A relatively conservative growth estimate of 10 to 15% per annum in the coming years, compared to other inclusive finance sectors in the past decade, projects a total SME clientele of 1.75 to 2 million and a total SME portfolio of USD 125 to 150 billion by 2020 in the SEFI market.

**A much larger market potential**

The market potential for SME financing is much bigger than that specific to SEFIs. In a recent study, IFC and McKinsey estimate the total market to reach about 11 to 17 million SMEs in emerging and frontier markets and about USD 700 to 850 billion of potential financing needs\(^6\). Other sources of more traditional capital exist, whether from leasing companies, supplier credit, universal commercial banks and local capital markets, which may or may not provide the bulk of financing needs. However, SEFIs do represent today a growing share of 5 to 15% of this potential and, most importantly, they represent the primary financial partners for the lower segment of the "missing middle", catalyzing their access to finance and helping them graduate to more elaborate and sophisticated funding strategies sustaining their growth. SEFIs differentiate themselves from more mainstream financiers by positioning themselves deeper

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\(^6\) International Finance Corporation (IFC) and McKinsey & Co, Two trillion and counting, 2010.
in their markets, providing more inclusive growth in the sector to an emerging population of small enterprises. And, equally important, their mission and strategy are generally driven by a double bottom line of financial profitability but also of social responsibility and sustainable impact.

**Sustainable growth, through social responsibility ratings and impact measurement**

Impact investors differentiate themselves by specifically seeking investments that pursue such a mission and strategy. They recognize the general “missing middle” opportunity and the economic growth that will emerge and continue in the coming decades in low-income segments in emerging and frontier markets. They also recognize the need to create value in their portfolio through economic development that is real, inclusive and sustainable, precisely to maintain their income generating capacity in the long run. They have a motivation, whether tainted more by self-interest or altruism, to balance the needs of the multiple stakeholders in their investment value chain. They thus screen their investments using specialized ratings, with the purpose of measuring how their investees balance the multiple interests among their stakeholders, in particular their environmental, social and governance (ESG) interests, in order to ensure long-term shared value creation among them. They also measure the downstream impact of the activities they finance, asking their investees for accountability and proof of their positive impact. For an SME, this requires sharing key data on its output, revenue, financing, employment and salary levels, which will not only give an indication of the growth and value creation generated by the enterprise but also of the quality of such growth and its distribution among its various stakeholders, and in particular its employees.

Small enterprise impact investors have a quadruple effect. First, they improve their portfolios by choosing an investment opportunity that will create value in the long run. Second, they respond to a pressing demand for capital from low-income households facing important value creation opportunities. Third, they contribute to solving a global capital allocation imbalance between excessive savings surpluses in low growth high-income markets and unmet capital needs in high growth low-income markets. Lastly, by requesting to include social responsibility and impact measurement criteria in their decision-making, they contribute to economic development in low-income economies and a shift in global capital flows that is more inclusive and sustainable.
1. SMALL ENTERPRISE IMPACT INVESTING
The prevalent function of small enterprises

Today, as in the past, a clear majority of private-sector economic activity throughout the world is undertaken by small-sized businesses. Whether segmented as micro-, small or medium enterprises, together they also generally employ the majority of an economy’s workforce. In addition, they represent the vast majority, more than 95%, of incorporated or informal enterprises in any given country. As a consequence, when national economies thrive, measured by an increase in their gross national or domestic product (GNP/GDP), the smaller businesses thrive as well. They are both recipient and an engine of growth, and as such are the primary vector of change for the aggregate value creation in an economy.

Policy-makers typically put forward the social function and responsibility of public administrations and large corporations, as employers, in particular for low-income populations. More recently, they are increasingly putting forward the socio-economic function of small-sized businesses, and the opportunity they represent for low-income populations, in particular when provided with inclusive access to finance and benefiting from strong economic growth environments. Small enterprise impact investing focuses precisely on this third path to poverty alleviation for the base of the pyramid population, through profitable small scale entrepreneurial activities.

The “missing middle” in low income economies

The micro-, small and medium enterprise population is nevertheless not distributed evenly among different income level segments. Higher income economies tend to have much more small and medium enterprises while lower income economies have a larger population of micro-enterprises. In high-income countries, SMEs represent over 50% of GDP and over 60% of employment7. In low-income countries, they represent respectively only a third of that contribution to GDP (17%) and only half of that contribution to employment (30%)8. This gap is referred to as the “missing middle” in low-income economies.

8 Ibid.
It is attributed primarily to three factors: 1) a lack of economic opportunity to sustain the needs of SMEs, 2) a lack of regulatory, policy and infrastructure support to promote the development of SMEs, and 3) a lack of access to finance in the "missing middle". In the past decades, each of these elements in many low income countries have started gradually evolving and improving, feeding each other into setting the stage to progressively bridge this gap. Small enterprise impact investors see today an increasing opportunity to contribute to this movement by catalyzing the access to capital in the "missing middle", by reinforcing the financial intermediation infrastructure and by promoting financial policies which are more inclusive and consequently generate more distributive economic growth. This positive and self-reinforcing movement is the result of a more fundamental globalization in the world economy, shifting the locus of growth to emerging and frontier markets.

9 Harvard University, Ibid
Globalization and its effect on emerging and frontier markets
The 20th century witnessed an acceleration of the globalization of the world economy. This unique development was triggered by: (1) increasing population growth rates, (2) widespread economic growth, (3) relative peace among leading nations, (4) significant technology transfer and technical assistance to less developed nations, and (5) a proliferation of international trade treaties and agreements. In this context, once peripheral nations – today referred to as emerging and frontier economies – are becoming much more central to the global economy. They actually, as of 2013, have become as important as developed countries in world GDP and constitute more than two-thirds of the growth in world GDP. These trends are expected to continue, particularly driven by an increasing population, reaching 9 billion by 2050, a net daily increase of 150,000 people per day, predominantly happening in low- and middle-income economies. As a consequence, emerging and frontier markets may well constitute about three-quarters of world GDP by 2050.

The prevalence of small enterprises in the private sector of economies today combined with the new growth paradigm in emerging and frontier markets has created a true shift in the manner in which international capital markets and private investors view the SME investment opportunity. They are now considering it for both financial value creation and socio-economic development. In the 1980s, the concept of microfinance emerged along those lines. New added value was perceived through micro-economic activity in the developing world, albeit mostly restricted to informal self-employed and micro-enterprises, rather than a broader arena that also includes small and medium-sized businesses. Over the last 30 years, microfinance has proven the validity of its economic and financial value proposition, helping hundreds of millions of low-income households to gain access to finance. They have used this supply of capital to engage in entrepreneurial activity, to benefit from higher economic growth rates, and eventually to strive to improve their daily living standards.

Microfinance sets the stage
Microfinance, or more precisely micro-credit, constitutes an important step towards redirecting large amounts of capital from financially saturated developed markets to population segments where domestic savings are often in short supply and mainstream financial sectors do not intermediate.

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10 International Monetary Fund (IMF), World Economic Outlook, 2012.
so effectively. It has helped international investors understand the need to reconsider their asset allocation and the distribution of capital in global markets, as well as to redirect their supply of capital where demand is most needed and thus most beneficial, both for its recipients and investors.

Obviously, microfinance is not the only answer, and should be seen as a tool and vector of change. Like any economic activity, it requires regulatory planning and oversight, the development of standards and best practices, and measures to balance the interests and needs of the various stakeholders along its value chain. Microfinance is a relatively new and fast growing industry and is still not fully understood or mastered by domestic regulators and financial intermediaries; it thus requires further regulation to guarantee its long-term sustainability and success. And in no way can it substitute, as a stimulus of social well-being and poverty alleviation, for the requirement for effective states, stable political development, sound economic policies, and investment in public security, hospitals, schools, infrastructure and social assistance. But microfinance has proven to be an extremely valid means of distributing capital to people at the base of the economic pyramid and of assisting millions of low-income households in meeting their need for financial resources. The more governments have been open to redistributive policies and have provided sound regulatory oversight for this particular population segment, the more this segment has been able to grasp economic development and the more investors have been encouraged to redirect capital supply towards them.

Foreign private investors and development banks alike have committed USD 25 billion to microfinance so far.\textsuperscript{11} Practitioners have looked to grow their interest beyond traditional microfinance by not only focusing on small credit amounts to micro-businesses, of concern to populations at the base of the pyramid, but also by moving upwards vertically towards SMEs, as well as horizontally towards household consumption, energy efficiency and housing markets, and by using other tools and instruments such as insurance schemes, savings products, payment transfers and mobile technology. The larger space this has created, into which financing activities from other sectors, for example education and health, have also entered, is referred to as \textit{impact investing}. It is defined as investments made into

\textsuperscript{11} Consultative Group to Assist the Poor (CGAP), Current Trends in Cross-Border Funding for Microfinance, 2012.
companies, organizations and funds with the intention of generating measurable social and environmental impact alongside a financial return.\(^\text{12}\)

**Impact investing as a continuum**

Impact investing is an extension of the effort of microfinance investors to redirect capital from saturated markets, where supply exceeds demand, into underserved markets, where demand far exceeds supply. The primary target of impact investing remains the base of the pyramid in faster growing economies, both low- and medium-income households and micro, small and medium businesses. By targeting underserved markets like these, investors can ensure more rational and sustainable value creation in their asset allocation, with a promise to achieve less volatility and more stable returns in the long term. Furthermore, by setting such objectives, investors provide their recipients with the means to benefit from economic growth, create value and move upwards onto a path of socio-economic development.

Most potential impact investing target markets are unaccustomed to such capital flows as they are largely informal and unregulated, with constituents who are more vulnerable in nature and have little financial security. Beyond the concept of impact investing, therefore, rests the intent to offer support by providing technical assistance towards better regulation and supervision of this development. A first step in this effort is driven by the capacity of providing impact measurement which helps financial intermediaries visualize, understand and refine the impact of their capital provision to their low-income clients. A second necessary step in this effort is the creation of norms and standards to regulate and protect the interests of the various stakeholders in this new investment value chain, so as not to introduce counterproductive overflows, misuse or abuse of capital into unaccustomed populations.

**Investment Value Chain**

Investors interested in small enterprise impact investing, especially those based outside target countries, typically do not invest directly in small enterprises. They usually structure their investments through foreign investment funds that target a diversity of emerging and frontier markets, balancing and diversifying country risk. These funds in turn will usually not

\(^{12}\) As defined by the Global Impact Investing Network (GIIN).
invest directly in SMEs but target local intermediaries, with local staff, knowledge and resources. These local small enterprise financial intermediaries (SEFIs) represent the core focus of the investment for such investors. These specialized intermediaries will use investor capital to finance small enterprises in their domestic markets, through debt or equity, with the aim of bridging the “missing middle” and fostering positive social transformation. Impact investors will have a selection bias towards SEFIs that predominantly focus on financing businesses which provide populations at the base of the pyramid with jobs and with goods and services of first necessity, such as access to food, homes and energy.

![Figure 4: The small enterprise impact investing value chain](image-url)
2. SMALL ENTERPRISE CAPITAL NEEDS
A Largely Underserved Market
Notwithstanding the informal economy, a survey\(^\text{13}\) of 132 economies estimated that they included 25 to 30 million formal SMEs employing 10 people or more, of which 11 to 17 million operating in emerging and frontier markets. The survey confirmed earlier findings that SMEs in general account for 95% of registered firms, employ the largest portion of a nation’s workforce, and provide most of the goods and services sold in the domestic market. Overall, the IFC estimates the “missing middle” financing gap to be between USD 700 billion and USD 850 billion\(^\text{14}\) in emerging markets.

Despite the central role played by SMEs in developing trade and employment, they continue to be undersupplied with the necessary financial products and services that are critical to their growth. For instance, a total of 130,000 firms in 135 countries have ranked “access to finance” as their main obstacle to growth according to the latest World Bank Enterprise Survey\(^\text{15}\). This study also highlights the extent to which this is especially true for small enterprises, particularly in the case of low-income economies.

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\(^\text{13}\) International Finance Corporation (IFC) and McKinsey & Co, Two trillion and counting, 2010.  
\(^\text{14}\) Ibid.  
\(^\text{16}\) This survey splits enterprises between 5 to 19 employees (micro to small), 20 to 99 (small to medium) and above 100 (medium to large); the survey population can be considered broadly as SMEs, with only a very small fraction above 250 employees.
Life Cycle and Financing Instruments

SMEs usually go through a standard life cycle common to firms in developed or developing countries, including start-up, early, mid and late stage. Access to finance and the means of finance employed at each of these stages are crucial for a smaller firm’s successful launch, growth and consolidation as they allow the firm to invest in the development of new products, the enhancement of production processes, and the development of their human capital. Lack of capital can be a key cause of failure in the first four to five years, when firms are at their most vulnerable stage, but can also be a cause of failure later on, for lack of investment in the appropriate developments needed by a company, in mature but changing environments. Additionally, financing intermediaries provide not only capital but services and advice essentially to help a firm move from one financing strategy to the other.

+ **Start-up.** When SMEs are launched they usually have difficulties accessing external sources of funding due to the lack of track record and the little information they can provide. They therefore tend to rely on internal or informal sources of funding – savings, family and friends; they are also often family-owned, and in most cases the owner is the primary financial decision-maker. In rare cases, in more developed markets, they will seek a partnership through venture capital or with an angel investor.

+ **Early stage.** While personal funding is important in the initial phase, it becomes less and less relevant as an SME matures and requires larger capital flows and more sophisticated financial services. The most important, and often difficult, funding phase is precisely when the start-up capital is consumed and further, yet still-early stage, financing is required. The core business may well generate positive margins and its cash-flows may be bridged with trade credit and short-term loans, but the enterprise cannot invest in its growth, development and innovation yet. It requires further long-term capital, whether private equity or mezzanine instruments.
+ **Mid stage.** As an SME enters its growth stages, it is able to create more visibility through the creation of a positive and proven track record. SMEs become increasingly dependent on financing from local financial institutions as they achieve economies of scale and seek to leverage their business model. This is the phase most SMEs are in, and where they require a continuous and more sophisticated range of financial solutions and services. In particular, they will strive for solid banking relationships to sustain cash-flow management needs and continuous mid- to long-term financing assistance pertaining to their growth, development and innovation needs.

+ **Late stage / public markets.** Only a very small portion of the SME population will seek to issue public bonds and stocks, probably those which aim to exit the SME market and successfully grow into larger corporations. This scenario is unthinkable without a strong partnership with local financing intermediaries.

+ **Late stage / succession.** Most SMEs eventually decline or are acquired by other firms. In this scenario too, SMEs will need to work with their local financing intermediaries, whether for restructuring or succession purposes.

According to the World Bank’s *Enterprise Survey*, small enterprises in emerging markets are on average 13 years old, while medium-sized ones are about 17. This in effect means that most firms have stabilized their cash-flow management/financing needs and are focused on mid- to long-term financing solutions and assistance in order to invest in their development and innovation. Although with the growth of their economies, many new SMEs may emerge or graduate from micro-segments pointing also to start-up and early stage financing needs.
### Key Features Financing Needs Sources of Financing

#### Start Up
- No product
- One full-time principal
- No track record
- No turnover
- Recruitment
- Set-up costs
- Market research
- Product completion
- Personal Funding
- Informal Funding
- Angel finance
- Venture Capital

#### Early Stage
- Increasing sales, no profit
- Management team
- 1-3 years of turnover
- Marketing
- Products development
- Increased sales
- Improved productivity
- Venture Capital
- Trade Credit
- Short-term loans
- Mezzanine Financing

#### Mid Stage
- Profits
- Established leadership
- >3 years of turnover
- Business Growth
- New markets
- Increased marketing
- Commercial Paper
- Mid-term loans
- Med-term Notes
- Private Placements

#### Late Stage
- High profits
- 2nd level of management
- >3 years of turnover
- Product enhancement
- New business lines
- Major capacity expansion
- Public Equity
- Public Debt

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**Sources of financing**

In well-developed financial systems, companies are able to access a range of financing options as their business grows and evolves over its life cycle. Yet the emerging and frontier market financial systems, usually comprising a small number of privately or government-owned commercial banks, with some representation from international banks, often lack financial incentives to be inclusive with respect to SMEs, especially at the smaller end of the size range, even though risk-adjusted margins on the cost of funds are typically attractive. There are a number of reasons for this, including: dispersed business populations outside capital cities leading to increased distribution costs, the fixed element of transaction costs in relation to small amounts lent or invested, a frequent lack of collateral and collateral substitutes and poor databases on borrower credit history. Domestic banks in many emerging and frontier markets also have difficulty mobilizing savings, and therefore suffer from shortages of loanable funds. In these markets, therefore, personal funding and informal funding remain by far the most important sources of financing throughout the SME life cycle. On average two-thirds of long-term investment capital remains self-financed, mostly from retained earnings.

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17 Source: www.MyCapital.com
or informally financed by friends, family and other sources. Domestic banks may also find it difficult to competitively service the largest businesses as they often have sophisticated requirements, given that they are also attractive customers for international banks.

Emerging market companies usually are able to access short-term financing through trade credit, which allows businesses to delay payments for goods and services and to ease cash flow management; however, this does not serve their investment capital needs. Banks remain their main target for longer term financing, but usually account for only a fraction of their longer term liabilities (about 10% for small enterprises and 15% for medium enterprises). Supplier credit, in the form of factoring and leasing, is an option to access the longer term finance that could balance their weak credit history and limited collateral, but it remains relatively marginal. Even less practiced are equity or stock sales.

![Figure 7: SMEs lack formal third-party financing](image)

Proportion of longer term financing by type of provider

18 The World Bank, Enterprise Surveys, 2006-2009, 2012. This survey splits enterprises between 5-19 employees (micro- to small), 20-99 (small to medium) and above 100 (medium to large); the survey population can be considered broadly as SMEs, with only a very small fraction above 250 employees. The remaining financing in the graph is coming from families, friends and other external informal sources.
Box 1: International policy - Putting the “missing middle” on the agenda

Following an appeal by the G-20 in 2009 that was launched to identify innovative approaches to providing financial services to the majority of the world’s poor, which was followed among others by the World Bank and the World Economic Forum, a series of industry initiatives have been developed aimed at solving three core challenges inherent to the SME sector: 1) aggregating information on the sector, 2) developing a blueprint for SME venture funds, and ultimately, 3) legitimizing SME finance from the investors’ perspective. The International Finance Corporation (IFC), the private sector arm of the World Bank, has taken the lead in the SME Finance Challenge of the G-20 through various research initiatives, including its SME Banking Knowledge Guide. In parallel, at the end of 2011, the IFC’s own committed SME finance portfolio through financial intermediaries totaled USD 9.6 billion and its SME trade finance transactions totaled approximately USD 3.4 billion. These initiatives have served to put the “missing middle” at the center of the agenda for development finance institutions. This has created a strong trickledown effect into the private sector with the creation of a multitude of knowledge management initiatives and new investment products and offerings. Most investment opportunities focus on “missing middle” financing intermediaries in the form of targeting upscaling microfinance institutions, leasing companies focused on SMEs, SME private equity funds, SME trade finance funds, and in particular, targeting SME specialized banks or downscaling banks into the SME sector.

Figure 8: The “Missing Middle”¹⁹, SME financing needs

3. SMALL ENTERPRISE FINANCING INTERMEDIARIES
There are three types of small enterprise financing intermediaries (SEFIs) of interest to this introductory study:

1) **Microfinance institutions** that have decided to strategically enter the small enterprise market by opening specific SME product offerings. These are referred to here as "upscaling MFIs".

2) **Commercial banks** that position themselves strategically towards an SME clientele; they may include other clients and services but dedicate themselves in priority to this market segment. These are referred to in this text as "SME banks".

3) **Investment funds** that dedicate themselves to the financing of SMEs. These are referred to here as "SME funds".

A fourth category exists that includes all other sources of financing for SMEs. It may well aggregate a much larger source of capital, but it is either not specialized on this market segment or for which little information is available. This category includes large commercial banks, supplier credit, leasing companies and stock markets.
3.1 Upscaling MFIs

Introduction
The overall MFI market, measured by their aggregated assets, is estimated to be between USD 45 and 60 billion in size, and growing rapidly by at least 15-20% per annum. MFIs are commonly broken down into three categories of quite different institutions, which each constitute in size about a third of the aggregate market.

+ First tier institutions: less than 100 mature and profitable institutions, registered as full-fledged banks with assets of more than USD 100 million;

+ Second tier institutions: primarily non-bank financial institutions, transitioning into deposit-taking institutions or registered as regulated microfinance service providers with assets of about USD 25 to 100 million, and a population of about 250 to 500 institutions worldwide;

+ Third tier institutions: which include smaller NGOs, cooperatives and credit houses with assets of less than USD 25 million and 5,000 to 10,000 institutions worldwide.

Despite the fact that MFIs have been setup to meet the financial needs of borrowers and savers that conventional banks have traditionally excluded, meaning self-employed and informal micro-enterprises, many are increasingly upscaling their operations to meet the distinctively different requirements of SMEs. Almost all first tier institutions tend to drift towards upscaling in the SME sector; some of which have actually moved from being “upscaled MFIs” to becoming “specialized banks”, shifting the majority of their clientele from micro- to small. And a large portion of second tier institutions have or are developing an SME product line.

A Growing Trend
Close analysis of their SME portfolios shows the extent to which many MFIs have an increasing interest in upscaling or complementing their activities with investments in SMEs. Out of 627 MFIs registered on Syminvest.com, the Symbiotics on-line research and investment platform, 190 of them, regardless of their size, legal status or location, reported having an SME portfolio in 2011. This figure represents a 54% increase since the beginning of 2007.
The majority of these upscaling MFIs are full-fledged banks with multiple credit products – micro-credit, SME loans, corporate loans and housing finance. Seventy-four MFIs provided numbers for multiple credit products each year in the period 2008-2011. All types of credits in this sample presented a favorable portfolio evolution, but the average SME portfolio also grew almost three times as fast as the average microfinance portfolio, presenting a total growth of 110%, despite coming from a rather low base in absolute terms.

Figure 10: MFI portfolios by client type, 2008-2011 (Sample of 74 MFIs)

Market Size and Structure
On average, SME portfolios in this sample, which are largely representative of first and second tier MFIs, represent about 25 to 30% of their portfolios. The aggregate MFI market was estimated at about USD 45 to 60 billion in 2012, with its two upper tiers constituting about USD 30 to 40 billion in portfolio. As a consequence, the current MFI SME portfolio could reach as high as USD 8 to 12 billion in total. Also, given that the MFI market is growing by more than 15-20% per annum, and given that the SME portfolios in these MFIs are growing faster than their micro-enterprise portfolios in volumes,

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it can reasonably be projected that SME portfolios would reach at least a range of USD 20 to 40 billion by 2020.

Survey of 190 MFIs
The average SME portfolio of the 190 MFIs that provided SME figures in 2011 is five times bigger than the median SME portfolio: a handful of big institutions, such as Mibanco in Peru, Acleda Bank in Cambodia or Xac Bank in Mongolia, make up a large share of the portfolio. At the end of 2011, the top five MFI SME exposures accounted for 42% of total SME portfolios held by all MFIs, the top 10 MFIs represented 54% and the top 25 MFIs represented 74%. These percentages have remained stable over the past four years as the leading tier 1 MFIs active in SMEs are expanding rapidly. The concentration factor will eventually be diluted as more MFIs engage in growing their SME portfolios.

There also seems to be a relatively high correlation between MFI tier size, credit rating and SME portfolio exposure. Larger, first tier, highly rated institutions have more developed SME finance activities than small institutions. The totality of the top 25 institutions is first tier and they are all more than 10 years old. Additionally, each first tier institution has a larger SME portfolio, averaging USD 82 million, and stronger SME portfolio growth, at +39% compound annual growth rate (CAGR) from 2007 to 2011, compared to NGOs which have an average SME portfolio of USD 5 million and an annual growth over the same period of just 4%.

Overall, larger MFI banks tend to have portfolios split between microfinance and SME finance (each representing one-third) as well as a full range of other products offered to their clientele (corporates, consumer, housing and education products among others). MFIs structured as non-bank financial institutions (NBFI), often in the second tier category, similarly tend to have a full range of credit products, but with micro-credit remaining by far as their largest product, often twice as big in portfolio size as their SME portfolio. MFIs structured as non-governmental organizations (NGOs) or cooperatives differ widely in their product concentration and diversification, but both have SME portfolios averaging only about a tenth of their activity.
3.1 UPSCALING MFIS

Figure 11: MFI portfolios breakdown, by type of loan (2011)

Regional Variations

Regionally, MFIs differ in their exposure to the SME market. In South America, the SME portfolio accounts for just over 40% of total portfolios, followed by East Asia and the Pacific and Russia, Caucasus and Central Asia, both with 18% exposure to SMEs. This figure falls to about 7% in Eastern Europe and Central Asia, 6% for Central America, Mexico and the Caribbean, and is even lower in Africa and the Middle East (3.8% and 0.3% respectively). In terms of growth, it is important to note that between 2007 and 2011, Latin America held the leading market position across all regions with 15 out of the 25 biggest institutions being located there and the highest growth with SME portfolios, multiplying six-fold in volume. East Asia and the Pacific also experienced important growth, while Eastern Europe and Sub-Saharan Africa have lagged behind with an average annual portfolio growth of less than 6% in the same period of time.
Outreach

MFIs typically target the smallest SMEs, aiming at complementing the commercial SME banking industry, covering those clients that seek lower loan sizes and that are often poorly served by banks. Indeed, the average MFI loan size provided to SMEs is around USD 15,000 to 20,000. Overall, the average MFI SME loan size ranges from USD 1,500 to more than USD 100,000.

Logically, even if some MFIs have micro-credit and SME credit portfolios nearly equal in size, in volume terms, they typically obtain a much greater outreach in number of micro-clients compared to SME clients. The average MFI surveyed has about 75,000 micro-clients and 2,500 SME clients. In terms of average loan size, there are some regional differences, but the Eastern Europe/Central Asia region has a substantially higher average loan size. Not surprisingly given the maturity of the market, Latin America has the highest average outreach in terms of the number of SME clients.

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21 Based on a sample of 190 MFIs as of end 2011.
MFIs which are banks tend to serve bigger SMEs, while non-bank financial institutions (NBFI) and NGOs tend to serve enterprises with less than 10 employees. MFI SME clients are primarily owned and run by women (about 57%), are mainly located in urban areas (57%), but have a strong focus on rural populations (43%). The SME clientele is well diversified across the sectors (agriculture, production, trade and services). Notwithstanding, the data shows a heavier concentration in trading activities among African and Middle Eastern MFI SME clients, while agricultural SMEs are more prevalent in Eastern Europe and Central and Eastern Asia.
Box 2: Hattha Kaksekar Limited, Cambodia

Illustration of an established MFI upscaling into the SME market

Hattha Kaksekar was founded in Cambodia in November 1996 as an NGO by Oxfam Canada. In April 2011, it was transformed into a limited liability company. Mainly targeting the upper segment of the microfinance market, the MFI competes with leaders like Acleda, PRASAC and Sathapana. At the end of 2011, Hattha ranked fourth in terms of loan portfolio size among 30 Cambodian non-bank financial institutions. It covers 21 of Cambodia’s 24 provinces. At year-end 2012, it had total assets of USD 123 million and a loan portfolio of USD 102 million, serving nearly 75,000 borrowers via 120 offices. Three-quarters of its portfolio is lent out to women, two-thirds to rural-based enterprises, and one-third for agricultural activities.

Hattha Kaksekar is currently in the process of making SME financing one of its distinct business lines by appointing loan officers exclusively assigned to SMEs in each branch. Their SME portfolio currently represents about 13% of their credit activity, or around USD 13.4 million, up from USD 8 million at the end 2011 and USD 3 million at the end of 2010. The number of SME clients quadrupled over the last three years, increasing from 223 in 2010 to 541 in 2011 and 899 in 2012. Their clients borrowed on average about USD 15,000, which positions them in the lower SME segment in the market.

It is also planning to expand into rural areas where it has identified a potential underserved market for SME loans as banks in the country are concentrated in urban areas and provincial town centers. Moreover, the opportunity is all the bigger as Cambodia’s commercial banks tend to only serve the upper market of the SME segment, leaving the underserved markets still untapped, both in urban and rural areas.
Figure 15: Hattha Kaksekar Limited, SME portfolio growth (2010-2012)\textsuperscript{22}

\begin{itemize}
\item SME portfolio in million USD (left)
\item Number of SME clients (right)
\end{itemize}

\textsuperscript{22} Source: www.syminvest.com
3.2 SME Banks

According to the 2011 World Bank *Enterprise Survey*, the proportion of established SMEs in emerging and frontier markets that have received a loan or credit line from a bank ranges from 14% to 32% (less than 20% for small enterprises, just over 30% for medium-sized businesses), compared to over 50% in developed economies. Over two-thirds of SME financing in emerging markets comes from internal sources of funding. However, the level of bank financing has increased since the global financial crisis, as emerging and frontier market banks have started perceiving SMEs as a new market opportunity for the expansion of their customer base, thanks to improved regulatory frameworks and due to growing competition in the retail and corporate client segments.

While larger banks are downscaling from traditional banking segments toward SMEs, many MFIs have upscaled their operations from microfinance to SMEs, to a point where they are now specialized SME banks. For instance, Acleda Bank in Cambodia, formerly an MFI, now has two-thirds of its loan portfolio allocated to SMEs; AccessBank in Azerbaijan has 43%; and Mibanco in Peru has over 60% of its portfolios with SME clients. The most striking example is that of ProCredit Bank, with a presence in over 21 countries, which has decreased their micro segment from 100% to less than 10% of their global assets, and grown their SME book to about half of their assets and two-thirds of their loan portfolio.

Survey of 109 identified SME banks

Symbiotics surveyed 109 banks which have either developed a consolidated profile in serving SME customers or have established specialized SME lending divisions. Large commercial banks are not included in the sample unless they are specifically dedicated to impacting the base of the pyramid in their domestic markets. Some of the banks surveyed are funded by development banks and international financial institutions, making them more accessible to impact investors in terms of mission alignment.

The following criteria have been used in their selection:
+ Being a regulated full-fledged bank in an emerging or frontier market;
+ Having developed a strategic axis towards SME products and services
The majority of these SME banks were established in the second half of the 20th century, reflecting a longer institutional history and vernacular imprint compared to the majority of upscaling MFIs and SME investment funds; only 15% of them were established in the last ten years. Nonetheless, for most of these banks, the SME business matured only at a later stage. In terms of geographical distribution, 42% are located in Latin America and the Caribbean, 35% in Eastern Europe and Central Asia, 11% in East Asia and the Pacific, 9% in Sub-Saharan Africa, followed by a handful found in the MENA region and South Asia.

![SME bank regional breakdown by number of institutions](image)

Most institutions (about 60%) do not consider SME clients as separate from their corporate clientele (larger businesses). Relatively few of the banks publish specific numbers for the SME portfolio in their financial statements. For those that do provide this type of information, the definition of SME may vary among institutions and regions.

By the end of 2011, these 109 banks had an estimated consolidated SME portfolio of USD 19.5 billion. The median SME portfolio is about USD 180 million per institution today, compared to less than USD 4 million for upscaling MFIs. The variance between institutions is also very large, pointing
to a relatively large concentration in the pool. The average SME portfolio size of the top five banks reached USD 2.6 billion, while the five smallest banks had an average portfolio of USD 34 million. Four of the five largest banks are located in Latin America, while three out of the five smallest banks are in Sub-Saharan Africa.

The five smallest banks are quite specialized, with this segment making up to 86% of the total portfolio. Meanwhile, the SME portfolio only makes up about one-third of their total portfolio in the sample. Indeed, the larger institutions usually offer a wide spectrum of products, including micro, corporate, retail and housing loans. The two largest regions in the sample, Eastern Europe and Central Asia and Latin America and the Caribbean, stand out with 47% and 22% of SME volumes in their total loan portfolio respectively, implying that they have a larger clientele and offer a much wider array of products. However, regardless of the level of sophistication, diversification or exposure, banks have indicated that there has been growth in their SME loan books.

The vast majority of banks surveyed (85%) offer a full range of lending products to SMEs, from credit lines to working capital loans and fixed assets or investment financing, with many offering leasing and factoring services. Additionally, the size range of loans largely depends on internal definitions of SMEs, with the minimum being USD 300 in Georgia, and the maximum being USD 10 million in Mexico. That being said the median range of SME loan size ranges from USD 20,000 to USD 225,000. Also, very few institutions have any specific sector focus, with the exception of a few rare cases targeting agricultural activities, for a development rationale.
The survey was able to collect regular periodic data from 2009 to 2011 on 20 SMEs in Central and Eastern Europe, Latin America and Africa, most of them owned by ProCredit Group, a network of SME Banks headquartered in Frankfurt, Germany. While the average SME portfolio among the banks shows a trend of increasing growth recently, up by 7% in 2009 and 10% in 2010, their gross loan portfolio (GLP) showed a slight slowdown in growth rates, from 10% in 2009 to 9% in 2010. Sub-Saharan Africa displayed the highest average SME portfolio growth over the two-year period, at 32% from 2009 to 2011, compared to 26% in Latin America and the Caribbean and 16% in Central and Eastern Europe and Africa.
Box 3: Center-Invest Bank, Russia

Illustration of a commercial bank downscaling its activity into the SME segment

Center-Invest Bank is a medium-sized commercial regional bank headquartered in Rostov. It began operations in 1988 and recently successfully downscaled its activities into the SME segment. In 2012, it was ranked the fifth best SME lending bank, measured by the total number of loans disbursed over the previous year. The bank is the second largest financial institution in the region, after the state-owned Sberbank, with an expanded network of 90 branches in Rostov, Volgograd, Krasnodar and Stavropol. With a balance sheet of USD 1.5 billion and an SME loan book of USD 490 million, it accounts for more than 40% of all medium- and long-term loans to SMEs in the region. Center-Invest also provides credit lines, working capital loans and trade finance products to its clientele, which has grown to over 40,000 enterprises.

The bank has embraced environmental, social and governance (ESG) principles and developed a range of products and initiatives that help further social and environmentally friendly goals. In 2011, the bank launched a “Start Up” program to support new businesses. This program provides preferential financing for a term of up to three years, with a six-month grace period, and free business banking during the first year. It has also started its “Enterprise for All” initiative, assisting and educating young people about entrepreneurship through lectures, training and competitions. The bank is also running an energy efficiency project for enterprises in southern Russia.

The bank’s governance is strong and well diversified, split between holdings from development finance institutions (European Bank for Reconstruction and Development (EBRD), 28% and GIZ, 23%), foreign commercial banks (Erste Bank, 10%, Raiffeisenbank, 4%), private investment funds (Firebird Fund, 10%, Renaissance Capital, 8%) and private individuals, including founding members.
3.2 SME BANKS

Figure 19: Center-Invest Bank, Shareholding structure (December 2011)\(^\text{23}\)

- Development finance institutions: 18%
- Private investment funds: 18%
- Private individuals: 14%
- Foreign commercial banks: 50%

3.3 SME Funds

Foreign investors play an important role in providing investment resources to SMEs in emerging and frontier markets, but in an indirect manner. Significant amounts of capital, in the form of mid- to long-term funding, mostly through debt or equity, are disbursed to small enterprise financing intermediaries, either upscaling MFIs or SME banks. Increasingly, however, these investors also use investment funds as a vehicle, primarily to offer equity instruments to SMEs in those markets. While domestic sources hold the vast majority of share capital in SMEs today, foreign investors hold a growing proportion. This is usually invested through funds that can be dedicated to a single country or more generally to a basket of countries. In this way, investors can diversify their participation over an array of activities and market segments. Only a very few funds specialize in single-sector strategies. Foreign investors usually prefer to invest in structures with dedicated domestic teams providing in-depth market coverage and monitoring. Therefore, as for SME debt financing, foreign investors normally prefer to use local financing intermediaries to channel SME equity capital.

Survey of 258 SME funds

A total of 258 funds specializing in SME investments (more than 50% of their target portfolio) in emerging and frontier markets have been identified. Over 70% of those funds provide data enabling the analysis of this category of SEFIs. Three sub-categories of funds have been defined: 1) debt funds, 2) mixed funds and 3) equity funds. Almost three-quarters of the funds surveyed made only equity investments; 18% were mixed funds and the rest debt-only funds. Additionally, while it can be argued that all vehicles provide socio-economic development opportunities to their beneficiaries, the funds’ priorities were categorized either as “impact first” or as “finance first”, depending on their commitment to positive impact goals and measurement. As a result, 155 funds were classified as “impact first” and the remaining 103 as “finance first”.

Historical Distribution

Some of the funds surveyed were established back in the 1990s, although the bulk of them were launched in the mid-2000s. Over two-thirds were created after 2005, with a growing proportion of “impact first” structures. In terms of fund size though, age is positively correlated with size, while the impact vs. finance priority is more evenly distributed among the size range.
Market Size
The total SME portfolio managed by these funds amounts to USD 9.4 billion, with a median fund size of USD 36.4 million, and an average size of USD 85 million, accounting for a wide variance ranging from a maximum of USD 1.3 billion to a minimum of below USD 2 million. In addition, the majority of the funds surveyed are set to reach a target size of between 20 and 100 million within the next five years, boosting the estimated potential market above USD 15 billion in that period. Over 65% of the funds are in their investment period, while 15% are still in their fundraising period and 17% are fully invested.

Figure 22: SME fund breakdown, by target size (% of total funds)

Investment Strategy
The majority of funds chose to invest in only one, in some instances two, stages of SME development in their life cycle (start-up, early stage, mid stage, late stage). Over half (53%) are committed to or include early stage companies and only 2% invest in late-stage SMEs. In terms of target sectors, 60% do not define any, while the remaining 40% specify a couple of priority sectors, with the most recurring theme relating to entrepreneurship promotion and/or socio-economic empowerment, including gender, race and other social criteria.
Fund Management Entities
Despite being managed by 153 different fund managers, the emerging market SME fund industry under study is relatively concentrated, from a volume perspective. The top five funds manage 27% of the assets in the market, the top 10 funds 39% and the top 25 represent 60% of the market. More than three-quarters of the fund managers have operations in the countries in which they invest, either through affiliated offices or through local partners and representatives. Most of them invest in more than one country but only in a specific region, usually never crossing the borders of their targeted continent, with the exception of only a few global managers such as the Small Enterprise Assistance Funds (SEAF) or Aureos Capital.

Regional Breakdown
The bulk of SME funds surveyed (over 40% of them) have their main investment focus on sub-Saharan Africa. Out of these, 18% (46 funds) are incorporated and operate in South Africa, followed by Kenya with 4% (10 funds). The other two key regions in this market are Latin America, with about 15% (39 funds), and South Asia with about 11% (28 funds). Interestingly, in the Middle East and North Africa, a single manager, Tuninvest, accounts for five of the 10 funds covering the region. Only 20% of funds are based in developed countries, primarily in the United States, and about half of those take a global approach to their investment portfolio.
Figure 24: SME fund breakdown, by target region (% of funds)

From a volume perspective, South and East Asia are the most important, with about 43% of assets under management dedicated to those regions. Sub-Saharan Africa drops to about 24%, revealing the smaller size and younger age of its SME funds.

**Target Returns and Investors**

When analyzing their target internal rates of return (IRRs), “equity only” funds intend to reach on average about 24% net annualized return, while “debt only” funds on average about 7%, both in US dollar terms. Very little data is available on their actual results. In terms of type of investors, fund managers target a large array, although some correlation is noticeable between higher target IRRs and private-sector commercial investors. Also, the International Finance Corporation (IFC) is, by far, the name that appears the most in fund presentations.

**Impact Measurement**

SME funds invest, on average, larger amounts in a smaller number of companies compared to Upscaling MFIs or SME banks. This allows funds to maintain better control over their portfolio companies. They produce much more reporting on the impact measurement of their investments. Most of the funds consider both social and environmental criteria, while 45% only consider social development aspects, and 4% only consider environmental criteria. The latter, in most of the cases, are funds investing in green technology and green energy. Over 30% of SME funds apply to or refer to international standards for their social reporting (triple bottom line accounting, impact reporting investment standards, local economic multiplier calculations, etc.). The more experienced fund managers have developed
their own impact measurement systems or metrics. Given the variety of objectives, sectors and approaches, there is still no common reporting framework to measure the impact of SME fund investments.

Figure 25: SME fund breakdown, by main characteristics and target return

<table>
<thead>
<tr>
<th>Target IRR</th>
<th>Minimum</th>
<th>Lowest</th>
<th>Median</th>
<th>Highest</th>
<th>Maximum</th>
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<tbody>
<tr>
<td>3%</td>
<td>Impact First</td>
<td>Impact First</td>
<td>Impact First</td>
<td>Impact First</td>
<td>Finance First</td>
</tr>
<tr>
<td>10%</td>
<td>3 years old</td>
<td>2 years old</td>
<td>3 years old</td>
<td>5 years old</td>
<td>6 years old</td>
</tr>
<tr>
<td>15%</td>
<td>Equity</td>
<td>Debt</td>
<td>Equity</td>
<td>Mixed</td>
<td>Equity</td>
</tr>
<tr>
<td>25%</td>
<td>Sub-Saharan Africa</td>
<td>South Asia</td>
<td>Sub-Saharan Africa</td>
<td>Latin America</td>
<td>Eastern Europe</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>Mid Stage</td>
<td>Early &amp; Mid-Stage</td>
<td>Early Stage</td>
<td>Start-ups &amp; Early Stage</td>
<td>Mid-Stage</td>
</tr>
<tr>
<td></td>
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<td>Multisector</td>
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</tr>
<tr>
<td></td>
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<td>DFIs / IFIs</td>
<td>Blend Fundations / Private Investors</td>
<td>Private Institutional Investors</td>
<td>Private Institutional Investors</td>
</tr>
</tbody>
</table>
Box 4: Pyme Capital and Injaro Fund

Illustration of two SME Funds, one in Latin America and one in Sub-Saharan Africa

Pyme Capital, multi-sector, debt/equity/technical assistance
Pyme Capital is a private equity fund led by an experienced core team of local managers. It provides hands-on debt and equity funding, as well as technical assistance, to growing companies that are well-positioned in their value chains. Their strategy is to contribute to the building of sector-specific ecosystems in Latin America, such as agribusiness, manufacturing and tourism, which are committed to social and environmental responsibility. Pyme Capital supports its investees in the area of management, corporate governance and formalization, and helps them to implement a social auditing tool to measure and assess their economic, social and environmental performances. As of June 2012, the fund has provided around USD 4.2 million in financing as well as technical assistance to 10 companies in Bolivia and Nicaragua, with plans to roll out its model to other Latin American countries over the next few years.

Injaro Fund, West Africa, agriculture and women
Injaro Agricultural Capital Holdings Limited invests debt, quasi-equity and equity in West African small to medium enterprises primarily in the agricultural sector mainly located outside national capital cities and main urban centers. By providing financing combined with technical assistance to companies whose financing needs exceed the limits of traditional microfinance institutions at the bottom end of the spectrum, and large private equity funds at the top end, the fund promotes women’s employment and seeks poverty alleviation and improvements in food security among rural smallholder farmers. As of December 2011, the fund has invested USD 2.7 million in four companies in Ghana, Mali and Niger. Three of the companies are providing seeds to smallholder farmers and the fourth processes and exports cashew nuts to North America and Europe.
3.4 Other sources of funding

Other sources of funding exist for SMEs in emerging and frontier markets that are not accounted for in detail. Commercial credit, leasing and supplier credit and, in some instances, specialized stock markets all provide for additional, sometimes very large, sources of external capital. They are generally perceived as being less likely to abide by or be motivated by establishing positive impact objectives and measurement, although they still contribute to the socio-economic development catalyzed by SMEs in these markets. They nevertheless remain less of a focus for impact investors, which primarily seek to partner with small enterprise financing intermediaries (SEFIs) that commit to positive impact objectives and measurement in parallel to their financial return targets.

**Leasing companies.** Leasing is probably the easiest way to fund small nascent businesses’ fixed assets. This type of financing is particularly relevant in emerging markets for small enterprises that lack sufficient collateral or credit history. Leasing offers access to finance without a significant existing asset base, and without any pledge or third-party guarantee. Leasing also prevents any misuse of the contracted financial obligations. Finally, it is the least burdensome source of funding from a tax and accounting perspective.

**Supplier credit.** In most emerging and frontier markets, supplier credit, where a seller or supplier offers credit to a buyer, is as important as short-term bank credit. Supplier credit applies some form of deferred payment terms to the small enterprises before delivering the goods and/or services. By allowing SMEs to delay payments, their short-term cash management is facilitated. Yet many emerging economies have restrictive legislation which discourages the emergence of large-scale supplier financing practices.

**Commercial banks.** Large international and domestic commercial banks often provide the bulk of loan financing available to the SME sector as a whole. That being said, they typically focus on the upper segments of SME markets, which are generally tied to regulatory and financial constraints. For instance, supervisory requirements usually include up-to-date audited accounts from SME clients to avoid automatic 100% provisioning of loan positions. As a consequence, in particular in emerging and frontier markets,
commercial banks tend to be later stage financial partners for medium-sized companies that require larger capital flows and more sophisticated financial services.

**SME stock exchanges.** Some companies in the upper and more mature segment of the SME sector eventually list themselves on the local stock markets. Some countries already have dedicated SME stock markets, though these are very rare in emerging and frontier markets. That being said “small cap” funds have grown more common over the years and offer a further prospect for small companies that go public.
4. SOCIAL RESPONSIBILITY RATINGS
Impact investors seek to generate positive social impact and performance through their investments. They usually focus on the downstream measurement of their investment, not only in terms of financial results, but in terms of impact indicators, which can measure the outcome of their investment inflow. Some seek social impact or social performance evaluations to assess and confirm such outcomes. But the most efficient way to predict positive social impact is through an upstream approach, not only by requesting legal covenants regarding the terms of use of their capital or requesting specific impact measurement reporting, but by creating impact filters which enable investors to select financing intermediaries that have the highest likelihood of contributing responsibly to sustainable finance and development.

The concept of responsible investment emerged in the 1990s in parallel with sustainable development and as a reaction to the existing shareholder value maximization models which focus primarily on a single-minded approach to value creation. For socially responsible investors, creating sustainable growth requires a shared multi-stakeholder approach and the balancing of the needs of owners, employees and managers, clients and suppliers, government, communities and the environment. Their aim is to guarantee the opportunity to maintain long-term profit to all the individuals involved in a value chain.

In line with this approach, Symbiotics has developed a social responsibility rating that has been applied systematically to all investees since 2009, and consequently to several hundred investments. The rating measures the extent to which financing intermediaries contribute to sustainable socio-economic development and act responsibly towards all of their various stakeholders. The rating is made with over 100 indicators broken down into seven key dimensions and a number of sub-dimensions. Each indicator is graded from zero to three - very poor social responsibility to high-quality social responsibility. A weighting system is then applied to calculate an overall grade ranking from one to five stars (where one star represents a very low likelihood of contributing to sustainable development, and five stars represents a very strong likelihood of contributing to sustainable development).
The seven key dimensions of the Symbiotics Social Responsibility Rating:

1. **Social governance** - Symbiotics defines social governance as the process by which the board of directors and the management team guide an institution in fulfilling its corporate mission, in line with shareholders’ social and financial expectations. The “social governance” indicators aim at assessing the social orientation of the shareholders and the institution’s social mission, target market and development objectives.

2. **Labor climate** - The institution’s human resources policies are an important measure of fair treatment of employees. This section of the rating carefully examines employment conditions, employee-management relations, equal treatment in employment and occupation, health and safety measures.

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24 Sample of the Symbiotics Social Responsibility Rating on a pool of banks and non-bank financial institutions (NBFI). Both the banks and NBFIs received 3.5 stars, which corresponds to a strong likelihood of contributing to sustainable development and a low risk of having a negative social impact.
3. **Financial inclusion** - Fighting financial exclusion is the core mission of microfinance institutions. This implies developing and implementing strategies, techniques, procedures and systems that allow for the removal of barriers to financial inclusion and thus facilitate access to financial services by low-income and excluded populations. In this section, the strategy and results in the area of financial inclusion are examined, as well as the ability to serve low-income and underserved clients.

4. **Client protection** - Social responsibility towards clients is a fundamental dimension of a small enterprise financing intermediary's (SEFI) social performance, and is becoming ever more relevant. The 2012 Microfinance Banana Skins Survey published by the Center for the Study of Financial Innovation ranks “over-indebtedness” as a key risk in microfinance. Under client protection, Symbiotics looks for fair and transparent dealings with clients. The indicators are linked to “The Smart Campaign”, which has developed standards to measure the appropriate treatment of low-income clients based on six principles: 1) avoidance of over-indebtedness; 2) transparent pricing; 3) appropriate collections practices; 4) ethical staff behavior; 5) mechanisms for redress of grievances; 6) privacy of client data.

5. **Product quality** - Well-suited products and services allow low-income households to manage their cash flows more efficiently, invest in assets and cover themselves against potential risks or unexpected expenses. This, in turn, improves their well-being and increases the capital growth within their households. A number of indicators are employed to measure the marketing strategy and activities of an MFI as well as the diversity and quality of its financial and non-financial products and services.

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25 The Smart Campaign was launched in October 2009 by the Consultative Group to Assist the Poor (CGAP) and is now managed by the Center for Financial Inclusion at Accion International in Washington DC.
6. **Community engagement** - A SEFI can have a relevant impact in the community where it operates, not only through the provision of financial services to its clients but also through the implementation of policies and actions aimed at supporting community development on the whole. Analysis of employment creation, types of activities financed and local integration help to evaluate the institution’s social impact on its local community.

7. **Environmental policy** - The impact that SEFI activities can have on the environment may be particularly strong because of the low technological level of emerging and frontier markets, a general lack of regulatory supervision, and due to the absence of supporting infrastructure and services. Each policy and initiative designed to mitigate environmental impact is assessed in detail, as well as the activities of SMEs clients.
5. IMPACT MEASUREMENT
Measuring the downstream footprint of investments

Small enterprise impact investors will guide their investment selection upstream by using social responsibility ratings assessing the likelihood of their investees to contribute to sustainable development for their various stakeholders. They will also seek to measure the downstream footprint of their investments over time in terms of positive social change. The key impact variable is to evaluate both the economic value creation capacity – measured by the growth and volume of output and revenues generated – and the social value creation capacity – measured by the number and quality of jobs they create and sustain. Impact is assessed at the enterprise level: by the income and employment change within small enterprises financed by the investor, and not at the stakeholders’ (staff, management, suppliers, clients) household level. Some impact studies exist which analyze the consumption behavior of households; however, these parties are not part of the investment value chain and thus are not controlled by the enterprise. The assumption is that strong revenue and employment figures trickledown into creating better socio-economic living standards. Moreover, by focusing on enterprises that employ low-income populations, the investor can focus on improving living conditions at the base of the pyramid.

Oxfam and Symbiotics SME impact indicators

Oxfam and Symbiotics have defined a core set of SME impact indicators, working off the ANDE\textsuperscript{26} Core Metrics, in-line with the reporting taxonomy developed by IRIS.\textsuperscript{27} The indicators use five key dimensions of an enterprise activity: 1) its output, 2) its revenues, 3) its financing, 4) its employment, and 5) its wages. Both their absolute number and their growth are then measured over time. For the last two indicators, it further seeks to measure their breakdown by gender and by quality (full time/long term vs. part time/short term). Symbiotics and Oxfam have committed themselves to applying this measurement to all small enterprise impact investments in which they are jointly engaged.

\textsuperscript{26} The Aspen Network for Development Entrepreneurs (ANDE) is a global network of organizations that invest money and expertise to propel entrepreneurship in emerging markets.

\textsuperscript{27} The Impact Reporting and Investment Standards (IRIS), with which ANDE has developed a strategic partnership, provide a standard taxonomy of metrics that describe the social and environmental performance of a company.
This reporting framework allows investors to measure both the size and growth of social and economic value creation of the enterprises they finance. Over time, the direction of travel should demonstrate the positive impact the investment may have made as well as its sustainable and shared value creation, thus connecting both ends of the investment value chain.
Small enterprise impact investing matters: for small enterprises in low-income markets and their employees; for high-income population investors and their retirement plans; at a systemic level for the balanced and efficient asset allocation of global capital flows; and for the promotion of principles of sustainability and social responsibility.

Small enterprises in low-income economies
Small enterprise impact investing matters for the small enterprise, in particular for small enterprises in low-income economies. Today, thanks to the globalization of the world economy, they face an unprecedented period of potential economic growth and development. They still often lack the access to finance which would allow them to grasp this economic opportunity, provide sustainability to their cash flows, or invest in new value creation. But when they do, small enterprises can thrive and, more importantly, provide social transformation and well-being to their employees. In low-income economies, sustainable paid employment is the main factor keeping people out of poverty and helping them accumulate resources and improve their household living standard. By bridging the “missing middle” between micro-, often self-employed, economic activity and large corporate finance, small enterprise impact investors contribute to densifying the SME market, creating jobs and unlocking the benefits of economic growth for the base of the pyramid.

High-income population investors
Small enterprise impact investing matters for the investor, in particular for those based in more developed economies. Today they face an unprecedented period of anemic growth and stagnant economic development. Despite their savings surplus, they still require regular capital gains to sustain their retirement plans, but lack the opportunity to invest in strong and lasting value creation opportunities domestically. They also are increasingly recalcitrant to investing in over-indebted governmental policies or speculative financial markets, both of which have provided more short-term volatility than long-term value creation to their portfolios in recent years. By investing in small enterprises in emerging and frontier markets, they invest in a tangible value chain, in a lasting strong growth environment, and in a fundamentally healthy underlying asset, helping low-income households access goods of first necessity.
Balanced and efficient global capital flows
Small enterprise impact investing matters for everyone else, because the nexus between small enterprises in emerging and frontier markets lacking access to capital and investors in high-income markets with savings surpluses lacking capital gain opportunities is increasingly apparent as a contribution to solving some of the challenges of a globalized world. The population of the planet is expected to reach 9 billion people by 2050, with a net daily increase of 150,000 people until then. Lower income economies will absorb the vast majority of this new population, with very few solutions to the higher consumption expectations, higher infrastructure needs and higher job creation requirements it will trigger – if not supported by massive capital influx to sustain such demand. Higher income economies will face ageing populations which will need to repay colossal amounts of debt and even greater retirement plan cash-flows, without the necessary economic output to sustain them – if not supported by new and sustainable financial revenue opportunities. A lack of either supply of capital or demand for capital will only result in serious social strife and unrest in their respective populations. By successfully building this nexus between low-income, high-value creation markets and high–income, lower growth markets, the global financial system can offer a more integrated, balanced and efficient allocation of assets to its multiple stakeholders.

Promotion of sustainability and social responsibility principles
Small enterprise impact investing matters for the sake of achieving measurable lasting change and development, because simply identifying a gap to bridge is not enough. Indeed, there is a need today for a reallocation of capital from supply surpluses in high-income markets to unmet demand in low-income economies. But the path toward bridging this gap is nevertheless paved by requirements that go beyond the individual free will and immediate self-interest principles underpinning the financial first investment strategies of the majority of investors today. Arguably, investors lack the visibility and measurement of their gains in impact first investment strategies. Impact investing assumes that multi-stakeholder approaches will be used in selecting and monitoring investments. They typically encompass the interest of all stakeholders in a financial value chain, not only oneself as the investor, but also the investee’s governance, management, staff, customers and suppliers, as well as the government and community recipient of its taxes, and eventually the environment surrounding it.
Impact investors are driven by such principles of sustainability and social responsibility. They act accordingly because, without necessarily being able to measure their immediate profits, they understand the longer term self-interested gains and benefits they earn from adopting these more complex investment strategies. By helping their investees balance multiple interests in the long run, and consequentially creating more lasting impact, they may limit their own short-term profit maximization capacity but maximize the stability and sustainability of their capital gains in the longer term. Impact investors eventually aim to trigger a symbiotic relationship of shared interest and partnership which proves to be mutually beneficially to all stakeholders in a value chain. They also strive to manage this goal by developing more comprehensive measurement and reporting of their impact towards their multiple stakeholders, which ultimately serve as a measure of achieving their lasting self-interest.

Investors in more developed economies will increasingly turn to small enterprise impact investing as they seek alternative investment opportunities in emerging and frontier markets and sustainable and socially responsible investments for their portfolios. Some investors may seek direct investments, but most will use indirect means to grasp a larger part of the market, with a more diversified and risk-balanced approach, by investing in a portfolio of local small enterprise financing intermediaries, whether funds, banks or specialized financial institutions. They can seek equity, high yield or fixed income risk, and can elect to take specific regional, country or currency exposures. They can chose among an array of sustainability filters, social responsibility ratings or impact measurement criteria. But altogether, today’s investors have a vast and growing collection of investment instruments, products and strategies available to them to reach into the market for small enterprise impact investing.
About the Authors

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Roland co-founded Symbiotics in 2004 and has held the position of CEO since 2008. Prior to that, he successively worked in institutional asset management at UBS in Geneva, in management consulting at PricewaterhouseCoopers in Switzerland, in corporate finance in San Francisco and as CFO at BlueOrchard Finance. He holds a master’s degree in international relations from IHEID in Geneva and a master’s degree in social sciences from the University of Chicago.

Julia Minici
Julia formerly headed the global market research unit at Symbiotics, where she managed the company’s reference research tools, ran industry surveys, contributed to books and papers and developed Syminvest.com, the company’s on-line research and investment platform. She also worked as an analyst for JPMorgan Chase in Geneva, as well as in public relations both in Italy and Singapore. Julia holds a bachelor’s degree in business administration from Bocconi University in Milano and is completing an MBA at the University of St. Gallen in Switzerland.
About Symbiotics

Symbiotics started its operations during the United Nations Year of Micro-Credit in 2005. At that time, the company’s founders had been involved in a range of pioneering initiatives within the industry, both with commercial investors and non-profit policy-makers. Their aim when setting up Symbiotics was to serve as an intermediary for traditional asset managers desiring to reach out into microfinance, small enterprise development and the social economy in general. Today, the company has grown into one of the larger financial intermediaries of this space, with a wide product offering, including market research, investment advisory, asset management and brokerage services.

Symbiotics has facilitated over 1,300 transactions amounting to more than USD 1.3 billion in microfinance and small enterprise investments among as many as 25 investment funds and more than 175 financial institutions in 45 emerging economies.

As of end 2012, the company’s investor portfolios have financed more than half a million micro and medium enterprises, providing access to capital and financial services to over two million low-income households in emerging and frontier markets.

Its offices in Cape Town, Geneva, Mexico City and Singapore currently employ more than 40 professionals from 15 different countries. The company has an independent board of directors and a wide shareholder base, ensuring sound corporate governance.

Most notably, the company’s asset management team has upheld overall above benchmark performances in microfinance fixed income funds since 2008, targeting qualified investors mostly in Austria, Germany, the Netherlands and Switzerland.

Symbiotics also stands out for having developed Syminvest.com – one of the largest on-line microfinance and SME impact research databases and investment platforms. It currently has more than 1,000 individual account users and more than 400 free research account users.
For more information on Symbiotics:
www.symbioticsgroup.com
www.syminvest.com
“Investors in more developed economies will increasingly turn to small enterprise impact investing as they look for alternative investment opportunities in emerging and frontier markets and seek sustainable and socially responsible investments.”

This book is an introductory research guide to small enterprise impact investing. The reader will gain expertise in this new investment theme, exploring its background, rationale and universe.